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# Exploration of the Reasons for the Federal Reserve's Interest Rate Hike in 2022 and Evaluation of Policy Effectiveness

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**Abstract:**

After the global economy experienced the impact of the new crown epidemic, the US economy recovered in 2022, but inflation rose rapidly, prompting the Federal Reserve (FED) to take interest rate hikes. This paper analyzes the background and reasons for the Fed's interest rate hike in 2022, and evaluates its policy effect, aiming to provide experience and lessons for future monetary policymaking. The main findings include: that the interest rate hike significantly reduced the inflation rate in the United States, from 8.0% in the first quarter to 5.67% in the fourth quarter; In the short term, interest rate hikes will hinder the economy, but in the long term, they will help promote stable growth; The interest rate hike led to stock market fluctuations and bond market yields rising, the credit market tightening, and increased the instability of the global financial market; Urge other countries to adjust their monetary policies and increase global economic uncertainty. The significance of this paper is to expand the theory of international financial and monetary policy and provide comparative research value for the policy-making of emerging market countries and developing countries. The policy recommendations include: the United States should strengthen policy transparency and financial supervision to promote the optimization of economic structure; Other countries should strengthen macro policy coordination, improve financial regulatory capacity, achieve economic diversification, maintain monetary policy flexibility, and promote the healthy development of cross-border capital flows.

**Keywords:** Fed interest rate hike, Inflation, Monetary policy, Economic recovery, Financial market stability.

## 1. Introduction

The U.S. economy began recovering in 2022 following the major impact of the COVID-19 pandemic on the global economy. However, inflation emerged as the primary challenge. The Federal Reserve (Fed) implemented a series of monetary policy adjustments, notably raising interest rates seven times, totaling 425 basis points. This policy aimed to control inflation by slowing the speed of money circulation through an increased federal funds rate, affecting economic activities and price levels. The policy significantly impacted the U.S. economy and global financial markets.

By 2024, as inflationary pressures eased, the Fed prepared to cut interest rates to support economic growth amid new challenges. This scenario provides a contrast for understanding the 2022 interest rate hikes, allowing a comprehensive evaluation of their impact and effectiveness. Studying these measures offers valuable insights for future monetary policy-making.

This research fills a gap in existing studies by comprehensively analyzing the causes and effects of the 2022 U.S. interest rate hikes. It aims to offer a macro-analysis of the reasons, implementation process, and specific impacts on the U.S. macroeconomy. Additionally, it provides decision support for policymakers, particularly in emerging and developing countries, to better understand the rationale behind the U.S. interest rate hike policy and its macroeconomic impact, aiding in the formulation of effective strategies.

Theoretically, this study expands the theory of international financial and monetary policy, particularly in analyzing the complexity of the policy's spillover effects. Combining macroeconomic data, policy documents, and expert commentary provides new empirical research results on the international impact of the interest rate hike policy. It also explores the sensitivity and adaptability of different economies to changes in U.S. monetary policy, offering valuable comparative research for emerging and developing countries.

The paper is structured into three main sections: an in-depth analysis of the reasons for the 2022 U.S. interest rate increase policy, its effects from the perspectives of the U.S. and global markets, and policy recommendations

based on the findings.

## 2. Reasons for Interest Rate Increase

### 2.1 Rising Inflation

According to Figure 1, during the outbreak of the new crown epidemic, the overall inflation rate in the United States rose from 1.62% in the first quarter to 2.02% in the fourth quarter of 2019 due to the disruption of the supply chain, the suspension of the global economy and other negative factors. However, in the second quarter of 2020, the inflation rate dropped significantly to 0.44%, which may be due to the impact of the epidemic on economic activities. Then it rebounded to 1.25% in the third quarter, but fell to 1.20% in the fourth quarter, far below the 2% long-term inflation target set by the Fed. According to Figure 2, the growth rate of the CPI index at the end of the period also fell from 1.813% in 2019 to 1.249% in 2020. Therefore, the Fed quickly adopted forward-looking and guiding monetary policies such as the zero lower limit of interest rates to stimulate the recovery of consumer demand and the increase of related expenditures and promote economic growth and the growth of the inflation rate. The effect of policy implementation is very significant.

