

Minister's Summary by Minister Yosano

29th Meeting (December 16, 2008)

(1) "The mid-term program (proposal)"



Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held the 29th meeting of the year.

Today the CEFP discussed "The Medium-term Program (proposal)" and we drew up a draft for the program from the viewpoint of the CEFP.

The Prime Minister made the following statement:

We have so far rapidly taken a series of economic measures, in response to the dramatically changing economic climate. In addition to monetary measures and employment measures, we have newly created a reserve budget for emergency economic responses. We will continue our endeavor to take bold and prompt action, placing the highest priority on business recovery.

However, as responsible political parties, we should not always just spend money. We have to take one step further in the embodiment of fiscal responsibility in the medium term and of the enhancement of public confidence in social security, in line with the embodiment of economic measures. I made a remark at a press conference that we would like to ask for a consumption tax hike in three years, in light of prevailing economic conditions. This "draft Medium-term Program" incorporates a roadmap for the implementation and other details, including fiscal years in which tax reform (reform of the consumption tax included) is to be started and in which related laws are to be created. I think that the draft is appropriate. In line with this draft, I would like the ruling parties to discuss the issue, and then I would like to make decision on the matter as the Government before formulating the budget for the next fiscal year.

Member Nakagawa (Minister of Finance) made the following statement:

First, regarding tax reform, including reform of the consumption tax, depending on the economic climate we would like to implement the reform, starting from 2011, based on Prime Minister's

direction, giving top priority to steps to revive the economy over the next three years.

Second, I believe that the state-contribution portion of basic pension benefits should be raised to 50% and should be permanently kept at 50%, after securing reliable financial resources. Regarding the expression “for two years from fiscal year 2009 through fiscal year 2010, by using temporary revenue sources, the state-contribution portion of basic pension benefits shall be kept at 50%,” I would like to provisionally boost the portion by arranging temporary revenue sources through extraordinary transfer from funds held in special accounts under the fiscal investment and loan program to general accounts.

All other members approved the above proposal. They made the following statements:

Member Hatoyama (Minister of Internal Affairs and Communications) said that the Government has fulfilled its responsibility by presenting a roadmap for secured reliable financial resources and by indicating 2011 as the year in which tax reform will take place.

Temporary Member Masuzoe (Minister of Health, Labour and Welfare) argued for the Government to explicitly specify the implementation of tax reform in three years, and added that he agreed with the idea of raising the state-contribution portion of basic pension benefits by using temporary revenue sources for the two years, on the understanding that the portion shall be permanently funded from reliable resources in the future.

Expressing his support of the draft, Member Nikai (Minister of Economy, Trade and Industry) said that enhancing people’s confidence in the future is essential and that easy-to-understand explanation of the overview of the program is one of the pillars of the Aso administration’s policy.

Other members made the following comments:

The Government needs to clearly show a concrete schedule, which will then improve public understanding of the program.

The majority of Japanese people want medium-level welfare. People will accept a consumption tax hike, in the end, I believe.

Many have pointed out that people will spend more money if social security works well. It is important to have specified when to secure stable revenue resources.

(End)