



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 (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)
<u>Compulsory</u> REVISION comments	The topic of the research is not genuine as it was researched by other researchers. The message which the researchers want to convey to the reader is not clear. In other words, what the Japanese public decision makers should do when he/she knows that a 1% increase in budget deficit relative to GDP will increase long term interest rates within the range of approximately 0.07% - 0.09%. What are the concerned lessons or plans that should be modified according to this findings? This is not clear in the manuscript. Likewise, the research should indicate the consequences of its findings on the Japanese public especially under the current massive unrest and disorder in Brazil, Turkey, Ireland and Middle East countries. Many of references are too old including references from 1960s, 1970s, and 1980s. These references must be substituted with more up-to-date information. The terms of Budget Deficient and Long-Term Interest Rates should be defined in an operationlaized way.	Thank you very much for reviewing our manuscript. We have made the following revisions based on your comments. (1) It is true that this topic has been studied by other researchers. However, like any empirical research, we believe accumulating further evidence based on different dataset or different econometric techniques has additional value to the existing literature. For example, a study based on a different country may support or negate the previous studies, but the study has additional value whichever result is found. We revised introduction in order to emphasize the contribution of this study (based on Japanese data) to the existing literature (mostly based on US data). In addition, we expanded conclusions to add comparisons with the previous findings that are based on US data. We believe these revisions made it clearer for readers to see the contributions of this study. (2) We expanded conclusions to include discussions on the implications of the findings of this study, especially under the current massive political unrest and disorder. We addressed the issue as much as we could, but please note that the discussions are limited since the effect of political unrest was not directly tested in this



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	The dependent and the independent variables and hypotheses need to be re-written clearly by the researchers. This is related with the judgment that there have not sufficient and appropriate statistical analyses been carried out even though the models of the regression seem to be correct.	study. (3) 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]. Except Vamvoukas [23], all of these studies are published after 2000. These studies are mentioned in section 1 (Introduction), section 2 (Theoretical model), and section 6 (Conclusion). Please understand that some the old studies published in 1960s and 1970s are cited because they are important and some of the recent studies are based on these old studies. For example, we cite Kiani [18] to explain the loanable funds model, but Kiani's model is constructed based on studies published in 1960s and 1970s. (4) The definitions of budget deficits and long-term interest rates are explained in the Construction of Variables section and Appendix. We admit that the Construction of Variables section in the previous version of the manuscript was not clear because too much detailed information was included in the section. Therefore, we condensed the section and moved the details to Appendix. We think this revision made it easier for readers to understand the main points, including the definitions of the variables. (5) We revised the manuscript so that the hypotheses, dependent variables, and independent variables become clearer. First, we
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		revised the section on Theoretical Model so that our main hypothesis is situated within the context of the Keynesian vs Ricardian views as in Vamvoukas [23]. We made revisions accordingly in other sections. We believe this revision made our main hypothesis clearer. Second, we inserted additional explanations at the end of section 4.1 and at the beginning of section 5 so that the dependent and independent variables become clearer. All in all, we believe these revisions based on your comments significantly improved the presentation of the manuscript, and we really appreciate your valuable comments.
<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments		