

The Japanese Current Account: Why It Still Remains High

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Abstract

This paper investigates the determinants of current account in Japan after 1980 using open economy overlapping generations (OLG) model. Our calibrated OLG model can capture the trend of Japanese current account and we find the following two results. Firstly, the trend decline in investment rate along with the decrease in saving rate led to current account surplus after 1990s. Second, the major factor behind it is the relatively low productivity growth rate in Japan which made investment in Japan unattractive.

JEL Classification: F32, F47, J11

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