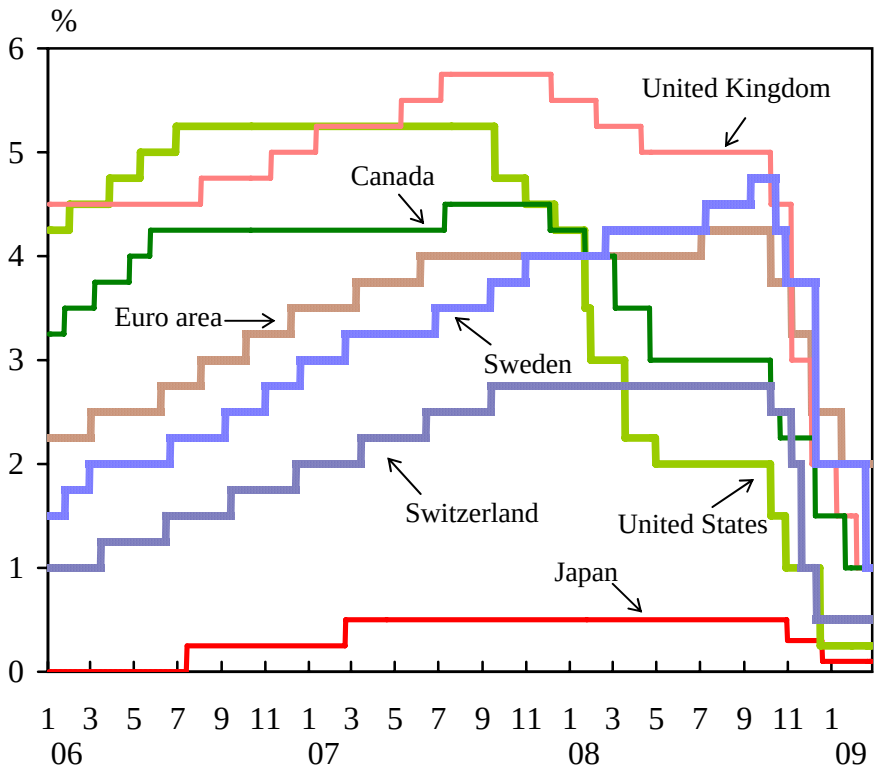
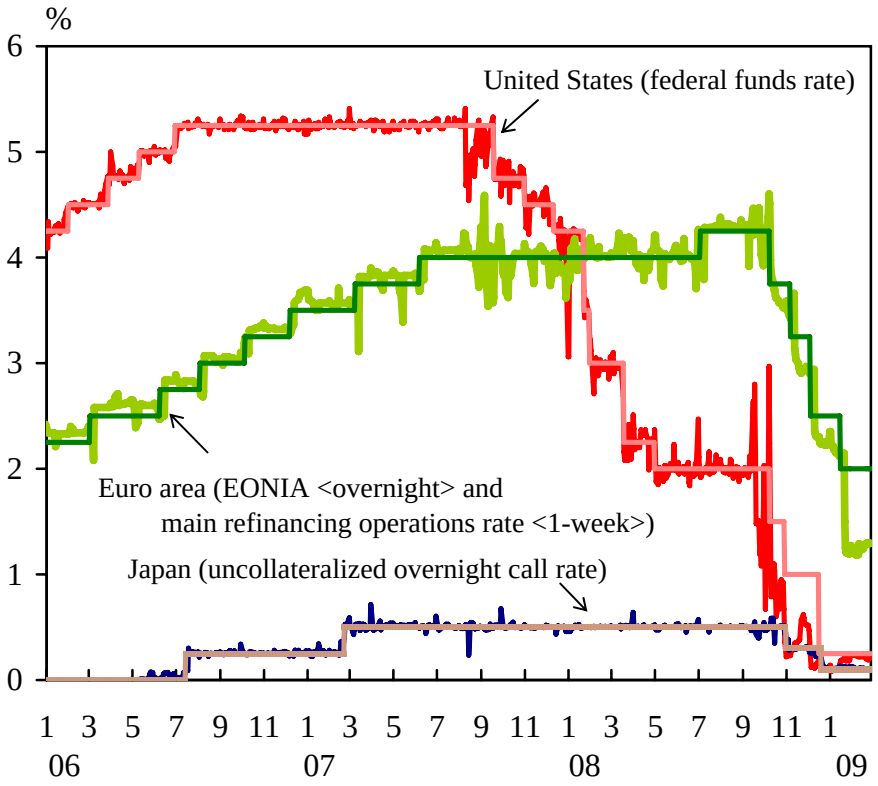
Policy Interest Rates