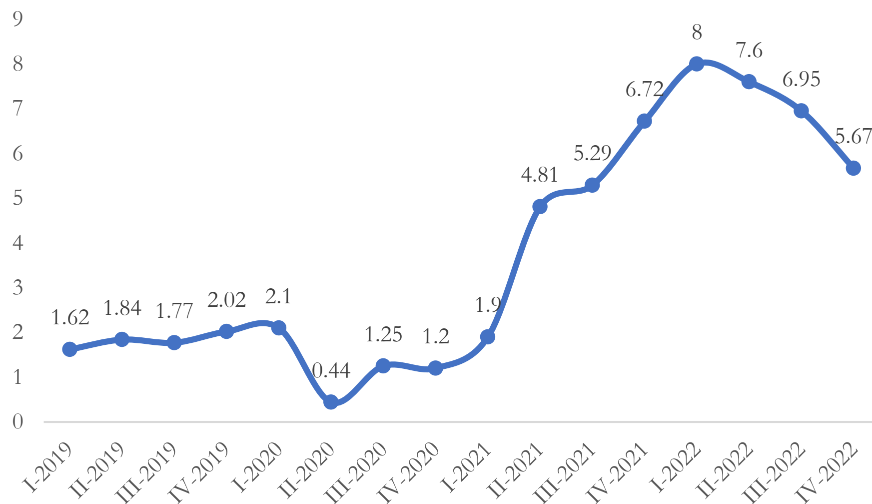


**Figure 1 2019-2022 US Inflation Situation**

Data sources: Organization for Economic Co-operation and Development. [EB/OL]. [2024-06-04]. http://stats.oecd.com/ [1]

But at the same time, it also brings about the significant growth of inflationary pressure experienced by the United States from 2021 to 2022. In 2021, the overall inflation rate in the United States increased from 1.9% in the first quarter to 6.72% in the fourth quarter, far exceeding the 2% inflation target set by the Federal Reserve. At the same time, due to the continuous implementation of the monetary policy, the inflation rate in the United States reached a peak of 8.0% in the first quarter of 2022, the highest inflation rate in nearly 40 years, and then fell to 5.67% in the fourth quarter. Moreover, from 2021 to 2022, the consumer price index (CPI) of the United States also continued to rise. The final CPI value continued to grow from 262.36 in 2020 to 281.753 in 2021 and 299.822 in 2022. The growth rate of the final CPI index also continued to rise from 1.249% in 2020 to 7.992% in 2022. With the rapid recovery of the U.S. economy, the Fed needs to maintain the stability and development of the U.S. economic environment. It needs to reduce the inflation rate and CPI index to stabilize the price level and promote the healthy development of the economy. Several scholars have pointed out that one of the reasons for this round of interest rate hikes is that the inflation rate in the United States has exceeded government expectations [2-3]. That is, the U.S. economic environment needs to raise interest rates to promote development.

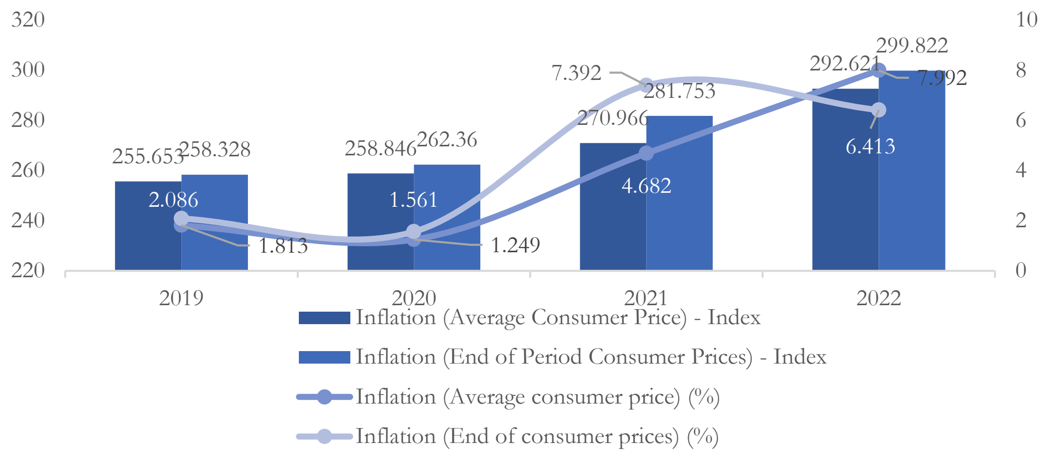


**Figure 2 2019-2022 US CPI Index**

Data sources: International Monetary Fund, National Bureau of Statistics of China. [EB/OL]. [2024-06-04]. https://www.epsnet.com.cn/index.html#/Index . [4]

## 2.2 Demand for Normalization of Monetary Policy

After the 2020 pandemic and subsequent recession, the Fed implemented emergency measures, including interest rate reductions, quantitative easing, balance sheet expansion, forward guidance, repurchase agreements, and emergency credit facilities (Table 1). These measures aimed to ease financial market tensions, provide economic stimulus and protect the economy from long-term damage.

