

Discussion on
Miyamoto, Nguyen and Sergeev
**“Government Spending Multipliers under
the Zero Lower Bound: Evidence from Japan”**

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Major comment:

This is a great paper with many good elements, but most importantly, it shows...

... that the Japanese economy, in many ways, is a pioneer!

The world should try to learn more from the Japanese experiences.

More concretely: what this paper does

- Big debate over the size of the G multiplier at ZLB among macroeconomists.
- This paper takes advantage of the fact that only Japan has spent a long time at ZLB.
- This allows the authors to compare the multipliers between the ZLB and the noZLB periods.

Other major strengths of the paper

- Use of the advanced time series technique (projection method).
- Careful studies on the robustness.
- Close linkage between theory and empirics (quantitative assessment)
- But the rest of my discussion will focus mostly on one aspect of the paper.

“Fiscal foresight”

= Common challenge in the estimation of the effects of G

Most of G is announced in advance.

= Using the actual amount of G can be misleading.

Reactions in the literature

“News” approach

Stock market based approach

Shioji and Morita ([JES2015](#)) proposed a way to combine the two.

This paper's response to the problem is different from either of the two.

- Use the published forecasts as people's expectations.



- Hence, knowing the nature of this forecast holds a key to evaluating this paper.

JCER forecasts

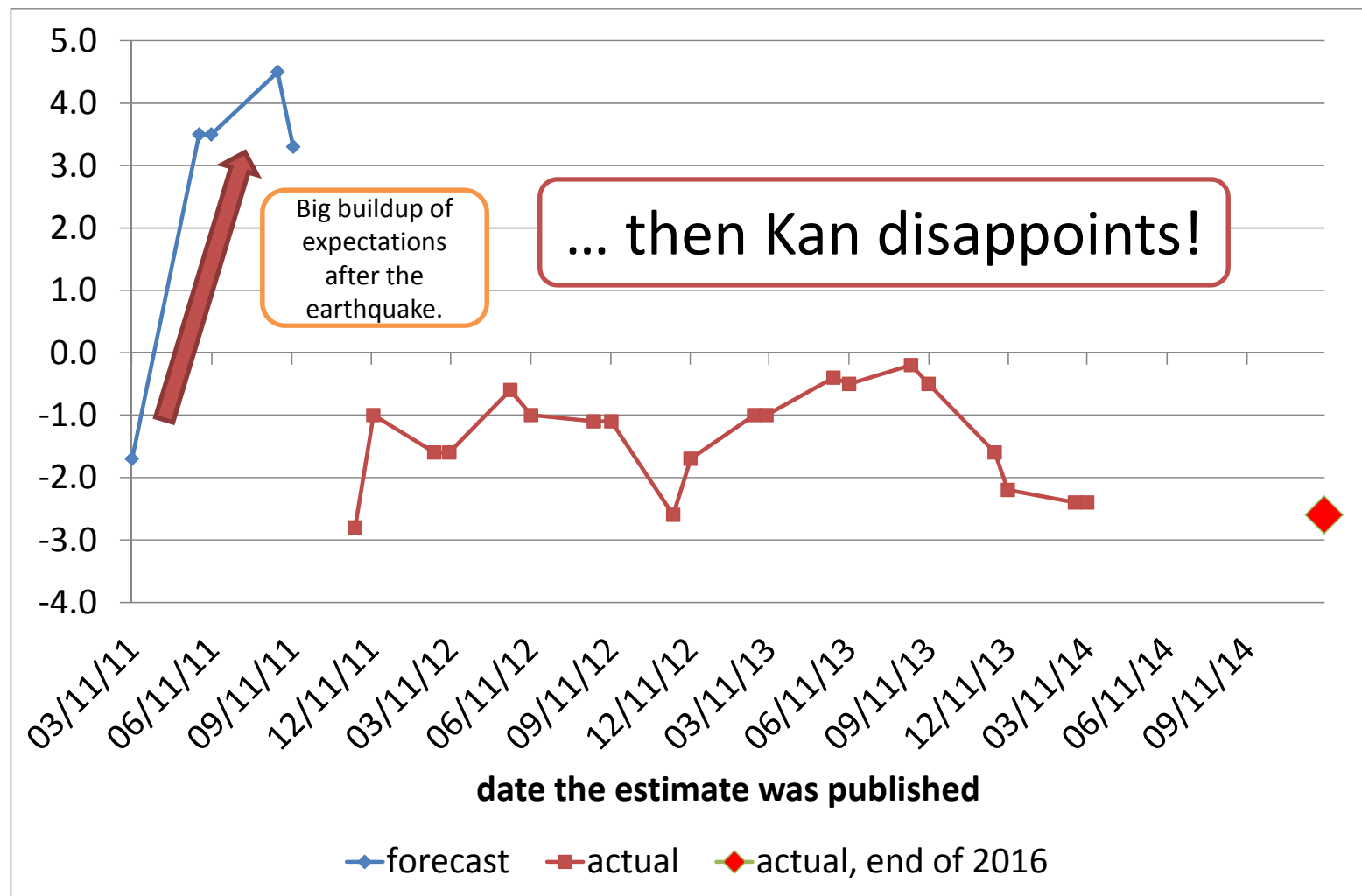
- In what follows, I will focus on **GI (Public Investment)**.
 - I did not have access to GC (Government Consumption) data.
- I will look at how **forecasts** and the “**actual**” estimates, which keep getting updated, for a particular point in time (i.e., a quarter) evolved over time.

How does the JCER forecast look like?

