

**PATRIARCHAL ORIGINS OF JAPANESE MARRIAGE TAX CREDIT
STRUCTURE AND CONSEQUENCES ON MARRIED JAPANESE
WOMEN**

An Undergraduate Research Scholars Thesis

by

LUCAS MENDOZA

Submitted to the LAUNCH: Undergraduate Research office at
Texas A&M University
in partial fulfillment of requirements for the designation as an

UNDERGRADUATE RESEARCH SCHOLAR

Approved by
Faculty Research Advisors:

Dr. Arthur Sakamoto
Dr. Maddalena Cerrato

May 2021

Major:

International Studies

Copyright © 2021. Lucas Mendoza.

RESEARCH COMPLIANCE CERTIFICATION

Research activities involving the use of human subjects, vertebrate animals, and/or biohazards must be reviewed and approved by the appropriate Texas A&M University regulatory research committee (i.e., IRB, IACUC, IBC) before the activity can commence. This requirement applies to activities conducted at Texas A&M and to activities conducted at non-Texas A&M facilities or institutions. In both cases, students are responsible for working with the relevant Texas A&M research compliance program to ensure and document that all Texas A&M compliance obligations are met before the study begins.

I, Lucas Mendoza, certify that all research compliance requirements related to this Undergraduate Research Scholars thesis have been addressed with my Research Faculty Advisors prior to the collection of any data used in this final thesis submission.

This project did not require approval from the Texas A&M University Research Compliance & Biosafety office.

TABLE OF CONTENTS

| | Page |
|---|------|
| ABSTRACT..... | 1 |
| ACKNOWLEDGEMENTS..... | 3 |
| SECTIONS | |
| INTRODUCTION | 4 |
| 1. HISTORICAL PATRIARCHAL VALUES IN JAPAN | 8 |
| 2. JAPANESE TAX LAW CONSTRUCTION (ORIGINS AND INTENDED EFFECTS) | 12 |
| 3. OUTCOMES AND UNINTENDED EFFECTS OF JAPANESE TAX LAW | 14 |
| 4. CULTURAL SHIFTS AND SUBSEQUENT DEMOGRAPHIC CHANGES TODAY | 18 |
| 4.1 Six Tax Reform Policy Proposals..... | 22 |
| 5. CONCLUDING ISSUES AND CONSIDERATIONS | 25 |
| CONCLUSION..... | 30 |
| REFERENCES | 31 |

ABSTRACT

Patriarchal Origins of Japanese Marriage Tax Credit Structure and Consequences on Married Japanese Women

Lucas Mendoza
Department of International Studies
Texas A&M University

Research Faculty Advisor: Dr. Arthur Sakamoto
Department of Sociology
Texas A&M University

Research Faculty Advisor: Dr. Maddalena Cerrato
Department of International Studies
Texas A&M University

Japan is currently facing a population decline and other large demographic shifts. Many Japanese people are choosing to delay marriage (or not get married at all), ultimately resulting in a lower birth rate and an aging population. Currently, Japan's dwindling population is driving demand for more workers from less traditional backgrounds, including women. Despite the demand for women in the workforce, Japan's tax codes have been found in previous scholarship to actively disincentivize married women from pursuing full-time careers. The Japanese government is, in effect, supporting counterproductive policies. Female workers are needed to fill vacant positions in the workforce, but are also financially disincentivized from working full-time.

In this thesis, I first present how historical patriarchal values shifted into nationalistic ideals at the turn of the 20th century. I connect the national values of motherhood to the construction of Japanese tax law in the 1960s. Motherhood, as a key element of nationalism, provided a framework for Japanese politicians as they designed modern tax policies. However, as the century progressed, outside cultural influences pushed back against traditional Japanese conceptions of a woman's place in society, resulting in fewer women choosing to have families and a lower national birth rate. The shrinking population has led to the previously mentioned increased demand to have women replace lost productivity, but the unintended effects of Japanese tax laws have made such participation difficult for married women. A report on these laws by the Tokyo Foundation for Policy Research helps explain these effects and proposes changes to current policy that will adjust tax laws to meet the needs of Japanese society. Examining government data on the composition of the Japanese workforce in the context of Japan's patriarchal culture provides striking insights connecting Japan's patriarchal values, the construction of Japanese tax laws, and the issues that Japan faces today.

While issues surrounding gender equality persist in Japan, I conclude my thesis by discussing a traditional Japanese perspective on this system and the emerging problems that the Japanese government must confront in the near future. If Japan wants to overcome the challenges of its dwindling population and other national issues, Japanese politicians have to adjust laws to meet the needs of their citizens. Ultimately, I show how the strong patriarchal forces in Japan have played a role in the workforce issues that Japan faces today and how those issues play a role in the larger conversation of equality in society.

ACKNOWLEDGEMENTS

Contributors

I would like to thank my faculty advisor, Dr. Arthur Sakamoto, and my secondary advisor Dr. Maddalena Cerrato, for their guidance and support throughout the course of this research.

I would additionally like to thank Mr. Kent Gilbert of Tokyo, Japan for suggesting that I look into this topic. This thesis would not exist without him.

A special thanks to Juliana Stewart, Lecturer at the University of Houston, Jeannie Kwan, B.A Brigham Young University, and Dr. Nate Sharp of Texas A&M University for their counsel as I developed my thesis over the past year.

Thanks also go to my friends, and colleagues, and professors at Texas A&M University. They have made my college experience a true adventure in life and learning

Finally, thanks to my parents, Carie and Fernando Mendoza, for their consistent support and encouragement of me during my life.

Funding Sources

No funding was received for this research thesis.

