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Research Article

The Tax Burden and Labour Participation Effects of Emerging Markets on G7 Countries

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ABSTRACT

This study aims to analyse the economic dynamics resulting from the tax burden effects, fiscal capabilities and labour force participation rates of countries representing emerging markets on a global scale on the G7 economies, which consist of developed countries. Emerging markets have increasingly become a determining factor in the transformation process of the global economy with their internal dynamics and their direct effects on developed economies. In addition, this study examines the impact of countries representing emerging market economies on G7 economies within the framework of the structural characteristics of existing tax systems and labour markets and evaluates the extent to which these interactions transform the effects on labour force dynamics and taxation policies in G7 countries. On the other hand, the tax burden avoidance strategies of multinational companies in G7 countries and the competitive pressures in labour markets are shaped through both direct and indirect mechanisms, and the expansion of the low-wage competitive environment also causes the restructuring of labour markets on a global scale. While factors such as migration dynamics and technological transformation strengthen the role of emerging market economies in the global system, it is observed that policies such as global minimum tax practices and international taxation standards gain more importance for G7 countries. In this context, it is understood from this fact that the scale effect of emerging markets on the tax burden and labour force participation rates in G7 countries puts pressure on wage levels while at the same time bringing a transformation dynamic that brings the labour markets of developed economies closer to each other on a global scale. The study's findings reveal that G7 countries should carefully evaluate their interactions with emerging markets regarding their long-term economic stability and that it is inevitable for them to develop inclusive policies in this direction.

Keywords: Corporate Tax Burden, Emerging Markets, Global System Effects, G7 Countries, Labour Force Participation Rate.

JEL Codes: H21, H25, J11, J21.

1. INTRODUCTION

The US, Germany, the UK, Japan, France, Canada and Italy, which are G7 countries, have witnessed the increasing economic and financial impact of emerging market economies on a global scale for a long time. The effects of these five countries on the worldwide economy as G7 countries are analysed by taking Turkey, Hungary, Poland, Mexico and Brazil as the representative countries of emerging market economies. This fact, particularly the reflections of the economic dynamics of these countries on the inflation rates in the G7 countries, are discussed, and the effects on macroeconomic variables and employment power in the G7 countries are evaluated in the context of the increase in global inflation. The study's primary purpose is to examine the impact of emerging market economies on corporate tax burden rates in the G7 countries and to determine how this impact is reflected in the levels of per capita national income and labour force participation rates concerning global inflation (IMF, 2024).

In this context, emerging market economies' direct and indirect impacts on the international economic system are examined, and current policy recommendations that can be implemented in the G7 countries are discussed. In the

post-2000 period, when global economic dynamics are increasingly interacting, it is primarily envisaged to present a comprehensive framework to understand the role of emerging market economies on the macroeconomic stability of G7 countries. In this context, within the scope of the study we are considering, it is necessary to emphasize some priority points that are aimed to be questioned and evaluated: First of these, the effects of high tax rates on labour force participation rates in G7 countries, as the relationship between tax burden and labour supply, are evaluated. Second, the tax policies of multinational companies in developed G7 countries are determined to what extent they are affected by developing and emerging market countries. Third, the informal economy and tax evasion in emerging market countries are analysed, including the effect values reflected in the economies of G7 countries and the evaluation of the effects. Fourth, the qualitative framework of how tax reforms of G7 countries can reduce tax evasion incentives in developing and emerging economies is aimed.

Primarily, it should be emphasised that the effects of developing and emerging market countries on low-tax regions shape capital flows concentrated in important financial centres in G7 countries and change the dynamics of the global economy (IMF, 2023). High tax burdens and possible inflation expectations in emerging market economies direct G7 countries with high capital to alternative investment regions, leading to serious inconsistencies in regional financial systems. Tax avoidance strategies of multinational companies and their global financial relations with emerging market economies directly affect employment and income distribution in G7 countries (European Commission, 2024: 16-18).

In this context, the global effects of tax policies and labour market dynamics are among the fundamental issues that must be addressed at academic and applied levels. In this context, the effects of low-tax regions and emerging market economies on foreign direct investments become an essential subject of analysis for G7 countries. While countries with low tax practices are becoming a centre of investment attraction for G7 economies, this situation creates new financial trends that can change the effectiveness of financial regulations and the direction of global capital flows (OECD, 2020). This process has important implications not only in terms of economy and finance but also in terms of international trade, labour economy and global governance. However, when macro variables such as labour force participation rates, employment, and inflation rates are considered, high tax burdens increase financial pressures on individuals and companies and accelerate labour.

This process significantly affects employment structures in developed economies and causes social and economic transformations. G7 countries are positioned to bear the long-term effects of these transformations, which are directly related to global capital movements and labour migration, social security systems, tax policies, and labour supply to their income processes (OECD, 2024). In this process, where international trade is increasingly affected, tax policies implemented by emerging market economies directly shape export strategies and trade policies and change global economic balances. High taxes, trade agreements and investment incentives increase their effects on financial flows and capital markets, reshaping global economic and financial-fiscal policies. As a result, the kind of international economic strategy that G7 countries will adopt against emerging market economies should be evaluated based on analytical and empirical approaches. Correlative effects that emerge between countries with different levels of development should be examined with meaningful scale analyses and interpreted based on concrete findings. In this context, the effects of global tax policies, labour mobility and capital flows on advanced economies should be addressed holistically within the framework of international economics and finance disciplines.

