

QUANTITATIVE EASING

FOR



PEOPLE

PositiveMoney



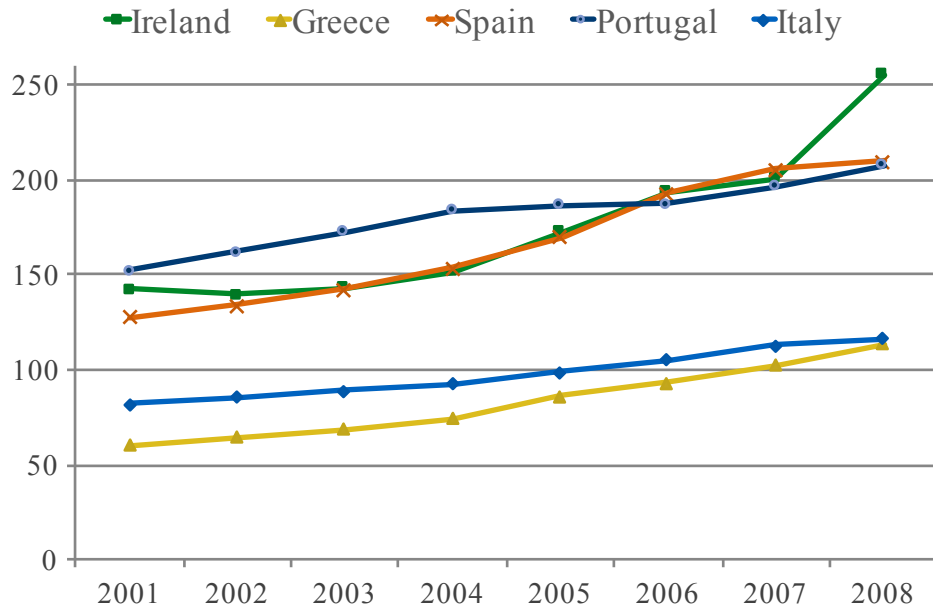
ASSESSING QE
IN THE
EUROZONE



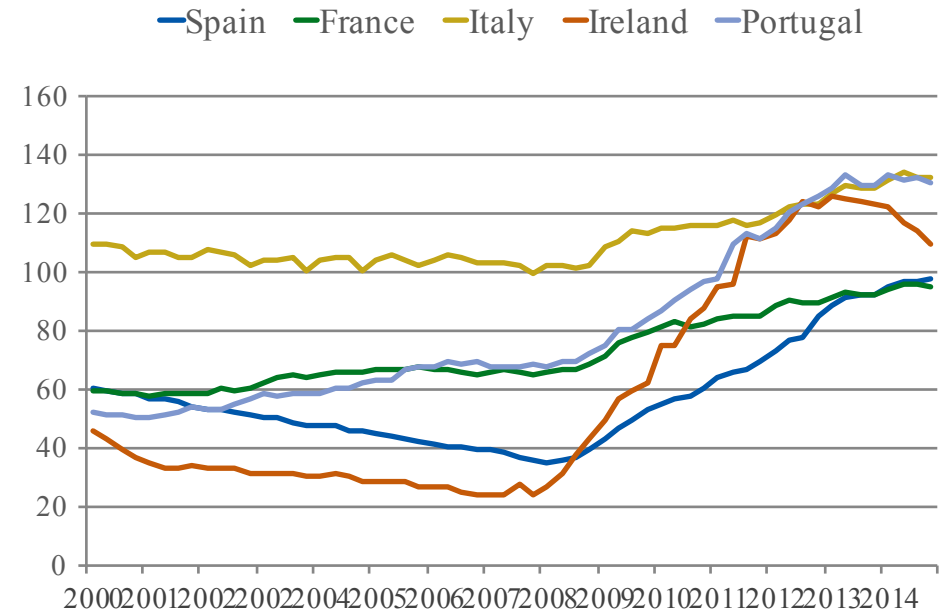


WHAT LED TO QUANTITATIVE EASING?

PRIVATE SECTOR DEBT TO GDP



GOVERNMENT GROSS DEBT



WHAT IS QUANTITATIVE EASING?

