

報告要旨

Consumption Stability during the Lost Decades in Japan

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Very Preliminary

April 14, 2018

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Abstract

Consumption was relatively stable despite a decline in GDP growth rates during the 1990s and 2000s in Japan. We explore the role of automatic stabilizer and savings in stabilizing consumption using historical decompositions based on estimated Vector Auto Regression (VAR) and further decompositions of savings shocks. Our major findings are the followings. First, shocks to income are initially absorbed by savings, and then, in two quarters and later, by taxes and net transfers to the government. Second, quantitatively, the role of savings plays a more important role as a shock absorber than that of taxes and transfers. Thirdly, most of the shocks to income including autonomous changes in taxes and transfers are absorbed by savings and taxes and transfers and hence do not transmit to consumption. Our results bear an important implication for fiscal policy: while the automatic stabilizer works as a buffer, autonomous tax cuts are least likely to boost consumption in Japan.