

Regional Gap in Europe, US, and Japan

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UK Referendum on EU

- On June 24, 2016, the UK people decided to leave the EU in the national referendum.
- Media reports that the majority of UK people has been complaining about the social burden caused by the increasing immigrants from the EU nations on
 - Medical care,
 - school education, and
 - social welfare service,.
- This slide considers the economic gaps that reside within EU, US, and Japan.

GDP per capita 2021 IMF of European countries

- [https://en.wikipedia.org/wiki/List_of_sovereign_states_in_Europe_by_GDP_\(nominal\)_per_capita](https://en.wikipedia.org/wiki/List_of_sovereign_states_in_Europe_by_GDP_(nominal)_per_capita)
- GDP per capita is the highest in Luxemburg (138K\$).
- People in Switzerland, Ireland, Norway, and Iceland earn more than \$70,000.
- Nominal GDP per capita is more than \$45,000 in the leading countries such as UK and Germany.
- People in Estonia, Czech, Portugal, Poland, and Hungary earn income less than \$27,000.
- Poorest countries are Moldova, Kosovo, and Ukraine. Their GDP per capita is around \$4,000.
- The largest gap within Europe is more than 10 times or more.

Japan 2017

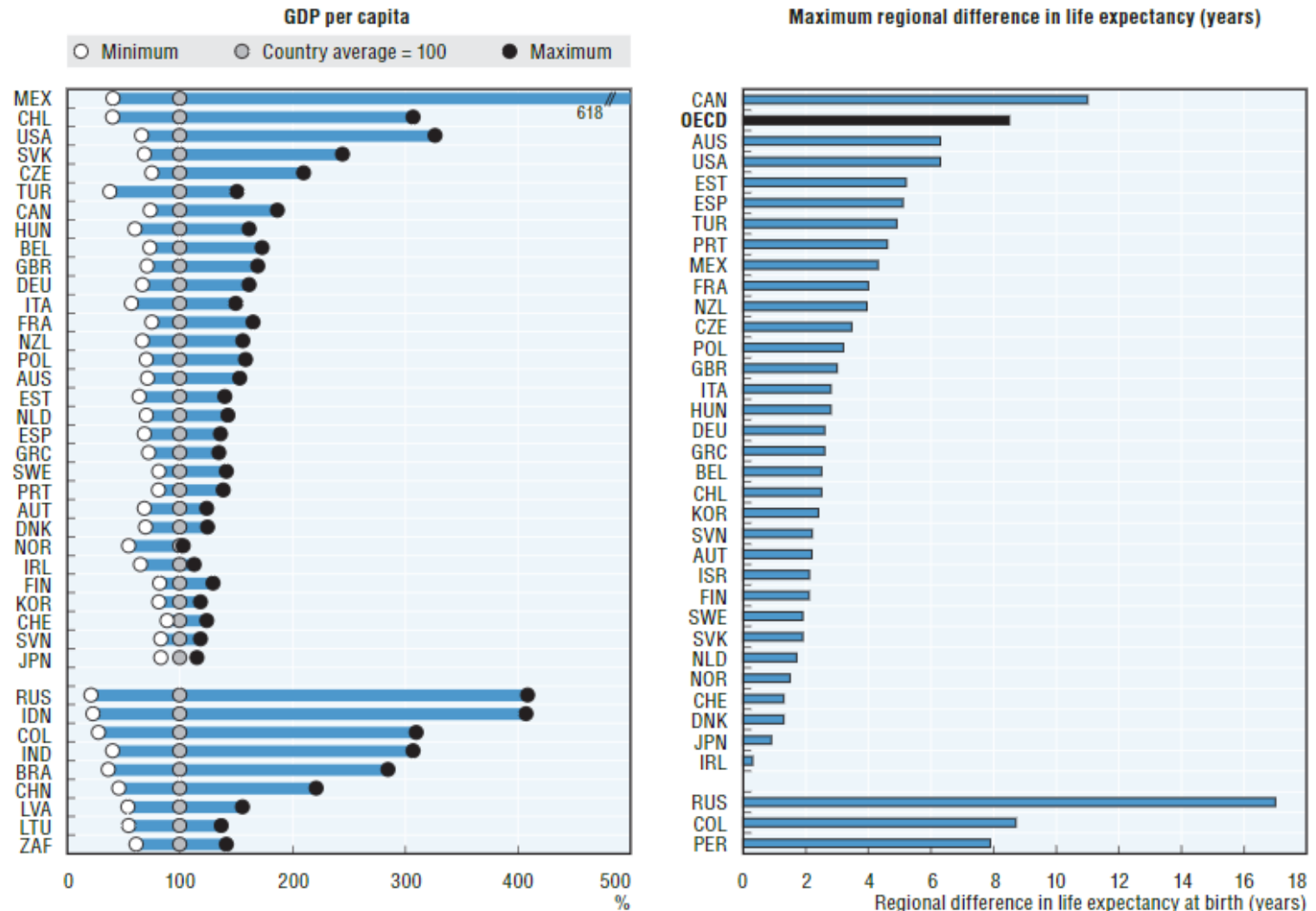
- Prefectural income per capita
 - ¥5.47 million for Tokyo (to be excluded)
 - ¥3.38 million for Shizuoka
 - ¥2.34 million for Okinawa
 - <https://ja.wikipedia.org/wiki/%E7%9C%8C%E6%B0%91%E7%B5%8C%E6%B8%88%E8%A8%88%E7%AE%97>
- Prefectural income is gross prefectural income minus rent.
- Prefectural income gap in Japan is smaller than in Europe.

