

What Is the Appropriate Level of Consumption Tax Burden to Finance Child Allowance?

- Measurement of Japanese people's preferences via conjoint analysis -

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Abstract

This study was carried out to identify the preferences of Japanese people regarding the provision of child allowance. The present survey was carried out among individuals aged 18 to 49 years old, excluding students, from August 14 to 19 during the 2009 Lower House general election. Conjoint analysis was used to quantitatively measure the balance between child allowance and its burden by presenting several levels of child allowance in combination with different consumption tax levels.

We obtained the following two main results. First, the majority of respondents replied that consumption tax will soon be increased from 10% to 15% but even a 1% increase in the consumption tax rate is not acceptable if it is for the purpose of financing child allowance. However, respondents with children or those with the prospect of getting married in the future replied that approximately a 1.3%-1.9% increase in the consumption tax rate is acceptable in exchange for the child allowance of 26,000 yen.

Another result we could obtain is that there are regional differences with respect to people's perception of children's medical cost using conjoint analysis. In most prefectures in Japan, preschool children can receive outpatient treatment for free. However, in some prefectures, age limit is set at two or three years. In Tokyo, free outpatient medical services are available until graduation from junior high school. A quantitative measurement was performed to investigate whether or not such regional difference accounts for differences in people's appreciation of child allowance and its burden. A random parameter logit model of conjoint analysis, in which the restriction that preferences are constant across individuals is removed, revealed that regional differences account a great deal for people's perception of children's medical cost.