



Yale SCHOOL OF MANAGEMENT  
*Program on Financial Stability*

## EliScholar – A Digital Platform for Scholarly Publishing at Yale

---

YPFS Resource Library

---

12-10-2012

### **QE: A Successful Star May Be Running into Diminishing Returns**

Charles A.E. Goodhart

Jonathan P. Ashworth

<https://elischolar.library.yale.edu/ypfs-documents/879>

---

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact [ypfs@yale.edu](mailto:ypfs@yale.edu).

We use cookies to enhance your experience on our website. By clicking 'continue' or by continuing to use our website, you are agreeing to our use of cookies. You can change your cookie settings at any time.

[Continue](#)  
[Find out more](#)

OXFORD  
ACADEMIC



# OXFORD REVIEW OF ECONOMIC POLICY

[Article Navigation](#)

## QE: a successful start may be running into diminishing returns

Charles A. E. Goodhart , Jonathan P. Ashworth

*Oxford Review of Economic Policy*, Volume 28, Issue 4, 1 December 2012, Pages 640–670,  
<https://doi.org/10.1093/oxrep/grs034> <--- [Click here to view full article](#)

**Published:** 10 December 2012

 Views ▼  PDF  Cite  Permissions  Share ▼

### Abstract

Existing studies may have underestimated the impact of QE1 on UK GDP because they did not take full account of the beneficial effect on credit risk spreads and on the exchange rate. However, all such effects were also influenced by the roughly simultaneous introduction of similar easing in the USA, which complicates the analysis. Another area where QE has been positive is in reducing public-sector borrowing costs. Where QE1 (and subsequent rounds) have disappointed is in their inability to stimulate a recovery in credit and monetary growth, amid an increased desire among banks to hold far more of their reserves at the central bank. Moreover, there is growing evidence of significant diminishing returns in QE2 as gilt rates have already fallen to historically low levels and the risk is that, if policy-makers fail to resuscitate the bank lending channel, further rounds of QE could potentially have negative returns

Sk