

# Social Security in an Aging Society

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## Cover lead

Under increasing budget constraints in most developed nations, the need to devise a new social security system that can ensure a basic quality of life for the rapidly growing elderly population is becoming a common challenge. We need to develop a new system that can maintain economic vitality and growth, and at the same time ensure security for the aged through appropriate social welfare policies.

Social security and welfare programs, of course, will need additional government expenditure which could make a nation's fiscal balance even worse, though developed nations today in most cases face rapidly increasing government debt due to repeated increases in fiscal expenditure to cope with the global recession following the Lehman Shock. This snowballing government debt could destabilize the economy and expose it to a high risk of inflation and deflation simultaneously.

The question is how to achieve sustainable growth that meets the needs of elderly people without hindering economic vitality, since we will need sufficient economic growth supported by business vitality not only to maintain the economic wealth of nations but also to keep their fiscal budget deficits under control by possible increases in tax revenues on the back of such growth.

We should pursue greater efficiency in our social welfare and security programs in order to meet these challenges. We need to discover a way to achieve a greater positive effect on social welfare and growth through smaller expenditure in our social welfare programs. In the case of Japan, in terms of the size of the snowballing government debt, we would say it has to pursue a narrower path than any other developed nation to achieve these goals at the same time.

This issue highlights this common challenge for developed nations. After updates on the European and US situations that Japanese economists having been studying for a long time, Prof. Satoshi Watanabe and Prof. Masako Ii at Hitotsubashi University propose a

possible reform of the Japanese social welfare program and medical system.

Since this issue corresponds to the topic of “wise spending” — the question of the efficiency of government policy — we invited three other distinguished political scientists and economists to write about the role of governments and markets, which is, I believe, becoming a big issue in capitalist societies where neither market mechanisms nor governments can achieve success alone. Markets and governments should compliment each other's functions to produce the best for national economies.

Prof. Sota Kato of the International University and Prof. Hideaki Tanaka of Meiji University introduce their views on this issue with regard to Japan. Dr. Long Ke from Fujitsu Research Institute depicts the situation of China, which has partly adopted capitalism, in particular on the basis of his observations on what we call “shadow banking”.

Prof. Kato and Dr. Ke are distinguished members of our editorial committee and frequent contributors to Japan SPOTLIGHT.

We think readers will find our interview with Dr. Kitahara, chairman of Medical Corporation KNI, very interesting in the context of Japan's aging society, while Mr. Jerry Matsumura relates three fascinating short stories that are also of great relevance to our aging societies. Each story tells how an elderly person can be spiritually happy in the final stages of life.

Finally, not among the articles related to the cover story of this issue, our interview with Mr. Jonathan Kushner, in charge of the Tokyo Olympics for the American Chamber of Commerce in Japan, reveals American business people's eagerness to support Japan in its aim to achieve great success in 2020.

Naoyuki Haraoka, executive managing director, editor-in-chief of *Japan SPOTLIGHT*

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