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The US printed more than 3.3 trillion dollars in 2020 alone and it matters today.

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When the Covid -19 became a pandemic in March 2020, every economy had no choice but to act fast because the economies were facing decline at a great pace. The US Federal Reserve acted fast by printing more than 3.3 trillion dollars in 2020 alone in order to inflate the economy which equates to one fifth of all US dollars in circulation in the same year. The recession in the United States after March 2020, caused a drop in tax revenue ; income tax collections fell short by 11 percent as compared to 2019 and corporate tax collections were down by 34 percent.

Before the Fed printed these 3.3 trillion dollars, the stock of dollars was 15.34 trillion dollars which rose to 18.72 trillion dollars in September 2020.So, to be precise, 3.38 trillion dollars were printed in 2020 alone which is approximately 18 percent of the stock of dollars.This means that out of every 5 dollars, one dollar was created in 2020.

The process of printing money in order to keep the economy afloat and functioning is known as 'quantitative easing'. The main function of quantitative easing is to promote borrowing. The interest rates of banks usually remain low which means that borrowing stays cheap. Hence, more people tend to take loans from banks. For example, in March 2020, the interest rates dropped to 0.25% which afforded people to borrow so cheaply in hope that they will spend it on goods and services which will boost the economy.

Short term effects of deficit financing :

1. Demand - pumping money in the economy during covid led to stimulating demand which can help in boosting consumer spending which is essential for the economy at such time.
2. Support - many people were given funds during this time which helped them meet their daily expenses, pay taxes and furthermore support their businesses.
3. Preventing Deflation - During such times, when economy is nearly paused, their is a risk of falling prices. Printing money solves this problem.

Long term effects of deficit financing are:

1. Inflation - The increase in money supply outgrew the demand for goods which has led to inflation.
2. Devaluation - As US printed more money than any economy at that time, it led to a fall in value of US currency.

3. Interest rates- in the short run, banks decreased interest rates to as low as 0.25 percent but in the long run, banks have increased their interest rates to cover up their previous losses.

The motive behind printing money was to reduce interest rates in hope that people will borrow more and spend it on their businesses which will in turn revive the economy. Pumping of money by the US can and has affected other countries like India in the following ways:

1. Global Trade and exchange rates - as of 2021, India is USA's largest trading partner and most important exporter. But the weakening of US dollar could make trading with the United States more competitive.
2. Monetary Policy - If the US economy faces inflation, it could indirectly affect India's inflation rate due to which the Reserve Bank of India will have to change its monetary policies as well.
3. Investment - If this process of deficit financing leads to inflation (like it has) and devaluation of currency, it might lead to a change in the outlook of the investors wanting to invest in the US in any way. They might start thinking negatively about investing in US.

The US has pumped more money than needed in the economy which has resulted in inflation in many countries like India and Japan.

The only solution to control this situation is for The US to take responsibility and change its monetary policies which does not include deficit financing.