



3-31-2023

Essay on the Revitalization of Local Communities

Hiroshi Saito

Toyo University, hiroshis@toyo.jp

Follow this and additional works at: <https://gensoken.toyo.ac.jp/japanese-society-and-culture>



Part of the [Economics Commons](#), [Social Welfare Commons](#), [Social Welfare Law Commons](#), [Sociology of Culture Commons](#), and the [Tax Law Commons](#)

Recommended Citation

Saito, Hiroshi (2023) "Essay on the Revitalization of Local Communities," *Japanese Society and Culture*: Vol. 5, Article 13.

Available at: <https://gensoken.toyo.ac.jp/japanese-society-and-culture/vol5/iss1/13>

This Research Note is brought to you for free and open access by Institute of Social Sciences. It has been accepted for inclusion in Japanese Society and Culture by an authorized editor of Institute of Social Sciences.

[Received 28 September 2022 / Revised 3 October 2022 / Accepted 5 October 2022]

[Research note]

Essay on the Revitalization of Local Communities^{*}

Hiroshi Saito^{**}

Abstract

It is difficult to theorize regional revitalization due to the differences in the characteristics of each local government. However, it may be possible to generalize its basic features: “regional management” and “financial surplus.” The problem of regional revitalization is conventionally discussed from a perspective of public administration. However, this paper reexamines the problem from a management theory perspective. Considering the starting point of regional revitalization is the surplus of public finances, attention is focused on the local tax law, especially on the importance of inhabitant tax, fixed property tax, and resident population policy. The paper also shows that the attraction of integrated resorts and accompanying income from tourism cannot contribute to the surplus of local government finances. Based on these findings, it is hoped that individual local governments will develop their own policies.

Keywords: Regional Revitalization, Management, Fiscal Surplus, Integrated Resorts, Tourism, Theory

I. Introduction

Local revitalization or revitalization has long been discussed. Several local governments organize events such as idea contests among university students,¹ develop local specialty products, and introduce tourism activities² to attract companies, universities, and government-led revitalization projects.³ This is not just a Japanese trend, but one that is occurring worldwide, and many related books and

^{*}The original version of this essay was published on the *Chiki Seisaku Kenkyu (Studies of Regional Policy)*, Vol.45, No.4, 2023 by Takasaki Keizai Daigaku (Takasaki City University of Economics).

^{**} Professor, Doctor of Law, Faculty of Law, Toyo University, Tokyo.

¹ Edited by Kenichiro Shibusawa, “List of Submissions for Corporate Idea and Design Contest,” Institute of Social Sciences, Toyo University (identification number SES202002) See September 1, 2020 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/PDF/shortessay-ideacontest.ashx?la=ja-JP&hash=F157047A4EC707A27FAACEC437D9A498E2D1E534>>

² Ryusaku Matsuo and Sanjushi Yamaguchi, “Environmental Visitors and Visitors to Michi-no-Eki,” Institute of Social Sciences, Toyo University (identification number WPS202001), September 1, 2020 <<https://www.toyo.ac.jp///media/Images/Toyo/research/labo-center/gensha/PDF/workingpaper1matsuo.ashx?la=ja-JP&hash=0C3172947858C60D028641E224936A8C47AC1849>>

³ Kozue Kashiwazaki, “SDGs and Urban Communities: A Case Study of Bangkok, Thailand,” Institute of Social Sciences, Toyo University (identification number WPS202104) June 29, 2021 <<https://www.ac.jp/-/media/images/Toyo/research/labo-center/gensha/PDF/2021WPS04.ashx?la=ja-JP&hash=C0023D3E44089C65362D2CE8EDD302A7452B2743>>

reports on the issue have been published. The books and reports focus on cities that have succeeded in revitalization and those that have not. From the records, majority of the revitalization attempts were successful. Thus, there have been several attempts at imitating the successful revitalization attempts; however, such attempts have not progressed as expected.

What has become clear from the practical examples and case studies is that there are no theories on regional revitalization or revitalization generally. There are differences among municipalities; each municipality possesses elements that make them unique, thus, constructing a common theory that applies across all municipalities may be a difficult task. However, for the improvement of human life through regional revitalization and revitalization, a certain theory, advanced logic, or theoretical description is necessary. Without such revitalization measures would be nothing more than an ad-hoc act relying on mere experience, intuition, or temporary proposals from the outside such as holding events, etc. or unnecessary waste money. Several individuals who have been involved in these activities are keenly aware of the need to work on revitalization and revitalization according to medium- to long-term plans based on theory or logic.

For this reason, this paper proposes a theory or advanced logic or theoretical description of regional revitalization and revitalization that can serve as the “axis of thought” or “foundation for ideas” for those involved in the practice in the field. Being an academic study, this paper constructs a theory. Thus, researchers can validate the proposed theory by applying the theoretical description presented here as a basis for conducting business according to their unique environments (conditions). This will help to further improve the accuracy of theory construction.

There are several books on regional revitalization⁴ and revitalization. However, none contain a theory, high logic, or theoretical description. Moreover, much of Japan’s regional revitalization has been government-led, and they have been considered primarily from the perspective of public administration, however, no theorizations have been made. This is because regional revitalization is a combination of various fields and cannot be summed into a singly theory.

If the term “local revitalization” is replaced with “reconstruction of local management” instead of administration, a revitalization theory or theoretical description based on the management theory may be established. Therefore, to propose a preliminary theory on the basics of regional revitalization, this paper first explains and presents the theory or advanced logic in the field of business administration. The contents of Chapters 40 and 41 in *Sekai Hyojun no Keiei Riron* (Global Standard Management Theory)⁵ by Akie IRIYAMA are introduced then, based on these chapters, a theoretical description of regional revitalization is proposed. According to the book, the management theory on regional revitalization is

