

Minister's Summary by Minister Yosano

24th Meeting (October 31, 2008)

(1) The economic policy for securing a stable life

(2) The comprehensive reform of social security, tax and fiscal policy



Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held the 24th meeting of the year.

At the beginning of the meeting, Prime Minister Aso explained a package of new economic measures announced yesterday, stating that “discussion here at the CEFP for developing the Medium-term Program is indispensable for me” and asked CEFP members to present a comprehensive vision on how to develop the program.

The first subject under discussion was “Measures to Support People’s Daily Lives.” Expert members gave frank views on the policy and pointed out the urgent need of implementing the policy. In addition, expert members reported findings from 2-year-long studies on the emergence and collapse of the Japanese bubble-economy conducted by 100 researchers in Japan and abroad.

The section below presents a summary of the discussion.

First, we deliberated over the provision of special cash benefits for livelihood support. One member suggested that the Government should set an income limitation for eligibility for the cash benefits because a follow-up survey on the effect of the regional revitalization coupons had proved that the provision of benefits concentrated on those economically challenged will efficiently boost consumption, while those on economically advantaged people will not.

Another member pointed out the need of examining mechanisms such as tax breaks on earned income, since the provision of cash benefits is closely related to a system of income tax.

Yet another member suggested that the Government should discuss the possible introduction of housing investment tax breaks, regardless of whether housing loans are applied for or not, and that

the Government should also examine the possible implementation of energy-efficient devices replacement incentives as tax incentives.

The fourth member expressed his strong support for setting an income limitation for eligibility for the cash benefits.

Member Shirakawa (Governor of the Bank of Japan) reported the outcome of the Monetary Policy Meeting held today, and expressed the central bank's intention to maintain an accommodative monetary environment for some time.

The second item on the agenda was how to develop the Medium-term Program. Materials underlying the program were presented. First, Expert Member Yoshikawa showed trial calculation results prepared by the National Commission on Social Security. He also presented Expert Members' papers on the mid-term program on comprehensive reform of social security, tax and fiscal policy, commenting on a social security system of "medium-level welfare state matched with medium-sized burdens" and advantages of using separate accounting between the social security sector and other sectors.

The papers prepared by the National Commission on Social Security indicated the need for extra costs equivalent to a consumption tax rate of 3 to 4% for fiscal 2015, which accounts for the incremental cost. In addition to the extra costs, of course, financial resources for the total social security cost for ensuring reliable social security still remain controversial. Though I would not like to start discussing the issues of tax rates all at once, I believe that tax rates are issues that should be discussed in parallel with an overview of the fundamental reform of the tax system and the separate accounting applied to social security costs and other costs.

I asked, during the meeting, Member Nakagawa, Finance Minister, to develop the draft of the Medium-term Program because we have to immediately discuss the program in parallel with relevant discussions at the CEFPP and other meetings held by the ruling parties such as LDP Research Commission on the Tax System.

I will also make efforts under Prime Minister's directions, to allow the CEFPP and other discussions in the ruling parties to go hand-in-hand each other in a consistent manner, by holding a series of working-level talks with Policy Research Council chairs of the ruling parties and people at the top of LDP Research Commission on the Tax System. In addition, I believe in the necessity of informal exchange of views between expert members and the ruling parties.

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