INTRODUCTION

Japanese society is currently going through a major demographic shift fueled by “rapid population aging, consistently declining birthrates, [and] increasing rates of marriage refusal or postponement among people” (Aoyama 1). Statistical data collected about the Japanese population support these claims. To share just a few troubling points of data, “in 2010 the total fertility rate was 1.39” (1) and 26.6% of Japan’s population was over 65 years old in 2015, which is “the highest percentage in the world” (Statistics Bureau of Japan 55). As a result of the declining birthrate and aging population, an increasing number of jobs in Japan require replacement workers. Women, as a traditionally underutilized segment of the working-age population, are needed to help fill the labor shortage in Japan. While women can supply crucial labor in the workforce, the structure of Japan’s tax system has presented challenges for married women in particular to pursue full-time careers.

The Japanese tax code has been shown by numerous scholars to negatively impact working wives. These tax codes structure tax breaks in a way that disqualifies couples from claiming spousal exemptions when the non-primary breadwinner makes an income past a certain threshold. Previous work on this topic notes, “this policy, which originally set out to aid lower income families, may invite a vicious cycle that dissuades people from seeking higher wages” (Higuchi 105). Thus, many women opt to work only part-time to stay under the salary threshold for receiving the marriage tax credit. In effect, this tax structure results in a system where “female labor is allocated inefficiently within a family” (Akabayashi 349). The Japanese tax system creates a paradox of Japan needing more people in its workforce, while its laws actively disincentivize women from working full-time.

While a great deal of work has gone into how these laws affect women and Japanese society, I am interested in connecting the law's effects to their cultural origins, specifically, the highly patriarchal values of Japanese society. A study of social expectations toward marriage in East Asia stated that "the lack of opportunities for educational, political, and socio-economic advancement effectively made women dependent on marriage for survival" (Yang 751-2). Since marriage was traditionally viewed as the only route a woman could take in life, Japanese politicians structured tax law with the belief that women would stay home. Academic review of Japanese tax laws that are later discussed support this claim as well. Even the Japanese government itself stated that the country's tax structure was based on the idea that women would stay at home instead of working. However, as demand for women to enter the workforce has risen, some married women have found themselves between two seemingly competing priorities; being a full-time homemaker and working full-time. Once the current status of Japanese tax law and its effects on society have been established, I review possible policy adjustments that can help better the current economic situation. Finally, I discuss other implications of the tax law on equality in Japan. I view these laws from a Japanese perspective and ultimately show how the current taxation system cannot continue as cultural values continue to shift. I then share a few thoughts about how the COVID-19 epidemic has increased the urgency for policy change, and briefly discuss the implications of the current marriage tax credit on LBGTQ+ rights.

The current situation in Japanese society requires an interdisciplinary approach to better understand the many facets of its current issues and the intricacies of its global dimensions. In analyzing Japan's tax structure, or any issue, there are many demographic, cultural, and economic trends (both nationally and globally) that merit discussion to present a comprehensive analysis of the situation at hand. Framing the issues surrounding the current Japanese marriage

tax structure through a global studies lens will provide a clear picture of how these cultural shifts affect one another. In this thesis, I do not just discuss the different contributing factors of current Japanese tax policy, but also explain the connections between the historical, cultural, national, economic, and political backgrounds of the law. By understanding these connections, a reader better understands the contemporary issues the Japanese government must face and also realizes the benefits that approaching issues with a global studies lens can provide in understanding any global issue.

While a great deal of academic work has gone into how these laws affect women, the focus of my thesis is connecting these laws to their cultural origins, specifically, the highly patriarchal values in Japanese society, and then discussing their implications on society today. There has been a great amount of work done to study traditional gender dynamics and marriage in Asian and Japanese society such as “A Comparative Study of Marital Dissolution in East Asian Societies” by Wen-Shan Yang and Pei-Chih Yen and “The Good Wife and Wise Mother Ideology in Post—World War I Japan” by Shizuko Koyama. These articles provide the historical context of a woman’s place in Japan and how the institution of marriage is ingrained into Japanese national values. Moving forward in time, I use “Expanding the Tax Base for a Sustainable Social Security System” by Shigeki Morinobu to support the idea that as Japan entered the second half of the 20th century, Japanese tax laws were constructed by politicians who believed women would choose to stay home instead of entering the workforce. I also use this article’s policy proposals to discuss possible adjustments to Japanese tax laws. Tax policy adjustments are also advocated by other industry leaders, such as former Goldman Sachs Partner Kathy Matsui in her article “Womenomics 5.0”.

A key contribution I provide in this thesis is how Japanese nationalistic patriarchal values influenced the tax policy's authors following the Second World War. This connection shows how the issues that Japan faces today surrounding its tax laws have deep roots in its cultural and thus national values. Finally, I discuss the larger implications of tax incentives on Japanese society as a whole. A discussion about gender equality in Japan is fruitful when we see how it leads us to the bigger question of how to achieve greater overall equality in society across all demographic groups. Furthermore, I discuss how the current tax credit has implications in other issues that Japan faces today. Ultimately, in this thesis, I explore how traditional patriarchal values in Japan resulted in the structure of the contemporary Japanese marriage tax incentive and the persisting effects it has on Japanese society today. Furthermore, I analyze the intentional and unintentional effects of the laws and then discuss possible adjustments to tax policy. Despite being located in Japan, these contemporary issues contribute to the larger discussion about equality around the globe.

1. HISTORICAL PATRIARCHAL VALUES IN JAPAN

Looking into Japan's cultural history is the first step in understanding the contemporary issues that Japan faces today. Historically, Japan and all of East Asia have been widely known to be highly patriarchal, or male-dominated, societies. Wen-Shan Yang and Pei-Chih Yen of Academia Sinica of Taiwan build on this context to provide an excellent background into how marriage has been traditionally viewed in this region of the world. In their article, "A Comparative Study of Marital Dissolution in East Asian Societies", Yang and Yen discuss the original mindset behind marriage in East Asia and then explore how "changes in marital attitudes, gender roles, socio-economic status and educational opportunity of women... [influenced]...marital decisions in three East Asian countries," including Japan (Yang 751). First, Yang and Yen explain that East Asian societies (including Japanese society) are founded on Confucian ideals that "place great emphasis on patriarchy, familial piety, and collectivist goals" (751). These three emphasized values mean that households in East Asian societies are traditionally headed by a male and are characterized by loyalty to one's parents and a desire to work for the benefit of the group. This structuring of society placed women in a role secondary to men, where family resources would be given to brothers over sisters, thus resulting in a lack of "educational, political, and socioeconomic" opportunities for women. (751-2) The lack of opportunities for women outside the home made marriage the sole way to access resources needed for survival, as it would provide them with food, shelter, and safety. Since the basic unit of Japanese society was the family (as opposed to the individual), a woman was expected to play the role of housekeeper while a man would act as the breadwinner. The authors of the text state that for women in traditional East Asian societies, "nuptiality was a synonym to security in all

aspects of life” (752). Clearly, traditional Japanese cultural values stressed that a woman’s place was at home and marriage was the best (and only) way to have a stable life.

