

Discussion of Macro Analysis Session:

“Exploding Welfare Uses in Japan: A New Look Through
Long-Term Time Series Data”

by Wataru Suzuki and Yanfei Zhou

“The Determinants of Consumption and Saving”

by Charles Yuji Horioka

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Overview (1)

- ▶ The objective of the Macro Analysis Team:
 - ▶ To examine the impact of social safety nets on the macroeconomy.
- ▶ The first paper by Suzuki and Zhou:
 - ▶ Assesses the importance of permanent and temporary shocks in explaining the recent increase in the take-up rates of welfare in Japan.
 - ▶ Undertakes a decomposition analysis based on long-term time series data covering the period April 1960 - March 2011.



Overview (2)

- ▶ **The second paper by Horioka:**
 - ▶ Analyzes the determinants of consumption and saving in the G7 and emerging Asian economies.
 - ▶ Uses cross-country data on the G7 economies to analyze the determinants of consumption, and undertakes a cross-country panel data analysis to examine the determinants of saving in the emerging Asian economies.



Main Findings (1)

► The first paper by Suzuki and Zhou:

1. There has been an increase in the take-up rate of welfare since 1992, particularly since the Lehman shock of 2008.
2. The importance of permanent shocks in explaining the take-up rate of welfare, relative to that of temporary shocks, has been increasing over time, though it declined in the mid 2000s.
3. While the aging of the population is one of the important permanent factors that explain the increase in the take-up rate, changes in the welfare system appear to be the central permanent shock that is behind the recent increase in the take-up rate of welfare in Japan.



Main Findings (2)

► The second paper by Horioka:

1. GDP growth, household income growth, and trends in household savings are found to be the key determinants of consumption growth, and though their importance varies across countries.
2. In the case of Japan, stagnant consumption growth is largely due to the stagnation of household income, rather than the stagnation of GDP or the decline in household savings.
3. The aged dependency ratio, income levels, credit availability, and the provision of social welfare are found to be the most important determinants of household savings.
4. An increase in the provision of social safety nets is likely to reduce household savings, increase consumption, improve household welfare, and stimulate the economy as a whole.



Comments

► The first paper by Suzuki and Zhou:

1. It would be helpful to ascertain empirically which permanent shocks are driving up the take-up rate of welfare.
2. Given the importance of permanent shocks as a determinant of the take-up rate of welfare, it would be useful to assess its negative implications for government financing/debts and to suggest some policies to address this.

► The second paper by Horioka:

1. In addition to descriptive analysis, the determinants of consumption growth could be examined econometrically to strengthen the argument.
2. It would be useful to see why household income has been stagnant in Japan and how that can be rectified.
3. I agree completely with the finding concerning the importance of the provision social safety nets in explaining trends in household saving rates and with the recommendation that social safety nets should be improved.



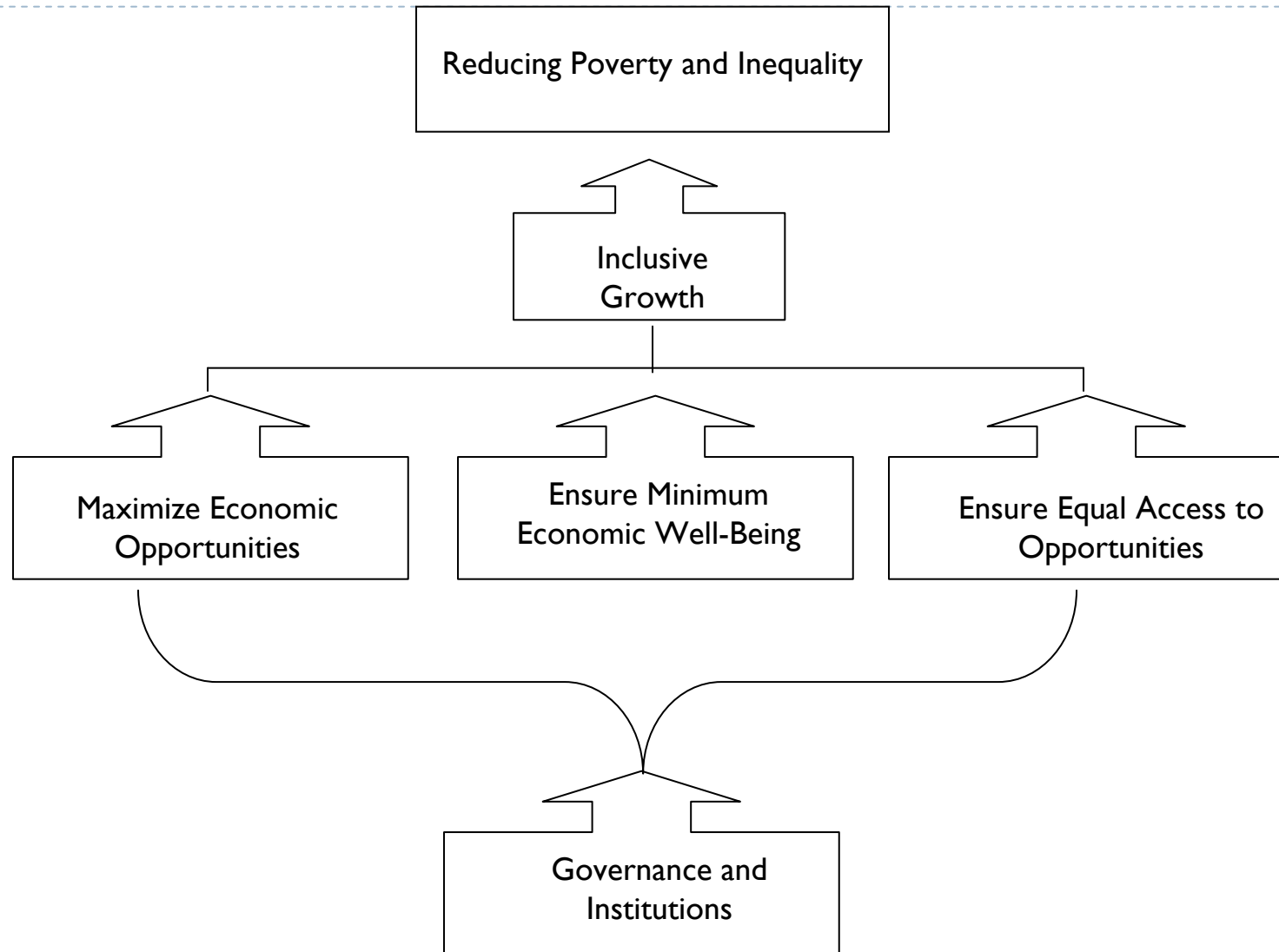
Inclusive Growth

- ▶ **Inclusive growth:**
 - Growth that not only generates economic opportunities, but also ensures equal access to the opportunities by all members of a society.

- ▶ **Development strategy based on the inclusive growth concept is anchored on three policy pillars:**
 - Create and expand economic opportunities through high and sustained growth.
 - Broaden access to opportunities for all members of a society by ensuring social inclusion.
 - Ensure the minimum economic well-being of the poor and vulnerable people through provision of adequate social safety nets.



Inclusive Growth Concept



Thank you!

