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Conceptualizing Epistemic Power: The Changing Relationship Between Economic Policy Paradigms and Academic Disciplines

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Abstract: The ways in which epistemic foundations of academic disciplines shape policy paradigms have been an understudied area. We illustrate such dynamics by focusing on paradigm shifts between economics and legal scholarship. Our case study focuses on the evolution of the Finnish corporate tax policy between 1991 and 2014 to illuminate complex policy diffusion through professions. First, in 1993, Finnish corporate tax policy was aligned with the neoclassical ideas of the time in a lawyer-driven process. Second, in the early 2000s, initiatives from the EU and the OECD provided these lawyers a new epistemic source for broadening their argumentation. Third, in the 2010s, the disciplinary base shifted from legal studies to economics, which coincided with administrative reforms emphasizing quantitative impact assessments. These transformations completed the shift from legal scholarship to economics in tax policy design, paving way to the entrance of economic theoretical arguments to tax policy discussions. Our findings highlight five overlapping and mutually reinforcing factors that shape knowledge production in expert groups that influence economic policy: (1) the extent to which politicians rely on expertise; (2) the balance of power between academic disciplines in evidence-based policy-making; (3) the disciplinary base to which the dominant expert groups rely on; (4) the shifts in the epistemological, ontological and methodological mainstream within particular disciplines; and, (5) the extent to which international organizations are seen as epistemic versus policy-driven authorities.

Keywords: ideas, corporate taxation, economists, lawyers, policy paradigms

JEL Classification: A11, B41, A14

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Table of Contents

1 Introduction

Relationships between lawyers and economists have generated growing academic interest (e.g., Benish & Maron, 2016), which has resonated with the broader debates on professions (Abbott, 1988; Christensen & Holst, 2017; Chwieroth, 2010; Fourcade, 2006). Yet, the relationship between *economic policy paradigms* and *academic disciplines* remains under-theorized, especially compared to the vast literature on economic policy paradigms and economic ideas.[1] As Ban and Patenaude (2019, p. 530) note, we lack "a rigorous theoretical and methodological framework for analyzing in depth the linkages between the various fields of the economics professions and the dynamics of economic ideas in policy setting." Shifts in the professional jurisdictions between lawyers and economists have been studied, e.g., in the context of Latin America and Indonesia (Chwieroth, 2010; Dezalay & Garth, 2002, 2011). Yet, we need stronger frameworks for understanding disciplinary shifts between economics and other disciplines in national contexts (Berman, 2017; Farrell & Quiggin, 2017).

Such an endeavor reverberates with the debates on the increasing role of evidence and academic knowledge in policy-making (Campbell & Pedersen, 2014). In their study from Norway, Christensen and Holst (2017) document a growing reliance on academics in policy-relevant committees. We answer to the calls for in-depth qualitative and historical analyses of such transformations (*ibid.*; Christensen, 2018) by highlighting long-term disciplinary shifts that narrower

1 By paradigm we mean "a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them" (Hall, 1993, p. 279), whereas academic disciplines are systematic ways of "organizing and studying a given phenomenon", with disciplinary structures that comprise of substantive, linguistic, syntactical, value-based and conjunctive components (Dressel & Marcus, 1982 quoted in Šima, Benneworth, Pinheiro & Beseida, 2017, p. 517). Some examples of literature on ideas and economic policy include Baker, 2015, Bremer & McDaniel, 2020, Mügge, 2011, and Widmaier, 2016.

research settings are unable to capture. Finland is an interesting case study for such inquiry for three reasons, the first of which relates to the sudden shift from Keynesian policies to an open market economy in the 1980s, followed by competitiveness-focused reforms of its tax policy. Second, repeated high-level commitments on the *principle* of evidence-based policy-making further emphasizes the value of Finland as a case study (Ylöstalo, 2020). Third, there is an interesting contradictory trend to these commitments: the share of academics in governmental preparatory committees halved in the 2010s, while their relative standing within the committees simultaneously weakened (Holli & Turkka, 2020) in contrast to, e.g., Norway (Christensen, 2018). However, in tax policy, economists managed to counter this trend by strengthening their position in the 2010s.

We study the evolution of the Finnish corporate tax policy between 1991 and 2014. First, in 1993, lawyers aligned the Finnish corporate tax policy with the neoclassical ideas of the time. Second, in the early 2000s, initiatives from major international organizations (IOs) provided lawyers with a novel epistemic source. Third, in the 2010s, the disciplinary base shifted from legal studies to economics, coinciding with a stronger emphasis on quantitative impact assessments in the public administration. These concurrent transformations perfected the transformation from legal scholarship to economics, ultimately enabling incorporating economic theoretical arguments in tax policy. The rest of the article progresses as follows. The following Section Two will introduce our exact research question, conceptual framework and methodological approach. Section Three will outline the case study in more detail. The final Section Four will continue to draw together the conceptual theoretical discussion by deliberating the main take-aways from our case study for the scholarship on professions and policy ideas.

2 The Five Drivers of Disciplinary Shifts

Research questions behind this study are as follows: *what professions and modes of knowledge production guided the conduct of the Finnish corporate tax policy from the early 1990s to mid-2010s? How did these modalities change during this period, and to what impact?* Answers to these questions highlight five overlapping and mutually reinforcing factors that shape knowledge production in expert groups that influence economic policy (in this case corporate tax policy).

First of these factors relates to the extent to which politicians rely on expertise, which depends on the issue and changes over time (Abbott, 1988). Second factor concerns the balance of power between academic disciplines in evidence-based policy-making (Dezalay & Garth, 2010). Third factor addresses the disciplinary base to which the dominant expert groups rely on (Chwieroth, 2007). Importantly, this disciplinary base may differ from experts' educational backgrounds.[2] Fourth factor relates to the ways in which the epistemological, ontological and methodological mainstream changes over time within particular disciplines (Blyth, 2002). For example, economics is not the same discipline today as it was in the 1990s, which influences its policy-level applications. Finally, fifth factor concerns the extent to which IOs are seen as epistemic versus policy-driven authorities. Our approach mirrors the idea that "we cannot get a grasp of ideational elements in economics without also analyzing the jurisdictions upon which the profession claims control" (Dezalay & Garth, 2002, p. 16).