For centuries, Japanese culture supported the idea that women in Japan were to be seen as childrearers whose place was in the home. Marriage and homemaking were certainly cultural cornerstones of the Tokugawa era (1603-1868), but the Meiji Restoration in 1868 cemented these values as a part of Japanese national identity. Before the Meiji Restoration, the Tokugawa government practiced a strong policy of isolationism, but the arrival of the American Commodore Matthew C. Perry in Japan in 1853 led to events that forced Japan to interact with the outside world. The large influx of Western ideas and technologies led to the eventual collapse of the Tokugawa government. In its place, the Meiji government was established in 1868. The new Meiji government’s constitution and structure reflected those of other emerging Western nation-states. The creation of such a government and nation also created a need to establish a cohesive national identity as different parts of the country united under one flag. Even in the beginning stages of the Meiji Restoration, ideas of Japanese exceptionalism became more prevalent in the national discourse. Even celebrated Japanese academic Fukuzawa Yukichi noted in his autobiography that during his first trip to America in 1859, he sensed the Japanese people were particularly adept at learning new technologies (Fukuzawa 110). The new government was designed in a Western fashion and brought along with it the developing nationalism needed to create a cohesive nation-state.

The formation of a modern nation-state during the Meiji Restoration required Japanese leaders to shift cultural values into national ones to solidify a collective Japanese identity and support their imperialistic goals in the region. During this time, the cultural values of motherhood, submissiveness to one’s husband, and the general place of women in Japanese

society became national values. A common phrase that emerged in Japan after the Meiji restoration was “Good Wife, Wise Mother” (Japanese: 良妻賢母, Romanized: Ryou sai-Kenbou) (Koyama 31). In her article, “The Good Wife and Wise Mother Ideology in Post-World War I Japan”, social scientist Shizuko Koyama discusses the impact of this phrase on Japanese society as it emerged as an imperial power in the early 20th century. Published in 1994, this article still provides critical insights into how cultural practices of the Tokugawa era became firm national values of Meiji Japan. Koyama states that the phrase “Good Wife, Wise Mother” represents the idea that the main role of a woman in Japanese society is as a wife supporting her husband and a nurturer for her children. However, as Koyama points out, this was more than just a cultural sentiment.

During the early years of the Meiji restoration, the roles of wife and mother “were deemed to be significant in terms of national development” (31). Usage of this popular phrase caused these values to transcend traditional culture and become part of the national common sense. In other words, the phrase “Good Wife, Wise Mother” became a cornerstone of Japanese nationalism. This time of developing national values also defined the roles of men. In contrast to women, men’s contributions to the Japanese nation were measured by their “productive capacity and military service” (31). Here we see a striking difference between the roles of men and women. For the sake of national development, a man’s role was to work in the nation’s military or economy, and the woman’s role was to support the man by looking after the home. These roles were ingrained in Japanese society as the nation worked collectively to emerge as a regional and global power. Thus, the rise of nationalism in Meiji-era Japan caused the cultural values of motherhood and companionship to one’s husband to become equated with a woman’s role in supporting the Japanese nation. The integration of traditional cultural values into the

Japanese national identity during the Meiji Restoration has left a lasting impact on what roles women and men are perceived to have in Japanese society today.

While these traditional patriarchal values have endured for many years through Tokugawa Japan and the eventual Meiji restoration, after the turn of the 20th century, women's perception of themselves began to shift due to exposure to outside cultures and the needs of the nation. Koyama states that World War I brought about a "recognition" amongst the Japanese that women needed to be mobilized during times of "total war" (32). The recognition that women at times needed to play a role in the economy showed that even 100 years ago "women no longer existed as only mothers and wives" (32). Additionally, Western influence brought ideas into Japan that conflicted with the traditional idea that a woman's sole role was as a "Good Wife and Wise Mother". During this time, many Japanese women realized that they could have a life outside the home. Despite recognition that women could play an important role in the workforce, the cultural ideas of "Good Wife, Wise Mother" were still prevalent in the representation of national identity. As Japan again constructed a new government following World War II, new economic issues relating to women in the workforce emerged. As women pursued a greater role outside of the home during the second half of the 20th century, families faced a new obstacle to full participation in the workforce: the structure of the Japanese tax system.

