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MASTERARBEIT

Titel der Masterarbeit

„Tax-Policy in Austria’s Second Republic –
Between Path Dependence and Ideas“

Verfasser

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angestrebter akademischer Grad

Master of Arts (MA)

Wien, 2014

Studienkennzahl lt. Studienblatt:

A 066 824

Studienrichtung lt. Studienblatt:

Masterstudium Politikwissenschaft

Betreuerin / Betreuer:

Univ.-Doz. Dr. Johann Wimmer

In loving memory of my grandfathers,

Günther and Heinrich

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES.....	7
LIST OF ABBREVIATIONS.....	8
FOREWORD.....	9
1 INTRODUCTION.....	11
1.1 ON THE CHOSEN METHOD.....	13
1.2 ON THE AIM AND RESEARCH OBJECTIVES.....	14
2 THEORY AND METHOD.....	17
2.1 ON THE HISTORICAL INSTITUTIONALIST PROJECT.....	17
2.2 THE DISCOVERY OF SELF-REINFORCING PROCESSES.....	20
2.3 TAKING IDEAS SERIOUSLY.....	24
2.4 DEVISING A SYNTHETIC PERSPECTIVE.....	26
3 TAXES AND TAXATION.....	35
3.1 THE CASE FOR TAXATION.....	35
3.2 ON THE ORIGINS AND EVOLUTION OF TAXATION.....	37
3.3 TAXATION EQUITY.....	41
3.4 ON THE FUNDAMENTALS OF TAXES.....	43
3.5 ON THE MECHANICS OF TAXES.....	46
3.5.1 <i>Income taxation</i>	47
3.5.2 <i>Corporate taxation</i>	50
3.5.3 <i>Consumption taxes</i>	51
3.5.4 <i>Taxes on wealth</i>	52
3.5.5 <i>Social security contributions</i>	54
3.6 A VIEW OVER TAX SYSTEMS.....	55
3.7 ON TAX REFORM.....	56
3.8 INTRODUCING AUSTRIAN POLITICS.....	58
4 THE GENESIS OF TAX POLICY IN THE SECOND REPUBLIC.....	63
4.1 SETTING THE COURSE.....	66
4.2 THE AUSTRIFICATION OF THE TAX SYSTEM.....	68
4.3 ECONOMIC WOES AND RECONSTRUCTION.....	70
4.4 SCALING DOWN THE BURDEN.....	72
4.4.1 <i>Kamitz's legacy</i>	75
4.4.2 <i>Programmatic reorientation</i>	76
4.5 ENTER THE SWABIAN HOUSEWIFE.....	77
4.6 THE BOOM AND BUST OF THE 1970S.....	80
4.6.1 <i>Developing the "Austrian Way"</i>	82
4.6.2 <i>The legacy of Austro-Keynesianism</i>	86
4.6.3 <i>Programmatic revision</i>	87
4.7 A NEW POLITICAL ECONOMY OF TAXATION.....	89
4.7.1 <i>The path toward "Austro-neoliberalism"</i>	91
4.7.2 <i>Tax reforms</i>	93
4.8 THE RELIEF THAT WASN'T.....	99
4.9 THE "UMBRUCH": TAX POLICY DURING THE 2000S.....	101
4.9.1 <i>The expiry of the estate and gift tax</i>	103