As our typology suggests, the kind of *argumentation* that is deemed applicable for policy-relevant knowledge production and the range of *policies* that are deemed feasible vary over time (Fourcade, 2006). Yet, these background conditions are not only shaped by the personal and structural appeal of ideas and their convenors, but also by the underlying disciplinary composition and the ways in which the disciplinary base gets institutionalized. Hence, while norm entrepreneurs (Finnemore & Sikkink, 1998) can instigate policy change, we also need to understand how disciplinary backgrounds shape the policy choices and bodies of knowledge that norm entrepreneurs can leverage against each other (Fourcade, 2006). For instance, two identical policy recommendations may be justified with diverse arguments from different disciplinary backgrounds. However, it is highly unlikely that expert groups with distinct disciplinary settings would choose their preferred policies from identical *bundles of policy options*. The same applies to their justifications. These aspects have not been adequately reflected in the existing literature. Research settings that focus on the *outcomes* of or *individual agents* behind ideational shifts cannot cover these phenomena in sufficient depth. We need a better understanding on the relationship between academic disciplines and the kinds of policy arguments that can be advanced by one academic profession in a given point of time in particular national contexts.

Such changes can be mapped by using counterfactuals, which have been identified as a viable tool for studying causal influence in "small N" cases where degrees of freedom are small or negligible (Blyth, 2002; Fearon, 1991). We hypothesize that elevating economic theoretical argumentation as the guiding framework for corporate tax policy required a shift in the disciplinary base utilized in policy-making; a major change within a single discipline (economics); as well as the emergence of a certain conception of evidence-based policy-making.

2 This implies that even guarded professions (Abbott, 1988) such as lawyers may adopt economistic modes of reasoning over time. Such swings may occur even without visible policy shifts like the emergence of the law and economics movement was in the United States from the 1950s onward (Van Horn, 2009).

Removing any of these components would have hindered the rise of economic theoretical argumentation as a major policy tool, and removing more than one of them would have made it impossible. We map counter-factual scenarios with the help of process tracing, which calls attention to the questions of how "critical junctures" in policy are generated; how gradual institutional change between critical junctures conditions events; and how institutions structure those social coalitions (Hall, 2013).

The choice of economics or any other academic discipline comes with certain background assumptions. For example, neoclassical economics relies—in varying degrees—on quantifiable estimates and formalist assumptions (e.g., methodological individualism). Moreover, the epistemological and ontological differences between neoclassical and Keynesian economics (Dow, 1995) are not analogous to those between neoclassical economics and legal scholarship. Hence, the validity of argumentation in mathematical economics depends "on its capacity to construct worlds in which its claims can hold together" more than "any natural adequacy of these claims" (Muniesa, 2016, p. 111).

Yet, policy-makers also rely on the expertise of legal scholars to make sense of complex and technical issues. This creates asymmetric shifts that are impossible to explain by focusing on norm entrepreneurs (Finnemore & Sikkink, 1998) or general ideational structures. In contrast to neoclassical economics, legal scholarship is typically written for "doctrinal, interpretive, and normative purposes" (Goldsmith & Vermeule, 2002, p. 153). Legal scholars are "professionally and practically involved in the business of courts […] that must constantly reach decisions despite profound empirical uncertainty" (*ibid.*, p. 154). For these reasons, these two disciplines will produce different sets of analyses for policy options. What matters is the disciplinary base that policy-makers see as most relevant for policy-making, *and* the ways in which it is utilized on various levels (Fourcade, 2006).

We emphasize the need for understanding the structures that establish the limits, path-dependencies and causal relations in epistemic shifts that shape policy ideas (Farrell & Quiggin, 2017). Several factors point to the broader significance of our findings. First, the convergence of tax policies has been facilitated by the international transfer of ideas, which contributed to a steep decline in corporate tax rates in developed economies (Christensen, 2017; Fourcade, 2006). Second, the disciplinary shift in the 2000s reflects a broader OECD-led emphasis on the use of quantitative impact assessments (Kirkpatrick & Parker, 2003). Policy-relevant evidence gets selected and "translated" (Broome & Quirk, 2015) in ways that rely on quantifiable statistical data, instead of, for example, empirical knowledge on firm-level behavior.

3 Case Finland: Disciplinary Shifts in the Context of Corporate Tax Reforms

Our longitudinal case study focuses on the ideas that guided the major corporate tax reforms in Finland between 1993 and 2014. Longitudinal case studies are particularly useful in fields that entail "processual elements, evolutionary developments or path dependencies which can only be uncovered through long-term data" (Blazejewski, 2012, p. 253). The case study allows us to illustrate new aspects that will enable further development of theoretical contributions we discuss throughout the article (Yin, 2003). The first shift occurred in the early 1990s amidst a broader international reorientation of tax policy, as Keynesian investment-driven economy transformed to an open-market economy with a tax system influenced by Reaganite ideas. The process was steered by lawyers. Using the typology introduced above, the third factor (disciplinary composition) shifted even though the second factor (the composition of expert groups) remained largely intact. In other words, scientific advice took increasingly economistic forms despite the fact that as a profession, the importance of economists did not change in policy formation (for a similar trajectory in Norway, see Christensen, 2017). Rather, Chicago school economics first shaped the tax policy of the Reagan administration, from where reforms diffused to Nordic countries in lawyer-driven processes (Stapleford, 2011).

The second transformation occurred in the early 2000s, when these influential lawyers endorsed policy regulations adopted from the IO-driven harmful tax competition agenda: the new international regulatory initiatives shaped the international debate on taxation, which influenced the expert work. Research and policy agendas often progress in a mutually enforcing fashion (Farrell & Quiggin, 2017), and the IO-driven regulatory agenda introduced novel ideas to the international tax scholarship (fifth factor). Again, policy change happened through diffusion from international policy arenas (Marsh & Sharman, 2009), but the process unraveled in a markedly different institutional setting compared to the first shift. As major IOs provided new legislative initiatives, the influential lawyers were well-positioned to shift their attention to accommodate for these new insights.

