

ブランシャール氏・ロゴフ氏の発言要旨（原文）

○冒頭発言部分（議事要旨2～3頁）

Prof. Blanchard: Thank you. Let me first congratulate you on the result of a recent election. And let me thank you very much for inviting me and Professor Rogoff to discuss fiscal policy in Japan. Let me briefly introduce myself. I'm a macroeconomist. Most of my career has been as a professor of economics at MIT. But from 2008 to 2015, I was a chief economist at the IMF, something I share with Professor Rogoff. My focus for the last few years has been very much on the design of fiscal policy. So I'm very happy to come here and learn.

In the current Japanese environment, I believe fiscal policy should have two goals. The first one is, as you said, to stabilize the ratio of debt to GDP. For the moment, the configuration of interest rates and growth rates is such that this is relatively easy to do. But in the future, it's clear that it will be harder. The difference between the interest rate and the growth rate will be smaller. And we have to think about this. The implication is probably that you need to aim at zero primary balance at some future date, not too distant a date. The second goal must be to protect public investment, something that you've mentioned in your introductory remarks. This may require a slower adjustment towards a primary balance target. But the target, reaching a primary balance at some, not too distant date, must remain the goal, even under those conditions. These two goals should be combined in some credible medium-term fiscal plan. And given Japan's past difficulty in meeting fiscal targets, credibility is of the essence. And we have to think about the institutions needed to create this credibility. Thank you.

Prof. Rogoff: I too want to thank the Prime Minister for holding this meeting, and to say that I applaud your efforts to energize growth and prosperity in Japan. And I take this meeting with myself and Professor Blanchard as one measure of your commitment to try to do this in a responsible and thoughtful manner. I'm also a macroeconomist who has worked on topics such as interest rates, exchange rates, central bank independence, but also debt and financial crises.

I plan to discuss the challenges of living in a higher interest rate environment that the whole world shares for many reasons. One reason is that debt is high, not just in Japan but everywhere. Another, of course, is that we live in a world where

suddenly there are many pressures on military spending, putting upward pressure on interest rates. There is populism, the fact that trade has become more balkanized and spending on AI investment. Japan is simply not immune to these pressures. The challenge of dealing with high debt and high interest rates at the same time is especially difficult when the world is facing what we economists call a stagflationary shock, something that simultaneously pushes growth down and inflation up. Frankly, the ongoing shock is shaping up to be the biggest one in 50 years, with the Iran war – which appears likely to have long-lasting effects coming on top of the tariff wars, the war in Ukraine, and other factors. It's much more difficult to deal with this kind of shock than a more conventional demand shock. Ultimately, the only way is by energizing growth, as you aim to do, and I look forward to hearing you and your cabinet's ideas for doing this. Thank you.

○プレゼンテーション部分（議事要旨3～6頁）

Prof. Blanchard: I'm just going to go through the four points quickly. The main message is, I'm just going to re-say in a slightly different way what we said when the press was here, the first point is that the level of the debt ratio, which is clearly very high in Japan, is not by itself a major issue. There is no such thing as a critical level of debt, whether it's 60%, 90%. But while it is not a major issue, it is true that the high level of debt exposes you to more risk because movements in the interest rate, for example, have a bigger effect on the budget and require larger adjustments. So, all else being equal, it's clearly better to have lower debt. But it is not an absolute priority. What is essential is to avoid the perception of a steady uncontrolled increase in the debt ratio. This is what investors care about. A stable debt ratio, they accept, but if they feel that the government has lost control, then there is what we call a doom loop in which interest rates increase and so on and so on. So it's clear that the goal in the context of Japan is to have a clear, credible plan to at least stabilize the debt ratio and ideally, I think, try to decrease it slowly over time. But the point here is stabilization of the debt ratio is clearly something absolutely essential as a target.

