Review of: "Contribution of Indirect Taxes on Goods to Economic Growth of Pakistan (1972-2022)"

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Potential competing interests: No potential competing interests to declare.

- The introduction of the study needs to be rewritten. There is no need to waste space on defining direct and indirect taxes, or on how the government finances public expenditure.
- Besides, when quoting studies in the introduction, care must be taken to distinguish between the long- and short-run effects of indirect taxes on economic growth. The whole story of the paper needs to be sketchily introduced in the section by distinguishing the short- and long-run aspects of indirect taxes on growth. In the short run, taxes in general are leakages, reducing the circular flow of national income, but in the long run, they may have positive and negative effects on national income and growth. The study falls short of a theoretical framework in the short and long run. Therefore, the theoretical underpinnings of the paper need to be clearly spelled out.
- The objectives of the paper are quite general and out of focus. Both objectives need to be qualified by including the contradictory aspect of the short-run and long-run effects of indirect taxes on economic growth mentioned above.
- The study reviews many empirical studies cursorily, highlighting the positive and negative impact of taxes in general and indirect taxes in particular. One aspect of the review shows that indirect taxes in general have a negative impact on growth without clarifying whether that is a short- or long-term aspect. Further, there is no review of the theoretical literature that would buttress the two empirical equations mentioned at the beginning of the literature.
- In addition, the study makes no mention of the methodology used in previous studies in the review section. In fact, the objectives of the study, its theoretical underpinnings, and choice of methodology do not emerge from the literature review. It is suggested that the literature review should be carefully rewritten, taking into account past theoretical studies, empirical findings, and methodology in a concise manner.
- Figure 2 of the study, which presents the time series data of various taxes, indicates that there are probably structural breaks, given the time period of the data from 1972-2018, spanning 46 years. With structural breaks in the series, the standard stationarity tests with no structural breaks could be misleading. Consequently, the empirical inferences might not be robust. It is suggested here that stationarity tests with structural breaks of (1) innovative and (2) additive outliers, as in Perron (1989), be conducted to ascertain the stationarity of the series with structural breaks before any empirical inferences are drawn from the study.

Overall, the paper might be accepted after revision by incorporating the suggestions of the reviewer.