The third transformation occurred around 2010 and involved a shift from legal scholars to economists, in a situation where the departure of influential legal scholars coincided with the increasing prominence of impact assessments. It transformed the composition of experts behind the Finnish tax policy (second factor), altered the disciplinary base (third factor), and the ways in which it was utilized (fourth factor). Essentially, this shift suppressed the goal of aligning the

Finnish tax policy with the IO-driven juridical-normative agenda (fifth factor), given that the expertise and interest for importing such an agenda was largely lost. In 2014, the fourth transformation centered around the quarrel over so-called dynamic effects of tax cuts. With a heavy reliance on theoretical economics, this shift altered the disciplinary focus *within* economistic reasoning (fourth factor). This concluded a transformation that aligned the Finnish corporate tax policy with neoclassical economics ideas *and* epistemic communities at the expense of other epistemic sources.

Since the early 1990s, Finland has overhauled its corporate tax system several times, in line with other Nordic countries (Figure 1). The 1993 reform simplified corporate taxation, reduced the nominal corporate tax rate from around 40 to 25% and introduced a flat tax rate for capital income. In 1996 and 2000, corporate tax rate was raised, first to 28 and then to 29%. The 2005 reform mostly responded to the perceived demand by the EU to modify the dividend tax system, while also lowering corporate tax rate to 26%. In 2012, corporate tax rate was reduced by 1.5%. Finally, the tax reform of 2014 cut corporate tax rate aggressively from 24.5 to 20%.

Drawing from interviews and textual analysis, we focused on the reforms of 1993, 2005 and 2014. Our semi-structured interviews included 21 people: nine researchers, seven civil servants, two representatives of the private sector or its lobbying groups, one journalist and one further expert (Appendix A). Some interviewees were anonymized. We also analyzed policy documents, academic articles and books, position papers, and the material that the National Audit Office had gathered for its assessment of the 2014 tax reform.

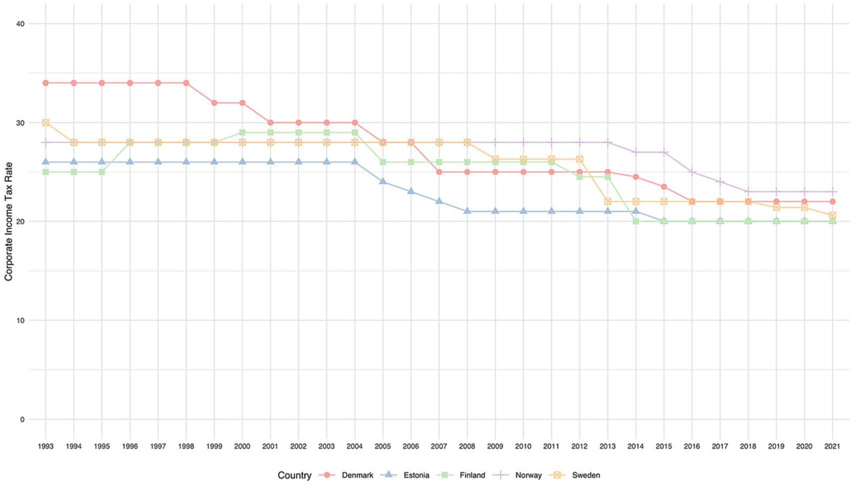

Figure 1: Combined corporate tax rates in Nordic countries, 1993–2021.

The aforementioned reforms drew from government-commissioned reports from three expert groups. The first report served as a blueprint for the 1993 reform and was authored by three professors of tax law, one director from the private sector with a law degree, one economist working for a research institute, as well as four civil servants, three of whom were lawyers and one of whom was an economist (hereafter the 1991 group and report). The second report, published in 2002, was drafted by a group of lawyers (hereafter the 2002 group and report). Third, the economist-driven Working Group for Developing the Finnish Tax System published a lengthy two-volume report in 2010. These three expert groups were the main ideational sources for the reforms.[3]

The case study is divided into four subsections. The first subsection focuses on the 1993 reform and its aftermath. The second subsection discusses the impact of the harmful tax competition agenda of the early 2000s. The third subsection traces the triumph of impact assessments and a shift to neoclassical economics as a disciplinary foundation for tax policy. This lays the ground for the fourth subsection, which focuses on the controversial 2014 tax reform and the role of dynamic effects.

3.1 The 1993 Reform: Effectiveness, Neutrality and Competitiveness

The late 1980s was a transformative period for international corporate tax policy (Genschel & Schwarz, 2011; Swank, 2016). In the words of one interviewee, "supply-side economics gained ground in the United States, which led to the push to lower marginal tax rates" (Interview, 2019a). This inspired a wave of tax reforms in the Nordic countries (*ibid.*), influencing the Finnish overhaul. A member of the 1991 working group was tasked with drafting a memo based on similar working groups in Sweden and Norway (Viherkenttä, 2019). As this expert noted, "Sweden and Norway were the key sources of inspiration, but Denmark also featured [in the discussions]" (*ibid.*). However, the general emphasis toward the creation of a competitive tax system emanated from the United States. The previous interviewee continues, "I spent quite a lot of time studying the Reagan tax reform […] which had a two-fold impact on our efforts. First, […] the decision to combine low tax rates with a broad tax base offered inspiration for other countries. Second, the U.S. example provided an important source of encouragement and confidence[.]" This

3 The conduct of tax policy is also shaped by political pressures (e.g., Finér, 2021) and by civil servants, especially the Tax Department of the Ministry of Finance.

notion lends support to the transformative ideational impact of US 1986 tax reform as a global catalyst for the "movement without precedent" in tax policy convergence (Steinmo, 2003).

Before 1993, the Finnish corporate tax regime incorporated a complex system of deductions, reserves and a differential treatment for different forms of capital income. This created ample opportunities for tax avoidance (Andersson, 1993). The 1993 reform separated the taxation of labor and capital income, introducing a proportional 25% tax rate for capital and corporate income. Deductions and reserves were streamlined and the tax base was broadened. The reform called for streamlining capital income taxation with a uniform treatment of different forms of income, catering to the needs of international capital flows, in line with the Nordic examples (PMO, 1991). The goal was to increase economic efficiency and neutrality and boost firm-level investment (PMO, 2011b). The unified 25% tax rate for corporate and capital income was seen as means to these ends. In some respects, the reduction of deductions and reserves can be seen as a tool to increase the neutrality of the tax system. However, in the words of one of our interviewees, neutrality can be interpreted as

> a rather neoliberal argument, driven by an idea that the state should not offer deductions or other incentives in order to steer the overall direction of the national economy [...] This could be contrasted with a Keynesian view of the state, which strives to regulate corporate activities, for example, through deductions (Honkanen, 2019; also Steinmo, 2003, p. 224).

