

# How Have Economics, Political and Social Factors Affect Tax Revenue of Government: A Robust Regression Application

Emre Kaan SARIKAYA\*

Tartu University, Department of Quantitative Economics

Yasin KÜTÜK†

Altınbaş University, Department of Economics

## Abstract

Social, political, and economic factors shape the countries potentials and limits. Developing countries and undeveloped countries try to increase the government tax revenue to reach their highest potential and limit that is a feature of an advanced economy. However, some of the social, economic, and political factors have reverse relations with the tax revenue. On account of these relationships, the democracy score of countries, unemployment rate, high technology exports percentage of GDP, and citizens' tertiary education level rate were investigated in terms of their effects on governments' tax revenue. Considering the tax as a budget and increasing tax revenue for producing goods and services to the citizen, being a democratic or undemocratic regime is seen as two ways to achieve collect more tax from its citizens. Acting as an undemocratic regime is considered an easy way to increase the tax revenue of the government. However, this study will try to prove that establishing a democratic regime that provides more public goods and services may be the best way to collect more tax from its citizen. Because of the increasing democracy level in the country, common sense suggests that it eventually leads to improvement in economic indicators in the country. From this perspective, economic indicators such as the unemployment rate and high technology export rate will be examined. Lastly, tax evasion is the barrier to the increased tax revenue of the government. The tertiary education level of the population in the country is considered as awareness of the general citizen's public duties. In this sense, the increasing level of completion of tertiary education is examined in those countries in terms of

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\*email: emrekaans@outlook.com

†e-mail: yasinkutuk@gmail.com; itu.edu.tr}

the government's tax revenue percentage of GDP. The data that consists of 37 countries for the period between 2012 -2017 are examined with the robust OLS method. According to regression analysis results, all variables that the study includes are significant factors on the government's tax revenue. The main aim here is to examine the link between variables more clearly by ignoring countries' variability over the years. All dependent variables in the study are expected as became significant.

**Keywords:** Democracy, Education, Tax, Unemployment Rate, High Technology Exports

**JEL Classification:** C30, E62, H21, H26