

LONG-RUN EFFECTS OF UNCONVENTIONAL MONETARY POLICY IN JAPAN

*By* SHIN-ICHI FUKUDA

《SUMMARY》

This paper explores the long-run effects of Japan's unconventional monetary policy. First, we argue that prolonged ultra-low interest rates may have delayed the exit of low-profitability firms, further depressing Japan's productivity. Next, we analyze the effects of Japan's nontraditional monetary policies using a vector autoregression (VAR) model. A key feature of our analysis is decomposing real GDP growth into "growth without productivity improvement" and "growth with productivity improvement." This allows us to examine the impact of monetary policy on real GDP, not only in terms of stabilizing short-run fluctuations, but also in terms of enhancing medium- to long-run changes. Impulse response functions reveal that unconventional monetary policies significantly impacted the restoration of real GDP growth without productivity improvement, even under a liquidity trap. However, they also demonstrate that these policies substantially negatively impacted productivity growth. These results imply that although the prolonged implementation of unconventional monetary policies effectively stimulates the economy in the short run, it may adversely affect long-run productivity growth.

(The University of Tokyo • Tokyo Metropolitan University)