- **Central banks issue newly created reserves and use them to buy pre-existing financial assets, primarily government bonds.**
- **The general aim of QE is to increase spending in order to achieve price stability (defined as 2% increase in inflation).**

QE FOR THE
EUROZONE

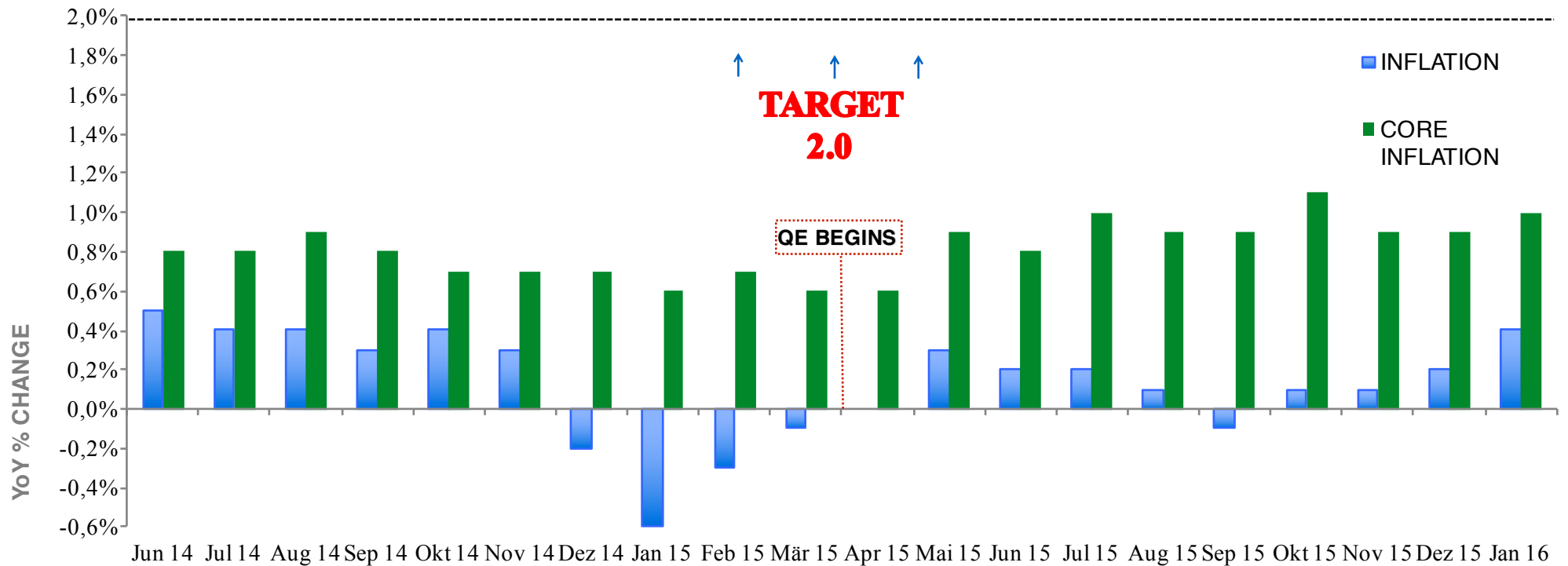
THEORY
VERSUS
EVIDENCE





INFLATION

EUROZONE PRICE STABILITY



● EXPECTATIONS CHANNEL

