

August 31, 2016

Shadow of Mr. Soros Behind the Helicopter Money Debates in Japan

By TAMURA Hideo

Debates on "helicopter money," a monetary theory that dropping money from a helicopter would trigger economic upturn, has been active in Japan. Behind these debates is the shadow of a renowned investor, George Soros. Mr. Soros has promoted helicopter money campaign through Lord Adair Turner, former Chairman of the Financial Services Authority (FSA). Lord Turner is an old hand at UK financial community and was even nominated for the governor of the Bank of England (BOE). Soon after he was invited in April 2013 as a Senior Fellow at the London branch of Institute for New Economic Thinking, a think tank funded by Soros, he started to advocate his own theory of helicopter money, called OPMF (Overt Permanent Money Finance by BOE). OPMF is an idea of integrated fiscal-monetary policy of writing off the national bond by turning BOE-owned national bond to interest-free permanent national bond so that the government could put into fiscal action without debt constraints.

Mr. Soros and Lord Turner have contacted Japanese key figures and economists near Prime Minister Abe to convince them energetically of the necessity of introducing helicopter money policy. Such being the case, Ben Bernanke, former chairman of the United States Federal Reserve Board (FRB), was invited to Japan by Prime Minister Abe on July 12th. Mr. Bernanke is an adherent of late Professor Milton Friedman, an originator of the policy of helicopter money, and has been called "Helicopter Ben." Although Mr. Bernanke did not directly cite the word 'helicopter money' at the meeting with Prime Minister Abe, he is said to have admitted the necessity of increasing public spending and referred to the variousness of monetary policies.

Mr. HONDA Etsuro, former Special Advisor to the Cabinet (now Japanese ambassador to Switzerland) who earned a strong credit of Prime Minister Abe, has had an interest in helicopter money from early on. He met Mr. Bernanke a few months earlier and urged Mr. Abe to meet him. Before the visit of Mr. Bernanke, Mr. Honda had proposed to Prime Minister Abe to launch combinational monetary and fiscal policy. According to Mr. Honda, it is possible to produce an effect identical of helicopter money without taking its

policy in obvious way, if quantitative and qualitative monetary easing is strengthened as well as engine of finance is raced. This implies utilization of current framework with CMF (Covert Money Finance by central bank), so to speak.

Based on this standpoint, it reveals that the theory of Lord Turner and Mr. Bernanke has generated much strong effect on economic advisors to PM Abe such as Mr. Honda. Whether it is overt or covert, permanent or temporary, the discussion of innovating a Japanese version of helicopter money policy, which is based on driving both fiscal management and monetary easing, will be lively in the process of formulating hefty supplementary budget in this autumn and next year's budget formation. We are also concerned about how Soros, speculator, would take his attitude towards yen market and Japanese stocks in the meantime. The point is that the government and Bank of Japan should keep pace up with each other coordinating the most effective policy to put an end to deflation and advance economic restructuring in a steady way.

(This is the English translation of an article written by TAMURA Hideo, Journalist, which originally appeared on the e-Forum "Giron-Hyakushutsu (Hundred Views in Full Perspective)" of GFJ on August 2, 2016.)