4.9.2 <i>The 2009 tax reform and beyond</i>	105
4.10 THE LONGER-TERM DEVELOPMENT OF THE TAX SYSTEM	107
5. ANALYSIS	116
5.1 THE INSTITUTIONS SHAPING AUSTRIAN TAX POLICY	116
5.2 DECISION-MAKING BETWEEN FORMAL PROVISIONS AND DE FACTO PROCEDURES	119
5.3 MAKING TAX-POLICY	123
5.3.1 <i>Federalism's demands</i>	123
5.3.2 <i>The formation of tax-policy will</i>	125
5.4 TAX POLICY IN A DYNAMIC PERSPECTIVE	127
5.4.1 <i>Laying the institutional cornerstones</i>	128
5.4.2 <i>Key institutional determinants</i>	130
5.4.3 <i>Institutional changes and power shifts</i>	135
5.4.4 <i>The place for distributive policy</i>	139
5.5 EFFECTS FROM IDEATIONAL DEVELOPMENT	141
5.5.1 <i>Economic ideas of the early years</i>	142
5.5.2 <i>Economic uncertainty and shifting paradigms</i>	145
5.6 SOME REMARKS	148
6 TAXATION AND DEMOCRACY REVISITED	150
6.1 GROWING INEQUALITY AND TAXATION OF WEALTH.....	151
6.2.1 <i>Wealth inequality in Austria</i>	152
6.1.2 <i>Political bearings</i>	153
6.1.3 <i>Evaluating the economic disparities</i>	156
6.2 THE ISSUE OF DEBT AND GENERATIONAL EQUITY.....	157
6.3 TAX SYSTEM COMPLEXITY – FLAT TAX, A WAY OUT?	160
7 CONCLUSION	164
REFERENCES	170
ONLINE SOURCES	195
APPENDIX A: TRANSCRIPTS OF THE CONDUCTED INTERVIEWS	202
A (I) TRANSCRIPT OF THE INTERVIEW WITH DR. OTTO FARNY, SEPTEMBER 26, 2013.....	202
A (II) TRANSCRIPT OF THE INTERVIEW WITH DR. MARGIT SCHRATZENSTALLER, NOVEMBER 26, 2013	209
A (III) TRANSCRIPT OF THE INTERVIEW WITH DR. ANTON RAINER, JANUARY 9, 2014.....	218
A (IV) TRANSCRIPT OF THE INTERVIEW WITH MAG. CHRISTOPH SCHMID, JANUARY 16, 2014	231
APPENDIX B: PARTIAL TRANSCRIPTS OF ONLINE BROADCAST	236
B (I) PRESSESTUNDE (2011): AUßENMINISTER MICHAEL SPINDELEGGER (ÖVP) IN DER PRESSESTUNDE.....	236
B (II) ÖVPVIDEOS (2013): ÖSTERREICHREDE 2013 VON MICHAEL SPINDELEGGER.....	237
B (III): BUNDESMINISTERIUM FÜR FINANZEN (2014): BUDGETREDE 2014	237
ABSTRACT (ENGLISH)	239
ABSTRACT (DEUTSCH)	240
CURRICULUM VITAE	241

LIST OF FIGURES AND TABLES

Figure 1: Tax revenue by sector in % of total taxation.	63
Figure 2: Income tax types as percentage of total income tax receipts	64
Figure 3: Tax revenues by sector, international comparison.....	65
Figure 4: Property tax revenue in % of total tax receipts.....	66
Figure 5: Property related taxes during the Kreisky era, in % of GDP, 1970-1983	84
Figure 6: Property related taxes as a share of total tax revenues 1960-1983	85
Figure 7: Development of income taxes during the Kreisky administrations 1970-1983.....	86
Figure 8. Revenues from the inheritance and gift tax as a share of GDP	103
Figure 9: Development of GDP and total tax revenues, 1959-2011	108
Figure 10: Tax revenue as a percentage of GDP, 1965-2012.....	108
Figure 11: Sectoral composition of tax receipts over time.....	109
Figure 12: Development of income tax items as fractions of GDP, 1959-2011	110
Figure 13: Development of social security contributions as a fraction of GDP.....	111
Figure 14: Development of various taxes in % of total tax revenue, Austria. 1959-2011.....	112
Figure 15: Taxes on labor in % of GDP, 1995-2012	114
Figure 16: Total tax revenue by tax type, Austria 2012	125
Figure 17: Total tax revenue by body politic, Austria 2012.....	125
Figure 18: Sectoral tax revenues, international comparison, 2012.....	131
Figure 19: Development of social security contributions as a share of GDP	132
Figure 20: Taxes on property, Austria 1990-2012	1523
Table 1: The four families of taxation	56

