

# What should Japan do to achieve fiscal consolidation?

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⇒ To increase revenues, cut expenditures and boost growth rate are needed.

### 2. Review tax revenue composition

⇒ It is necessary to raise the consumption tax considering that Japan has lower tax rate than other countries.

### 3. Make Tax Collection fair

⇒ Making Tax Collection Fair will help increase tax income.

### 4. Enlarging the number of Tax Payer rolls

⇒ Enlarging the number of tax payers is necessary through expanding immigration and increasing the birthrate.

### 5. Maintenance and repair expenses of infrastructure will be bigger.

⇒ It is important to identify the infrastructure that is really needed in the future.

### 6. Adjustment of the Japanese pension system

⇒ Push pension benefits lower even under the economic growth path.

### 7. Reduction of medical care expenses is an urgent issue.

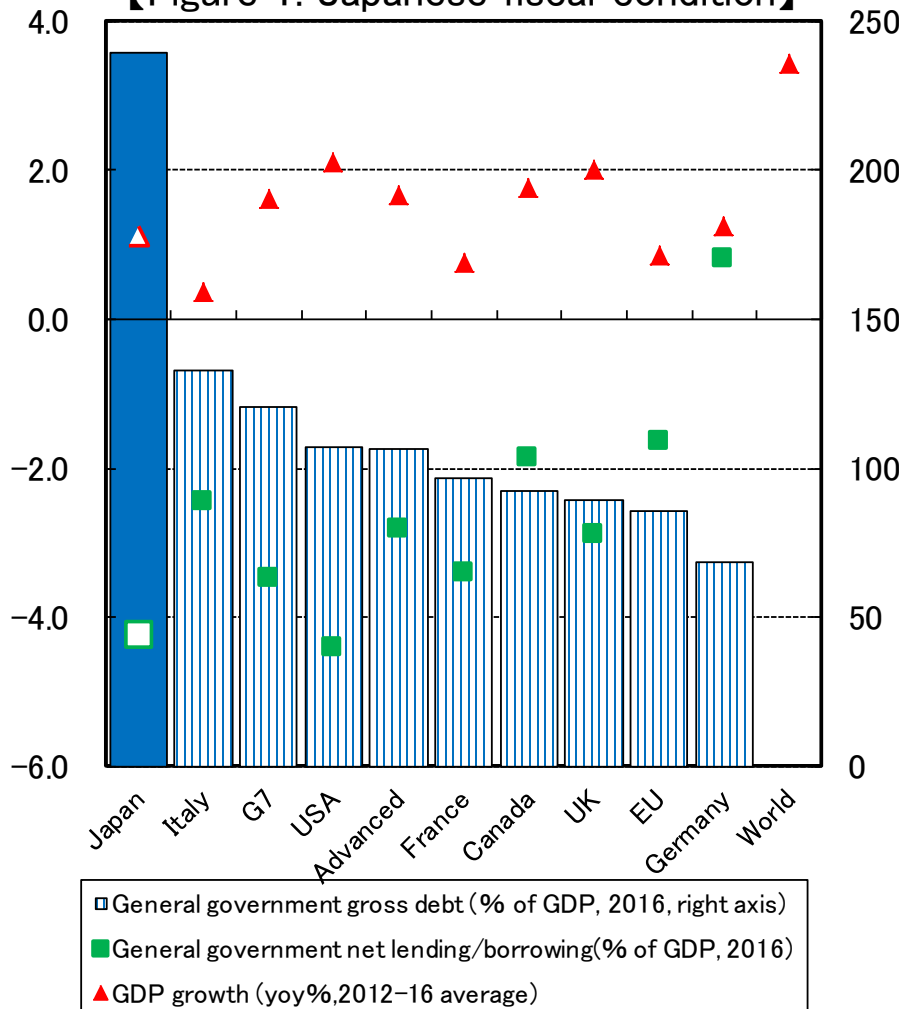
⇒ Policies are needed to control medical costs and nursing care expenses.

### 8. Conclusion.

⇒ Our solutions will give Japan to gain its strength back.

