

THE CONNECTION BETWEEN TAXATION AND POLITICS

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The study of taxes and the relationship between taxation and politics has been an important concern of a large number of economists of all times, doctrines and currents of economic thought. Taxation and politics are closely related and can significantly influence each other. It is true that politics leaves its mark on the fiscal system, sometimes more than it should, or would be necessary. The present paper presents some key points regarding the relationship between taxation and politics, the representative opinions of some foreign and Romanian economists, classical and contemporary.

Key words: tax system, taxation, politics, tax reform

JEL Classification Codes: H21, H22, H71

1. INTRODUCTION

Taxation is a primary means for governments to generate revenue to fund public expenditures and provide essential services. The level and structure of taxation can be influenced by political decisions, as governments determine tax rates, exemptions, and incentives based on their policy priorities. Production. Taxation is a subject of frequent political debates and discussions. Parties and politicians often propose tax reforms as part of their election campaigns or policy agendas, aiming to appeal to their voter base and address perceived shortcomings or inequities in the tax system. But most of the time, fiscal reforms, which had a predominantly political character, being intended only for campaign images, lose their consistency, or disappear, or take a completely different turn, after this period has passed. This causes dissatisfaction among the population and the business community, distrust in the political class and ~inappropriate~ behaviors, leading to tax evasion. The lack of coherence of the political class, political games, instability, make the degree of insecurity felt by the population to be high. It can cause financial instability, social instability. The importance of appropriate political ~behavior~ by rulers can have strongly positive effects on the economic and social stability of a country. There may be means, instruments, available to politicians, that will lead to the achievement of the goal. But these means must be adapted and directed towards pursuing the general interests, of the community, of the country, not just of a small group. This study aims to present these means, identified through observation, comparison and analysis methods, and how their correct and coherent application can have beneficial, positive effects on the entire economy, the fiscal system and the quality of life. The study of the fiscal environment, against the backdrop of politics, in various periods, has proven to me that there is a close connection between the two components. and, what is more disappointing, is that the influence of politics is too great on the fiscal environment. That many of the decisions taken, in the fiscal, economic, tax environment, are more of a political nature. Therefore, this study aims to raise awareness of



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these issues, but also to offer ways of intervention, based on research, knowledge of needs, and results.

2. THEORETICAL BACKGROUND

It's important to note that tax policies and political landscapes vary across countries and over time. The relationship between taxation and politics is complex and multifaceted, reflecting the diverse perspectives, priorities, and interests of different political actors and societies (Susskind, 2008.). Political ideologies and tax policies: Different political ideologies often have distinct views on taxation. For example, left-leaning or progressive political parties may prioritize higher taxes on the wealthy to fund social programs, while right-leaning or conservative parties may emphasize lower taxes to stimulate economic growth and incentivize private investment.

Redistribution of wealth: Taxation can be used as a tool for redistributing wealth and reducing income inequality. Political ideologies and priorities often shape the progressivity of tax systems, with some advocating for higher taxes on the wealthy to fund social programs and reduce disparities.

Public opinion and tax policy: Public opinion plays a crucial role in shaping tax policy decisions. Governments often consider public sentiment and feedback when formulating or modifying tax policies, as public acceptance and compliance with taxation are important for effective implementation.

Tax evasion and avoidance: Political factors can influence the degree of tax evasion and avoidance within a country. Policies, enforcement measures, and political will to tackle tax evasion can vary, impacting the overall effectiveness of the tax system and revenue collection.

International tax competition and cooperation: Tax policies can be influenced by global factors, such as international tax competition and cooperation. Countries may enact tax reforms or incentives to attract businesses and investment, leading to potential tax base erosion. International cooperation efforts are also important to address issues like tax havens and cross-border tax avoidance.

The importance of reducing the influence of politics on the fiscal system, is essential. A ~good~ social system should delimit the political sphere from the economic one as much as possible. This would be ideal, in these conditions we would speak of a ~perfect~ society.

Because we know that political interventions in the economic system do not aim to increase the well-being of the population, the quality of life, or the economic level of each inhabitant of the country.

On the contrary! Behind these interferences are not very good reasons. And the results are most often negative. Leading to a low quality of life, inflation....

