

TAXES AND ECONOMIC GROWTH IN ROMANIA. A VAR APPROACH

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ABSTRACT: The paper analyzes the relationship between taxes and economic growth in the case of Romania in the period January 1999 - March 2010, using an unrestricted Vector Autoregression Model (VAR) based on the rate of dynamic taxation's level and the rate of dynamic economic growth. The relationship is questioned in both directions, namely with reference to the manner in which taxes affect economic growth, but also in terms of the influence that economic growth exerts on taxes in the case of Romania for the mentioned period. The results show that tax policy in Romania cannot be taken to extremes, and should be very carefully implemented because a large amount of factors can influence the results

Keywords: tax, growth, VAR analysis, impulse functions, effects

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