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A Comparative Analysis of the Chinese and US Financial System in Times of Global Economic Crisis: The COVID-19 Response

Uma análise comparativa do sistema financeiro chinês e dos EUA em tempos de crise económica global: a resposta à COVID-19

Un análisis comparativo del sistema financiero chino y estadounidense en tiempos de crisis económica global: la respuesta al COVID-19

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ABSTRACT

This article performs a comparative analysis of the US and Chinese financial system during the current global economic crisis. It examines the response of governments, the economic policies adopted, the regulatory measures implemented and the financing and investment mechanisms used. The similarities and differences between the two financial systems are discussed, highlighting implications for economic recovery. The research concludes that the US and China implemented different measures, reflecting their economic and political characteristics.

Keywords: financial system, economic crises, USA, China.

RESUMO

Este artigo realiza uma análise comparativa do sistema financeiro dos EUA e da China durante a crise econômica global atual. Examina-se a resposta dos governos, as políticas econômicas adotadas, as medidas regulatórias implementadas e os mecanismos de financiamento e investimento utilizados. As semelhanças e diferenças entre os dois sistemas financeiros são discutidas, destacando as implicações para a recuperação econômica. A pesquisa conclui que os EUA e a China implementaram medidas distintas, refletindo suas características econômicas e políticas.

Palavras-chave: sistema financeiro, crises econômicas, EUA, China.

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RESUMEN

Este artículo realiza un análisis comparativo del sistema financiero estadounidense y chino durante la actual crisis económica mundial. Examina la respuesta de los gobiernos, las políticas económicas adoptadas, las medidas regulatorias implementadas y los mecanismos de financiamiento e inversión utilizados. Se discuten las similitudes y diferencias entre los dos sistemas financieros, destacando las implicaciones para la recuperación económica. La investigación concluye que EE. UU. y China implementaron diferentes medidas, lo que refleja sus características económicas y políticas.

Palabras clave: sistema financiero, crisis económicas, EEUU, China.

INTRODUCTION

Global economic crises have had a significant impact on the financial systems of countries across the world. During the past few decades, the global economy has faced several major economic crises, such as the 1997 Asian crisis and the 2008 global financial crisis, which have had significant impacts on the world economy. More recently, the COVID-19 pandemic triggered a global economic crisis that significantly affected the financial systems of many countries around the world, including those of the United States and China.

As the world›s two largest economies, the decisions taken by the US and Chinese governments in response to these economic crises have had a significant impact on global financial stability. In this context, a comparative analysis of the Chinese and US financial system can provide valuable insights into how these two financial systems performed during these global economic downturns and how they can contribute to global economic recovery.

The purpose of this article is to compare and contrast the Chinese and US financial system during the most recent global economic crises, such as those that occurred in 1997, 2008 and 2020, based on a review of existing literature and comparative analysis of relevant data. Specifically, this article seeks to answer the following research question: How do the Chinese and US financial systems compare in terms of economic and monetary policies, financing and investment mechanisms, and regulatory measures adopted during these global economic downturns?

In addition to the historical precedents of global economic crises, the contemporary landscape is marked by a distinctive challenge—an unprecedented convergence of economic turmoil and a global health crisis, exemplified by the COVID-19 pandemic. Unlike previous economic downturns, the current crisis is uniquely characterized by the intertwining of economic challenges with a sanitary emergency. The intricacies of managing a dual crisis, where economic vulnerabilities are exacerbated by the complexities of responding to a public health emergency, introduce novel dimensions to the dynamics of financial systems.

The interplay between economic and health-related factors necessitates an examination of the strategies adopted by countries, particularly the United States and China, in navigating this intricate web of challenges. This article aims to shed light on the distinctive features and complexities arising from the amalgamation of an economic downturn with a health crisis, offering a nuanced understanding of the responses and implications for the financial systems of these two pivotal global economies.

In doing so, this article aims to provide a deeper understanding of how the US and Chinese financial systems performed during the recent global economic downturns and how they can recover and contribute to the global economic recovery. The implications of these findings will also be discussed for global financial stability and financial interdependence between the US and China.