4 For example, the following books have been published. Yasuyuki Iida *et al.*, *Chihou-saisei no Shippai-gaku* (Kobunsha, 2016, 2nd edition of the first edition) ISBN978-4-334-03915-8. Heizo Takamatsu, *Doitsu no Chihou Toshi ha naze creative nanoka?* (Gakugei Publishing, 2017, 3rd edition, ISBN978-4-7615-1364-1). Hitoshi Kinoshita, *Fukuoka-shi ga Chihou-saikyou ni natta Riryuu* (PHP Research Institute, 2018, 5th edition) ISBN978-4-569-83767-3. Hitoshi Kinoshita, *Chihou Sousei Taizen Regional* (Toyo Keizai Inc., 2018, 8th edition of the first edition) ISBN978-4-492-21225-7. Mamoru Taniguchi *et al.*, *Sekai no Compact City* (Gakugei Shuppan, 2019, 1st edition) ISBN978-4-7615-2725-9. Mitsuhiro Yamazaki, *Portland* (Gakugei Shuppan, 2019, 7th edition of the first edition) ISBN978-4-7615-2623-8. Soichiro Takashima, *Fukuoka shi wo Keieisuru* (Diamond Publishing, 2020, 7th first edition) ISBN978-4-478-10347-0. Kazuto Ataka, *Shin Nihon* (Newspics, 2020, 2nd edition of the first edition) ISBN978-4-910063-04-1. Hitoshi Kinoshita, *Machi-zukuri Gensou* (SB Creative, 2021, 1st edition) ISBN978-4-8156-0912-2. Kensuke Nakajima, *Denmark no Smart City* (Gakugei Shuppan, 2021, 3rd edition of the first edition) ISBN978-4-7615-2728-0.

5 Akie Iriyama, *Sekai Hyojun no Keiei Riron* (Diamond Publishing, 2020 7th edition/1st edition 2019) 820 pages (including index, etc./803 pages of text) ISBN978-4-478-10957-1.

in its nascent stage, thus the theoretical description presented is rough. In addition, even if there are misunderstandings in the contents of the literature on which this paper relies, it is the responsibility of the author and not the book. Due to the nature of this paper, a detailed description of the book is not provided. The second half of the paper will present the necessary financial resources required for surpluses while reviewing the provisions of tax laws (especially local tax laws), based on the perspective that the basis for the revitalization of local governments and regions is to provide local governments with surplus finance. At the same time, regarding the possibility of attracting Integrated Resort (IR), which has been the focus of attention in recent years. Based on the current laws and regulations, it is also considered as a symbol of regional revitalization. The usefulness of regional revitalization will also be considered against the current increase in the number of tourists. Some considerations are also made based on a summary of the first and second parts of this paper.⁶

II. Contents of Chapters 40 and 41 of *Sekai Hyoujun no Keiei Riron (Global Standard Management Theory)*

In chapters 41 of the above-book, IRIYAMA states, “How scholars use real-world data, business examples, etc. to substantiate their theories [...] provide an overview of academic methods and processes. I want to explain it in an easy-to-understand way.” In Chapter 40, he explains how to build a management theory. “To construct a theory is to abstract a complicated real phenomenon and describe it logically.” Chapter 41 explains how to proceed with the empirical analysis. It states that the masses of modern data must be analyzed and “at the very least you need to understand and interpret the results that emerge from the data analysis.” Ultimately, the formulation of theory and subsequent demonstration must be considered as a set.⁷

(1) How to construct the management theory (Chapter 40)⁸

In business administration, constructing a theory is called theory building, and the Japanese translation expresses it as “theory construction.” The purpose of a management theory is “not to describe ‘what,’ but to answer ‘how,’ ‘when’ and ‘why.’” Chapter 40 explains the essence of theory construction.

“There are two levels of theory construction” before going into general theory and theoretical description construction. The first level is “to create a universal theory that is widely applicable to various people, organizations, companies, etc. in this world,” sometimes called “Capital-T-Theory,” which, in this paper, is called the “general theory.” The 30 management theories in this book fall into this category. The second level is “using general theories to explain why, and connecting various real phenomena and concepts to construct your own theoretical laws.” This is called “theoretical description” (theoretical argument). The main part of this book is the construction the “theoretical description.” In this book, the general theory and the construction of theoretical descriptions are collectively referred to as “theory

⁶ This article is based on my article, “Chihou Saisei/Kasseika no Kasetu,” Institute of Social Sciences, Toyo University (identification number SES202101), June 1, 2021 <<https://www.toyo.ac.jp/media/Images/Toyo/research/labo-center/gensha/publications/Short-Essay/SES202101.ashx?la=ja-JP&hash=B73555AA4C9A90508553AE15D26BD1EBC7DFD278>> “Chihou Saisei/Kasseika no Kasetu to Genjitsu-an,” Institute of Social Sciences, Toyo University (identification number SES202102) September 1, 2021 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/PDF/2021SES02.ashx?la=ja-JP&hash=67A20CD31681F9D17F70965DFC9724F0EEA22208>> with additions and corrections.

⁷ *Ibid.*, pp. 740-741.

⁸ *Ibid.*, pp. 742-763.

construction.”

The flow of theory construction and the components of theory are shared among management scholars, and the steps of theory construction are as follows.

Step 1 is “reality observation.” Observing reality and discovering anomalies is the starting point for constructing academic theories.

Step 2 is “abstraction and classification.” To categorize the phenomena found in reality (there are countless ways to classify). That is, to clarify the “unit.” Units are various events (things and things); there are two types of units. The first is a construct that abstracts an event and is almost synonymous with a “concept.” However, since concepts are abstracted, they cannot be seen and measured, thus they must be converted into “variables” such as concrete expressions.

Step 3 is “relationship description” If a relationship between units (events) can be drawn in a sufficiently convincing manner, it becomes “something like a theory” (presentation of the law of relationships). In other words, the why can be fully explained, and the use of general theories (30 management theories in this book) is useful. This stage includes the following elements:

1) Law of interaction: This is the relationship that connects events (units) Connecting concepts (concrete variables) usually results in a causal relationship. This answers the “how.”

2) Relationship law paradigms: These include linear relationships, U-shaped and inverted U-shaped relationships, moderating effects, and mediating effects. See pages 748-749 of *Sekai Hyoujun no Keiei Riron* for details.

3) Boundary condition: This is within the scope of theory. There are two kinds of binary condition. Fundamentally, there are “assumptions about people” (what kind of being people are), and if such “people” do not work, the theory will not work either. For example, in economics there is an assumption that people act rationally. The second is the empirical boundary, which is the range within which the theory is valid in the real world (social range). For example, it will determine whether the theory is applicable in different industries and regions (irrespective of the differences within industries and countries of the world such as the IT industry world, Europe, the United States and Asia). If this boundary is too narrow, universality will be lost.