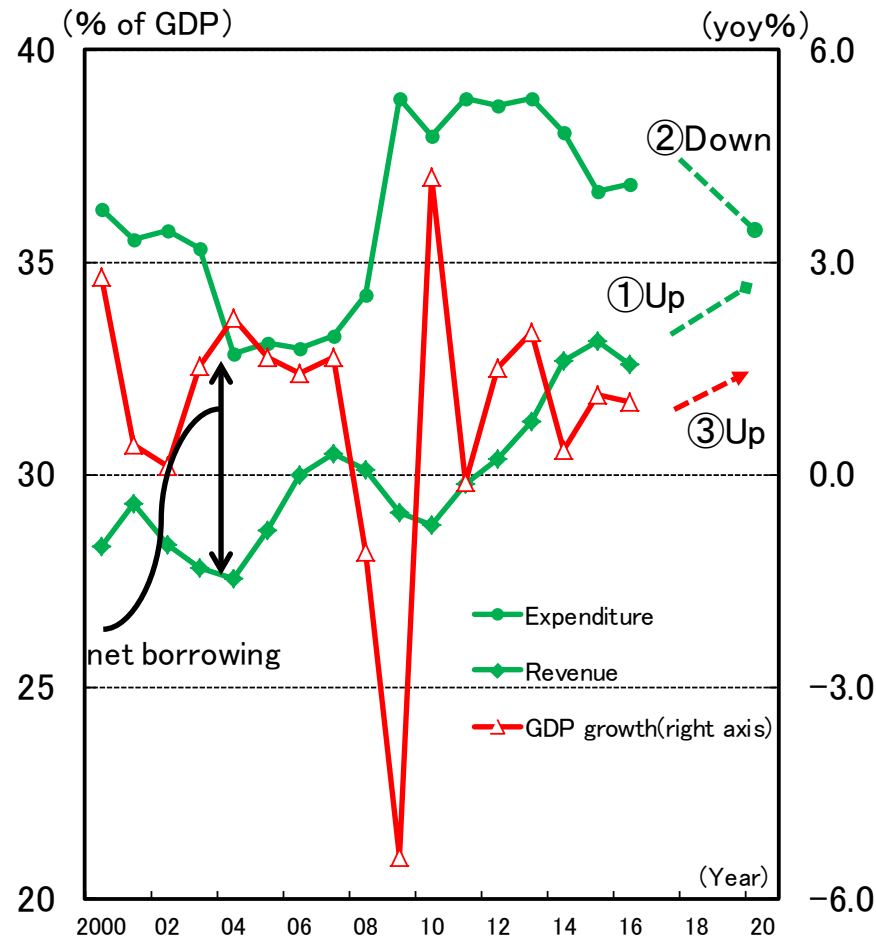
# Japan in danger, three ways to survive

【Figure 1: Japanese fiscal condition】



(※) Japanese general government gross debt and net borrowing are estimation by IMF  
 (Source) IMF "World Economic Outlook Database, October 2017"

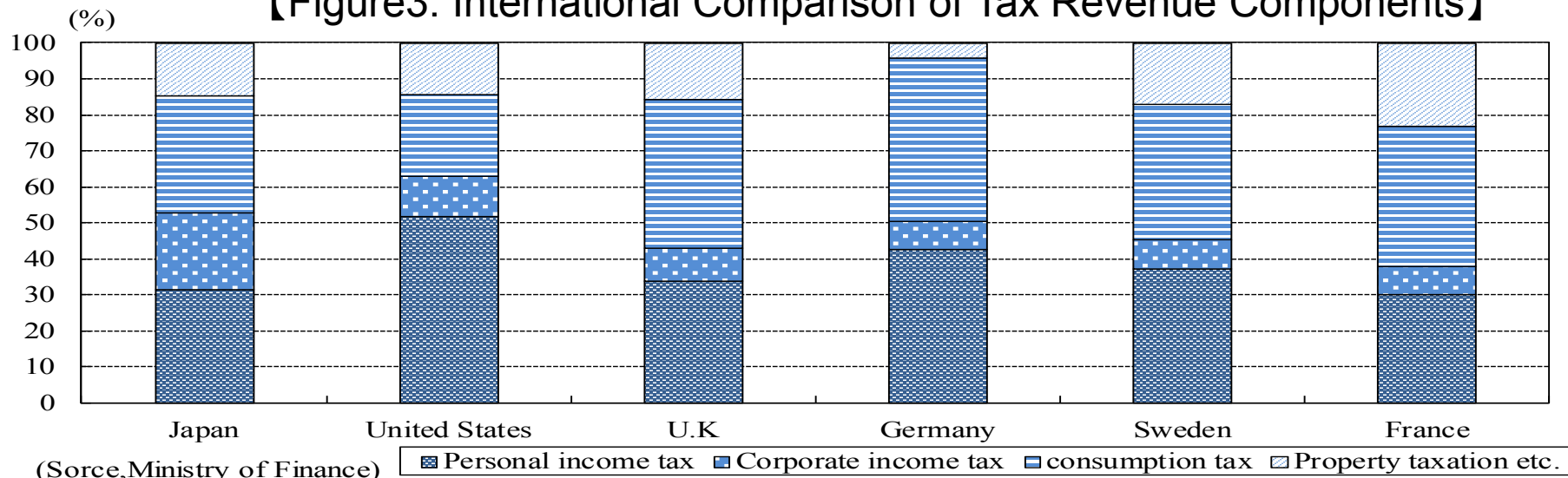
【Figure2: Three ways to improve condition】



