

A COMPARATIVE HISTORICAL ANALYSIS OF TAX REVOLTS IN DENMARK AND JAPAN

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Outline

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2. Tax Revolt in Denmark
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4. Comparative Analysis
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Different paths in Denmark and Japan

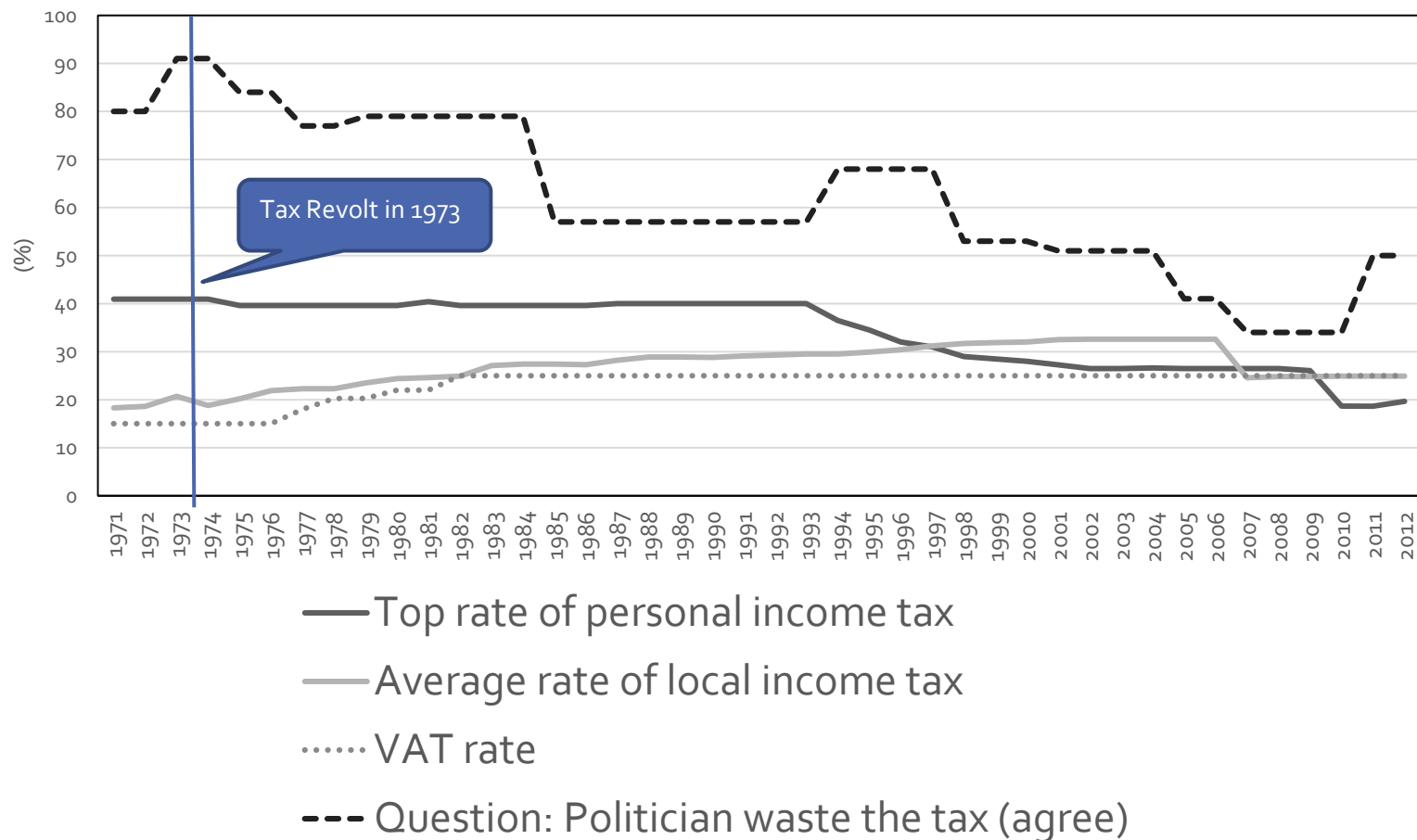
- Popular case: United States of California.
- Tax revolt in Denmark was on the large scale compared to other European countries.
⇒ Tax levels increased in Denmark after tax revolt. The Danish have supported a high tax burden ever since.
- The Japanese resisted increasing the tax burden, particularly consumption tax.
⇒ Why did two countries follow the different paths?

Why did tax revolts occur?

- The visibility of taxation (Income tax and Property tax) (Wilensky,H.,2002)
- The abolition of informal tax privilege (tax deduction etc.) (Martin,I.,2008)

⇒ These arguments don't explain historical change of tax revolts in Denmark and Japan.

Denmark: Trend of tax structure and perception (Figure 1.)