With economic recovery, improved employment, and rising inflation by 2022, the Fed faced increasing pressure to normalize monetary policy. Jinxin Zhao and Zheqi Liu noted that the Fed aimed to create more room for future monetary policy by raising interest rates [5]. In response, the Fed increased the federal funds rate target range, reduced the balance sheet size, and ended net asset purchases. These actions reflected the Fed's commitment to balancing economic growth and inflation control, ensuring sustainable development, and avoiding financial instability from prolonged low interest rates. By taking these steps, the Fed aimed to maintain economic stability.

**Table 1 Main Monetary Policies of the Fed from 2020 to 2022**

| Year | Policy |
|---|---|
| 2020 | FOMC quickly reduced the federal funds rate to the effective lower limit, that is, the target range of the federal funds rate was reduced to 1-1-1/4%. |
| | FOMC increased the holdings of US Treasury companies and institutions' mortgage-backed securities in the open market accounts of the system. |
| | The open market service desk of the Federal Reserve Bank has increased the scale of overnight and term repo business. |
| 2021 | The FOMC kept the federal funds rate close to zero; |
| | FOMC increased the holdings of Treasury securities and institutional mortgage-backed securities in the open market accounts of the system; |
| | The Fed's balance sheet performance continued to grow, although the pace has declined since November; |
| | The Fed has established two permanent repurchase agreement facilities. |
| 2022 | The FOMC quickly raised the target range of the federal funds rate from 1-1/2% to 1-3/4% after the June meeting, and it is expected that the continuous increase in the target range will be appropriate. |
| | FOMC stopped net purchase of treasury bonds and institutional mortgage-backed securities at the beginning of March and began to significantly reduce its securities holdings on June 1 |
| Data sources: Fed. [EB/OL]. [2024-06-04]. https://www.federalreserve.gov/monetarypolicy/publications/mpr_default.htm [6] | |

### 2.3 Signs of Economic Recovery

The popularization of vaccination and fiscal stimulus measures have driven the U.S. economic recovery. Job market improvements increased consumer spending, and revived enterprise investments provided the basis for the Fed to raise interest rates.

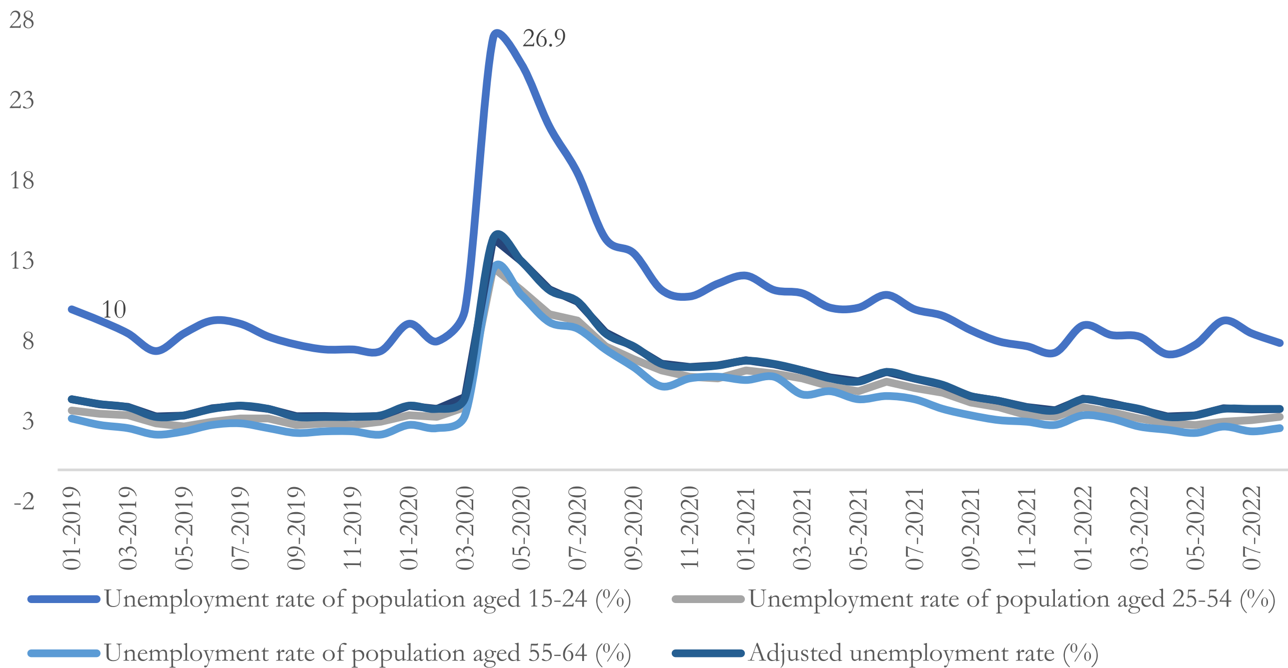


**Figure 3 US Unemployment Rate from 2019 to 2022**

Data sources: Organization for Economic Co-operation and Development. [EB/OL]. [2024-06-04]. http://stats.oecd.com/ [1]