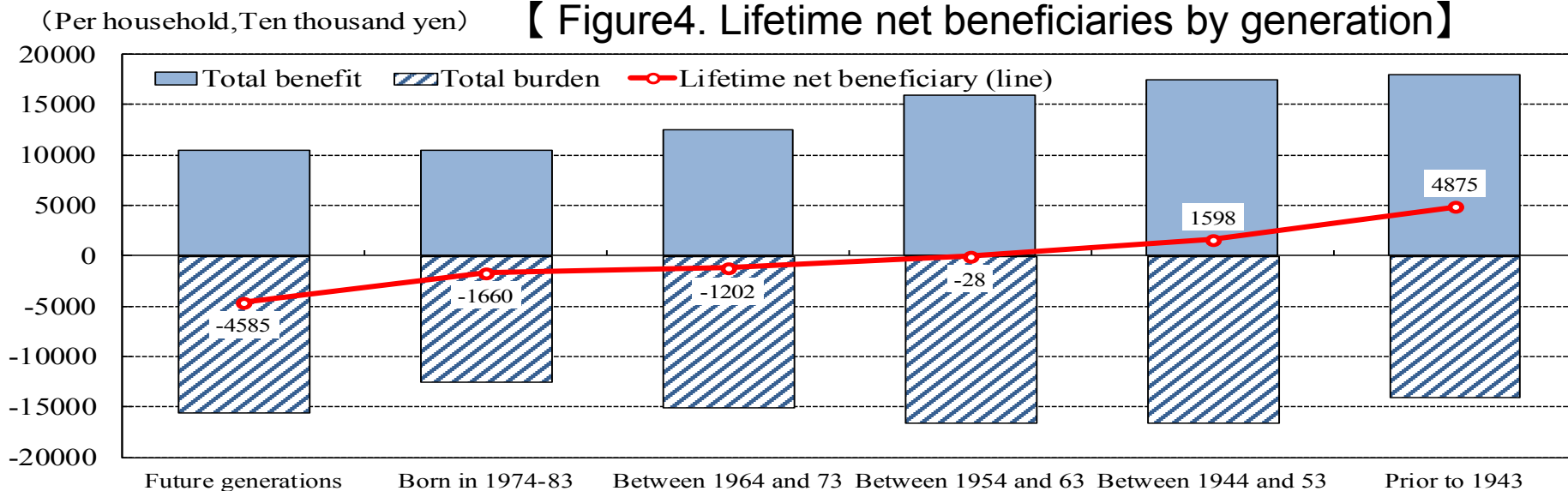
(※) As of 2016, Revenue and expenditure are estimation by IMF  
 (Source) IMF "World Economic Outlook Database, October 2017"

# Review tax revenue composition

【Figure3. International Comparison of Tax Revenue Components】



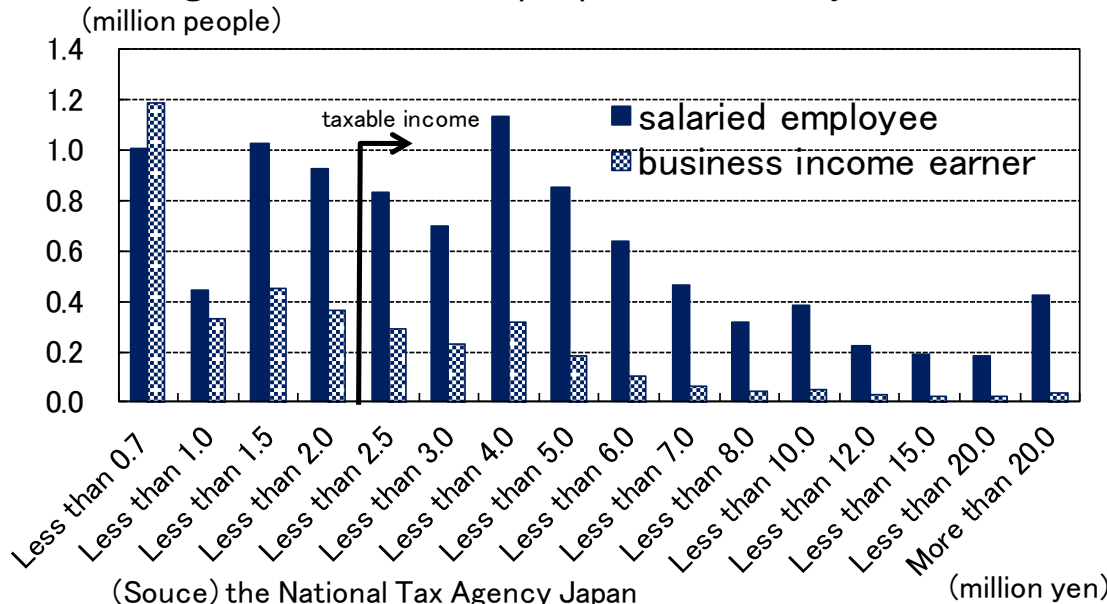
【 Figure4. Lifetime net beneficiaries by generation】