Denmark: Perception of local tax

Local taxes should be lowered even if it leads to local service reduction (%)		If you could decide what to do with local taxes and the way municipality spends the money, what would you prefer? (%)		
1981 (N = 886)			1993 (N = 1,002)	2005 (N = 1,957)
Agree	21	Lower local taxes and services	13.4	8
Partly agree	14.4	Same local taxes and services	64.2	60.7
Neither agree or disagree	13.7	Higher local taxes and services	13.5	31.3
Partly disagree	17.4			
Disagree	33.5			

Table 1. Relationship between the local tax level and that of services:

Source: Danish Municipality Election Survey 1978, 1981, 1993, 2005.

The background of tax revolt in Denmark

- The increase of income tax burden since the late of 1960s. (Introduction of withholding taxation and VAT)
- Too heavy local tax burden.
- Overestimation of taxable income.
- The administration's problem.
- The limitation of local tax autonomy (Ceiling of local tax rate)

Tax Revolt in Denmark

- Mogens Glistrup who was tax lawyer and an anti-tax movement's leader, established the anti-tax party, Progress Party.
- Abolishment of income tax or large income tax cut for low-middle income group.
- In December 1973, the Progress Party won the national election. It became the second largest party.

After Tax Revolt in Denmark

- The large decrease of income taxation failed when tax reform was implemented.
- The improvement of local tax autonomy. Coercive ⇒ Cooperative
- Increase of local income tax burden and improvement of evaluation.

3. Tax Revolt in Japan

Japan: Do you think whether tax burden is heavy, unavoidable, or not heavy?
(Table 2.)

	Heavy	Unavoidable	Not Heavy	Other	No answer
1970.09	55	34	3	4	4
1978.01	50	40	3	7	
1982.06	59	35	1	5	
1983.05	60	33	2	5	
1983.01	71	24	1	4	
1986.05	70	24	1	5	
1987.05	61	32	2	5	
1988.03	60	31	3	6	
1994.02	48	44	3	5	

Source: *Asahi Newspaper*, Tema betsu ni mita Zennkokuyoronchosaichirann: Minni 50 nenn no nagare 1946-95 nenn chosa.

3. Tax Revolt in Japan

Japan: Do you think that it is unavoidable to increase certain personal tax burden in order to maintain actively social institution such as school, waterworks and parks, and to enlarge social security such as national pension and national health insurance ?

▪ The ratio of answers “not favorable” or “not necessary” to maintain public services and institutions tended to increase. (Table 3.)

		1978	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
1	As a matter of course	7.9	7.4	5.8	3.2	3.2	3.7	3.5	3.0	2.9	2.8	2.5
2	Unavoidable	46.1	44.5	45.1	43.2	50.0	47.5	43.2	43.9	37.7	38.1	46.6
3	Not favorable, if anything	32.7	38.1	39.6	49.5	43.3	42.6	45.0	47.3	52.8	51.4	44.8
4	Not necessary, if burden increases	3.4	3.7	4.0	3.7	3.1	3.7	3.9	5.3	6.4	7.4	5.2
3+4		36.1	41.8	43.6	53.2	46.4	46.3	48.9	52.6	59.2	58.8	50.0

Source: Naikaku Kokuminseikatsukyoku,
Kokuminseikatsusennkodocho.

Japan : Income tax cut and lack of tax revenue

- The requirement that the income tax should be reduced has been repeated.
- Several tax cuts for middle-income groups, for example, self-employers.
 - ① It is difficult to see actual tax burden by the large tax deductions.
 - ② The lack of tax revenue has continued since the end of high economic growth period.
- Financial reconstruction without tax increase in 1980s.

Japan: Too late to introduce consumption taxation

- The introduction and increase of sales taxation (consumption taxation) failed many times regardless of income tax cut.
- The government passed tax reforms that introduced the consumption tax of 3% in 1989.
→ A protest movement toward introduction of the consumption taxation.
- In 1997, the consumption tax rate increased (3-5%).
→ Economic downturn. Much stronger protest.

Japan: The standard tax rate and failure of the local protest

- The standard local tax rate since 1964.
- Innovative Municipality(Kakushin Jichitai): Protest toward central government' policy in 1960s.
- Tokyo Prefecture protested toward tax policy of central government. "Fiscal War"

⇒ Failure of fiscal war. Limited local tax autonomy.

Comparative Analysis and Conclusion

1. The visibility of tax (Wilensky) may caused tax revolts, but this has not explain the historical change of tax consent and tax protest.

- **Denmark:** High (local) income tax burden. High visibility of tax and tax consent after tax revolt.
- **Japan:** Low visibility of income tax burden. Low tax burden. Strong tax protest.

2. Local Tax Autonomy is important

- **Denmark:** Strong
- **Japan:** limited

Thank you !