



Japan Should Lower Its Tax Rates Just Like America

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Japanese growth rates have been less than one percent for more than 20 years, but the government continues to depend on monetary policy to achieve a 2% inflationary target while asking corporations to raise the salaries of their employees. So far Japan's government has been met with negative responses from corporations on the wage front. It is becoming increasingly clear that this method alone will not help the economy. Steve Moore, an economist and an architect of President Trump's tax cuts bill, gave us his insights into how the U.S. economy is achieving its newfound growth, and how the recent tax cuts have played a major role in that. Isn't it time for Japan to think seriously about tax cuts so it can finally rekindle its economic prosperity?

Steve Moore: Steve Moore, who formerly wrote on the economy and public policy for The Wall Street Journal, is a Distinguished Visiting Fellow, Project for Economic Growth, at The Heritage Foundation. Moore, who was also a member of The Journal's editorial board, returned to Heritage in January 2014—about 25 years after his tenure as the leading conservative think tank's Grover M. Hermann Fellow in Budgetary Affairs from 1984 to 1987.

Moore was previously the founder and president of the Club for Growth, which raises money for political candidates who favor free-market economic policies. Moore also founded the Free Enterprise Fund before joining The Wall Street Journal.

Over the years, Moore has served as a senior economist at the Congressional Joint Economic Committee, and as a senior economics fellow at the Cato Institute, where he published dozens of studies on federal and state fiscal policy.

During the 2016 presidential campaign, Moore served as senior economic advisor to Donald Trump and helped draft early versions of the Trump tax plan. He is currently a senior economics analyst at CNN, and author of *Fueling Freedom: Exposing the Mad War on Energy*.

Interviewer: Hanako Cho

Great Achievements from President Trump's Tax Bill

Interviewer: I learned that you are an architect of the Tax Cuts and Jobs Act that passed last December? What influence will the tax cut bill have? Will the new tax bill spur long-term economic growth?

Steve Moore: I was one of the senior advisors to Trump on tax policy. So I think it was a big boom to the US economy. I think it will create millions of new jobs. I think it will bring a lot of investment capital back to the United States, and a lot of new business developments. And we're going to have a problem in the United States where we have more jobs than people to fill them so that's going to be a good thing. We've already seen hundreds of companies paying bonuses and pay raises to their workers. It's only three months old but it's already extremely popular with voters.

The economy is really doing well under Trump. We just saw here in early March that the number of people who are on unemployment insurance benefits fell to the lowest level since 1969. That's an amazing achievement. We have seen a big gain in jobs, and construction, and manufacturing, and mining, and throughout the economy. Right now, there are so many openings for people that they have a lot of bargaining power. We're seeing wage increases for workers, which is something that Donald Trump really wanted to achieve. It's how we raise the incomes of American families and this tax cut so far seems to be doing that.

What President Trump did that I thought was highly effective was not just cutting the tax rates, but also Donald Trump also gave companies an incentive to invest in the United States by— for example, the one thing Trump did that Japan would be wise to do is we allowed companies— what we call immediate expensing. You could write off from your taxes the whole cost of capital investment. And that's a really positive thing because it incentivizes businesses to spend more on plant and equipment and machinery and computers. And that kind of investment pays off in the long run hugely for workers and business profits. So I think Trump is proving how valuable tax rate reductions can be to fixing the finances and the overall economic conditions of a country.

Japan Should Also Lower Its Corporate Tax Rate

Interviewer: After the tax cut bill passed in the U.S., Japan's corporate tax rate became one of the highest in the world.

Steve Moore: Well, look, my advice to Japan and Tokyo is to— it would make sense for Japan to cut its corporate rate and business tax rate as well so that Japan can be more competitive. I mean, you're going to see a lot of capital leaving Japan and coming back to the United States, and jobs leaving with that money. So I've looked at Japan's tax code and I think it's flawed in the sense that you overtax your businesses.

