

United States (USA) Economic Policy Towards International Recession

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Abstract. *Being a large superpower, the US is not immune from the crisis. In 2008, the US experienced a crisis in its economy. Many economists argue that the economic crisis in the United States which has not completely ended until now was caused by subprime mortgages. This US securities crisis has spread to all corners of the world, Alan Greenspan, former Governor of the US Central Bank said that this financial crisis is an event that occurs once every 100 years, "Fasten your seatbelt, we're facing the global financial crisis" is a warning issued by Alan Greenspan regarding this global financial crisis. Mortgage in this case is a debt to buy property where the property is then used as collateral (Home Ownership Credit). Mortgage loans are divided into two types; Prime Mortgage & Subprime Mortgage. Simply put, subprime mortgages are mortgages with higher risks. Prime mortgages are usually given to borrowers who meet 2 criteria. First, borrowers who have a good credit history (eg never bankrupt, not late in paying bills). Second, can show the capacity to repay the debt (eg large income, low loan-to-property ratio, etc.). Subprime mortgages are loans to people who do not meet the above criteria. Qualitative methods were used and the theory of adaptive foreign policy models was applied. The results of the study found that the US policy of raising import tariffs that triggered a trade war was influenced by three variables. The external change variable is the emergence of China as a new superpower. The structural change variable is obtained from the change in the US political structure from the Democratic Party to the Republican Party. From the leadership factor, namely Trump's negative perception of China since before he became president. The conclusion is that the policy is a convulsive type adaptive foreign policy that describes significant changes in both the external and internal environments.*

Keywords: *Compulsive; Leadership; Republican; Subprime.*

1. Introduction

Globalization has brought changes to the development of technology and economy today. The economy is the part that is most closely related to globalization, the economy requires a level of overlap and tension between economics, social and politics that is very different from the traditional trade in physical goods in the 20th century. According to The Information Technology and Innovation Foundation (ITIF) that the economy is more than just a company.¹

The world is facing a situation where globalization is taking place, where human mobility is increasingly facilitated, there is a sophistication of technological and information facilities, and political and economic relations and their elements between one country and another are an important part of the current international system. However, global issues and problems cannot be avoided either domestically or from the international community. Global issues discuss problems, dilemmas, and challenges as well as issues related to the basic needs of international peace, security, order, justice, freedom, and progressive development.²

International relations in its development continues to experience changes from time to time. The end of the cold war around the 90s became one of the turning points for international relations to raise the significance of low politics issues, such as human rights, economics, socio-culture and also environmental issues in international forums. Low politics issues focus on issues directly related to the welfare of the world's people, so that the scope of the problem does not only involve state actors on a national scale, but also involves the active role of countries to create a joint agenda in an effort to deal with issues that fall into the low politics category.³

Being a large superpower, the US has not escaped the crisis. In 2008, the US experienced a crisis in its economy. Many economists argue that the economic crisis in the United States which has not completely ended until now was caused by subprime mortgages. This US securities crisis has spread to all corners of the world, Alan Greenspan, former Governor of the US Central Bank said that this financial crisis is an event that occurs once every 100 years, "Fasten your seatbelt, we're facing the global financial crisis" is a warning issued by Alan Greenspan regarding this global financial crisis.

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¹ITIF. Information Technology & Innovation Foundation. Accessed on 09 April 2025 at 09.00 Wib.
<https://itif.org/>

²James E Dougherty. (1981). *The Configuration of the Global System. Issues in Global Politics*, London: The Free Press. p.6.

³Andrew Heywood. (2011). *Global Politics*, United Kingdom: Palgrave Macmillian. P. 33

Prime Mortgage & Subprime Mortgage. Simply put, a subprime mortgage is a mortgage with a higher risk. Prime mortgages are usually given to borrowers who meet 2 criteria. First, borrowers who have a good credit history (eg never bankrupt, not late in paying bills). Second, can show the capacity to repay their debts (eg large income, low loan to property value ratio, etc.). Subprime mortgages are loans to people who do not meet the above criteria.