4) System states: These limit the scope of the theory. While the boundary condition determines the range of the theory, the system states determine the “range in which the relationships of units (events) within the theory do not change.” If the relationship between units holds true for a certain phenomenon but does not hold true for another phenomenon, it is expressed as “the system state is not true.”

5) Proposition/hypothesis: This theory is constructed by systematically summarizing the relationships between units. This involves the process of verifying a cause-and-effect relationship in reality. At that time, “propositions” are highly abstract and present causal relationships between concepts (constructs) and hypotheses that are replaced so that they can be handled empirically become the subject of empirical analysis.

Step 4 is “correction/improvement of the presented theory.” The proposed theory is hypothetical and incomplete, and must be confirmed by empirical analysis. Then, while making corrections and improvements, the empirical analysis is continued, and the theory is advanced by repeating this process.

(2) Empirical analysis of global standards⁹

Empirical analysis is a general term for “work that compares theory and reality,” and without it, a theory is empty without empirical analysis. However, empirical analysis in the social sciences differs from that in the natural sciences. In general, there are deductive methods and inductive methods. Deduction is a method of first deriving a proposition/hypothesis from a theory and verifying whether it applies to reality. Induction is a method of finding truths from observations of reality, such as case studies (case analysis).

In business administration, the main empirical analyses are classified into the following six categories.

1) Analysis of archival data: This is a statistical analysis using data (archival data) already collected by a third party.

2) Analyzing the data of the questionnaire survey (questionnaire survey): This is not visible from the outside, but it is analyzed by conducting a questionnaire survey (questionnaire survey). Statistical methods include regression analysis and multivariate analysis (excluding regression analysis). These must be learned separately.

3) Analyzing data from psychological experiments: Gathering subjects and verifying theoretical hypotheses. Methods of comparison include analysis of variance and analysis of covariance, which should also be learned separately.

4) Meta-analysis: A method of summarizing the statistical analysis results of multiple empirical studies conducted in the past on the same theme and subsequently conducting statistical analysis to derive the “comprehensive results of empirical analyzes conducted in the past.”

5) Simulation: Although it is difficult to call it an “empirical study” because it does not necessarily use actual data, computer simulations are performed using numerical examples based on mathematical models derived from others. In business administration, a technique called agent-based model is frequently used.

6) Case study: A method of conducting interview surveys by entering an organization, etc., sometimes combined with literature research. Case analysis is often used as an induction method. Grounded theory is a method that aims to objectively classify and provide meaning to information from text obtained from interview surveys, etc., and has been used more frequently in recent years.

Next, the criteria for choosing the method of empirical analysis depend on the purpose of the research. They are roughly divided into the following two types.

(a) Compatibility with theoretical discipline

A theoretical discipline, according to *Sekai Hyoujun no Keiei Riron*, is that management theory itself is built on theories derived from the three fields of economics, psychology, and sociology. It expresses a discipline with strong attribution because it is derived from two fields. It is represented here as the economics discipline, the psychological discipline, and the sociological discipline.

Therefore, empirical analysis is compatible with theory. Statistical analysis (regression analysis) mainly using archival data is usually applied in economics discipline theory. In In psychology, the macro and micro fields are different. In the macro field based on cognitive psychology, statistical analysis of

⁹ *Ibid.*, pp. 764-782.

archival data, statistical analysis of questionnaire surveys, psychological experiments, and simulations are used. In the micro field, statistical analysis of questionnaire surveys, case studies, etc., are used. It involves understanding the inner thoughts of individuals. However, some theories are unsuitable for statistical analysis. “Knowledge Creation Theory,” “Dynamic Capability,” “Sensemaking Theory,” etc. In these cases, case studies are often used.

(b) Theory life cycle

A theory has a life cycle. There are three stages: “nascent,” “intermediate” and “mature,” and we believe that the verification methods differ at each stage. The “dawn period” is the stage of observing reality closely and discovering singular points (anomalies), so the induction method based on case studies is suitable. In the “intermediate period,” further case study (inductive method) is used to verify whether the conclusions derived from the case apply broadly (deductive method). Since applicability (deductive method) is performed, many empirical analysis methods become statistical analyses.

III. Theoretical construction of regional revitalization and revitalization

Based on the above content, we will attempt to construct a theory or a theoretical description of regional revitalization and revitalization.

(1) Based on the current state (July 2022), the following summaries are made.

1) The purpose of the theoretical description proposed in this paper is to provide a theory, advanced logic, or theoretical description that will serve as the basis for regional revitalization and revitalization, as the “axis of thought” or “foundation for ideas” of those involved in the field.

2) Since the theory of regional revitalization and revitalization has not yet been established, it falls within the initial stage of the “dawn period.”

3) Since it is a study of the light period, the induction method based on case studies is used.

4) The subject of the case study is a survey of published literature. One of the reasons for this is that we are unable to carry out field surveys at this time due to the impact of COVID-19.

5) Establish the singularity from the above literature. This is a peculiar point in which there are places where regeneration is successful and places where regeneration is unsuccessful.

6) Units are “residents,” “local governments” and “academic institutions/universities.”

7) In this relationship, the bank prepares and provides the necessary information, the private sector proposes ideas, academics provide professional advice, and the private sector supports the activities of the private sector.

8) Boundary conditions are defined as “the local residents love their country and want to revitalize it.”

9) The system state shall be “a region with a place called learning.”

10) As propositions and hypotheses, “Citizens take the lead, and the government and academia support” (proposition), “The government provides the information that the people want, academia provides technical advice to the people, and the government also provides administrative support to the people. The university should not limit the new activities of the people that are born as a result of giving advice to the people, and the university exists as a place to produce these” (hypothesis).

11) The above propositions and hypotheses can be explained by theories suitable for case studies

because they are in their early days.¹⁰

(2) Theory of search for knowledge and deepening of knowledge

The premise of this theory is “bounded rationality” (a person only has knowledge of the extent to which he/she exists). “Exploring knowledge” is to go outside the scope of one’s own cognition and seek new knowledge, and “deepening knowledge” is to utilize what one already knows. It is difficult to produce short-term results in the search for knowledge, so companies tend to focus on deepening knowledge. This situation is called a competency trap.