Case 1: In the aftermath of
the Great East Japan Earthquake

Forecasts and Estimates for Q3 2011

change in GI from previous quarter, real



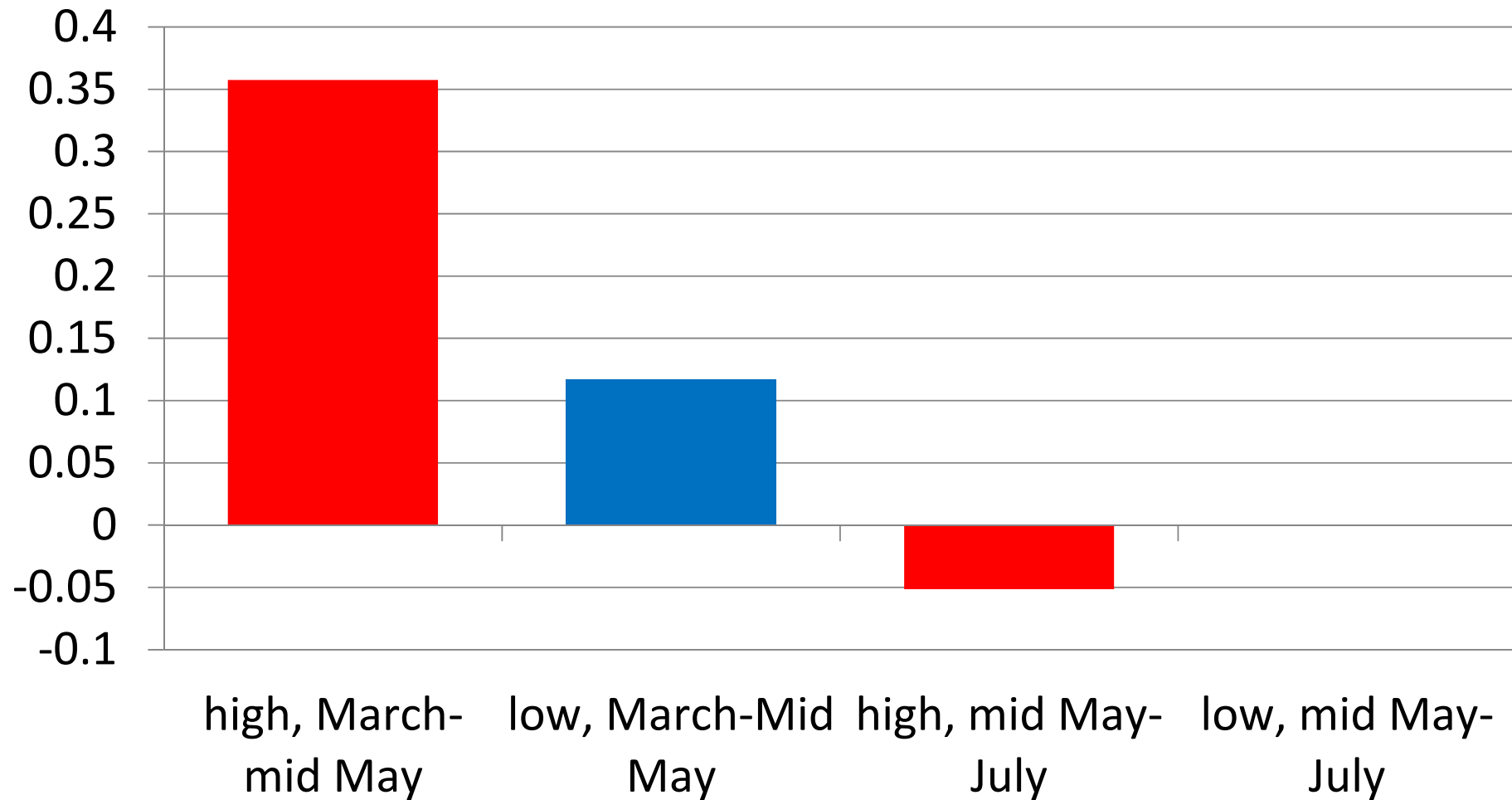
Prime minister Kan's recovery spending

- Earthquake: March 11, 2011
- Supplementary budget
 - Mark 1 : May 2 = 4 trillion JPY
 - Mark 2: July 25 = **Expected 10 trillion;
Got 2 trillion instead.**

Excess stock returns, construction firms

"High"=High dependence on Gov

"Low" = Low dependence



Lesson

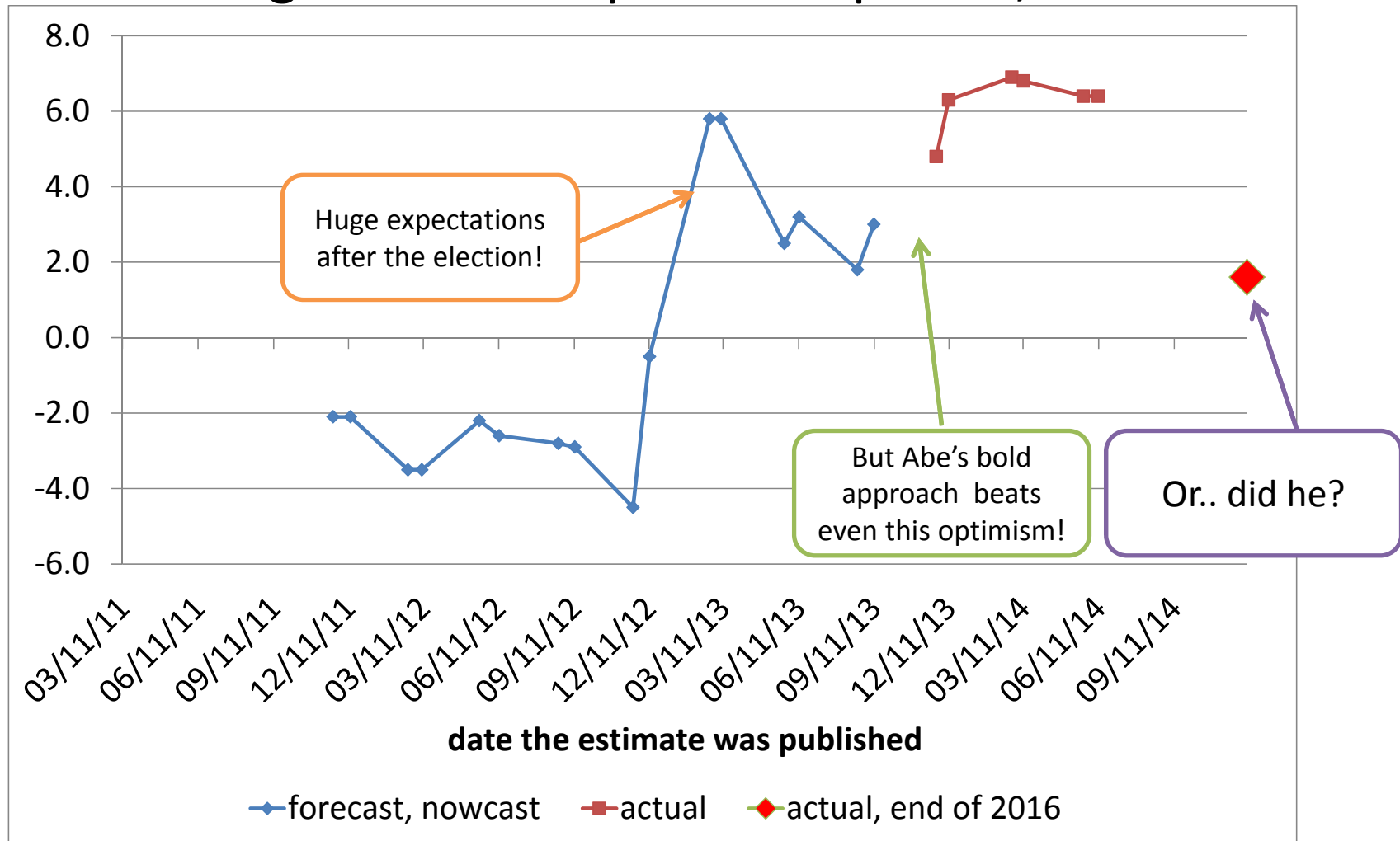
- This kind of event is perceived as a negative unexpected shock to GI in this paper.
- **Correctly**, I think.
- This example demonstrates usefulness of the paper's approach.

