



Economic Discourses of Monetary Policy – The Case of the Bank of Japan

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Relevance

Since the global financial crisis in 2008, central banks worldwide have engaged in unconventional monetary policies such as asset purchases, the provision of unprecedented extraordinary liquidity and ultralow or even negative interest rates. In this context, many central banks are recently challenged by various types of risks. The US Federal Reserve and the European Central Bank (ECB) are confronted with risks related to higher interest rates. The ECB faces the additional problem regarding the risk of default by periphery countries in the Eurozone. In Japan, the risk of fiscal policy dominating monetary policy has become real, as the Bank of Japan has been purchasing large amounts of public debt.

Monetary policy of central banks is high on the political agenda and has been a highly controversial topic of discussion, at least regarding the following three issues:

- Monetary Policy Goals (e.g. inflation targets)
- Monetary Policy Tools (unconventional measures)
- The Effectiveness of Monetary Policy

Given Japan's prolonged struggle with deflation and low inflation, the Bank of Japan is a promising case study for these research fields.

Research Questions

- Monetary Policy Target: How is inflation, deflation and the implementation of an inflation target discussed in the Bank of Japan, the public, academia and the media?
- Monetary Policy Implementation and Communication: How is (unconventional) monetary policy (including balance sheet policies, negative interest rates) discussed in the Bank of Japan, the public, academia and the media?
- Monetary Policy Achievement: How is it received (by the public, academia, media and the government) that the Bank of Japan has repeatedly been missing its price stability target of 2% inflation?



Bank of Japan, Headquarters in Tokyo

Data and Method

This research project focuses on economic discourses regarding monetary policy. Specifically, apart from using academic sources, official documents and data from the Bank of Japan (e.g. minutes of Policy Board meetings) and the government, this project will use newspaper articles and media content. The relationship of the Bank of Japan will be analyzed in following areas:

- The Bank of Japan vs the public
- The Bank of Japan vs the financial market
- The Bank of Japan vs the government
- The Bank of Japan in the international context
- The Bank of Japan in the media



Bank of Japan, Policy Board Members. Source: Bank of Japan, Annual Review.

Research Goals/Outlook

To gain a broader view about the environment regarding monetary policy and deflation in and outside of Japan, this research includes a discussion on economic concepts and alternative economic applications and ideas, e.g. secular stagnation (Teulings and Baldwin 2014; Summers 2014), Neo-Fisherism (Gerke and Hauzenberger 2017) and helicopter money (Buiter 2014; Nishimura and Tamai 2017; van Rooij and de Haan 2016). This project will cover comparisons with other main central banks (e.g. European Central Bank, US Federal Reserve System, Bank of England) and the potential exit strategy of unconventional monetary policies. Whereas other central banks already started their exit strategy or are about to start, the Bank of Japan has yet to do so. Future developments such as digital currencies or a cashless society (Rogoff 2017) will challenge and enlarge this project on central banks and monetary policy.

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