2. LITERATURE REVIEW

These studies conducted by Blundell (1995) and OECD (1995) are among the essential and pioneering studies that analyse the effects of tax policies on the labour force. In the study, comparative analyses were conducted on a country basis by considering the impact of the tax burden on labour supply. Blundell's (1995) findings reveal the sensitivity of labour market dynamics to taxation policies and provide a theoretical basis for many studies conducted on countries representing emerging markets today. OECD's (1995) study addresses tax effects on the labour market at a global level. It makes significant contributions, especially regarding labour distribution and understanding different tax effects in labour markets. The study conducted by Favreault et al. (1999) is considered among the pioneering studies that examine global taxation relations, especially in developed economies. The study investigated the effects of tax policies on the labour force and analysed employees' sensitivity over a certain age to potential tax reforms. In this context, it is evaluated that the study significantly contributes to understanding tax incentives in labour markets. Tanzi and Zee's (2000) study emphasizes the tax dimension of the global economic adjustment process by examining the effects of tax policies on developing countries. Bovenberg's (2003) study is considered one of the fundamental

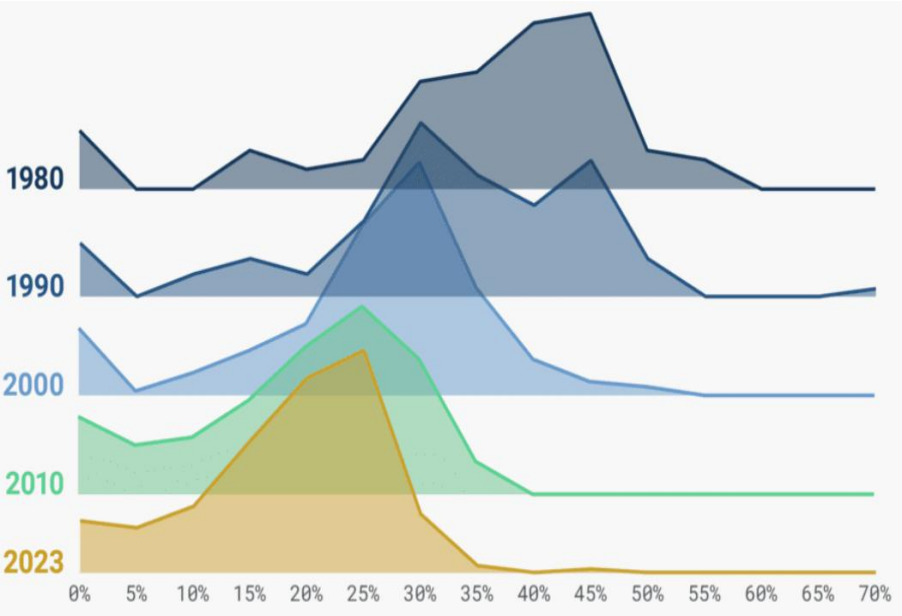
studies aimed at understanding the macroeconomic tax effects on the labour market in emerging markets. The study analysed in detail how the labour force in developing countries is positioned globally and how tax regulations shape it. The studies conducted by Jeanne and Ranciere (2011) and Atwood et al. (2012) examine the fiscal impact values , especially in emerging economies, from the corporate tax perspective. The study provides a new formula for developing taxation strategies compatible with international reserve management, significantly contributing to empirical studies in this field. The findings shed light on the formation of optimal taxation strategies in today's economies. The studies conducted by Yuldashev and Khakimov (2011) and Zwick and Mahon (2017) examine the relationships between labour force participation rates and direct taxation rates. These studies provide comprehensive findings on the effects of tax regulations on employment by considering the impact of national and global tax policies on labour supply in a comparative framework for comparing emerging markets and developed economies. In particular, the analysis of the correlation between labour force participation rates and tax burdens based on current data increases the importance of these studies. The study conducted by Piketty and Stantcheva (2014) and Ezemenari et al. (2016) provides an essential theoretical infrastructure for determining and understanding optimal tax rates. The study is deemed one of the first essential studies on optimal taxation and constitutes a significant reference point in the literature. Sorbe and Johansson's (2017) study examines international tax planning, competition, and market effects in OECD economies. This study, which contributes mainly to understanding tax procedures, analyses different market structures by comparing emerging and developed economies. The empirical study by Feyen et al. (2017) examined macroeconomic variability's effects on developing countries in emerging economies. In this context, quantitative findings were presented to establish institutional fiscal balance procedures for emerging markets and developing economies. Laun's (2017) study focuses on understanding the tax burden on labour and analyses the effects of the tax burden wedge on a global scale. The study's findings are consistent with the relevant literature and contribute to policy recommendations for the labour market. The study by Akitoby et al. (2018) focuses on markets mobilizing tax revenues to understand tax effects. The IMF used a new data set to analyse emerging market economies and low-income countries. Ari and Yıldız (2018) study examine the relationship between transfer expenditures, labour in Turkey, and the tax phenomenon. The study applied a causality test, and the test results were evaluated within the framework of global economic relations. The studies conducted by Beer et al. (2020) and Ruch (2020) examine the effects of corporate tax on the development level of countries. This study, which analyses the ways of avoiding international corporate tax, is an essential reference in the relevant field and contributes to the literature by providing secondary analyses. These two studies conducted by OECD (2021) and OECD (2022) for the relevant years address the macroeconomic indicators related to tax values and taxation holistically. In this context, this study provides a better understanding of tax statistics and presents the relevant data as a source of essential reference in emerging markets today. The study conducted by Rodríguez et al. (2023) is one of the most up-to-date and essential sources based on countries representing emerging markets. This study, which includes determinations regarding corporate effective tax rates, provides critical data and an analytical framework for understanding corporate tax structures in G7 countries as well as their relations with other countries on a global scale. The study by Yıldırım and Kuştepeli (2023) focuses on the relationship between tax burden and labour force. This study, which analyses the effects of the tax burden on labour, reveals significant findings for emerging markets by examining the correlations between labour force participation rate and tax burden, especially in OECD countries. As a current study, the study conducted by Ruba (2023) examines the fiscal and macroeconomic effects of policy changes in developing countries and emerging market economies. In this context, Ruba's study provides a strong theoretical and empirical basis for the relevant subject in the current literature. This research, which takes a financial analytical approach, overlaps significantly with our current study's findings.

3. TAX BURDENS, AND LABOR FORCE PARTICIPATION RATES FOR DEVELOPED AND EMERGING MARKETS

Corporate tax, as one of the important elements of the global economy, has a dynamic structure, especially in emerging market economies. This structure has historically shown significant changes at certain time intervals and has undergone an evolution that can be directly associated with economic and political changes. As of 1980, with the spread of the free market economy, significant adjustments were made to corporate tax rates in various countries and these changes continued throughout the 1990s and 2000s. In the 1980s and 1990s, corporate tax rates, as an average of the G7 countries, generally ranged between 30% and 50%, while these rates showed a significant downward trend with the 2000s. In 1990, there was a slight decline in tax rates and a more stable structure was observed in the 30-35% band. After 2000, due to the effect of emerging markets, these rates remained constant at

30-35% globally, but evolved towards a lower tax regime with a distribution between 20% and 30% between 2010 and 2023.