How does the JCER forecast look like?

Case 2: The rise of the Abenomics

Forecasts and Estimates for Q2 2013

change in GI from previous quarter, real



Lesson

- Data on GI is updated very frequently.
- Even after a few years.

question

- What is JCER trying to forecast?
 - Volume of GI that is *perceived* to be the reality at that time?
 - Or is it going for the “true” reality (= final estimate?)??
- ...and, which one is more relevant for this analysis??
 - Is it people’s perception about the amount of money that move people? or is it the true amount itself?

One suggestion

- **Nominal G** is easier to forecast and to estimate (in real time).
- **Deflator** for G is more difficult.
- If data availability allows, you might want to forecast them separately and then combine the two.

Minor Comments

- Why focus on the effects of **unexpected** G?
 - Most G is expected, and we want to know its impact.
- This paper uses **$G = GC + GI$** . Should we treat GC and GI separately?
 - Fig 13 of the paper shows that the IRFs of GI and GC to G shock are very different.

continued

- Unfortunately, there is not much going in and out of ZLB.
 - **noZLB = before 1995**
 - **ZLB = after 1995**
 - Many things could be different between those two.
 - How do we know it's noZLB vs ZLB that's making the difference?

This leads me to the next comment...

continued

- Related literature, mostly by Japanese researchers

Mostly about **de**creasing impact of G.

- Productivity effect of KG.
- Structural changes in the impact of G
 - Ihuri, Nakazato & Kawade (2003): VAR
 - Morita (2015?): regime switching VAR

continued

- Is all the ZLB periods alike? For example, perceived reactions of the “shadow rate” could be different across, say, different BOJ Governors.
- FP-MP interactions: When debt is huge, does it change MP’s reaction to FP? (debt monetization?)

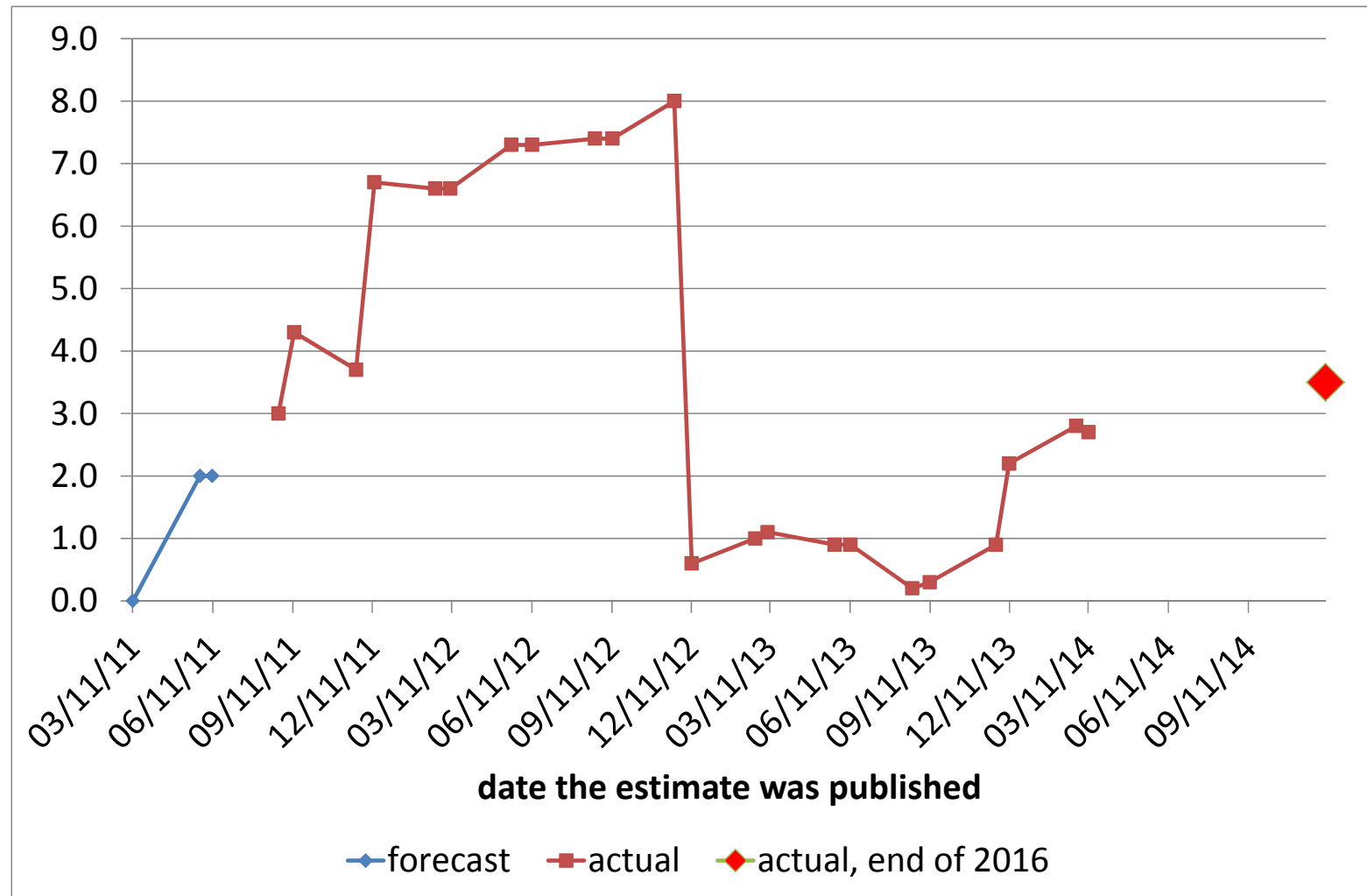
Appendix
JCER forecasts of future Public
Investment

Next plots show how forecasts and estimates for a particular Quarter have evolved over time.