2. JAPANESE TAX LAW CONSTRUCTION (ORIGINS AND INTENDED EFFECTS)

The patriarchal background of Japanese society set the stage for how Japanese tax law was later formulated. Following World War II, Japan wrote a new constitution and the government created a tax policy framework for a nation recovering from war. One widely debated aspect of these policies is how the spousal tax exemption functions and adversely affects married women wishing to be full participants in the workforce. Shigeki Morinobu of the Tokyo Foundation for Policy Research released a policy proposal with his colleagues in 2014 entitled, “Expanding the Tax Base for a Sustainable Social Security System” that discusses the origins and effects of these tax policies. Morinobu has worked for the Japanese Ministry of Finance and has continued his policy work through serving as president of various institutes. Morinobu’s career in analyzing tax policy makes his contributions to the conversation surrounding the question of how tax incentives affect women incredibly valuable. This specific policy proposal extensively covers the current Japanese spousal tax exemption structure and then proposes possible policy adjustments. Morinobu explains the structure of the exemption:

The...exemption deducts ¥380,000 [US \$3,615] from the taxable income of a married taxpayer (in practice, the husband) whose spouse earns no more than the stipulated maximum (¥1.03 million [US \$9,798] for wage earners), in effect providing preferential tax treatment for households with full-time homemakers. (Morinobu)

Chapter 4 of this policy proposal specifically focuses on the origins of these tax policies and changing them to better help women. In this policy proposal, Morinobu notes that the Japanese Tax commission provided two reasons why they structured the tax system this way in 1961:

First, it stressed the need to provide tax relief for men married to full-time homemakers on the grounds that the wife incurred additional costs, adversely affecting the husband's ability to pay. Second, it emphasized the value of the full-time homemaker's housekeeping and child-rearing duties and sought to recognize the "helpmate's contribution" to her husband's earning power. (Morinobu)

This tax structure, in effect, supported the cultural and national ideas that the role of women was in the home as a wife and mother. From this summary of the policy, it is clear that Japanese government officials themselves approached the construction of tax law with the idea that wives were to be seen as "an additional cost" (Morinobu) and built the role of being a homemaker into the Japanese tax code itself. Women could still work part-time to provide some support to their families, but the law actively incentivized married women to not work full-time to stay under the income threshold for claiming the spousal tax exemption. Morinobu and his team add that in recent years supporters of this tax structure claim that this policy will encourage more Japanese couples to have children. Each of these arguments will be addressed in the next section, but the view of women as a financial burden on a husband clearly shows the patriarchal background of Japanese society. This tax policy clearly illustrates how women were valued first as homemakers and then secondarily as contributors to the economy.

3. OUTCOMES AND UNINTENDED EFFECTS OF JAPANESE TAX LAW

After discussing the original mindset of tax policymakers, the Tokyo Foundation for Policy Research's proposal conducts a deeper analysis and criticism of the three previously stated reasons behind the current marriage tax exemptions. First, the team points out that these tax credits propagate the traditional idea that wives are considered dependents of their husbands, and are thus not equal partners, which further emphasizes the set roles of women and men in Japan as homemakers and breadwinners respectively. Morinobu's team adds that a homemaker's work does provide a service to the family that does not have a taxable value, so there is already an inherent financial value in a stay-at-home parent's work. Second, critics of the spousal tax exemption state that since a family is receiving the benefit of "free" childcare and housework, as "there is no need for preferential tax treatment" that doubly rewards mothers for staying home (Morinobu). Third, contrary to the belief that the current tax incentives will increase the nation's fertility rate, this tax exemption is granted to all married couples, regardless of whether they have children or not. Furthermore, no positive correlation has been found between a marriage tax credit and fertility rates in any developed country. In fact, Morinobu's team found an opposite correlation to be true. Lastly, they state that the current tax structure provides a double tax break for families. They explain: "Under the current tax code, most wage earners are entitled to a ¥650,000 employment income deduction as well as the standard ¥380,000 basic exemption. This means that the spouse can earn up to ¥1.03 million tax free. Yet the husband can still claim the ¥380,000 spousal exemption, resulting in a double exemption for the couple" (Morinobu). To be exact, Morinobu states that the spousal tax exemption costs the Japanese government

approximately ¥600 billion (US \$5.758 billion) each year in lost tax revenues (Morinobu). In light of the many concerns stated in this article, it is not surprising that the effectiveness of current tax laws has continued to be brought into question.

As previously stated, the current structure of Japanese tax laws incentivizes households to have only one breadwinner, which oftentimes means that a wife is the one to stay home. Putting aside the clear patriarchal origins of the Japanese laws, the tax structure was arguably more justifiable when created, as there was less of a need for females in the workforce. However, previously mentioned cultural shifts and the subsequent demographic changes in Japan have caused many issues today as more women choose to live independent lives and the Japanese population continues to decline. As Japan's population decreases from year to year, more women are needed to be active participants in the workforce. However, for previously stated reasons, the current Japanese tax structure incentivizes married women to avoid full-time work to stay under the ¥1.03 million (US \$9,798) income threshold. This income threshold has resulted in a higher percentage of women choosing to work part-time. In fact, according to data from the Japanese Government's Labor Force Survey in September 2020, of the working population of Japan (15 years and older), 23.29 million men worked full-time compared to only 12.01 million women. The even more striking statistic is while there are 6.58 million men considered "non-regular" (not full-time) workers, there are 14.21 million female "non-regular" workers (Ministry of Internal Affairs and Communications). This is a huge discrepancy between the number of males and females engaged in part-time labor (over double) and displays how effective this tax structure has been at incentivizing women to only work part-time.

The lost productivity caused by current tax laws is clearly illustrated by comparing minimum wage laws in Japan to the amount of money women can make while still claiming the

spousal exemption for their families. The Japanese Ministry of Health, Labor, and Welfare reported that in 2017, the national minimum wage was ¥848 (JLIPT). The ¥1.03 million cap on how much women can make while still claiming the spousal tax benefit effectively means that the average Japanese woman earning a minimum wage can only work for approximately 1,214 hours a year, which would equate to only 4.67 hours of work a day if worked every weekday of the year. This striking statistic has a deep significance. It means that potential female labor in the Japanese economy is heavily underutilized, as 4.67 hours a day is only 58.375% of the typical 8-hour working day. The amount of time a woman can work is driven down even further as the hourly wage increases as well. In short, these statistics reveal that while Japan needs women in the workforce, the current tax incentive structure forces many women to seek part-time work, and thus lose out on a higher earning potential. Such a large percentage of women seeking part-time work creates an issue where women are not working for the full amount of time that they could be, therefore resulting in lost productivity in the Japanese economy. Morinobu and his team state that opponents of the tax law also argue that these laws “[maintain] a psychological ¥1.03 ceiling on women’s income (in the minds of employers and employees alike), thus perpetuating employment inequities that have been long since legally abolished” (Morinobu). In other words, more than just limiting a woman’s income, these governmental policies meant to help families may be contributing to gender inequality in Japan. With this policy in effect, the Japanese government is working against itself as it urges women to enter the workforce.