One of the main factors behind this transformation is that the effects of the changes experienced in the political and economic paradigms of emerging markets are felt more and more clearly. The widespread use of the free market economy since the 1980s, the adoption of neoliberal policies and the prominence of competitive tax policies have triggered a decrease in corporate tax rates. By 2023, it is observed that an economic structure dominated by low tax rates has emerged. In particular, tax competition between emerging market economies and developed countries has increased, and this situation has directly reflected in the investment attraction strategies of the countries (International Labour Organization-ILO, 2023). The following Chart1 shows the changes in global corporate tax rates over time, and provides an important analytical framework for understanding the tax burden dynamics and the proportional effects of this process, especially in the period after 1980:



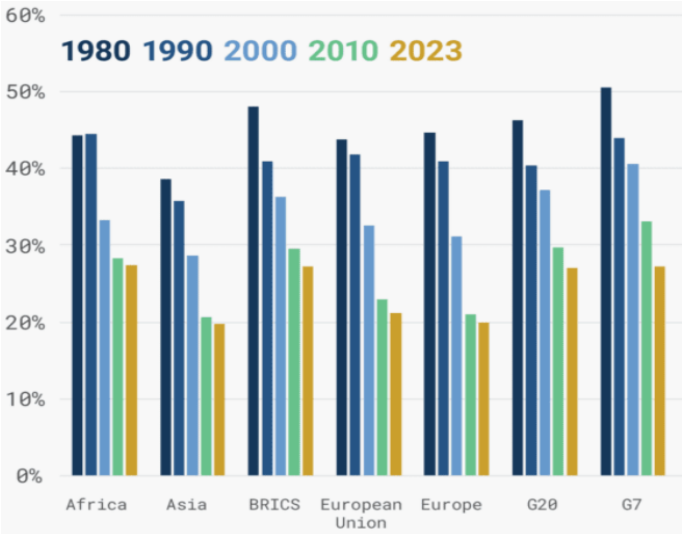
Source: Cristina Enache (2023). *Corporate Tax Rates around the World, 2023*, Tax Foundation, December 12, 2023, https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/ (Accessed January, 14.2024).

Graphic 1. Distribution of Worldwide Statutory Corporate Income Tax Rates

Chart 1 displays the historical trends of corporate tax policies implemented by countries in the context of the global economy and reveals that certain countries with high economic power, such as the G7 countries, dominate policy-making processes in this process. The transformations in the global economy after 1980, the spread of neoliberal policies, financial liberalization and increased market competition have led countries to reduce their corporate tax rates gradually. The graph provides a quantitative analysis of this process, showing how tax competition between countries is reflected in the proportional changes in the tax burden. This decrease in tax rates has also led to an increase in indirect taxes, bringing the issue of tax injustice to the agenda at a global level. Low corporate tax rates have been adopted in the fiscal policies of developed countries, especially the G7 countries, and indirect taxes have been increased based on consumption. As of 2023, although the tax burden on emerging market economies continues to decrease, this decrease is evaluated because of tax competition and investment policies. However, this situation may create imbalances in developing countries' tax revenues in the long term and may necessitate new regulations to ensure economic continuity.

In this context, the decisions made by international financial structures and regulatory institutions will shape the future course of global tax policies. In summary, the evolution of corporate tax over time has been shaped not only by economic factors but also by the influence of political and social dynamics (Cobham and Janský, 2018: 214-215). Corporate tax rates, which have decreased since the 1980s, have evolved into a more competitive and investment-friendly structure today, but new fiscal balances have been created with indirect tax increases. Depending on these

developments, the future of global tax policies will be shaped by international competition and the balance between major economies. A more detailed and specific examination of the Corporate Tax rates in the G7 countries is considered an important fact in terms of the proportional determination of the change process experienced in these countries in the post-1980 period and the proportional deviations. Chart 2 below shows the regional distribution of average Corporate Tax rates worldwide and also provides a comparative analysis of the G7 countries concerning different country groups, particularly the European Union and the G20 countries. This comparison provides a critical dataset to assess how the tax policies of the G7 countries align with or diverge from global trends:

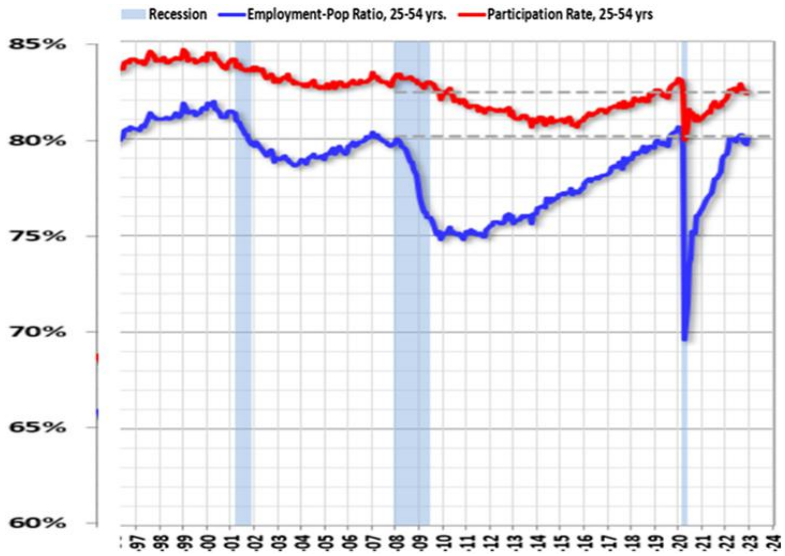


Source: Cristina Enache (2023). *Corporate Tax Rates around the World, 2023*, Tax Foundation, December 12, 2023, https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/ (Accessed January, 14.2024).

