

# For Sustainable Growth of Japan's Economy

ESRI International Conference

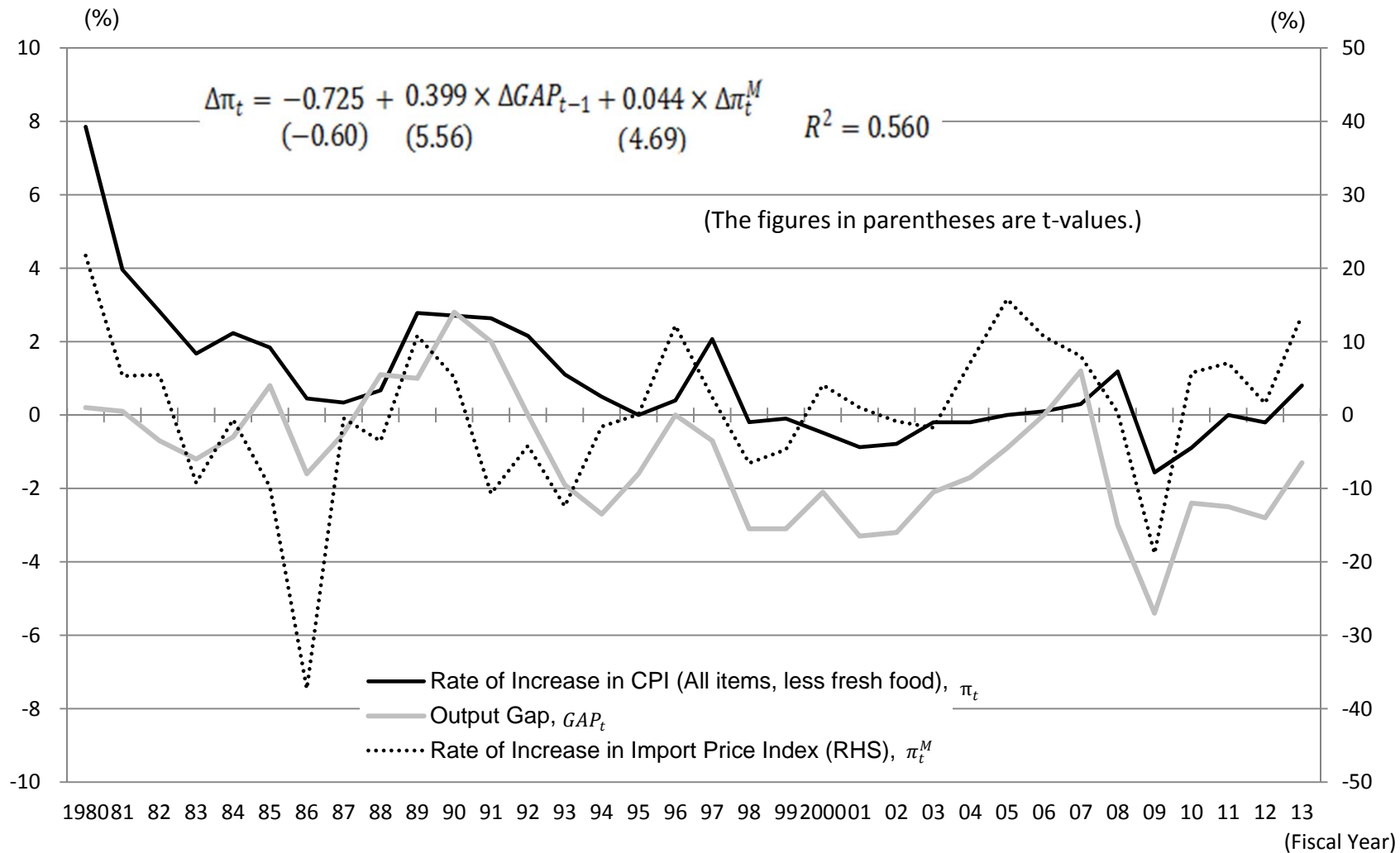
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# Fig.1 Consumer Price Index (All items, less fresh food), Import Price Index, and Output Gap



(Sources) Ministry of Internal Affairs and Communications, Consumer Price Index; Bank of Japan, Corporate Goods Price Index; Cabinet Office, Government of Japan.