Despite this tax incentive possibly contributing to the underutilization of female labor, the law does not prohibit women from earning money past the tax credit threshold. Married women who choose to earn past the income threshold can do so, but they will lose that tax incentive. This lost tax incentive can be offset if a woman makes enough money, but this can be

difficult if a woman is only working part time. Another striking point to consider is whom these tax laws are actually benefitting. In “The Effects of Income Tax and Social Security Policy: Married Women in the Japanese Labor Supply”, Yoshio Higuchi highlights that the greatest beneficiaries of the current system may actually be the more wealthy families in Japan. Despite the government’s desire to “[protect] the weak” by providing extra money to one-income households, these policies actually benefit families with high-earning husbands instead (Higuchi 121-2). This assertion is backed up by Morinobu’s team, as they too have found that there is a large percentage of high-income households that claim this exemption. This evidence shows that despite government efforts to help working-class families through these tax credits, they are most often claimed by the wealthiest members of Japanese society. This reason alone should motivate the Japanese government to reconsider these policies as it seeks to help its more vulnerable citizens.

4. CULTURAL SHIFTS AND SUBSEQUENT DEMOGRAPHIC CHANGES TODAY

While the Japanese tax policy is founded on traditional cultural and nationalistic norms, Japan in the 21st century has experienced a wide variety of cultural, economic, and demographic changes. A key aspect of global studies is analyzing how globalization connects different parts of the world and circulates different belief systems, products, and practices among them. In *Understanding Cultural Globalization*, Paul Hopper states that the contemporary period is characterized by “the greater intensity and extensity of cultural flows, in the movement of peoples, ideas, goods, symbols, and images but also by the greater velocity with which they travel from place to place, and is, in turn, serving to deepen forms of global interconnectedness” (Hopper 29). As such, globalization has brought ideas from other parts of the world to Japan and caused a shift in the way many Japanese women think and live. Ideas of being an independent woman, balancing child-rearing and having a career, and successful implementation of family-leave policies in other parts of the world have further shown Japanese women that the nationalistic ideals of “Good Wife, Wise Mother” are not the only route that they can take in life.

The availability of education to women in Japan has caused a shift away from the older nationalistic patriarchal values and perspective on marriage and family (Yang 752). Yang and Yen summarize this idea by stating the “loosening social climate serves as a challenge for conventional gender roles in a patriarchal system” (753). The change of perspective on what is now considered “normal” under a cultural lens then influences the behavior of a country’s citizens. These new lifestyle decisions brought about by shifting cultural values have caused demographic changes as well; namely access to and usage of divorce, personal prioritization (or

non-prioritization) of marriage and child-rearing, and an increasing number of women seeking full-time careers in Japan.

Divorce has also become increasingly common in Japanese society. The Japanese rate of divorce rose to 1.99% in 2008 (752). This shift of female priorities means that many Japanese women are increasingly choosing to leave their current relationships or not get married at all. Reasons for divorce differ from person to person, but whatever the cause, the reduction of marriages have resulted in fewer children being born, and thus, in an increasingly elderly population. Currently, 28% of Japan's population is 65 years old or older, and if current trends continue, that age group will grow to 37% of the population by 2055 (Matsui, 5) The most recent statistics from the World Bank estimate Japan's fertility rate at 1.42 in 2018. While this is an improvement from the 2005 low of 1.26, it is still not enough to replace the aging population and support the country's social systems.

The changes in Japanese demographics and the resulting strain on Japan's social systems have caught the attention of the Japanese Government. In the 2010s, Former Japanese Prime Minister Shinzo Abe "included women in his reform plan termed Abenomics" (Guajardo, 90). In 2013, then Prime Minister Abe stated in a speech in Washington D.C that his goal "...is to enhance Japan's productivity...[and] retool Japan's economic structure." Specifically, he stated that "women should be given much greater [economic] opportunities" (Abe). Prime Minister Abe later set a goal in 2014 to increase leadership in the public and private sector to 30% women by 2020 (Nemoto 1). It appears the Japanese government recognizes the issues that the country faces and the critical role that women have in solving it. Yet, despite many scholars and advocates pointing out how the spousal tax exemption has made it difficult for married women to fully participate in the economy, little has been done to revise the law. Some married women are

not going to apply for higher-paying jobs if that action will take away some of the financial benefits the government provides to their families.

One major contributing factor in the recent Japanese government push to have more women enter the economy is the emergence of the term “womenomics”. This term, coined by former Goldman Sachs partner, Kathy Matsui, was first used in the 1999 Goldman Sachs report about the state of the Japanese economy, “Women-omics: Buy the Female Economy”. Matsui herself has a powerful voice in the gender equality conversation as the first female partner in the history of Goldman Sachs. She approaches the issue not only from an understanding of the financial world but also from the perspective of a working woman of Japanese descent. “Womenomics” emphasizes the benefits that mobilizing the female workforce could have in Japan’s economy. These ideas have caught the attention of Japanese leaders, and to a certain extent have boosted female participation in the economy. However, more can still be done.

In April 2019, Matsui and other Goldman Sachs colleagues released another report entitled “Womenomics 5.0” to reflect on what had changed since the original release of “Womenomics” in 1999. Matsui and her Goldman Sachs colleagues admit progress has been made in the form of increased female labor force participation, “generous parental leave benefits, improved gender transparency, and labor reforms.” (Matsui 1) However, they emphasize that much more must be done to unleash Japan’s economic potential (1). Specifically, they see “a dearth of female leaders, gender pay gaps, inflexible labor contracts, tax disincentives, insufficient caregiving capacity, and unconscious biases” as potential areas of improvement (Matsui 1). Clearly, the issues surrounding Japan’s tax policies remain prevalent in the national discourse on workplace equality. Matsui and her team estimate that resolving these issues would boost Japan’s GDP by 10-15% (1). They further state that Japan’s current economic and

demographic situation shows that “gender diversity in the workplace is no longer an option, but an economic and business imperative” (2). As the Japanese government continues to consider solutions to the population problems the country faces, it should consider the suggestions of Matsui’s team. By providing support to women in balancing working and personal lives, it can better encourage women to have children to replace the dwindling population and still have successful careers.

