

## **CIGS Prof. Selahattin Imrohoroglu Seminar**

**Theme:** “Replacing Income Taxation with Consumption Taxation in Japan”

**Speaker:** Prof. Selahattin Imrohoroglu  
(Professor of Finance and Business Economics, Marshall School of Business, University of Southern California / CIGS International Fellow)

**Moderator:** Keiichiro Kobayashi  
(Research Director, CIGS)

**Date & time:** 19th October 2016 (Wednesday) 15:00-17:00

**Venue:** CIGS Meeting Room  
(11th Floor, ShinMarunouchi Building 5-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo)

**Language:** English

### **Abstract of the Speech:**

Large government expenditures in response to low economic growth in the 1990's and 2000's have caused Japan to accumulate the highest debt to output ratio among advanced economies. In addition, this ratio is expected to continue to rise as Japan projects significant increases in public pensions and health expenditures due to the aging of the population. In this paper, we focus on the output and welfare effects of a reduction in income taxation in Japan where the lost revenue is replaced by consumption taxation. We consider various tax reforms in the Japanese context described in Hansen and Imrohoroglu (2016). Reducing or eliminating labor or capital income taxation, and, replacing the lost revenues with higher consumption taxation, produces sizable increases in labor supply, investment and output. For example, while output is projected to be roughly constant between 2015 and 2020 under the benchmark equilibrium transition representing the status quo, under an alternative transition path it would be 7% to 14% higher by 2020.