Focus on the job market. According to Figure 3, in 2019, the unemployment rate in the United States showed an overall downward trend. At the beginning of the year, the unemployment rate of the young labor force aged 15-24 was 10.0%, but it dropped to 7.4% at the end of the year, indicating the gradual improvement of the young labor market. For the main labor force group aged 25-54, the unemployment rate dropped from 3.7% to 3.0%, reflecting the current strong employment market. The unemployment rate of people aged 55-64, who are close to retirement age, also fell from 3.2% to 2.2%, indicating that the employment situation in this age group is also improving. The overall unemployment rate (after adjustment) fell from 4.4% in January to 3.4% in December, reflecting the positive trend of the transformation of the entire labor market.

However, in 2020, the COVID-19 epidemic led to a sharp rise in the U.S. unemployment rate, which reached a record high in April, and the overall unemployment rate soared to 14.4%. However, with the government's economic stimulus measures and gradual economic restart, the unemployment rate began to decline month by month since May, and the overall unemployment rate fell to 6.5% by the end of the year. In 2021, with the promotion of vaccination and the gradual recovery of economic activities under the guidance of active monetary policy, the unemployment rate continued to show a downward trend. The overall unemployment rate fell from 6.8% to 3.7%, indicating the continuous improvement of the labor market. In 2022, the unemployment rate in the United States continued to decline. Although the unemployment rate of the population aged 15-24 rose to 9.3% in June, the overall unemployment rate in this age group fell from 9.0% in January to 7.9% in August. The overall unemployment rate dropped from 4.4% to 3.8%, maintaining a low level.

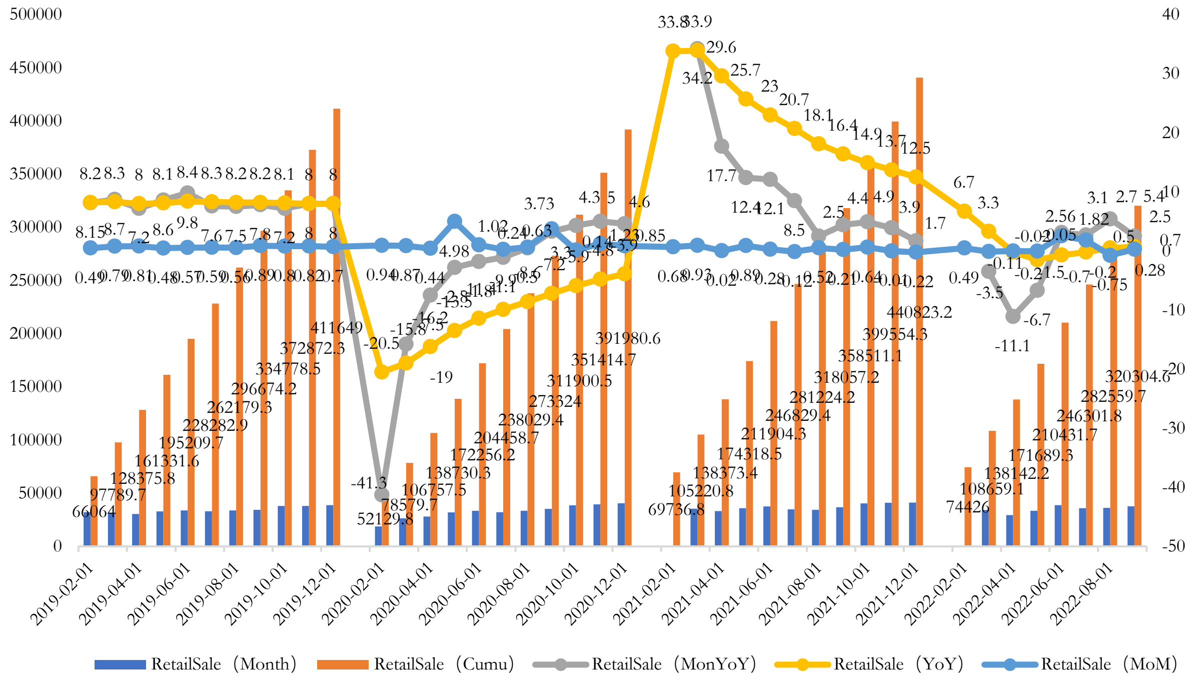


**Figure 4 2019-2022 Total Retail Sales of Consumer Goods in the United States**

Data sources: Resset Financial Database. [EB/OL]. [2024-06-04]. https://www.resset.com [7]

To sum up, since the second half of 2020, the U.S. employment market has been better improved with the help of economic development and policy support. The unemployment rate has experienced a process of rising first and then falling, showing a trend of continuous improvement.

