

# Chapter 48

## Investigation of Robin Hood Tax in Financial Crisis Periods and Analysis of Social State Policy in Taxation

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### ABSTRACT

*Taxes cannot be denied in order to prevent financial crises and economic crises. In times of crisis, it is sometimes possible to intervene in these periods by decreasing the existing tax rates and sometimes by applying new taxes. The Robin Hood tax is based on the idea of giving it to the poor. According to this idea, the financial sector will be taxed in times of crisis and the tax burden that countries have to bear will be reduced. Moreover, the important point here is related to the usage area of the income derived from taxation of the financial sector. These taxes will be transferred directly to the public (i.e., to the people who suffer from the crisis). Thus, the idea of transferring from the rich to the poor will take place. In this chapter, the applicability of Robin Hood tax will be determined by considering the main features of the tax, and the tax will be examined before the social state principle. In this direction, the superior aspects of the said tax will be determined, and some suggestions will be made.*

### INTRODUCTION

It can be said that the flexible exchange rate regime, which has been shifting from Bretton Woods' fixed parity system since the early 1970s, has increased the price volatility of exchange rates. Parallel to this, the maintenance of fixed exchange rates in a situation where capital movements are free is considered as a reason for the speculative attacks on exchange rates in the 1990s. The number and depth of crises have increased after the European Currency Exchange Mechanism Crisis, which lived at the beginning of the 1990s. The Asian Crisis following this crisis, the Latin American Crisis and finally the 2008 global crisis are considered as the consequences of the liberation of capital movements.

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The necessity of taking short or long term measures against the crisis can not be ignored. At this point, in the year of 1972, following the idea of taxation of capital movements by James Tobin for financial crises, the two-tiered tax practice developed by Paul Bernd Spahn in the 1990s came to light. Finally, the financial transaction tax, which is discussed in the European Union countries after the 2008 crisis, is another important precautionary tax.

Taxes cannot be denied in order to prevent financial crises and economic crises. In times of crisis, it is sometimes possible to intervene in these periods by decreasing the existing tax rates and sometimes by applying new taxes. Taxes that come up frequently in times of crisis are the Tobin tax, the Spahn tax, and the new tax, the Robin Hood tax.

The basis of the Robin Hood tax is based on the idea of giving it to the poor. According to this idea, the financial sector will be taxed in times of crisis and the tax burden that countries have to bear will be reduced. Moreover, the important point here is related to the usage area of the income derived from taxation of the financial sector. These taxes will be transferred directly to the public, ie to the people who suffer from the crisis. Thus, the idea of transferring from the rich to the poor will take place. Therefore, the applicability of this tax in times of crisis should be examined not only in terms of the economic benefits but also in the theoretical frameworks such as being fair or not and its suitability should be demonstrated.

Robin Hood Tax, which is planned to be collected over financial transactions and to collect about € 57 billion a year, is considered to be collected at 0.1% in the purchase and sale of bonds and stocks and 0.01% in derivative transactions. According to calculations by campaigners, 1333 new wind power plants can be built with a \$ 2 billion source, and even when 30 billion dollars is spent, all people around the world can get access to clean water. On the other hand, Robin Hood Tax is also an issue in the European Union. The Financial Transactions Tax, previously proposed by the European Commission, together with the pressures intensifying especially after the crisis, was discussed in the meeting of the EU Finance Ministers on 9 October 2012 and was held in Germany, France, Spain, Italy, Austria, Belgium, Portugal, Greece, Slovenia, Slovakia and Estonia. They expressed a positive opinion on taking tax on financial transactions.

As it is known, the power of taxation is the power of the states. Laws and taxation principles are the first to come to mind as the limiters of this power. The principles of taxation include the principles of legality, equity, certainty, solvency, justice and social state.

In this chapter, the applicability of Robin Hood tax will be determined by considering the main features of tax and the tax will be examined before the social state principle. In this direction, the superior aspects of the said tax will be determined and some suggestions will be made.

## **Global Financial Crises**

No major economic or financial crisis has been found until the end of the 1960s in the 1929 World Depression, the most important economic crisis in the development of capitalism. Only the crisis that the Suez Canal Company brought to England in 1956 is exceptional. In this respect, England experienced risks in international trade despite the surplus of payments in 1956-1957. The Bank of England had to use almost all of the dollar reserves to preserve the value of the pound (Boughton, 2001:21).

The period after 1970, when international capital mobility increased, was the period of crises that began with the collapse of the Bretton Woods system. Financial capital mobility, which has increased internationally, has revealed the financial crisis phenomenon for both developed and developing countries. Considering the recent periods, it should be noted that crises have an impact on developing countries.

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