The next point concerns the dynamics of a debt ratio and will be familiar to all of you. The way debt evolves depends on two things, the interest rate, the growth rate on one side and the primary balance on the other. Now in the current context, as you well know, you're blessed in a way with an interest rate on existing debt which is lower than the growth rate so that by itself it tends to make the debt ratio decrease. But as I think Professor Rogoff will also emphasize, and as you well

know, this is not going to last. A lot of debt was issued when interest rates were very low or negative and this is going to go away and I think for the world as a whole, it is likely that what we call a neutral interest rate will be higher. So, the assumption has to be that at some stage in the future, maybe say five years, we have interest rates equal to growth rates. And then by arithmetic implication, where you need to be in five years is to have a zero primary balance. This is the condition to stabilize the debt ratio. Now how fast should you do it? I've taken five years because clearly trying to do it in one year would be catastrophic for demand. Doing it or pretending to do it in ten years would not convince anybody. So, there is a number in between. I think four or five years is probably the right assumption. So as a practical implication, basically you should aim for primary balance five years out. That seems to me the right horizon.

The next point is about credibility because we've all heard governments promise things and not deliver. So, what is needed is a credible multi-year plan. And for this, I think you need two things. You need a tool which basically tries to predict the evolution of the debt, taking into account uncertainty, which is there, taking into account implicit liabilities, for example, from the retirement pension system. And the tool we have has a technical name, which is SDSA or Stochastic Debt Sustainability Analysis. But the essence of it is just to try to understand what may happen, assess what the effects of various policies might be. I think that's an essential tool which should be developed. The other is that the tool and the conclusions of using the tool must be credible. And I think this implies that it needs to be done by an independent authority, a watchdog, if you want, which basically says, "yes, this is how things are likely to evolve." Investors tend to be skeptical if it is done in-house. And therefore, I think it's important to have some distance between the watchdog and the Ministry of Finance, for example.

Let me talk about the last point, which is essential given the need to actually protect investment. The point that I would make as an economist is it's not because you do investment that you can finance it automatically by debt. You can do this if the investment is going to have fiscal returns which justify the investment in the first place, like it would be for a private firm, but the kind of investment you have, which I think is essential, what you call resilience investment, probably doesn't have obvious fiscal returns. It may. It may not. It may increase growth. It may not. You cannot count on it. So, if you could, you should try to finance investment in large part by taxation. Now given the political limits, it is clear that what you intend to do in terms of public investment has to be partly financed by deficit finance. So, this means that the path of adjustment, which I've talked about, can probably be a bit slower as long as in the end you're credible about the fact that

five years out your primary balance will be zero. I think that's the way to think about public investment.

Prof. Rogoff: Thank you very much. I have to start my remarks by saying there's a well-known joke about academic faculty meetings: Everything has been said, but not everyone has said it. And I find myself a little bit in that position. Professor Blanchard has given such excellent remarks. I cover some similar ground in my slides, but let me just try to emphasize a few different things. I think we live in a very different world now than we lived in just a few years ago. And yet voters' mentality, politicians' mentality, are still tuned to a world where interest rates were reliably really, really low. Japan has enjoyed that longer, but I agree with Olivier Blanchard low interest rates are not forever, and indeed the likely upward reversion of long-term real interest rates has been a major topic of my research the past decade. As such I wouldn't be at all surprised if the long-term JGB interest rates went up to 3% or even higher in the coming years. Indeed, the fact that the yen is very weak at the moment partly reflects that Japan has not completely caught up with where world interest rates are going. As noted in my opening remarks, there are many reasons for this. One is simply that debt has been going up and up (and up) all over the world. Another is that politics have changed. There's much more pressure to use deficit spending, and to abandon the Washington Consensus. Moreover, fragmentation of the trading system also puts upward pressure on interest rates. And above all, I see a world where military spending is going to be dramatically higher around the world for many years to come. In my own country, the United States, military spending has fallen to half from what it was when the Cold War ended. And that's not likely to remain. And we can go around the world from Europe to China to Japan and see similar spending pressures that are likely still building. There is also upward pressure coming from investment in AI data centers and the associated electricity. True, there are still forces pushing interest rates lower, demographics being one. But I think for a very long time, the overall pressures are going to be upwards. It is true that interest rates have trended down over centuries, but in the last 100 years, not so much.

