

Re-evaluating Japan's Quantitative Easing Policy (2001-2006) : An Application of the TVP-VAR Model

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Abstract

Many researchers have evaluated Japan's quantitative easing policy (QEP) without consensus. Most studies seem to have used insufficient policy evaluation methods. Therefore, this study re-evaluates the QEP using time-varying parameter VAR model.

First, this study shows the QEP positively influences production in the first and last periods of it. Second, the QEP has limited effect on prices through its operation. Thirdly, stock price shocks were the main source of production variation in the early period of its operation. Forth, the QEP did influence stock prices through its operation. These results show the QEP effects did vary over time.

Keywords: Quantitative easing policy(QEP), Bank of Japan(BoJ), Time-Varying Parameter vector autoregression (TVP-VAR) model, monetary policy, stock prices.

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