(1) Target Levels in Major Economies



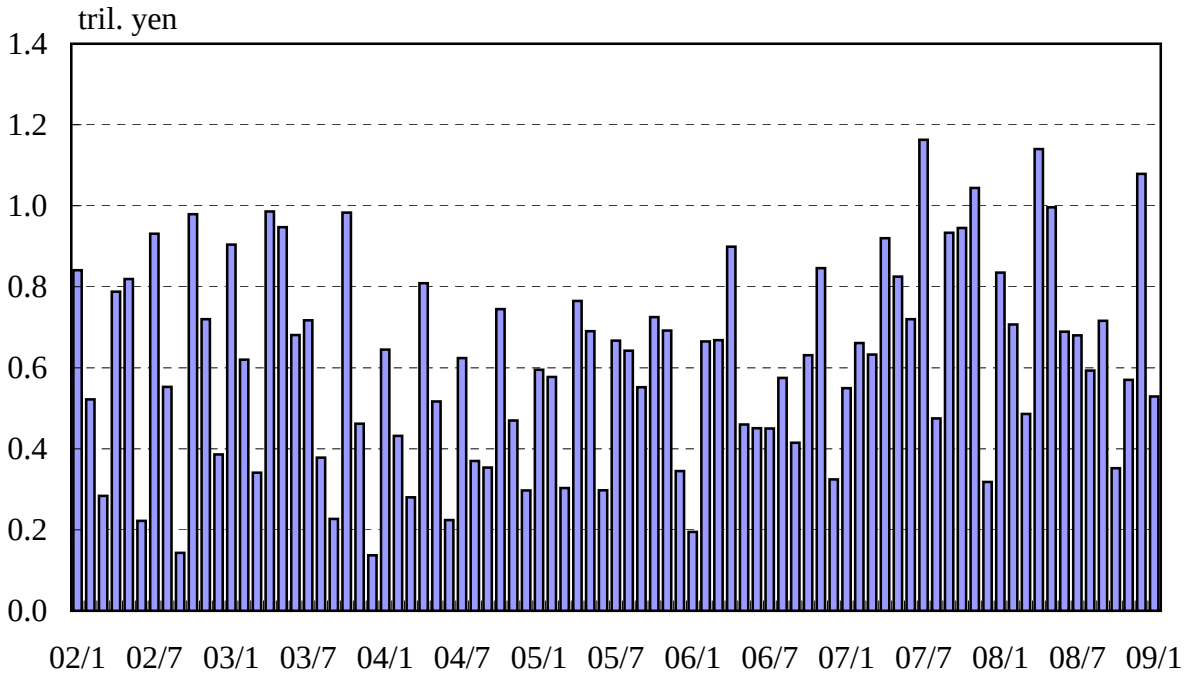
(2) Target and Actual Levels



Sources: Bank of Canada; Bank of England; Bank of Japan; European Central Bank; Federal Reserve; Sveriges Riksbank; Swiss National Bank.

Chart 2

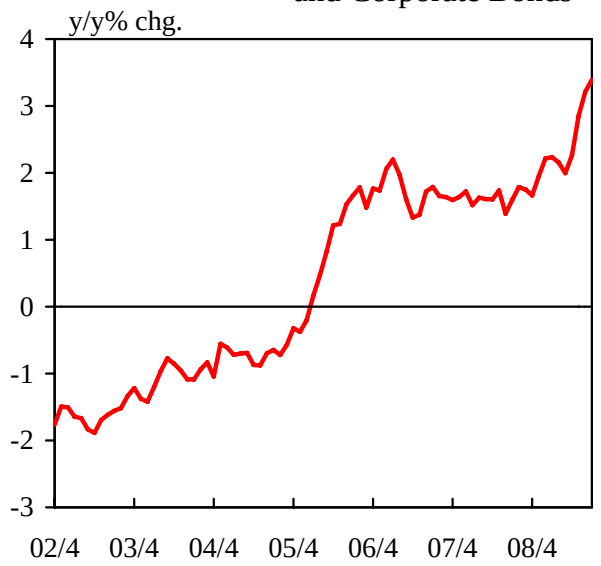
Amount of Corporate Bonds Issued in Japan



