

Minister's Summary by Minister Ota



6th Meeting (April 1, 2008)

- (1) Promotion of utilization of information technology (IT) (e-Government)
- (2) Strengthening the competitiveness of financial and capital markets (stock market, etc.)

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 6th meeting of the year and conducted discussions on promotion of utilization of information technology (IT) (e-Government) and strengthening the competitiveness of financial and capital markets (stock market, etc.).

On the promotion of utilization of information technology (IT) (e-Government), each member stated that now is a time to speedily make much progress at once, pointing out that commonly-used e-Government should be established, instead of just introducing IT. Members discussed why we cannot still put full-fledged e-Government in practice though everyone has been working toward similar goals. The following comments were voiced:

Bureaucratic procedures themselves have been unchanged for many years. Introducing IT means to proceed with the standardization. The bureaucratic procedures should be modified to facilitate the government-wide introduction of information technology, which has not yet become reality.

Temporary Member Kishida (Minister of State for Science and Technology) is in charge of IT Strategic Headquarters. Though Temporary Member Kishida has made much efforts to create a vision for what information technology might accomplish, he has not enough manpower. Accordingly, giving specific instructions of what should be done to each ministry, or for example, instructing ministries to do away with the submission of attached paper documents needs to be done by Member Masuda (Minister of Internal Affairs and Communications). Since a single minister should be responsible for drawing up a plan and leading the actual introduction, at this moment, we would like Temporary Member Kishida to take the serious initiative, and a system should be established in which the government has to move forward together horizontally to implement the initiative.

The problem is whether plans are really put into action. Since no uniformity exists in governmental offices and in governmental works, it is necessary to require uniformity in administrative procedures in a mandatory manner. For example, each governmental office has selected to use its own forms and systems and selected to undergo its own procedure for the payment of travel expenses, and there is currently no uniformity among governmental offices. Instead, we have to

determine and instruct “things should be done in this way” and make each office conform to our instructions. Ministry of Economy, Trade and Industry is now playing a central role in re-examining and improving procedures on travel expenses. In this context, Temporary Member Kishida will take the initiative in the government as a whole, and Member Masuda, Member Amari and other responsible ministers should make coordinated efforts to solve the problem.

Expert member: Promotion of introducing IT in the government should make use of commercially available packaged systems instead of complex systems.

Temporary Member Kishida indicated his intention to draw up an action plan to implement the three priority projects, which the expert members proposed in their paper (i.e. “enhancing convenience for people,” “reducing corporate expenditure” and “increasing efficiency in governmental services”) and go ahead with the plan within one year.

The Prime Minister gave the following instructions:

There has still been a lot of room left for improvement which serves dual purposes of enhancing convenience for people and eliminating wastes in the Government. The government-led promotion of utilizing information technology in administrative procedures should focus on such improvement.

Long time has been spent so far and very little has been achieved.

I would like Temporary Member Kishida and other ministers involved to play a leading role in pushing hard for the implementation. Among governmental works, salary payment procedures as well as the procedure for payment of travel expenses has vast room for improvement. The process of drawing up a plan should be completed within three months and the plan should be put into action within just six months. We should not spend a year for the entire process.

Before discussing the strengthening of the competitiveness of financial and capital markets, Expert Member Ito briefly reported findings from his surveys on the U.S. subprime mortgage problem he conducted during his recent business trip to the United States. The following is the outline of the report:

The U.S. financial authorities now heighten the sense of crisis. There remains considerable uncertainty. Many economists estimate, regarding the real economy, that the actual growth for the first half of the year will fall below the growth potential and then will recover during the second half of the year.

The biggest concern is the fall of the housing market. We may fall deeper into economic quagmire unless things stop getting worse. That is the point at issue.

Subsequently, expert members voiced the following proposals:

The U.S. subprime mortgage loan problem has revealed the vulnerability of Japanese stock

markets. It is essential for Japan's growth strategies to overcome this weakness.

Of the total of more than 1,500 trillion yen, currency and deposits still accounts for a high proportion of Japanese household financial assets, which leaves Japanese households finding it difficult to achieve high yields.

As a concrete mechanism for creating a more positive cycle concerning household assets, we should strengthen Japanese stock markets and at the same time allow households to accumulate more substantial assets for retirement, by expanding the use of defined contribution pension plans (or Japanese versions of 401K)..

Temporary Member Watanabe (Minister of State for Financial Services) made a proposal that public servants can be also covered by the 401K plans. Subsequently, the following comments were voiced by members:

Expert member: From the viewpoint of one's personal lifecycle, it is supposed to be better to hold more equities for savings in younger days and increase the share of bonds after retirement. However, actually, retired persons tend to invest more in equities by putting a lot of their retirement allowance into stock markets. It is necessary to make a mechanism that encourages personal long-term stock investment, however small amount it might be. The returns of holding equities for 20 years or 30 years will exceed interest from deposits. In addition, just stock dividends may surpass interest on deposits with banks. Accordingly a mechanism for encouraging personal investment in equities is really needed.

Expert member: The coverage of Japanese 401K should be expanded to allow the plans to supplement existing social security systems for general public. Given public concerns over existing social securities, defined contribution pension plans should be considered as a serious alternative which supplement social security systems in one's future plans for retirement. We should allow 401K to serve as a part of social security systems, by providing full pension portability for job switchers so as not to reduce or eliminate the loss of pension benefits associated with job changes.

Expert member: The upper limit of monthly contribution for defined contribution pension plans in Japan should be relaxed by setting the upper limit in terms of percentages of wages or salaries (like those in Britain and the United States), instead of setting the limit in terms of actual amount which is applied under current systems.

Now that stock investment over the internet is available, stock trading commissions for even smaller-amount investment are increasingly reasonable, which makes personal stock investment easier.

Member Nukaga (Minister of Finance): The ruling party has already discussed for many times what kind of incentives should be offered to shift funds from savings to investment, and I would like to make efforts for developing favorable environment to encourage personal investment in equities, benefiting from the expertise of the expert members. We would like to deliberate later

how to develop specific policies on this issue in the next fiscal year and onward. How to treat “the third tier” of the Japanese pension system is a controversial issue in an ongoing discussion on unifying mutual-aid pension plans for civil servants and corporate employees’ pension plans. And concerning the proposed expansion of Japanese 401K referred to by Temporary Member Watanabe, we should consider that the discussion has to maintain consistency.

Member Amari (Minister of Economy, Trade and Industry) : A very small proportion of Japanese household financial assets of more than 1,500 trillion yen is channeled toward institutional investors, and the proportion of equities in the portfolio mix of institutional investors is also low. There is room for institutional investors to increase the proportion of equities, since equities will yield more than time deposits. Now it is time to discuss how public pension plans ought to be operated.

The Prime Minister made the following statements:

We will aim to make Japan one of the core global financial centers by strengthening the competitiveness of Japanese financial and capital markets all the more, as I already declared in my policy speech on January 18, 2008. For achieving this goal, I would like those in charge to continue substantial discussion.

Today we had significant proposals from the expert members which stress the need for personal assets formation to secure one’s post-retirement income and the need for measures towards more solid and substantial stock markets. Speaking of “the vulnerability of the Japanese stock markets” referred to in the proposals, I ask members involved to tackle and overcome this weakness by measures suggested by the expert members.

At the end of the meeting, follow-up activities concerning “Basic Policies 2007” and the “Economic Growth Strategy Initiative” were reported.

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