

22 January, 2013

**Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai  
On the Enhanced Monetary Easing by the Bank of Japan**

The government and the Bank of Japan published a joint statement in which they clearly declared their goal for getting out of prolonged deflation. They also decided to set an inflation target of 2 percent, not as a mere indication as it used to be, but as a clear-cut goal to achieve. In addition, with this change as a backdrop, the Bank of Japan proceeded with monetary easing for the second time within the short period since last December by introducing an open-ended asset purchase program and by increasing its fund balance by up to 10 trillion yen. I would be highly appreciative of these attempts as a clear sign of the government and the Bank of Japan jointly and proactively tackling deflation.

The joint statement reaffirmed the importance of collaboration between the government and the Bank of Japan. It is significant that both jointly step forward toward bold monetary easing and agile fiscal policy.

The Bank of Japan is required to illustrate how massive money in circulation will be utilized, how it will lead to price increases, and how the Japanese economy will get out of deflation. At the same time, the government must clearly state that mid- to long-term fiscal discipline shall never be undermined, even though an increase of public spending in the form of stimulus packages cannot be avoided—at least for the time being. We all are aware that the number of non-Japanese holders of Japan government bonds is gradually increasing, while the size of the national debt continues to increase without halt. Under such circumstances, maintaining fiscal discipline concurrently with achieving economic growth, which recent cabinets could not achieve, will be the key agenda for the government. Toward such ends, the government should exercise strong leadership such as to overcome the obstacles of bureaucratic compartmentalization, to promote regulatory and systemic reforms, as well as to take a risk and embark on investing risk capital via the government initiatives, thus realize economic growth again at long last. Without these measures, our economy might be hit by a price hike far higher than the official target of 2 percent.

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