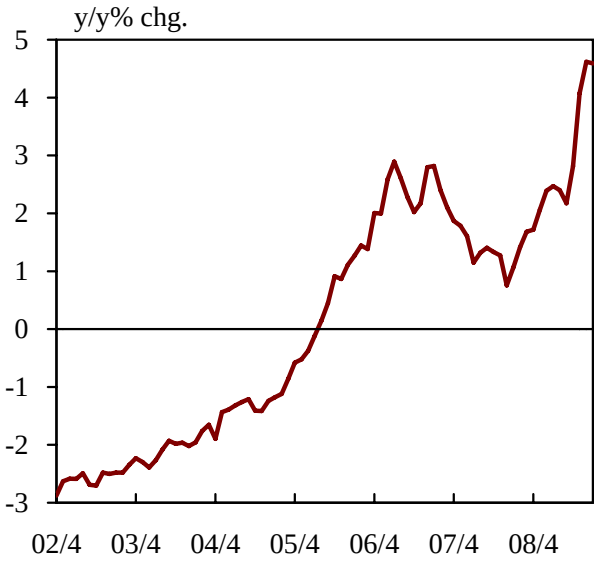
Source: I-N Information Systems.

Corporate Financing in Japan

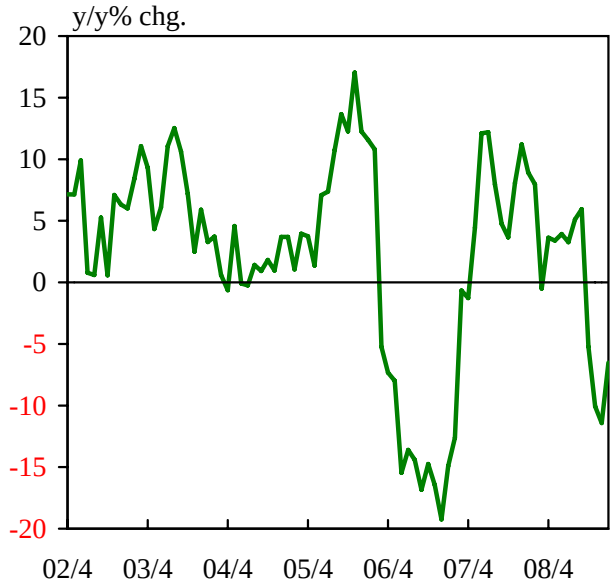
(1) Sum of Bank Loans and Issuance of CP and Corporate Bonds



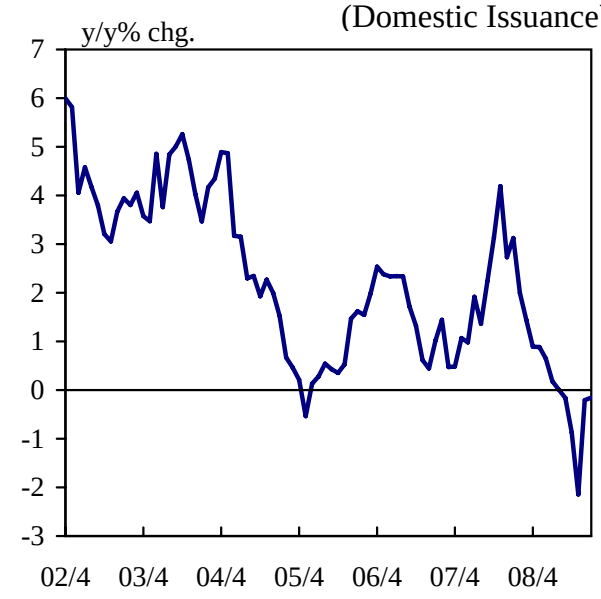
(2) Amount Outstanding of Bank Loans



(3) Amount Outstanding of CP



(4) Amount Outstanding of Corporate Bonds (Domestic Issuance)

