

Title : Is Direct Underwriting of Public Bonds by the Central Bank an Effective Policy in Japan? URL: <http://repository.osakafu-u.ac.jp/dspace/handle/10466/14310>

Author: Motonori Yoshida: Graduate School of Economics, Osaka Prefecture University

Abstract

This study elucidates the effects of “Direct underwriting of public bonds (DUPB) by the central bank” which has the potential to support Japanese economy and government finance and to improve the efficiency of added-value distribution, using a dynamic computable general equilibrium OLG (overlapping generations) model. This study’s results demonstrate that DUPB by the central bank makes the Japanese economy and government finance sustainable; on the contrary, absorbing public bonds by market makes them collapse. This is due to the fact that in the former case, payment of the central bank’s seigniorage to the national treasury improves government-finance’s situation.

JEL Classification Numbers: C68; E27; E63; H55; H63; H68

Keywords: Fiscal sustainability; Direct underwriting of public bonds; Central bank; Seigniorage;

Dynamic computable general equilibrium; Overlapping generations model

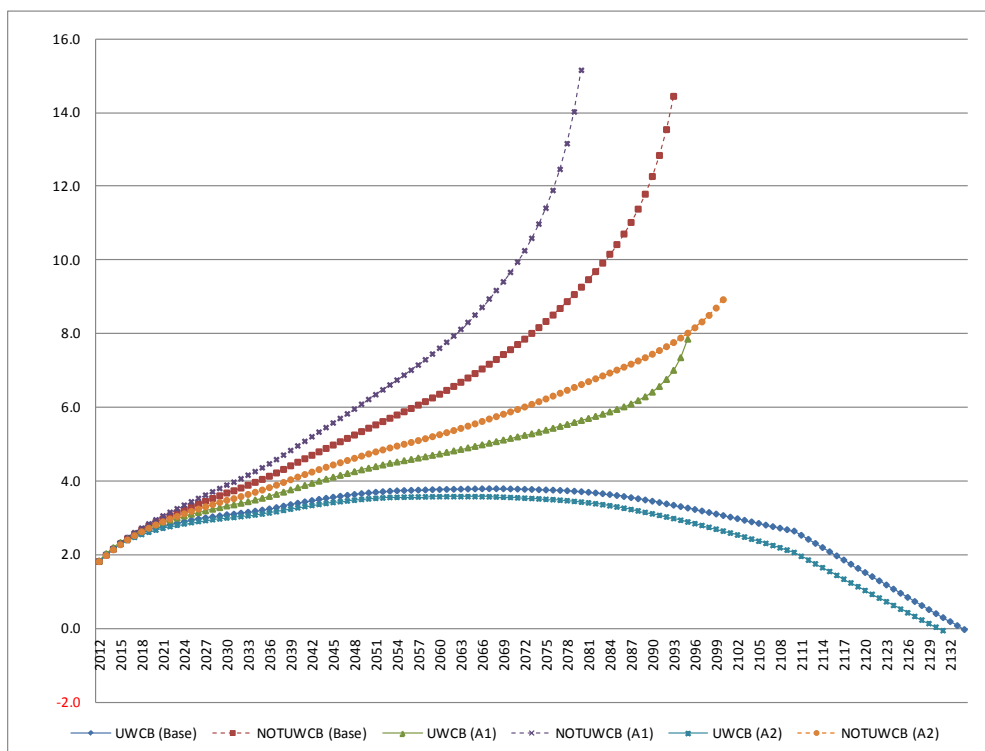


Figure: Ratio of Outstanding Government Debt to GNI

Note: (1) UWCB and NOTUWCB indicate the scenario of implementing of DUPB by the central bank and the scenario of not implementing it, respectively. (2) Base, A1, and A2 indicate the simulation cases.