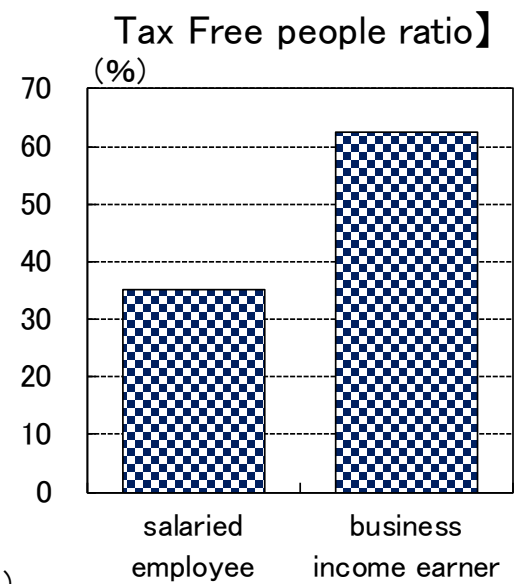
Source: Cabinet Office Annual report on the Japanese Economy and Public Finance Fiscal Year 2005"

# Make Tax Collection fair

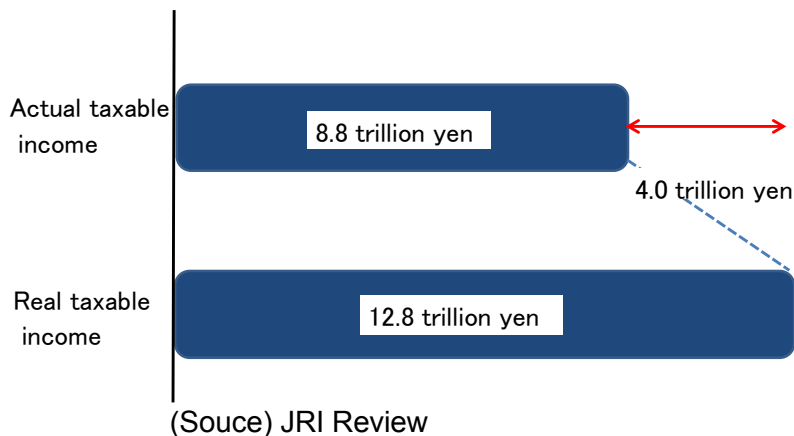
【Figure5-1 Number of people classified by income level】



【Figure5-2 Tax Free people ratio】



【Figure6. The gap between actual and real taxable income】

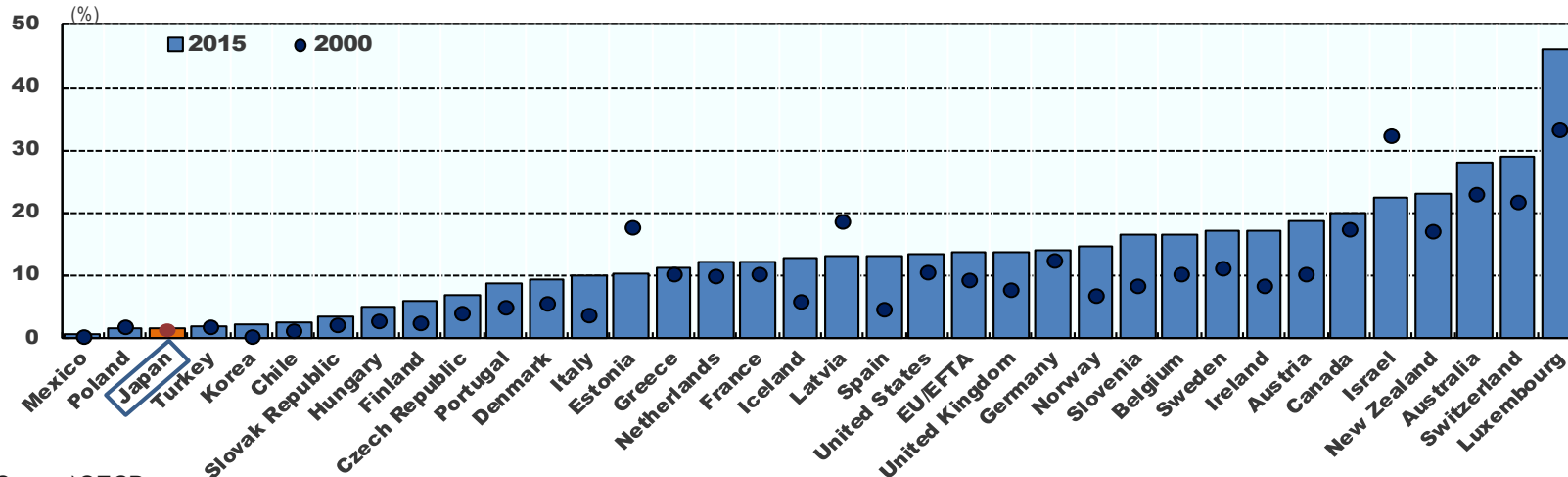


• There is unfairness between salaried employees and business income earners in tax collection.  
 • To make this situation fair and proportionate will improve tax revenue.

