

EconWorld2016@Barcelona

The Relationship between Types of Tax and Economic Growth: The Case of Turkey Between 1970-2014 / Vergi Türleri ile Ekonomik Büyüme Arasındaki İlişki: 1970-2014 Arası Türkiye Örneği

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ABSTRACT

The government uses tax revenues primarily as funding sources while fulfilling the public services. When the obtained tax revenues are used properly, they create a positive impact on the welfare of the country. Although it is generally accepted that increasing of total tax revenues have a positive impact on economic growth, the different effects of various kinds of taxes are observed in the long and short term. On one hand, increasing the tax burden might appear as an increase in government revenue but on the other hand it can cause negative results in terms of consumption, investment and foreign trade. The aim of this paper is to examine relationship between types of taxes and economic growth by taking the effects of long and short term into consideration. In the analysis that covers 1970-2014 years the long term effects are investigated by Johansen Cointegration method and error correction model is also used for short term relationships. According to the results of econometric analysis, taxes have positive effect to national income in the long run, except income tax. However, in the short term, there is a negative relationship between all types of taxes and national income. Furthermore; the error correction coefficient is negative and significant. This situation indicates that instabilities of the short term turn to stability in the long term.

KEYWORDS Types of Taxes; Economic Growth; Johansen Cointegration Analysis

JEL H24, O10, C01