However, the Finnish corporate tax system had admittedly become complicated. Deductions and reserves had mushroomed without a proper assessment of their inter-linkages, consequently shrinking the tax base and tax revenues. The paradigmatic shift to Reaganite ideas was perceived as an opportunity to start with a clean slate, with no competing, comprehensive alternatives in sight. The 1991 financial crisis was a unique, catalytic moment for such a shift as the biggest economic crisis any OECD country had experienced since the 1930s (Mayes, Halme, & Liuksila, 2001). Hence, in the words of one interviewee, "no one believed that we could have navigated out from the recession by tinkering with the details. The recession may have provided a political window of opportunity to adopt the model" (Interview, 2019g).

The 1991 report highlighted the importance of the international race to the bottom, as "there are countries even in Europe (e.g., Luxembourg) with which it is nearly impossible to compete" (MoF, 1991, p. 6). This remark mirrored the international political landscape of the time: while global economic governance was about to enter its golden decade after the end of Cold War, the political imagination and impetus for curtailing the race to the bottom was missing in the new "free-market" atmosphere. Together with the crisis mentality that had captured the public mindset, the Reaganite–Nordic examples provided "moral-political backing" for a politically sensitive reform with a major distributional impact (Viherkenttä, 2019). Hence, using counter-factual reasoning, it would have been inconceivable to think that a pro-regulatory approach would have gained a hegemonic position in the prevailing policy atmosphere.

The resulting report lacked a list of references, referring only occasionally to previous governmental working groups. Its authority relied on the personal influence of the authors. In the words of one of the lawyers of the 1991 group, who also served as civil servant in the Ministry of Finance, "academic scholarship played a limited role. We were not really doing academic research, but rather assessing how similar reforms had been conducted in other Nordic countries" (Viherkenttä, 2019). This can be seen to reflect the idea of legal scholarship as an interpretative and also comparative science. However, this notion also underlined the fact that evidence-based policy-making had not yet emerged as a meaningful agenda. These factors effectively enabled Chicago-style tax policies to enter the traditionally statist Nordic context without economistic calculations, which was typical for the Chicago-influenced law and economics approach of the time. The fact that the epistemic backing of the underlying ideas came from highly abstract and anti-statist Friedmanian economics (Fourcade, 2009) was not an issue, since the epistemic credibility of the reform relied on authority of the law professors who designed it.

In a way, the 1991 report continued the Nordic tradition of legalistic tax policy design aligned with the mainstream economics view of the role of taxation, but in a context where Keynesian ideas had become unfashionable and empirical basis of economic analysis had been succumbed by abstract modeling. As the mainstream thinking in tax economics shifted to Reaganite ideas, so did the Finnish corporate tax policy (fourth factor). This tendency to follow the international economic consensus helps to understand why lawyer-dominated tax policy formation shifted so quickly away from the earlier *dirigiste* approach (Campbell & Pedersen, 2014), even in a process steered by lawyers. In a way, this was a textbook example of a paradigm shift (Hall, 1993). Yet, focusing solely on policy paradigms would hide important aspects on how they were mediated in the national context (c.f., Helgadóttir, 2016). Further, the ways in which this mediation occurred created path dependencies for the future reforms.

3.2 The Early 2000s: Adapting to the International Regulatory Agenda

In the mid-1990s, Finland was recovering from a devastating recession, while converging its laws with the European Community rules. This shift necessitated eliminating customs duties, which was compensated by increasing the corporate tax rate first from 25 to 28% in 1996, and to 29% in 2000 (Kaseva, 2014). The overall course of the Finnish tax policy remained stable, steered by a small group of influential lawyers. Altogether six of the eight authors behind the 1991 report were lawyers, as was the group's chairperson. These experts wrote key textbooks and legal commentaries and their interpretations shaped legal adjudication. They also contributed frequently to the hearings of the parliamentary tax committee (Pekkanen, 2019).

The next major assessment of the Finnish corporate tax system was published in 2002 by a working group commissioned by the Ministry of Finance (MoF, 2002). The lawyer-dominated group included a chairperson, six members, and three secretaries. The report marked a growing international interest in tax governance. By this time, the deregulatory agenda that characterized global economic governance in the early 1990s had become balanced by growing concerns over harmful tax competition. In this new context, many of the ideas were drawn from or reflected against international policy processes, such as the OECD's initiative against harmful tax competition and the EU's Code of Conduct Group on Business Taxation.

While the 2002 report included significant economistic aspects, its argumentation was strikingly pluralist. On the surface, this was surprising, given that there had not been any major changes in the composition of the epistemic expertise behind Finnish tax policy. The report acknowledged that the characteristics of an ideal tax system—such as neutrality, predictability and fairness—can conflict with each other. The authors carefully considered how Finland could combine attracting international investment with commitments to abstain from harmful tax competition. Corporate tax rate cuts were seen as means toward this end, in line with the 1993 reform. The report also discussed potential leakages and their remedies (regarding, for example, intra-firm financial arrangements). It criticized economistic tax research for unrealistic assumptions and for neglecting the use of holding company arrangements to shift profits. Finally, the report noted that the results of the studies on tax elasticity (see Section 3.3.) differed wildly depending on the methodology.

The 2002 report can be interpreted at least partly as a national manifestation of the Europe-wide rebuttal of the most extreme aspects of the Reaganite tax agenda.

In the mid-1990s, a wave of social democratic governments across the EU found inspiration, for example, from Krugman's (1994) influential criticism of tax competition (Radaelli, 1999). The transformation of the conceptions of tax competition inspired attempts to harness the economistic idea of tax neutrality to advance policies against harmful tax competition both in the EU and the OECD. In the early 1990s, this kind of international juridical-regulatory agenda had been missing. After its emergence, influential tax lawyers were well-equipped to follow these discussions and the recommendations that surfaced internationally. This development reflects Fourcade's (2006) notion that the transnational expansion of economistic ideas does not necessarily occur uniformly. When making this argument, Fourcade points to the complex and possibly contradictory influences arising from American consulting firms and universities. In contrast, we highlight such asymmetries between different functions and departments of major IOs that steer global economic governance.

