Workshop on Constructing the New Public Finance and Tax System for the Investment of Next Generations

Subject

On the assumption that the discussion on comprehensive social security and tax reform continues to be important, this workshop looks into the fiscal issues in its effort to explore the direction of systemic reforms in the public finance and taxation aspects, including how they relate to social issues and division of labor between government and private sector, with the aim of building new fiscal and taxation systems for next generation investments.

Overview

The progressive population decline, low birthrate, and aging of society have led to an increase in social security expenditures, and this has become a major cause of the fiscal deficit. Therefore, social security reform remains the crux of fiscal restructuring. However, the role of public finance is not limited to social security. The national budget has consumption and investment aspects, and pension and other social security benefits largely belong to the consumption aspect.

Since 2000, there has been increasing pressure for the expansion of the social security budget, resulting in serious budgetary constraints for other policies, including the science and technology budget. With the Bank of Japan's balance sheet surging to ¥730 trillion (as of the end of November 2021), it appears that lack of profound understanding of the budget and policy in areas other than social security is also one reason behind the growing support for Modern Monetary Theory (MMT) in expert panels on national resilience and other groups.

Overview

While this issue is also related to the so-called phenomenon of “fiscal rigidity,” with low economic growth rate and the increasing importance of investment in the next generation in Japan, the education budget which is central to investment in human resources, the science and technology budget underpinning the creation of new industries, the defense budget as Japan finds itself caught in the U.S.-China confrontation, the building of social infrastructure resilient to earthquakes and other natural disasters, the environment budget relating to global warming and renewable energies, and so forth are all becoming major issues.

Yet, there has hardly been sufficient discussion on a comprehensive review of the budget or the taxation system, which is the means to secure revenue sources. Therefore, on the assumption that discussions for Version 2.0 of the comprehensive social security and tax reform will remain important, it is vital to consider the all-important fiscal issue, which has been relegated to the background in the social security debate over the past 20 years, from both the fiscal and taxation standpoints and explore the direction of systemic reforms without being fixated with the current framework of deliberation.

Period	May 24, 2022 to March 31, 2027
Date held (FY2025)	(1) June 2, 2025 (2) June 3, 2025 (3) July 22, 2025 (4) July 28, 2025 (5) October 6, 2025 (6) November 7, 2025 (7) December 4, 2025 (8) January 29, 2026 (9) February 2, 2026 (10) February 5, 2026 (11) March 12, 2026 (12) March 31, 2026

Members

Kazumasa Oguro, Ph.D. (Leader)
Director, Kajima Institute of International Peace
Professor, Faculty of Economics, Hosei University

Nobuyuki Hiraizumi
President, Kajima Institute of International Peace
Advisor, Avant Associates, Inc.

Hideaki Tanaka
Professor, Graduate School of Governance Studies,
Meiji University

Shigeki Kunieda
Professor, Faculty of Law, Chuo, Chuo University

Harukata Takenaka
Professor, The National Graduate Institute for Policy Studies,
Japan

Manabu Shimasawa
Professor, College of Economics, Kanto Gakuin University

Zentaro Kamei
Senior Fellow, PHP Institute, Inc.
Specially Appointed Professor, Graduate School of Social
Design Studies, Rikkyo University