So a question then is what Japan can do. And I certainly think Japan has many, many strengths. For example, in areas like technology, robotics, I think you said it very well, Prime Minister, in your opening remarks, where you pointed to the fact that Japan's at the cutting edge of many things, but you lack the investment. I do think there's, of course, scope for public investment, maintaining infrastructure, trying to energize the private sector. But there are limits to this. And Professor Blanchard said it in a delicate way that just because you make a government

investment doesn't mean it pays off. Fortunately, the large private Japanese companies are spectacularly efficient. They are still very successful worldbeaters, especially by inserting themselves into high value niches in the global supply chain. That's what's keeping Japan really as perhaps the fourth largest economy in the world. So careful thought needs to be given how and where to stimulate investment. In terms of institutions, which Professor Blanchard mentioned, I think a fiscal council is a very good idea in order to try to have independent projections. It's not a panacea, but I think it's worthwhile to explore.

Central bank independence, however, is even more important. It's precisely when markets are worried that you're doing things to push up interest rates (high deficits) or having to live with higher global interest rates that it can be very problematic if the central bank is perceived as being very subordinate to the government. For that can make long-term interest rates go up even more. And let me conclude by saying that we do live in this more spectacularly, more volatile world. We aren't in the world we were in a year ago. And we certainly aren't in the world we were five years ago. I see one of the financial challenges for Japan of living in a world where China becomes more important and Europe and the global financial system and dollar hegemony weakens. And Japan will also have to deal with this. Thank you very much.

○総理・有識者からの質疑への応答部分（議事要旨 8～10 頁）

Prof. Blanchard: The questions are all very good and could trigger a rich discussion. On the Prime Minister question, which is how to convince investors. Again, I think that investors are worried about loss of control, de facto, or lack of commitment. Now that's a very fuzzy notion, and it can happen or not happen, but I think the way to deal with it is what I've said, which is to have a credible, multi-year program, and I think this takes the two tools that I've talked about, which is a tool to actually show that the plan is going somewhere and may, will probably succeed, and the other is that this assessment is done by an independent institution, which basically says “yes, good.” Now I also know that things change from year to year, which is a remark which has been made by others, and therefore you have every year to just redo the exercise and say, well, we missed because of that and we have to do this, or the environment, as Professor Rogoff has mentioned, may be very different and we have to adjust. I think if it's done in a very open, credible, technical, independent way, the investors will accept it. There is a view that one needs to go further than that, which is to have fiscal rules. If a deficit exceeds X,

then you do that, or if debt exceeds Y, you do that. Having worked on the fiscal rules for the European Union, I think that this is very much second best. It is better, I think, to be open about what you're trying to do, show the numbers rather than have a mechanical rule, which sometimes is useful and sometimes is very costly. And when it's costly, governments cheat. So I'm not in favor of fiscal rules, but this is a discussion among economists which is not settled.

This I think answers a number of questions. On the supplementary budget, yes, it sounds like, “well, we have to do this in addition”. So I think that's where we integrated SDSA, to use the word, taking into account the uncertainties and the fact that you may need to spend more is the way to do it, rather than have a supplementary budget every year. That is not credible. On debt, whether we should look at gross or net debt, I think there is no good number. To take an example, take a country which has a debt level which looks very low, but has enormous implicit liabilities due to the fact that the retirement pension system is basically not in balance. Well, that country may show a really good debt number, but in fact, when you do the SDSA, to use the acronym again, you'll realize that, no, things are actually quite bad when you look out. So there is no way to reduce all that information in one number. And for some purposes, that debt is okay. For some purposes, gross debt is okay. The liabilities of the government which are in the central bank are in the central bank, but the central bank has liabilities. So I think that having an integrated approach to that is also useful, but there is not one number which you can basically rely on.

On automatic stabilizers. I've been pushing for automatic stabilizers. There is this inconsistency about it, which is that we accept the ones which exist. We're happy with the fact that when there's a recession, unemployment benefits go up and receipts come down, so it's naturally more of a deficit. But this was never by design. This just happens. And the question is, can we do better? And indeed, I've worked on the idea of having a viable VAT rate, which would basically be triggered by the state of the economy. And I think that's a useful direction in which to think. I think it can be used. The fact that it is automatic is reassuring for investors if it's well-designed, because presumably it does something in good times, it does something in bad times, and if you design it well, it compensates and does not lead to an increase in debt. But in the context of Japan today, in which there is this structural adjustment to make, it seems to me the priority is to have a structural adjustment, not just to decrease the VAT rate for one year or two. When there is a recession, it makes sense. But that's not the situation in which you are. So, I would say, “work on it”, but it doesn't strike me as part of a program I would push today.