According to Figure 4, the retail market of social consumer goods in the United States showed a steady growth trend in 2019. In February 2020, affected by the COVID-19 epidemic, the total retail sales decreased significantly year-on-year and cumulative year-on-year, which were -41.3% and -20.5% respectively. Subsequently, the data deteriorated further in March, but in May, the total retail sales turned positive year-on-year for the first time, although it was still -2.8%, indicating that the market began to recover. In 2021, the total retail sales in February increased significantly year-on-year and cumulative year-on-year, respectively by 4.6% and 33.8%, showing a strong growth compared with the same period in 2020. The year-on-year and cumulative year-on-year growth in March further increased to 34.2% and 33.9%, reflecting the effect of economic stimulus measures and the impact of a low base. In 2022, the market fluctuated, with a year-on-year growth rate of -11.1% in April and a cumulative year-on-year growth rate of -0.2%, indicating the instability of economic recovery. Nevertheless, the year-on-year growth rate in June was 3.1% and the cumulative year-on-year growth rate was -0.7%, indicating that the market began to show signs of recovery after experiencing fluctuations.

From the retail market of social consumer goods, the signs of economic recovery in the United States after 2020 are obvious, and the recovery force is strong. However, the growth trend of total retail sales in 2022 is affected by more factors, with negative growth months, reflecting the challenges and uncertainties in the process of economic recovery and the need for stable development.

## 2.4 Precautionary Interest Rate Increase

Some scholars discuss the concept of a preventive interest rate increase. Zhang Xiaofeng and Fu Huanyu noted that resolving the potential asymmetric risk of the lower limit of effective interest rate is a key reason for the Fed to raise rates. This risk, often tied to economic stagnation with negative real interest rates, can lead to asset bubbles and financial instability. They argue that raising rates improves monetary policy flexibility, providing more room for future recession responses and increasing global demand for U.S. Treasury bonds, thereby consolidating the dollar's hegemony [1,8].

In economic stagnation or major recession, traditional monetary tools face limitations. Therefore, the Fed needs more radical measures. Raising rates helps break economic stagnation in a low-inflation environment, aiming for a long-term average inflation rate of 2% by allowing short-term overshoot, thus escaping the real lower limit constraints.

Zhang and Fu also emphasized that raising rates enhances policy flexibility, allowing the Fed to stimulate the market during recessions and restrain inflation during expansions. This flexibility helps maintain economic stability and growth [9].

Haozhi Qi, Xianlong Chen, and Yuanyuan Liu added that the Fed's rate hikes aim not only to control inflation but also to achieve broader economic and political goals, such as promoting global capital return to the U.S. and acquiring high-quality overseas assets [10].

In summary, the Fed's 2022 rate hikes were driven by various factors, including domestic and global economic conditions, inflation pressure, economic recovery, labor market performance, financial stability, and long-term goals. By raising rates, the Fed sought to balance economic growth and inflation, ensuring long-term economic health and stability.

## 3. Policy Effect Evaluation

### 3.1 Impact on Inflation Pressure

According to Figure 5, the overall inflation rate in the United States gradually decreased from 8.0% in the first quarter to 5.67% in the fourth quarter of 2022 and further decreased to 2.85% in the fourth quarter of 2023. This series of downward trends shows that the interest rate increase policy implemented by the Fed in 2022 has positively controlled inflation pressure. By increasing borrowing costs, reducing the demand for credit, and reducing the level of investment and consumption, interest rate hikes can curb economic overheating and rising inflation. At the same time, the increase in interest rates has enhanced the attractiveness of US dollar assets, led to capital inflows, pushed up the US dollar exchange rate, helped reduce the price of imported goods, and exerted downward pressure on domestic inflation. In addition, the implementation of the interest rate hike policy may also enhance the market's confidence in the Fed's ability to control inflation and help stabilize inflation expectations.

It is worth noting that the effect of the interest rate increase policy will also be hindered by many factors. For example, if the market's expectation of interest rate hike has been formed, the impact of the actual interest rate hike may be weakened, because market participants may have adjusted their behavior in advance. In addition, supply-side factors, such as global supply chain disruption or shortage of raw materials in the post-epidemic era and the era of frequent geographical conflicts, may continue to push up prices. Even if the demand side is affected by interest rate hikes, the global economy is interconnected, and the impact of interest rate hikes is limited. But overall, the actual inflation data in 2023 show that the Fed's interest rate increase policy has achieved practical results in reducing the inflation rate, effectively alleviating the high inflation pressure in 2022, and bringing the inflation rate back to a lower level and closer to the Fed's long-term inflation target.