LITERATURE REVIEW

US Financial System

The United States has one of the largest and most developed financial systems in the world. The US financial system is made up of a wide range of financial institutions, including commercial banks, investment banks, brokerage firms, insurance companies and pension funds, which serve a variety of financial needs of individuals, businesses and governments.

Commercial banks are the main source of financing for businesses and individuals in the United States. They are regulated by the Federal Reserve System, which is the central bank of the United States, created in 1913. According to Mishkin (2018), the FED is the most important institution in the US financial system, as it is responsible for overseeing the country›s monetary policy, as well as financial stability and banking supervision. In addition, there are several other regulatory agencies that oversee the different components of the US financial system, such as the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC).

Depository and Lending Activity	Federal Reserve	OCC	FDIC	State Banking Supervisors
Consumer Financial Products	CFPB	State Banking Supervisors		
Securities and Bonds Products	SEC			
Derivatives Products Exchange Based	CFTC			
Derivatives Products Over-the-Counter Based	SEC	CFTC		
Insurance Products	State Insurance Regulators			

Fonte: Baily; Klein; Schardin (2017)2

In addition to commercial banks, the US has a shadow banking system known as shadow banking, which includes non-bank financial companies such as hedge funds, private equity funds and other financial institutions that are not regulated by the Federal Reserve System. According to Kashyap et al. (2008), this system has become more relevant in recent years and may eventually be responsible for some financial stability risks.

US brokerage firms and investment banks play a key role in the global capital market. These institutions provide financial intermediation services, facilitating the trading of stocks, bonds and other financial assets. The American capital market represents more than 40% of the entire global market value, being the most liquid in the world (Hull, 2018).

Additionally, insurance companies and pension funds are also important providers of financial services in the US. They offer life insurance, health insurance, property insurance and other types of insurance for individuals and businesses. Pension funds manage assets for retirement and other purposes and invest in a wide range of financial assets, including stocks, bonds and other assets.

The US has a long history of financial regulation, starting with the Glass-Steagall Act of 1933, which separated commercial banks from investment banks to avoid conflicts of interest and protect depositors. This law was repealed in 1999 with the Gramm-Leach-

2. Available at: https://www.rsfjournal.org/content/3/1/20

Bliley Act, allowing commercial and investment banks to merge again (White, 2009).

In recent years, the US financial system has been the subject of intense discussion, especially after the 2008 global financial crisis. Since then, there have been a number of regulatory reforms, including the 2010 Dodd-Frank Act, which sought to increase transparency and accountability in the US financial system.

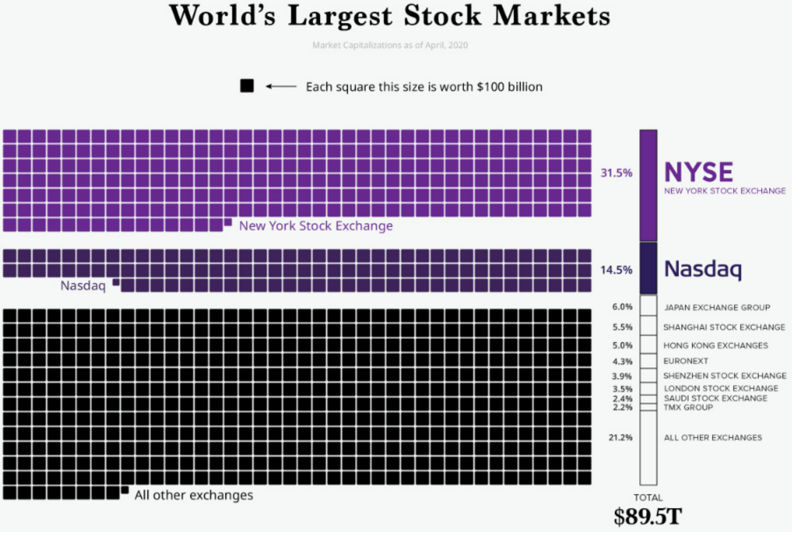
However, many argue that the US financial system still poses significant risks to global financial stability, especially given the interconnection and interdependence between financial institutions and financial markets. Therefore, the importance of continuing to monitor the performance of the US financial system in times of global economic crisis is urgent, especially in comparison with other global financial systems such as the Chinese financial system.