Prof. Rogoff: Thank you very much for this range of comments and questions. Let me start with the prime minister's question about what to look for when markets are losing confidence. Of course, interest rates are the obvious thing, but I must say Japanese government debt is still regarded as one of the safest, if not almost the safest form of debt. That's a very valuable thing that you have. If you lose that, given how high your debt is, it would be very painful to have confidence lost and interest rates go up a percent. Unfortunately having worked extensively for years on financial and debt crises, unfortunately, often the markets don't tell you a long time in advance. You can only look back and say you wish you'd done something. I think that's partly because governments try to hide information, try to do things so the markets won't see the problems until it is too late. While I agree with Professor Blanchard that there is no magic number for debt relative to GDP, we can also agree that a high number is not good. It makes a country less resilient, and inevitably more cautious about responding to major adverse shocks. When you owe a lot and interest rates go up, it's painful. For a country like the United States, for a country like France, for a country like Japan, a rise in global interest rates is painful. It's an adjustment. It doesn't necessarily mean you're doing anything wrong. I think it's worth taking some risk, as I think you plan to, to try to energize growth, to try to think what can be done differently. Japan has long performed steadily, but not nearly as well as it might have over the last 30 years. A good rule of thumb for what investors might look at is what Professor Blanchard emphasized, the primary balance, trying to have a plan for restoring that. Where I think I might disagree is that promising to get there in five years is just fine. Telling them it's five years from now, in political language, is like saying, I really don't have any plans to do that. That's just not going to happen. Let somebody else worry about budget deficits in the future. And also, I want to underscore the point that the world has become more volatile. Professor Blanchard emphasizes comparing the interest rate and the growth rate, which is very important because it tells you what happens to your debt if your primary balance is zero. But we live in a very volatile world where growth can change quickly, interest rates can change quickly, and you can try to manipulate the interest rates downward through repression (a form of taxation), but it's not easy. In terms of where spending and thinking might be concentrated, obviously robotics is an area where Japan is going to excel and it's growing. And military research is another area. It certainly used to be true that if you opened up any U.S. missile, say a Patriot missile, you would see a lot of Japanese writing inside because so many of the parts were made in Japan. That's still true of many things but perhaps less than before. Military expenditures are an area where not only is there a lot of global demand for that, but it also helps spur

innovation. Military expenditure has been at the forefront of many innovations the U.S. has that is industrial policy in the United States. And in some ways, the ideas you are advancing to energize growth, to energize innovation, are really to substitute for that because Japan hasn't had it and Europe hasn't had it.

There were many other questions, but let me just finish with the one about the dollar. I do think we've been in a world where the dollar's dominance has actually been in slow decline for perhaps a decade, and Japan may face a future where, as in many things (e.g., what kind of standards are you going to adopt with the internet, with electronics) the same issue is also going to rise with the dollar. But I think Japan's in a very strong position there. As long as you are considered one of the safe currencies, you can potentially benefit from gradual erosion of dollar dominance. It might take upgrading your banking system, upgrading the various infrastructures in your banking system which, like much of your infrastructure, has become very old, but long-term Japan can benefit. But I think it offers a lot of promise. Thank you.

○締めくくり発言部分（議事要旨 10 頁）

Prof. Blanchard: I think that what you have in mind is perfectly workable. I find that there is not much difference between what you're proposing and what I would have argued you should do. I would insist on the fact that credibility comes from institutions in part and the notion that the investors can trust what you say and what the numbers will be. Putting in place institutions which are credible is of the essence. But I congratulate you on the plan.

Prof. Rogoff: I very much share Professor Blanchard's view that have laid out very good ideas. And of course, everything's about execution. But as I said in my remarks when the press was there, I very much applaud your efforts to energize the Japanese economy. If I were to pick one thing on the institutions, I would say it would be making sure that central bank independence is respected. This is not theoretical. There is nothing investors care more about. And I speak to people all over the world. In the United States, when we have all these volatile things going on, everybody's worried about the rule of law and the tariffs, etc., if you talk to investors, the thing they care most about is "Will the Federal Reserve be independent." I believe you would find the same thing in Japan. So yes, the fiscal institutions are important. You have many promising policy ideas. If investors see

you standing by central bank independence, that will enhance their confidence and prevent problems from happening.

And thank you so much for having us. I hope to meet you in person on another occasion.