

TAX DECENTRALIZATION AND ECONOMIC GROWTH IN LATIN AMERICA: EVIDENCE OF PANEL DATA: 2000-2018

Amílcar Marcelo Varela Enríquez¹
Gustavo Adrián Salazar Espinoza²

Abstract

The objective of this research is to determine the relationship between fiscal decentralization and economic growth for Latin America from a heterodox perspective based on the research question, ¿what is the relationship between fiscal decentralization and economic growth? For this, the evidence and the empirical works, as well as the methodologies used, which are contrasted to determine their viability are widely discussed. The methodology used is an ordinary least squares model based on balanced panel data to correct possible errors, that is, a panel data specification model that measures the fixed and random effects that combine appropriate interest variables with variables of interest, control to avoid bias of mutual causality. The tests applied for the selection of the most appropriate estimators determine that the null hypothesis is accepted that a greater fiscal decentralization affects economic growth, in which the public investment of the Latin American countries from the application of decentralization, it has allowed its impact on per capita GDP to be stronger. Finally, the null hypothesis is accepted and there is no structural change in the slopes of the model in the public investment variable. So, it is not necessary to create dummy variables to pick up the change in the public investment coefficient.

Keywords: Fiscal decentralization, economic growth, panel data, GDP per capita, public investment.
JEL Codes: O43; H77; C33

Citation : Varela, M & Salazar, G.. (2020). Tax Decentralization and Economic Growth in Latin America : Evidence of Panel Data : 2000-2018, *Review of Socio-Economic Perspectives*, Vol 5(3), 51-81.

Article Type: Research Article
Application Date: 15.05.2020 & **Admission Date:** 26.07.2020
DOI: 10.19275/RSEP088

¹ Universidad Central del Ecuador / Instituto de Altos Estudios Nacionales, Av. Universitaria, Quito 170129 Ecuador

ORCHID ID: 0000-0003-4721-8229
E-mail: avarela@uce.edu.ec & marcelo.varela@iaen.edu.ec

² Universidad Central del Ecuador, Av. Universitaria, Quito 170129 Ecuador

ORCHID ID: 0000-0003-4942-0842
E-mail: adriansalazar20@hotmail.com