

Quantitative easing in the United Kingdom: evidence from financial markets on QE1 and QE2

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Michael A. S. Joyce, Nick McLaren, Chris Young

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Abstract

During the recent financial crisis the Bank of England, like many other central banks, loosened monetary policy using both conventional and unconventional measures. The main unconventional measure used by the Bank was the policy of asset purchases—mainly of government bonds—financed by the creation of central bank money, so-called quantitative easing (QE). During March 2009 to January 2010 and October 2011 to May 2012, the Bank completed asset purchases of £200 billion (QE1) and £125 billion (QE2), respectively. The decision to resume purchases in July 2012 will mean that by November 2012 the Bank will have bought a total of £375 billion of assets, equivalent to around 25 per cent of annual GDP. This article reviews the transmission channels through which asset purchases operate and assesses the impact of QE1 and QE2 on financial markets.

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