Chinese Financial System

The Chinese financial system is complex and highly regulated by the government. The country has gone through a process of financial liberalization and opening to the international market, but it is still considered an emerging market in terms of financial development. The Chinese financial system is composed of a large number of state and regional banks, in addition to a growing number of private and foreign banks (Allen et al., 2020). The People›s Bank of China is the country›s central bank and plays a key role in conducting monetary policy and overseeing the financial system.

Also, The China Banking Regulatory Commission (CBRC) supervises and regulates banking institutions, ensuring their stability and compliance with established policies. Similarly, the China Securities Regulatory Commission (CSRC) focuses on regulating the securities and futures markets, safeguarding investors› interests and maintaining market integrity. For insurance-related matters, the China Insurance Regulatory Commission (CIRC) assumes the role of regulator, overseeing insurance companies and promoting the healthy development of the insurance industry. These regulatory bodies work in conjunction with the People›s Bank of China to establish comprehensive financial oversight (Huang, 2014).

In addition to state-owned banks, China also has a rapidly growing bond market. The Chinese bond market is the second largest in the world in terms of volume, behind only the US market (Amstad; He, 2019). However, China›s stock market is still relatively small compared to other international markets.



Fonte: Visual Capitalist (2020)3

Additionally, one of the main characteristics of the Chinese financial system is the extensive use of directed credit mechanisms. According to Adams (2021), the Chinese government uses these mechanisms to channel credit to specific sectors of the economy, such as state-owned companies and infrastructure projects. The Chinese government also exercises tight control over the foreign exchange market. The Chinese currency, the renminbi, is controlled by the People›s Bank of China, which operates under a managed exchange rate regime against the US dollar.

The Chinese financial system still faces some challenges, common in developing markets, such as the high leverage of state-owned companies and the lack of transparency in some areas of the financial market. In addition, the country is also undergoing a deleveraging process, which may affect economic growth in the short term (Liu, 2021).

3. Available at: https://www.visualcapitalist.com/the-worlds-10-largest-stock-markets/

The crises in the American financial system

The US financial system has faced several economic crises throughout history, with significant impacts on the country›s economy and financial sector. Initially, the crash of 1929 was one of the most severe and long-lasting crises in US history. The resulting Great Depression had devastating effects on the US economy and financial system, leading to a drastic stock market crash and a wave of bank failures (Galbraith, 2009).

According to Rothbard (2000), the 1929 crisis was the result of a series of factors, but the main cause was the expansion of credit driven by the banking system. A loose monetary policy by the Federal Reserve has led to an excess of cash and credit in the economy, artificially inflating the prices of assets such as stocks and real estate.

Later, during the early 1980s, the US faced a financial crisis characterized by high interest rates, inflation, and economic recession. The financial sector was rocked by problem loans and widespread defaults, particularly in the real estate sector and the farmer loan market (Barnett, 2000). This bubble eventually burst, leading to the collapse of several financial institutions and a crisis of confidence in the banking system.

Finally, the 2008 financial crisis, also known as the «Subprime Mortgage Crisis», was triggered by a housing bubble and subprime mortgage loan defaults. The crisis had significant impacts on the American financial system, resulting in bankruptcies of major financial institutions, government bailouts and a global recession (Reinhart; Rogoff, 2009).

According to Reinhart and Rogoff (2009), the 2008 financial crisis was «the worst financial crisis since the Great Depression». The collapse quickly spread throughout the global financial system, resulting in failures of major financial institutions, a liquidity crisis and a global recession. As a result, the US government implemented various bailout and stimulus measures to stabilize the financial system and reverse the economic recession.

The crises in the Chinese financial system

China, like the US, has also faced challenges and crises in its financial system throughout its history. Although the Chinese financial system has evolved significantly, some past crises have had a significant impact on the country›s economy.

One of the most notable crises was the 1997 Asian financial crisis. The crisis originated in Thailand but quickly spread to other Asian countries. China was impacted considerably, and experienced a drop in economic growth in addition to significant pressures on its financial system during this period (Lardy, 1999).

The effects of the Asian crisis quickly affected the Chinese financial system, resulting in a devaluation of the yuan and capital flight. The Chinese government implemented capital control measures and stimulus policies to stabilize the economy and protect its financial system (Yongding, 2000).