In the academia, the new regulatory initiatives inspired a wave of research in legal studies and social sciences (e.g., Radaelli, 1999; Weiner & Ault, 1998). Hence, the changing international tax policy consensus in the IOs and the academia facilitated its national diffusion (Farrell & Quiggin, 2017). The key lawyers drew simultaneously from two major epistemic sources, i.e., the economics literature of the time and the new IO-centered policy agenda. Reaganite ideas had been increasingly questioned *within* economics, and the IO-centered policy agenda further amplified these dissenting voices. Again, the changing international disciplinary and policy-level consensus (fourth and fifth factors) impacted national policy. In the early 1990s, this shift centered around the rise of the Reaganite tax policy, whereas the agenda against harmful tax competition of the early 2000s was a more trans-disciplinary and fragmented affair. Importantly, the episode also highlights how IOs can directly influence the scope and focus of legal studies.

3.3 From Lawyers to Economists: The Triumph of Impact Assessments

The epistemic community behind the Finnish tax policy shifted after the 2005 tax reform. One of the key professors, Edward Andersson, retired in 1999. Another prominent professor, Kari Tikka, died in 2006, with a two-fold impact on tax scholarship. First, in the words of one interviewee, the expertise of prominent legal scholars was lost "[w]hile at the same time there were many more tax economists than in the past, when the quality of tax scholarship in economics was, at best, modest" (Viherkenttä, 2019). Secondly, academic tax scholarship changed direction after the departure of these law professors. “The focus of these new professors has been to a great extent in international tax law […] and in indirect taxation. A major [epistemic] gap emerged” (Pekkanen, 2019).

The gradual departure of prominent lawyers coincided with the growing use of quantitative impact assessments. The Finnish government had already initiated several projects for improving legislative work through impact assessments in the 1990s (Ilmakunnas, Junka, & Uusitalo, 2008). This work culminated around 2004–2007 in several reports issued by the Ministry of Justice and the Prime Minister’s office, which recommended using quantitative estimates “that can be complemented with qualitative studies” (Ministry of Justice, 2004, p. 16; NAO, 2011). These reforms resonated with the work that the OECD had conducted since 1997 (NAO, 2011). In its 2003 country report, the OECD (2003, p. 58) noted that *ex ante* regulatory impact analyses “need to be sharpened so as to enhance the quality and effectiveness of regulations.” These projects strengthened the role of quantitative impact assessments at a time when far-reaching cost-cutting programs had hampered the legislative capacity across ministries (NAO, 2011). An epistemic gap emerged, which economists soon occupied: expertise was needed in quantitative impact assessments, and lawyers typically did not excel in this area. The decision to establish the new Working Group in 2008 was a milestone, as most of its participants had degrees in economics. The project was led by under-secretary Martti Hetemäki from MoF, who both chaired the working group and its secretariat.

The world often changes remarkably faster than disciplinary boundaries, creating potential gaps between bodies of knowledge that feed into policy-formation (Seabrooke, 2014). These gaps are likely to be filled with *some* forms of expertise in a process where policy-level path dependencies and the self-perception of experts may reinforce each other (Dezalay & Garth, 2011). Hence, we need to pay attention to the emergence of ruptures and scientific contestations related to addressing and filling the gaps. Economists saw the Working Group as a way to improve the theoretical and empirical robustness of the Finnish tax policy. One of our economist interviewees (who contributed to the 2010 report) contrasted the 2002 and 2010 expert group reports by stating that the former “had a homespun flavor, with somewhat weak argumentation. It did not really manage to tackle the *real problems of our [tax] system*” (Interview, 2019b, emphasis added). The conceptions of policy-relevant knowledge were shifting, which also influenced the perceptions of the past work.

These two reports conveyed a radically different approach to *how* tax policy should be studied: through legal reasoning, or by relying on international tax-related economics literature. To illustrate this, Table 1 compares how the 2002 and 2010 reports used international policy processes as reference points for their recommendations.

Table 1: International policy processes and tax-related arguments in the 2002 and 2010 reports.

International policy process	2002 Report	2010 Interim report
The OECD's recommendations for the neutrality of tax system	Treated as the foundation for tax policy (low tax rates, broad tax base etc.), including different national and international aspects of neutrality	References to the OECD's econometric studies, most notably: "The OECD has estimated that income and corporate taxes are most harmful for growth, whereas real estate taxes and consumption taxes seem to be least harmful" (p. 13, unreferenced)
The OECD's initiatives against harmful tax competition	Refraining from measures that could be considered as harmful tax practices; commitment to information exchange	–
General EU policy and commitments	The commitment to avoid discrimination based on residence in the EU treaties; reflections on harmonization attempts of tax legislation	A brief discussion on some current directive proposals, such as amending the parent-subsidiary directive
European Court of Justice (ECJ)	Discussed several resolutions, including the Bachmann resolution (C-204/90) that enabled the overriding of tax measures that conflicted with the EU treaties if they were needed for the coherence of the tax system.	–
The Code of conduct group on business taxation	"[M]ember states have committed to a standstill on new measures that could be considered as harmful tax practices. They have also committed to rolling back existing harmful tax practices."	"[M]ember states have committed to refrain themselves from introducing new harmful tax practices"

Table 1 highlights the reliance of the 2002 report on the authority of international tax policy organizations, whereas the 2010 report sought advice from economics literature. The first report included altogether 46 references. There were only a few references to theoretical economics literature. About 20% of references ($N = 9$) pointed to ECJ resolutions, whose importance had grown with a number of Court decisions on national income tax systems' compatibility with the EU law (Menéndez, 2009). Other references pointed to statistical sources or reports from working groups or IOs. The 2002 report effectively incorporated a juridical approach to tax reforms, stressing the importance of aligning tax policy with international standards. In contrast, out of 138 references in the interim report of the 2010 group, 125 were written by economists or published by institutes that relied primarily on economics (such as the economics department of the OECD). In other words, *at least* 90% of the works cited were economistic. The report also drew from 49 memos, mostly based on economics literature. This disciplinary shift aligned the 2010 report with the topical discussions in the economics tax literature, in line with a similar trend in Norway (Christensen, 2018). Concerns related to international coherence of the national-level policy issues or intra-firm tax avoidance were marginalized.

