Refuting the "Chinese QE" Misconception: Lessons from Central Banks once Indulged in Quantitative Easing

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Summary

- China's current monetary policy setting and interest rate environment is vastly different from the circumstances where QE first became mainstream. The conditions for adopting unconventional monetary policy in China are simply nonexistent.
- The costs of QE worldwide were steep, and the unintended consequences led to severe and long-lasting distortions in financial markets and societies.
- The PBOC's prospective buying and selling of Chinese government bonds in the secondary market should be considered a form of liquidity management, as opposed to unconventional monetary policy.

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