Additionally, the 2008 global economic crisis also affected the Chinese financial system. According to Lardy et al. (2011), the 2008 global financial crisis had a significant impact on the Chinese economy, with the country experiencing a drop in exports, a decrease in foreign direct investment and a slowdown in economic growth. The Chinese government responded by implementing an economic stimulus package to boost domestic demand and spur growth.

The rescue economic and monetary policies

During past economic downturns, both the US and Chinese governments have implemented economic and monetary policies to mitigate adverse effects and encourage economic recovery.

In the midst of the 1997 Asian crisis, the Chinese government adopted measures to contain capital flight and prevent a devaluation of the yuan. According to Yongding (2000), China has implemented strict capital controls, including restrictions on capital outflows and foreign currency conversion. These policies were aimed at protecting exchange rate stability and strengthening the country›s financial position.

During the 2008 global financial crisis, the US and Chinese governments also took steps to stabilize their financial systems and stimulate the economy. In the United States, the government implemented a financial rescue package known as the Troubled Asset Relief Program (TARP), which included capital injections in financial institutions and measures to strengthen financial regulation (Evanoff et al., 2011). In China, the government adopted economic stimulus measures, including an infrastructure investment program and tax incentives to boost consumption and investment (Lin, 2011).

METHODOLOGY

The present research adopted a qualitative approach to carry out the comparative analysis of the US and Chinese financial system during the current global economic crisis. The methodology involved a systematic review of the existing literature, as well as the analysis of data and information available in reports, academic articles and reliable sources.

The systematic review of the literature identified previous studies on the US and Chinese financial systems, as well as the policies and measures adopted during previous economic crises. This review was essential to establish the theoretical basis of the research and identify gaps in existing knowledge.

In addition, data and information available in economic reports, government publications, reports from financial institutions and other relevant documents were analyzed. These data were used to evaluate the economic and monetary policies adopted by the US and Chinese governments, the financing and investment mechanisms used during the current global economic crisis, as well as the regulatory measures implemented to stabilize financial systems.

SIMILARITIES AND DIFFERENCES BETWEEN THE US AND CHINESE FINANCIAL SYSTEMS DURING THE CURRENT GLOBAL ECONOMIC CRISIS

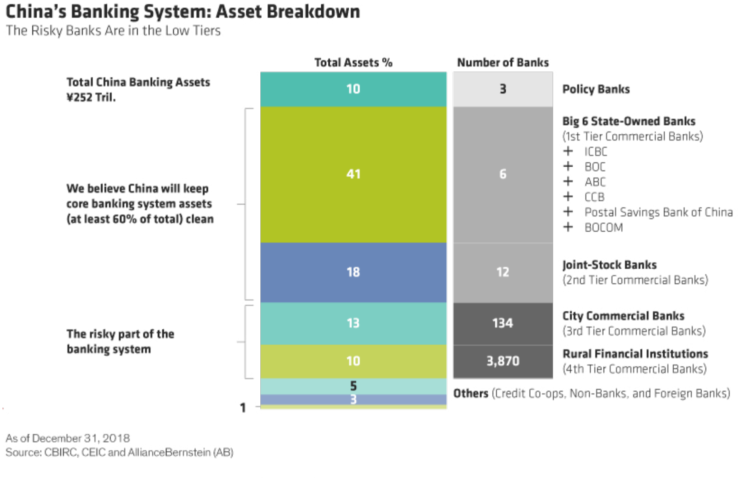
The current global economic crisis triggered by the COVID-19 pandemic has affected the US and Chinese financial systems in similar and different ways. Both countries have faced significant economic challenges, but their financial structures and policy responses have some distinctions.

A similarity between the US and Chinese financial systems during the crisis is the pivotal role of central banks. Both the Fed and the BPC have played a key role in implementing monetary policies to stabilize the financial system and support the economy. According to Mosser (2020), central banks used a combination of lowering interest rates, injecting liquidity and buying assets to maintain financial stability during the crisis.

