

EXIT FROM QUANTITATIVE AND QUALITATIVE MONETARY EASING
GIVEN A LACK OF PUBLIC CONFIDENCE IN FISCAL SUSTAINABILITY

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《SUMMARY》

This study investigates how a lack of public confidence in fiscal sustainability constraints the Bank of Japan's strategy to exit from Quantitative and Qualitative Monetary Easing. I analyze a model with two key assumptions: (1) the fiscal authority does not make fiscal adjustments needed to stabilize government debt, and (2) the central bank has responsibility to maintain its financial stability. Under these two conditions, the central bank that holds long-term bonds above a certain threshold cannot raise the future path of nominal interest rates freely at a time of liftoff from the zero lower bound.

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