

[Working Papers](#)

The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy

Arvind Krishnamurthy & Annette Vissing-Jorgensen

SHARE       

WORKING PAPER 17555

DOI 10.3386/w17555

ISSUE DATE October 2011

We evaluate the effect of the Federal Reserve's purchase of long-term Treasuries and other long-term bonds ("QE1" in 2008-2009 and "QE2" in 2010-2011) on interest rates. Using an event-study methodology we reach two main conclusions. First, it is inappropriate to focus only on Treasury rates as a policy target because QE works through several channels that affect particular assets differently. We find evidence for a signaling channel, a unique demand for long-term safe assets, and an inflation channel for both QE1 and QE2, and an MBS pre-payment channel and a corporate bond default risk channel for QE1. Second, effects on particular assets depend critically on which assets are purchased. The event-study suggests that (a) mortgage-backed securities purchases in QE1 were crucial for lowering mortgage-backed security yields as well as corporate credit risk and thus corporate yields for QE1, and (b) Treasuries-only purchases in QE2 had a disproportionate effect on Treasuries and Agencies relative to mortgage-backed securities

and corporates, with yields on the latter falling primarily through the market's anticipation of lower future federal funds rates.

Download a PDF

[Information on access](#)

Acknowledgements and Disclosures

Citation and Citation Data

Published Versions

Brookings Papers on Economic Activity The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy Fall 2011, Annette Vissing-Jorgensen and Arvind Krishnamurthy citation courtesy of ~~RePEc~~

Related

TOPICS

Macroeconomics
Money and Interest Rates
Monetary Policy
Financial Economics
Financial Markets

PROGRAMS

Asset Pricing
Economic Fluctuations and Growth
Monetary Economics

More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025

The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025
**Uncovering Causal Mechanisms:
Mediation Analysis and
Surrogate Indices**

Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025

**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms:
Mediation Analysis and Surrogate Indices"**

METHODS LECTURES

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs..."



International Trade and Macroeconomics, Summer Institute 2025

Panel on The Future of the Global Economy

Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue
Cambridge, MA 02138
617-868-3900
info@nber.org
webaccessibility@nber.org

HOMEPAGE

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW

