

OPINION

From: **Assoc. Prof. Dr. Stela Stoyanova Raleva**
Economic Research Institute at the Bulgarian Academy of Sciences
professional field 3.8. „Economics”
academic specialty “Political Economy”

Regarding: Dissertation for conferring the scientific degree "Doctor of Sciences" in Professional Field 3.8. Economics, at the Economic Research Institute at the Bulgarian Academy of Sciences

Author of the dissertation: *Prof. Victor Ivanov Yotzov, Ph.D.*

Dissertation topic: *Between Efficiency and Equality: An Assessment of the Effects of the Flat Tax in Central and Eastern Europe*

Grounds for the submission of the opinion: Member of the scientific panel for the dissertation defense procedure for the award of the scientific degree “Doctor of Sciences” according to Order № 124/27 February 2026 of the Director of the ERI at the BAS.

1. Information about the author of the dissertation

Prof. Dr. Viktor Yotzov has a master's degree in "Management and Planning of the National Economy (Socio-Economic Planning)" from the UNWE. In 2001, he received a doctoral degree in economics from the Institute of Economics at the Bulgarian Academy of Sciences. From 1985 to 1986, he worked as an economist at the Scientific and Production Association “Metal Technology,” and from 1986 to 1995, he was a research associate in the Analytics and Forecasting Section of the Institute of Economics at the BAS. In the period from 1995 to 2003, he held various positions at the Bulgarian National Bank, such as an expert in the Balance of Payments and External Debt Department, head of the Economic Research Department, chief economist, and director of the Economic Research and Forecasting Directorate. From 2003 to 2010, Dr. Yotzov was Bulgaria's representative to the IMF and advisor to the IMF Managing Director. From 2011 to 2023, he served successively as a senior assistant professor and associate professor in the Department of Finance at the UNWE and in the Macroeconomics Section of the ERI at the BAS. Since 2023, he has been a professor in the Department of Finance and Accounting at the Faculty of Economics and Business Administration of SU “St. Kliment Ohridski” and in the Macroeconomics Section of the ERI at the BAS. He had been a part-time lecturer at the International Banking Institute, the New Bulgarian University, and the International College of Management, Marketing, and Trade. From 2015 to 2018, he was director of the Institute of Economics and Policy at the UNWE. Since 2012, he has been Chair of the Management Board of the Fund for Sustainable Urban Development, and since 2020, he has been a member of the Supervisory Board of UBB. Prof. Yotzov has completed training programs at the IMF Institute, the World Bank Institute for Economic Development, the Bank of England, the Central Bank of Switzerland, and the Joint Vienna Institute of the World Bank and the IMF. He has participated in international and national research projects and has a large number of publications in Bulgarian and English.

Prof. Yotzov is a well-known researcher within the professional community both in Bulgaria and abroad, as well as among the public at large. He is widely recognized as a theorist,

methodologist, and insightful analyst of macroeconomic processes, as well as a lecturer, practitioner, and active participant in public discourse on major economic issues.

2. Description of the submitted materials and assessment of compliance with national requirements

For his participation in the procedure, prof. Yotzov has submitted a set of documents, including a dissertation, an abstract, a curriculum vitae, a statement of compliance with the minimum national requirements under Article 2b, paragraphs 2 and 3 of the LDASRB and the the Regulations for its application, a declaration of originality of the dissertation, lists of scientific contributions, publications, and citations, and the full text of all publications related to the dissertation. They show that all the requirements of the indicators for Groups A, B, G, and D of the national requirements applicable to the procedure have been fully met. The author has presented 10 publications related to the dissertation topic, thereby exceeding the minimum requirements for Group G of the national standards by more than two times. A total of 40 citations have been detected, 13 of which appear in scientific journals that are peer-reviewed and indexed in world-renowned scientific databases, exceeding the minimum requirements for Group D indicators by 3.8 times. The supervision of two doctoral students who have successfully defended their theses, the publication of two university textbooks, the leadership of one national project, and the participation in three national and one international project (Group E of the national requirements) have also been reported, although these activities are not mandatory.

3. General characteristic of the dissertation

The dissertation addresses a highly significant research topic that is particularly *relevant* to the economies of CEECs, and to Bulgaria in particular, given the country's efforts to achieve higher economic growth and real convergence, the existing significant income inequality among the population, and the need to generate higher budget revenues under conditions of increased budget expenditures triggered by various factors.