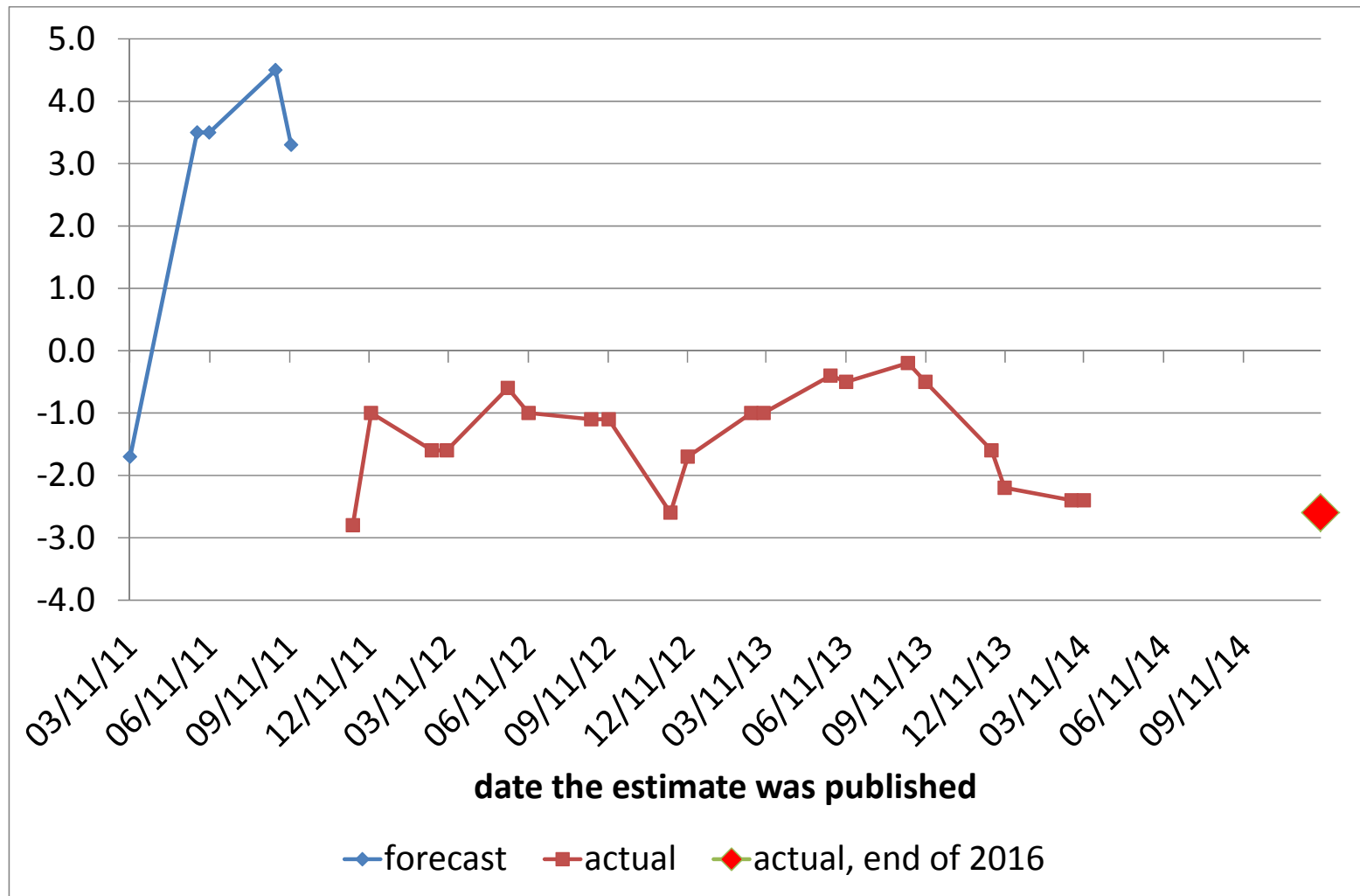
- I focus exclusively on **Public Investment**, as I did not have access to data on Government Consumption.
- Data is **real**, seasonally adjusted, **rate of change from previous quarter (in%)**.

Reaction to the Great East Japan Earthquake, March 2011.

