

## Introduction

At the first press conference as Prime Minister, Mr. Kishida insisted the significance of “new capitalism” that would realize virtuous circle from economic growth to fair allocation of its benefits.

## Pillars of economic policy

PM Kishida confirmed that “new capitalism” would be the core idea of the economic policy. In fact, he had started to advocate the idea during the election period of LDP president, and he expressed concerns about widening gap of economic conditions among general public under Covid-19.

He insisted that both economic growth and fair allocation of its benefits are both important. Nevertheless, he also mentioned that the latter is indispensable to the former.

One interesting feature of his presentation was that he discussed the long-term strategy for the most part. While he did not disregard imminent issues including Covid-19 (see below), he explained that “new capitalism” should be achieved when normal conditions of economic/social activities are regained.

In contrast, PM Kishida did not refer to the specification of large economic stimulus during the part of his presentation of economic policy. Readers may like to note that conducting policy measures with dozens of trillion yen was another feature of his agenda during LDP presidential election.

Potential reason would be that PM Kishida might regard this policy action as a part of crisis measures against Covid-19. He explained that they remain to be priority, with emphasis on acceleration of vaccination, enhancement of its inspection facilities and reinforcement of capacity of medical care in preparation for a possible next round of infection.

Nevertheless, contents of economic stimulus remained uncertain. Only element he suggested was cash provision to the public in a more targeted manner. Meanwhile, domestic press suggested that additional financial supports to the industries suffered from Covid-19, public investments to enhance resiliency against disasters would be included.

## Growth strategy

As growth strategy, PM Kishida explained that promotion of innovation should be prioritized, and referred to green, AI, biotechnology would be important areas. Features of his new idea of growth strategy are, however, economic national security and digital garden city project.

Regarding the former, he explained that securing crucial economic resources and protecting cutting edge technologies are indispensable to maintain competitiveness of Japan's industries. In fact, PM Kishida introduced new minister in charge of this issue. In order to play the significant role, collaboration across ministries in charge would be important.

In terms of digital garden city project, PM Kishida expressed hope to reallocate economic activities to suburbs with the assistance of higher utilization of IT technology, as it leads to narrowing the gap of economic activities geographically. While practice of remote working has been gradually spreading, policy promotion would still be necessary.

## Allocation strategy

It seemed to be reasonable for PM Kishida to put more stress on allocation strategy, as it is a novel aspect of economic policy strategy.

First he insisted that policy measures for expansion of middle class and for prevention of diminishing size of population would be the key policy issues.

It should be noted that they would be interconnected. As growing number of younger people are concerned about future courses of earnings, they may be cautious about getting marriage and having babies. Nevertheless, in our context, these issues may also be closely linked to laggard diversity in the workplace.

PM Kishida also claimed that the levels of earnings would be reviewed for essential workers including doctors and nurses. He explained that their correction is necessary and could be done by reforms of prices of public services. General public would provide support to the initiative as they may have become aware of the issue during the period of Covid-19. Concrete measures, however, remain to be seen.

Regarding broader based allocation of benefits, PM Kishida explained in reply to the question by a reporter that review of taxation of financial income, reduction in corporate tax to firms increasing hiring, protection of SMEs against unfair transactions with large firms would be the options.

Another interesting idea expressed by PM Kishida was to modify the framework of annual budget.

He explained it would be desirable to conduct economic measures from longer-term perspectives. It should be noted, however, this practice would contribute more to growth strategies, as PM Kishida suggested (eg, promotion of innovation, conduct of economic national security and infrastructure investments).

With this regard, another press reporter asked what kinds of measures would be included in the draft of annual budget and tax plans for next fiscal year. PM Kishida did not refer to specific elements and confirmed that it would take time to realize a virtuous circle from economic growth to fair allocation of its benefits.

Last but not in the least, PM Kishida announced to launch “Council for realizing new capitalism” by participation by private sector people. He explained that the council would discuss roles of private sector for the virtuous circle when conditions of economic/social activities are normalized.

In any case, PM Kishida might like to have his own group of economic experts who have more consistent ideas to his policy agenda.

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