(3) “Knowledge search” is necessary for each unit of “Private, Governance, and Academics”

Regarding the title, it is fundamentally necessary not only as an organization but also for “intrapersonal diversity” called intrapersonal diversity. This means that “if one person has diverse and wide-ranging knowledge and experience, the combination of separate knowledge advances within that person, and new knowledge can be created.” While each unit of “private, governance, and academia” secures the “exploration of knowledge” through individual diversity, the private sector plays a central role and receives the support of academia to develop regional revitalization and revitalization activities. These three come together at the “university,” and the support of academics will lead to further exploration of the area and deepen knowledge from the perspective of specialization. In other words, the search and deepening of knowledge will occur through a combination of the private sector, government, and academics, resulting in innovation.

(4) Singularity

Regarding the singularity, there is no “outside” set on the unit. The term “outside” here refers to subsidies from the central government, the construction of buildings using these funds, and the invitation of external companies and organizations (factories and universities). Most of the regional revitalization and revitalization efforts that have been made have failed. In other words, it was not something that originated from the “people” of the region, but because it relied on the power of others (outside). In addition, the size of the local population is not an important factor in regional revitalization and revitalization. Local revitalization means that the local government in question generates its own profit. Thus, it is necessary to carry out revitalization activities from the perspective of corporate management with the active participation of the local people. In other words, the revitalization activities must become “profitable management.” Therefore, the relationships between the above units are necessary and important. It is desirable that the use of ICT in regional revitalization and revitalization should be proposed as a “business activity” by the “private sector.”

¹⁰ *Sekai Hyoujun no Keiei Riron* by Akira Iriyama presents a list of theories that are highly compatible with the empirical analysis method described above. Among them, the case studies include “Theory of Knowledge Exploration and Knowledge Deepening” (Chapter 12 and 13), “Theory of Organizational Knowledge Creation (SECI Model)” (Chapter 15), and “Cognitive Psychology.” “Base Evolution Theory” (Chapter 16), “Dynamic Capability Theory” (Chapter 17), “Sensemaking Theory” (Chapter 23), and “Embeddedness Theory” (Chapter 24) are exemplified. Among them, since the theme (purpose) of this time is local innovation with units of “Private, Governance, and Academia,” “theory of knowledge search/knowledge deepening” has the highest affinity, and the relationship of the unit can be explained.

(5) Summary

From the above, the theory of regional revitalization and revitalization is that revitalization activities are developed as “business activities of profitable management by the private sector” based on the search and deepening of knowledge among the “citizens, the government, and academia.” Ultimately, this means that local government (municipal government) finances will be in the black. If public finances are in the black, they can be invested in every nook and cranny of the area to improve the lives of local residents and develop the area, leading to the revitalization of the area. Therefore, two types of verification are required. The first step is to verify whether there is a suitable environment for the implementation of the policy. For example, whether the private sector can prepare and provide the information that the private sector wants, whether the private sector imposes restrictions that would crush the activities of the private sector, whether the conventional revitalization plan originated from the private sector, etc. as the verification focuses on whether it is based on ideas and whether there are places (such as universities) where learning can be used. Next, the validity of the theory should be verified by carrying out activities based on the theory. In this process, by generating specific measures such as transportation policy and ICT education as “suggestions from the people,” the theory would be verified based on concrete examples, thereby contributing to the achievement of revitalization in the local area. If this is possible, by verifying the realization process of individual proposals, the specific relationships between units will be clarified.

IV. Summary from the perspective of the Management Theory

In summary, the theoretical description or theory construction of regional revitalization in the early days can be simplified as follows.

- Purpose: The research institute presents theories or theoretical descriptions (advanced logic) that serve as the foundation (axis of thought) for the regeneration, creation, and revitalization of local governments.
- Research stage: The current stage is the “dawn period” because the study of regional revitalization and the study of creation are yet to be established.
- Method: The induction method based on case studies is used (i.e., literature research, etc.).
- Singularity: Successful cases are led by the private sector, and unsuccessful cases are led by local governments.
- Unit: People (private citizens and private organizations who are residents of the region), “*Gyo*” (local governments of the region), academics (experts such as researchers), and outsiders (grant funds, external companies, etc.) do not belong to the unit.
- Relationship: Exploration and deepening of knowledge based on intrapersonal diversity and inter-unit relationships.
- Propositions and Hypotheses: Citizens take the lead and government, and academia support (proposition). Residents of the region have love for their hometown and desire to revitalize it (person/theoretical boundary as a premise). The government should provide the information that the people want, academics should provide the people with professional advice, and the government should provide administrative advice to the people. Universities exist as a place to produce these things’ (Hypothesis).
- Explanatory theory: “Theory of Knowledge Exploration/Knowledge Deepening” (theory for innovation by the Carnegie school).

- Practice: 1) Investigate whether there is an environment for the unit, 2) Investigate the existing revitalization plan in the local government, 3) Create a proposal from the people (ICT education, etc.), 4) Verify and correct the theoretical description based on concrete examples (system states and Phenomenon Boundaries).¹¹

V. Local governments' fiscal surpluses

The previous paragraphs presented the author's attempt at theorizing the dawn of regional revitalization. The proposition presented is that "the people (private citizens and private organizations who are residents of the relevant region) will take the lead, and the government (local governments of the relevant region) and academics (experts such as researchers) will support it." The following hypothesis presented is that "the government provides the information that the people want, academics provide the people with technical advice, and the government provides the people with advice from the administrative side, and as a result, new activities for the people are developed. A university should not be restricted; it should exist as a place to create these." As a premise, there is a regeneration of local governments and the relevant local governments themselves become profitable. In other words, the new activities of the private sector indicated by the hypothesis must generate a surplus for the local government concerned.

