Revolutionary Roads.
Diffusion of Neoliberal Tax Policies in the 10 Post-Communist New EU Member States

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Abstract

This is an explorative study on the underlying causes and mechanisms of the diffusion of neoliberal tax policies in the 10 post-communist EU NMS (New Member States) during the period from 1992 to 2010, a process partially coined as *The Flat Tax Revolution.* In 1993, Estonia became the first post-communist country to introduce a *Flat Tax* regime, and its neighbors, Lithuania (1994) and Latvia (1996), soon followed suit while in 1995 Hungary reduced its CIT (Corporate Income Tax) rate to 20%, the most competitive rate in the region. Between 1999 and 2003, most of the 10 NMS countries enacted significant CIT cuts and by 2010, 9 out of the 10 NMS introduced some form of Flat Tax regime, and CIT rates were significantly cut, making the region one of the most tax-competitive in the world.

I aim to explain variation within two different dependent variables, the most important direct taxes in almost any tax system in the world: CIT and PIT. The variation of the independent variables and the presence of various explanatory factors are assessed qualitatively by analyzing thirty policy reform processes within the ten countries and quantitatively by analyzing various statistical data regarding the evolution of different indicators. The explanatory power of seven theretical approaches is tested: the (1) external pressure, (2) competitive, (3) institutionalist competitive, (4) rational learning, (5) cognitive heuristics, and (6) emulation approaches to the process of policy diffusion, as well as Kingdon's (1984) (7) Multiple Streams Model. I argue that Kingdon's MSM represents an adequate model to analyze policy change as a diffusion phenomenon and allows me to offer a more complex, less parsimonious but more realistic account of the causal factors that account for the observed changes. This interpretation within the MSM stresses the relevance of different configurations of causal elements determining change in each of 10 NMS.

Jury: Sven Steinmo (EUI) (Co-Supervisor), Dorothee Bohle (Central European University), Duane Swank (Marquette University, Milwaukee) (via videolink), László Bruszt (EUI) (Supervisor)

Bio

Todor Arpad is political scientist educated at the National School for Political Studies and Public Administration, Central European University, and European University Institute, where he is currently finalizing his PhD thesis. In the last eight years he has combined his work as expert with the one of human rights activist by collaborating with UNDP Romania, Romanian Academic Society and ANA Society for Feminist Analyses. Besides his NGO activity, Todor Arpad is active in the academic community. He is editor of the CEU Political Science Journal, has been involved in more than forty research projects and wrote several papers concerning Romanian's political evolution.

Since 2006 Todor Arpad works as expert and program coordinator at "Asociatia Pro Democratia", the most important human rights NGO in terms of volunteers, number of projects and advocacy capacity. His main efforts have focused on the APD's Electoral Code (the only law that is under debate at the moment in the Romanian Parliament), the introduction of the Score Card system for evaluating MPs activity. At the moment he writes a comparative study on EU members constitutional forecast, study that would serve as a basis for APD's advocacy efforts concerning the 2009 modification of the Constitution. He is currently finalizing a book manuscript with Prof. Philippe Schmitter entitled *Varieties of Capitalism and Types of Democracy*.