

The political economy of taxes and redistribution in Japan

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Abstrak

The past decade has seen a highly polarized debate concerning the Japanese fiscal system, particularly the role of income tax. Several authors argue that Japanese income tax is grossly unfair to low- and middle-income taxpayers, while others depict it as the most progressive in the industrialized world. Indeed, many critics claim that it is too progressive, and some even denounce it as 'socialist'. What is sorely lacking is an account that places contemporary Japanese taxation, and the larger fiscal system, in a comparative and historical context. That is what this paper offers. We argue that Japan's tax system is neither highly redistributive from the rich to the poor nor vice versa—at least in the traditional way that redistribution is understood in most Western tax systems. Rather, Japan stands out for the scale of its inter-regional redistribution and the debilitating politico-economic incentives that stem from it.