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The Relationship between Tax Revenues and Economic Growth: A Panel Data Analysis on the OECD Countries / Vergi Gelirleri Ekonomik Büyüme İlişkisi: OECD Ülkelerine İlişkin Bir Panel Veri Analizi

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ABSTRACT

The relationship between tax revenues and economic growth is treated as an important issue in the economic literature. This paper examines the fact of the relationship between tax revenues and economic growth. Taxes and its fiscal, economic and social goals affect all economic variables direct and indirect. Taxes are an important incentive policy tool in fiscal discipline and affect investment and saving decisions. The quality and depth of the correlation between economic growth and tax revenues are formed depending on certain variables. Some of the most important are the following; the types of taxes, tax rates and cyclical fluctuations. In this study; after a theoretical framework is constructed regarding the relationship between tax revenues and economic growth, it will be examined the short and long time relationship and effects of direct and indirect taxes in the light of the obtained data from 11 OECD countries for 1980-2014 period. It will be examined the correlation between economic growth and tax revenues with a panel data analysis on the 11 OECD countries. The results of the analysis suggest the existence of negative relationship between direct taxes revenues and economic growth in the long term. One unit increase in direct taxes, income level give rise to a decrease 0.13 units in the long term. In the short term, the results of the analysis suggest the existence of negative relationship between total taxes, direct taxes, indirect taxes and economic growth. A unit increase in total tax revenue gives rise to the level of 0.17 unit decrease, a unit increase in direct and indirect taxes revenue gives rise respectively to the level of 0.02 and 0.008 unit decreases in the short time

KEYWORDS Direct and indirect tax revenues; economic growth; panel data analysis

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