A Paradigm Shift in Quantitative Easing: Rigorous Analysis of Macro-Economic Instability and Policy Implications

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Abstract. This study critically assesses the longstanding quantitative easing mechanisms employed by central banks and their resultant macro-economic ramifications. Utilizing advanced econometric modeling, we scrutinize the dynamic interplay between monetary expansion and asset bubbles. Our findings underscore the complexities inherent in policy-making amidst volatility, offering nuanced strategies for mitigating systemic financial risks. The implications of this research resonate with both policy architects and financial analysts aiming to comprehend the underpinnings of economic stabilization.

Keywords: Quantitative Easing, Macro-Economic Stability, Monetary Policy, Econometric Modeling, Asset Bubbles, Central Bank Strategies, Financial Risk Mitigation

Introduction

In the post-2008 financial landscape, quantitative easing (QE) has emerged as a cornerstone of monetary policy, deployed by central banks globally to rejuvenate stagnating economies. However, as we navigate the economic intricacies of 2024-2026, the efficacy and repercussions of such interventions warrant critical examination. The persistent application of QE has spurred debates regarding its role in engendering macro-economic instability, notably through inflated asset prices and potential long-term fiscal imbalances. This paper endeavors to elucidate the complex mechanisms through which QE influences economic variables, challenging preconceptions about its unilateral benefits. Employing sophisticated econometric techniques, this study dissects the multifaceted impacts of QE on financial markets. We investigate the correlation between monetary supply augmentation and asset price surges, drawing insights from extensive historical data and predictive modeling. The analysis further explores the contentious discourse surrounding central bank mandates and their adaptability in an era marked by rapid technological advancement and geopolitical tensions. By delving into these themes, this paper provides a comprehensive re-evaluation of QE's role in contemporary economic strategy. The subsequent sections will detail the methodological framework, present empirical findings, and discuss the broader implications for policy formulation. Such insights aim to fortify the intellectual arsenal of economists, policy-makers, and scholars seeking to navigate the complexities of modern financial systems.

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