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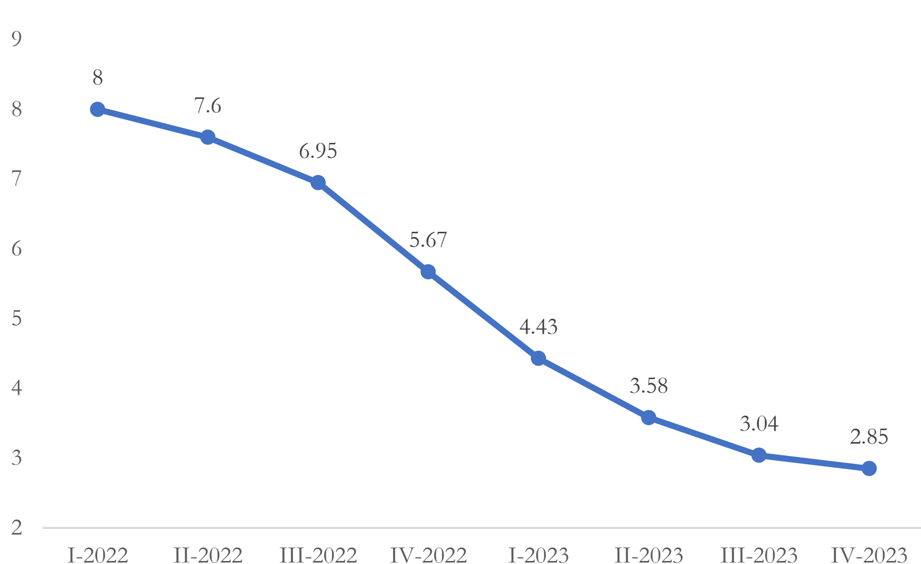


**Figure 5 2022-2023 US Quarterly Overall Expansion Rate (%)**

Data sources: Organization for Economic Co-operation and Development. [EB/OL]. [2024-06-04]. http://stats.oecd.com/ [1]

### 3.2 There Are Obstacles to Economic Development in the Short term, but it will Promote

### Stable Economic Growth in the Long Term

The interest rate hike strategy has increased savings rates, promoting capital accumulation in the United States. Higher interest rates make savings more attractive, encouraging people to save more and providing funds for future investment and growth. This capital supports enterprise expansion, innovation, and economic restructuring, contributing to long-term growth. Consumers and businesses are more likely to deposit funds in banks, increasing deposits that banks can loan out for R&D and expansion, thus promoting overall economic growth. Additionally, increased savings help reduce financing costs for the government and enterprises, driving investment projects and economic development.

When the economy overheats, the Fed raises interest rates to curb excessive borrowing and investment, reducing asset bubble risks. Higher borrowing costs make enterprises and consumers more cautious, optimizing resource allocation and improving efficiency. Higher rates also curb unnecessary demand and speculation, reducing inflationary pressure and preventing asset bubbles. For instance, in the real estate market, higher loan costs reduce speculative demand and prevent bubble risks from rapidly rising home prices. Thus, the Fed's rate hikes help reduce economic fluctuations, maintain stable growth, and promote sustainable development.

In summary, higher interest rates support long-term stable growth by increasing savings, optimizing resource allocation, and curbing economic overheating.

However, higher interest rates can raise unemployment rates. Rising borrowing costs may lead enterprises to cut investment and expansion, slowing recruitment and causing layoffs, especially for capital-intensive and highly indebted firms. Small enterprises and startups, that rely on loans, may face operational difficulties or bankruptcy, increasing unemployment. The real estate market cooling from higher rates reduces construction employment and affects related industries like building materials and real estate agencies, lowering labor demand. Jinxin Zhao and Zheqi Liu noted that the employment situation is unstable and that the Fed's economic and employment outlook might be too optimistic [5]. According to Figure 6, in 2022, the U.S. unemployment rate was 3.633%, dropping slightly to 3.625% in 2023. However, it is projected to rise to 3.993% in 2024, indicating that while higher rates support long-term stability, they may hinder short-term growth and negatively impact unemployment.