(1) Examination of fiscal surplus

Therefore, as the next step, we must consider measures to improve local governments' profits. Local governments cannot carry out profit-making activities by themselves. Therefore, taxation is the only way to bring local governments into the black. This may be problematic under tax law. Taxes in Japan are broadly divided into national taxes and local taxes. They are expressed as follows.¹²

[National tax]

Ordinary tax	Income tax	Income tax, corporate tax, local corporate tax (local allocation tax), special local corporate tax (local transfer tax), and special corporate enterprise tax (local transfer tax)
(Ordinary tax)	Property tax	Inheritance tax, gift tax, land value tax, and automobile weight tax (some local transfer taxes)

¹¹ Specifically, residents of relevant local governments can set up a private group, put forward various ideas based on the above, and discover ways to realize them, including the various systems of the local government are necessary. Enlightenment activities for residents will be necessary as a preliminary step. In addition, instead of following the above as it is, it is also necessary to perform applied operations, such as making corrections according to the situation of each region. It can be said that these are also the processes of constructing a cycle or system of the relationship between the private sector, the government, and the academic community. In particular, AREC (General Incorporated Foundation Asama Research Extension Center), which is jointly established by *Ueda City, Nagano Prefecture* and *Shinshu University*, has established a coordinator for rational development of joint work, and is one example that is drawing a great deal of attention. <<https://www.shinshu-u.ac.jp/zukan/person/-arec.html>> Accessed at 16:12 on July 19, 2022.

¹² Created with reference to the table on the back cover of *Reiwa 3 nen-do-ban Zeimu Index* by Zeimu Kenkyukai ed. (Zeimu Kenkyukai Shuppan, June 2021).

(Ordinary tax)	Consumption tax	Consumption tax, liquor tax, volatile oil tax, petroleum gas tax (partly local transfer tax), aviation fuel tax (partial transfer tax), petroleum, Charcoal tax, tobacco tax, special tobacco tax, international tourist tax, customs duty, and local gasoline tax (local transfer tax)
Special purpose tax	—————	Power development promotion tax and reconstruction special income tax
Ordinary tax	Distribution tax	Registration and license tax, stamp tax, tonnage tax, and special tonnage tax (local transfer tax)

[Local tax]

▪ Form of direct taxation

Prefectural inhabitant tax	Ordinary tax	Income tax	Prefectural inhabitant tax, enterprise tax, and non-statutory ordinary tax
(Prefectural inhabitant tax)	(Ordinary tax)	Property tax-fixed asset tax (large-scale fixed asset tax)	Automobile tax, mining area tax, statutory, and foreign ordinary tax
(Prefectural inhabitant tax)	(Ordinary tax)	Consumption tax	Local consumption tax, prefectural tobacco tax, golf course use tax, light oil transaction tax, and non-statutory ordinary tax
Prefectural inhabitant tax)	(Ordinary tax)	Consumption tax	Local consumption tax, prefectural tobacco tax, golf course use tax, light oil transaction tax, and non-statutory ordinary tax
(Prefectural inhabitant tax)	(Ordinary tax)	Distribution tax	Real estate acquisition tax and non-statutory ordinary tax
(Prefectural inhabitant tax)	Purpose tax	—————	Water land interest tax, hunting tax, and non-statutory special purpose tax
Municipal tax	Direct tax: Ordinary tax	Income tax	Municipal inhabitant tax, mining tax, and non-statutory ordinary tax
(Municipal tax)	(Direct tax: Ordinary tax)	Property tax	Property tax, light vehicle tax, special land holding tax, and non-statutory ordinary tax
(Municipal tax)	(Direct tax: Ordinary tax)	Consumption tax	Municipal tobacco tax and non-statutory ordinary tax
(Municipal tax)	(Direct tax: Ordinary tax)	Distribution tax	Non-statutory ordinary tax

(Municipal tax)	(Direct tax: Ordinary tax)	Purpose tax	Water use land tax, common facility tax, national health insurance tax, city budget, painting tax, bathing tax, residential land development tax, office tax, and non-statutory purpose tax
-----------------	-------------------------------	-------------	---

- Form of indirect taxation (taxes imposed by the national government and transferred to prefectures/ municipalities): part of the above national tax (all of separate corporate business transfer tax and forest environment transfer tax)

Regarding taxation, if the same taxable subject exists for national tax and local tax, the taxation ratio will be an issue. In addition, since a part of the national tax is transferred to the local public body for those belonging to the indirect taxation system, the local public body itself does not have an authority to decide. Therefore, when considering local governments' surplus, direct taxation of local taxes for prefectures and direct taxes for municipalities are important.

Even in direct taxation, individual and specific taxable subjects and tax categories are specified in the local tax law (statutory tax), but new tax items can be set by ordinance other than the tax items¹³. This is called non-statutory tax. Non-statutory tax is divided into non-statutory ordinary tax and non-statutory purpose tax. Article 92 of the Constitution of Japan stipulates the basic principles of local autonomy. Article 94 stipulates that local governments can enact ordinances within the scope of the law, and Article 84 of the tax law principle is also established. Therefore, "all local tax assessments and collections must be based on local tax regulations (local tax regulations principle)"¹⁴. For this reason, even though local governments have the so-called voluntary taxation right, local tax ordinances are enacted based on legal standards, thus considerable restrictions are imposed.

(2) Form of taxation necessary for fiscal surplus

It is wise to leave the details of taxable items and tax rates for each tax item to specialists in the relevant fields and those in charge of specialized departments. Thus, there should be a revitalization of the business or object that falls under the item that is subject to direct taxation under the tax law.

However, even though it is the same local government, tax items differ between prefectures and municipalities, thus depending on which local government is revitalized (i.e., whether it is a prefecture or a municipality), the tax items used to turn a profit will differ. As a result, the new businesses of the "Private" shown in the hypothesis theory are also different. For example, business tax falls under prefectural tax (ordinary tax-income tax), and within that, individual business tax is classified into type 1 business, type 2 business, and type 3 business (local tax) (Article 72 of the Tax Law).

- Type 1 business (individual): standard tax rate 5%; merchandise sales business, insurance business, money lending business, goods lending business, real estate lending business, manufacturing business, electricity supply business, earth and stone extraction business, telecommunications business,

¹³ Ministry of Internal Affairs and Communications, *Houtei-gai Zei no Shinsetsu /Henkou Index*, p.2 <https://www.soumu.go.jp/main_content/000162256.pdf>, JST 22:33, 8th August 2021.