LIST OF ABBREVIATIONS

- AfA – Allowance for depreciation (Absetzung für Abnutzung)
- ASVG – General Social Security Act (Allgemeines Sozialversicherungsgesetz)
- ATS – Austrian Schilling
- BAK – Federal Chamber of Labor (Bundesarbeiterkammer)
- BZÖ – Alliance for the Future of Austria (Bündnis Zukunft Österreich)
- B-VG – Federal constitutional law (Bundesverfassungsgesetz)
- EEC – European Economic Community
- EFTA – European Free Trade Association
- FAG – Financial equalization act (Finanzausgleichsgesetz)
- FPÖ – Freedom Party of Austria (Freiheitliche Partei Österreichs)
- F-VG – Financial constitutional law (Finanzverfassungsgesetz)
- HI – Historical Institutionalism
- IV – Federation of Austrian Industries (Industriellenvereinigung)
- KPÖ – Communist Party of Austria (Kommunistische Partei Österreichs)
- LHK – Conference of governors (Landeshauptleutekonferenz)
- LIF – Liberal(es) Forum
- MP – Member of parliament
- ÖAAB – Austrian Workers' and Employees' Association (Österreichischer Arbeitnehmerinnen- und Arbeitnehmerbund, previously Arbeiter- und Angestelltenbund)
- ÖGB – Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund)
- OeNB – Austrian National Bank (Österreichische Nationalbank)
- ÖVP – Austrian People's Party (Österreichische Volkspartei)
- PRÄKO – Conference of the Presidents of the Chambers of Agriculture (Präsidentenkonferenz der Landwirtschaftskammern)
- RI – Rational Choice Institutionalism
- SI – Sociological Institutionalism
- SPÖ – Socialist Party of Austria (Sozialistische Partei Österreichs); since 1991 Social Democratic Party of Austria (Sozialdemokratische Partei Österreichs)
- VdU – Federation of Independents (Verband der Unabhängigen)
- VÖI - Federation of Austrian Industrialists (Vereinigung Österreichischer Industrieller)
- WdU – Electoral Party of Independents (Wahlpartei der Unabhängigen)
- WKO – Austrian Economic Chambers (Wirtschaftskammern Österreichs)

FOREWORD

Writing this thesis was an endeavor of much blood, sweat and tears. It is the product of a rather long process of finding an adequate research topic and figuring out just what to study and how to approach it, gathering the necessary material and finally putting it into words. It was written in such diverse places as Vienna, the San Francisco Bay Area, the island of La Gomera, and my hometown Schwaz in Tyrol.

The present thesis developed out of the initial idea to study the state of affairs in terms of tax equity, which I owe to my supervisor, Univ.-Doz. Dr. Hannes Wimmer. In the course of gathering and assessing the resources, however, the primary focus gradually shifted and eventually tax-policy gained center stage. This shift resulted in large part due to my desire to study more deeply the history and institutions that have shaped policy in the country where I have grown up, and to develop a more profound understanding of the mechanics of Austrian politics. The concern for equity, however, evidently remained an integral dimension of my examination.

Apart from myself, also a few other people have been involved in this thesis in one way or another. Thus, I would like to thank my supervisor Dr. Hannes Wimmer, who has supported me throughout the writing of this thesis with guidance and advice. I am also indebted to my interview partners, Dr. Otto Farny, Dr. Anton Rainer, Mag. Christoph Schmid, and Dr. Margit Schratzenstaller, for taking time and whose knowledge and expertise immensely helped me wrap my mind around tax-policy issues. Cheers to my dear friends and colleagues Anna Pultar and Michael Windisch for the inspiring discussions I had with them and their valuable input and hints, Katharina Poschmann for her help in editing, as well as the WIFO for providing me with data. Thanks further to the university library at the University of California, Berkeley, for granting me access to their resources while doing research on this topic. I am also very grateful to my friend Eyþór Halldórsson for his guidance and support as well as for getting me started writing. Most of all, however, I am indebted to my friends and family, particularly my mum and dad, Brigitte and Hans, who supported me throughout the whole process, who have witnessed the ups and downs involved and believed in me. Thanks for everything you did that enabled me to pursue my studies at my own pace.

Finally, I would like to pass on some of my experience and advice. In the course of writing the present thesis, I was lucky enough to make invaluable experiences for both the process of inquiry and my own personal development. For one, it cannot be overemphasized how much there is to gain from spending ample time on finding a research topic that sparks your interest and that you feel passionate about, and keeping it somewhat confined. This way, work will be play and you may feel you're up to this job. To be sure, time and again the task will appear insurmountable, and there is certainly a good deal of rising to the occasion involved in the writing of a thesis. The important thing is not to let the intricacies of writing a thesis discourage you, and sometimes discussing with somebody, especially a layperson, can help you big time.

