

Analysis of the Impact of US Government Behavior on the Economy During the COVID-19 Epidemic

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Abstract: Nowadays, the influence that caused by the government in the aspect of national economy becomes bigger, especially in the special time period such as epidemic. In this study, I analyzed the several aspects of how does the American government affect the national economy by the method of policy in the COVID-19 period. Since the American government prompted the development of American industry system in 18th century, the government power and effect on the development direction of economy became even larger. In 21st century, American government still controls the economy but much weaker because of the ‘Small Government’ strategy, but in the period of epidemic, the Biden government’s ‘Bidenomic’ chose to back to the ‘Big government’ strategy. Such as controlling the export and import, providing more policy that can restrict the action of business, producing the recuse plan act to help extreme poor people in epidemic. This essay will also illustrate the specific influence of government of the economy in epidemic time, for example, the GDP growth, the investment and consuming, the export and import, and some bad result like inflation.

Keywords: American government, economy, COVID-19 epidemic, GDP.

1. Introduction

Nowadays, the impact of government action, policy and plan becomes bigger and bigger, in the history of American economy development, the US government always have an important and impressive character, the US government behavior is the symbol of their attitude. The government prompt the development of the American industry system in 18th century, the construction of the American transportation system and nationwide communication system in 19th century, the American information and biologic technology revolution in 20th and 21st century. In recent years, the Trump government and Biden government provided the “American First” and “Bidenomic” respectively to restoring American economy. These are all the consequences of government behavior. Comparing to the 20th century 90s, the growth of economy of USA in 21st century is poorer and slower, many people blame the relative recession and slowdown of economic development on the impact of the September 11 terrorist attacks.

However, the COVID-19 epidemic becomes the biggest influencer of economy in 2019 to 2023. The USA government also provided lots of policies, act plans to ‘rescue’ the American economy growth from several aspect and by many methods. Unfortunately, the epidemic crossed two period of president term of office, there are some differences between them. The theme of the research is the

Impact of US Government Behavior on the Economy during the COVID-19 Epidemic, in the research, the paper will include the detailed, specific information and data of US situation before and in the epidemic (early period); the concrete act plans and method of Biden governments; the impact of these plans on the overall economy and the structural economy; the part that needs to improving and some most important that did not solve. The main purpose of this paper is to analysis the policies of American government (mainly Biden government) and related them to the consequences of these act plans, whether it is negative or positive.

The significance of the researching is to conclude the short-coming and bad result, also provides some possible solution and the indicates the problem that did not solved because of some reasons. Overall, this essay may be can provide some inspiration to other scholar that also research about the American economy during epidemic, hope this paper can be helpful.

Additionally, the framework of the essay are as follows, the second section is the literature review, the third section is the basic fact analysis which includes the analysis of the development of the US economy and US policy during the COVID-19 epidemic, the fourth section is the relationship between US government policies and the economy which includes the impact of US government policies on the overall economy and the structural impact, the fifth section is the conclusion of whole study and the sixth section is the reference.

2. Literature Review

Zhen Xiang believes that the nowadays American economy development tendency have many shortcomings, and this negative aspect such as inflation, unemployment and stocks declining will cause the American economy cannot achieve the soft landing [1]. However, the Fu Suixin thinks the 'Bidenomic' maybe will enhance the economy to become better and growth faster to defeat China because of it will support by both of Republican and Democratic parties and it is more pragmatic such as abandoning neoliberalism [2]. U.S. Department of the Treasury provides many acts and plans for those people or small company who cannot afford the living cost and which cannot stay alive in epidemic era, they believe these programs are helpful and useful that can solve the problems such as capital chain rupture [3]. Additionally, U.S. Department of the Treasury believe that these measures are effective and positive in this report. They think this program helped people and achieved their target. These all supports by the data in this paper [4]. In this research, authors think the 'Bidenomic' more leans to the new realism of economy, and the causes of this changing is the COVID-19 epidemic, in this kind of policy, the government more focus on balancing and adjusting [5].

On the other hand, Yang Binhong believes the The Biden administration's creation of 'high economic growth' and the 'low unemployment rate' is achieved under sustained high inflation conditions in his essay, if the government do not produce other method to solve this kind of problem, then the system is unstable [6]. Xu Yuan pointed out the situation of the 'Bidenomic' in 2024, which is the increasing of prices and inflation, this makes the people complaining a lot [7]. However, the author of 'A policy window for equity? The American Rescue Plan and local government response' believes that the ARPA prompted the local innovation and investment on living needs such as the infrastructure, and it will change the condition of local investment and consumption direction [8]. In this report, the author believes that the road to recovery of American import and export is positive and effective, since the import and export amount already achieve the same amount as before epidemic, the only changing is the import and export target countries [9].