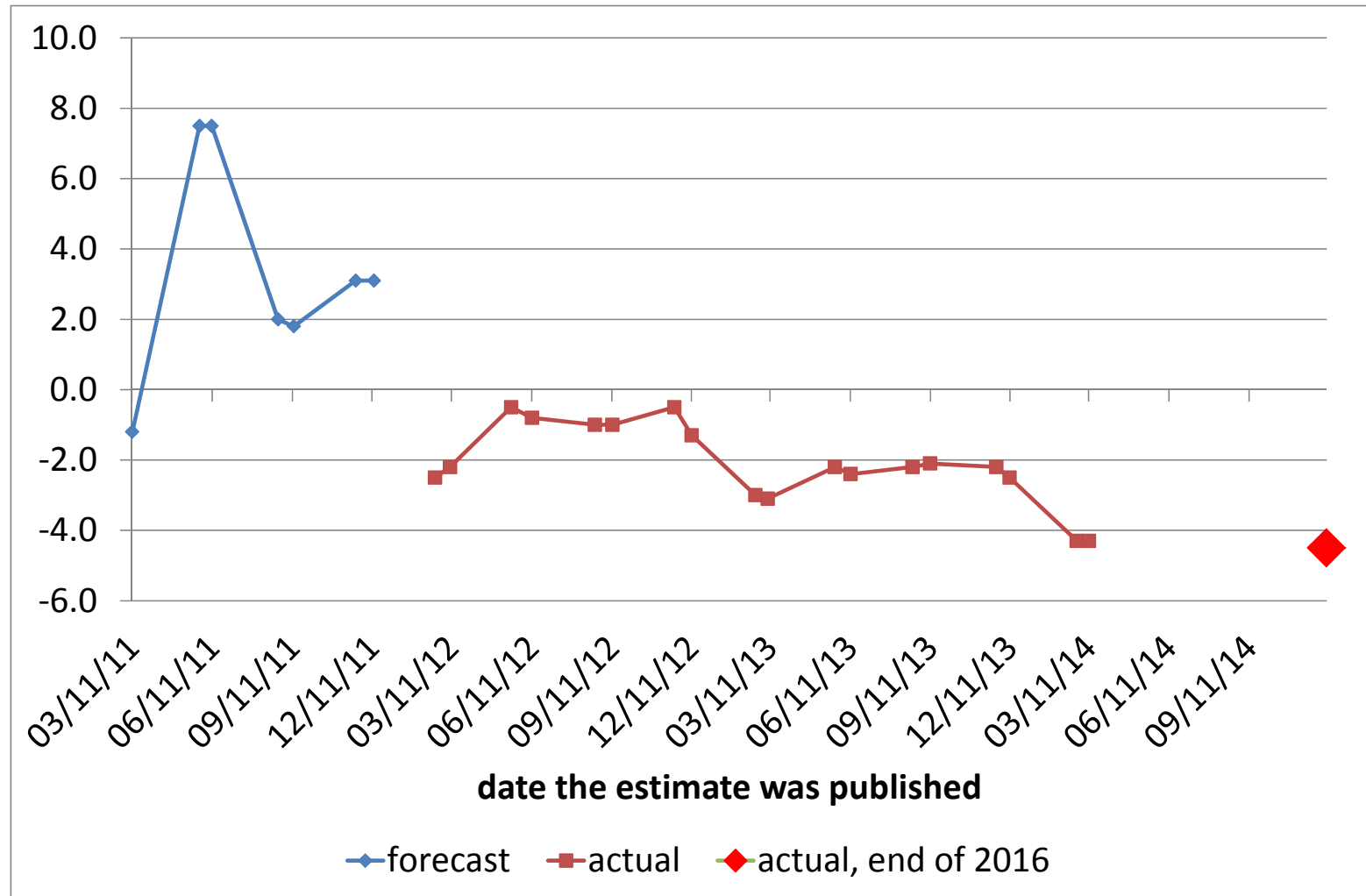
Forecasts and Estimates for Q2 2011



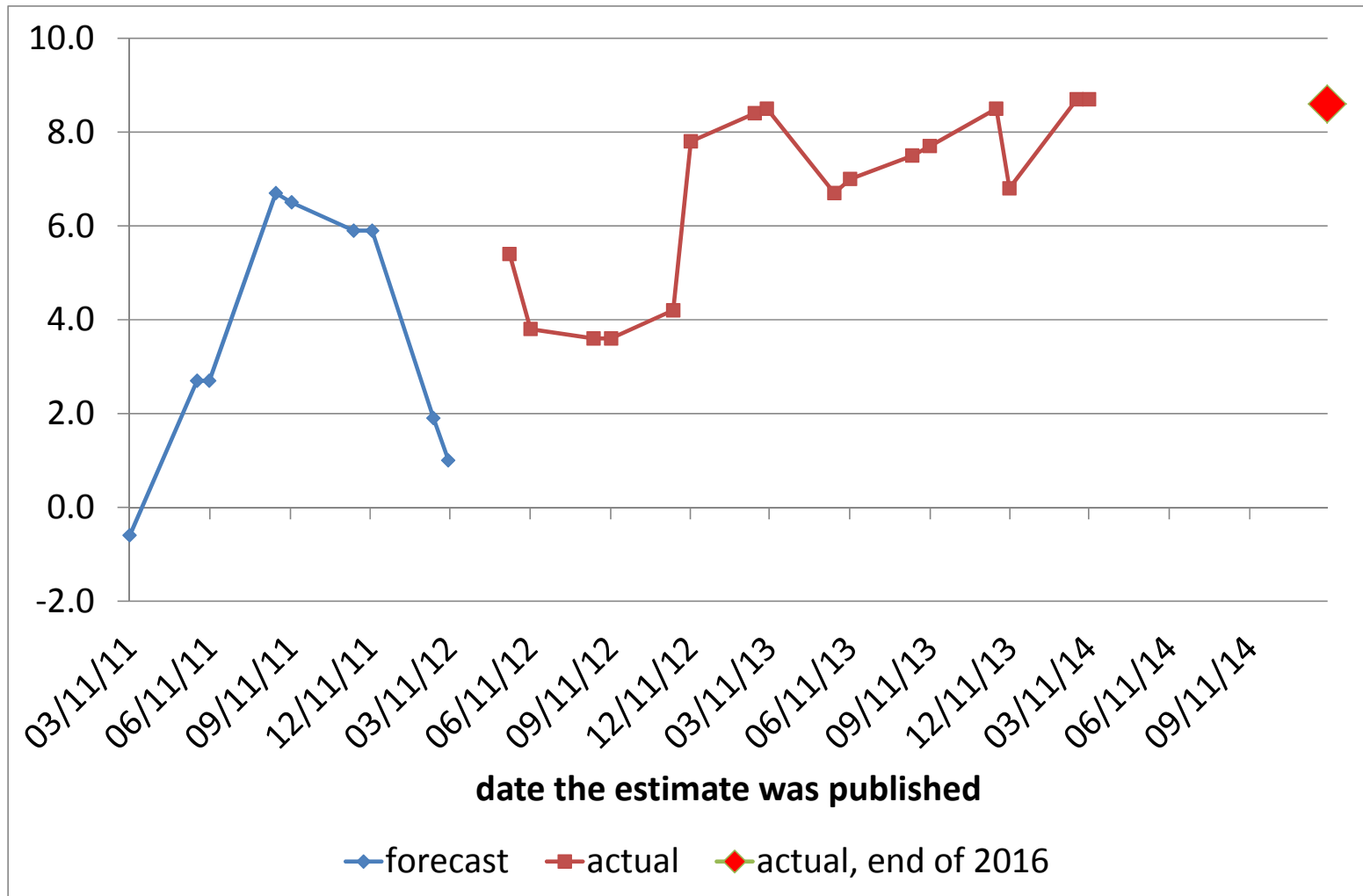
Forecasts and Estimates for Q3 2011



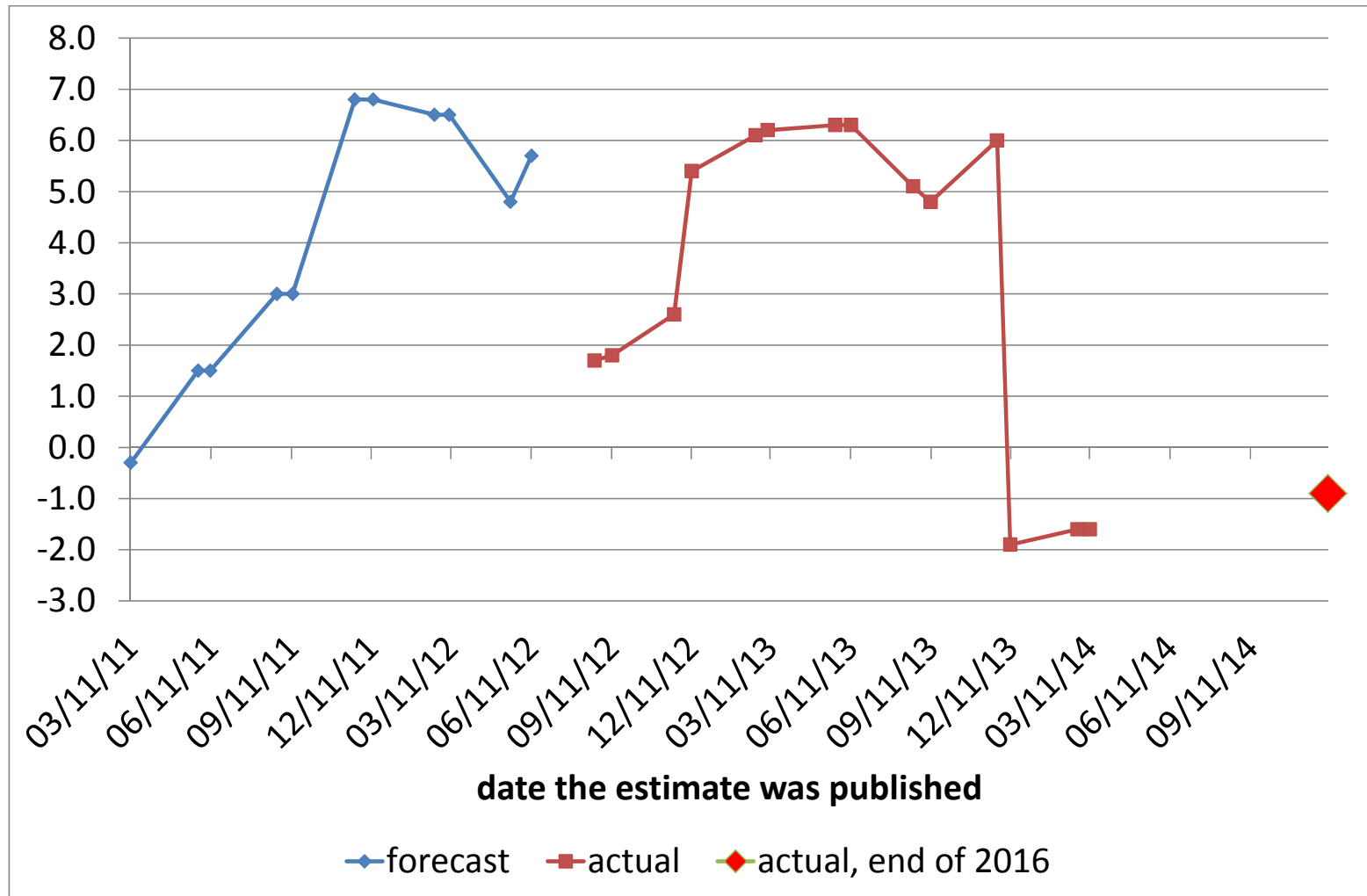
