

## Comments and Questions by Atsushi NAKAJIMA

The Japanese economy is said to be in secular stagnation. In such situation, in order to reactivate the economy and raise potential GDP, engaging in short term fiscal and monetary policies are not sufficient. Policies aimed at remedying structurally the issues of declining population and the productivity slowdown are also needed.

Following this view, the IMF policy package seems persuasive. The proposal is supported by empirical analysis, and is broad enough to include structural and income policies, the labor market reforms, and policies against population decline.

The IMF proposal is also more pointed. Analysis based on the Ricardian equivalence as well as that on economic policy uncertainty gave the IMF proposal fresh characteristics and made it sharper. These two important factors have not been considered very much in Japanese policies in the past.

With these particularities, the IMF proposal seems more realistic compared to other major proposals for reviving the Japanese economy, namely the one made by Professor Krugman through highly expansionary fiscal and monetary policies, the one by Professor Svensson through taking the beggar-thy-neighbor policies via the currency depreciation, and by Professor Turner through monetization of the public debt.

Having said that, I have two questions on the proposal. First one is on the innovation policy. As you might be aware, the Japanese growth strategy mentions the 4<sup>th</sup> industrial revolution and the Japan's leadership role in building Society 5.0, the fifth type of human society with using science and technology innovation such as AI, robots, and internet, following hunting and gathering society, agrarian society, industrial society, and information society.

I would like to know how the IMF proposal views this kind of

innovation in raising productivity and any specific ideas on fiscal policies aiming at enhancing productivity.

Second question is regarding fiscal policy. All the fiscal policy proposals made by IMF are important and efforts should to be made by the Japanese government. However, many of these policies need to be backed by revenue. Do you think all of these policies are compatible with very gradual increase in the consumption tax rate? If not, do you have any idea of introducing a priority for fiscal policy?

Thank you.