

Central Banks, Moral Hazard and the Prospect for Global Markets

By Team Multi-Act



Central Banks across the world have frequently used quantitative easing (QE) as a means to introduce greater liquidity into the economy. However, QE has raised the risk of moral hazard: investors will take greater risks, knowing that the potential costs will be borne, in whole or in part, by others. Moreover, QE has increased asset prices, which in turn has severely affected the 'prospective return' on all assets.

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