

# Effective Macro Policy of Global and Industrial Economy

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## Abstract

Keynesian theory is rightly analyzed, and emphasized that any deficiency in aggregate demand in an economy, intervention of macro policy decision makers becomes most essential. Both fiscal and monetary policy decision making plays a significant role. Real nutrition is done while making decision via quantitative easing method to overcome the deficiency in the economy especially during pandemic situation. This chapter would reinforce how the goals of stability are ensured through fiscal and monetary measures. These two macro policies are like of two phases of same coin. Macro policy decision complements each other. Both fiscal and monetary policy decision is essential to protect the economy, as well to build confidence when the economy swings in down phase. Very specifically sectors like, business, health, tourism, aging group, weaker sections and informal population, have highly impacted. Chapter has explained that any economy in the world have adapted similar policy objectives to ensure that growth is not paused, but activated with constant quantitative easing based on priority to the needy as well to small and larger business undertaking. Fifteen economies have been chosen and analyzed to know the power of decision making and immediate pump priming of funds to ensure economy has adequate liquidity to revolve the economic activity to promote aggregate demand and growth is stabilized.

**Keywords:** macro policy, quantitative easing, program, packages

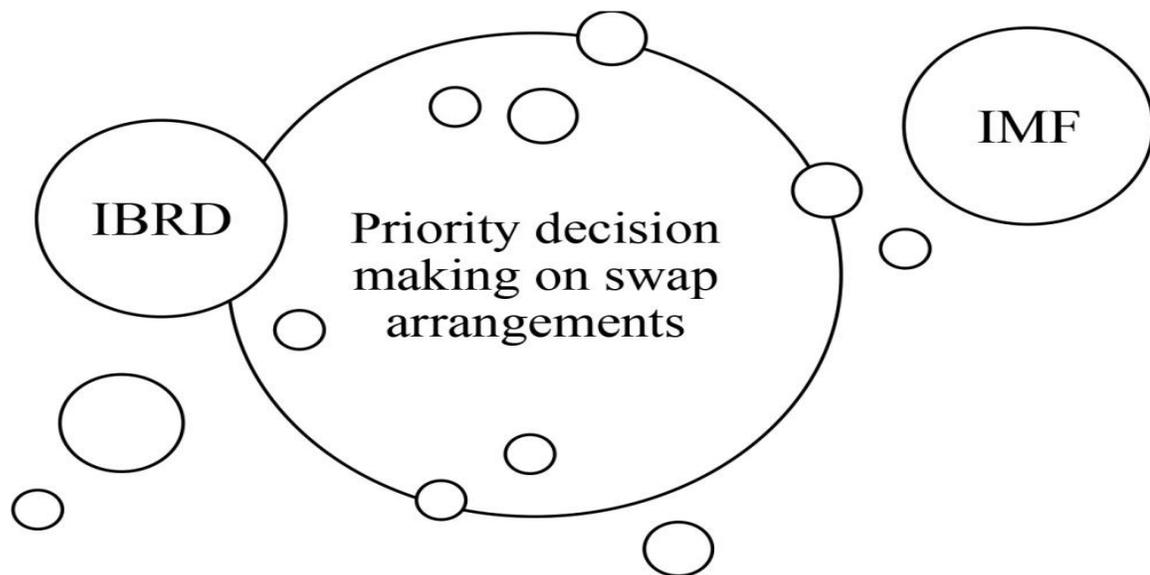
## Introduction

Outburst of pandemic has mandatorily put all the government across the globe to pause in an unprecedented manner. To enact plan of action, policy makers, had to defend for not compromising growth at any cost. In the course of decision making choice is to flatten the spread of contagious corona virus and keep up the continuity to regain the strength of the economy. Under this unusual times extraordinary courage of making tradeoff decisions are noteworthy. With low pulse of movements in main financial variables has made financial market sensitive. This triggers financial movements make liquidity stress and credit crisis events to become weak. This situation jolts financial companies to uncertain situations and impacts corporate operations. Some of the economies enjoy a predefined strategy of healthy gross domestic savings and therefore profitability. Main aim of policy decision makers is to mitigate the pandemic and sidestep severe liquidity crisis and protecting the mesh. In response to this crisis, nodal premier authorities like the government and central banks worldwide have enacted sweeping, sizable fiscal and monetary stimulus measures to counteract the disruption caused by corona virus. Need of the requirement a broad range of steps have been taken to combat covid-19. Disruption caused by pandemic have made economic activity highly impacted and this has caused to pumping in \$trillions to combat the situation. Both the fiscal as well monetary authorities have been effective