

Cambridge University Press

978-1-107-03316-0 - The Political Economy of Transnational Tax Reform:

The Shoup Mission to Japan in Historical Context

Edited by W. Elliot Brownlee, Eisaku Ide and Yasunori Fukagai

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The Political Economy of Transnational Tax Reform

The Shoup Mission to Japan in Historical Context

This volume explores the history of the United States tax mission to Japan during the occupation following World War II. Under General MacArthur, economist Carl S. Shoup led the mission with the charge of framing a tax system for Japan designed to strengthen democracy and accelerate economic recovery. The volume examines the sources, conduct, and effects of the mission, and situates the mission within the history of international financial and fiscal reform. The book begins by establishing the context of progressive social investigations of taxation, including Shoup's earlier tax missions to France and Cuba. It then goes on to explore the Japanese background to the Shoup mission and the process by which American and Japanese tax experts shaped their recommendations. The book then assesses and explains the mission's accomplishments in the context of the political economies of the United States and Japan. It concludes by analyzing the global implications of the mission, which became iconic among international tax reformers.

W. Elliot Brownlee is professor emeritus at the University of California, Santa Barbara. Among his most recent books are *Federal Taxation in America: A Short History*, 2nd ed. (Cambridge University Press and Woodrow Wilson Center Press, 2004); *The Reagan Presidency: Pragmatic Conservatism and Its Legacies*, coedited with Hugh Davis Graham (2003); and *Funding the Modern American State: The Rise and Fall of the Era of Easy Finance, 1941–1995* (Cambridge University Press and Woodrow Wilson Center Press, 1996). His articles on the history of taxation and public finance have appeared in various scholarly volumes and in journals and periodicals, including *American Nineteenth Century History*, the *Asia-Pacific Journal*, *Explorations in Economic History*, *Keio Economic Studies*, *The National Tax Journal*, *Proceedings of the American Philosophical Society*, *The Quarterly Review of Economics and Business*, *Rikkyo Economic Review*, *Sekai (The World)*, *Social Philosophy and Policy*, *Tax Notes*, *The Wilson Quarterly*, and *The Wisconsin Magazine of History*.

Eisaku Ide is professor in the faculty of economics at Keio University, Japan. He has served on many governmental commissions and committees for agencies of the Japanese government, including the Cabinet Office; the Ministry of Internal Affairs and Communications; the Ministry of Agriculture, Forestry and Fisheries; and the National Governor's Association. His major field of scholarly emphasis is fiscal history, and he has published several books and numerous articles on the history of Japanese budgetary and monetary policy during the 1930s, 1940s, and 1950s. He recently published two articles in English: "The End of the Strong State?: On the Evolution of Japanese Tax Policy," with Sven Steinmo (in *The New Fiscal Sociology: Comparative and Historical Perspective*, Cambridge University Press 2009) and "The Origins of Macro-Budgeting and the Foundations of Japanese Public Finance: Drastic Fiscal Reform in Occupation Era" (in *Keio Economic Studies* 2011, vol. 47). He has received the Susumu Sato Award from the Japanese Association of Local Public Finance and the Sozei Siryokan Award from the Institute of Tax Research and Literature.

Yasunori Fukagai is professor in the faculty of economics at Yokohama National University. His field of scholarly emphasis is the history of economic thought, and his research has focused on British utilitarian thinkers. He has published numerous scholarly articles and two edited books, *Inspecting the Market Society: From Smith to Keynes* (in Japanese) and *British Empire, Social Integration and the History of Economic Thought* (forthcoming, with Martin Daunt and Junichi Himeno). He has organized many conferences and lectured widely in the United Kingdom, the United States, Canada, and Portugal, as well as Japan. He has received numerous major research grants, including a current one from the Japan Society for the Promotion of Science to support "The Organic View of the Society and the Designing of Economic Governance: Comparative Research on Economic Thought from the Fin-de-Siècle to the Inter-War Period." He is director of the developmental plan for the Carl S. Shoup Collection, which is held at the University Library of Yokohama National University.

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Preface

Each of the editors of this book took a different route to the collaboration that has culminated in this volume. In Japan, the mission of Carl Shoup has played an important role in narratives of the nation's post-World War II development, and, consequently, Eisaku Ide and Yasunori Fukagai learned about the mission very early on in their educations, during secondary school. In graduate school at the University of Tokyo, they deepened their interests as Fukagai specialized in the history of economic thought and Ide in the fiscal and financial history of Japan during the twentieth century. W. Elliot Brownlee did not encounter the mission until graduate school at the University of Wisconsin, when he was enrolled in a seminar, "Philosophers and Philosophies of Taxation," conducted by economist Harold Groves, a contemporary of Shoup's. Later, in 1979, at the annual meeting of the National Tax Association, Brownlee had the privilege of a long conversation with Carl Shoup during the plenary lunch. In 2002, while visiting the University of Tokyo, Brownlee launched a study of the Shoup mission as a significant episode in American efforts to export tax and economic ideas.