¹⁴ Edited by Minoru Nakazato et al., *Sozeihou Gaisetsu 3rd Edition*, Yuhikaku, 2020, p.28.

transportation business, transportation handling business, shipping service counter business, warehouse business, parking lot business, contract business, printing business, publishing business, photography business, seat rental business, hotel business, restaurant business, mediation business, agency business, brokerage business, wholesaler business, currency exchange business, public bath business (excluding type 3), theater business, amusement center business, merchandise business, real estate sales business, advertising business, information agency business, information business, and ceremonial occasion business.

- Type 2 business (individual): standard tax rate 4%; livestock, fisheries, and firewood and charcoal manufacturing.

- Type 3 class (individual): standard tax rate 3%; Anma, massage or Shiatsu, acupuncture, moxibustion, Judo treatment, or other medical business or farrier business.

-----: standard tax rate 5%; doctors, dentists, pharmacists, vets, lawyers, judicial scriveners, administrative scriveners, notary public, patent attorneys, tax accountants, certified public accountants, accountants, social insurance and labor consultants, consultants, design business supervisors, real estate appraisal business, design business, craftsman business, barber business, beauty business, cleaning business, public bath business, dental hygienist business, dental technician business, surveyor business, land and house surveyor business, maritime business agent business, printing business, and plate making business.

From the above business tax, although the situation with many active businesses appears to be revitalizing, the taxation depends on the prefecture, and the municipality where the business is being developed cannot directly tax it.

However, municipalities can impose business office tax subject to population conditions (Article 701 of the Local Tax Law). In other words, only designated cities with a population of 300,000 or more can impose a business establishment tax. There are 21 cities¹⁵ designated by ordinance, eight cities¹⁶ in the metropolitan and Kinki areas, and 48 cities¹⁷ with a population of 300,000 or more. Municipalities that do not meet this requirement cannot impose business office tax.

The so-called resident tax is a tax that can be levied by both prefectures and municipalities. In prefectures, it is prefectural tax, and in municipalities, it is municipal tax, and it is usually imposed on individuals who have an address (individual inhabitant tax). The standard tax amount for prefectural tax is 4%, and the standard tax amount for municipal tax is 6%.¹⁸ This tax can be levied not only on individuals but also on corporations, and is usually called corporate inhabitant tax. Regarding a corporation, if it is located in the prefecture or municipality concerned, and even if there is no office, and its dormitory (or

¹⁵ Special wards of *Tokyo*, *Sapporo City*, *Sendai City*, *Saitama City*, *Chiba City*, *Yokohama City*, *Kawasaki City*, *Sagamihara City*, *Niigata City*, *Shizuoka City*, *Hamamatsu City*, *Nagoya City*, *Kyoto City*, *Osaka City*, *Sakai City*, *Kobe City*, *Okayama City*, *Hiroshima City*, *Kitakyushu City*, *Fukuoka City*, *Kumamoto City*. Tax Research Institute ed. *Reiwa 3rd edition tax index*, 312 pages.

¹⁶ *Kawaguchi City*, *Musashino City*, *Mitaka City*, *Moriguchi City*, *Higashiosaka City*, *Amagasaki City*, *Nishinomiya City*, *Ashiya City*. Same book, same page.

¹⁷ *Asahikawa City*, *Akita City*, *Koriyama City*, *Iwaki City*, *Utsunomiya City*, *Maebashi City*, *Takasaki City*, *Kawagoe City*, *Tokorozawa City*, *Koshigaya City*, *Ichikawa City*, *Funabashi City*, *Matsudo City*, *Kashiwa City*, *Hachioji City*, *Machida City*, *Yokosuka City*, *Fujisawa City*, *Toyama City*, *Kanazawa City*, *Nagano City*, *Gifu City*, *Toyohashi City*, *Okazaki City*, *Ichinomiya City*, *Kasugai City*, *Toyota City*, *Yokkaichi City*, *Otsu City*, *Toyonaka City*, *Suita City*, *Takatsuki City*, *Hirakata City*, *Himeji City*, *Akashi City*, *Nara City*, *Wakayama City*, *Kurashiki City*, *Fukuyama City*, *Takamatsu City*, *Matsuyama City*, *Kochi City*, *Kurume City*, *Nagasaki City*, *Oita City*, *Miyazaki City*, *Kagoshima City*, *Naha City*. Same book, same page.

¹⁸ *Ibid.*, p. 296.

accommodation, club, or similar facility) is located in the prefecture or municipality concerned in some cases, the local government may impose a corporate inhabitant tax (Article 24 of the Local Tax Law). There are two types of taxes: the corporate tax rate, which is based on the corporate tax amount (national tax), and the per capita rate, which is based on capital and the number of employees. For example, the standard tax rate (annual amount) for the per capita amount is classified as follows.¹⁹

Amount of capital, etc.	Number of employees	Municipal inhabitant tax (corporation)	Prefectural inhabitant tax (corporation)
Over 5 billion yen	Over 50/50 or less	3 million yen/410,000 yen	800,000 yen
Over 1 billion yen to 5 billion yen or less	Over 50/50 or less	1,750,000 yen/410,000 yen	540,000 yen
Over 100 million yen to 1 billion yen or less	Over 50/50 or less	400,000 yen/160,000 yen	130,000 yen
More than 10 million yen to less than 100 million yen	More than 50/50 or less	150,000 yen/130,000 yen	50,000 yen
10 million yen or less	Over 50 people/50 people or less	120,000 yen/50,000 yen	20,000 yen
Corporations without capital	-----	50,000 yen	20,000 yen

The tax items that can be levied by local governments with a population of 100,000 to 200,000 (or less), such as *Tomakomai* City in *Hokkaido*, are extremely limited. Regarding corporate inhabitant tax, municipal inhabitant tax is higher than prefectural inhabitant tax, the tax amount is 50,000 yen a year, and even if there are 100 business entities of that size in the municipality, the total amount will be about only 5 million yen a year. In general, there are very few municipalities with business entities with capital of more than 5 billion yen and over 50 employees. Thus, municipalities that are unable to conduct profit-making activities, for example, IRs, or large-scale projects (so-called *Hakomono*) can have expectations that they can obtain the maximum value of the standard tax rate.²⁰

¹⁹ *Ibid.*, p. 298.

