"It is the one thing that was not supposed to happen. On April 4th the Bank of Japan (BoJ) announced its shock-and-awe plan to purchase ¥7 trillion ($68 billion) of government bonds from the public and double the monetary base. But instead of producing rising bond prices and falling yields, the central bank's actions have so far led to the opposite. ... The heart of the problem is that the bank's twin aims—generating inflation and bringing down yields—are somewhat contradictory. ..." (The Economist, 2013)

- How does the BoJ's aim to bring down yields by purchasing government bonds from the public affect the bond market and interest rate? Graphically illustrate and explain.
- How does the BoJ's aim to generate inflation affect the bond market and interest rate? Graphically illustrate and explain.
- Do you agree with the statement that "the bank's twin aims—generating inflation and bringing down yields—are somewhat contradictory."?