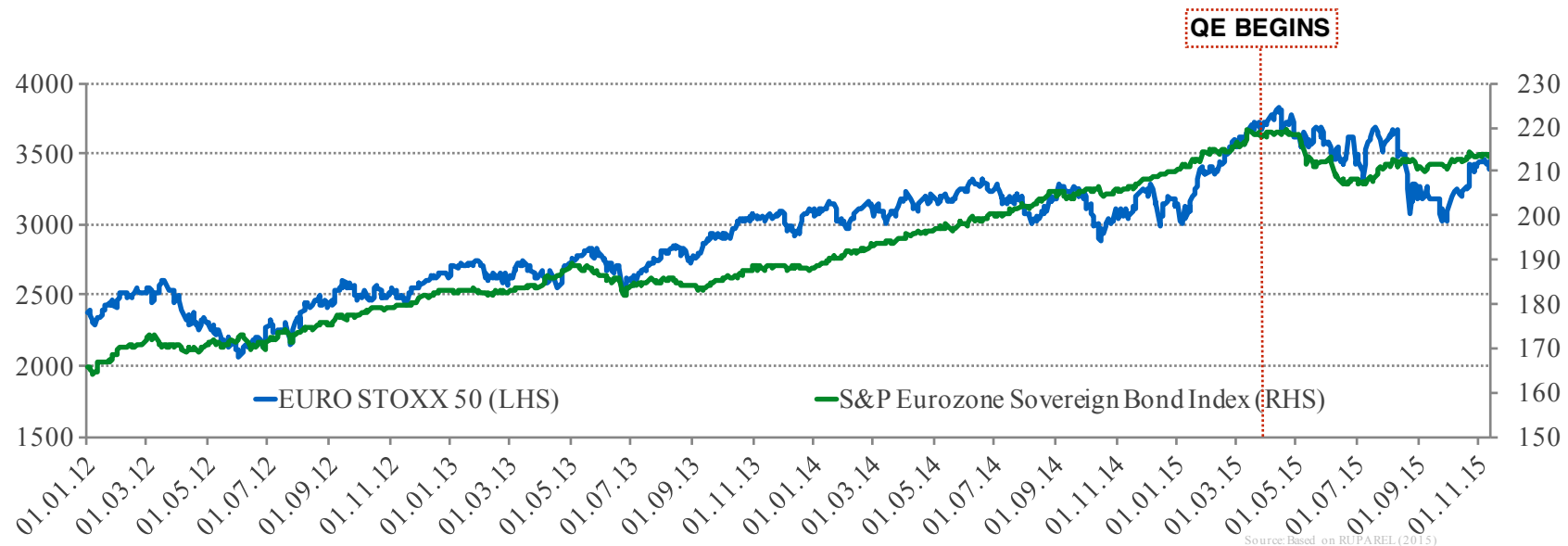
The announcement of large-scale asset purchases gives investors an idea about the future course of action that the central bank is going to take.



PORTFOLIO REBALANCING CHANNEL

“You basically substitute bonds with cash, and therefore banks, at that point, will have more incentive to lend to the private sector, households and companies” (Draghi, 2015).

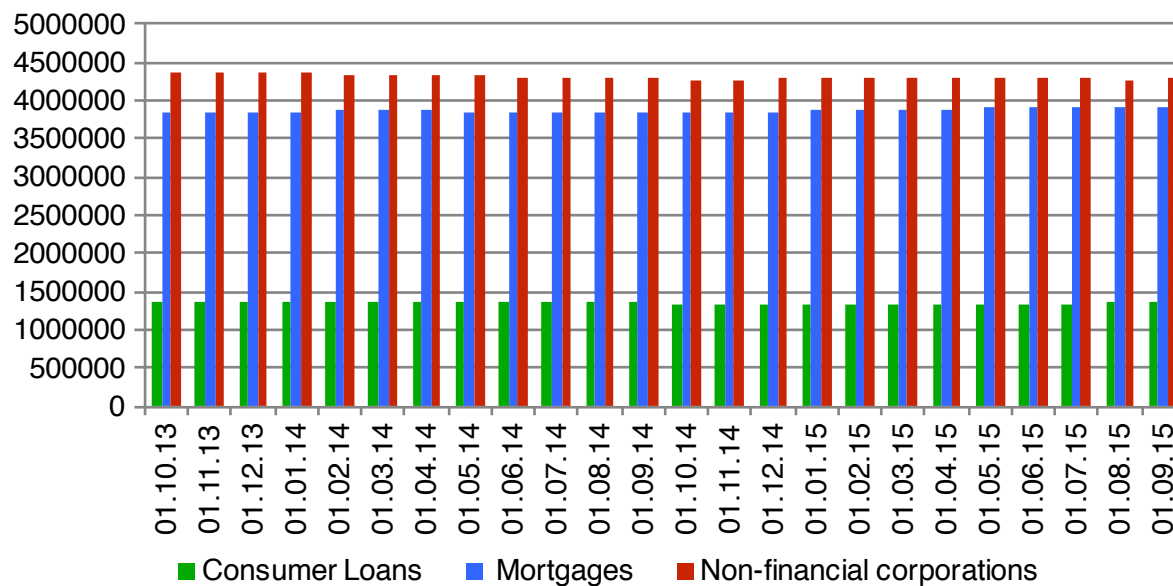
EUROZONE FINANCIAL MARKETS



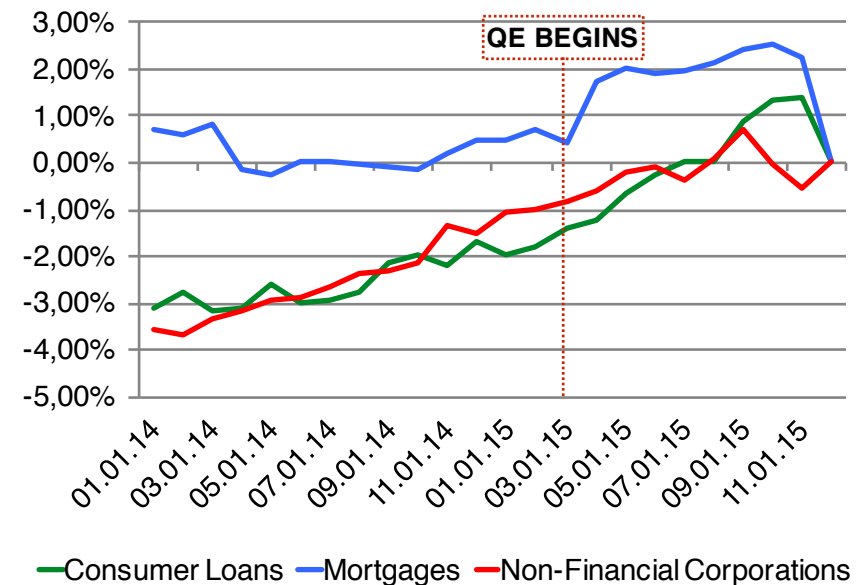
BANK LENDING CHANNEL

Injecting new central bank reserves (liquidity) into the banking system, relieves balance sheet constraints, allowing Banks to increase their lending to the economy.