However, there is a contrast regarding the flexibility of monetary policies. The US Federal Reserve had a greater room for maneuver to adjust interest rates and implement quantitative easing measures (Rebucci et al., 2022). In China, the flexibility of monetary policies was limited due to a managed exchange rate system and concerns about financial stability (Fernández, 2021).

Another important difference was in the fiscal response adopted by the US and Chinese governments. While the US has implemented comprehensive fiscal stimulus packages to support the economy during the crisis, China has taken a more moderate approach. As highlighted by Liu et al. (2021), the US has launched massive fiscal stimulus packages, including direct payments to households, unemployment aid and support for businesses, with the aim of boosting aggregate demand. On the other hand, China has implemented more targeted support measures, such as preferential loans for small and medium-sized enterprises and specific tax incentives for strategic sectors (Liu et al., 2021).

Another notable contrast is in the instruments for implementing policies, given the differences in the structure of the financial sector in the two countries. State-owned banks play a central role in financial intermediation in China, as shown in Chart 2, while in the US, private commercial banks and non-bank financial institutions have a greater market share (Byrd, 2019).



Fonte: Alliance Bernstein (2019)[4]

4. Available from: https://www.alliancebernstein.com/library/are-distressed-small--banks-putting-chinas-banking-system-at-risk.htm

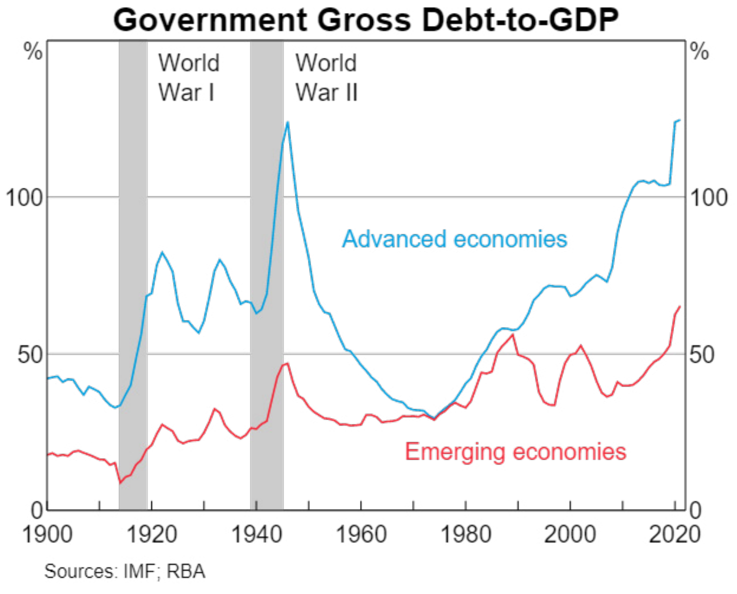
These differences in financial systems mainly reflect different policy and regulatory approaches adopted by the two countries. While the US has a more market-oriented system, China maintains greater state control and intervention in its financial system.

The impact

The economic and monetary policies adopted by the US and Chinese governments during the current global economic crisis have been the subject of analysis and debate. While some measures have been effective, others raise concerns and greater criticism.

In the case of the US, the implementation of massive fiscal stimulus packages was praised for its impact in mitigating the economic impacts of the crisis. According to Dean (2022), the US fiscal stimulus packages helped sustain the emergency needs to prevent a more severe economic contraction, being crucial to support families and companies affected by the crisis and stabilize the financial system.

However, some concerns have arisen regarding the increase in public debt and long-term fiscal sustainability. As mentioned by Mankiw (2022), rising fiscal deficits and perpetuating debt rollovers can lead to widespread global stress and put pressure on government›s borrowing capacity. Therefore, the US may have to deal with an eventual imbalance between the necessary economic stimulus and long-term fiscal sustainability.



Font: RBA (2021)5

In the case of China, the approach taken with more targeted stimulus measures raised questions about the effectiveness and distribution of benefits. While preferential lending to small and medium-sized enterprises was lauded for supporting key sectors, some criticisms emerged regarding the efficient allocation of these resources. As pointed out by Liu (2021), one of the consequences was the increase in leverage widely existing in some sectors of the Chinese economy, such as the real estate market.