# LONG TERM : Enlarging Tax Payer Rolls

## Receiving more immigrants

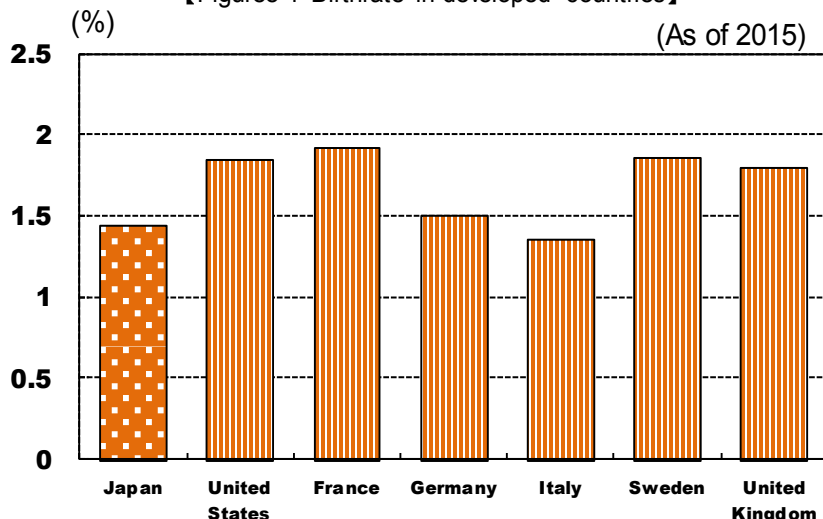
[Figure7 The foreign-born percentage of the total population in OECD countries]



(Source)OECD

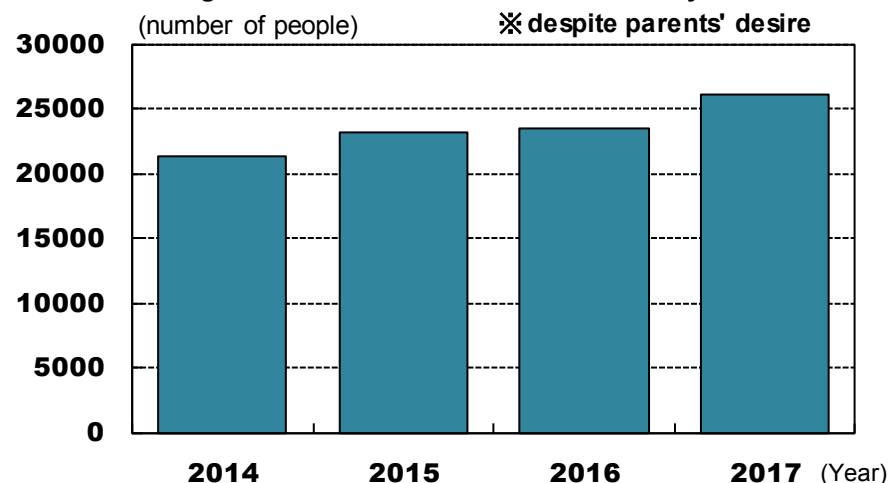
## Improving birthrate

[Figure8-1 Birthrate in developed countries]



(Source)Cabinet office

[Figure8-2 Children not enrolled in nursery schools]