In the face of the difficulties and challenges that inevitably arise, I have found that taking a step back gets you where you want to go much smoother and more efficiently than pushing for a solution. I decided to do a good part of the work abroad. I spent two months writing the essential parts of this thesis in a quiet town on the small island of La Gomera, which offered me the tranquility I needed to wrap up the task. I am very grateful that I had the means to make that choice, and I encourage students in need of peaceful seclusion to also consider that option.

Vienna, May 2014

1 INTRODUCTION

The shape of a tax system can serve as a mirror of society. Common sense notions take taxation to be a predominantly technocratic field, yet reality suggests it is in fact highly political. The frequently advanced view that tax policy, and indeed economic policy, played out in a binary environment of right and wrong derived from the “needs of the economy” is, however, “often an obfuscation of interests, an attempt to legitimize certain goals by ideologically exploiting economic arguments” (Rothschild 1990: 1, own translation). As it touches upon the sensitive issue of who gets what and who pays for it, tax policy is intimately linked to questions of power and interests and lends itself to political exploitation. While citizens may have an intuitive idea about fundamental principles informing tax policy, the majority command little knowledge of how taxes function and are therefore frequently left with an inadequate notion of what might be in their interest in terms of substantive policy. This puts political elites in a strong position to advance their interests.

After long-standing popular neglect of tax issues, recent reports on tax shelters have resuscitated concerns over contributions on the part of the 1% to the public good, and engendered a more open debate on tax justice and rising income inequalities. The recent contribution by a French economist met the pulse of time. The results of his painstaking analysis of income distribution over time confirm the politicalness of economic policy, finding that,

“... the resurgence of inequality after 1980 is due largely to the political shifts of the past several decades, especially in regard to taxation and finance. The history of inequality is shaped by the way economic, social, and political actors view what is just and what is not, as well as by the relative power of those actors and the collective choices that result” (Picketty 2014, Introduction).

With the development of the modern state came the need for more steady and predictable state revenue, in order to exercise the more active role states assumed in the socio-economic realm. Over the course of the past centuries, the bases of state funding have shifted and tax policy in industrialized nations has been subject to substantial changes. Tax systems today look nothing like they did a hundred years ago. Tax structures have evolved and the objects of taxation altered, as has the

distribution of burdens among taxpayers. While a number of patterns in the development of tax systems emerge when looking at a cross-section of industrialized countries, one finds myriad evidence of divergence. This is evident, e.g. with respect to consumption taxation¹, corporate and international taxation², or the choice of how to fund one's welfare state. Since states in the more recent history have been subject to similar challenges, the question arises what causes such national idiosyncrasies.

Sven Steinmo, an American political scientist, took up this very question in his 1993 book titled "Taxation and Democracy" that tried to explain the idiosyncratic nature of tax systems. Steinmo placed the explanatory factors for the evident variation in the realm of institutions and history. The context in which tax policy is made, he argued, is formed by the choice of governmental and electoral systems and checks to curtail political power, as well as the way that points of entry for organized interests are set up. The institutional design thus establishes idiosyncratic mechanics of the process of policy formation, consequently leading to idiosyncratic results. Yet he acknowledged that tax-policy formation and institutions are embedded in a wider context, itself shaped by the interactions of social movements and societal development, the interests of key actors, events in the international arena, and past decisions. Thus, Steinmo sought answers to his puzzle in the interaction of institutional constraints and individual agency as embedded in a socio-historical context.

From an organizational perspective, tax-policy is incorporated in budget policy and has long been an integral part thereof. The state budget constitutes the link "between financial resources and human behavior to accomplish policy objectives" (Wildavsky/ Caiden 2004: 2). While taxation in this regard is half the budget story as it delivers the financial resources needed to realize such policy objectives, "tax and spending issues cannot be neatly separated into the categories of 'who gets what' and 'who pays for it'" (Steinmo 1993: 1). As part of the budgetary perspective, tax policy has therefore also been at the heart of the broader economic policy view that actors hold, and it is obvious that the ideas actors hold about how the economy works and

¹ Where divergence is evident with respect to the kind of tax levied, the timing of adoption of the now default choice of a VAT, and the rates, rate structures, and exemptions, see Kato 2003.

