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The Macroeconomic Effects of Asset Purchases Revisited

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Summary

This paper revisits the macroeconomic effects of the large-scale asset purchase programs launched by the Federal Reserve and the Bank of England from 2008. Using a Bayesian VAR, we investigate the macroeconomic impact of shocks to asset purchase announcements and assess changes in their effectiveness based on sub-sample analysis. The results suggest that the early asset purchase programs had significant macroeconomic effects while those of the subsequent ones were weaker and in part not significantly different from zero. The reduced effectiveness seems to reflect in part better anticipation of asset purchase programs over time, since the authors find significant positive macroeconomic effects when they consider shocks to survey expectations of the Federal Reserve's last asset purchase program. Finally, in all estimations the authors find a significant and persistent positive impact of asset purchase shocks on stock prices.

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