Overall, professor Lu Yanhui thinks the export and import and other national economics governance method of Biden government is basically as same as the Trump government, especially towards to China such as the trades war, they want become the leader of trades again, but he does not think so because of the changing of era and global situation [10].

3. Basic Fact Analysis

3.1. Analysis of the Development of the US Economy

According to ‘Is the US economy heading towards recession? Global market concerns’ : ‘The US Bureau of Labor Statistics released July US non-farm employment data: the number of non-farm jobs added in July was 114000, far lower than the previous value of 179000; The unemployment rate in July increased by 0.2 percentage points month on month to 4.3%, reaching its highest level since October 2021 July 2nd. The S&P 500 index falling 1.84%, the Nasdaq index falling 2.43%, and the Dow Jones Industrial Average falling 1.51%. The Chicago Board Options Exchange Volatility Index (VIX), known as the Panic Index, surged to 23.39, reaching the highest level since March 2023’ [1]. These data show the situation of American economy is not very good in the aspect of stock and the aspect of unemployment rate (Figure 3).

Nevertheless, according to the data from World Bank, in recent years, the growth of American economy is slower, especially the total treasury bond of the US federal government has exceeded 34 trillion US dollars. Before and after the epidemic, the growth of American GDP has lot of big fluctuate, at the 2020, the growth of GDP is -2,21%. Then at 2021, the growth of GDP is 5.77%, but we must consider the GDP of last year, which makes the GDP growth of this year is not very eye catching (Figure 1).

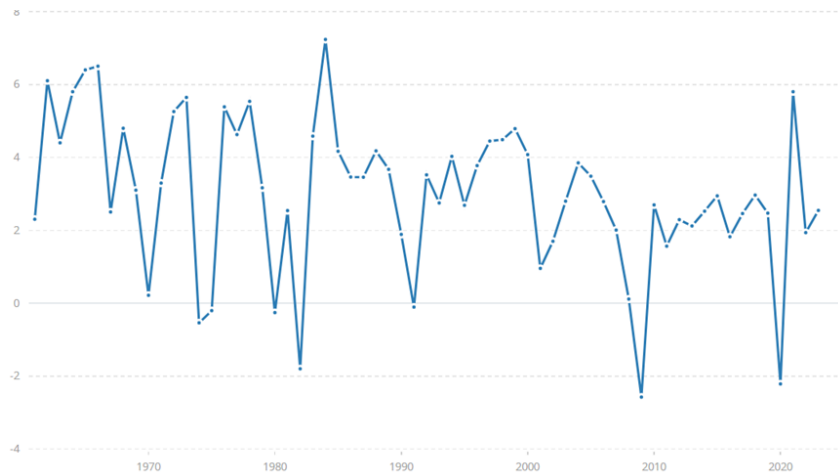


Figure 1: The American annual GDP growth percentage (1961-2023)

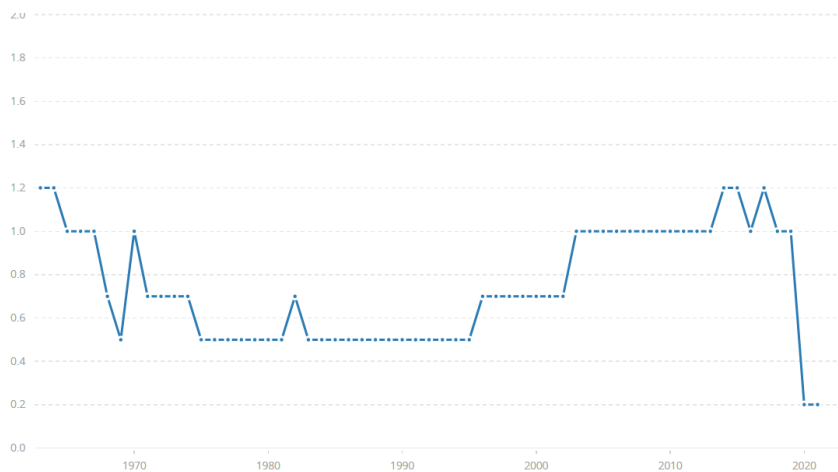


Figure 2: American proportion of impoverished population (1963-2021)

