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MONETARY POLICY AFTER THE UKRAINE CRISIS

Abstract:

After World War II, the world was under the influence of the Federal Reserve policy, but as a result of the Korean War 1950-1953 and then the Vietnam War that began in 1955, President Richard Nixon made a sudden and shocking decision in 1971 to end the commitment of the United States to exchange the US dollar for gold when Demand on the basis of $ 35 an ounce through the Federal Reserve, after its stock of gold ran out as a result of those wars, and today Henry Kissinger warns the United States and the European Union that sanctions against Russia are a double-edged sword that will further weaken the trading range of the dollar and the euro to a much smaller area than it currently occupies.

As is known, in 2009, with the intensification of the global financial crisis as a result of the mortgage crisis emanating from the United States, banks all over the world cut interest rates to levels close to zero in an attempt to enable banks to restore their ability to lend to combat deflation and stimulate the economy.

There is a consensus among world experts that the most important result of the Russian war in Ukraine will be the demise of unipolarity. China, which followed a policy of loans and market conquest, will benefit in particular from this war. It is true that the stages of transformation throughout history are usually dangerous and frightening, because the major countries use them to re-prove Its strength, in search of the largest share in the next cake, although decision makers in the United States consider the narrative of the end of history 1990 to be from the past, and the Ukrainian war is the era of the end of the end of history 2022, that is, the end of the validity of the unipolar system has become a shining reality .

World Bank President David Maltas has stated that it is difficult for countries to avoid economic stagnation, as managing inflation without causing an economic collapse is a difficult task, regardless of political choices. The seventies, when the oil shock, which was followed by high interest rates, caused stagflation accompanied by a dangerous combination of high prices and low growth, so the world recorded growth of 5.7 percent in 2021, but after the Russian war in Ukraine it slowed to 2.9 percent, which is less than expectations set at a rate of 2.9 percent. 3.6 percent in April by the International Monetary Fund, and growth is expected to remain weak through 2023, Growth in the United States and Europe will slow to 2.5, and will decline in China from 8.1 percent in 2021 to 4.3 percent in 2022, and growth in Saudi Arabia is the highest in the world, reaching 9.6 percent.

The World Bank also expects to follow global growth in its 2022 report to 2.9 percent, compared to 4.1 in January 2022, and growth can swing around that pace during the period 2023 to 2024 at a time when the war in Ukraine has disrupted economic activity, investment and trade in the near term. And demand weakens, as well as the termination of accommodative fiscal and monetary policies

In front of inflation that continues to rise in the United States, it has become an economic priority for President Biden, after the Fed cut the interest rate to zero in March 2020 as a result of the Corona pandemic to support the economy, which lasted two years, and interest rates ranged between zero and 0.25 percent before being raised by a quarter A point in March 2022 and then by half a point in May 2022, but the US Central Bank is preparing to raise key interest rates for the third time on 06/15/2022, which could lead to stimulus, by half a percentage point, or 50 basis

points.
These increases will be a precedent since 1994 as a result of market turmoil and inflation after the markets lost hope after inflation rose to a record high in 40 years with 8.4 percent on an annual basis, by raising key interest rates, the Federal Reserve encourages banks to grant more expensive loans to their customers who They will therefore be less inclined to consume, in order for the Fed to engage in a delicate process of slowing inflation without weighing down economic growth too much.
The forced slowdown in consumption is likely to weigh on the US economy, increasing fears of deflation or stagflation, that is, a long period of weak growth and high inflation, and the unemployment rate is likely to rise again.

Keywords:

Traditional Monetary policies will not work in the future .