EZ PRIVATE SECTOR LENDING



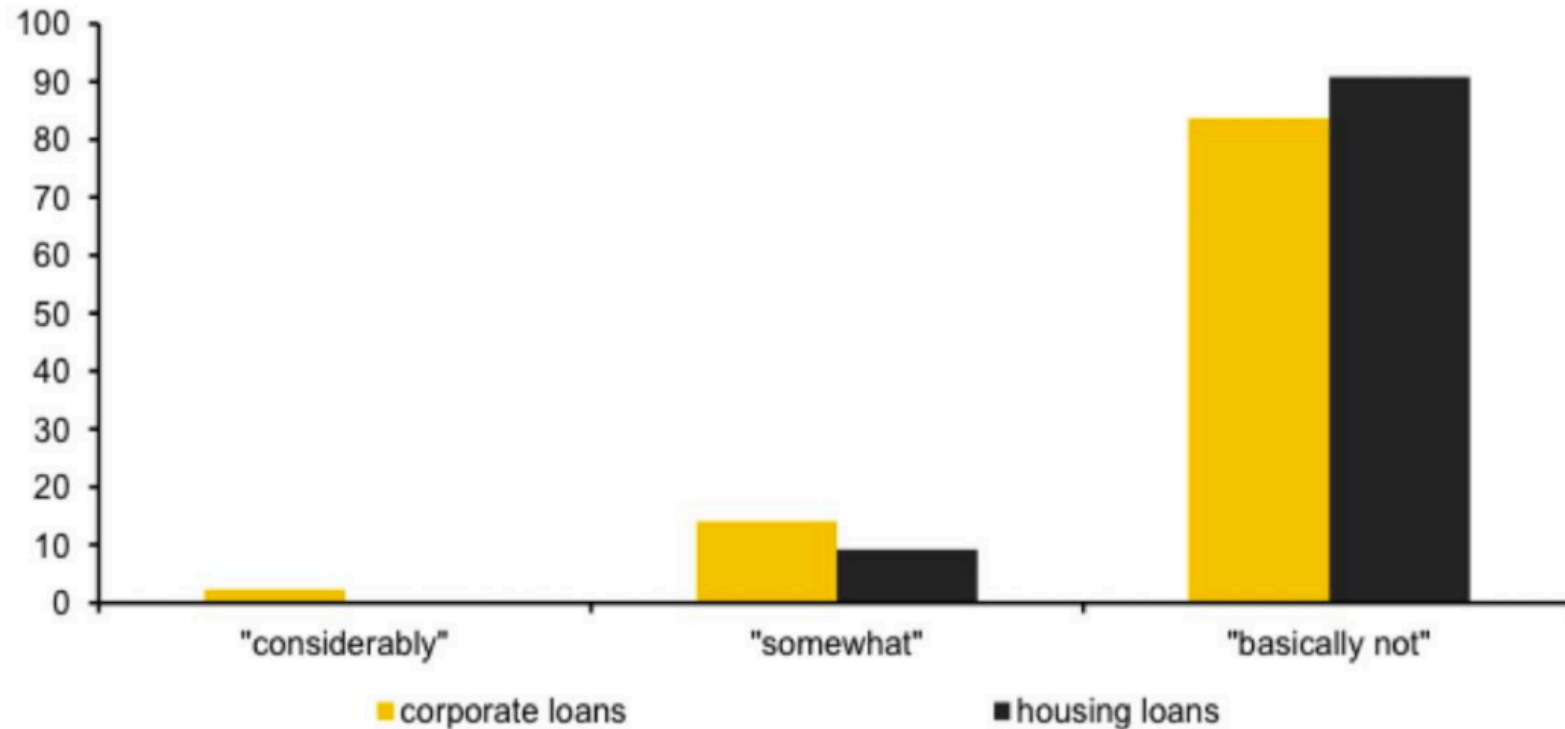
EZ LOAN GROWTH





BANK LENDING SURVEY

"Over the past six months, has your bank used the additional liquidity arising from the ECB's asset purchase programme for granting loans to non-financial corporations and households?", in percent