When the time comes to 2022, American government starting to end the ‘epidemic mode’ the GDP growth back to normal average growth, which is 1.94%. In addition, in other economic aspect such as per capita GDP, employment and unemployment, and proportion of impoverished population the situation is also not very optimistic (Figure 2). Three data all have a big ‘gap’ or a sharp ‘spike’ in 2020, which means in 2020 everything became the worst situation ever in recent years. We can see the COVID-19 epidemic brings many effects to the development of USA economy, this epidemic increases the inequality situation and the unemployment situation, and the consequences of it are the affection of COVID in social security aspect and economic aspect, which slowing down the pace of the US economy

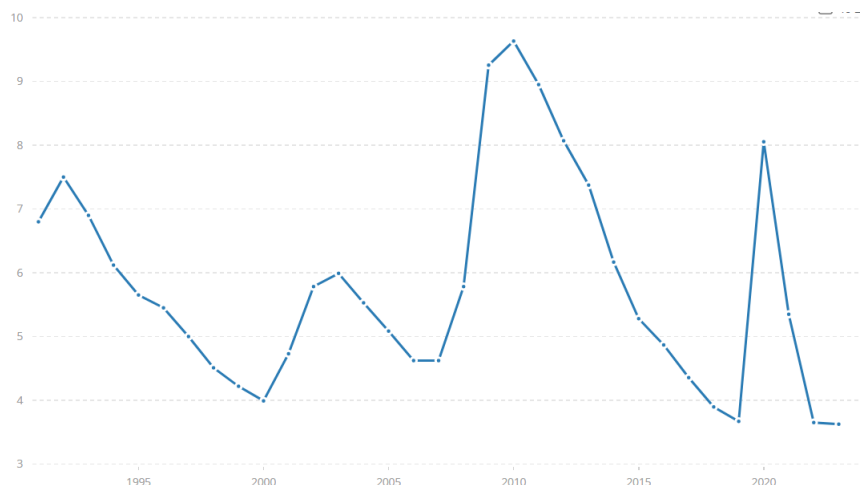


Figure 3: American total unemployment (1991-2023)

3.2. US policy during the COVID-19 epidemic

To preventing the effect caused by epidemic, what did Biden government have done during the COVID-19 epidemic? According to ‘Biden Economics and the New Economic Paradigm in the United States’, ‘Bidenomic’ has four central policies, which is, the American Rescue Plan, the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and the CHIPS and Science Act 2022 [2]. The first, second one is the plan that provided during the epidemic time, especially, the first one plan, American Rescue Plan. This is the biggest plan that produced by Biden government during the COVID-19 period in 2021, the goal of this plan is to rescuing the people who suffering from the epidemic time because of poverty.

According to ‘Office of Recovery Programs Economic Recovery Learning Agenda’ and ‘american rescue plan two years in: the american rescue plan act’s historic investments in a stronger economic future’, Biden government provided two kinds of policy, assistance for American families and workers and assistance for small businesses. First, the assistance for American families and workers policy has 4 different small policies, economic impact payment, giving money to adults, children, families and couples; unemployment compensation, tax relief for people who lost their jobs; child tax credit, credit benefits for family which take care of children; emergency rental assistance program, funding those landlord and tenant. Second, the assistance for small businesses has 3 different policies, small business tax credit programs, allows businesses to offset their current payroll tax liabilities; paid leave credit, dollar-for-dollar tax credits and offer paid leave; paycheck protection program, funds small businesses [3-4].

Additionally, the Inflation Reduction Act’s goal is to creating more employment, and use this as a ‘springboard’, to restore the American economy in the COVID-19 period, also to assist the previous

bill and minimize income inequality as much as possible. The CHIPS and Science Act 2022 is not directly related to the COVID-19 economic rescuing, in addition, they were also signed after the end of the pandemic in the United States (without pandemic control). However, the third one can be regarded as the solution of the bad consequences of first plan, which is the inflation of American. In 2022, The same product as before has increased by an average of \$8508, according to World Bank, the annual inflation rate is 8%, the high inflation rate makes the product more expensive than before, which decreases the effect of the ARPA. This is the one of the reasons of there are some people have given negative reviews to this bill. Overall, these plans have the significant feature of 'Bidenomic' which is setting national goals for the US economy, followed by government intervention in the US economy, signing bills to achieve the main goal of achieving post pandemic economic recovery and preventing the US economy from completely collapsing during the pandemic. From the perspective of the overall GDP growth, Biden government achieved the economic GDP growth and their target (Figure 4).