Morinobu’s policy proposal aligns with the assessments of Matsui and her colleagues at Goldman Sachs. In their analysis of OCED countries, Morinobu’s team found that between the years 1980-2000, many countries were able to raise their female labor force participation rates and their total fertility rates at the same time (not including Japan). During this time, Japan did experience a slight increase in labor force participation by women, but the fertility rate decreased. The Tokyo Foundation for Policy Research team states that the discrepancy between the fertility rates of Japan and other OCED countries is caused by the implementation of public policies that support women (like those advocated in the Womenomics report). Instead of just providing a simple marriage tax credit, implementing sound policies that allow women to effectively manage work and home life (such as providing day-care), has been shown to increase a country’s birthrate. While Matsui does praise the implementation of a strong family leave policy and other laws in the past 20 years since the conclusion of the study referenced by Morinobu’s team, they emphatically state that there is still more to be done. Since many companies may not want to pay the costs of such programs, the Japanese government should take recent demographic trends and the suggestions of industry experts such as Matsui and Morinobu into consideration as they decide on additional steps to bolster the nation’s economy.

At the end of their analysis of marriage tax credits, Morinobu's team at the Tokyo Foundation for Policy Research laid out six policy proposals that the Japanese government should consider adopting to better shape the Japanese economy for years to come.

4.1 Six Tax Reform Policy Proposals

4.1.1 The Importance of Reexamining the Tax Base

A country's tax base refers to all sources of a country's tax revenue. Japan would benefit from reevaluating possible taxation revenue streams. Morinobu's team recommends that the government can find more funding as it identifies revenue streams "that currently escape taxation" (Morinobu). These new revenue streams will, in turn, "enhance the redistributive function of the tax system, thus helping address growing economic disparities" (Morinobu). As Japan seeks new ways to fund the social programs it needs to support working women and the elderly, finding new streams of tax revenue will be incredibly critical.

4.1.2 Instituting a Social Solidarity Tax

Instead of requiring employers to contribute to social insurance programs, Japan should implement a so-called "Social Solidarity Tax" on individual income. This tax would now cover individual employees and not employers, thereby decreasing a company's incentive to keep people as part-time workers. Instituting such a tax will give the government another revenue stream and perhaps allow more full time opportunities to married women if the current tax credit is also changed.

4.1.3 Rethinking Taxes on Public Pensions

Currently, public pensions in Japan are taxed to a very minimal degree. Reexamining tax policies surrounding pensions and implementing higher taxes on them could help relieve some of

the tax burdens of future generations. Such revenues can be used to help fund social programs advocated by Morinobu, Matsui and other groups.

4.1.4 Replacing the Spousal Exemption with a Family Exemption

Since the current spousal exemption system has been found to have many flaws, Morinobu's team recommends replacing it with a more general family exemption that is "designed to maximize fairness with regard to each household's ability to pay" (Morinobu). Such a system allows the tax burden to be more equally distributed amongst society and can help the government accomplish its goal of helping the poorer households in the country.

4.1.5 Correcting the Inequity of Tax-Free Pension Benefits

Currently, the money received from pensions of deceased persons is not taxable. Morinobu and his team state that these pensions should remain tax-free for younger beneficiaries, but older recipients of pension benefits from a deceased relative should be taxed. These older persons could be more financially well off, so taking a larger percentage of these pensions could be another potential untapped source of revenue.

4.1.6 Broadening the Tax Base Can Mitigate Economic Inequality

This proposal simply refers to closing tax loopholes and finding ways to reduce tax deductions. By closing loopholes, the Japanese government can ensure individuals pay their fair share of taxes and then redistribute the funds to where they are most needed. Conducting the necessary due diligence to find and then the many loopholes that currently exist in the tax code will be a crucial source of funding to help fund social programs for working mothers as well as the elderly

4.1.7 Summary of Proposals

While there are many proposed solutions to help Japan through this current demographic shift, it will ultimately be up to Japanese political leaders to take a look at the tax code, adjust the current structure to better support societal needs, and implement sound social programs to give married women the incentives to better pursue full-time work if they so choose.

5. CONCLUDING ISSUES AND CONSIDERATIONS

While difficult issues are raised by these tax policies, it is worth looking at this situation from a traditional Japanese perspective. Coming from an American perspective that tends to put individual liberty above all else, it is perhaps natural to criticize the Japanese system. However, looking at this situation from a different angle may cause one to see the traditional Japanese perspective on the matter. While one with a Western perspective may view the individual as the basic unit of society, many Japanese people view the family as the basic unit of society instead. While this tax credit has been shown to have negative effects on married women, it provides an interesting equality outcome for Japanese society as a whole.

The Gini index (or coefficient) is a measure of how equally income is distributed in a society. This distribution is measured on a zero-to-one scale. A zero on the scale indicates a society where income is perfectly distributed amongst all people and an index of one indicates a society where one person has all of the wealth. The United States' Gini index in 2016 was .411 and the index in Japan was .329 in 2013 (both the most recent data provided by the World Bank). The previous Gini coefficients show that Japan's society is noticeably more equitable than that of the United States. While there are certainly many contributing factors to this difference, one possible reason could include the effects of the Japanese marriage tax credit on society. When the credit incentivizes the lower-earning spouse to work less, Japanese households will only have one parent with a higher-paying job. Thus, other high earning positions in the economy will be filled by people from other households. This situation creates a distribution of higher-paying jobs amongst Japanese society on a familial level. While there may be criticisms of this tax law, one

benefit we can see it contributing to is the general overall equality amongst the family unit in Japan.

