

[Testing the effectiveness of unconventional monetary policy in Japan and the United States](#)

CFM-DP2022-18

Daisuke Ikeda¹, Shangshang Li³, Sophocles Mavroeidis^{2,3} and Francesco Zanetti³

¹Bank of Japan, ²Institute for New Economic Thinking, ³University of Oxford

Unconventional monetary policy (UMP) may make the effective lower bound (ELB) on the short-term interest rate irrelevant. We develop a theoretical model that underpins our empirical test of this 'irrelevance hypothesis,' based on the simple idea that under the hypothesis, the short rate can be excluded in any empirical model that accounts for alternative measures of monetary policy. We test the hypothesis for Japan and the United States using a structural vector autoregressive model with the ELB. We firmly reject the hypothesis but find that UMP has had strong delayed effects.