

Regional Disparities As Seen From Major Statistics: A Comparison Between Japan and the ROK (Summary)

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In this paper, we use major economic statistics, such as Gross Regional Domestic Product (GRDP), the industrial structure, consumption expenditure, capital formation, the number of companies and the number of people in employment, as well as statistics relating to the tax burden, such as national and local taxes, in order to investigate differences and similarities between the regional economies of Japan and the ROK.

If we use the statistics for per capita GRDP in the ROK, Ulsan metropolitan city appears to be the most affluent region, while Seoul appears not to differ greatly from the average. The region with the lowest per capita GRDP is Daegu metropolitan city where industrialization is relatively advanced. Compared with this region, Gangwon Province in the east, Chungbuk and Chungnam Province in the southwest, and Jeonbuk and Jeonnam Province are lagging behind in terms of industrialization, relatively speaking. Thus, we can see that GRDP statistics are not appropriate as variables that express regional disparities in the ROK. In the case of Japan, unlike the ROK, Tokyo is the region where per capita GRDP appears to be the highest. However, even in the case of Japan, the degree of concentration in Tokyo with regard to such statistics as the number of companies and corporate taxes is even greater than the concentration of GRDP in Tokyo. Given that statistics for regional income in both countries are not compiled, if we calculate the regional distribution indirectly using the income tax (tax deducted at source) burden, we can see that Seoul collects about 60% of the total, while Tokyo collects 30%. In effect, we can say that the concentration of income in the capital is twice as high in the ROK as the level in Japan.

In the case of national taxes, regional disparities in the ROK are more pronounced than in Japan, but if we look at the regional distribution of local taxes, the regional differences are larger in Japan than in the ROK. This is because, while the share of local income tax in the form of residential taxes, which are sensitive to economic fluctuations, and business enterprise tax, which is levied on corporate income, is high in Japan's regional tax burden, the ROK has a tax system in which the share of local income tax is lower than in Japan. At the same time, if we add intergovernmental transfers to local taxes, the feature with regard to regional disparities changes drastically compared to that seen from the perspective of local taxes alone. If intergovernmental transfers are added to local taxes, then while regional disparities actually increase in the case of the ROK, they decrease in the case of Japan.

The share of local taxes in local revenues is small in the ROK (20% autonomy: local tax revenue accounts for around 20% of total local revenues) and regional disparities in local taxes are not so great, so this signifies that intergovernmental transfers are a variable that produces regional disparities. At the same time, although Japan has 30% autonomy, there are relatively more differences in the regional distribution of local taxes in Japan compared with the ROK, and intergovernmental transfers act as a variable reducing regional disparities.

In this paper, we propose some problems or suggestions relating to the regional economy when looking at the issue from the perspective of a comparison of the two countries. Firstly, arrangement relating to regional income in both countries is required in order to implement precise regional economic policies. Neither country publishes statistics concerning regional income, so there are considerable limitations on investigations of the actual state of regional disparities. In particular, in the case of the ROK, there are significant discrepancies between the production side and the income and/or consumption side, so there is a risk that the ROK's GRDP statistics do not accurately reflect the true picture of interregional economic disparities. Next, "eliminating ambiguous discretion on the local fiscal aspects and ensuring thorough fiscal responsibility by local governments" are required in implementing regional economic policy. Finally, with regard to the items highlighted above, the underlying premise of regional economic policy should be shifted away from the balanced regional development policy complemented by central government, towards policy balances between local governments and central government.