² Realms, in which there exists wide variety in rate structures, exemptions, and even fundamental approaches, see Homburg 2007, Ch. 7, 8.

how to organize its constituting parts, will in one way or another enter tax policy outcomes. There are essentially two levels of tax policy to be distinguished, one of which being mainly the consequence of the democratic necessity of coalition forming and pragmatic decision finding in day to day politics. The other pertaining to an actor's basic ideas and visions, thus identifying the ideological premises of e.g. a political movement (Nowotny 1992: 14).

The aim of this thesis is strongly influenced by Steinmo's contribution as it offers a compelling and practical approach to studying real world phenomena. Thus I shall employ a historical institutionalist approach for an examination of tax-policy in Austria, starting at the beginning of the Second Republic in 1945. The principal aim of this thesis is to trace the trajectory of Austrian tax-policy and shed light on the question as to why it has developed in the way it did. As the realm of tax policy is vast, it seems important to note that endeavors looking at tax policy from other perspectives may well emphasize other concerns and yield different results. While this work is informed in large part by political and economic considerations, a more juridical view may reasonably differ markedly in various respects, including policy advice. This fact, however, does not belittle the contributions from either such background. And indeed the following remarks do offer valuable insights into tax-policy concerns.

1.1 ON THE CHOSEN METHOD

Historical institutionalism “represents an attempt to illuminate how political struggles are mediated by the institutional setting in which they [take] place” (Thelen/ Steinmo 1992: 2). As such, it emphasizes the interdependence of multiple causal variables and places importance on tracing the ensuing interactive effects (Steinmo 2008: 128). While institutions may be of formal or informal character, they constitute rules that shape which actors participate in the making of given decisions as well as their strategic behavior. Thus, the contention is that the very setup of a governance and electoral system, the inclusion or exclusion of actors in the decision-making processes, as well as the points at which interest groups can influence decisions, engender specific outcomes, as they structure the strategies political actors

pursue. Since “the normal political condition is not consensus ... [but] a diversity of preferences, [i]nstitutional rules resolve conflicts by limiting the points of decision where alternative proposals can be considered” (Immergut 1992: 64).

The institutional mesh in which political processes are embedded is taken to be fairly stable and may trigger path-dependent processes, in which a specific path is reinforced as a result of its past. The decision to adopt a specific policy, thus, crucially shapes the environment in which ensuing decisions are made. This implies that “[e]arlier events matter much more than later ones, and hence different sequences may produce different outcomes” (Pierson 2000: 253). Although the observation that “history matters” is trivial, historical legacies do exert formidable influence on future outcomes in that they may shape expectations, shape what is feasible, evoke learning effects, and alter politics as a result of new policies (Steinmo 2008: 127).

While institutions shape political processes by constraining the choices of political actors, this is by no means a structuralist endeavor. Indeed, there is still plenty of room for agency. This opens the door for factors like ideas. An account of ideas in the political realm has long ago been embraced by Weber (1946, in Campbell 2002: 21). Its relevance for this thesis is elucidated in view of the programmatic changes in Austrian budget policy in the 1950s, 1970s, and 80s, and the concomitant effects for tax-policy.

1.2 ON THE AIM AND RESEARCH OBJECTIVES

The general framework of this thesis, established in above discussion, aims at facilitating an analysis of Austrian tax policy in its Second Republic. For the purpose of answering the questions I have engaged various sources of empirical material, such as statistics, protocols of parliamentary sessions, biographic material, and the programmatic ideas of political actors. The statistical data I have employed is largely based on a dataset I received from the WIFO, for which I am very grateful. For reasons of congruence I have tried to use the same dataset; however, for some illustrations for which I could not get data from the same source, I have relied on other sources, such as the OECD and EUROSTAT databases. Interestingly, no data was available for the

years between 1945 and 1959. I have therefore had to rely on the numbers I found in the literature.

