

Agenda for Sustainable Growth of Japanese Economy

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Progress 2012-14

- First Arrow: Big Success
 - Correction of Overvaluation of the yen (80 → 100)
 - Raise the stock prices (8,000 → 15,000)
 - Increase inflation rate (-0.5 → +1.4) toward 2% target
- Second Arrow: Success
 - Short-term, counter-cyclical fiscal stimulus
 - Medium-term, fiscal consolidation (2% of GDP improvement)
 - On the way to make fiscal dynamics sustainable
- Third Arrow: Slow but steady
 - Focus on 10 areas
 - Cite concrete progress from 2013-14
- All three arrows combined
 - Jump from a bad (deflation) equilibrium to a good equilibrium

Revitalization Strategy 2014: 10 key reforms

Official explanation and my interpretation

Growth theory: $Y = A F(K, L)$

“Regain Japan’s earning power” → Increase K and raise returns to K

1. Enhance Corporate governance
2. Reforms for management of public and quasi-public funds
3. Promotion of venture business
4. Corporate tax reform
5. Stimulate innovation through science technology and a ‘Robotics Revolution’
→ high A

Reinforcing Workforce → Increase L

6. Enhancing women’s participation and advancement
7. Enable flexible working practice
8. Attract talent from overseas

Nourish new drivers of growth → Raise A in heavily regulated industry

9. Aggressive agriculture policy
10. Healthcare industry and high quality service