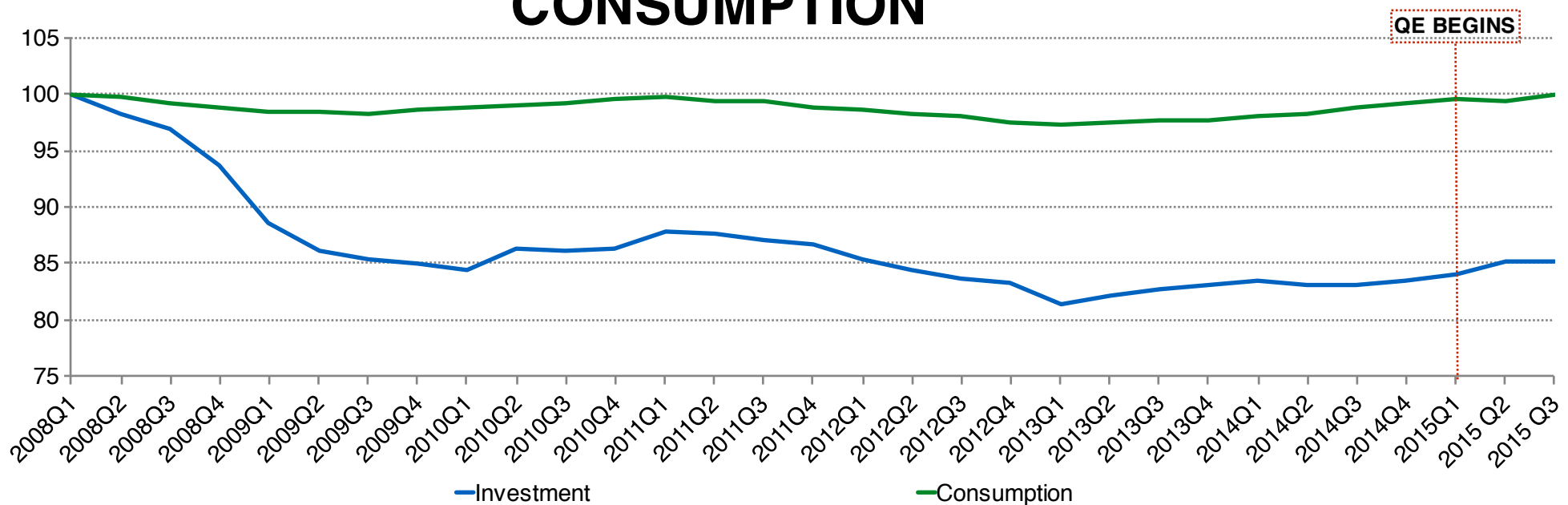


Source: ECB Bank Lending Survey, Commerzbank Research

WEALTH CHANNEL

“Higher financial and real estate asset prices can also increase demand via wealth effects” (Draghi, 2015).

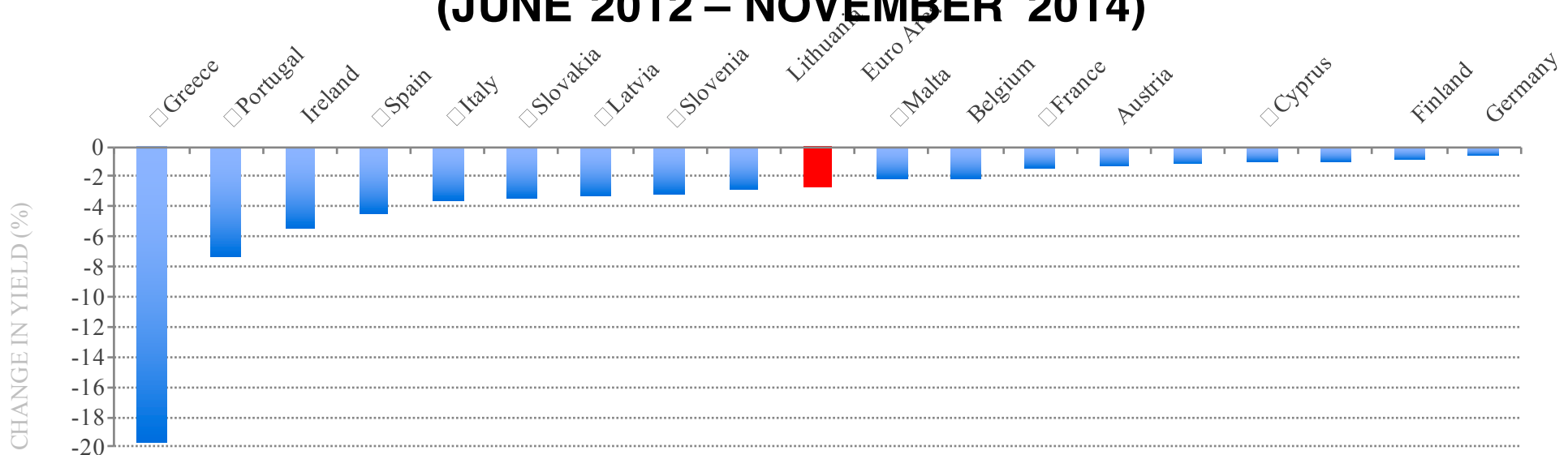
PRIVATE SECTOR INVESTMENT & CONSUMPTION



FISCAL CHANNEL

By pushing up sovereign bond prices and pulling down bond yields, QE lowers the interest rates governments have to pay on their bonds.


CHANGES IN GOVERNMENT BORROWING COSTS (JUNE 2012 – NOVEMBER 2014)



Source: RUPAREL (2015)

EXPORTS CHANNEL

By influencing yields and interest rates QE devalues the currency, leading to an increase in exports.

Eurozone Net Exports:  less than €3 billion (\$3.2 billion)
(Sep 2014-2015).

NEGATIVE SIDE EFFECTS

- Asset bubbles & financial instability
- Inequality
- Breaking up of banks
- Keeping 'ZOMBIE' businesses afloat

CONCLUSION

THEORY:

Cause of the Global Financial Crisis – PRIVATE DEBT – is the recommended solution.

Were the economic conditions QE aims to generate already in place?

ASSESSMENT OF EVIDENCE:

Sluggish results – Things could always be worse...

QE FOR THE
EUROZONE

IS THERE
A BETTER
WAY



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FOR



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