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The Federal Reserve System and Eurosystem's Balance Sheet Policies During the Financial Crisis: A Comparative Analysis

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Abstract

The balance sheet developments of the Federal Reserve System have received increased attention during recent events. The Fed has expanded its balance sheet and also changed its composition in order to support the financial system. As a consequence the average quality of the assets have, on average, deteriorated. In a similar way, the ECB has recently implemented novel balance sheet policies. In this article we compare the balance sheet policies of these two central banks. We assess the differences in policy strategies and deduct consequences concerning the quality of the respective currencies, as well as future directions of monetary policy.

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