Forecasts and Estimates for Q4 2011



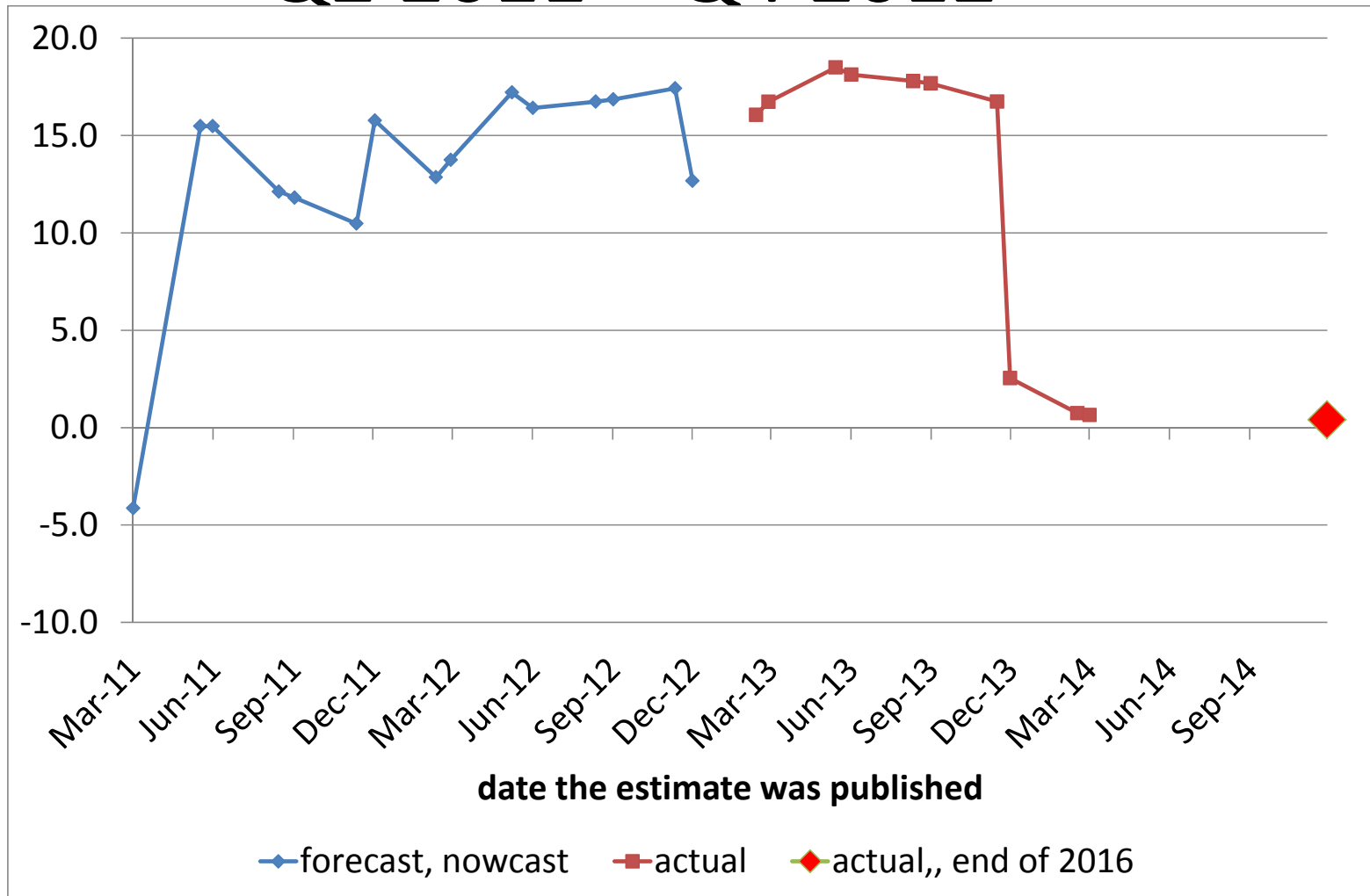
Forecasts and Estimates for Q1 2012



Forecasts and Estimates for Q2 2012