Furthermore, the significant presence of state-owned banks in China may also raise concerns in terms of competition and efficiency of the financial system. As highlighted by He and Liu (2020), the influence of national and local authorities could compromise the efficient allocation of emergency liquidity resources and create risks.

In summary, the economic and monetary policies adopted by the US and Chinese governments during the current global economic crisis have had positive impacts in mitigating the effects of the crisis. However, it is essential to carefully monitor the challenges related to public debt, the efficient allocation of resources and competition in the financial sector.

5. Available at: https://www.rba.gov.au/publications/bulletin/2021/jun/the-global-fiscal-response-to-covid-19.html

Financing and Investment Mechanisms during the Global Economic Crisis

During the current global economic crisis, the public and private sectors in the US and China have adopted a variety of financing and investment mechanisms to address economic challenges and promote recovery. A study of these mechanisms reveals some distinctive characteristics between the two economies.

In the US, the public sector has played a crucial role in providing finance and supporting infrastructure projects. The fiscal stimulus program implemented by the government included investments in sectors such as transportation, energy and telecommunications and the US sought to boost investment in infrastructure as a way to stimulate the economy and create jobs (Dean, 2022). The federal government has implemented relief programs such as the Paycheck Protection Program (PPP), which provides loans to businesses to help maintain jobs and operations during the crisis. Such initiatives were key to sustaining companies› liquidity and avoiding a broader financial crisis (Yellen, 2021).

In addition, the US private sector sought financing alternatives, such as increased loan issuance. Access to debt issuance by companies was more intense in the initial period of the crisis, while the supply of credit and the loan market deteriorated with the advancement of economic impacts (Deghi et al. 2021).

In China, the public sector has also played a significant role in financing infrastructure projects. The Chinese government promoted investments in strategic sectors, especially infrastructure. Unlike other international cases, such as the US itself, the Chinese government›s financing and investment measures were more focused on the corporate level and less on maintaining household consumption (Liu, 2021).

In this sense, in the private sphere, liquidity resources were mainly destined to protect the capital of financial institutions and credit to small and medium-sized companies. The allocation of resources and investment projects promoted by the government took place, in greater volume, for sectors considered strategic in the Chinese economy, such as construction and technology companies (Liu, 2021).

In short, in both the US and China, the public and private sectors have used a combination of financing and investment mechanisms to address the current global economic crisis. These mechanisms included government aid programs, corporate bond issues, preferential credit targeting, and tax incentives. The implementation of these strategies sought to sustain liquidity, support companies and boost economic recovery.

Regulatory Measures to Stabilize the US Financial System During the Current Economic Crisis

During the current economic crisis triggered by the COVID-19 pandemic, the US government has taken a series of regulatory measures to stabilize its financial system. It is essential to analyze these measures and compare them with those adopted during previous economic downturns to understand their effectiveness and approach.

Among the main regulatory measures taken during the current crisis were the easing of capital rules and the channeling of liquidity to financial institutions. The objective of these measures was to provide financial institutions with greater flexibility to deal with market volatility, maintain the supply of credit and guarantee the demands for redemption of resources by companies and families. The temporary easing of capital and liquidity rules helped ensure that banks and financial institutions continued to provide loans and financial support during times of crisis, to avoid side effects that result in greater economic impacts (Milsten; Wessel, 2021).

Comparing the regulatory measures adopted during the current crisis with those taken during previous crises, certain similarities and differences can be observed. For example, just like during the 2008 crisis, the US government implemented fiscal and monetary stimulus measures to support the economy and provide support to affected sectors. However, the current crisis required a more rapid and comprehensive response due to its global nature and rapid spread. As highlighted by Gopinath (2020), the current crisis required swift and coordinated action to stabilize financial markets and avoid a systemic crisis, as the severity and collapse across all sectors was characterized by a complete "shutdown" of economies due to restrictive measures, health crises and shocks in the production chain.

