

Japan is no longer an equal country. The income inequality in Japan is noticeable everywhere in the inequality of outcome (or consequence). If we look closely, we see that the inequality in Japan is even moving to higher inequality. In this book we saw that the unequal income distribution in Japan is due to a historic change and that it is high internationally. The same is true in Japan for the inequality in wealth distribution, although the gap is not as serious as that in income distribution. The evidence therefore contradicts the strong belief both in Japan and internationally that Japanese society is an equality-oriented society. It is necessary to discard this myth.

Over the past one hundred years, both income and wealth distributions changed remarkably in Japan. Historically after the Meiji Restoration Japan was a very unequal country in both its social and economic structures until the Second World War. The social and economic reforms after the war helped modernize and democratize Japan, and to develop in the Japanese people an equality-oriented consciousness.

However, we also saw how recently income distribution has come to move toward high inequality. Over the last two decades the gradual modest increases in wage inequalities, the aging trend, the increase in single member households, the increase in the number of income earners within a household, the increase in imputed rents, the increase in nonwage incomes for wealth holders, the weak influences of tax and social security income redistribution policies, have all combined to produce the high inequality in Japan. A plausible way to conceive of an end to the income inequality problem is by applying the cubic-curve hypothesis.

The attention to wage distribution is by factors such as gender, age, job tenure, education, and size of firm. We saw that some factors work

to increase total wage inequality and other factors decrease wage inequality. A similar examination was made of wealth distribution. The bubble economy of the late 1980s was discussed in regard to spreading wealth inequality, as were intergenerational wealth transfers, in the form of bequests.

We considered two subjects at length: the balance between equality of opportunity and equality (or inequality) of outcome (or consequence), and the balance between economic efficiency and equity. The discussions of the principle of equality of opportunity and the economics of efficiency and equity ranged to concepts from ethics, philosophy, political science, and sociology.

The conclusion we drew suggests that equality of opportunity is endangered in Japan. In some areas equality of opportunity has yet to be observed such as in the treatment of women in the workforce, in intergenerational wealth transfers, and in the educational and occupational attainments of children from low-income households. In effect, in recent times the many favorable social and economic reforms adopted after the Second World War have reached a state of regression. To revert the trend toward inequality of opportunity, Japan needs to adopt strong measures and policies.

Equality of outcome, however, is a delicate and sensitive issue because just about everyone cannot escape from making value judgments. Some people prefer a highly equal distribution of income and wealth, whereas some other people do not care about a highly unequal distribution of income and wealth. Economic efficiency is an important factor in this dispute, and it offers some information on which choice is better between the two alternatives: equal distribution and unequal distribution. One way to solve this issue is by a trade-off between efficiency and equity. However, at least in Japan, there is no need to worry about the consequence of loss of efficiency because so far there is no sign of such a trade-off being considered. In other words, Japan could adopt an economic program through both tax and social security policies that aims at achieving more equality of outcome in income and wealth distribution, but no such attempt has been undertaken because of the possible loss of economic efficiency.

One sure way to equalize the spread of income and wealth is for Japan to become a welfare state. Like the United States, Japan has never been a welfare state. A welfare state, however, presents many disadvantages as well as advantages. Nevertheless, Japan is at risk of moving in the direction of a welfare state willingly or unwillingly if it does

not act now to avert the growing impoverishment of its people. Therefore, alternatively, there are the policy suggestions made in this book that might work to strengthen the Japanese economy today. These are the introduction of a progressive value-added tax or a progressive expenditure tax, deregulation of the industries, and reforms in the industrial relations systems.

In sum, the time is now to stop the ever-higher increases in inequality in Japan. Because the inequalities are largely in the areas of unreasonable and unjustified gains, policy changes can still be undertaken without compromising economic efficiency. The critical changes are those recommended in this book.