The OECD also noted this shift. In its country review, the Paris-based organization maintained that the Finnish public administration had traditionally relied on a "sense of formalism and legalism which still permeates social, business and political affairs" (OECD, 2010, p. 19). However, the review (pp. 21–22) argued that Finland now had "frameworks in place that contribute to the achievement of an evidence-based decision-making culture", citing regulatory impact assessments as a prime example. However, the review noted that these efforts lacked coherence, and called for even more systematic impact assessments and cost-benefit analyses. In the following year, the Prime Minister's Office published a report on improving and mainstreaming the use of impact assessments throughout the government (PMO, 2011a), which has remained a governmental priority throughout the 2010s.

In other words, the extent to which politicians rely on expertise shifted (first factor), coinciding with changes in the composition of relevant expert groups (second factor), and the shift in the underlying disciplinary basis (third factor), contributing to a shift in the utilization of the research and recommendations produced by IOs (fifth factor). While the IO-centered agenda against harmful tax policy continued evolving, the changing disciplinary basis effectively blocked its main dissemination channel to Finnish tax policies—favoring instead analyses produced by the economist departments of these same IOs. This notion underlines the importance of focusing on the exact mechanisms involved in policy diffusion and transfer (Marsh & Sharman, 2009). Even if the government would have wanted to facilitate policy diffusion in this area, the lack of epistemic structures that would have enabled such a policy diffusion would have hindered such endeavor.

Finally, the change in the composition of Finnish tax law professors facilitated a shift *within* tax law scholarship from national corporate taxation to international questions, which further heightened the relative importance of economists in the design of national tax policy (second and fourth factor). This shift effectively cemented the epistemic shift from lawyers to economists. Even if politicians would have wanted to redirect epistemic power to lawyers, they may not have found equally talented candidates to fill these expert posts. This could have also lowered Finland's standing in the OECD's assessments. Further, there were signs of a disciplinary shift in the utilization of economics research (fourth factor), given how the report relied increasingly on theoretical economics literature. This reflects the idea of economic models as "transmission devices" between economic paradigms and policy programs (Heimberger, Huber, & Kapeller, 2020). However, as we will argue below, the real significance of this shift became only evident in the final stage of our analysis.

3.4 The 2014 Reform and the Quarrel over Dynamic Effects

The 2010s saw a further extension of the epistemic shift from lawyers to economists, which completed the long-term transformation from legalism to economism in the Finnish corporate tax policy. First, the growing reliance on economics in policy-making enabled anchoring policy proposals on economics literature. The normalization of this practice contributed to a situation where the MoF's leadership was able to bypass their own Tax Department to advance a major corporate tax cut. Second, the normalization of the use of economics enabled designing tax policy with future-oriented estimates that relied on assumptions drawn from the economic theory.

Prime Minister Katainen's government began its term in early 2011. The governmental program reflected the 1990s consensus: by "lowering the corporate tax rate by one percentage point to 25%, private sector employment will improve growth and investment opportunities" (PMO, 2011b, p. 16). These alignments were operationalized (and slightly exceeded) in 2012, with a tax rate of 24.5%. However, the government soon decided that the economic crisis necessitated further action. This paved the way to the drastic reform of 2014, which reduced the corporate tax rate from 24.5 to 20%. There was an urge to do something "big" as a signal to the markets and for bolstering the competitive advantage (Interview, 2019c). This can also be interpreted as a defensive measure to curb the registering of Finnish corporations to regional low-tax regimes, such as Estonia (Interview, 2019d; Kortela & Maunu, 2014). The decision was politically contentious for a six-party government with deep ideological rifts. In the words of an insider, the tax cut "was an undesirable expense for the political left, and the smaller the cost, the easier it was to settle on the reform" (Interview, 2019c). The static downward impact on tax revenues was estimated at 960 m€. The preparatory work began in late-2012 in a process directed by Hetemäki, who also steered both the 2010 expert group and its secretariat. It was the first major corporate tax reform to rely on the 2010 expert report that drew from international economics literature, with additional calculations prepared by an economics research center (VATT) instead of the lawyer-dominated Tax Department of the MoF. Third, the reform was justified by the anticipated dynamic effects of tax cuts.

Indeed, the key controversy related to the anticipated *dynamic effects* of the 2014 reform. During the budget framework negotiation, the MoF, politicians and the VATT assumed that the beneficial behavioral effects of the tax cuts would broaden the corporate tax base through increased employment and investment, which would mitigate the budgetary impact (Kortela & Maunu, 2014). The government expected that broadening the tax base would help to cover more than half (50–62%) of the annual revenue loss. The inclusion of presumed behavioral impact remains unprecedented. The MoF and the VATT utilized a dynamic, applied general equilibrium model in their calculations, without specifying a timeframe for dynamic effects. This approach was highly controversial even within the MoF. High-ranking civil servants found meaningful short-term impact unlikely (Maunu, 2014). The estimates relied on studies of tax elasticity of corporate tax reforms. Several preparatory memos refer to a 2008 review article written by Ruud de Mooij and Sjef Ederveen (VATT, 2013). Given the importance of this article for the policy, as well as for the shift in the disciplinary base, we turn to discuss its contributions.

After reviewing 427 studies, de Mooij and Ederveen (2008) suggest that 4.5 percentage point drop in corporate tax rate would result in a self-financing rate of 62% through broadening the tax base. The article identified five sub-components for this effect: changes in the (1) the corporate legal forms; (2) the profit-shifting patterns of multinationals; (3) debt-capital ratios; (4) size of the existing foreign direct investment, and, (5) the amount of inward investments. The relative size of these components was estimated through a literature review. The contents of these sub-components were only vaguely debated in public, even though they involved highly controversial assumptions. First, two-thirds of the *dynamic effects* were seen to result from the shifts of transboundary "hot money", or, from changes in the legal form of *existing* economic activity. These effects are prone to react to corresponding changes in other jurisdictions. Second, the long-term effects on economic growth and employment are meagre, as the governmental Economic Policy Council (2014) also noted. Even the relationship between profit-shifting patterns and corporate tax rate is much more complex than anticipated (Finér & Ylönen, 2017). Profit-shifting is influenced by a variety of factors such as tax treaties and the capacities of tax authorities. Many commentators found the international estimates unreliable and questioned whether they could be meaningfully applied in the Finnish context (Interview, 2019d, 2019f).

