

Vitalization of the Japanese Economy through Demand Creation

~ Aim for a society in which "richness for each" can be materialized ~

Executive Summary

1. Why is "demand creation" necessary?

While the Japanese economy is recovering at present, from the medium- and long-term viewpoint, there remain many problems, such as low birthrate, aging population, which may threaten its sustainable growth. On the other hand, we think many opportunities remain for the Japanese economy to grow. In this context, we would like to emphasize that "demand creation" is indispensable. Continued pursuit of richness by the people, and the response thereto by industries and enterprises, bring about a virtuous circle of vitalizing the Japanese economy and stimulating economic growth through materializing potential demand and through creating new markets.

2. Why is "richness for each" important?

(1) Pursuit of richness is the source of vitality

Now that the raising of living standard has been achieved in quantitative terms, the people's values and the richness people seek have become quite diversified, and the nature of richness has shifted to "realizing quality of life, an inner sense of fulfillment, and a feeling of comfort at the level desired by respective individuals." In step with this, the content of consumption and the degree of satisfaction obtained from consumption have become such that they greatly differ from individual to individual and from household to household. We are of the view that realizing such "richness for each" leads to demand creation. In this context, pursuing "richness for each" means to approve diversity and disparity between individuals and households as well. Now that "raising of living standard in quantitative terms," through "equality of results," has been achieved, securing "equality of opportunity" and accepting the disparity, after building an economic and social environment in which one can have a second chance at success, will lead to the vitalization of the entire economy, unleashing diverse forms of potential demand.

(2) Finding ample potential demand, creating new markets

Ample potential demand and new potential markets exist everywhere. Middle-aged and elderly people with high consumer confidence have increased, and hold a larger share in the consumer market. Labor practices have become varied. Inhabitants seek comfort and livability from their dwellings and neighborhoods. It is the key to demand creation for businesses and the market to appropriately respond to such diverse needs felt by respective individuals and households.

(3) The player that creates demand

Needless to say, it is private sector that supports the new growth mechanism in the form of economic vitalization through demand creation. Government is not the player that creates demand; it should act as an architect and supervisor responsible for creating an environment supporting the activities of the private sector in the market. Moreover, the government should be as efficient as possible, after defining the sphere of activities that should be conducted by the government.

3. What is hindering demand creation?

While the realization of "richness for each" is sought after, in many observable cases, existing restrictions and irrelevant systems appear to be a hindrance. In the private sector also, competition-restrictive practices, as well as the development of products/services based on illusion on the part of the provider side, have hindered the demand creation. It may be said that vested interests standing on restrictions, systems, and practices of days gone by are hindering economic activities suitable for the new environment.

Proposals

How will demand creation be realized?

(1) Redefinition of the government; acceleration of regulatory reform

To accelerate regulatory reforms and promote restructuring of the government, while concentrating the role of the government on the establishment of rules, market surveillance, and provision of a safety net.

(2) Enhancement of employment opportunities

Aiming to provide necessary and sufficient employment opportunities to women and elderly people with volition and ability to work; to prohibit discrimination because of age/sex, and to materialize social security and tax system that are neutral with respect to the status of employment. Moreover, to permit private companies to manage schools, aiming to improve the quality of workers through school education.

(3) Enhancement of assets

With a view to enhancing assets, which is an important basis for demand creation, to promote the formation of a rich housing/living environment and urban planning suitable for the low birthrate and aging of the population, through the introduction of a tax deduction for interest on housing loans, deregulation, and so forth. Moreover, to strive for enhancement of financial stock through rationalizing financial investments, and to build up knowledge base through expanding/upgrading lifelong learning.

(4) Realization of work-life balance

To strive for the realization of work-life balance by, in the case of enterprises, promoting the complete use of yearly paid vacations and "tele-working", and by, in the case of the government, promoting expansion/upgrading of childcare services.

(5) Expansion/improvement of measures against the low birthrate

To create the volition to improve the child-rearing and working environment in society as a whole, through expansion/upgrading of economic support by the government and enhancement of childcare services consistent with users' needs.

(6) Reform of the tax system

At the time of a low birthrate and aging population, to materialize a tax system under which the burden is shared widely and thinly through review of the minimum taxable limit for income tax, as well as special taxation measures, and rectification of the consumption tax rate so that there will not be distortion in the benefit and burden.

(7) Acceptance of foreign workers

To strive for the expansion of acceptance of foreigners with outstanding expertise or experience in the fields, for example, of medical care, child-rearing, etc., while promoting the development of conditions for social acceptance.

(8) Establishment of numerical targets

It is necessary to establish numerical targets with implementation deadlines and steps specified, so that proposals will be steadily put into practice.

••Keywords••

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