The dissertation comprises a total of 301 pages and is divided into an introduction; 7 chapters, the last of which serves as a conclusion; a bibliography; and 5 appendices. The chosen *structure* is logical and is consistent with the desired answers to the formulated 4 main research questions.

The introduction clarifies the relevance and significance of the research topic in the context of the post-socialist transformation. The research questions are defined, and 4 main research hypotheses are formulated. The research methodology, characterized by the integration of quantitative and qualitative methods, is summarized, and its limitations are outlined. The structure of the dissertation is described, and the content of the individual chapters is briefly presented.

The first chapter discusses the characteristics of proportional and progressive taxes through the lens of optimal taxation theory and the trade-off between efficiency and equity. It analyzes the political and economic factors behind the shift to proportional taxation in most CEE countries and presents the results of empirical studies on its effects. The chapter concludes with a presentation of the arguments for and against the proportional tax and a critical analysis of these arguments.

The second chapter is devoted to the development of the concept and the introduction of the proportional tax in CEE. It provides a chronology of the economic development of the countries in the region and conducts a comparative analysis of their tax systems and changes in their tax policies. It presents the most significant effects of tax policies in each country and compares their impacts on economic growth and investment, tax revenues and fiscal sustainability, income inequality, the informal economy, and the labor market.

The third chapter analyzes the indicators used in the empirical analysis and their data sources. It defines the variables in the econometric models and justifies their selection based on the theoretical and empirical literature. The estimated fixed-effects panel models are presented,

including those with lags, and their assumptions, estimation methods, and approaches to addressing various methodological challenges are described. The nature of the “difference-in-differences” and synthetic control methods, as well as the event study design, is analyzed, and the identification risks and interpretive limitations associated with the possible endogeneity of tax reform are discussed.

The fourth chapter presents an analysis of all empirical results for the CEE countries. It begins with descriptive statistics and a graphical analysis of the dispersion of the relevant indicators across countries and the variations between them for each year within five distinct periods. It discusses the econometric estimates of the effects of the proportional tax on economic growth, FDI, budget revenues, unemployment, income inequality, the budget deficit, and public debt. The specific analyses for each indicator follow the same logical framework by first assessing the average effects of the tax regime in fixed-effects panel models and using the “differences-in-differences” method with and without controls, and then applying an event study method and outlining the transmission mechanisms. Special attention is paid to the impact of the proportional tax on automatic fiscal stabilizers overall and across different groups of countries, as well as to the decomposition of the effects into those attributable to the structure of the flat tax itself and those attributable to accompanying changes in tax rates.

The fifth chapter focuses on the role of the proportional tax in Bulgaria. It examines the conditions for its implementation and the possible channels of its impact as described in the theory. The conceptual framework of the counterfactual analysis is established, setting out its assumptions and limitations. Using the synthetic control method and a modified version of the “differences-in-differences” method, the effects of the flat tax over time are characterized. A comparison is made with counterfactual scenarios and similar countries, and five alternative policy scenarios are described that could improve the trade-off between efficiency and equity.

The sixth chapter synthesizes the results of the empirical analysis and compares them with theoretical frameworks and other empirical studies. It discusses the study’s place within the academic literature and explains why the effects of the proportional tax are moderate and/or heterogeneous. The issue of efficiency and equity is interpreted again, 6 main implications for economic policy are identified, and 5 general recommendations for economic policy are formulated.

The seventh chapter serves as a conclusion, summarizing the main findings of the study, providing a quantitative assessment of the trade-off between efficiency and equity, offering recommendations for reforms in Bulgaria’s tax policy, and presenting the author’s concluding thoughts on the path ahead for the country.

The bibliography contains 119 sources in English.

The first appendix refers to descriptive statistics and data sources; the fifth appendix presents profiles of the countries; and the remaining three appendices are related to the econometric analysis.

The content of the dissertation shows the author's in-depth theoretical knowledge, his professional approach to vast datasets from various sources, and his high level of competence in applying research methods, all of which contribute to the serious research findings presented.

