Tokyo Fiscal Forum
“Fiscal Policy for Long-Term Growth and Sustainability in Aging Societies”
Keynote Address

Keimei Kaizuka
Honorary President of the Policy Research Institute
10th June, 2015

It is my great honor to deliver this Keynote Address as a representative of the Policy Research Institute of the Ministry of Finance, Japan. Before I begin my speech, I would like to express my deepest sympathies to the families of the victims of the earthquake in Nepal, and also, I would like to express my deepest sympathies to the families of the victims of the tragic accident in Yangtze River in People’s Republic of China.

I was inaugurated as Honorary President of the PRI in 1994. Over 20 years have already passed since then. In fact, this year is the 30th anniversary of the PRI.

1985, in which our institute was established, was the year of Plaza Accord. At that time, international finance and monetary economics received much attention. Since then, many historical events in the financial market have drawn remarkable attention all over the world: Black Monday in 1987, the Asian Financial Crisis in 1997, and most recently, the subprime mortgage crisis around 2008. In most of these cases, governments were forced to take expansionary fiscal policies. Behind these events, aging of populations has been progressing quietly and steadily.

As State Minister Miyashita mentioned just before, at least for Japan, demographic changes directly affect the social security system. The problems caused by aging have been recognized since a long time ago. Nevertheless, they have been becoming more and more serious over time. This reality shows how difficult it is to settle them.

Setting numerical targets for fiscal consolidation is only a beginning. In order to resolve the structural problem, it is crucially important to change the social security system to fit the demographic change.

In my view, only a few social security systems have been constructed on the assumption of shrinking population. Sufficient discussion is also lacking. From my point of view, it is an urgent mission for aging countries including Japan to rebuild their social security systems in line with the shrinking populations.
As well, discussion on public investment and managing the relationship between national and local government finance are also important for the sake of improving fiscal efficiency and effectiveness. In fact, they are also related to the aging problem.

Japan is facing the aging of public infrastructures as well. Considering the population shrink, we are now discussing how to maintain and repair infrastructures efficiently.

In addition, in terms of managing the relationship between national and local government finance, we should continue to discuss how to share the burden of social security.

Now, Japan is experiencing these problems. I believe we should all take interest in a wide range of issues. I would like you to share your knowledge and experiences through your discussion in this two-day forum.

Finally, I am truly grateful to have the chance to talk with you on the 30th anniversary year of the PRI.

Thank you for your attention.