in creating liquidity stimuli based on immediate priority and need of the respective economy in the global world. Stimulus was mostly on interest rate, freezing, loans and asset purchases, as well regulation rate on investment components. Fiscal authorities as well in similar manner have announced packages and programmers to combat the contagious effect. Release of money, food security, rescheduling tax payment and filing was also in check list. Fiscal undertaking emphasized the need of funding to the state and local government in the form of money allocation to stop the spread of virus across as well overseas.

## Global Effort and their Power of Decision Making

International efforts to contain the spread, decision made were among chosen economies. One of the immediate efforts taken was to lower the price of dollar with liquidity swap arrangements. This decision will help all central banks to implement quantitative easing. Focus is to by reducing currency swaps more money is made available with central banks to ensure there is enough money available for people and businesses who want to take loan and people to have adequate liquidity. Based on the decision immediate effect selected countries could channel the spillover of funds among countries central bank through international financial organization like world bank and international monetary fund, by action of disbursement of money resource.

The following figure shows the spillover decision made on liquidity swap, were major international financial organizations as well delegated members were part of discussion decision making.



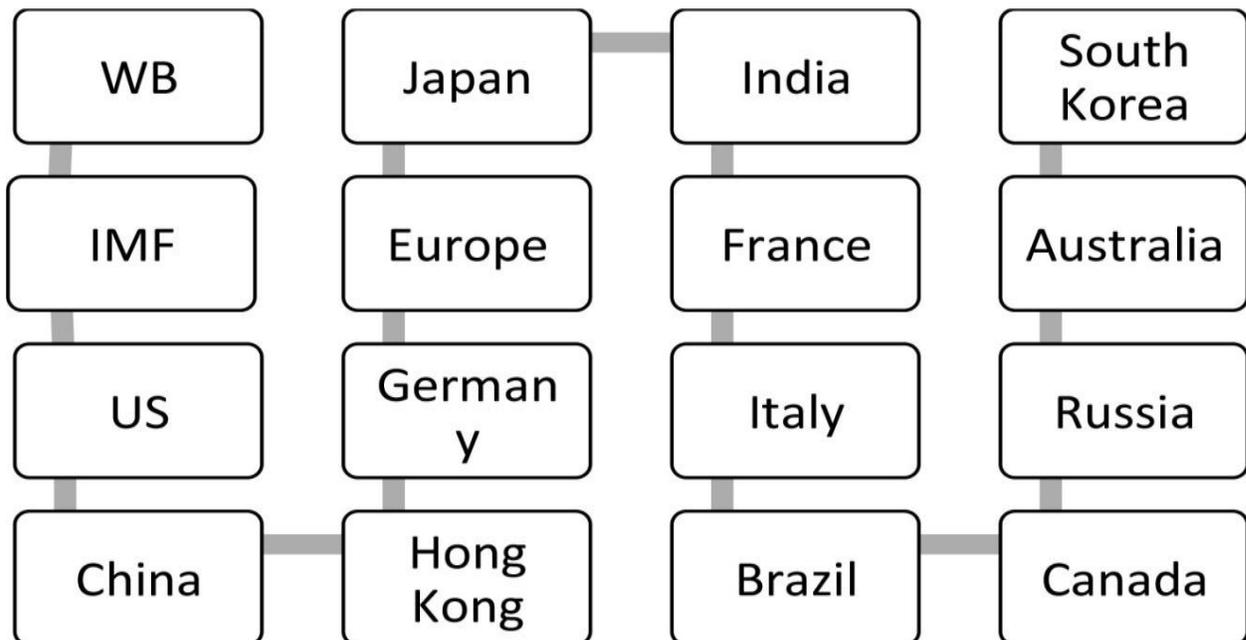
**Leadership in Power of Decision Making:** - World Bank announced initial package of \$12 billion in loans for countries to cope with the impact of infection. \$8billion of the funding is from new loans and the remaining \$4billion is redirected from current lines of credit. An additional \$14billion was sanctioned during the same period March 2020. International Bank for Reconstruction and Development along with its affiliate organization has provided up to \$160 billion in financing over the next year for the purpose of grants and financing highly concessional terms, \$8.9 billion from International Finance Corporation to companies hurt by the pandemic from April 29<sup>th</sup>, 2020. Multilateral Investment Guarantee Agency was given \$6.5billion to boost and support private lenders. International Monetary Fund, as of April fortnight, provided healthy stimulus and relief efforts, like double access to its rapid credit facility and rapid financing instrument to allow emergency funding to meet the expected \$100 billion demand. This announcement by IMF also offered debt service relief from its Catastrophe Containment and Relief Trust to 25 countries. As well established a short term liquidity line for additional lending, Countries have provided the stimuli and relief based on a set of considerations and specific legal act. The following sequence of economies took immediate step, analysis of different economies reveal their fiscal stimuli and efforts to contain the pandemic.