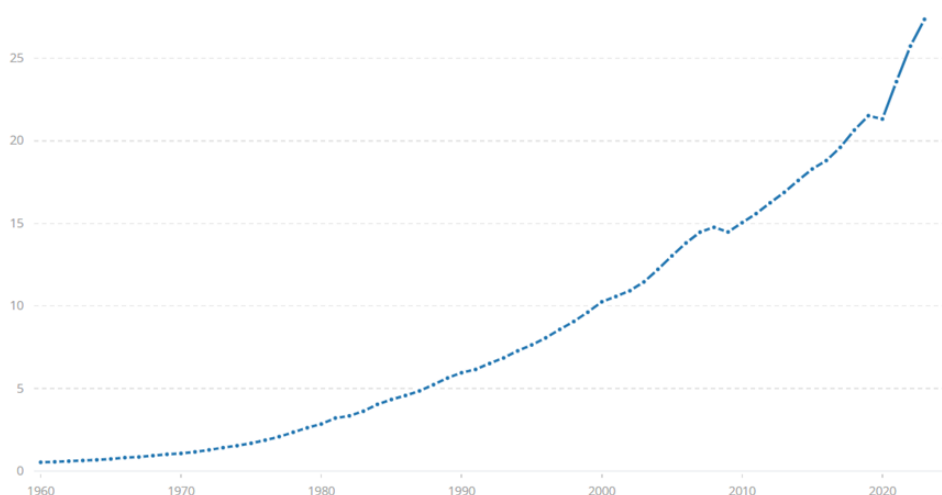


Figure 4: The American GDP growth (1960-2023)

4. The relationship between US government policies and the economy

4.1. The impact of US government policies on the overall economy

According to 'Research on the Paradigm Shift of US Government Economic Policy and Its Impact', author mentions that 'The crisis of the COVID-19 has exposed the drawbacks of the income gap in the American society. Low - and middle-income families cut off their income sources because of unemployment, and they urgently need government assistance' [5]. Biden government noticed this kind of situation, so they provided the American Rescue Plan, then to assist this plan, they produced the Infrastructure Investment and Jobs Act, in addition, the government in order to solve the inflation problem left by the first two, it proposed the Inflation Reduction Act. Overall, we can see Biden government tried to making lot of impact on American economy for stabilize it and continuously maintain a dominant position. So, is this method useful? In USA, the theme of freedom always is the main propaganda slogan, as well as their idea on the economy. To prove the strength of the free market economy, American people always more likely to trust the hand of market than the hand of government. However, the Biden government used the power of government to adjusting the economy by their many big and small plans of 'Bidenomic'. Besides, the epidemic policy and COVID method mainly focused on control, the controlling will relate to the decreases of the consuming and productivity, since people have no freedom to go out and losing their job and employment. According

to ‘Research on the Paradigm Shift of US Government Economic Policy and Its Impact’, American government intervened the economy by strengthen the ‘big government’ national governance model, based on which macroeconomic policies and the actions of certain large enterprises and economic organizations are subject to the goals of the US government [5]. In the micro level, efforts are being made to enhance the resilience of the industrial chain in the US economy. This is because of the phenomenon that exposed by the epidemic, which is shortage of epidemic prevention materials and disruption of the industrial chain. Although, Biden’s policy caused a big inflation, however, it also related to many positive consequences. For example, the United States proposes to set a minimum tax rate of 15% for multinational corporations, this proposal attracted local investment and production from enterprises. Biden rises the smallest salary per hour of the worker to 15 US dollar, this action trying to stabilize the industrial chain by the way of caring workers and increasing the social stability [6].

4.2. Structural Impact

According to the information from the ‘GDP growth rate (annual percentage) - United States’ the data from the World Bank, the growth of USA GDP in 2020 is negative, however in next few years, the growth of the GDP in American continuously increases. The growth rate of GDP of American in 2020, 2021, 2022, 2023 are -2.77%, 5.7%, 2.9%, 2.5% respectively. The growth rate of the GDP back to the normal average growth rate in recent years, this study believes that Biden government faced lot of challenges in these years, and they stabilized the growth of economy.