The de Mooij and Ederveen article also saw the level of corporate tax rate as key variable in determining economic activity, which reflects the contested idea of the Laffer curve (Morgan, 2021). The article infers predictions on investment activity based on a pre-determined set of causal mechanisms that impact the cost of capital. However, empirical literature suggests that investment decisions are influenced by a myriad of reasons beyond tax rates, such as productive possibilities, market size, resources and the political and macroeconomic stability (OECD, 2007; Stiglitz, 2019). The type of investment most responsive to the level of corporate taxation seems to be highly mobile portfolio investment (IMF, 2014).

These uncertainties notwithstanding, this single article occupied a central role in governmental discussions on the budget framework. The article was important not only at the preparatory level, but also within the government. An expert with close knowledge of the negotiation process explains that the article was in "briefcases when the decision was made, it was reviewed and browsed during the process. [...] If I need to name one study that was on the desks at the time, this was it" (Interview, 2019c). In the words of a lawyer interviewee, "[economistic] tax theoretical considerations gained too prominent position in tax policy. Expertise in economic theory is, in principle, desirable, but it may sideline competition-related issues and the practical effects of the reform" (Interview, 2019g). This interviewee also noted, "perhaps there is a growing need to give policy proposals a seemingly scientific form to lend them credibility." Hence, politicians "sometimes refrain from advancing reforms that might generate positive results according to practical knowledge of the issues at hand" (*ibid.*). Furthermore, politicians tend to favor quantitative assessments, even when they are highly uncertain (Kortela & Maunu, 2014).

The government's Economic Policy Council stated that dynamic effects are negligible or nonexistent, and that including them in the budget process undermined its goals (Economic Policy Council, 2014). The National Audit Office (NAO, 2014, p. 24) also criticized the MoF for ignoring how business cycles influence the anticipated dynamic effects. The preparatory materials issued by the MoF and the VATT partially acknowledge these caveats. However, Hetemäki explained that "international academic consensus is that the dynamic effects cover as much as 70% of the costs of the tax cuts. Given that *we know that tax reforms affect firm behavior*, disregarding this knowledge would hamper well-informed decision making" (quoted in Suominen, 2013, emphasis added). This estimate is exaggerated even compared to the upper-scale estimates by de Mooij and Ederveen (62%). Social democratic finance minister Jutta Urpilainen also referred explicitly to the 50% self-financing rate without further qualifications (Yle, 2015).

The incorporation of economic theoretical considerations resulted from a broader shift in the conceptions of what constitutes policy-relevant knowledge. In this process, the window of opportunities for tax policy was subsumed under the neoclassical theory of taxation, illustrating how the use of scientific disciplines is open to interpretation (Ban, 2016). The inclusion of dynamic effects signals a strengthening of the economistic paradigm of tax policy (fourth factor). The technical nature of the underlying analyses further solidified the expert position of economists, given that very few politicians know how to interpret theoretical economics literature. A single meta-review gained a central place in a major policy process, but the disciplinary constellation that guided evidence-based policy-making masked deep uncertainties in the underlying calculations. This resonates with the recent scholarship on the political aspects of quantitative indicators and estimates (Fourcade, 2010; Mügge, 2020).

The quarrel over dynamic effects concluded the shift from legalism to economism. Utilizing counterfactual reasoning, this shift would not have been possible without the preceding steps that fixed the other components that were necessary for the mainstreaming of such rationalities. For example, an expert group dominated by lawyers would not have had the technical expertise required for assessing of such estimates. Moreover, if the prevailing ideas of evidence-based policy-making would not have embraced the use of quantifiable estimates, the introduction of dynamic effects would have been much riskier, highlighting the inter-dependence of disciplinary shifts that drive tax policies.

4 Discussion

As John L. Campbell and Ove Pedersen (2015) have noted, political and economic institutions shape the utilization of knowledge in decision-making in nationally specific ways. We have highlighted how these national diversities entangle with the changing roles of academic disciplines and their utilization in decision-making. Hence, "ideational change may be slower and more incremental than is often acknowledged" (Moschella, 2015, p. 443), given that the institutional set-up not only constrains but also enables re-interpretations of the earlier consensus. In such processes, a major paradigm shift would likely include an overhaul of economic ideas *and* scientific-bureaucratic path-dependencies that guide their formulation. Therefore, exploiting opportunities between professional bodies of knowledge requires instigating a shift in one of the five factors highlighted in Section 2:

(1) the extent to which politicians rely on expertise;
(2) the balance of power between academic disciplines in evidence-based policy-making;
(3) the disciplinary base to which the dominant expert groups rely on;
(4) the ways in which the epistemological, ontological and methodological mainstream changes over time within particular disciplines; and
(5) the extent to which IOs are seen as epistemic versus policy-driven authorities

Hence, the scope of ideational shifts is limited by the bureaucratic-scientific background conditions in complex ways that we approached through these five factors. Their inter-linkages demand more attention. As an example, the 1990s-style economistic reasoning was anchored on structural conditions imposed by international tax competition. The legalistic argumentation behind the 2005 reform also stressed the importance of maintaining the structural coherence and competitiveness of the tax system, but the emergence of the IO-driven international tax policy agenda shifted the lawyers' conception of the key elements of the underlying structure. In contrast to these examples, in the 2010s, shifts within the conceptions of evidence-based policy-making and theoretical economics enabled focusing on the behavioral effects of tax reforms. Policy propositions followed this new framework, even though politicians were ill-equipped to interpret the underlying calculations. In other words, while the alignment of the Finnish corporate tax policy with Reaganite ideas was a major paradigm shift (Hall, 1993), the consequent shifts of the international corporate tax policy agenda and the expert base added important new dimensions.