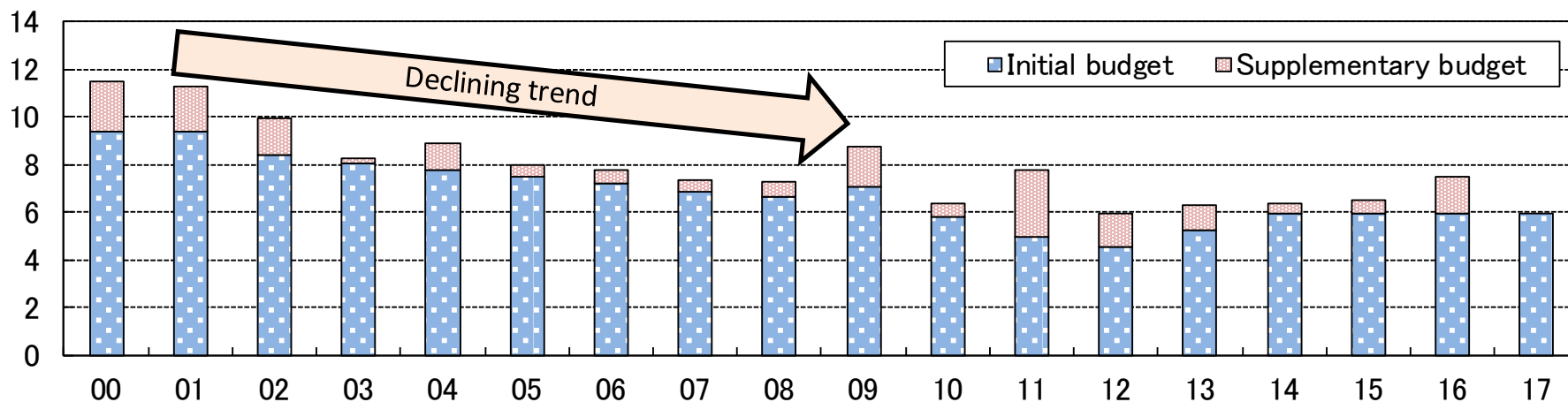
(Source)Mhlw

What should Japan do to achieve fiscal consolidation

# Maintenance and repair expenses of infrastructure will be bigger.

(Trillion yen)

【Figure9 Transition of public works expenses】



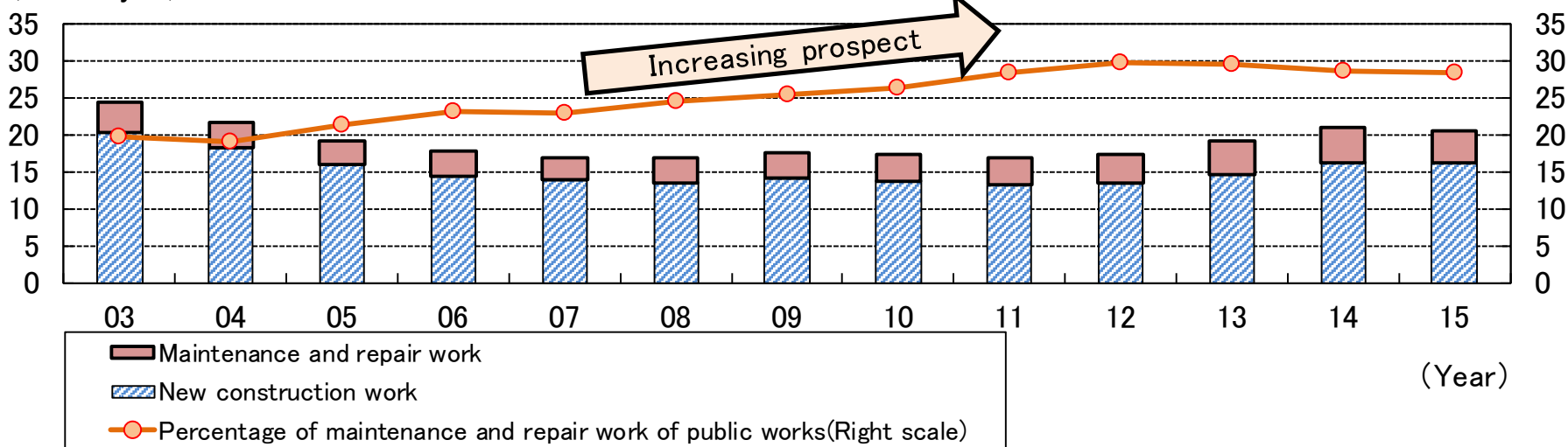
(Source :Ministry of Economy, Trade and Industry)

(Year)

(Trillion yen)

【Figure10 Completed construction amount of public works】

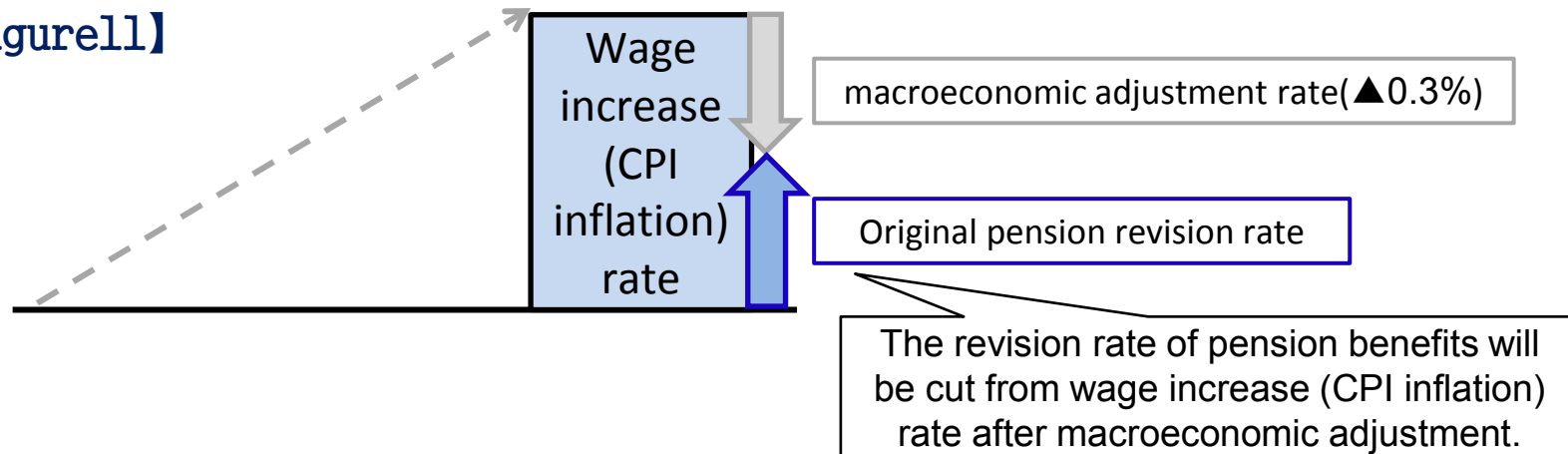
(%)