Graphic 2. Average Distribution of Worldwide Statutory Corporate Income Tax Rates by Region

When the above Graph 2 is examined, it is observed that the changes made, especially for corporate tax, have exhibited significant downward trends in the G7 countries. It is observed that corporate tax rates, which were around 50-51% in the early 1980s, showed a significant decrease in the 1990s and 2000s and fell to 40%. As of 2023, this rate has stabilized at around 25-26% and continues to be at similar levels today. This downward trend, mainly observed in the context of the G7 countries, is closely related to the acceleration of globalization, the increase in international labour mobility and changes in consumption margins. This decrease in corporate tax, in parallel with reducing direct and consumption taxes to lower levels, also indicates a vital transformation process in tax burden (Ayaz, 2021: 1203). On the other hand, the decrease in these tax rates enables capital companies to have a more competitive structure. It strengthens the effects of competitive elements within the market mechanism on economic welfare. Today, the average corporate tax in G7 countries is seen to be at 25-26%. This rate is similar in the context of G20 countries and creates a particular balance element on a global scale. However, the corporate tax in European Union (EU) countries is at an average level of 20-22%, which stands out as a factor encouraging capital flows to this region.

Countries such as Hungary and Turkey, which are within the European Union and considered among the emerging market economies, are in an advantageous position in attracting capital with their low corporate tax rates (Holtzblatt et al., 2015: 38-39). Undoubtedly, one of the fundamental foundations of this study is to provide a framework for understanding the effects of the labour force participation rate on corporate taxation in the G7 countries in the context of emerging market economies. Examining the labour force participation rate on a country basis contributes to a deeper understanding of the subject in both emerging market economies and developed economies and creates a meaningful theoretical infrastructure. Graph 3 below reveals the spatial deviations regarding the share of global employment in the total population. It also visualizes the changes in labour force participation rates in emerging market economies and their effects on general labour force dynamics:



Source: CalculatedRisk (2023). *Question #4 for 2023: What will the participation rate be in December 2023?,* Wednesday, January 11, 2023, https://www.calculatedriskblog.com/2023/01/ question-4-for-2023-what-will.html (Accessed January, 12.2024).

Graphic 3. Labor Force Participation Rates in Emerging Markets and Global Employment Population Rates

Chart 3 above shows the labour force participation rate (red line) and employment-to-population ratio (blue line) for the 25-54 age group, representing emerging market countries. It also shows periods of economic stagnation as blue-shaded areas. The Labor Force Participation Rate (Red Line) has shown a gradual downward trend since the labour force participation rates, which started at a relatively high level in 1997, changed rates. Although there was a small decline during the 2001 recession, a rapid recovery can be mentioned. During the 2009 Global Financial Crisis, the labour force participation rate decreased from 83% to 81%. Similarly, Changes in the Employment-Population Ratio (Blue Line) The employment-population ratio was around 81% in 1997, but during the 2008 Crisis, it fell by around 5 points from 80% to 75%. It is observed that significant declines following economic shocks such as the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic are an effective factor in this regard.

Increasing trends are observed in the Labor Force Participation Rates (Red Line), especially in the recovery process after 2020. Graph 3 shows that significant negative effects and vulnerabilities in labour markets during economic recession periods occurred with decreases in the employment rate, especially in the 2001 and 2008 crises. Still, a positive process was achieved, and recovery took longer after the 2008 crisis. It was a sudden and sharp decline in 2020 due to the COVID-19 pandemic, but recovery was faster than other crises. During the 2020 COVID-19 pandemic, the employment rate dropped from 80% to 69%, showing a sharp proportional deviation of 11 points. The global impact of the 2020 COVID-19 pandemic created an unprecedented shock in the labour market, reducing the employment rate by 11 points in one year. In the post-2021 period, the recovery process progressed relatively quickly, and the employment rate returned to 80% by 2023 (Jingyi, 2024).

When the issue is evaluated based on the Employment-Population Ratio (Blue Line), it is observed that severe declines were experienced during the 2008 Financial Crisis and the 2020 COVID-19 pandemic process, as a change period close to the labour force participation rates. After the 2008 crisis, the employment rate remained low for a long time, and the recovery continued gradually, subject to different proportional values. Although there was a serious financial deviation due to the pandemic in 2020, it has also been observed that a faster recovery process after this collapse created a positive effect trend. In particular, the recovery after the 2020 pandemic was more rapid than the 2008 financial crisis, which reveals a significant impact by monetary and fiscal policies (Jingyi, 2024).

4. EMPIRICAL METHODOLOGICAL PPROACH AND ANALYTICAL FINDINGS

In this study, the main reason why we prefer a methodological panel model regression analysis is that it can provide a comprehensive and systematic evaluation to determine the effects of independent variables consisting of five

different groups on the dependent variable. The panel regression model approach used is structured to include dummy variables and error terms in order to make sense of the effects of independent variables. In this context, in order to test the suitability and accuracy of the model, the H_0 (null hypothesis) and H_1 (alternative hypothesis) structures were considered within the scope of hypothesis tests. The alternative hypothesis questions the existence of systematic errors or model misspecifications that may arise during the establishment of the model:

$$Y_i = \beta_0 + \beta_1 X_i + \beta_2 \hat{Y}_i^2 + \beta_3 \hat{Y}_i^3 + u_i \quad \text{.....,,,,,,.....(1)}$$

$$H_0 : \beta_2 = \beta_3 = 0$$
$$H_1 : \beta_2 \neq \beta_3 \neq 0$$

Panel data analysis was chosen because it is a statistical analysis method performed on a data set consisting of a time series and cross-section data. The empirical balance equation is based on the following equivalence equation as an empirical balance equation with a panel data analysis approach that determines the relationship between the dependent variable and the independent variables, depending on time and individual units:

$$Y_{it} = \alpha + X_{it}\beta + u_{it}, \quad \text{.....(2)}$$

$$Yit = \alpha it + \beta it Xit + \mu it \qquad i = 1,....,N ; \quad t = 1,....,T \text{ .....(3)}$$

$$Yit = \beta o + \beta 1 Xit + \gamma 2 D2i + \gamma 3 D3i + ...+ \gamma n Dni + \mu it$$

$$i = 1,....,N ; \quad t = 1,.....T..... (4)$$

In panel data analysis, the error term (ε_{it}) is usually treated as a variable representing unexplained or unobservable components in the model; "μ_i*:* fixed effect that does not depend on time and cannot be observed, ν_{it}: Stochastic error term. Since individual fixed effects are considered as part of the error term in our model, *the fixed effects model (FEM)* was preferred.