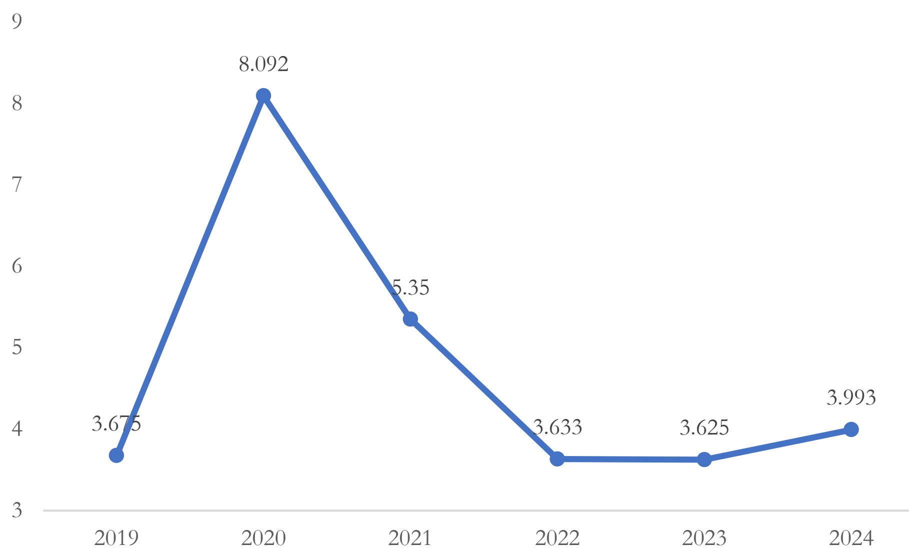


**Figure 6 2019-2023 overall unemployment rate in the United States**

Data sources: International Monetary Fund, National Bureau of Statistics of China. [EB/OL]. [2024-06-04]. https://www.epsnet.com.cn/index.html#/Index [10]

### 3.3 Affect the stability of financial markets

Zhang Wei mentioned in his research that almost without exception, every time the Federal Reserve raised interest rates, it triggered turmoil in financial markets outside the United States and even a financial crisis [11]. In 2022, the Fed's multiple interest rate hikes led to significant stock market volatility. Concerns about higher corporate financing costs and slower economic growth caused sharp fluctuations in the S&P 500 and Nasdaq indices, particularly affecting tech stocks. In the bond market, the yield on 10-year Treasury bonds rose from about 1.5% to nearly 3.5%, reflecting market expectations of future rate hikes

and inflation. This higher yield attracted funds to the bond market but increased financing costs for the government and enterprises.

Rising interest rates tightened the credit market, increasing borrowing costs and reducing credit demand. For example, U.S. mortgage rates rose from about 3% to nearly 6%, slowing housing market activity and new home sales. Corporate bond spreads widened, and many companies postponed or canceled expansion plans due to higher financing costs. The Fed's continued rate hikes and quantitative tightening increased market liquidity risk, requiring financial institutions to hold more reserves, thus reducing market liquidity.

The Fed's interest rate hikes in 2022 also affected financial market stability globally. In China, the stronger dollar caused capital outflows and increased pressure on the RMB, which depreciated from 6.36 to 7.00 against the dollar, about 10.1% [12]. This devaluation made Chinese exports more competitive but increased the cost of imports, leading to higher imported inflation. China's CPI rose by 2.0% in 2022. China's foreign exchange reserves decreased by about $200 billion, and the Shanghai Composite Index dropped by about 15%, reflecting concerns about the Fed's rate hikes and global economic outlook. Xin Shu believes that the Fed's interest rate hike will affect the volatility spillover of the Chinese stock market [13]. Xinyu Wang noted that these hikes likely compressed the loose space of China's monetary policy and pressured the People's Bank of China's decision-making [14]. In response, the People's Bank of China reduced the reserve requirement twice in 2022, each time by 0.5 percentage points, to release market liquidity.

In Japan, the Fed's rate hikes caused capital outflows and market fluctuations. The Nikkei 225 index dropped by about 9.4%. The Bank of Japan maintained its ultra-loose monetary policy and -0.1% interest rate, contrasting sharply with the Fed's rate hikes, exacerbating exchange rate volatility. The yen's depreciation and rising global energy prices pushed Japan's inflation rate to 2.8%, the highest in many years, significantly impacting enterprise costs and consumer spending.

### 3.4 Causing exchange rate changes

In 2022, the Fed's interest rate hike led to a significant strengthening of the US dollar exchange rate. The dollar index rose significantly in 2022, rising from about 95.67 at the beginning of the year to about 104.82 at the end of the year, an increase of about 9.5%. The increase in interest rates makes the US dollar more attractive, and funds flow to US dollar assets, thus pushing up the US dollar index. For example, in 2022, the euro depreciated from about 1.13 at the beginning of the year to about 1.07 at the end of the year, with a depreciation rate of about 5.3%, while the pound depreciated from about 1.35 at the beginning of the year to about 1.20 at the end of the year, with a depreciation rate of about 11.1%. This trend has also caused greater pressure on emerging market countries, as their dollar-denominated debt burden has increased. When the United States turns from quantitative easing to an interest rate hike policy, it may make emerging markets face poor financial conditions and lead to incalculable capital outflows [14]. The strong dollar has attracted a large number of international capital into the U.S. market, pushing up the price of U.S. assets, but it has also led to capital outflows from emerging markets and exacerbated the financial instability in these markets. At the same time, the strengthening of the US dollar has increased the import cost of goods (such as oil, natural gas, etc.) that can be priced in US dollars, pushing up the inflationary pressure around the world, especially hurting export-oriented economies, resulting in imported inflation, because the appreciation of the US dollar will reduce their export competitiveness. And because of the increase in import costs, the consumer price index of all countries generally rose. For example, China's CPI in 2022 rose 2.0% year-on-year, while Japan's core consumer price index rose 2.8% year-on-year.