(Source:Ministry of Land, Infrastructure and Transport)

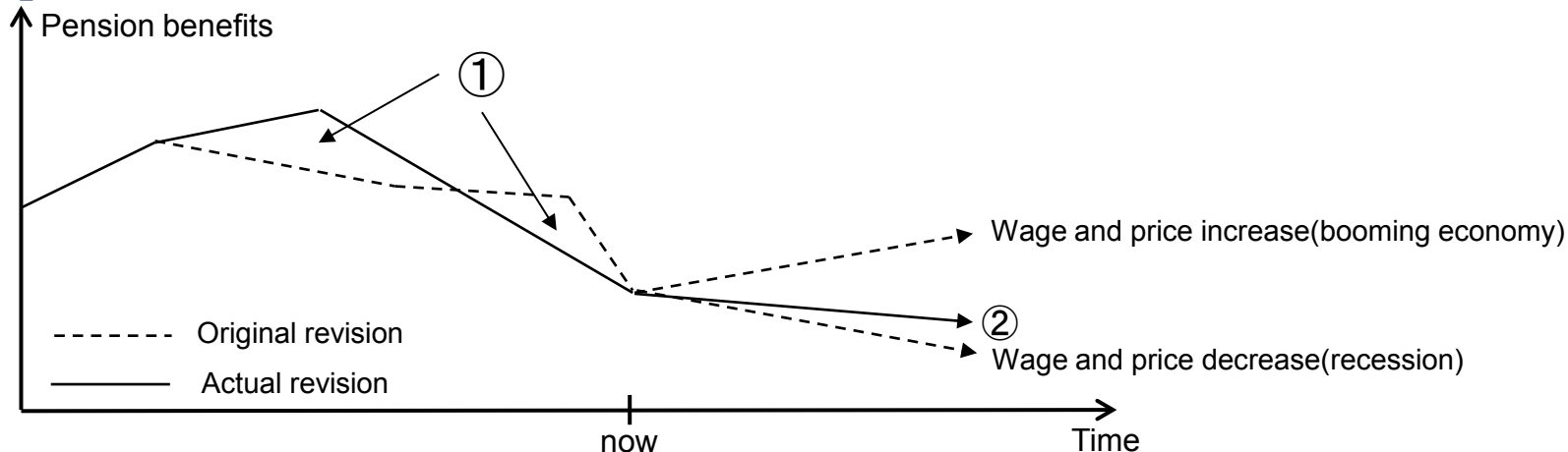
# Adjustment systems in Japanese pension system

【Figure1】



It is desirable to have a mechanism that can reduce benefits little by little regardless of economic situation.