Party programs can be conceptualized as an offer of political parties vis-à-vis voters and party members, a promise, as it were, to pursue a particular policy (Pelinka 1979: 7). Such programs are therefore directed at both an internal and external public, and seek to advance transparency and rationality. Consequently, they also offer a basis on which to assess a party's credibility. Being declarations of short and long-term intents, programs also reflect internal developments and adaptations to changing external environments. Thus, the programs that political parties enunciate offer important information for political analysis. In this thesis, the focus shall rest on the more longer-term and thus less frequent programs, rather than the action programs often couched in the run-up to elections.

I have further conducted four expert interviews. In line with Meuser and Nagel (2009), the conducted interviews were semi-structured and aimed at extracting valuable first-hand knowledge and experience, which could otherwise not be made available. To this effect, interviews were conducted with an expert on economic and tax policy at the Austrian Institute of Economic Research (WIFO) as well as with a long-serving civil servant at the Ministry of Finance. Further two interviews involved experts from the key employee and entrepreneurial interest representatives, the Chamber of Labor (AK) and the Economic Chamber (WKO), respectively. While the aim of these was also to gain insights from the knowledge and experience of these experts, another objective lay in examining the positions and concerns of the interest organizations they represent.

The principal aim of this thesis is to shed light on the question of why Austrian tax policy in the Second Republic has developed in the way it did. To this extent the trajectory of tax policy is traced and embedded in its historical and institutional contingency. In this regard, special attention will be paid to the distributive dimension of the Austrian tax system. This suggests a two-fold view: one relating to the question of where tax burdens fall, and whether the tax code accommodates differences in abilities. The second dimension involves a functional distribution of tax burdens, i.e. pertaining to labor and capital. In a final step, the implications accruing from the state of affairs of Austrian tax-policy will be addressed in conjunction with issues that have

emerged in the recent past. In this regard, *democracy* will stage a comeback. However, contrary to the aspect Steinmo had in mind, particularly the effects of tax policy on democracy and democratic citizenship will be considered.

In line with the way historical institutionalists customarily approach their research objects, namely by inductively generating *plausibilities* in the course of interpreting their empirical material (Steinmo/ Thelen 1992: 12), five such plausibilities were formulated. The first two relate to Austria's overall tax burden, holding that (i) the inconsistency in the architecture of Austrian federalism with respect to fiscal equalization, (ii) along with a comprehensive welfare state are instrumental in explaining Austria's relatively high overall tax burden. A third (iii) relates to the distribution of the tax burden, arguing that it was fundamental changes in economic policy, taking place in the last quarter of the 20th century that set the stage for comprehensive changes in tax policy toward the end of the century. These changes (iv) had the effect of curbing the overall progressivity of the Austrian tax system, and shifted burdens from capital to labor income. Finally, (v) the unions have shown a preoccupation with keeping wages constant, which distracted attention from affecting secondary distributions via the tax system.

The structure of this work proceeds as follows. Chapter two will provide a thorough discussion of the theory and method hinted at in this introductory chapter. Following this, key aspects relating to taxation will be discussed, such as its purpose and legitimation, its historical development, equity considerations, as well as the mechanics of and implications from the use of particular taxes. Chapter four then presents an account of the genesis of Austrian tax-policy over the course of the Second Republic. To this effect, the key developments in this regard will be presented in their historical contingency. This is followed by the analytical part, in which Austria's political institutions will be presented in condensed form; tax policy will be embedded in its institutional and ideational contingency. Upon this, key implications accruing from tax policy will be discussed, with a focus on the effects on the state of affairs of democracy and democratic citizenship. Finally, chapter seven shall wrap up the bulk of this work and offer a view ahead.

2 THEORY AND METHOD

A clear picture of where you're coming from, in terms of the method and theoretical underpinnings guiding your undertaking, is key for a structured and focused examination. It also crucially facilitates what the reader can get out of it. The following section shall, therefore, guide the subsequent analysis by delineating the foundations of the endeavor. To this effect, the range of theoretical and methodological considerations informing this analysis shall be presented in a condensed form to suit the aim. As such, there is no reason to deny that the following remarks remain limited both regarding the discussion of the bulk of instructive and valuable research, as well as in relation to the diversity in and idiosyncrasies of the various approaches. Though remaining rather schematic, the following discussion does offer a useful view of the development of a distinct approach, and the potential it has to offer for the aim of answering the questions outlined in the introductory part.

