Discussion (Session 3)

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I A Very Brief Summary of the Presentations

Fiscal Implications of Aging

- Larger need for finance unfunded age-based programs
- Need for Growth friendly Tax Structure
  Larger role of VAT (or Consumption Tax)
  → It is definitely true in Japan.
- Need for Efficient Tax Administration
  → In Korean case, taxation of informal sector is very important.
  (+other important tax policy proposals)
II Specific Questions

(1) To Prof. Auerbach

(Question) Is the price-based stabilization policy (consumption tax rate variation) effective politically and administratively?

(Explanation)

From the Japanese recent experience,

– Intertemporal substitution effects are significant, but unpredictable.

– Political resistance to the consumption tax rate increases

– Administrative costs?
(2) To Mr. Ueda
(Question) Should the social contribution be simply reduced?

(Explanation)
– While negative effects of labor wedge are stressed, capital wedge also has negative effects.
– VAT is a better choice, but increases labor wedge, too.
– Negative effects of social contribution may be reduced by:
  → Clearer relationship between contribution and benefits (by DC or NDC for example)
  → Reduction of the rates for low income workers (who face labor participation decisions)
(3) To Prof. Jun
   – Is the “optimal tax system” argument by Prof. Slemrod consistent with your argument about the optimal tax theory and evasion?

(4) To Prof. Yoshikawa
   – Then, how can we raise the consumption tax rate sufficiently when very rosy economic growth assumptions are very popular among politicians?