Asymmetric information is a condition where at the time of the transaction the seller knows more about the product than the buyer, so that there is a possibility of profit-taking by the seller due to the lack of information on the buyer. This leads to the problem of default faced by customers, causing the bank to not have enough funds to operate.

The economic crisis that hit the United States has shaken the world economy. The stock market has experienced several sharp corrections every day. Many large industries in the United States are unable to continue their business. This certainly affects the economies of other countries in the world

In conducting international cooperation, there are three main points that are the main considerations and become guidelines in the process of forming international cooperation with other international relations actors. First, the effectiveness of cooperation. In this aspect, Zartman and Touval assume that international cooperation is an important part of interaction in achieving a country's national interests. Second, the benefits of international cooperation. In this case, the country needs to see the various benefits that will be obtained from the interaction of international relations with other countries. And finally, related to the potential for conflict and disputes with other international relations actors in the future.⁴

The United States is a superpower that has a very large influence on the world economy. Politically, the United States is a constitutional democracy with a three-tier system where there are three levels, namely national, state, and local government. The United States uses a federalism system where there is a central state and states that share power.

The United States is called a hegemonic country and a country that has an economy that is very integrated with the world economy. This integration brings advantages and also challenges to the trade, business, and consumer sectors in the United States. The very rapid economy in the United States has made the United States economy change to a digital economy. Digital transformation changes and economic structures and leads to the expansion of markets and opportunities and becomes an important engine of world economic growth.

⁴IW Zartmann and Touval S. (2010). *International Cooperation: The Extents and Limits of Multilateralism*, New York: Cambridge University Press. p.2

Capitalism is the economic system in the United States. It is a market economy. Capitalism means that people, not the government, own most businesses. In the U.S., businesses decide what to sell. They decide how much money to charge for products and services. Then people decide what they want to buy. This is called a market economy. The economy is controlled by individuals, not by the government. The United States is a capitalist market economy.⁵

The economic impact of the US on the Asian region is also seen in its relationship with Japan. The US relationship with Japan is shown in the patron-client status, Japan is a client whose position is lower than the patron, namely the US, where the US as a patron who has a higher position uses its influence and resources to provide protection to Japan as a client. This patron-client relationship has a positive impact on Japan's economic growth. The appreciation of Japanese leaders for the Yoshida doctrine, made Japan grow into a strong country in the economy because of the economic specialization of policies issued by the US. Japan does not need to think about its country's military because it is under the American security umbrella. Japan took advantage of this opportunity by becoming a large industrial country and a US partner in trade relations.

The issue of recession has recently become a topic of discussion in the international community, since the news of the economic slowdown in the United States spread. The slowdown in the United States economy at the end of last year has prompted speculation that the United States is on the verge of a recession, especially the impact of the credit crisis that has spread from the housing sector (which is in recession) to the manufacturing sector and towards the labor sector.

Crisis has a broad meaning, according to Harberler, crisis is defined as: A striking deviation in economic activity and is the starting point for a downward movement in economic activity/down-turn or the upper turning point.⁶

2. Research Methods

This study is a descriptive analytical study that analyzes the factors that influence the policies of the President of the United States towards countries affected by the Donald Trump administration. Using a qualitative approach method is used and the theory of the adaptive foreign policy model is applied. The results of the study found that the US policy of raising import tariffs that triggered a trade war was influenced by three variables. The external change variable is the emergence of China as a new superpower. The structural change variable is obtained from changes in the US political structure from the Democratic Party to the Republican

⁵Pereparing or the oath accessed on 09 April 2025 at 09.02 Wib. <https://americanhistory.si.edu/citizenship/learn/government-basics/11/learn#:~:text=Capitalism%20is%20the%20economic%20system.It%20is%20a%20market%20economy.>

⁶Estey James Arthur. (1960). *Business Cycles, Their Nature, Cause, and Control (Third Edition)*. Prentice Hall, Inc.Englewood Cliffs - USA.