Furthermore, one of the biggest differences between the crisis caused by the Covid-19 pandemic and the financial crisis of 2008 is found in the nature and responsibility of their causes. The 2008 crisis had its origin in the distortions caused by credit ratings that were not consistent with the real risk of mortgages subprime and other shortcomings in financial market regulation. The Dodd-Frank Wall

Street Reform and Consumer Protection Act, implemented after the 2008 financial crisis, which brought important regulatory reforms, including the creation of financial supervisory agencies and the imposition of restrictions on the financial sector, reinforced regulatory measures such as the main palliative in order to prevent new similar collapses (Murdock, 2011). In turn, although aggravated by still persistent vices in the global financial system, the current economic crisis was triggered by a natural element, incapable of being largely mitigated by corrections and regulation of financial markets.

In summary, it is important to note that regulatory measures during the current crisis, compared to previous economic crises, such as 2008, were implemented in a more agile and flexible way. Comparing these with measures taken during previous crises, one can see the importance of regulatory easing, improved oversight and the need for a rapid and coordinated response. However, it is important to recognize that regulatory measures have encountered limitations and challenges not seen in previous crises, due to the nature of the current economic crisis, which involved a set of additional factors fundamentally distant from financial markets.

Regulatory Measures to Stabilize the Financial System in China During the Current Economic Crisis

Like the US, the measures adopted by the Chinese government to combat the current financial crisis also involved the easing of regulatory measures. The Chinese government implemented measures to increase access to liquidity and credit by companies, in acts that involved reducing coverage requirements for the provision of non-performing loans and increasing tolerance in bank conditions for credit (Qi, 2021).

Moreover, to bolster the stability of the financial sector during the ongoing economic crisis, China implemented targeted regulatory measures to address specific challenges. The Chinese government took notable steps to support small and medium-sized enterprises, recognizing their pivotal role in the country›s economic fabric. Preferential lending programs were initiated to facilitate access to credit for these enterprises, ensuring the continuity of operations and sustaining employment levels (Liu, 2021). Additionally, the government introduced specific tax incentives strategically tailored to stimulate key sectors vital for economic recovery.

In response to the economic downturn, China›s financial regulatory bodies, such as the China Banking Regulatory Commission (CBRC) and the China Securities Regulatory Commission (CSRC), collaborated closely with the People›s Bank of China to implement flexible and adaptive policies (Li, 2023). These measures not only focused on immediate relief but also aimed at fostering long-term financial resilience. By reducing coverage requirements for non-performing loans, the government sought to mitigate risks in the banking sector and ensure the continued flow of credit to businesses (Li, 2023).

In contrast, during the 1997 Asian crisis, China adopted restrictive regulatory measures to prevent the spread of external financial crises. For example, China has strengthened capital controls and implemented currency risk management policies. These measures aimed to protect domestic financial stability and avoid negative impacts of the regional crisis (Yongding, 2000).

However, similar to the policies adopted in the midst of the current crisis, during the global financial crisis of 2008 China also adopted regulatory measures of greater flexibility to face economic challenges. The Chinese government implemented fiscal and monetary stimulus, including credit expansion and infrastructure investment. These measures helped boost domestic demand and maintain economic stability during the crisis (Lin, 2011).

In summary, during the current economic crisis, the Chinese government has relaxed financial control and credit provision regulatory measures to ensure the stability of the financial system. These measures are similar to those adopted during the 2008 crisis, however they differ from the restrictive measures adopted during the 1997 Asian crisis, demonstrating a change in the characteristics of Chinese policies of financial regulation in China for economic crises.

Economic Recovery Prospects for the US and China and the Role of Their Financial Systems

In the aftermath of the current global economic crisis, both the US and China face significant challenges in their pursuit of economic recovery. However, their financial systems play a key role in this process. It is important to assess the prospects for recovery and how these systems can contribute to it.

In the case of the US, the prospects for economic recovery are encouraging. The country has a robust and sophisticated financial system, with the ability to mobilize resources to boost the economy. In addition, the Federal Reserve (FED), the US central bank, has taken aggressive measures in monetary terms to ensure financial stability. As mentioned by Chairman Jerome Powell (2021), the FED is committed to using all available tools to support the economy and promote recovery, ensuring price stability and maximum employment.

However, the American economy has faced some consequences due to the expansionist policies adopted, such as persistent inflation, which required a more rigorous increase in interest rates by the Fed (Smith, 2023). The precision of the central bank, in reducing the inflationary effects of the stimuli used during the pandemic without causing greater shocks in the financial system accustomed to a scenario of low interest rates and ample liquidity, will be the crucial point in making a possible recession in the American economy soon and the scenario returns to stability.