Expected Value is "Zero":

$$E(\varepsilon_{it}) = 0$$

It Has Constant Variance:

$$\mathrm{Var}(\varepsilon_{it}) = \sigma^2$$

Assuming No Correlation Between

Individuals Across Time and Countries:

$$E(\varepsilon_{it}\varepsilon_{js}) = 0, \quad \text{If} \quad i \neq j \quad \text{or} \quad t \neq s$$

$$Ho : \rho ij = \rho ji = core (\varepsilon it , \varepsilon jt) \qquad i \neq j$$

$$H1 : \rho ij = \rho ji \neq o$$

In panel data analysis, if we assume that the fixed effects model term that is "μi" is accepted as a fixed effects parameter in our model, the null hypothesis will be Ho: ρ̇ = o.

In this context, our Panel Data Model, which we are based on, is more possible to consider the hypothesis testing process in a certain framework. Under the assumption that "is accepted as the fixed effects parameter:

$$yi = Zi\delta + \mu 1 lT + vi \quad \text{..... (5)}$$

$$y_{it} \square \square \square \square \square j x jit \square \square i \square \square it \quad j = 1,2,3,..., K , i = 1,2,3,..,, N \text{ and } t = 1,2,3,..,T \text{.....(6)}$$

K

J□1

Table 1 below presents the semantic values of the components in the panel data model as dependent and independent variables, along with the corresponding semantic values used:

Table 1. Declaring Expressed Model Components in the Panel Data Analysis Approach

G7/TaxBr	Tax Burden as an average of G7 Countries (as per cent Annually)
Tax/Brd	Tax Burden in Emerging Markets (as Percentage Annually)
GDPPrCp	GDP Per Capita in Emerging Markets Countries Percentage Changes (Annually)
EPR	Labour Force Participation Rates of Emerging Markets Countries (as per cent Annually)

The significance distribution values of the integrity of the median values of the standard deviations of the effect values of all dependent and independent variables, especially within the mutual model, are presented in the table below.

It is possible to see the expression of the standard calculation values and the lower and upper limit effect values of the dependent and independent variables used in our model, especially with median fixed values, together with the number of observations observed in Table 2 below:

Table 2. Median, Standard Deviation and Limit Effect Values of Model Components

xtsum Variable		Mean	Std. Dev.	Min	Max	Observations	
country	overall	3	1.418951	1	5	N =	150
	between		1.581139	1	5	n =	5
	within		0	3	3	T =	30
year	overall	2009.5	8.684438	1995	2024	N =	150
	between		0	2009.5	2009.5	n =	5
	within		8.684438	1995	2024	T =	30
EPR	overall	65.83893	7.387162	54.11	86.7	N =	150
	between		7.564112	60.80733	78.85833	n =	5
	within		2.913818	53.9596	75.7596	T =	30
GDPPrCp	overall	4.106667	2.324678	-1.68	11.75	N =	150
	between		1.343913	2.445667	5.993667	n =	5
	within		1.987347	-1.260333	11.244	T =	30
TaxBrd	overall	29.75287	6.093146	16.72	35.98	N =	150
	between		6.617765	18.17033	33.65733	n =	5
	within		1.362145	26.16353	33.17253	T =	30
G7TaxBr	overall	29.91547	2.038103	25.26	34.77	N =	150
	between		.2872608	29.786	30.42933	n =	5
	within		2.021734	24.74613	34.25613	T =	30

The unit root test values, which test whether the components in our model are mutually stationary, are also given as probability values, and a table showing that there is no stationarity and supports the formation of a stable model with values less than “0.05” in the probability values is given in Table 3 below:

Table 3. Unit Root Test Analysis Results and Probability Values

Ho: Panels contain unit roots	Number of panels = 5
Ha: Panels are stationary	Number of Period= 30
AR parameter: Common Panel means: Not included	Asymptotic: root(N)/T -> 0

Levin-Lin-Chu unit-root test for G7TaxBr:		
	Statistic	p-value
Unadjusted t	-2.5738	0.0029
Adjusted t*	-2.4809	0.0066
Levin-Lin-Chu unit-root test for TaxBrd:		
	Statistic	p-value
Unadjusted t	-1.5378	0.0049
Adjusted t*	-1.8763	0.0034
Levin-Lin-Chu unit-root test for GDPPrCp:		
	Statistic	p-value
Unadjusted t	-0.8861	0.0050
Adjusted t*	-0.8611	0.0073
Levin-Lin-Chu unit-root test for EPR:		
	Statistic	p-value
Unadjusted t	-0.2398	0.0082
Adjusted t*	-0.4809	0.0066

In addition, the existence of cross-sectional dependence was tested by evaluating the correlation between the error terms of the units or the model variables (Breusch and Pagan, 1980; Pesaran, 2004; Im, 2003).

$$CD\,LM = \sqrt{\frac{2T}{N(N-1)}}\left(\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\hat{\rho}_{ij}\right) \mathbf{x}\, N(0,1) \quad \text{..... (7)}$$

Within the framework of the above equation, the main purpose here is to analyse whether the cross-section units in the panel data set are independent from each other. The results of the cross-section analysis are given in Table 4 below:

Table 4. Horizontal Section Dependency Analysis Scale Values

Average correlation coefficients & Pesaran (2004) CD test
Variables series tested: G7TaxBr TaxBrd GDPPrCp EPR
Group variable: country Number of groups: 5
Average # of observations: 37.50
Panel is balanced

Variable	CD-test	p-value	corr	abs(corr)
G7TaxBr	16.76	0.000	0.968	0.968
TaxBrd	2.09	0.037	0.121	0.336
GDPPrCp	1.58	0.014	0.091	0.301
EPR	5.04	0.000	0.291	0.341

Notes: Underthenullhypothesisofcross-section independence CD ~ N (0,1)

The probability values for the cross-sectional analysis presented in Table 4 were lower than the threshold value of "0.05", which is accepted as the statistical significance level. This finding indicates that the cross-sectional dependence in the analysed model is not statistically significant. Therefore, it was concluded that there was no systematic dependence between the cross-sectional units in the panel data set and that the units moved independently. This situation is essential regarding the model's predictability and the reliable testing of the relationships between the variables.