During 2007 and 2008, our research careers converged. Ide, who was teaching in the Economics Faculty at Yokohama National University (YNU), introduced Brownlee, who had returned to the University of Tokyo as a Visiting Professor, to the collection of Carl Shoup's papers and books in the YNU Library. It turned out that after Shoup's death in 2000, his family and YNU had arranged for the transfer of his books and papers from his barn in rural New Hampshire. The archive was vast, containing more than 700 boxes, and very few scholars had consulted it.

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Subsequently, Ide moved from YNU to Keio University and at YNU Fukagai assumed responsibility for oversight of the Shoup Collection. In 2008–2009, the three of us began organizing an international conference. We were eager to mark the 60th anniversary of the tax mission of Carl Shoup in Japan and to deepen our understanding of both the Japanese and American contexts of the mission and its aftermath. More generally, the conference promised to be a useful occasion for stimulating interdisciplinary and collaborative scholarship on the international history of public finance. In 2009–2010 Brownlee returned to Japan as a Visiting Professor at YNU and in December 2009 we convened the conference, jointly sponsored by YNU and Keio University. The chapters in this collection are either substantially revised versions of papers presented at the conference or papers that the discussions in Yokohama and Tokyo inspired.

A great many individuals assisted with the work that led to this volume. Beginning with the earliest phases of this project, Naohiko Jinno, Andrew DeWit, Iju Morinao, Ryo Muramatsu, and Satoshi Sekiguchi provided especially important guidance and support.¹ At various points, each of the authors who contributed to the volume provided ideas, sage advice, and other support that advanced the project as a whole. We are grateful as well to Robin Einhorn, Carolyn Jones, Isaac William Martin, Gene Park, and Dennis Ventry for their comments on various chapters in the volume. We are grateful as well to Dale Shoup Mayer for sharing recollections of her father, and to Douglas M. Moss for locating and sharing with us a copy of the unfinished memoir written by his father, Harold Moss, as well as other documents. Two anonymous readers for Cambridge University Press provided perceptive advice regarding the framework, structure, and scope of the book. At Cambridge University Press, Eric Crahan and Scott Parris provided welcome encouragement and suggested significant improvements in the volume, and Kristin Purdy efficiently and creatively expedited its editing.

We owe debts of gratitude to various individuals and groups at YNU and Keio University. At YNU, the following provided support and encouraged the development of both the Shoup Collection and the December 2009 conference: Kunio Suzuki, the president of YNU; Yasuo Kokubun

¹ In this volume, with a few exceptions, we observe the convention of listing a Japanese surname before the given name. The exceptions include names mentioned in this preface, the names of the contributors to this volume, and the names of individuals cited, using the Western name-order convention, as the authors of publications or as correspondents.

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and Shuji Mizoguchi, the vice presidents of YNU; Hiroshi Fukutomi and Osamu Yamaguchi, the former and the present director of the University Library; all the members of the Economics Faculty; and the Alumni Association for the Social Sciences (Fukyu-kai). For their conscientious and efficient stewardship of the Shoup Collection, including their support of our ongoing research within the Collection, we are grateful to the librarians of the YNU Library, Toshiaki Yokohama and Midori Morioka. In addition, Tomoari Matsunaga, Ken Kato, and Norikazu Chihara have played important roles in organizing the Shoup Collection and making it accessible to the scholarly community. At Keio University, we received significant financial support for organizing the December 2009 conference from the Keio Economic Society. Also, in its journal, *Keio Economic Studies*, the society published two papers that Brownlee and Ide had presented at the conference.²

Librarians of other manuscript collections have greatly eased our path. In the United States, these collections include the National Archives at College Park, Maryland; the Harry S. Truman Presidential Library; the Howard Gottlieb Archival Research Center at Boston University; the Rare Book and Manuscript Library at Columbia University; the Burton Historical Collection of the Detroit Public Library; the David M. Rubenstein Rare Book and Manuscript Library of Duke University; Special Collections of the Harvard University Law Library and the Department of Special Collections at Stanford University; and the State Historical Society of Wisconsin. In Japan, the collections include those at National Diet Library, the Policy Research Institute of the Ministry of Finance, and the Research Department of the Local Autonomy College.

We hope that our collaboration has produced a volume that will live up to the high standards Carl Shoup and his collaborators in the United States and Japan brought to the international and interdisciplinary study of the political economy of fiscal policy.

W. Elliot Brownlee, Eisaku Ide, and Yasunori Fukagai
Santa Barbara, Tokyo, and Yokohama
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² W. Elliot Brownlee, "Shoup vs. Dodge: Conflict over Tax Reform in Japan, 1947–1951," *Keio Economic Studies* 47 (2011), 91–122; and Eisaku Ide, "The Origins of Macro-Budgeting and the Foundations of Japanese Public Finance: Drastic Fiscal Reform in Occupation Era," *Keio Economic Studies* 47 (2011), 123–151. These essays do not appear in this volume.