<報告要旨>

Japanese Monetary Policy during the Bubble and Lost-Decade Experience: TVP-FAVAR Approach

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Abstract

In this paper I examine the effectiveness of Japanese monetary policy shocks during the bubble period and the lost decade, using a time-varying-parameter factor-augmented VAR model. Main findings are as follows. First, the inappropriate performance of monetary policy with high volatility of monetary policy shocks may be the main factor to induce the bubbles in 1986. Second, monetary policy lost its effectiveness around the late-1988 and early-1989. Impulse response functions reveal that the impact of monetary policy shocks became limited before the peak of the bubbles. Third, I find that the burst of bubbles in 1990 and 1991 are mainly affected by other macro factors.

Keywords: monetary policy, Japanese bubbles, lost decade, time-varying-parameter FAVAR, stochastic volatility
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