

Preface

This book consists of twelve chapters all dealing with tax issues. Some are highly edited and, in some cases, shortened or lengthened versions of papers or seminars presented at various international seminars. Most of them have been significantly edited or rewritten to update them, to reduce repetitions, and to make them fit in a book. However, to allow the papers to stand on their own, so that they can be read individually, some inevitable repetition was left in the chapters.

Taxes are often analyzed by public finance experts for the impact that they have, or are supposed to have, on economic activities. Therefore, the direction of the causality and influence almost always goes from the taxes to the effects they may have on incentives, economic activities, or budgets even though it is recognized that business cycles can impact tax revenue. However, there are many influences that go in the opposite direction that are routinely ignored. The main objective of this book is to stress the latter influences, and to highlight the fact that tax systems are born and, during their existence, must live in a world that is continually changing, and that it is impacting them. As a consequence, the social and economic ecology of the world has a great impact on the tax systems. Tax systems operate in a changing world. There is, thus, a need to recognize this reality and also the need to make a greater effort to adapt the tax systems to the current ecology. This implies that there cannot be tax rules or tax systems that are assumed to be eternal, or tax rules that have universal applications.

The above statement has strong implications for theories of taxation (optimal or otherwise) that, at times, seem to ignore, or to be detached from, the social and economic ecology of the world. There has been remarkably little tax literature that has related taxes to the ecology in which they operate, except for rather trivial comments about the impact of economic underdevelopment on tax systems. The more frequently the ecology in which tax systems operate changes, the more frequent must be the adaptation and the revision of the tax systems. There are also implicit lessons about the danger of copying the systems of other countries, or of not adjusting the tax systems for changing ecologies.

The influences that may require changes may come from the demand side of taxation or from the supply side of it. The demand side is connected with the desire on the part of governments and societies for higher or lower tax revenue, or for different tax structures and tax incidence. There are, however, also strong influences that come from the supply side. They may make it more or less difficult for governments to introduce tax changes that they desire. Some of these supply-side influences are identified in the chapters of this book.

The ecology of taxation is likely to be influenced by (a) changing views about the desired economic role of the state; (b) the changing structure of the economy over the years; (c) the changing economic relations with other countries, which would include globalization; (d) the technology of taxes, which may lead to the discovery of new taxes or to new ways of collecting taxes; and (e) possibly by other developments, including economic fluctuations and the occasional emergence of bubbles. The chapters in this book discuss some of these influences and provide various examples. They do it in an informal way.

Because of the above reasons, we cannot have tax theories that ignore the ecology of taxation, or that do not change to reflect new ecological developments. Public finance textbooks and the technical literature on taxation should pay more attention to this aspect. The topics discussed in this book should be seen as signposts that hopefully will suggest, to young scholars looking for new research topics in public finance, where taxation could benefit from some research. This is a relatively unexplored area.