In the case of China, the prospects of economic recovery depend on the resumption of its growth. During the current crisis, as highlighted by this research, the Chinese government implemented measures and fiscal stimulus to boost domestic demand and support economic recovery, especially in sectors considered strategic, such as infrastructure. Furthermore, China has been focusing on boosting technological innovation and structural transformation to boost its position as a world economic power (IEDI, 2021).

In the context of the Chinese financial system, banks and other financial institutions are expected to play a vital role in economic recovery by providing finance and investment for strategic companies and projects. In addition, China is also promoting the internationalization of the Yuan (Liang, 2020) and seeking to strengthen its capital market, which can contribute to attracting investments and boosting economic growth. In this way, the development of the Chinese financial market plays a crucial role in the economic recovery and in the search for a more resilient economy (Byrd, 2019).

The biggest challenges for the Chinese recovery lie in structural and geopolitical issues. The attempt to restore normality in international trade and in the global production chain, crucial for China, faces the conflict in Ukraine and other global issues as additional challenges to the shocks caused by the pandemic (Sacks, 2022). Additionally, China needs to address internal issues in its financial system, such as leverage in some sectors of its economy, such as real estate (Liu, 2021).

CONCLUSION

This research aimed to comparatively analyze the financial system of the United States and China during the current global economic crisis, in addition to exploring the regulatory measures adopted by both countries, the financing and investment mechanisms used and the prospects for economic recovery.

In this sense, the US and Chinese financial systems faced challenges during the current global economic crisis and both countries have taken regulatory measures to stabilize their financial systems and address the economic challenges.

During the crisis, the US government implemented significant fiscal stimulus and market support measures to boost domestic demand and spur economic recovery. The robust US financial system has played a crucial role in the economic recovery, providing finance and liquidity for businesses and individuals.

China adopted the easing of regulatory measures to guarantee access to liquidity and credit, especially for essential economic sectors to the Chinese economy. In addition, the Chinese government implemented fiscal and monetary stimulus, aiming to boost domestic demand and promote economic recovery. China›s financial system has played an important role in supporting small and medium-sized enterprises and protecting the capital of financial institutions.

Although both countries adopted stimulus and rescue policies in response to the economic shock caused by the pandemic, in a comparative analysis it was possible to list some important contrasts in the characteristics of these measures: 1) The execution of monetary policy in the US was larger and more comprehensive in relation to the limitations of Chinese monetary policy; 2) The fiscal measures adopted in the US were aimed more generally at the economy, reaching mainly families, while in China, the fiscal stimulus were more targeted, especially at small and medium-sized companies in key sectors of the Chinese economy; 3) Given the difference in the structure of the financial system in the US and China, the instruments for implementing the policies adopted by China were more concentrated in the government sector, while in the US the participation of the private financial sector was more relevant.

Finally, the prospects for economic recovery for the US and China after the current global economic crisis are challenging. The economic policies adopted and the resilience of their financial systems play a key role in this recovery. Collaboration between the two countries, both in terms of economic policies and financial cooperation, can contribute to a stronger global economic recovery.

In summary, this research has demonstrated the importance of the US and Chinese financial systems in economic stabilization and recovery during the current global economic crisis. The regulatory measures adopted by the governments, the financing and investment mechanisms used and the prospects for economic recovery are key elements to be considered in understanding and analyzing the financial system of these two countries.

A comparative analysis of the US and Chinese financial systems during the current economic crisis can contribute to a better understanding of the mechanisms and policies adopted by both countries to face the economic challenges. This could provide useful insights for policymakers, regulators and financial institutions in their search for the most effective strategies to stabilize and boost the economy, as they encounter many contrasts in the policies adopted by the two countries.

It is worth noting, however, that the current global economic crisis is an ongoing event, and new information and developments will emerge constantly. Thus, it is important to consider that the conclusions of this study may evolve as new data and information become available, and consequently allow the research observations to be extended to explore the long-term impacts of the policies and actions adopted by the US and by China, as well as the consequences of these measures for financial stability and sustainable economic growth.

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