Building on our counter-factual approach, the mutually reinforcing path-dependencies between these shifts are noteworthy. If lawyers would not have first shifted their orientation from legalist to economist reasoning, the subsequent shift where economists largely replaced lawyers in key working groups would have been much more difficult. Secondly, we highlighted how policy diffusion from IOs was also facilitated by the dominance of lawyers in key working groups in the early 2000s, even if they otherwise favored quite economistic ideas. Thirdly, the economistic interpretation of evidence-based policy-making and economistic tax policy work reinforced each other in important ways toward the 2010s. Finally, should lawyers had not have made way to economists in key working groups, the introduction of theoretical economic approaches to the forefront of tax policy reasoning would have been extremely unlikely. Ultimately, these mutually reinforcing shifts created a situation where a single economics review article became the main justification for a 4.5-percentage point corporate tax rate cut with huge budgetary impact. Given the heightened reliance on economistic reasoning in policy-making, similar path-dependencies are likely to be found in other countries as well.

Crucially, the shift from lawyer-driven to economist-driven policy-making was neither motivated by anomalies or policy failures of the existing paradigm, nor merely by sociological factors. Rather, it was a result of changes in one major sector of administrative policy (the heightened role of economistic impact assessments and the broader focus within economics) that coincided with shifts in the expertise base within both legal and economics scholarship. It has been argued that economics is more prone to competitive challenges from other professions, given that one can claim oneself as "economist" without any fixed degree or license (Abbott, 1988, p. 109; c.f., Fourcade, 2006). Yet, it is debatable whether such a threat is anymore imminent, as modes of knowledge production have become increasingly aligned with economistic methodologies and rationalities (Chwieroth, 2007). Mastering complex quantitative methods that are increasingly favored as a source of "evidence" in policy-making favors extensive education in (typically neoclassical) economics. This guards the privileged access of economists to policy-making and shields it from tendencies that may otherwise deteriorate the policy-related role of scholars. Hence, we underscore the risks of seeing economic methods as merely a technical realm within which economic ideas are implemented (Clift, 2019).

The increasing emphasis on impact assessments hindered attempts to conduct policy without such assessments. The seemingly value-neutral administrative policy locked in the range of scientific arguments that could enter the policy process. This highlights the path-dependencies between the ideas of "good regulation" and the relative importance of academic disciplines in decision-making. The changes brought by the second phase of the aforementioned disciplinary shift also provoke questions of what constitutes *policy-relevant* data and analysis; what *background assumptions* these analyses rely on; and to the role of *methodological expertise* in these analyses. The answers to these questions shape epistemic boundaries of disciplines that guide economic paradigms, underlining the importance of "hinge issues" that connect academic and policy communities in two-directional fashion (Farrell & Quiggin, 2017).

Given the interpretative nature of the majority of legal scholarship, lawyer-driven tax policy formation may (at least traditionally) have placed greater emphasis on the political steering of tax policy, especially as the law and economics school (Van Horn, 2009) has not gained major formal influence in Finland. The triumph of quantitative impact assessments effectively locked in the range of analyses that can be used to assess *both* goals *and* instruments that justify ideas and standards in policy debates. This elevated economists to an important gatekeeping role in interpreting the research and providing policy guidance. Several reports mention the uncertainty of some assumptions behind dynamic estimates, but understanding them requires familiarity with interpreting the underlying scientific discourse.

Further, our findings highlight how paradigm shifts can be deeply entwined with the prevailing consensus within expert groups where academics play an important role (Christensen, 2017, 2018). Methodologically, the case study demonstrates how a long time-frame can help addressing a recurring question in counter-factual search for causalities, namely: "how can we know what would have happened with any degree of confidence?" (Fearon, 1991, p. 173). While strong causality could have been difficult to prove in any of the consecutive steps that transformed the epistemic basis of the Finnish corporate tax policy, the collective impact of subsequent changes constituted causal ideational interference. The agents did not *need* to de-politicize ideas, given that there were in-built causal mechanisms that were activated as the underlying conditions changed.

As an example, it is very unlikely that the architects of the evidence-based policy-making agenda at IOs and ministries would have paid attention to the future trajectories of the Finnish corporate tax policies when they drafted the signposts for the utilization of science in policy-making. Even if this would have been the case, the agency-focused causal chains would become incredibly long and difficult to substantiate. In the words of Blyth (2015, p. 2), "seriously embracing such a causal model makes the path forward almost too contingent as opposed to too path dependent", bearing a danger of creating an explanation "where the past state of the system has no bearing on its present condition." The ideational power that academic experts convey is shaped primarily by macro-level scientific and science-policy processes. This process is clearly somewhat "ideational", but seeing it primarily as a process where actors seek to influence the beliefs of others is not the most fruitful way to understand the underlying dynamics (Jessop, 2014). Given the international character of the underlying phenomena (e.g., Dezalay & Garth, 2002; Drori, Yang & Meyer, 2006), comparable dynamics are likely to exist in other countries.

In conclusion, understanding the policy impact of disciplinary shifts calls for attention to the five factors we have analyzed. Considering these aspects is essential for understanding the limits that restrain the work of norm entrepreneurs, and the range of feasible tax policy options in an era when the fundaments of global tax governance are in flux (Avi-Yonah, 2017; Ylönen & Finér, 2022).

Appendix : Interviewees

Marko Junkkari	Journalist, Helsingin Sanomat
Liisa Laakso	Member, economic policy Council
Pasi Holm	Economist, Taloustutkimus Oy.
Pertti Honkanen	Former Senior researcher, KELA.
Jukka Pirttilä	Researcher, VATT
Seppo Kari	Researcher, VATT
Matti Tuomala	Professor, University of Tampere
Anonymous economist	Government
Ilari Valjus	Civil servant, MoF
Jukka Pekkarinen	Retired civil servant, MoF
Timo Viherkenttä	CEO, National Pension fund
Anonymous political advisor	
Janne Juusela	Partner, Borenius Attorneys
Maarit Pekkanen	Counselor, parliamentary tax committee
Vesa Vihriälä	Economist, HGSE
Martti Hetemäki	Under-secretary of MoF
Lasse Arvela	Former Head of tax Department, MoF
Heikki Niskakangas	Professor of tax law
Jussi Järventaus	Former CEO, Suomen yrittäjät.
Matti Vanhanen	Former PM of Finland and CEO of Family business Network.

One interviewee withdrew their interview from the article before publication.

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