Party. From the leadership factor, namely Trump's negative perception of China since before he became president. The conclusion is that the policy is a convulsive type adaptive foreign policy that describes significant changes in both the external and internal environments.

3. Results and Discussion

3.1. Policies Taken by the United States Towards International Trade

International trade, which is basically to meet domestic needs and improve the welfare of a country, has become a contestation of conflict that is considered detrimental to many parties. The trade war is detrimental to the domestic economy of both countries because the domestic industries of both countries have to pay more to buy imported materials or products that are subject to tariff increases.

The dynamics of US foreign policy have always attracted international public attention. After the Cold War, the United States became a hegemonic country after the collapse of the Soviet Union. There are two main foundations of US hegemony, namely the nature of global consumerism towards US pop culture, such as music, films, and lifestyle, and efforts to maintain global military power in achieving its national interests including natural resources such as gas and oil.⁷

The protectionist policies of the US President make America's international political relations unsatisfactory. Because the policy steps taken are more Keynesian. The liberal view of the modern world that leaves the belief in freedom is based on the idea that growth and prosperity can only be achieved through the management and control of capital whose main economic responsibility lies in the hands of the government. This Keynesian view of political economy is open to government intervention, and this is what the American President does.⁸

As one of the actors who made the United States' foreign policy during his administration, Donald Trump's characteristics influenced the output of the United States' foreign policies, especially when seen from Donald Trump's characteristics which greatly influenced his leadership style, although in the process of making it also involved many other actors. Donald Trump's unpredictable policy patterns seem to imply that Donald Trump does not care about the existence.

Interdependence means reciprocal dependence between people and governments influenced by what happens anywhere, by their partners in other

⁷Sotirović, V. (2019). A Nature of the US and the American Foreign Policy. *Vojno Delo*, 71(5), 54–62. Accessed on 09 April 2025 at 09.07 Wib. <https://doi.org/10.5937/vojdolo1905054s>

⁸Skidelsky, Robert. (2018). "Protectionism for Liberals | by Robert Skidelsky." Project Syndicate. Accessed on 09 April 2025 at 09.40 Wib. <https://www.project-syndicate.org/commentary/protectionism-for-liberals-by-robert-skidelsky-2018-08>.

countries.⁹From this understanding, it can be concluded that the highest level of transnational relations between countries is directly proportional to the highest level of interdependence. This is reflected in the process of modernization that is taking place in the world which increases interdependence between countries. Interdependence has an impact on development references in various countries, for countries that adhere to this theory, economic development and trade are the most important tools for achieving prosperity compared to using military development.

public stigma and mainstream opinions that have been formed among political scholars and observers, the simplest example is Trump's relationship with several heads of state who are known as old rivals of the United States such as Russia. Almost all US Presidents consider Russia an enemy or rival, but Trump has a relatively good relationship compared to previous US presidents, this includes things that Trump wants to show that he does not want to be in the same identification as previous American presidents, he does not want to be predicted by the press and academics.

The economic crisis that hit the United States has shaken the world economy. The stock market has experienced several sharp corrections every day. Many large industries in the United States are unable to continue their business. This certainly affects the economies of other countries in the world.

American protectionism would seriously threaten America's political supremacy. German Chancellor Angela Merkel said the EU must learn not to depend on the United States. Merkel believes that it is time for the EU to take responsibility for its own destiny and that China has become an important strategic partner for the EU. Merkel's comments were in response to Trump's earlier comments that the United States has enough money to protect the security of its allies, including the European Union. Trump believes that the EU can protect and finance its security without relying on the US. In addition, the United States' allies adhere to free, non-Keynesian economies.¹⁰

In facing dynamic global structural changes, countries need to adapt in their foreign policy orientation. In the adaptive foreign policy model, it explains that foreign policy is an accumulation of external changes, internal changes and leadership factors. According to him, a country needs to understand the conditions and changes in the external and internal environment.¹¹explains that foreign policy