Firstly, from the perspective of the consumption of American. Since the epidemic happened, the consumption direction changed a lot because of the epidemic period living needs. The consumption of American people is limited by several factors, for example, the biggest one should be the consideration of the health. People pay more attention of consumption on the product that necessary for their living, for example the toilet paper, the foods, the toiletries. People are worrying about their living issue not other things like entertainment, this maybe was good for company that produced these products, but from the perspective of whole economy, the consumption will decrease because everyone is afraid of another epidemic or a resurgence of the epidemic. This essay believes that the reason of this increasing is due to the original dynamism of the American economy, the increasing range even bigger than few years ago. Considering about the inflation, the essay believes that the impact of Biden’s policy on the consumption is positive but not very positive, for example, according to the ‘High prices, people don’t buy into ‘Biden economics’ account’: ‘The latest data from the US Department of Labor shows that the Consumer Price Index (CPI) rose by 3.5% year-on-year in March, an increase of 0.3 percentage points from February’ [7]. Overall, He stabilized the consumption during the period of COVID, after the COVID period, this essay believes that bigger factor of consumption restored is the end of COVID. US government stabilized the consumption by aiding people and small companies, increasing salary, but also created and increased the new problem, which is inflation and the income inequality.

Secondly, from the perspective of the investment aspect. When the government noticed the epidemic widely and rapidly affected the economy, the investment of government and people shift from a big range to a smaller and narrower aspect like infrastructure to ensure the living needs. According to exits paper, the ARPA (American Rescue Plan Act) funds whole deliver \$350 billion to state, territorial, local, and Tribal governments across the country [4]. In addition, according to “A policy window for equity? The American Rescue Plan and local government response”, the broadband infrastructure is one of the most important investment the ARPA invested. “Within these investments, water and sewer projects took the lead (73%), followed by public safety equipment (32%), and broadband infrastructure (30%).” Also “The importance of the emergency is reflected in local ARPA investments. Within the housing category, investments to end homelessness account for

43.6% (Brookings, 2023).” Nevertheless, this proposal also funded the medicine aspect. At the end of essay, author thinks this kind of government-initiated community wide, multi-faceted economic investment can penetrate into future policies and broader society, which makes people have more social rights [8]. The study believes that this proposal provides lot of money for people in the poverty during period of COVID-19, it done what it should done by investing several aspects that lack of social investment. However, this paper believes it did not highly affect the amount of American investment, according to ‘macroview’, the Proportion of US GDP _ Domestic Private Investment is always not very stable at the period of Biden government, in the second quarter of 2020, the second quarter of 2021, and the first quarter of 2023, the proportion of US GDP to domestic private investment was the lowest during the Biden administration, they are 16.3%, 17.2%, 17.6% respectively.

Finally, from the perspective of the import and export trade. Since the China US trade war has begun, the export and import have undergone significant changes, such as changing major import place, and manufacturing reflux. According to the ‘U.S. Trade in 2021: U.S. Exporters on Road to Recovery’, exports in 2021 recovered to pre-pandemic levels, while imports exceeded theirs, but there are several different things that we should notice, for example, at the aspect of the import [9]. Although the top five import partners have not changed, but the place of Vietnam’s place rase up from position 12 to position 6, other places such as Malaysia also rase. However, the import with China declined, for example since 2018 and trade war with China began, the import of Computer and Electronic Products, Apparel, and Furniture declined. According to ‘Biden administration's foreign trade policy’, Lu Yanhui (Honorary Associate Professor at the School of Economics and Management, University of Hong Kong) evaluated: ‘after taking office, Biden did not adjust his China policy in the US China trade war, but took several actions. One is to require relevant officials to conduct a comprehensive review of all US supply chains within 100 days, with the ultimate goal of reducing US dependence on foreign supply chains’ [10]. Although the American want to reach the return of manufacturing industry and partial decoupling by these method, the overall amount did not decline, according to the same source, in 2021, there are electronic product that values 465,207 million of dollars imported from other countries, combine with the information that study mentioned before, we can conclude that US began choosing more import countries.

In conclusion, the policies of Biden government still elongated part of method of Trump government, in the trade aspect, still maintained the trade conservatism against to Europe and China, for the diversity of the foreign import, it chose to rase other countries except the China and Europe. To ensure the decoupling can be carrying out when American needs it, Biden government maintained and increased a lit bit the trade amount, but chose diverse places as importer and exporter in epidemic era.

5. Conclusion

In conclusion, this study found that the impact of US government policy is very impressive and very big, the policy affected lots of aspect, in the period of the epidemic, US government provided many different policies and the target audiences are also different. They want to stabilize the economy from consumption, investment and the trade, this paper believes that they have done it, from the data that produced by them self and other organization can prove this. Besides these aspects, they still keeping their normal policy that come from the Trump government. If we consider about the speed of reflection and the effect, the trade part was good, however, about the consumption and the investment part, the paper believes that Biden’s government did not solve the main problem. These policies had very obvious pertinence, especially the ARPA, the good aspect of it is it relieving the American poor people’s intensive problem of living in the COVID-period. However, it did not solve the income inequality this biggest problem between social class of American.

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