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## APPLICABILITY OF QUANTITATIVE EASING TO DEAL WITH ECONOMIC SHOCKS IN EMERGING ECONOMIES

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### ABSTRACT

This paper conducts a detailed investigation of the applications of quantitative easing (QE) to tackle the great recession of 2008 and assesses the possibility of using QE as a tool to regain lost strengths of the world economy following the ongoing COVID-19 pandemic. A thorough analysis of the scale, frequencies and effects of using QE policies in both developed and developing economies is done. Special attention is paid to how the QE policies adopted by developed economies have affected the developing ones. Applicability and impact of QE policies following endogenous and exogenous economic shock in emerging economies are explored with rigor. Analysis of past QE policies reveals that QEs, in general, have positive impacts on the economies of the adopters. However, in the case of developing and/or emerging economies (EMEs) the impact is mixed. QE interventions can create an immediate impact by driving stagnant economic activities into motion. But if continued/ repeated over long-term, the market mechanism will remain disrupted which will result in serious disparities in the economy, magnify the problem of economic uncertainties (especially in the stock market) and lead the economies to make a choice between severe depression, unemployment, hyperinflation or, a complete systemic collapse. Hence this paper suggests QE interventions only as a short-term measure to withstand the economic shock of the ongoing COVID 19 pandemic.



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