

QUANTITATIVE EASING OR ANY OTHER SUGGESTIONS

Іорданов А.Ю.

Науковий керівник – к.пед.н., доц. Прадівляний М.Г.

QE is a new economic tool designed for sustaining economic growth through purchasing bonds of such financial institutions as banks and hedge funds. This is a up-to-date concept first put into action in Japan in 1990's and then after the Great Crisis of 2008 it become a popular financial stimulus in the UK , USA and EU as well. Speaking about QE we should understand what a key point, why it's being done and how the society may benefit from it.

To start from the scratch, Quantitative Easing is a kind of unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The whole process usually looks like this - a central banks aims at pumping money into the economy , for this reason it buys bonds from ,say, pension fund resulting in interest rates reduction and ,in turn , leads business and individuals to borrowing more from the banks. Thus, people get extra money for spending and, as we know , spending boosts the economy by creating new jobs for meeting growing demand. So, this strategy may come off.

The proof of such a multi-tasking tool being successful can be observed in EU. QE was imposed just 2 months ago and it had very positive response. The thing is that deflation alarms economists because it can quickly become a downward spiral that is difficult to stop.. In order to mitigate the exposure to price falls (continuous deflation) ECB has started a multi-billion bond buying program – the result is obvious , deflation is stated to be at 1 % in comparison to February 8 % slide.

Therefore , this a practical tool used by many governments . Believe , Ukraine will do the same one day and we forget the word of recession forever.