**Impact on Economic Indicators:** The virus had impacted the global economy, wave of corona virus had affected both demand actually larger in scale than the problems on the supply side. Solutions to this crisis were clearly discussed; expectations of the society had to be met. Need of the situation is to pumping more cash into state and local government coffers, cut taxes on individuals and businesses, put money directly into the hands of individuals and also to finance increased production

of medical and household supplies. It's time that economic policymakers to let the physicians, public health officials to start taking responsibility to monitor ongoing collapse in aggregate demand of the economy and policy choice in decision making was the need of the hour. Role of fiscal and monetary authority is to cushion with adequate allocation and resource supply to combat the situation.

**Table- 1**

**List of Chosen Economy to analyze the packages of process quantitative easing**



Prior to quantitative easing World Health Organization had declared the virus to be a global pandemic; this contagious spread would infect across all human and would affect sustainability. Each economy had their own specific issues to be sorted, like slowing down, delink from member ship; other administrative responsibilities had a pressurized situation. In this juncture during March 2020, most of the economy had the fear of facing recession and impact the economy's growth.

### Method of Data

Chapter relied purely on secondary data. Information was collated from daily newspaper articles, world economic forum, and international organization websites business websites. Circular flow text model has been chosen to explain the quantitative packages in order to gain visibility and transparency in understanding the packages. From this model one can also view within a span of four months all over the globe sudden spurt in the pandemic huge crowd of funding has been pumped.

### Main Objectives

Global economy has been impacted due to pandemic. To understand immediate action taken by macro authorities, to find in uncertain environment various packages that was disbursed through quantitative easing. To assess multiple packages with investment options as well social security protection. Almost all economies have announced similar programs and packages only variation range and allocation tend to vary as well few economies data non-availability was a limitation.

**USA-** in US government commenced from March 2020 with three relief packages was corona virus preparedness and response supplemental appropriations Act 2020, secondly Families first Corona virus Response Act and corona virus Aid Relief and Economic Security Act and nicknamed the CARES Act. In sum \$2.8trillion, \$3.4trillion, \$3.4trillion were allocated. In addition \$1trillion as unemployment insurance for unemployment insurance, Relaxation businesses to spend 24weeks, loan forgiveness spend 60% of PPP funds on payroll, instead of 75% previously. Deferred payment allowed up to six months. To raise loan maturity of PPP loans taken out to 5years from June 5th 2020, Apart from these package and emergency aid to states, cities and territories, treasury secretary of \$50 billion. Deadline for paying both individual and business taxes to July 15, an effort which, claimed would free up \$300 billion in liquidity if business demonstrate significant financial hardship.

**China-** Package to China from IMF, \$367billion was estimated to fight the virus. Mostly for prevention of epidemic spending, medical equipment, social security tax relief along a package accompanied \$506billion of special treasury bonds by Beijing which increased with 2007 introduced scheme. Along with this a package of \$572billion was disbursed to local government and cut in tax payment to increase liquidity.

**Hong Kong-** Fiscal Stimulus of Hong Kong was announced from February 2020. Country had three defined stimulus packages like Anti-epidemic fund, efforts on subsidy and relief packages. Prior to pandemic country already was facing hard economic headwinds due to unrelated public protests, Hong Kong had rolled out stimulus well in advance, unlike similar to the US CARES Act.

**Japan-** Fiscal Stimuli of Japan were of four, one package was for small business loans, and second, funding business loans, third, to small and medium sized businesses as well as freelancers and fourth subsidies to medical worker, individuals, creation of emergency fund for proactive wave of infections. Experiencing deflation and slow growth the pandemic had a compounded effect.

**United Kingdom-** Under EU unveiled its first stimulus in the form of funds issued by the EU as next generation EU \$550billion in grants to member states and \$275billion in loans. Germany suspending its existing government debt rules passed \$168 billion supplementary budget \$54 billion emergency liquidity program for small businesses, self-employed people, freelancers and farmers. Those categories of people and companies can apply to receive up to \$16200 to cover operating costs. Citizens those are directly and significantly affected by the Covid pandemic can apply to defer or lower their taxes that they would owe through December 2020.

**France-** \$8.7 billion in increased spending on health supplies and bolstering the health care system, \$26 billion in increased funding for work-sharing wage supports \$7.6 billion in direct payments for the self-employed and very small businesses, Postponement of rent and utilities for small and medium enterprises, Extending unemployment benefits, Funds for bailout loans to businesses.

**Italy-** The only Italy-specific relief items passed by the government are related to fiscal policy. Italy has launched two separate stimulus packages. The first stimulus and relief package was announced on March 16, 2020, the Italian government announced its first stimulus package, the “Cure Italia” (Care Italy) law. It contains roughly \$27 billion focused on four main “pillars.”

**Brazil-** During the pandemic Brazil had announced several packages to cater to the needs of the citizens. Priority was for senior citizens payments, small and medium enterprises as well as poor citizens. These identified were disbursed with payments almost till December 2020. They were exempted from certain payments of acute importance. Packages and disbursements can be viewed from vicious circle of fiscal policy announcements.

**Canada-** Launched series of mounting measures mainly to support health, provincial government, to support research and development of the economy

**India-** Fiscal stimulus and relief package for India announced in March 2020,\$22.5billion to help the nation's poor and in April 2020,\$60billion. In May 2020 in Self Reliant India program \$266billion, actual fiscal spending \$27billion and this package is released in five separate parts which include general reform measures and law changes not related to the pandemic.

**South Korea-** South Korea had a successful and forced early lockdown period which led it to begin opening up in the beginning of May 2020.This government announced several fiscal stimulus and packages, pertaining to child care, medical care, retaining of jobs security payments. Additional announcements of liquidity and financing of exports were also part of the package.

**Russia-** Russia announced a stimuli, economy incentivized and created a \$4 billion fund to help its economy during the COVID-19 crisis on March 20, 2020. On April 7, President Putin announced that families with children would receive monthly payments of \$67 per family through June 2020. On April 15, the Russian government announced a second stimulus package including,\$160 a month payments to SME's for each employee in April and May, provided they keep 90% of their workforce,\$2.6 billion for regional governments,\$300 million for airlines

**Australia-** Main goal to flatten the infection, fiscal stimuli in March 2020 was announced with \$11.4billion in spending, \$4.4billion payments up to \$16,300 to small and medium sized businesses to encourage hiring, \$3.1billion in one time, \$49payments to people collecting government benefits including elderly the poor and veterans. \$650 million in business subsidies to businesses in industries such as a tourism that have been hardly hit by COVID 19.In the second package \$43billion in spending, included among others things, authorized another \$16.5billion in spending\$65400 to small businesses to cover wages and \$26.1 to guarantee loans of up to \$164000 to small businesses. Welfare payment \$490 and third stimulus package \$85billion in spending was announced \$980 payment made to employers every two weeks to cover wages.

## Conclusion

From the above analysis chapter would conclude and summarize effectiveness of macro policy when private operation becomes rather delayed. Range of packages quantification has made immediate effect in the global economy. Extension in filing and accommodation in payment mechanism, every economy had constraints there were no doubts or second thoughts when it came to understand the uncertain environment and respond to immediate actions in releasing and protecting the citizens across the economies in the globe. Hence macro policy decision making is highly integrative and complementary to one another in the day today existence and to drive the economic system.

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