²⁰ Regarding the promotion of IR, the following documents are useful. Kentaro Shibusawa “Wakayama IRs Opinion Exchange Meeting Minutes (July 28, 2021),” Institute of Social Sciences, Toyo University (identification number WPS202102) September 1, 2021 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/PDF/2021WPS02.ashx?la=ja-JP&hash=D658DDBD159F258237159604202AD66042EA060B>>, “Considerations on Yokohama City IRs,” Institute of Social Sciences, Toyo University (identification number WPS202102) July 28, 2021 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/publications/23790/IR/IR.ashx?la=ja-JP&hash=D156918A506AE27DAEFBF8E251AA94D046FCFF06>>, “Osaka Prefecture/Osaka City IRs Promotion Bureau Minutes of Opinion Exchanges,” Institute of Social Sciences, Toyo University (identification number WPS202002) October 27, 2020 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/PDF/IRosaka.ashx?la=en-JP&hash=C830CDC2A085B1BFEEAD0D1609052842FB8E2322>>, “Promotion of IRs—Issues and Considerations in Attracting Casinos—Nagasaki Prefecture,” Institute of Social Sciences, Toyo University (identification number WPS201901) February 28, 2020 <<https://www.toyo.ac.jp/-/media/Images/Toyo/research/labo-center/gensha/PDF/workingpaper20191.ashx?la=ja-JP&hash=E1DD768F9C92031661295897207F2713E411CF83>>.

(3) Integrated Resorts (IRs)

Therefore, according to Article 4 (Responsibilities of Local Governments) of the IRs Development Act (Act on Development of Areas for Establishment of Specified Complex Tourist Facilities/Act No. 80 of 2018), local governments are required to “(With regard to the measures necessary to properly eliminate impacts, under the appropriate division of roles with the national government, as measures to be implemented by local governments), formulate measures according to the actual conditions of the area of the local government, and have the responsibility to implement it.” It is also stipulated that the local government will bear the burden, but the same does not apply to revenue. However, Article 12 (Payment) of the IRs Promotion Act (Act on Promotion of Development of Specified Complex Tourist Facility Areas/Act No. 115 of 2016) stipulates that “The national and local Payments may be collected from the person who installs and operates the facility.” Article 13 (Admission Fee) states, “The national and local governments shall, pursuant to the provisions of separate laws, operate the casino. Admission fees may be collected from visitors to the facility.” However, no law stipulating the fees has enacted. In “Summary of IRs Promotion Council Summary: Toward the Realization of a ‘Tourism Advanced Nation’” presented by the Prime Minister’s Official Residence, “payment and admission fees are to be collected collectively by the national government, etc.,” however, it also states that “part of the payment can be issued from the certified prefectures, etc., to the location municipalities, etc., and surrounding municipalities based on the area development plan”²¹. Judging from this document alone, municipalities where IRs are installed cannot impose taxes by themselves, and the payment and entrance fee can only be (or may be) partially issued by prefectures. It is also possible to focus on the employment of residents in the facility. However, since the employees are assumed to be residents of the municipality concerned, even if new employment is created for the residents concerned, the municipality can impose the existing inhabitant tax (individual) and the national tax. Income tax, etc., cannot be levied. Thus, it can be concluded that there is no expectation of a direct improvement of the municipalities’ finances.

(4) Activation through tourism

Revitalization of tourism is often pointed out in IRs-related plans. There is a possibility that the activation of the tourism industry will result from a ripple effect of the IRs business. *Kawagoe* city in Saitama Prefecture, which is unrelated to IRs but has achieved great success in tourism (all data regarding the city is based on materials published on the city’s website²²), is used as a reference example.

Kawagoe city in *Saitama* Prefecture (population of about 350,000) is now (2021) under the catchphrase “Little *Edo*.” It has attracted more than 7 million tourists annually for some time, and the city itself seems to be in a process of revitalization. However, from the perspective of profit making through taxation, the seeming revitalization process can be considered an illusion.

The city had a population of 159,460 in 1969, and because commuting to *Tokyo* was convenient, the population gradually increased to about 200,000 and 300,000 in 1973 and 1991, respectively. Until then, there were only large numbers of people in a provincial city on the outskirts of *Tokyo*; there were

²¹ Prime Minister's Official Residence, *IR Suishin-kaigi Torimatome Gaiyou*, <https://www.kantei.go.jp/jp/singi/ir_promotion/siryou/pdf/siryou3.pdf>, JST 22:29, 9th August 2021.

²² *Kawagoe City Homepage* <<https://www.city.kawagoe.saitama.jp/>>, JST 17:55, 17th August 2021.

almost no tourists, no major companies, no farming villages, and nothing more than a commuter town where *Saitama* citizens came home to sleep. Therefore, the city formulated the “*Kawagoe* city Tourism Administrative Guidelines,” listed 105 items plus a specific item, and with the cooperation of shopping districts, etc., implemented the guidelines from 1999. The focus was on “tourism,” as indicated in the title of the guideline. They gradually saw results and the number of tourists exceeded 3 million in 1999 when the guidelines were implemented. In 2011, the number of tourists reached 6 million, and in 2016, 2018, and 2019, it reached the 7 million marks (see “Trends in the number of tourists arriving in Kawagoe city”²³). Thus, it can be evaluated as a “*Gyo*” (Administration) led regional revitalization.

The reason why *Tokorozawa* city picked up tourism is outside the scope of this paper; however, the city has no so-called “box” (*Hakomono*). The *Urawa Reds* (professional soccer team) is based in *Saitama City* (formerly *Urawa City*), *Omiya Ardiya* (professional soccer team) is also based in *Saitama City* (formerly *Omiya City*), and *Moomin-valley Park* is located in *Hanno City*. The only thing it has is the *Kurazukuri* townscape, which retains the townscape of the *Edo* period, and the *Kawagoe Festival*, an intangible cultural asset (the autumn festival has many floats that have continued since the *Edo* period), which are used effectively. These attractions make it easy for *Tokorozawa* city to focus on tourism.