The hypothesis that economic relations may show structural changes over time was evaluated by considering external factors such as policy changes, financial crises and market shocks. Accordingly, both the Chow Test and the Bai-Perron Multiple Break Tests were applied in Table 5 to detect structural breaks, and the stability of the model was analysed. While the Chow Test detected a single break that occurred in a certain period, the Bai-Perron Multiple Break Tests were used to determine structural changes that may occur in more than one period. The exogeneity of the variables was examined in the analyses presented in Table 5, and the findings were interpreted within the framework of causality relationships. By determining whether there were direct or indirect causal relationships between the variables, inferences were made about the direction and intensity of the dynamic interactions between economic variables:

Table 5. Exogenous Determination Test and Structural Change Regression Values

Source	SS	df	MS	Number of obs	=	150
				F(7, 142)	=	3.83
Model	98.1993505	7	14.0284786	Prob > F	=	0.0008
Residual	520.726567	142	3.6670885	R-squared	=	0.4587
				Adj R-squared	=	0.4172
Total	618.925917	149	4.15386522	Root MSE	=	1.915

G7TaxBr	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TaxBrd	-.0747013	.3763162	-0.02	0.843	-.8186073	.6692047
GDPPrCp	.2434511	.292831	0.03	0.407	-.3354203	.8223226
EPR	.0472378	.2329662	0.00	0.840	-.4132923	.5077678
Do	6.837509	19.12933	0.06	0.721	-30.97756	44.65257
Dx_TaxBrd	.0490869	.3772496	0.01	0.897	-.6966642	.794838
Dx_GDPPrCp	-.5117666	.3023786	-1.69	0.093	-1.109512	.0859788
Dx_EPR	-.1227857	.2341028	-0.52	0.601	-.5855626	.3399913
_cons	29.89068	19.03573	1.57	0.119	-7.739364	67.52072

(1) Do = 0

(2) Dx_TaxBrd = 0

(3) Dx_GDPPrCp = 0

(4) Dx_EPR = 0

F(4, 142) = 0.96

Prob > F = 0.0004

Structural Change Tests: Y = X + Do + DX

Ho: no Structural Change			
- N1: 1st Period Obs	= 21		
- N2: 2nd Period Obs	= 129		
- Chow Test [K, N-2*K]	= 0.0685	P-Value > F(4 , 142)	0.00038
- Fisher Test [N2,(N1-K)]	= 8.0064	P-Value > F(129 , 17)	0.00045
- Wald Test	= 4.0389	P-Value > Chi2(129)	0.00002
- Likelihood Ratio Test	= 3.9855	P-Value > Chi2(129)	0.00020
- Lagrange Multiplier Test	= 3.9330	P-Value > Chi2(129)	0.00000

It is emphasized that the coefficient values related to the External Determination Test and Structural Change Regression results presented in Table 5 are statistically significant. The fact that the probability values are below the $p<0.05$ level (Prob > F = 0.0008) shows that especially the external effect coefficients and structural change regression values have a stable significance level. Especially when the scale effect on the dependent variable "G7TaxBr" values is considered, it is seen that the variables "TaxBrd" (-0.0747), "GDPPrCp" (0.2435) and "EPR" (0.0472) are directly effective. This situation statistically supports the determinism of the relevant variables on "G7TaxBr". In addition, in the sensitivity analysis to different external effect variables, R-squared = 0.4587 and Adj R-squared = 0.4172 values were obtained. These results reveal that the explanatory level of the model is significant and the dependent variable is significantly explained by the variables.

In addition, the Hausman Specification Test was applied to determine the endogenous predictor variables in the regression model and the test statistics obtained in this direction were calculated.

$$H = (b_1 - b_0)' \left(\mathrm{Var}(b_0) - \mathrm{Var}(b_1) \right)^{\dagger} (b_1 - b_0) \quad \text{.....(8)}$$

The results of the said test are presented in Table 6 and the values determined for the relevant variables are given below:

Table 6. Hausman Specification Test Values for The Detection of Endogenous Predictor Variables in The Regression Model

Coefficients:				
(b)		(B)	(b-B)	sqrt(diag(V_b-V_B))
	fe	re	Difference	S.E.
TaxBrd	-.1692591	-.0237227	-.1455364	0.10562
GDPPrCp	-.2847269	-.2472858	-.0374411	.0269406
EPR	-.2936825	-.0753681	-.2183144	.0436664
b = consistent under Ho and Ha; obtained from xtreg				
B = inconsistent under Ha, efficient under Ho; obtained from xtreg				
Test: Ho: difference in coefficients not systematic				
chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 285.24			Prob>chi2 = 0.0000	

When the Hausman test results performed on the independent variables are examined in line with the data presented in Table 6, it is observed that the negative effect values create a significant internal structure effect. Hausman test statistics: "$\chi 2(3)=(b-B)'[(Vb-VB)-1](b-B)=285.24$", and the probability value corresponding to this test statistic was calculated as Prob > chi² = 0.0000. This result reveals that the relationship between the variables and the effects of the external predicting variables on the regression model is significant.