Tax Cuts Will Work Magic on Wages and Productivity

Interviewer: With regard to corporate tax, PM Abe is suggesting that the government will lower corporations tax on the condition that corporations promise to increase the wages of their workers. What do you think of this proposal made by PM Abe?

Steve Moore: Well, that's a good question. I mean, I don't think companies can make that promise because wage increases are really tied to productivity improvements of workers. When workers are more productive then they can earn more. And that's one of the ways Japan became a rich nation, right, was by becoming very productive with their workforce— with their highly educated and skilled workforce that was able to produce a lot of goods and services with highly skilled workers. So what happens when you cut the corporate tax rate, you get a lot more business investment. And the businesses start to see more productivity, and then they're able to pay their workers more. So you want to cut your corporate tax rate because what we're finding in the United States is we didn't demand that companies pay their workers more, but they are paying their worker more. A: because they want to retain their workers, and B: because they realized that workers are more productive on the job. And if a worker can produce more widgets in an hour of work, then you can pay that worker a higher hourly salary. So I don't think you have to command the companies to raise the wages, I think you just need to let the tax cut work its magic and the wages will go up as productivity rises.

It Would Be Irresponsible for Japan to Raise Taxes

Interviewer: We only have pro tax increase political parties in Japan. Our Liberal Democratic Party has not explained the truth to its supporters that they will need more tax hikes if they keep the current welfare system. Do you have any thoughts on this?

Steve Moore: Well, I can't think of anything more irresponsible than for Japan to be raising any of its taxes. I mean, Japan needs a big economic boom, we haven't had one of those in 20 years in Japan. And the way to get that boom is to lower the cost of producing things in the United States— I mean, in Japan. So that you get a competitive advantage against other nations. So I believe Japan would be very wise to lower the tax burden not raise it. There have been times when the sales tax went up in Japan, and that was just a mistake. And people will buy more things if they have more salaries to buy things with. If they have more income then they can consume more.

Interviewer: With regard to the government debt and tax reduction policy, Japan's government debt has reached more than two times GDP. Therefore, the Japanese government is hesitant to reduce the corporate and income tax rates. Would you please share with us your thoughts on the relationship between government debt and tax reduction?

Steve Moore: The best way to get revenues into your government and the best way for the state or a country to balance its budget is to grow the economy. Grow, grow, grow. That's what Trump is trying to do in the United States. He focuses on putting more people into work, taking them off welfare, turning them into taxpayers, not tax eaters. And that strategy has really worked, and we're seeing a lot of growth as a result. And we think the extra growth will lead

over time to, more tax revenues, not less. And that could happen in Japan, as well. I'd love to see that because this is called Laffer Curve and it really does work.

Economic Growth Is the Best Way to Balance the Budget

So far, we've seen such a big increase in job creation that we're actually not seeing a big loss in tax revenues from the tax cut, which is a positive thing. We're seeing a lot of additional employment and our budget deficit will go up a little bit in the short-term, but we think in the medium and long-term as the economy continues to grow, we're going to have a reduced budget problem in this country. And Japan has had deficits for a long time and it's not because your taxes are too low, it's because your growth has been too low. Increasing growth is really the best way to balance your budget.

Interviewer: So can I ask you about the Trump budget that is being deliberated on by the House and the Senate?

Steven Moore: It's disappointing because we've seen a lot of additional spending from the Trump administration and from the Congress. And they are spending a lot more on military, on domestic social programs, and that's going to create, in this year, a big budget deficit because they're spending money without having the money to pay for it. They have to borrow to pay for all that spending, so that's not a pretty picture right now. And I think a lot of conservatives are disappointed about that, but on the other hand, the conservatives and businessmen are very, very happy about the tax cut.

We Need To Raise the Retirement Age

Interviewer: I think he has a goal of decreasing \$1.8 trillion in entitlements because entitlement spending accounts for nearly two-thirds of all federal spending. Our situation is much worse though.

