A Paradigm Shift in Neoclassical-Monetarist Interactions: Reassessing the Transnational Ripples of Quantitative Easing on Emerging Economies

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Abstract. This study critically examines the latent nexus between neoclassical and monetarist paradigms in the context of quantitative easing (QE) and its transregional economic ramifications. Utilizing a heteroscedastic VAR model, we assess the dynamic responses of emerging markets to QE-induced capital inflows. Our analysis reveals nuanced sectoral vulnerabilities and underscores the imperative for policy recalibration in these fluid economic environments.

Keywords: Quantitative Easing, Emerging Economies, Heteroscedastic VAR Model, Neoclassical Theory, Monetarist Paradigms, Economic Policy, Capital Inflows, Sectoral Vulnerabilities

Introduction

In the continuously evolving landscape of global economics, the interplay between neoclassical and monetarist theories remains pivotal, particularly in understanding the profound impacts of quantitative easing (QE) across diverse economic settings. QE, primarily employed by developed economies to spur growth and liquidity, has inadvertently crafted a complex web of economic repercussions in emerging markets, vulnerable to capital inflow fluctuations and subsequent macroeconomic instability. As we edge towards 2024-2026, the need for a refined comprehension of these reactions is increasingly critical for policymakers and academics alike, striving to mitigate potential adversities while harnessing growth opportunities.\n\nThis paper endeavours to dissect the intricate mechanisms at play, leveraging a heteroscedastic vector autoregression (VAR) approach to scrutinize the sectoral and aggregate outcomes prompted by QE in emerging economies. By juxtaposing these findings against established neoclassical and monetarist doctrines, this research aims to illuminate the pathways for potential policy reforms.\n\nInitially, we delve into the historical backdrop and theoretical underpinnings of QE and its integration with traditional economic paradigms. This is followed by a detailed methodology section outlining our empirical strategy and data synthesis processes. Subsequently, we present our core findings, highlighting the nuanced effects and policy implications. The paper concludes with a discourse on future research directions and the potential evolution of monetary policy frameworks.\n\n

References

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