

Minister's Summary by Minister Yosano

21st Meeting (August 25, 2008)

(1) A comprehensive measure for pursuing life security



Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 21st meeting of the year, and the Council had the discussion on a comprehensive measure for pursuing life security.

At the beginning of the meeting, the Cabinet Office explained the outline and then expert members made explanation in line with their papers. The following is a summary of remarks made in response:

Expert Member: These measures have to be speedily implemented. Based on the assumption that the Government will have to increase public spending, it should steadily maintain its efforts to achieve a combined government surplus of the primary balance in fiscal 2011 and to increase the state-contribution portion of basic pension benefits to half of the overall in fiscal 2009. For this reason, clearly defining a path toward reliable social security policies consistent with the taxation is extremely important.

Expert Member: So-called “income indemnity” will not work well. Instead, it is necessary to place more emphasis on investment than on consumption.

Expert Member: The Government should implement monetary policies, paying special attention to small and medium-sized enterprises. In addition, the Government should carry out measures that will benefit younger people, and winning the sympathy of younger generations is very important.

Another member: During a transition to a new price system, it is still necessary to pass price increases on to customers one after the other, and at the end, a nominal wage increase will be essential. I recognize that these economic policies are required to address time lags and discrepancies between the above mentioned responses.

Expert Member: Fundamental reform of the tax system is essential.

Expert Member: Prices also jumped during the previous oil shocks, however, back then there was no

country like today's China that can sell extremely low-priced goods, and accordingly, then it was possible to achieve a transition to a new price system within the country. On the contrary, today, in intense price competition with Chinese products, passing price increases on to customers one after the other is really difficult. Accordingly, to respond to recent difficult situations, the Government should make reform efforts such as focused investment in energy efficiency improvement and new energy resources. In addition, we will also make efforts to increase wage levels for workers, and still, with the aid of these mentioned measure and other steps, the Government is now required to generate a situation where employers are capable of meeting workers' demand for wage increase in the next annual spring offensive.

At the end of the meeting, Prime Minister made the following statements:

Under current situations, there are some problems that Japan can solve by itself, and others that it cannot. Anyway we have to carefully address every issue one by one. Among these problems, in particular, we have to make sincere efforts for mitigating problems now small and medium-sized enterprises are facing. Some have pointed out the need to solve a number of problems concerning small business financing, and I have already asked Minister for Financial Services to take necessary steps. The Government will also make its best possible efforts for mitigating financial difficulties now small and medium-sized businesses are facing. In addition, of course we have to pay special attention to our difficult financial situation, yet we will seriously discuss and handle economic policies. In trying to ease public anxiety, I would like to carry out really effective measures.

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