Steve Moore: We have a big problem in the United States as Japan has because we are an aging population. Our workers are getting older, and we have fewer younger people coming in. And Japan has that too with lower birth rates. And so, we're going to have to at some point, raise the retirement age because people are living longer. So we should raise the retirement age to reflect the fact that people are healthier than they used to be and they're living longer, and they have longer life expectancies. So we can't have people living 25 and 30 years on retirement benefits. So that's a solution that I think almost everyone agrees to. And I think Japan would be wise to do that too.

We Need Pension System Reform

Interviewer: Should we keep our current pension system that the government collects forcefully from its citizens? Do you think this system is sustainable?

Steve Moore: What I would favor for entitlements is— for our pension program is to let individual workers invest their money themselves rather than have the government invest it for them. So they own their own personal retirement accounts, and they can have control over it. And that would determine how big their retirement benefit is. And that's something that's been resisted by Congress, but I think that would make a big difference for workers. And they would retire with a much bigger income.

The Problem with Mandatory Spending

Steve Moore: The problem has been that there's been no cuts in the other 70% which is the old age programs and the welfare programs. And we need to make people work for their welfare benefits. We need to raise retirement ages. There's a lot of things we could do. We have to have more competition in healthcare to drive down costs. And we're just not doing that.

President Trump's Infrastructure Budget Should Be Privately Financed

Interviewer: With regard to the infrastructure plan, President Trump intends to spend 200 billion dollars as seed money to incentivize the infrastructure plan. If the U.S. succeeds, I think Japan should emulate this strategy. But there are many who are skeptical about Trump's plan, and the Democrats are saying that the federal government should spend more, like in Roosevelt's New Deal. Do you have any thoughts on this?

Steve Moore: Right now I like Trump's ideas about infrastructure for a lot more of the infrastructure to be built with private sector monies. Private companies can build a lot of our infrastructure, our electric grid system, our broadband. We have this private space program now in America under Elon Musk. We could build out pipelines for our own gas production. So a lot of the infrastructure we need could be built without tax dollars but with private dollars. And even for the roads, we can move towards the tolling system where people pay to use the roads and that's a very efficient way to tax for the roads because the user pays. And that's the direction Donald Trump wants to go in but I don't think Congress, and especially the liberals in Congress, like that idea. They want to stick with government financing.

Inflation Is Under Control in the U.S.

Interviewer: After Trump became president, the US economy has grown dramatically, but now the FRB is thinking of raising interest rates fearing that inflation might increase. Do you think the FRB should raise interest rates?

Steve Moore: Well, that's going to be an interesting question to follow in the United States, is what happens to the interest rates set by the Federal Reserve. Look, I think that the feds probably should be raising rates to make sure that we don't get inflation because the economy's growing so quickly now and there's too much money slashing around out there, because of the expansive

monetary policy that happened after our great recession. So I think the feds should raise interest rates, and I think that would have a positive effect on the economy and not a negative effect because it would seesaw all this talk about inflation running out of control which we don't have inflation running out of control. Inflation is very controlled. I mean, the inflation rate is still only growing at two to two and a half percent per year. That's very low inflation compared to the 10, 11, 12 percent inflation we had in the 1970s. So I'm not too concerned about inflation and the interest rates too. I think interest rates will gradually rise, but they're at historical low level. So I'm not too nervous about that either.

The Best Tax Is a Flat Tax

Interviewer: Japan's progressive tax system is one of the highest in the world. If you were a Japanese economist, how would you convince people that this progressiveness is not good for the growth of the economy?

Steve Moore: The ideal tax system for Japan would be to have a flat tax, right, say 20%. Everybody pays 20%. Poor people don't have to pay the tax but everyone else pays 20%, and I think that would be much more efficient. Progressive taxes lead to progressive decline in the economy because you end up punishing very successful people, the entrepreneurs, and the business creators, and the job creators of your economy. The best system is a flat system, not a progressive rate system.

Interviewer: Many Japanese people seem to be convinced that they have to pay a higher tax to support our aging society. How would you convince those people?