Conversely, since the *Kawagoe* city has a population of over 300,000, it is possible to impose a business office tax among local taxes. Looking at the city’s tax revenue under these conditions (see “general account revenue” and “Percentage by Tax Item”²⁴), it is clear that overall tax revenue (total revenue) is on an upward trend from 2004 to 2020. However, more than 50% of general account revenue is city tax. The rest of the revenue is heavily influenced by national policies and cannot be considered stable revenue, and most of the revenue is for specific purposes, thus, the revenue that can be used at the discretion of the city is the city tax. On average, is the generally tax revenue increased by about 610 million yen, and there was also a corresponding increase in city tax. However, an average of 86.14% of this city tax is resident tax and fixed property tax, while business office tax is about 2.8% every year, so the number of companies that can impose business office tax is not increasing. Considering the increase in the number of residents (citizens) mentioned above, it can be inferred that the municipal tax and property tax have increased. In other words, the tourism that the city has promoted as a policy appears successful at first glance; however, a critical evaluation would show that it has not contributed to tax revenue. Also, tourists do not “spend money” on sightseeing spots, rather, they take commemorative photos and see the townscape before going home on a day trip. It is said that even if a specific store makes profit, it will be collected as national tax, making it a tax item that municipalities cannot collect.

(5) Summary

From the above discussion, it can be said that increasing city tax (resident tax and property tax) is one of the few methods that local governments (municipalities) can employ to become profitable through tax revenue. Specifically, municipalities with a population of less than 300,000 cannot impose a business office tax under the local tax law, so it is clear that the idea of attracting companies and *Hakomono* and imposing taxes on them does not work. It can be inferred that the corporate inhabitant tax on

²³ Kawagoe City Hall, *Kawagoe-shi Iri-komi Kankou-kyaku-suu no Sui*, 2021. <<https://www.city.kawagoe.saitama.jp/welcome/kankobenrijoho/kankotokeishiryoy/irikomi.files/2020.1.pdf>>, JST, 9:17, 30th August 2021.

²⁴ Kawagoe City Hall, *Zaimu Jijo Kouhyou*, <<https://www.city.kawagoe.saitama.jp/shisei/zaisei/zaiseikohyo/zaimujijonokohyo.html>>, JST, 9:22, 30th August 2021.

corporations does not account for such a large proportion either. Thus, the focus of regional revitalization will be on how to increase the number of residents who can impose city taxes, although it may be indirect or roundabout. In other words, proposals for regional revitalization should ultimately aim to increase the number of residents, it is necessary to stand on the idea of attracting or starting businesses that requires a lot of manpower that cannot be automated or AI. Regarding urban development, various ideas will be created, such as enhancement of education that surpasses the metropolitan area, introduction of ICT or AI to the entire region, and establishment of a local pension system unique to the region. It may be difficult to find any difference from the ideas or plans that have been applied for in public offerings related to conventional regional revitalization, however, because the plan (idea) is based on the idea of taxation mentioned above, it would lead to subsequent implementation. It would be a turning point if, based on the above thinking, all drafts and ideas related to future regional revitalization propose ideas that will lead to an increase in residents (increase in the possibility of imposing municipal tax), or solicitation from the public. Local revitalization is particularly urgent for municipalities with a population of less than 300,000 and not located in the offices or dormitories of large companies. Therefore, when trying to revitalize local governments based on the tax system from the perspective of making the local governments profitable, it is necessary to aim for the development and revitalization of specific businesses. A variety of methods are possible.

- 1) Planning on the premise that taxation and tax items on the business will be expanded to national tax and prefectural tax, and will ultimately be transferred to municipalities.
- 2) Planning to support businesses that can impose taxes that correspond to municipal taxes in the form of direct taxation.

Assuming one or a combination of the above, we will develop business activities of “people” supported by “Gyo” and “academics” shown in the previous hypothetical theory. In particular, as support by the “Gyo,” it is an important role to clearly indicate what kind of tax items the business plans and plans presented by the “private sector” fall under. In addition, since the business plans are created based on the characteristics of each municipality based on the premise that successful examples in other municipalities may not apply to one municipality.

To set the above process in motion, a concrete plan is set. At the same time, the upper limit of the population increase must also be considered. Theoretically, if municipalities promote an increase in the number of residents to achieve financial surpluses, the scale of local governments will expand, reaching the level where municipalities become prefectures, and prefectures become nations. This is an unrealistic situation and goes beyond the scope of regional regeneration and revitalization. Therefore, it is necessary for the local government (especially municipality) to clarify the purpose of city tax increase, how it can be profitable, and estimate the amount of inhabitant tax and the number of residents (including corporations) and implement the city tax increase plan after clearly setting the upper limit of the number of residents; this can be called a regional revitalization plan or urban planning.

References

- Yasuyuki Iida *et al.*, *Chihou-saisei no Shippai-gaku* (Kobunsha, 2016, 2nd edition of the first edition), ISBN978-4-334-03915-8.
- Heizo Takamatsu, *Doitsu no Chihou Toshi ha naze creative nanoka?* (Gakugei Publishing, 2017, 3rd edition),

ISBN978-4-7615-1364-1.

Hitoshi Kinoshita, *Fukuoka-shi ga Chihou-saikyou ni natta Riryuu* (PHP Research Institute, 2018, 5th edition), ISBN978-4-569-83767-3.

Hitoshi Kinoshita, *Chihou Sousei Taizen* Regional (Toyo Keizai Inc., 2018, 8th edition of the first edition), ISBN978-4-492-21225-7.

Mamoru Taniguchi *et al.*, *Sekai no Compact City* (Gakugei Shuppan, 2019, 1st edition), ISBN978-4-7615-2725-9.

Mitsuhiro Yamazaki, *Portland* (Gakugei Shuppan, 2019, 7th edition of the first edition), ISBN978-4-7615-2623-8.

Soichiro Takashima, *Fukuoka shi wo Keieisuru* (Diamond Publishing, 2020, 7th first edition), ISBN978-4-478-10347-0.

Kazuto Ataka, *Shin Nihon* (Newspics, 2020, 2nd edition of the first edition), ISBN978-4-910063-04-1.

Hitoshi Kinoshita, *Machi-zukuri Gensou* (SB Creative, 2021, 1st edition), ISBN978-4-8156-0912-2.

Kensuke Nakajima, *Denmark no Smart City* (Gakugei Shuppan, 2021, 3rd edition of the first edition), ISBN978-4-7615-2728-0.