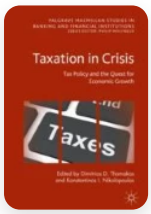
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Taxation in Crisis

Grigorios Spirakis & Antonios Sarantidis

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Abstract

This chapter examines the relationship between tax policy, foreign direct investments, and economic growth. The aim of this chapter is to analyze and to estimate the impact that frequent changes and modifications of tax policies have on the FDI and economic growth of Greece. The sample is based on time series data with annual observations from 1980 to 2014. The empirical part utilizes the methodologies of PCA, OLS regression, GARCH and GARCH-M. In this chapter, tax policy is measured as the annual number of tax legislation changes that have a direct negative impact on the income of citizens and businesses. We construct a new Tax Policy (TP) Index for Greece, by using the Tax Policy variable and five other variables as proxies in this analysis. The results suggest that the new TP Index has negative effects on GDP growth while it has no effects on FDI. The

research provides to policy makers insights into the effects that an unstable tax environment has on FDI and economic growth.

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Notes

1. The correlation results are not presented here but are available upon request.

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Appendix

Table 16.4 Definition and source of the variables

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