Japan's Regional Gap (GDP per capita, life expectancy) is the smallest in the World

OECD

https://read.oecd-ilibrary.org/urban-rural-and-regional-development/oecd-regional-outlook-2016_9789264260245-en#page230

Figure 5.2. Significant interregional gaps within countries in wealth and life expectancy



Note: OECD value represents the difference between the maximum and the minimum national average life expectancy among OECD countries.
Source: OECD (2016a), *OECD Regions at a Glance*, OECD Publishing.

StatLink <http://dx.doi.org/10.1787/888933412153>

Investment

- In the postwar era, Japan's government took a policy to invest in rural areas remote from Tokyo to reduce capital gap between Tokyo and rural areas.
 - [Productivity Convergence across Prefectures in Postwar Japan](#)
(RIETI)
- The EU government should have taken a similar policy to enable those peripheral nations to take off for industrialization.

America 2018

- https://en.wikipedia.org/wiki/List_of_U.S._states_and_territories_by_GDP
- GDP per capita in 2021 dollars is the highest in New York, Massachusetts, and Washington, California, Connecticut, except for DC.
- GDP per capita of the state of NY is \$93K, while it is \$42K of the state of Mississippi.
- The output gap is around twice.
- Contrary to the common image, the domestic income gap in US is smaller than Europe.

Price Level Gap in Europe

- In Euro zone, [price level gap](#) is huge in 2015.
 - Switzerland 160
 - UK 130
 - Germany 100
 - Portugal 80
 - Poland 50
- College students can save accommodation costs by commuting weekly from Poland to London by flight, like Tuesday (in) and Friday (out).

Price Level Gap in Japan

- Japan's prefectural CPI gap across prefectures (2007) is small.
 - Tokyo 108
 - Osaka 102
 - Fukuoka 98
 - Okinawa 91
- Japan's apartment rent gap across prefecture (2013) is much larger.
 - Tokyo 78
 - Osaka 54
 - Fukuoka 47
 - Aomori 37

