A Paradigm Shift in the Quantitative Easing Mechanism: Critical Re-evaluation of Central Bank Policy Efficacy Post-2024

Taylor Hill
Professor
Harvard University
Cambridge, MA 02138, USA

Henry Hill
PhD
London School of Economics
Houghton St, London WC2A 2AE, United Kingdom

Cameron Anderson
Associate Professor
University of Toronto
27 King's College Cir, Toronto, ON M5S, Canada

Abstract. In light of recent economic upheavals, this study revisits the efficacy of quantitative easing mechanisms employed by central banks globally. Utilizing robust econometric models and data analytics, the study assesses policy impacts on inflation control and monetary stability. Findings suggest a paradigm shift in understanding these mechanisms, highlighting both efficacies and potential pitfalls under current global economic conditions.

Keywords: Quantitative Easing, Central Bank Policy, Monetary Stability, Inflation Control, Economic Policy Analysis, Emerging Markets, Econometric Modeling

Introduction

In the wake of unprecedented global economic challenges, particularly in the post-pandemic era, the role of central banks and their policies has come under intense scrutiny. Quantitative Easing (QE), once a cornerstone policy tool designed to foster economic growth and stabilize markets, now faces questions concerning its long-term efficacy and sustainability. Historically, QE has been instrumental in reducing interest rates and increasing money supply. However, as inflationary pressures mount and the socio-economic landscape evolves, reevaluating this mechanism's effectiveness becomes imperative. Recent trends indicate a divergence in how QE impacts various economies, prompting a need to understand its nuanced effects on both emerging markets and developed economies. This paper harnesses advanced econometric methodologies, employing both historical data and forward-looking simulations, to dissect the multifaceted impacts of QE. The study's key objective is to delineate conditions under which QE can either ameliorate or exacerbate inflationary trends, thereby offering policymakers a

reevaluative framework to refine their strategies. The structure of this paper is as follows: Section 2 delves into the theoretical underpinnings of QE, Section 3 presents a comprehensive analysis using econometric modeling, and Section 4 discusses policy implications and future directions.

References

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