

Inflation Targeting during the Lost Decade in Japan

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This paper verifies the correctness of inflation targeting as a policy to remove Japanese stagnation during the lost decade using two-country cash-less economy model following New Keynesian Open-economy Macroeconomics. That inflation targeting is disastrous not only for Japan but also for the G7 countries is confirmed. However, there is the possibility that core inflation targeting could also have stabilized the world economy and improved social loss as against the monetary policy actually conducted by the Bank of Japan.