

Tax Policy within Fiscal Policies: Evaluation of Tax Measures Taken Against Economic Crises

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Through the history the countries have been examined by economic crises all over the world. After the Great Depression of 1929, the beginning of which is named as "Black Tuesday", we again experienced a new world-wide crisis that broke out in the United States in 2008. When it comes to explaining the economic crisis, it is simply a sudden and unexpected downturn in the economy of a country.

Primarily, The United States, and then the all countries in the world have been severely influenced by the negative effects of this crisis. With the Great Depression in the United States, it was obvious that "Market Economy" that maintained by classical economists couldn't be competent by itself alone. In that period, Keynesian economists which emphasized the "State Intervention" emerged against their classical counterparts. According to Keynesians, "State Intervention" is so essential in depression eras. Governments can interfere with ongoing period of depression in two different ways. These are monetary policies and fiscal policies. If a decisive struggle and respond to the crisis are desired, both of these policies must be enforced simultaneously. On the other hand, governments are more efficient to use fiscal policies in comparison with monetary policies, in an effort to control the economy at that cyclical period. However, it is known that fiscal policies have their own instruments which may be listed as tax policy, spending policy and budget policy. Tax policy is the most effective way of all fiscal policies in stages of recession. As one of the main purposes of fiscal policy is to sustain economic stability, tax policies are often used to achieve the mentioned purpose.

Hence, this study focuses on the tax measures taken by the governments to deal with the economic crises by giving inner examination of some countries severely hit by the recent global crisis. Overall, the study will elaborate the significance and the impact level of tax policies in crises periods.

Keywords: Economic Crisis, Cyclical periods, Fiscal Policy, Tax Policy.