# ANNEX I : Speed Limit Hypothesis

Phillips Curve in an Open Economy

$$\pi_t = a(\text{GAP}_t) + b(\pi^M_t) + c(\pi^e_t)$$

Adaptive Expectation

$$\Delta \pi^e_t = d(\pi_t - \pi^e_t): d < 1$$

First difference

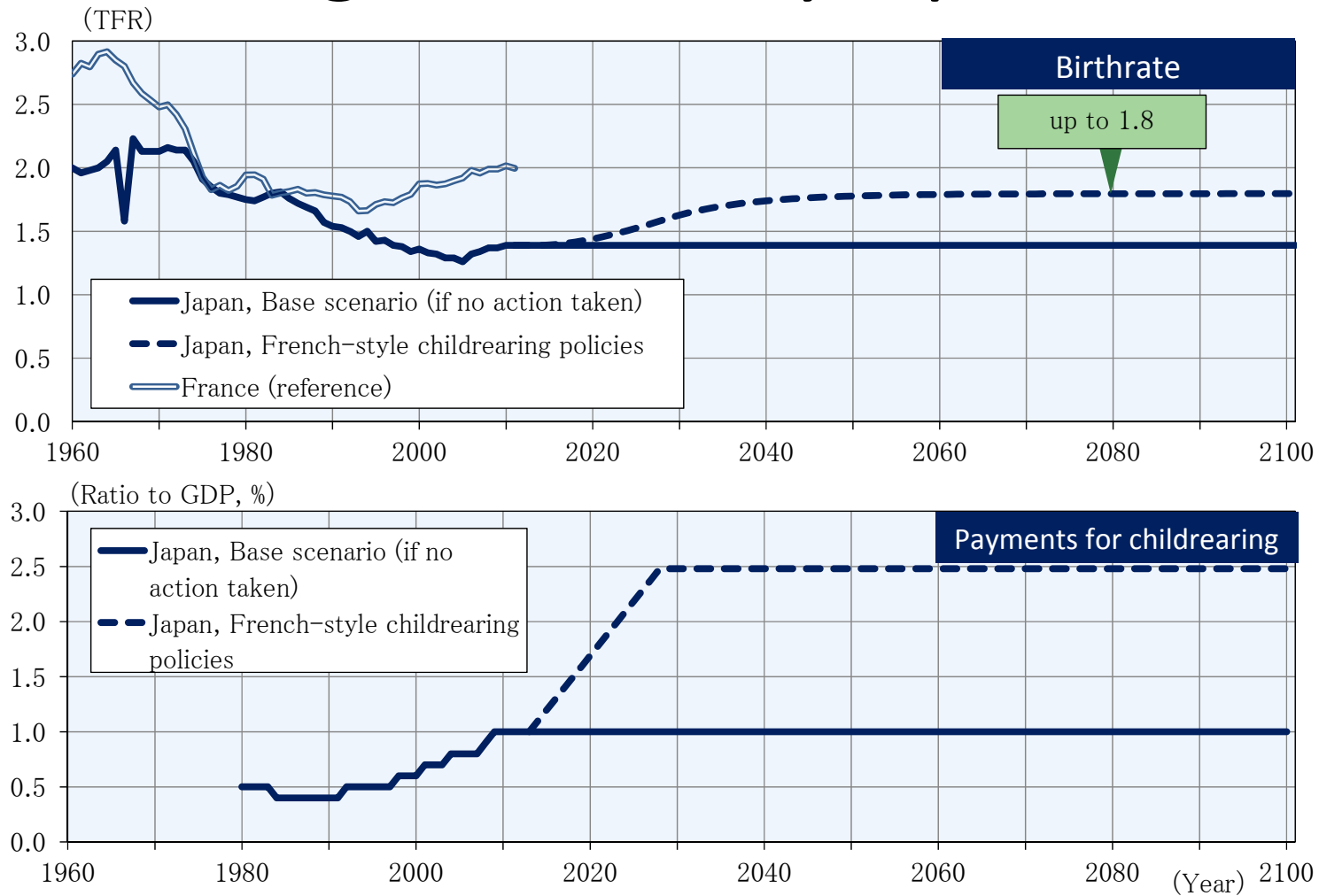
$$\Delta \pi_t = a(\Delta \text{GAP}_t) + b(\Delta \pi^M_t) + c(\Delta \pi^e_t)$$

Then,

$$\Delta \pi_t = a(\Delta \text{GAP}_t) + b(\Delta \pi^M_t) + acd(\text{GAP}_t) + bcd(\pi^M_t) - cd(1-c)\pi^e_t$$

If  $c$  is close to one, we can neglect the inflation expectation term.

# Fig.2 Raise birth rate through French-style policies



(Source ) JCER Long-Term Forecast:Vision2050