

# Investigating the Effect of Fiscal Stimulus under Zero Lower Bound in Japan

Kazuki Hiraga

School of Political Science and Economics, Tokai University

Mail: khiraga581470@gmail.com

Hiroshi Morita

Graduate School of Economics, Hitotsubashi University

Mail: hiroshi.morita1013@gmail.com

## Abstract

This paper investigates the effect of fiscal stimulus under zero lower bound using Japanese data and Regime-Switching structural VAR model. Theoretically, effect of fiscal stimulus is propagated under zero lower bound, such as Christiano, Eichenbaum and Rebelo (2011), Eggertsson (2011) and Werning (2011). On the other hand, our result contradicts the theoretical prediction; i.e., fiscal multiplier in zero lower bound is smaller than that in positive interest rate regime.

Key words: Zero lower bound, Regime-Switching structural VAR, Fiscal Stimulus

JEL classification: H30, E12, E62, E50

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