In addition to the more equal distribution of income amongst families in Japan, it has been argued that this system also gives women a significant amount of power within their own families. In “Gender Inequality and Family Formation in Japan”, Professor Robert Marshall states that the traditional structure of Japanese families with husbands as breadwinners and women as homemakers “has historically provided women with great autonomy.” (Marshall 261) Marshall points out that the status of a housewife is more respected in Japan compared to America as well. While the term stay-at-home mom has a more casual tone, the equivalent term in Japanese 専業主婦 (sengyo-shufu) translates to “professional housewife” (266). Marshall states the term “professional housewife” denotes an element of skill and autonomy. Just as Japanese people are known for giving their best efforts in whatever profession they choose, many women in Japan take their role as a professional housewife very seriously. However, Marshall also admits that the respect housewives receive comes with a woman being confined to only that role. He states that Japanese women are “in a moderately-high-level status trap...with great personal autonomy,” but are also deprived of “justification for behaviors that others may assert fall outside this scope” (275). While traditional roles do give women value at home, they also take away from a woman’s ability to have a career and life outside the home. Thus, there is a conflict between historical gender roles and those that are continually being shaped today. Ultimately, the traditional gender roles in Japanese society may not be able to withstand the test of time as values continue to shift in the 21st century.

Another aspect of this issue to consider is that of the breadwinners themselves. This thesis has been framed in the light of a traditional marriage where the male husband goes out to

work and earn money while the female wife stays home to tend to the house and look after children. However, at the end of the day, the tax exemption that this thesis has focused on does not require the man to be the breadwinner. So theoretically, the same problems could exist with a woman working full-time and her husband being a part-time worker. As previously discussed, persisting cultural norms in Japan suggest that men act as their household's breadwinner, so we see this issue more adversely affecting women today. Ultimately, the system will have to be adjusted to lighten the financial burdens of each household, regardless of which spouse (or both) choose to work full-time.

Another recent development that has shaped the Japanese workforce is the COVID-19 pandemic. This disease has had an impact on the economy of every country of the world but has had a particularly bleak effect on the Japanese people. A study entitled "Suicide and Mental Health During the COVID-19 Pandemic in Japan" was released in October 2020 by academics at Waseda University and Osaka University and discusses how COVID-19 has affected the suicide rate in Japan. While this study has yet to be peer-reviewed as of the writing of this thesis, the findings show the negative effects that the COVID-19 pandemic has had on specifically the female population in Japan. Suicide is unfortunately not an uncommon occurrence in Japan, and that trend has continued during the pandemic. While the joint research team states that suicide rates were lower than average during the first few months of the pandemic, "[by] August 2020 the total number of suicides was 7.72% higher than the average number of suicides in the same month of the previous three years" (Matsubayashi 1). While this statistic is alarming on its own, the study further reveals that the greatest increase in suicides by demographic in the month of August 2020 was young women under the age of 40 (1). The suicide rate in this group increased by 63.1% during this month (1). The contributors to this study believe one possible reason for

this suicide rate increase is the fact that “young female workers were more likely to have experienced a job or income loss in recent months compared to any other groups, suggesting adverse economic conditions surrounding some of these young female workers.” (1) Previously mentioned statistics about the large percentage of Japanese women employed part-time support this theory.

During a pandemic that slows business productivity, part-time positions are often the first ones to go. This study states that approximately 30.5% of females surveyed aged 40 and younger experienced a change in employment status (job loss, layoff, leave of absence, reduction of hours) between June and August of 2020, while only 18.64% men surveyed in the same demographic reported similar changes in employment during this time. (11) As a higher percentage of women work part-time in Japan, it is understandable that a larger number of them reported changes in employment status during the pandemic. While these statistics cover women under the age of 40 (married or not), the fact that current spousal tax exemptions in Japan have been shown to drive women to part time work is truly alarming in the light of this study. While the Japanese government should consider immediate actions to address the growing suicide rate, the COVID-19 pandemic is yet another reason to make adjustments to the spousal tax exemption and help working families.

Before I conclude, it is worth mentioning another cultural shift occurring in Japan and around the world; the increasing acceptance and recognition of rights of LGBTQ+ individuals in society. In the year 2020, Japan has found itself behind many Western nations in its extension of rights and privileges to same-sex couples. Former Prime Minister Abe himself stated in 2015 that discrimination against sexual minorities is not allowed in any aspect of society (Human Rights Watch). However, the Japanese government has yet to follow through on a complete extension of

rights to LGBTQ+ individuals. While an increasing number of Japanese cities and prefectures are attempting to recognize same-sex unions, there is no nationwide recognition of same-sex marriage. As the tax incentives focused on in this thesis specifically relate to marriage, it is important to recognize that same-sex couples in Japan do not yet have legal access to such a benefit. This is a clear discrepancy between the treatment of different gender and same-gender couples in Japan. Many human rights organizations have petitioned Japan to officially recognize the rights of those in the LGBTQ+ community in preparation for the 2021 Tokyo Olympic games. As support for the LGBTQ+ community continues to grow, the question of how these couples will be recognized and taxed will need to be answered by Japanese officials as well.

CONCLUSION

In this paper, I have taken a Global Studies approach to discussing the current Japanese tax structure. Viewing this issue from multiple perspectives provides a more comprehensive approach to understanding the intricacies and origins of tax laws and their effects on society. This discussion included an analysis of the strong patriarchal cultural background of Japan and how those cultural values became national values in the late 1800s. These national ideals cemented the roles of husbands as breadwinners and women as homemakers. The idea that a Japanese woman could best serve her country by being a “Good Wife” and a “Wise Mother” led Japanese politicians to structure Japanese tax laws in a way that incentivized women to continue to stay home. While these laws have raised difficult issues as married women have tried to balance home and career life, even more issues have emerged as Japanese cultural values have shifted in the past 60 years. Western influences have changed women’s perceptions of themselves and thus caused them to make decisions that differ from previous generations, such as seeking divorce or choosing not to have children. These decisions had a cultural influence, but have also led to a major demographic shift in Japan. The Japanese government today must now directly address the problems surrounding an aging population and a low birth rate. Many studies have shown how adjusting tax policies and adjusting social programs to better support married (and unmarried) mothers can positively impact the economy as more jobs are filled by women. As this situation has many implications for Japanese society today, the Japanese government needs to recognize its role in changing outdated policy to fit the needs of a country that is changing culturally and demographically.