The data presented in Table 7 below, especially when the Fixed-Effect (Internal) Regression Scale-Effect Values are examined, reveal the results of the scale effect of the independent variables on the dependent variable at the level of significance, which is in line with the internal dynamics of the fixed-effect model selected in the context of the effects:

Table 7. Fixed-Effects (Within) Regression Values and Scale Effect Values

Fixed-effects(within)regression				Numberofobs	=	150
Groupvariable:country				Numberofgroups	=	5
R-sq:				Obspergroup:		
within = 0.3366				min =		30
between=0.0055				avg =		30.0
overall=0.0935				max =		30
				F(3,142)	=	24.01
corr(u_i,Xb) =-0.8482				Prob>F	=	0.0000
G7TaxBr	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TaxBrd	-.1692591	.1088001	-1.56	0.022	-.3843363	.0458181
GDPPrCp	-.2847269	.0730055	-3.90	0.000	-.429045	-.1404088
EPR	-.2936825	.0487457	-6.02	0.000	-.3900435	-.1973214
_cons	55.45643	3.993494	13.89	0.000	47.56205	63.35081
sigma_u	2.1599885					
sigma_e	1.6868295					
rho	.62116697	(fraction of	variance due	to u_i)		
Ftestthatallu_i=0:F(4,142)=11.48				Prob>F=0.0000		

The findings in Table 7 show that the scale effects on the dependent variable hurt the tax burden (G7TaxBr) in G7 countries and decreased the tax burden. This situation requires the relevant effect values to be interpreted positively as a welfare effect. When the scale effects of the independent variables are examined, it is seen that the impact of "TaxBrd (-0.1692591)", "GDPPrCp (-0.2847269)", and "EPR (-0.2936825)" variables on the dependent variable are relatively small. However, the overall effect of all independent variables on G7TaxBr is higher, creating a significant decrease in the average of G7 countries. The independent variables' lower and upper scale effect values are determined as "sigma_u (2.1599885)" and "sigma_e (1.6868295)", respectively. In addition, the joint functional effect scale of the independent variables on "G7TaxBr" was calculated "as rho = 0.62116697 (fraction of variance due to u_i)". These findings reveal that the effect of the independent variables on the tax burden in G7 countries is shaped towards a significant decrease both directly and at the holistic level.

5. DISCUSSION

This academic research aims to reveal how G7 countries have entered into an economic adaptation process against emerging markets by addressing the dynamics between tax policies and the labor market. The results of the research can create a strategic roadmap for policy makers, economic experts and global companies. Tax burden competition is limited to decreased corporate tax rates and affects macroeconomic indicators such as Gross Domestic Product (GDP) per capita and labour force participation rates. When compared to G7 and G20 countries, it is observed that labour force participation rates are higher in European Union countries. This situation reveals that tax policies are not limited to the effect on capital movements but also play a decisive role in labour markets and employment dynamics. As a result, the downward trend in corporate tax rates on a global scale has become an essential factor that strengthens competitive market dynamics and directs international capital movements. While European Union

countries create a more attractive investment environment thanks to relatively low corporate tax rates, G7 and G20 countries also aim to increase global competitiveness with similar tax reforms.

Framework of Theoretical Implications: In the context of G7 countries, the interaction of theoretical tax burden variability with emerging economies in the globalization process necessitates establishing a solid theoretical infrastructure. This theoretical framework covers all kinds of variability that may arise and brings essential stages for differentiating impact values in emerging market economies to the agenda. Especially in today's world, where globalization is accelerating, this variable structure directly affects the dynamics of economic systems and the efficiency levels of emerging market economies on a global scale. Tax burden variability in G7 countries and the global harmonization processes of these countries' tax policies show a tendency directly felt by emerging market economies. This situation has caused the effects of ensuring global harmonization in the markets to be at the centre of the process by creating a decisive scale effect. Fluctuations in tax burden affect the positions of G7 countries in the global economic order, leading to the reshaping of macroeconomic and financial balances. This process has made the relationship between international financial markets and financial balances more apparent. It has enabled the mutual interaction between G7 countries and emerging markets to reach a deeper level. Structural differences at the global level create various impact values in the countries represented by emerging market economies. This situation has created a theoretical framework that requires the differentiation of macroeconomic variables in the context of global economic growth and a more detailed consideration of the effects of these differences on emerging market economies. In particular, the more conciliatory attitude of developed countries in the globalization process necessitates the re-evaluation of global trade balances, thus ensuring that the international financial and fiscal system gains a more integrated structure. In this context, the tax burden policies of the G7 countries and their interactions with emerging markets enable the development of mutual conciliation mechanisms at the global economic level. Today, among the policy priorities of the G7 economies, establishing mutual interaction in international markets within a stronger conciliation framework and strengthening economic cooperation mechanisms are essential. To protect fiscal balances and ensure economic stability, the necessity of directing the tax policies of the G7 countries by global trade dynamics emerges. As a result, the interaction phenomenon in the global economic system directly shapes global financial balances by increasing its effects on different economic variables. One of the most noticeable elements of this process is how macroeconomic variables, such as global inflation, are related to tax policies and fiscal regulation. The mutual interaction between the G7 countries and emerging market economies necessitates the development of common macroeconomic imbalances and fiscal-economic reconciliation policies. Optimal regulation of tax burdens and sustainable foreign trade balances are critical to the healthy functioning of the global economic system.

Current Implications of Evaluations and Determinations: G7 countries are among the countries directly affected by structural changes in the global economy, and their effects on the tax burdens of emerging market economies, in particular, have become an essential topic of discussion. The increasing role of emerging markets in the global economic system has directly reflected in tax policies and capital movements, causing significant transformations in the tax policies of G7 countries. This process became especially evident after the 2008 and 2009 global financial crises and has deepened further with the pandemic period. After the 2008 global financial crisis, G7 countries had to revise their tax policies during the economic recovery processes, but the increasing economic power of emerging markets during this period led to structural breaks in global tax regimes. The pandemic process in 2019 and 2020, in particular, had significant effects on tax burdens at the global level, and the impact levels of emerging economies on G7 countries became even more apparent with the increase in their share in global trade. This situation necessitated a new tax harmonization process at the global level and brought different compromise models to the agenda in tax burden negotiations. This change in tax policies has directly affected the capacity of G7 countries to sustain high tax rates. It has caused global foreign trade to be reshaped in line with the dynamics of emerging market economies. The increasing integration of global trade has made it necessary for G7 countries to address their tax policies in a conciliatory framework with emerging economies. In this context, the strengthening of emerging market economies' positions in the global economic system has increased G7 countries' dependence on foreign trade and has caused this dependence to become a factor that directly affects their fiscal policy preferences in the long term. The economic effects of emerging markets are not limited to tax policies alone, but also play a decisive role in the formation of global price policies. Macroeconomic targets such as controlling global inflation and ensuring price stability have become directly linked to the expansion in the production capacity of emerging markets. In this context, emerging market economies are increasingly having a say in determining global price policies and are becoming the main actors directing price limits. This process necessitates G7 countries to review their global economic policies and

