

Is Public Investment Counter-cyclical? Evidence from Japan*

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Abstract

Noting a stark, albeit subtle, difference in frequency band between business and election cycles, this paper utilizes the band-pass filter methodology to extract the determinants of public investment in Japan. We find no definite evidence for the oft-alleged counter-cyclical pattern in public investment insofar as Japan is concerned. This is because some political noise might weaken the government's counter-cyclical stance. In particular, it is suggested that the House of Councilors elections tend to induce government to manipulate (increase) public investment, overriding (diminishing) the otherwise strong counter-cyclical pattern of public investment.

Keywords: counter-cyclical, band-pass filter, public investment

JEL classification: C22, D78, E62

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