



DISCUSSION
“FISCAL POLICY IN AN ESTIMATED
DSGE MODEL OF THE JAPANESE
ECONOMY”
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MEDIUM SIZE NEW KEYNESIAN MODEL

- Christiano et al.(2005)
 - ← popular “plain pizza” today
 - = “assuming” Ricardian Equivalence
 - does not match empirical studies
 - Introducing Non-Ricardian Agent
- Gali, Lopez-Salido and Valles(2005)
- SIGMA and other institutions’ models

BAYESIAN ESTIMATION

○ MCMC

- Smets and Wouters(2003)
- Levin et al(2006)
- Iiboshi, Watanabe and Nishiyama(2005)
- Sugo and Ueda(2008)

○ Time Varying Coefficients

- Fernandez-Villaverde and Rubio-Ramirez(2007)
- Yano(2009)

RELATED STUDIES

- Conen and Straub(2005)
 - MCMC
 - The policy maker responds to fiscal deficit by the change of lump-sum tax.
- Forni, Monteforte and Sessa(2009)
 - MCMC
 - by the change of tax rate
 - Pay attention to distortionary tax

COMMENTS: NON-RICARDIAN HOUSEHOLD

- Why they have “Keynesian Type Consumption Function?”
 - Originally irrational
 - ω should be structural parameter
 - Liquidity Constrained
 - the ratio is influenced by GDP gap or asset prices

COMMENTS: TAX RULE

○ As FMS(2009)

- assuming consumption, labor and capital tax changing acc to debt
- Japanese Tax Rate rarely changes!
(especially the property tax)

Is assumption that a tax rate is a policy variable realistic?

COMMENTS: IDENTIFICATION

- Some posterior distributions are almost identical to that of prior
 - = Figure 1-5
 - suggest the identification problem
 - = suggest too much parameters relative to sample size

Choose calibration (more informative prior) for some parameters

COMMENTS: SOURCES OF FISCAL MULTIPLIER

○ Table 7

- Little differences among specifications of tax rules and **the ratio of Non-Ricardian households**

→ counter intuitive?

← NRs make the economy differ from the Ricardian World

→ What causes the multiplier effects?

COMMENTS: COMPARISON

- Table 5, 7

- Compare with the previous studies about US and Euro economy

- need to compare with Japanese data using another method

Ex) VAR model

- ← Iida and Matsumae (2009) suggests the fiscal multiplier in Japan is statistically insignificant