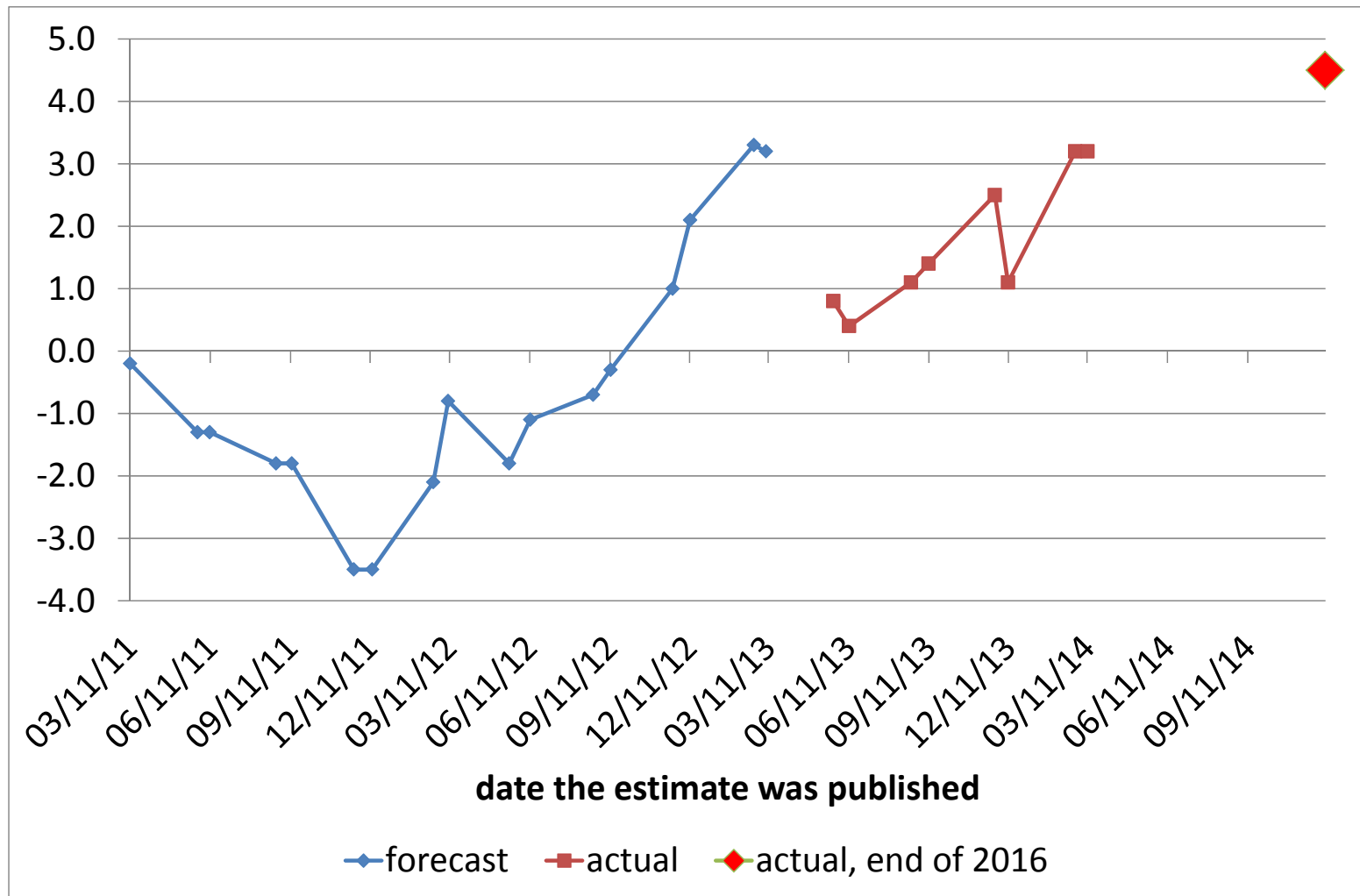


Forecasts and Estimates, cumulative, Q2 2011 – Q4 2012

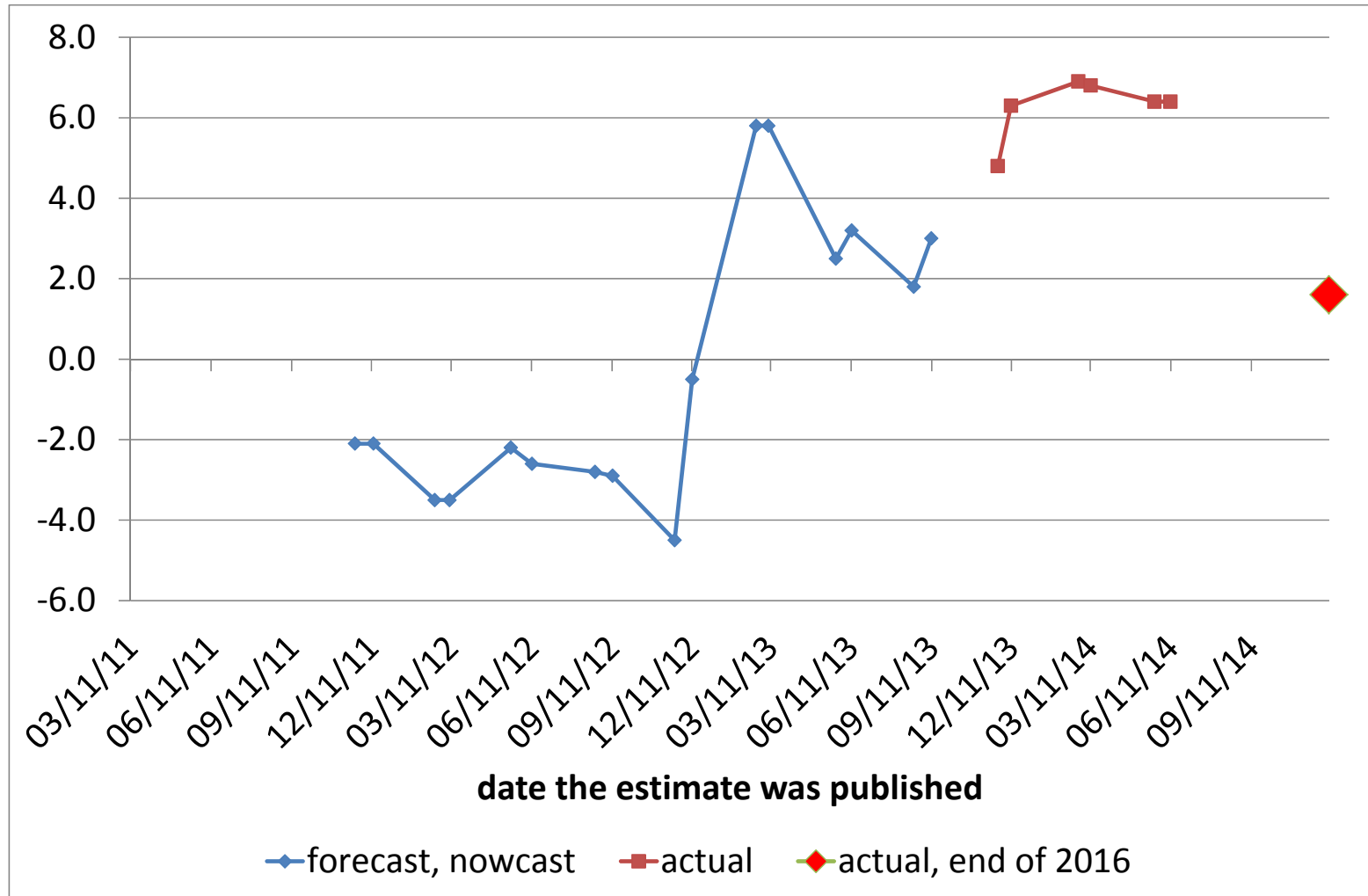


Reaction to Abe's victory,
December 2012.

