

Monetary Policy in Japan Reconsidered: A Regime-switching VAR Analysis

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Abstract

Using a regime-switching VAR, this paper investigates the effect of monetary policy in Japan. Unlike previous studies, this paper considers more than two regimes and introduces into the VAR analysis standard variables such as the money supply and price level. Based on the standard procedure, the independent regime for a quantitative easing policy is identified when the policy effect is insignificant.

Keywords: quantitative easing, regime switching, monetary policy, zero-interest-rate policy

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