⁹Jackson, Robert; Sorensen, Georg. (2005). *Introduction to the Study of International Relations*, Jakarta: Pustaka Pelajar. P. 14

¹⁰Shapiro, Jeremy, and Dina Pardijs. (2017). "The Transatlantic Meaning of Donald Trump: A US-EU Power Audit." ECFR. Accessed on April 2025 at 09.45 Wib. <https://ecfr.eu/publication/the-transatlantic-meaning-of-donald-trump-a-us-eu-power-audit7229/>

¹¹Rosenau, J. N. (1974). *Comparing Foreign Policy: Theories, Findings, and Methods*. Sage Publications. P. 11

is a product that originates from two factors, namely internal factors and external factors.¹²

The US policy of raising import tariffs, thus triggering a trade war, is a policy that is considered by many to be a controversial policy. This is ironic because the US, as a country that opposes protectionism in global trade practices, has actually issued a policy that is thick with elements of protectionism. This policy cannot be separated from the figure of Trump, who since the beginning of his presidential candidacy has been considered a figure who has a number of controversies in his ideas and thoughts. The integration of the world, the shift in values that occurs within a region will likely affect other countries in the world that conduct international trade. The collapse of the supremacy of the United States, which is now threatened by recession, is likely to have an impact on the economies of other countries in the world. America is a superpower that has the strongest economic power in the world, and contributes around 20 - 30% of the world's economic turnover.

Taimur Baig (Director of Global Research Deutsche Bank) said that: Indonesia and several Asian countries will be affected by the US crisis, although not too much. The fundamentals of the Chinese and Indian economies are a buffer against the impact of the slowing US economy on other Asian countries.

In the dynamics of the economy of all countries in the world that are currently increasingly global, there is a universal tendency, when there is turmoil in a region of a country, it will have an impact on the life of the national economic order in countries throughout the world (as happened in the United States). The shift in world economic values that threatens towards recession is expected to affect the national economic conditions of all countries in the world that engage in international trade. This is the recession that has recently become a discourse of the international community, since the spread of the issue of the economic slowdown in the United States. The definition of recession in conjuncture economics is: a decline in economic activity that occurs above normal growth.¹³ (In macroeconomic terms, a recession is defined as a period in which gross domestic product (GDP) declines while real economic growth is negative.

Economic development is the process of increasing national real income in an economy/country followed by changes in economic structure in a long period. While economic growth is the process of increasing the production capacity of an economy which is manifested in an increase in national income. A country is said to experience economic growth if there is an increase in real income. Economic

¹²Northedge, F.S. (1968). *The Foreign Policies of the Great Powers*. Mcmillan. P. 22

¹³Hansen H. Alvin. (1951). *Business Cycles and National Income*. New York: W.W. Norton & Company Inc. p. 26

development drives growth, and growth will facilitate the process of economic development.¹⁴

The difference between the two is that economic growth is more quantitative in its success (an increase in income standards and the level of output produced), while economic development is more qualitative (not only an increase in output, but also accompanied by changes in the structure of production and allocation of inputs in various economic sectors), such as production techniques, economic resources, knowledge and so on.

The amazing phenomenon of the rise of the Asian economy pioneered by two countries, namely China and India, is predicted to drive a shift in the economic dominance of Western countries and the United States. China, India and Indonesia have the largest human resources and the largest market potential. China and India have developed into developed countries that are quite respected by the international community, but Indonesia still survives with its lagging economy. China and India with a population of billions of people have been able to free hundreds of millions of people from the poverty line in the last few decades. What has been achieved by the two countries is a success. Although Asian exports including Indonesia have been diversified and are not dependent on the developed countries of G-3 (America, Europe, Japan), the largest portion of Asian exports (63%) is still directed to the United States, and this is what causes decoupling not to occur completely.

Developing countries currently face many challenges in meeting the food needs of their population. The increase in oil prices has caused a food-fuel-fuel cycle or the conversion of agricultural land to alternative fuel commodities, which then causes a food crisis. As a result of rising oil prices, soybean fields have been converted into corn fields to produce ethanol.