REFERENCES

- Abe, Shinzo. “Japan is Back.” *Discovering Digital Dimensions*, Center for Strategic and International Studies (CSIS), 22 February 2013, Washington D.C.
- Akabayashi, H. The labor supply of married women and spousal tax deductions in Japan—a structural estimation. *Rev Econ Household* 4, 349–378 (2006). doi.org/10.1007/s11150-006-0012-5
- Aoyama, Tomoko, et al. *Configurations of Family in Contemporary Japan*. Routledge, 2014.
- Fukuzawa, Yukichi. *The Autobiography of Yukichi Fukuzawa*. Translated by Eiichi Kiyooka. New York: Columbia University Press, 2007.
- “Gini Index (World Bank Estimate).” *Gini Index*, World Bank, data.worldbank.org/indicator/SI.POV.GINI.
- Guajardo, Maria. “Women’s Leadership Development within Japan’s Higher Education System.” *学士課程教育機構研究誌* (Trans. Bachelor's Program Education Organization Research Journal), core.ac.uk/download/pdf/230425938.pdf.
- Higuchi, Yoshio, and Priscilla Lambert. “The Effects of Income Tax and Social Security Policy: Married Women in the Japanese Labor Supply.” *U.S.-Japan Women's Journal*. English Supplement, no. 13, 1997, pp. 104–129. JSTOR, www.jstor.org/stable/42772119. Accessed 26 Sept. 2020.
- Hopper, Paul. *Understanding Cultural Globalization*. Polity, 2012.
- Human Rights Watch. “Japan: Introduce LGBT Non-Discrimination Law.” *Human Rights Watch*, 28 Oct. 2020, www.hrw.org/news/2020/05/15/japan-introduce-lgbt-non-discrimination-law.
- Japan Statistics Bureau, Japan, Census Office. *Population and Households of Japan, 2015*, pp. 52–57. www.stat.go.jp/english/data/kokusei/2015/final_en/pdf/s01.pdf

- JILPT. “Regional Minimum Wages Hiked by Average 3% for 2nd Straight Year.” Japan Labor Issues, vol. 2, no. 4, 2018, pp. 2–4.
www.jil.go.jp/english/jli/documents/2018/004_00.pdf.
- Koyama, Shizuko, and Gabriel A. Sylvain. “The ‘Good Wife and Wise Mother’ Ideology in Post—World War I Japan.” U.S.-Japan Women's Journal. English Supplement, no. 7, 1994, pp. 31–52. JSTOR, www.jstor.org/stable/42772075. Accessed 15 Oct. 2020.
- Marshall, Robert. “Gender Inequality and Family Formation in Japan.” Asian Anthropology, vol. 16, no. 4, 2017, pp. 261–278., doi:10.1080/1683478x.2017.1374606.
- Matsubayashi, Tetsuya, et al. “Suicide and Mental Health during the COVID-19 Pandemic in Japan.” The Preprint Server for Health Sciences, 12 Oct. 2020, doi:10.1101/2020.10.06.20207530.
- Matsui, Kathy, et al. “Womenomics 5.0.” Japan Portfolio Strategy, The Goldman Sachs Group, Inc., 18 Apr. 2019, www.goldmansachs.com/insights/pages/womenomics-5.0/multimedia/womenomics-5.0-report.pdf.
- Morinobu, Shigeki. “Rethinking Personal Tax Exemptions to Mobilize Women's Power.” Thhe Tokyo Foundation for Policy Research, 7 Aug. 2014, www.tkfd.or.jp/en/research/detail.php?id=535.
- Nemoto, Kumiko. Too Few Women at the Top: the Persistence of Inequality in Japan. ILR Press, an Imprint of Cornell University Press, 2016.
- Obama, Michelle. “Remarks by the First Lady at the Summit of the Mandela Washington Fellowship for Young African Leaders”. Summit of the Mandela Washington Fellowship for Young African Leaders, 30 July 2014, Omni Shoreham Hotel, Washington, D.C.
- Population aged 15 years old and over by labour force status, status in employment, type of employment (employee by number of persons engaged in enterprise), duration of employment contract, and agri-/non-agriculture. Ministry of Internal Affairs and Communications. 2020. Excel data. www.e-stat.go.jp/en/stat-search/files?page=1&layout=datalist&toukei=00200531&tstat=000000110001&cycle=1&year=20200&month=23070909&tclass1=000001040276&tclass2=000001040283&tclass3=000001040284&stat_infid=000032013423&result_back=1&tclass4val=0

Shibata A. (1992) The Effects of Japanese Income Tax Provisions on Women's Labour Force Participation. In: Folbre N., Bergmann B., Agarwal B., Floro M. (eds) *Women's Work in the World Economy*. International Economic Association Series. Palgrave Macmillan, London. doi.org/10.1007/978-1-349-13188-4_9

World Bank. "Fertility Rate, Total (Births per Woman) - Japan." Data.WorldBank, World Bank, data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=JP.

Yang, Wen-Shan, and Pei-Chih Yen. "A Comparative Study of Marital Dissolution in East Asian Societies: Gender Attitudes and Social Expectations towards Marriage in Taiwan, Korea and Japan." *Asian Journal of Social Science*, vol. 39, no. 6, 2011, pp. 751–775. JSTOR, www.jstor.org/stable/43498087. Accessed 8 Sept. 2020