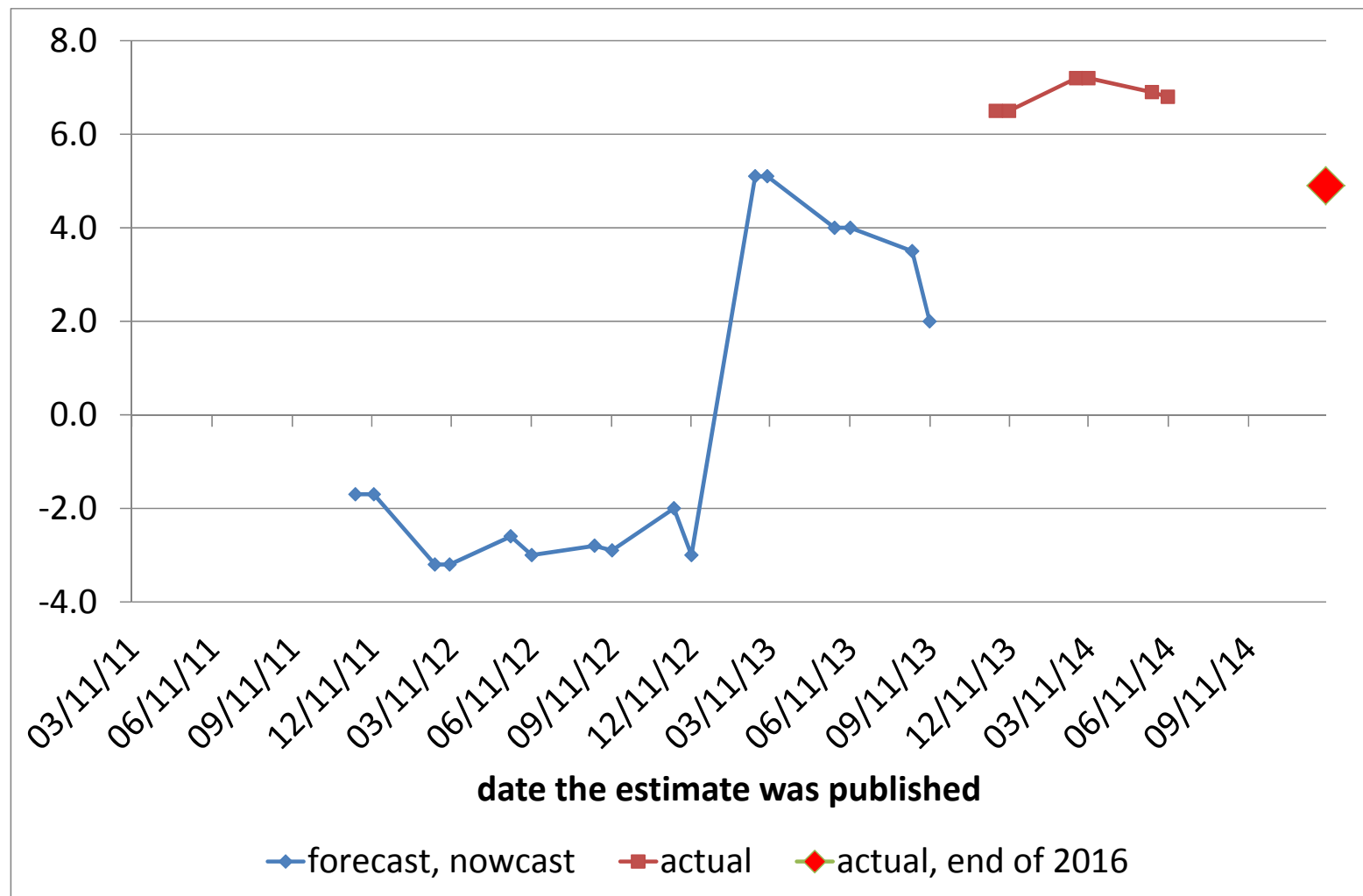
Forecasts and Estimates for Q1 2013



Forecasts and Estimates for Q2 2013



Forecasts and Estimates for Q3 2013



Forecasts and Estimates for Q4 2013