requires tax burden policies to be more compatible with global trade dynamics. It is observed that the effects on the tax burden of G7 countries tend to decrease over time. In particular, the increase in capital mobility and the greater integration of global capital markets with emerging economies have caused investments to be directed to emerging markets. This situation has increased the financial depth of emerging market economies and further strengthened their effects on the global economy. Countries such as China, Mexico, Turkey, Brazil and Hungary in particular, have reached a stronger position in the global economic system with the growth in their export and import volumes, increase in production efficiency and improvements in trade balances. As a result, the effects of emerging market economies on global tax burdens are increasing and this situation necessitates radical changes in the fiscal policies of G7 countries.

Limitations and Objectives of Future Research Directions: This process indicates a multidimensional transformation dynamic in capital movements and labour markets. Considering the available data, economic crises substantially influence the labour market for G7 countries. While the recovery process following the 2008 crisis was protracted, the recovery after the 2020 pandemic was comparatively expeditious. This phenomenon indicates that expansionary policies implemented by governments and central banks have a more expeditious impact on the labour market after a crisis. The long-term downward trend in the labour force participation rate put forth the effect of factors such as an ageing population, changing labour force dynamics, and structural economic factors on the labour market by emerging markets in the G7. However, the recovery in the labour force participation rate post-pandemic demonstrates that labour supply is critical for economic growth and that economic recovery is directly reflected in the labour market. The research's analysis of the process addressed at the global level since the 1990s is crucial for understanding future fluctuations in global economies. In particular, a detailed examination of the differences in the worldwide impact values of emerging market economies provides a better understanding of their long-term effects. Factors such as the inevitability of achieving global financial balance, foreign trade barriers, and capital transfer expectations stand out as critical factors shaping the basic infrastructure of economic systems. Capital transfers and foreign trade relations between developed countries and emerging market economies necessitate that future foreign trade policies be based on a common global consensus. At this point, the research findings, especially regarding the existing impact values, were re-evaluated based on standard deviation values , and these evaluations were examined in terms of their future structural features and scale effects in the medium and long term. The 2008-2009 global financial crisis and economic fluctuations during the pandemic significantly impacted capital transfers, requiring fiscal policy reshaping. The cross-border effects of capital flows are becoming more significant for developed economies such as the G7 countries. In this context, radical structural foreign trade policies and policies regarding capital transfers are necessary for global trade to come together at a common point. The study also found that the tax burden on the G7 countries caused significant deviations, negatively impacting emerging market economies. Eliminating these negative effects requires re-evaluating them with different values at the global level and creating a positive reciprocal scale effect. These policies will enable the economies of developing countries to establish a direct relationship with emerging market economies and transform them into a more stable economic structure. A meaningful structural expression of these reasons reveals the necessity of increasing the foreign trade effect of emerging market economies and lowering production costs. This situation necessitates reconsidering capital transfers and fees for the G7 countries. Therefore, this necessity, expressed with different economic values, shows the inevitability of achieving a global consensus based on a standard trade policy. Changes in global foreign trade cause G7 countries to integrate more with emerging markets, which makes it inevitable that tax policies will be reshaped. As emerging economies gain more independence and effectiveness in the global economic system, global tax policies must adapt to this transformation and reveal the quantitative values of the periodic-structural break effects, which concretely reveal the current impact values of important financial impact values such as tax burdens.

6. CONCLUSION

It appears that one of the most critical factors in altering the tax burden in G7 countries is the change in international influences on emerging market economies and the countries representing these economies globally. This change has necessitated a reconsideration of the tax burden phenomenon and brought to the agenda the necessity of establishing a common financial value standard in the global economic system. In this context, future tax policies should be integrated with foreign trade and capital transfers to provide a more effective and efficient structure. In recent years, it appears that the increase in the tax burden has become directly related to the structural transformations regarding both foreign trade policies and capital transfers at the global level. G7 countries are forced to organize their fiscal policies more effectively due to increasing competition conditions and international capital mobility. In this context,

establishing a standard fiscal value system and a better understanding of the effects of the tax burden at the global level reveal the necessity of a standard compromise policy that will balance the economic differences between developed and developing countries. The findings show that traditional tax systems of developing countries can have adverse effects today and may even lead to economic asymmetries in G7 countries. This situation deepens the gap between developed and developing economies and underlines the need for establishing a common tax standard at the global level.

However, another global phenomenon that should be emphasized is that it also reveals that weak tax policies in emerging market countries lead to a narrowing of the tax bases of G7 countries and the adoption of higher tax rates, which in turn carries the effect to a global level. In addition, the increasing need for integration into the international financial system has reshaped the economic policies of G7 countries. It is understood that where global economic balances are being reshaped, and the influence of emerging market economies is increasing, G7 countries need to conduct comprehensive standards related to global economics, especially regarding reorganizing their fiscal policies. The influence of emerging market economies on G7 countries is transforming foreign trade policies and the budgetary mechanisms that direct capital mobility. These transformations make the necessity of a common fiscal consensus that will ensure global financial stability even more evident. In this context, economic fluctuations from emerging markets increasingly shape the tax burden on G7 countries. This interaction reveals the necessity of establishing a new financial consensus at the global level. Developing a common monetary standard will increase the efficiency of capital transfers and foreign trade policies, reducing economic imbalances between developed and developing countries. Therefore, transforming the global financial system necessitates developing new policies to achieve long-term stability and sustainability for the global economy. In conclusion, one of the main reasons for the increase in the tax burden in G7 countries is the changing global economic conditions and their effects on emerging market economies. This situation necessitates adopting a standard global fiscal value system and more effective tax policies. Implementing a consensus mechanism that reduces the budgetary differences between developing and developed countries can provide long-term stability for the global economy.

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