



SDI Review Form 1.6

PART 1:

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	2013_BJEMT_5146
Title of the Manuscript:	Budget Deficits and Long-Term Interest Rates in Japan
Type of the Article	Research paper

General guideline for Peer Review process is available in this link:

(<http://www.sciencedomain.org/page.php?id=sdi-general-editorial-policy#Peer-Review-Guideline>)

- This form has total 7 parts. Kindly note that you should use all the parts of this review form.



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PART 2: Review Comments

	Reviewer's comment	Author's comment <i>(if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)</i>
<u>Compulsory</u> REVISION comments		
<u>Minor</u> REVISION comments	Accept 1- References are so old. 2- conclusion should be revised I think some parts is not meaningful and 3. Sample is so old "quarter of 1981 to the first quarter of 2009".	Thank you very much for reviewing our manuscript. We have made the following revisions based on your comments. (1) We have updated the literature review and included several recent studies, including Cebula [14], Cebula [15], Laubach [16], Cebula and Cuellar [17], and Vamvoukas [23]. These studies are mentioned in section 1 (Introduction), section 2 (Theoretical model), and section 6 (Conclusion). (2) The conclusion section was revised. We have expanded comparisons with the previous studies that are based on US data and their implications for future research. (3) Estimation period of 1981 – 2009 means we have approximately 30 years of data. Please understand that it is not rare to have 30 or more years of data when conducting time series analyses of macroeconomic variables. The conclusion section mentions a possibility that the effect of budget deficits is gradually changing over time. In this case, the use of the gradual switching model may be more appropriate. This is one of the state-of-the-art econometric



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		techniques (as far as we know, no previous studies on budget deficits have used this technique) and we'd like to leave it for future research.
<u>Optional/General</u> comments		