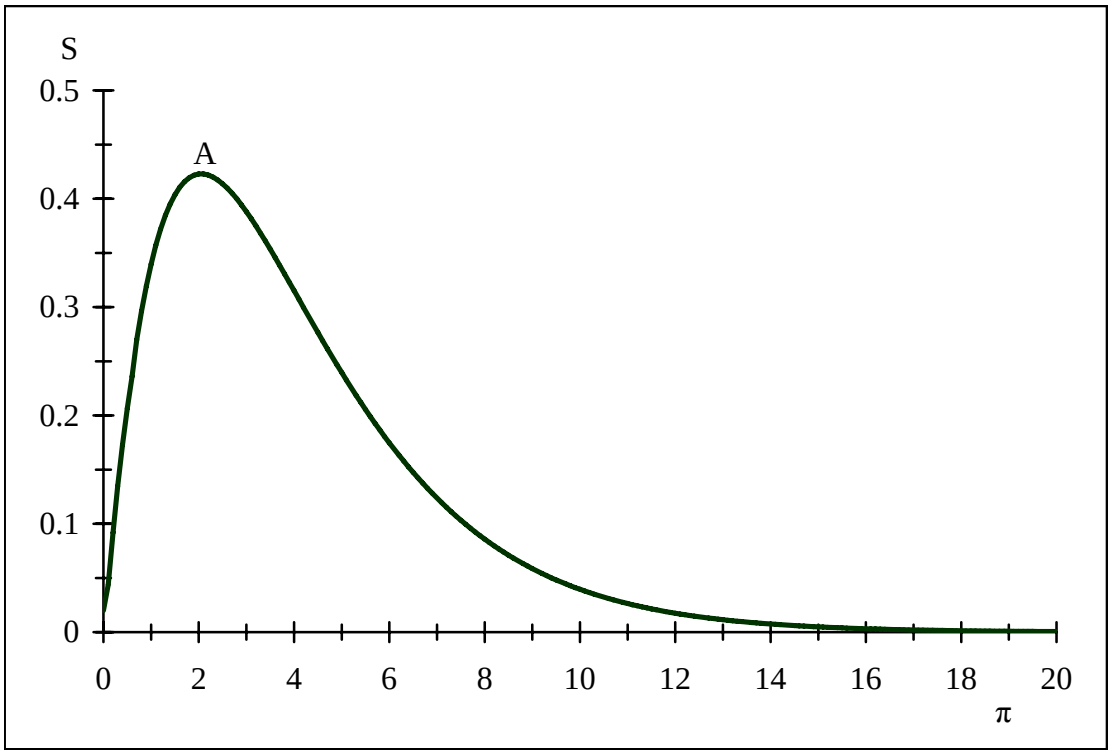


Notes:
1. Figures for Chart 3 (2) are monthly averages. Figures for Chart 3 (3) and (4) are end-of-month figures.
2. Figures for Chart 3 (1) are the sum of the amount outstanding of bank loans (monthly averages) and CP and corporate bonds (the averages of the current and previous months for the amounts outstanding at the end of each month), as defined below.
3. Figures for the amount outstanding of bank loans are the sum of lending by city banks, regional banks, and regional banks II. Figures have been adjusted to exclude fluctuations due to special factors such as liquidations of loans and loan write-offs.
4. Figures for the amount outstanding of CP are for those short-term corporate bonds registered with the book-entry transfer system. Short-term corporate bonds issued by banks, securities companies, and others such as foreign corporations are excluded; ABCP is included. Figures up to March 2008 are those compiled by the Bank of Japan.
5. Figures for the amount outstanding of corporate bonds are for those registered with the book-entry transfer system. The series is spliced at April 2008 with the one published by the Japan Securities Dealers Association.

Sources: Bank of Japan; I-N Information Systems; Japan Securities Dealers Association; Japan Securities Depository Center.

Chart 4

Long-Run Seigniorage Laffer Curve



Note: S denotes the present discounted value of current and future seigniorage, as a share of GDP, and π denotes the inflation tax rate.

Source: Willem Buiter, "Can Central Banks Go Broke?" CEPR Policy Insight No. 24, May 2008.