4. Major scientific and applied contributions and results

The most significant scientific and applied contributions and findings of the dissertation can be summarized as follows:

1) Using a political-economic approach to examine the implementation, rise, and subsequent partial retreat of the proportional tax in Central and Eastern Europe, which involves considering it

within a broader context and situating the analysis within the field of the political economy of transition and tax reforms;

2) Selecting and structuring a comprehensive research methodology that combines quantitative and qualitative methods, which makes it possible to assess the economic and social effects of the flat tax in a group of countries and in individual country, while taking into account their dynamics, structure, and heterogeneity across countries;

3) The comprehensive analysis of the impact of the proportional tax on economic activity, fiscal parameters, and income inequality across 11 CEE countries, covering the entire period from 1995 to 2024, incl. two global crises, and the identification of key factors driving the variation in effects across countries.

4) The estimated impact of the proportional tax on the strength of automatic fiscal stabilizers, the relative importance of the expenditure and revenue channels in transmitting this impact, and the evidence that the introduction of the flat tax is associated with a structural change in the way the fiscal system responds to the economic cycle;

5) The decomposition of the overall effect of the proportional tax into the pure structural effect associated with its imposition, and the effects of changes in the maximum rates of personal income tax and corporate tax, as well as the empirically proven leading role of the direct structural effect and the lowest contribution of the indirect effect of corporate tax for most indicators;

6) Justification and use of counterfactual analysis in assessing the consequences of changes in fiscal policy, and in particular the introduction of the flat tax in Bulgaria, and the stated conclusions about its positive impact on economic growth, a negative effect on budget revenues, and its role in increasing income inequality.

7) the applied method for quantitatively assessment of the trade-off between efficiency and equity, based on the evaluation of the social welfare function, and the conclusion that in Bulgaria the positive effects on growth (efficiency gains) are lower than the negative effects of the increasing inequality (unfairness losses).

8) Comments on the consequences of the empirical analysis for economic policy, discussed in Chapter 6, and the formulated general recommendations for it, which will have their place in the public debate regarding the future characteristics of the tax system.

5. Evaluation of the publications on the dissertation

Of the total of 10 published works related to the dissertation, 3 are studies in the journal "Economic Studies", which is refereed and indexed in Scopus. The next two publications are a study and an article in peer-reviewed journals that are not indexed in major databases, while the remaining five are conference reports published in full text in edited collective volumes. All of the publications are individual, and the four studies are in English. It is clear from the content of the publications that they refer to different aspects of the dissertation topic.

6. Evaluation of the dissertation abstract

The abstract of the dissertation is 40 pages long. It provides an overall description of the dissertation and outlines its structure and content. A brief presentation of the individual chapters is made with focus on the key results from the conducted analysis. The author's main scientific and applied contributions are presented here, organized into four categories: theoretical, methodological, empirical, and policy-related. I accept the specific contributions claimed by the author as proven. My overall assessment of the abstract is that it presents the main points of the dissertation accurately, precisely, and with the necessary degree of completeness.

7. Critical comments, recommendations, and questions

The recommendations for reforms in Bulgaria's tax policy presented in Chapter 7 of the dissertation, which include specific tax rates and also address other types of taxes, cannot be

justified solely on the basis of the obtained empirical results for the effects of the flat tax. I also think that it would have been better if the bibliography had included sources from Bulgarian-language economic literature, and if certain repetitions regarding the tax systems in individual CEE countries and the summaries of the empirical analysis had been avoided.

I would like to recommend that the author publish his dissertation as a book and continue his research in the field of the tax system and fiscal policy as a whole, given the great importance of these issues and the serious challenges faced by the Bulgarian economy.

My suggestion is that during the public defense, Prof. Yotzov could give his opinion on the following question: What are the expected short- and medium-term impacts on economic growth in Bulgaria of a potential implementation of a tax-free minimum or a shift to a progressive tax system, given the econometric results and the experience of other CEE countries?

Conclusion

Based on the significant theoretical, methodological, empirical, and macroeconomic policy-oriented results achieved in the dissertation, taking into account the convincingly demonstrated scientific and applied contributions, and due to full compliance with the requirements of the the Law on the Development of Academic Staff in the Republic of Bulgaria, the Regulations for its application, and the Regulations for the Award of Scientific Degrees and the Appointment of Academic Positions at the Economic Research Institute at the BAS, I give my categorical positive assessment of it and, with conviction, propose to the members of the esteemed scientific panel that they vote to award Prof. Dr. Viktor Ivanov Yotzov the scientific degree “Doctor of Science” in professional field 3.8 Economics.

26.04.2026

Opinion author:

Sofia

/Assoc. Prof. Stela Raleva, PhD/