The influence of politics on taxation in Romania, like in any country, is significant. Political decisions, ideologies, and priorities play a crucial role in shaping the fiscal policy and tax system. Here are some key points regarding the influence of politics on taxation in Romania:

1. Tax policy formulation: Political parties and policymakers in Romania have the authority to shape tax policy by proposing and implementing changes to tax laws and regulations. They determine tax rates, thresholds, exemptions, and incentives based on their political agendas, priorities, and economic goals. This study, based on its results, shows that, most of the time, political objectives are a priority, which leads to dissatisfaction.

2. Political party platforms: Taxation is often a key component of political party platforms during elections. Political parties in Romania may include specific tax proposals or reforms as part of their campaign promises to attract voters and gain support. I would like to mention, supported by the results of the analysis carried out, that the easy abandonment of fiscal promises from the electoral campaign creates great dissatisfaction among the population and uncertainty regarding their social and financial security. Therefore, I aimed to raise awareness of these links between the failure to comply with electoral promises and the high degree of dissatisfaction of the population, in order to determine a change in this attitude, with a view to overall improvement.

3. Lobbying and interest groups: Various interest groups, including business organizations, labor unions, and advocacy groups, can influence tax policies through lobbying and advocacy efforts. These groups aim to advance their specific interests and shape tax legislation according to their industry or sectoral needs.

4. Fiscal discipline and public finances: The political landscape in Romania influences fiscal discipline and the management of public finances. Political parties and policymakers make decisions on government spending, budget deficits, and debt levels, which can impact the need for taxation and tax rates to finance public expenditures. An increase in tax rates does not, most of the time, lead to an increase in the amounts collected in the budget. Most of the time, as my study shows, it leads to an increase in evasion. Therefore, based on the data collected and their analysis, my proposal is to stimulate productivity, through appropriate fiscal measures, which will also lead to attracting higher revenues to the budget.

5. Tax administration and enforcement: The effectiveness of tax administration and enforcement can be influenced by political factors. Political will and priorities determine the allocation of resources for tax authorities, enforcement efforts against tax evasion, and the implementation of measures to improve tax compliance. The research findings show that the perception of a major political influence in the allocation of resources to tax administrations is very high. This conclusion makes me draw attention to the need to depoliticize resource allocations, because an allocation not based on needs leads to the creation of large and deep differences between administrative areas.

6. Political stability and long-term planning: The stability and continuity of political leadership can have an impact on tax policies and long-term planning. Consistent political leadership provides a more stable environment for tax planning and encourages investment, while frequent political changes can introduce uncertainty and potentially affect tax policies (Onofrei, 2000, p. 200).

7. Public opinion and social considerations: Political factors are also influenced by public opinion and social considerations. Public sentiment on taxation and fairness can shape the political discourse and influence tax policies, particularly regarding issues of income inequality, social welfare, and redistribution of wealth (Dinu, 2023, p.34). The perception identified among the population, based on the analysis of data collected by me over time, shows that if these directions were maintained and did not remain only at the level of intentions, the standard of living would increase, tax evasion would decrease, the degree of satisfaction with the political class and the fiscal and social policy carried out by it would also increase.

It's important to note that the influence of politics on taxation can vary over time and may be subject to changes in the political landscape, government priorities, and economic conditions (Susskind, 2008). Reducing the influence of politics on taxation can have both advantages and disadvantages. Here are some potential benefits and considerations:

Advantages:

1. **Stability and predictability:** Reducing political influence on taxation can lead to greater stability and predictability in tax policies. Tax laws and regulations that are less subject to frequent changes driven by political considerations can provide a more consistent and reliable environment for businesses and individuals to plan their financial affairs.

2. **Long-term planning:** A reduced political influence on taxation can facilitate long-term planning for businesses and individuals. With greater certainty and stability in tax policies, entities can make more informed investment decisions and allocate resources effectively, fostering economic growth and development.

3. **Objective decision-making:** Minimizing political influence can promote more objective decision-making in tax policy formulation. By basing tax policies on economic principles, empirical evidence, and the needs of society, rather than political expediency, the focus can shift towards creating a fair and efficient tax system.

Considerations:

1. **Democratic representation:** Taxation is a fundamental policy area where political representation plays a crucial role. It allows citizens to have a voice in shaping tax policies through their elected representatives. Reducing political influence should not undermine democratic processes and the ability of the public to participate in decision-making. (Brailean et al, 2012, p.172).

2. **Responsiveness to societal needs:** Taxation policies need to be responsive to societal needs and changing economic circumstances. A complete removal of political influence may limit the ability to adapt tax policies to address emerging challenges or to respond to changing social and economic conditions.

