

TESTING THE HYSTERESIS EFFECT OF TAX REVENUE ON ECONOMIC GROWTH IN NAMIBIA: A POLYNOMIAL DISTRIBUTED-LAG MODEL APPROACH

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ABSTRACT

This study examined the hysteresis effect of tax revenue on economic growth in Namibia. The analyses were carried out using a polynomial distributed-lag modelling (PDL) approach on quarterly data for the period 2001 to 2015. The results showed that the coefficients of the variables measuring the hysteresis effects in the first, third and fourth quarter negatively affect economic growth. These findings validate the generally accepted hypothesis of the negative impact of tax revenue on growth. Therefore, these results revealed that the current value of tax revenue negatively affect economic growth in the Namibian context. The information conveyed by these results simply suggests that, increasing tax rate as means to generate more revenue can result in the opposite effect as economic agents will be left with relatively less income to spend on goods and services.

Keywords: Hysteresis effect, tax revenue, economic growth, Namibia.

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