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Commentary on the Council on Economic and Fiscal Policy (October 9, 2026)

~Execution of the “Medium-to-Long-Term Economic and Fiscal Plan” Based on Responsible Proactive Fiscal Policy, and Flexible Economic and Fiscal Management Based on Multifaceted Analysis and Verification~

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(Executive Summary)

- Basic Guidelines (Basic Policies 2026): Set targets such as a real growth rate of over 1% and a nominal growth rate of over 3%, domestic investment of 250 trillion yen by FY2040, a GDP of slightly under 1,100 trillion yen, and a stable reduction of the debt-to-GDP ratio, and operationalize the plan as a framework for regular execution, inspection, and review.
- Coordinated Promotion of Various Strategies: Align key strategies—such as the growth strategy, regional future strategy, and comprehensive population strategy—with macroeconomic and fiscal targets, addressing key themes such as labor, social security, education and research, social capital, and local governance and finance.
- Flexible Economic and Fiscal Management: Avoid relying on a single forecast or indicator; analyze a wide range of possibilities using multiple cases based on different assumptions, and conduct early policy responses and multi-year-perspective flexible management when signs of debt deterioration appear.
- Reconstruction of the Implementation Structure: Evolve the functions of the Promotion Committee for Economic and Fiscal Reform to establish a cycle that verifies the effects of growth investment and reflects them in annual budget compilation and other processes.
- Author’s Proposals: ① Propose prior risk management and careful messaging to avoid sudden fiscal tightening. ② Point out the importance of multifaceted verification that emphasizes not only debt but also trends in government “assets” (such as the increase in financial assets). ③ Propose setting KPIs for labor as well as capital, and quantitatively communicating the stance of strengthening the supply side (productive capacity).

1. Introduction

At the Council on Economic and Fiscal Policy held on September 30, 2026, discussions took place regarding the execution of the “Medium-to-Long-Term Economic and Fiscal Plan” based on a responsible proactive fiscal policy, featuring flexible economic and fiscal management grounded in multifaceted analysis and verification.

This article introduces the discussions held at the Council along with the author's perspective, based on the meeting materials.

2. Basic Guidelines of the "Medium-to-Long-Term Economic and Fiscal Plan" in the Basic Policies 2026

The Basic Policies 2026 sets targets such as a real growth rate of over 1% and a nominal growth rate of over 3%, domestic investment of 250 trillion yen by FY2040, a GDP of slightly under 1,100 trillion yen, and a stable reduction of the debt-to-GDP ratio, positioning them as the "Medium-to-Long-Term Economic and Fiscal Plan."

Furthermore, it demands that the plan not be treated merely as a future projection, but be operationalized as a government-wide framework that regularly and continuously executes, inspects, and reviews policies.

3. Coordinated Promotion of Strategies and Response to Priority Issues (Building a "Strong Economy")

To ensure consistency, it was proposed that key strategies—such as the growth strategy, regional future strategy, and comprehensive population strategy—must be actively discussed in the Council on Economic and Fiscal Policy to align them with the envisioned macroeconomic and fiscal goals.

Priority themes for ensuring growth-oriented sustainability:

Labor: Enhancing added value through the maximum utilization of AI and robots, and responding to unfulfilled labor demand.

Social Security: Balancing the secure provision of social security services with the alleviation of burdens on the working generation, and building a sustainable nursing care system.

Education & Research: Strengthening educational and research capabilities to adapt to the AI era (strengthening foundational funding, future visions of university scale, etc.).

Social Capital: Strategic town planning and selective infrastructure consolidation/renewal utilizing technology.

Local Public Finance: Setting targets for maintaining municipal functions, and clarifying the roles of national, local, and private sectors.

4. Economic and Fiscal Management Balancing Economic Growth and Fiscal Sustainability

Mechanism Based on Multifaceted Analysis and Verification: Instead of relying on a single forecast or indicator, a wide range of possibilities should be analyzed using multiple indicators and various scenarios based on different assumptions.

Early Policy Responses: Rather than waiting until the debt-to-GDP ratio rises before making adjustments, factors should be analyzed at the stage when important signs indicate potential difficulty in achieving targets, feeding into policy responses such as reconstructing growth strategies and reviewing expenditures and revenues.

Ensuring Flexibility Against Various Shocks: Rather than strictly managing fiscal policy on a single-year basis using indicators susceptible to economic fluctuations and market trends, management should be conducted from a multi-year perspective in response to economic and fiscal conditions and uncertainties.

5. Reconstruction of the Implementation Structure

The progress management and inspection functions previously handled by the "Promotion Committee for Economic and Fiscal Reform" should be evolved and restructured into an implementation framework for the "Medium-to-Long-Term Economic and Fiscal Plan."

A cycle should be established to verify the implementation status of growth investments and their effects on inducing private investment, reflecting the analytical results in annual budget compilation and various basic plans and policies.

6. Author's Proposals

Based on the above, the author submitted proposals from the perspective of executing the "Medium-to-Long-Term Economic and Fiscal Plan Based on Responsible Proactive Fiscal Policy."

First is the importance of inspection/verification of the plan and effective messaging. Specifically, if management waits until the debt-to-GDP ratio starts rising before hastily tightening the primary balance, it risks triggering radical fiscal austerity. Therefore, the current plan aims to avoid such sharp adjustments through prior risk management and proactive responses, and it is necessary to clearly and carefully communicate this message.

Second is placing importance on "asset" trends in multifaceted verification. In foreign countries (such as the UK, Canada, and New Zealand), analysis focusing not only on debt indicators but also on government "asset" trends and managing fiscal targets via net debt has become standard. In Japan as well, the general government's financial asset balance increased by 82 trillion yen over the past 9 months due to rising stock prices, reaching 990 trillion yen, which represents a major benefit for the fiscal system as a whole, including pensions. Therefore, it is important to present such indicators regarding fiscal sustainability broadly and clearly.

Third is the consistent progress management of the plan toward raising potential growth rates. While some argue that the Kishida/Takaichi Cabinet's policies focus on the demand side or reflationary policies, the reality places emphasis on strengthening productive capacity (the supply side). Indeed, appreciation should be given to tackling unprecedentedly difficult challenges not only in investment expansion (macro indicators exceeding 370 trillion yen) but also in policies leading to expanded labor inputs—such as reviewing working hours regulations, income-linked benefits, and babysitter support. The author proposed setting KPIs for labor as well as capital, conducting quantitative progress checks, and firmly communicating the message that the supply side is being prioritized.