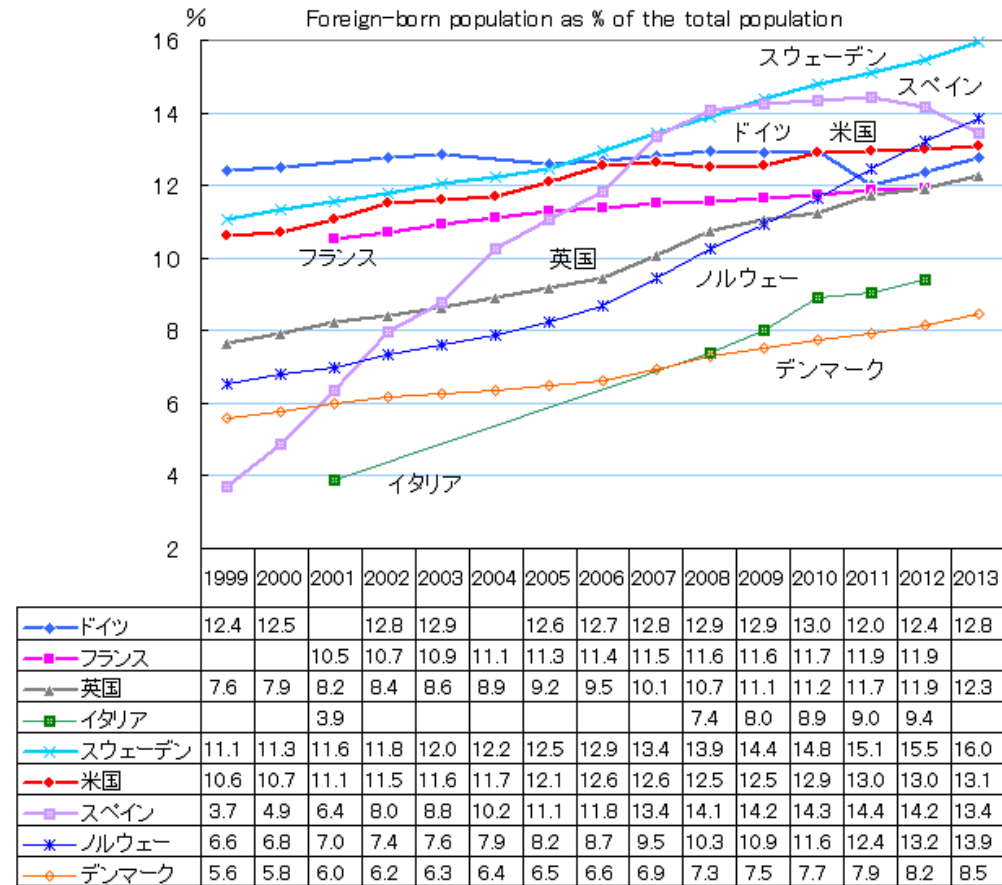
Why EU does not work well?

- In Japan and US, the regional gap remains less than twice, suggesting that the government spends special efforts to reduce regional infrastructure gap.
- In Europe, there still remains a large income gap between nations, which seems to create too many immigrants from the peripheral to the leading states such as UK and Germany.

Supplement: Immigrants in UK

- Before EU started, UK belongs to a group of nations with few immigrants (8%).
- However, since 1999, the population of immigrants has increased to 12%.

主要国の移民人口比率の推移



(注) 外国生まれの人口の比率

(資料) OECD, International Migration Outlook 2015 (2001年以前のデータは同2010~2014版)

Why quality decline?

- Media says that people voted for Leave mainly because the quality of healthcare and education has been reduced by increasing immigrants,
- while other authors say that quality decline was mainly caused by the budget cut by the Conservative government.
- The UK birth rate seems to turn to increase in 2002, when the Euro bills started to circulate.
- The quality decline might be caused mainly by the increasing child population.

Too many immigrants?

- When UK returned Hong Kong to China in 1997, it did not grant the full UK citizenship to all the residents even if they wanted it.
 - The population of Hong Kong then was 6 million.
- The population of UK in 2015 is 65 millions.
- The increase of immigrants to UK since 1999 was around 2.6 millions, 4% of the current population of UK.
 - Is it large enough to explain the too much demand for healthcare and schooling in UK?