

PUBLIC BONDS AS MONEY SUBSTITUTES AT NEAR-ZERO
INTEREST RATES: DISEQUILIBRIUM ANALYSIS OF
THE CURRENT AND FUTURE JAPANESE ECONOMY

By MAKOTO SAITO

《SUMMARY》

The past quarter-century Japan's economy is interpreted along a simple framework of disequilibrium analysis. Major reasons for adopting disequilibrium analysis are that (1) Japan's economy often fell into excess supply in goods/labor markets after the short-term rates of interest were controlled at below 0.5% in mid-1995, and (2) public bonds markets were clearly in serious excess supply given the expectation that the primary fiscal balance would hardly turn into surpluses in the near future. In the proposed model, excess demand in money markets, induced by near-zero interest rates, absorbs excess supply in public bond markets as money substitutes.

(Nagoya University)