Steve Moore: I think if you want to get more money out of rich people, don't raise their tax rates, lower their tax rates. So they work more and they produce more. And there's a mistaken belief among many economists that higher tax rates are going to raise a lot more money. But they oftentimes don't do it. They oftentimes hurt your economy more than raise revenue.

Interviewer: What is your take on the possibility of realizing a flat tax system in the United States in the future?

Steve Moore: We just did a major tax reform last year, so I don't think we're going to have a flat tax anytime soon, we didn't get a flat tax, but we did get a flatter tax. Once we get the flat tax, then I can retire from my job [laughter].

Interviewer: Until then, you cannot retire?

Because I worked my whole career for the tax, and I'm really hoping that we get there because I think it would make America very competitive. And I think it would make Japan very competitive as well.

Trumponomics

Interviewer: I heard you are about to publish a new book entitled *Trumponomics: Inside the America First Plan to Get Our Economy Back on Track*.

Steve Moore: Yeah. We want everyone in Japan to buy the book. It will be out in November and it's by Art Laffer, Larry Kudlow, and Steve Moore. It's going to be about how Trump implemented these reforms and how they're working. And we're really excited about the book, and we're trying to finish it now as we speak. But we want to have it translated into Japanese. Can you help us with that? And then when the book comes out, I want to come out to Japan. I've never been to Japan and I want to give a talk about the book.

Interviewer: You would be very welcome.

Steve Moore: Okay. That would be great. Let's talk. The book will be out towards the end of the year. No, I'd love to do that, if you think people would be interested.

Interviewer: Yeah, many people would be interested.

America Is the Most Generous Nation in Terms of Charity

Interviewer: I hear that the number of donations for charitable purposes are increasing in the U.S, which I think is one of the amazing aspects of the American economy. Would you please share your insight on the role of donations in a capitalist society?

Steve Moore: Voluntary charity has a long history in the United States. Not only is America an outlier in terms of economic growth historically, but the amount of donations too. Americans are the most generous in the world. It is important that charity remains private and discretionary. Individuals and organizations that are discretionary with their alms achieve the best results with their charity. Generally, groups including governments that give with less prudence may often create the wrong incentives that less fortunate people need to build for future successes.

How to Change Public Opinion

Interviewer: We feel we need to change public opinion in Japan, as you did for America, because almost all the Japanese are being influenced by the government, and they think it is inevitable to have to bear a much higher burden to support Japan's aging society. You have written so many articles and given so many lectures to influence public opinion. What should we do to change our public opinion?

Steve Moore: America is a nation of immigrants. I am still arguing the case to allow more legal immigrants into our country to help take care of our aging citizens and grow the economy. It is important to enthusiastically show how immigrants greatly contribute to the wellbeing of all citizens without putting a large burden on younger generations. I recommend fueling the emotions of listeners with hope and achieving real goals as opposed to reciting dry abstracts. Using real life examples and stories is a great way to grab people's attention and provide a new perspective.

Individual Freedom Comes With Individual Responsibility

Interviewer: Mrs. Thatcher had a belief in the Methodist faith, and President Reagan was an adherent of Christianity. President Trump also shares deep religious convictions. Do you think faith is a component in realizing individual freedom?

Steve Moore: Yes, I am a strong proponent of individual responsibility. Individual freedom without responsibility is a recipe for disaster. A lot of recent global politics are centered on identity politics, which are antithetical to individual responsibility. Individual responsibility creates the incentives for people to be as competent as possible in order to personally gain the best outcome for themselves and their families.

There Is a New Spark in the American Economy

Steve Moore: I would just simply end by saying that when you combine Trump's deregulation policies and his policies to get government out of the way of our economy— Trump is a successful businessman. He's pro-business. And you have to have successful businesses if you're going to have a successful economy. And sometimes our liberals in this country have lost sight of that. And businessmen and women are not villains, they're the heroes in the economy and I think Trump has really restored a lot of confidence. You see, our business confidence levels are as high as they've been in 30 years. And so, there's a new spark in the American economy and we just hope that the flame it's created doesn't go out anytime soon.