According to Haruhiko Kuroda (ADB President), the current global economic crisis will trap more than 60 million people in Asia in absolute poverty, and will increase to 100 million people by 2010. Looking at data from the ILO (International Labor Organization), the number of poor people due to the current global crisis has reached 140 million people, and 20 million people will lose their jobs.

China has now become a world economic giant, and is part of the global economic power. Chinese products are flooding various countries, dominating most of the world's products. It is not impossible for Japan to make China a major trading partner that is very strategic and profitable.

¹⁴Meier Gerald M. and RE Baldwin. (1957). *Economic Development*. New York: John Wiley & Sons Inc. P. 31

3.2. Impact of United States Policy on Indonesia

Indonesia's integration into the global financial system has logical consequences, where the rupiah is increasingly sensitive to every global financial turmoil. The slowdown in the United States economy hit by the financial crisis has had an impact on the Indonesian economy, even reducing the interest of global investors to increase investment in Indonesia. This will result in instability in the weakening rupiah exchange rate, due to the decrease in foreign capital flows entering Indonesia.

Nowadays, the increase in world commodity prices has pushed up domestic commodity prices (cooking oil), as well as the increase in world food prices will hit Indonesia, because of its dependence on imports of various food commodities such as: soybeans, wheat, rice, and animal feed. If domestic purchasing power weakens, many livestock farmers will certainly go bankrupt. However, for banks in developing countries, the opposite will apply, in addition to sufficient liquidity, they will implement a tight money policy by maintaining high interest rates to reduce inflation. The lower class of Indonesian society is currently experiencing difficult conditions due to the influence of the global economy. Purchasing power has fallen sharply, because real income has fallen due to rising food prices and basic necessities. Increasing poverty rates and stagnation of the dynamics of the community's economy are forced to wallow in short-term problems in meeting increasingly unaffordable primary needs.

The recent increase in world commodity prices, economic observers consider has had a positive impact on Indonesia's economic growth, because it has encouraged an increase in non-oil and gas exports as a whole. Indonesia's opportunities to boost exports to China and India are still large, especially mining commodities.

The subsidy policy taken by the state has created antagonism and invited pros and cons from the community. If the subsidy is not reduced, then its value will swell and the allocation of the State Budget (APBN) must be revised again. From the budget side, the state only has two options, namely maintaining subsidies or releasing them to the market. This depends on the state's financial condition and political aspects. In macro terms, the provision of subsidies for Indonesia's readiness to face difficult food times has improved, there are signs of a revival in Indonesian agriculture. The agricultural sector is the largest contributor to national economic growth in the third quarter. The highest contribution to economic growth comes from the agricultural sector. The data has answered various negative issues that highlight the face of Indonesian agricultural development and opened up optimism in welcoming the era of the revival of Indonesian agriculture.

4. Conclusion

In carrying out international cooperation, there are three main points that are the main considerations and become guidelines in the process of forming international cooperation with other international relations actors. First, the effectiveness of cooperation. In this aspect, Zartman and Touval assume that international cooperation is an important part of interaction in achieving the national interests of a country. Second, the benefits of international cooperation. In this case, the country needs to see the various benefits that will be obtained from the interaction of international relations with other countries. And finally, related to the potential for conflict and disputes with other international relations actors in the future. As one of the actors making US foreign policy during his administration, Donald Trump's characteristics influence the output of US foreign policies, especially when viewed from Donald Trump's characteristics, this greatly influences his leadership style, although in the process of making it also involves many other actors. Donald Trump's unexpected policy pattern seems to imply that Donald Trump does not care about it. The US policy of raising import tariffs, which has triggered a trade war, is a policy that is considered by many parties to be a controversial policy. This is ironic because the US, as a country that opposes protectionism in global trade practices, has actually issued a policy that is thick with elements of protectionism. This policy cannot be separated from Trump's figure, who since the beginning of his presidential candidacy has been considered a figure who has a number of controversies in his ideas and thoughts.

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