

POLITICAL ECONOMY OF TAXATION



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Political Economy of Taxation

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Introduction: Political Economy of Taxation

Murat Aydın
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International Conference of Political Economy (ICOPEC), takes as a goal to identify and analyze the status of its age, held its first conference with the theme "International Political Economy: Adam Smith Today " in 2009. Following the ICOPEC conference, JOPEC Publication started to be published in 2010. JOPEC Publication, aims at searching required alternatives, in addition to existing alternatives, with a critical approach, has been the main supporter of ICOPEC conference by including this kind of studies. In 2016, ICOPEC conferences were turned into a conference series with its 7th conference and the main theme of the 7th conference was determined as "State, Economic Policy, Taxation and Development". JOPEC Publication has undertaken to publish the papers, presented at this conference in English and Turkish, as an e-book.

French classical liberal theorist Claude-Frédéric Bastiat says that "The State is the great fiction through which everyone endeavors to live at the expense of everyone else." The State is a structure seen as community service institution although its efficiency is usually debated. Since the publication of Adam Smith's book "An Inquiry into the Nature and Causes of the Wealth of Nations" usually shortened to "The Wealth of Nations", the question of what role the State should play in economic life has been debated seriously. While Liberal thought defends the sufficiency of the dynamics of the free market, the impossibility of dealing with problems without government intervention has been debated with Keynesian economic thought, emerged after the Economic Depression in 1929.

As of the 21st century, a mixed system consisting of a combination of private and public sector exists in almost all countries. The shares of public and private sectors in this mixed system -in line with every country's own fact- vary according to the countries and the level of development. Within the context of the scarcity and allocation principle, the task of government in this kind of system, economic policy or political economy is to maximize social welfare by ensuring efficiency and productivity. One of the required things to achieve this goal is development; that is, increasing social welfare by realizing human development as well as economic growth.

The realization of understanding like increasing "social welfare" by meeting public requirements requires benefiting widely from tax policies. Since taxes are mandatory payments from individuals and institutions to the State, they inevitably affect the overall economy. The expected role from tax policy is to affect positively the overall economy in parallel with the sated objectives of government since the regulations in taxation field affect, both negatively and positively, financial, economic, social and political areas. A lot of topics that tax policy both affects and affect tax policy are included in the fourteenth articles of this editorial book.

The first article investigates the relationship between political preferences between right and left parties and tax effort on the basis of individual income tax in the main cities of Turkey. The study reveals that cities with relatively higher vote share for governing conservative right party have smaller tax effort measured by two different measures such as tax base per capita and tax assessment per capita. In addition, the findings of the study emphasize that more conservative and right wing cities have smaller tax effort in Turkey where tax law is highly centralized and there is no fiscal federalism.

The second article examines the effects of social norms on tax compliance in terms of the behavioral approach. The study presents that social norm creates positive effects on tax compliance and taxpayers behave in conditionally collective behavior based on the fact that tax evasion depends on others' compliance and collective actions.

The main hypothesis of the third article is that tax compliance can be explained with political and social interactions. In accordance with this purpose, the data obtained from the sample taxpayers of Texas/US resident through face-to-face survey in March-April 2013 is analyzed. The analysis confirms that the research model can capture a general model of tax morale. The analysis emphasizes that fiscal fairness, psychological costs, belonging to societal and political system and affirmative attitude toward the IRS have positive influence on tax morale, while political governance contrary to hypothetical expectations has negative effect on it.

The fourth article examines international cooperation on tax collection. The study explains how forced tax collection process operates if taxpayer does not make tax payment with his/her consent to the contracted places. In addition, the process of the confiscation of property abroad by foreign tax administration and then the sale of property and the transmit of the amount obtained to the affiliated tax administration according to the tax treaties signed in this context are revealed.

The fifth article reminds the increasing necessity for energy with the growing use of electrical home appliances in daily life and population growth, and explains with reasons why energy productivity represents "the cleanest and cheapest energy". The article discusses what can be done with tax policy (value added tax, special consumption tax) towards energy productivity in different countries and Turkey.

The sixth article examines the policies, practiced in the budget process and increase consistency and reliability in a successful way, in Sweden, a country yielding budget surplus at the end of 1980's and yielding budget deficit in the first years of 1990's. The issue of how the quality of services is increased in Turkey with the efficient and productive use of resources is discussed by comparing this positive budget preparation process in Sweden with the budget preparation process in Turkey.

The seventh article implies that while central government is more generous about service allocation, it is not more generous about revenue allocation. Therefore, it reveals that the own resources of local governments are very important at their service provision. The study tries to answer such questions as: are the expenditures of local governments financed adequately with their own resources? How are these resources increased if the expenditures of local governments are not financed adequately?

The eighth article reminds non-fiscal socio-economic objectives of government (regulation of income distribution and ensuring economic stability) apart from fiscal objectives and then explains why tax burden on wages should be decreased in Turkey. The study makes suggestions related to revenue losses stemming from the reduction of tax burden.

The ninth article first classifies the factors determining the tax structure of a country and then reveals the effect of each factor on tax structure. Within the scope of this study, the share of different taxes in Gross Domestic Product (GDP) and total tax revenues is, comparatively, analyzed from the point of view of developed and developing countries and differences with the reasons are examined.

The tenth article determines that the reduction of tax burden on labor plays an important role in the strength of tax system, the fragility of employment structure, and the fulfillment of social justice. Therefore, the individual tax burden reduction methods practiced in the developed countries of the Organization for Economic Co-operation and Development (OECD) and solution suggestions are discussed, and it is also revealed that if their implementations in Turkey succeed, and what kind of problems are encountered.

The eleventh article conveys that the increase in capital movements causes international companies to pay or not to pay lower taxes and questions if universal taxation principles are determined in order to tackle with this negative issue by giving priority to transparency on the basis of the Panama Papers.

The twelfth article emphasizes that the ecosystem and several issues in the economy have required the questioning of energy resources, and underlies that several legal regulations in this context were made in Turkey as in many countries. The study evaluates that whether or not renewable energy policies and incentive mechanisms are successful in Turkey.

The thirteenth article examines underground economy, ruins the macroeconomy in the long run and also a national and global problem. In this study, the negative effects of underground economy in Turkey and a draft model called “DETA-MALBİS” is revealed by using control and incentive-based “DETE” and e-finance information system (MALBİS).

The fourteenth article examines administrative reconciliation system, one of the administrative (peaceful) solutions. In this study, the reconciliation system in the U.S., a leading country practicing reconciliation system in a modern sense, and Turkey is evaluated in terms of both general structure and operation.

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November 2016

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