3. **Balancing competing interests:** Taxation involves balancing various interests, including revenue generation, social equity, economic growth, and government expenditure. Removing political influence entirely may make it difficult to strike a balance between these competing priorities and may lead to a less responsive tax system.

4. **Accountability and transparency:** Political influence in taxation can be addressed through measures to enhance accountability and transparency in decision-making. Strengthening mechanisms for public scrutiny, independent oversight, and public consultation can help ensure that tax policies reflect the broader interests of society.

3. RESEARCH METHODOLOGY

The study was conducted using the following methods: analysis of data and information from books and specialized materials, comparison of tax doctrines, deduction, drawing conclusions based on the study. Questionnaires were used, applied to a sample consisting of representatives of the business environment and the population. Their results formed the basis for formulating conclusions to help us understand and interpret the data. The conclusions of this study were formulated based on them. Conclusions that give me an overall picture, but also methods, means of intervention, to improve the system, to reduce negative effects, to improve the quality of life.

4. FINDINGS

The study was based on scientific abstraction and historical scope methods. The essential aspects of the economics life are defined with the help of scientific abstraction methods. The phenomenon investigated is cleansed of facts and features less important, accidental, thus reaching its core (Todosia, 1992, p. 53) The historical method starts from the truth that any economic phenomenon has a historical evolution, that is, it appears, develops, then disappears or transforms into something else. Based on them, were formulated the conclusions of study.

Government priorities, and economic conditions, are influenced by each other, as we concluded, based on the responses of those to whom the questionnaire was applied that sought to determine whether

- is too much political influence on the tax system considered beneficial – the responses collected showing, in a percentage of 80%, that, no

- if they feel comfortable with a high degree of this intervention, the percentage of 90%, demonstrating that they do not feel safe with a high degree of political interference

- they want greater involvement in the decision-making process based on consultation

- what is the degree to which these fiscal policies correspond, or are adapted to their needs, resulting in a percentage below 40% satisfaction

Based on the Adaptability Scale, which aimed, within the study, to evaluate on a scale from 1 to 6, the degree to which the sample chosen from the population, or the business environment, adapts without serious, negative, unfavorable implications on the quality of life, or the evolution, growth of the developed business, it was found that:

- respondents fail to adapt to the way and speed with which changes in the fiscal environment are politically influenced;

- fail to develop adaptation mechanisms in a timely manner and with positive effects for them;

- they don't know where to look for help when they encounter difficulties;

- they don't feel stability and can't even talk about predictability;

- because of the frustration they feel, regarding what they call ~injustice~ regarding fiscal policies and the tax system, they may give up, or the degree of adaptability is very low.

5. CONCLUSIONS

Ultimately, the ideal balance lies in having a tax system that strikes a balance between stability, fairness, economic efficiency, and responsiveness to societal needs. While reducing political influence on taxation may have advantages, it should be approached carefully to preserve democratic representation, adaptability, and the ability to address the evolving needs of society. It's important to recognize that political influence on taxation can vary over time and may be subject to changes in the political landscape, government priorities, and economic conditions.

Striking the right balance between political considerations and economic principles is crucial to ensure a well-functioning fiscal system that serves the best interests of the population.

It's important to note that reducing political influence on taxation requires a comprehensive approach and a commitment from all relevant stakeholders. It may involve legal and institutional

reforms, public awareness campaigns, and a shift in political culture towards evidence-based decision-making and long-term thinking.

The study not only aims to identify the weaknesses, the mistakes of the political system, the negative effects on the business environment, on the quality of life of the population, not only to raise an alarm, but, also awareness of these effects, in the long term and offering ways of intervention, in order to reduce the overlap of politics over economics, Intervention methods supported and based on systematic observation and analysis of the implications felt by the population. If the factors identified in this study and the reaction of those interviewed are taken into account, ways of intervention, adjustment, adaptation can be developed, which, ultimately, lead to what we all want, an improved tax system, with positive effects on the quality of life of citizens, adapted to the needs, requirements and, ultimately, increasing income.

It's important to recognize that reducing political intervention in the fiscal system requires a commitment from policymakers, stakeholders, and the public to uphold the principles of good governance, transparency, and economic rationality. Implementation of these measures should be tailored to the specific context and institutional framework of each country.

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