【Figure2】



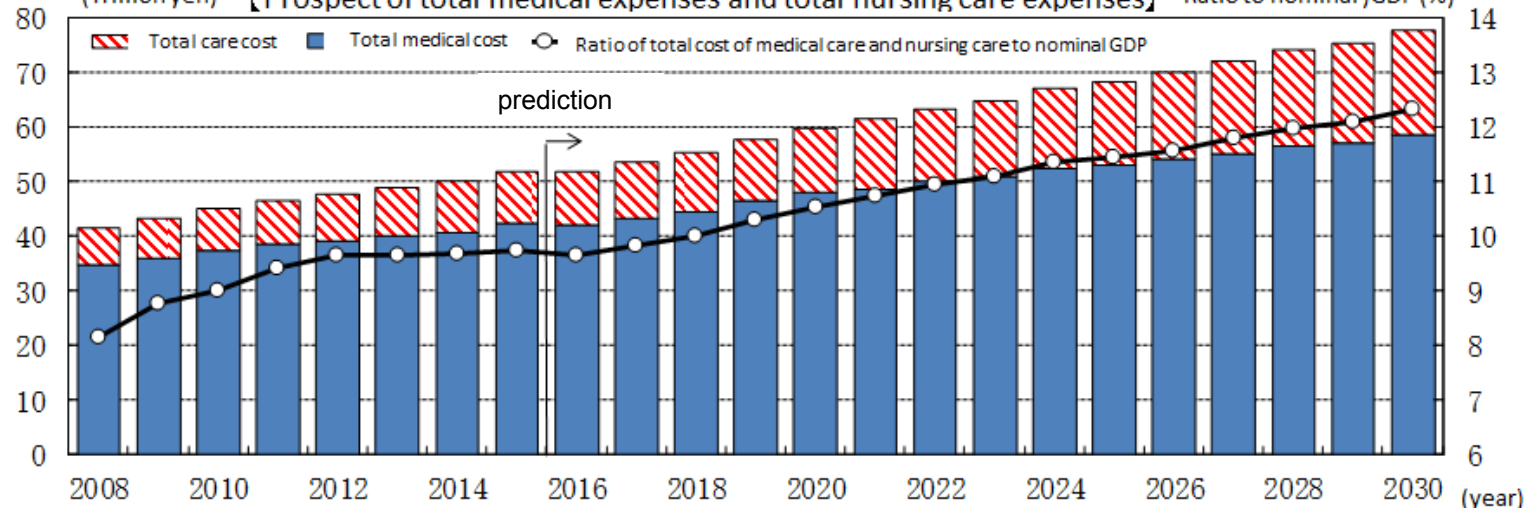
- ①: Fiscal deterioration due to postponement of adjustment, and recover the past fiscal deterioration
- ②: Regardless of economic situation, pension benefits should be kept low until **stability of pension receipt for future generations is secured.**



# Reduction of medical and care nursing expenses is an urgent issue.

【Figure13】

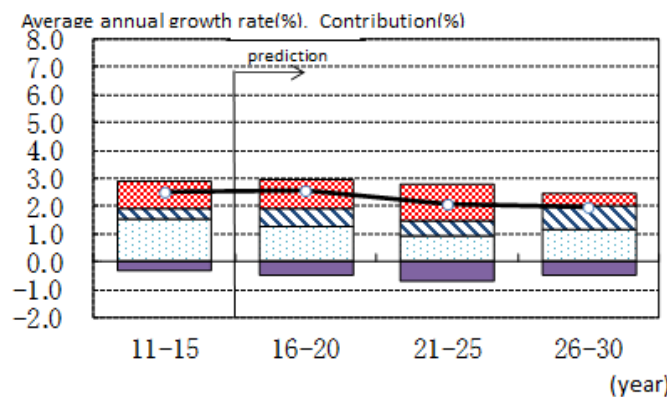
(Trillion yen) 【Prospect of total medical expenses and total nursing care expenses】 Ratio to nominal GDP (%)



(source) JCER 44 th Medium-term economic forecast (Standard scenario)

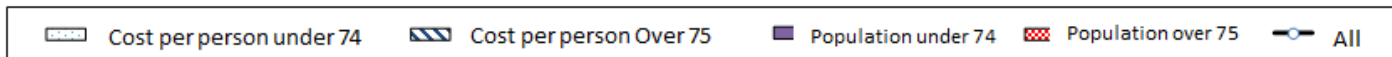
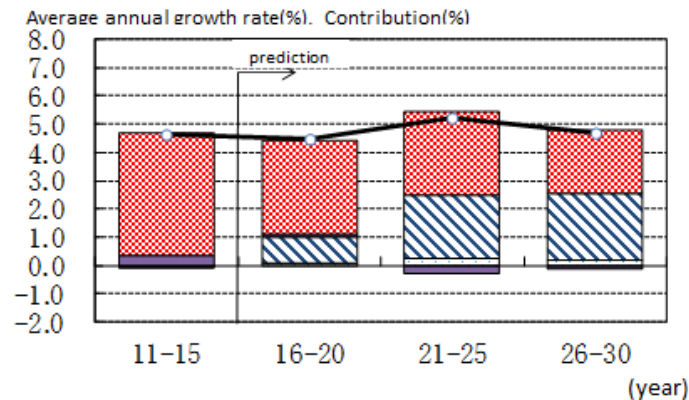
【Figure14-1】

Factorization of changes in medical expenses



【Figure14-2】

Factorization of changes of nursing care change



(source) JCER 44 th Medium-term economic forecast (Standard scenario)

## Conclusion Recommendations for fiscal rebuilding

- ◆ Japan's fiscal problem is in a crisis situation. For reform, we will make three recommendations from the revenue side and the expenditure side respectively.
- ◆ On the revenue side, in the short term, you should follow tax revenue composition based on consumption tax, and make tax collection more fair. In the long term, it is necessary to increase taxpayer rolls by expanding immigration and improving the birthrate.
- ◆ On the expenditure side, it is necessary to select the necessary infrastructure investments, strict operation of the pension system coordination system and suppression of medical expenses and nursing care expenses.

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