In 2022, the Fed's interest rate hike strengthened the U.S. dollar, causing the RMB to depreciate by about 10.1% against the dollar. This depreciation, driven by capital outflows and market expectations, made Chinese exports more competitive but increased the cost of imports, particularly energy and raw materials, leading to higher imported inflation. China's CPI rose by 2.0% year-on-year. Kazi's research also mentioned that raising interest rates in the United States would increase exports from OECD countries [15].

Similarly, the yen depreciated by about 14.5% against the dollar due to the Fed's rate hike and the Bank of Japan's loose monetary policy. This devaluation improved Japan's export competitiveness but increased import costs, especially for energy and raw materials, pushing inflation higher. Japan's core CPI rose by 2.8% in 2022.

### 3.5 Spillover effect of the global economy

The Fed's monetary policy changes significantly impact the global financial market and economy. Interest rate hikes affect exchange rates, capital flows, and international trade, forcing other countries to adjust their monetary policies. These hikes increase the attractiveness of U.S. dollar assets, causing capital outflows and currency devaluations in other countries [15-16]. To prevent these effects, many countries raise their interest rates, such as Brazil (from 7.75% to 13.75%) and India (from 4% to

5.9%).

The Fed's interest rate hike triggered capital flows and exchange rate fluctuations, increasing inflation and financial instability in other countries, particularly in emerging markets. This led to slower economic growth and imported inflation due to currency devaluation. For example, South Africa faced capital outflows and currency devaluation in 2022, causing stock and bond market volatility. The Bank of South Africa responded by raising interest rates and strengthening financial supervision. The IMF and World Bank lowered their global economic growth forecasts for 2022, from 4.4% to 3.6%, due to the tightening financial environment and increased uncertainty from the Fed's actions.

The spillover effects also challenge global monetary policy coordination. Despite calls from the IMF for enhanced cooperation, differing national priorities hinder unified action. The Fed's interest rate cycle is not synchronized with other countries, exacerbating global policy disharmony. Developed and emerging economies face unique challenges, complicating coordinated efforts. For example, the Bank of Japan continued to maintain its ultra-loose monetary policy, while many emerging market countries were forced to raise interest rates to stabilize exchange rates and capital flows.

In summary, the Fed's 2022 interest rate hike forced other countries to adjust their policies, increasing global economic uncertainty and financial instability. Balancing national economic stability and international cooperation remains a significant challenge.

## 4. Conclusion

This paper analyzes the background, causes, and effects of the Fed's 2022 interest rate hike policy, providing a comprehensive macroeconomic perspective and reference for future monetary policy-making in the U.S. and other countries. The study focuses on rising inflation pressure, the demand for monetary policy normalization, signs of economic recovery, and preventive interest rate hikes.

The main effects of the 2022 U.S. interest rate hike policy are:

(1) Successfully controlled inflationary pressure.

(2) Hindered short-term economic development but promoted long-term stable economic growth.

(3) Caused significant fluctuations in U.S. stock and bond markets and signs of credit market tightening, while increasing global financial market liquidity risk.

(4) Strengthened the U.S. dollar, triggering global exchange rate fluctuations and increasing financial instability and imported inflation pressure in emerging markets.

(5) Had spillover effects on global economies and financial markets, forcing many countries to adjust their monetary policies, and increasing global economic uncertainty and volatility.

Based on these findings, the following policy recommendations are made for the United States:

(1) Strengthen policy transparency and expectation management to reduce market fluctuations and provide clear forward-looking guidance.

(2) Enhance financial regulation and systemic risk prevention, and improve liquidity management frameworks for financial institutions.

(3) Promote economic structure optimization and long-term growth and support small and medium-sized enterprises through tax relief and financing support.

For other countries:

(1) Strengthen macro policy coordination and transparency through international organizations to reduce global economic fluctuations.

(2) Enhance financial regulation and risk resilience of financial institutions.

(3) Diversify economic structures, reduce dependence on external funds and specific industries, and enhance economic resilience.

(4) Maintain monetary policy flexibility, adjusting interest rates and policy tools according to domestic and global economic changes.

(5) Promote healthy development of cross-border capital flows to prevent negative impacts of capital outflows.

By following these policy recommendations, the United States can better adjust its economy and promote development, while other countries can effectively manage the impact of the Fed's interest rate hikes, maintain economic stability, and contribute to global economic health.

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