Figure 1. Interest Rates and Inflation in Japan and the U.S.
Figure 2. Denial

Nominal Interest Rate vs. Inflation

Japan, Jan 2002 to May 2010
U.S., Jan 2002 to May 2010
2003-2004
May 2010
(2.3, 2.8)

Fisher relation
Linear Taylor-Type Rule
Figure 3. Inflation Expectations, Interrupted

Nominal Interest Rate

Inflation

- Japan, Jan 2002 to May 2010
- U.S., Jan 2002 to May 2010
- Fisher relation
- Non-Linear Taylor-type Rule ($\pi^* = 1.75$)
- Non-Linear Taylor-Type Rule ($\pi^* = 2.5$)
Figure 4. Discontinuity

Nominal Interest Rate vs. Inflation

Japan, Jan 2002 to May 2010
U.S., Jan 2002 to May 2010
Fisher relation
Nonlinear Taylor-Type Rule

(2.3, 2.8)
Figure 5. Traditional


- Fisher relation
- Nonlinear Taylor-Type Rule

Key points:
- (1.5, 2.0) for Japan, May 2010
- (2.3, 2.8) for Nonlinear Taylor-Type Rule