Comments on Weinstein
“Assessing the Impact of Japan’s Fiscal Reform”

14 September, 2005

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Key assumption 1: Future Fertility

- "There is good reason to believe that as incomes rise Japanese fertility rates will not remain low forever, but rather will rise at some point in the future".

- Stylized facts:
  - high fertility rate in developing countries
  - Fertility rate declines as the economy is developed
  - But no consensus with regard to fertility in developed countries

- Japan: Continued to decline since mid-1970s

Source: NIPSSR
14 September, 2005
Does TFR pick up as people get rich?

Total Fertility Rate and GDP per capita

OECD Countries in which per capita GDP is more than 10,000 dollars

Source: OECD in Figures, 2004 edition

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Current official assumptions

Population Projection

Case 1: TFR 1.36(2000)→1.03(2050)→2.07(2100)

Standard Estimate: 1.36(2000)→1.32(2050)→2.07(2100)

Case 2: TFR 1.36(2000)→1.10(2050)→1.10(2100)

Source: NIPSSR
14 September, 2005
Key assumption 2: Future Interest Gap

<table>
<thead>
<tr>
<th></th>
<th>General Government Net Debt Interest Payments to GDP</th>
<th>General Government Gross Debt to GDP</th>
<th>Long-term Interest Rate</th>
<th>Nominal GDP Growth Rate</th>
<th>Interest Rate Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada(1990)</td>
<td>5.2</td>
<td>74.5</td>
<td>10.7</td>
<td>3.4</td>
<td>7.3</td>
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<tr>
<td>Italy(1993)</td>
<td>12.6</td>
<td>126.9</td>
<td>11.2</td>
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<tr>
<td>Belgium(1990)</td>
<td>11.3</td>
<td>129.5</td>
<td>10.1</td>
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<tr>
<td>Japan(2004)</td>
<td>1.5</td>
<td>157.6</td>
<td>1.5</td>
<td>1.4</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: OECD Economic Outlook 76 & 77

Is there a risk that the interest rate gap goes up non-linearly to the debt level?

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Key assumption 3: Government transfer to elderly

Population Projection by Age (Standard Estimates)

(Ten Thousands)

Source: NIPSSR

Implication to the elderly-care and health-care expenditures?

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