2.1 ON THE HISTORICAL INSTITUTIONALIST PROJECT

Historical institutionalism gradually developed in the 1980s and 90s in response to mounting skepticism about the accuracy of the dominant approaches to studying political phenomena. When an institutionalist reading, prevalent until the 1950s, came under attack for its descriptive and common sense approach, its fading dominance gave rise to approaches concerned more with individual behavior and macro-level theorizing, respectively (Lowndes 2010: 60, 62). The upcoming behavioralist approach focused more on measurable factors, its popularity in the research community went hand in hand with internal developments aimed at making social science more rigorous and thus "hard science" (Steinmo 2008: 120 f.).

However, the reductionism inherent in behavioralist research projects (March/ Olsen 1984: 735 f.) led to a narrow focus on the characteristics, attitudes and behaviors of agents, and failed to account for the evident differences in behavior and political outcomes cross-nationally (Steinmo/ Thelen 1992: 5). While parts of the grand theories developed during that period did account for institutional factors, their aim was rather to carve out the basic mechanisms informing politics across nations; this assigned to institutions the role of "functional solutions to social problems or

simply arenas where political battles took place” (Steinmo 2008: 121). Thus, mainstream research in social science during the 1960s and 70s was predominantly bipolar, with one end working largely atheoretically at a Periodic Table of Politics, while the other devoted itself to finding a “Theory of Everything”, however working remarkably non-empirically (Steinmo 2008: 122).

The institutional turn in social science that came to the fore in the 1980s formed around a growing consensus of attributing political institutions more autonomy, which consequently implied jettisoning the dominant assumption of a one-way dependence of the polity on society for a circular causal relationship (March/Olsen 1984: 738). A central idea was that institutions not only shape how decisions are arrived at, but also which ones are made; hence the question of who calls the shots in decision-making processes. Much of what developed in terms of theory and technique with a focus on institutions in the course of the second half of the 20th century built upon its older institutionalist foundations (Lowndes 2010: 66 f.). Thus institutionalists would look at formal organizations like the school's pioneers did, but would add to that also informal rules and procedures to include the whole range of state and societal institutions, such as the rules of electoral competition, the structure of party systems, the organization and structure of collective actors like unions, and the relations between various government branches (Steinmo/ Thelen 1992: 2).

Apart from a shared understanding of institutions broadly as rules structuring behavior (Steinmo 2008: 126), how such institutions were conceptualized, as well as the role they came to play in the various approaches that took to institutions, is primarily contingent upon their ontological and epistemological foundations. At one end of the spectrum, methodological individualism, exogeneity of preferences and rationality axioms, informing much of rational choice theory, also impinged on its institutionalist variant. The same holds true for the emphasis on cultural contingency and world views immanent in the sociological institutionalist (SI) cluster (Hall/Taylor 1996).

Historical institutionalism (HI), the third variant customarily subsumed under the label “new institutionalism”, places emphasis on the role of institutions in structuring behavior in the political realm by shaping who participates in the making of decisions, as well as actors' strategies and preferences (Steinmo 2008: 123-5).

While principally sharing with rational choice institutionalism (RI) the view that institutions shape the context within which actors define their strategies, HI rejects RI's functionalist conception of institutions as intentional devices designed to minimize transaction costs, thereby rendering them mere constraints on self-interested behavior (Blyth 1997: 230 f.). Instead, a historical institutionalist approach acknowledges that institutions may be intended or unintended effects of deliberate political strategies and conflict (Steinmo/ Thelen 1992: 10), and thus provides actors with higher agency and political choice within institutional constraints than is the case both in an RI and SI reading.

Institutions, understood as the formal rules, compliance procedures, and customary practices, not only structure the relationship between actors in the political and economic arena (Hall 1992: 96, Hall/ Taylor 1996: 938), but are generally also assumed by historical institutionalist scholars to be shaping actors' perceptions of their interests, and therefore their goals and the strategies employed (Steinmo/ Thelen 1992: 2, 8 f.; Steinmo 1993: 7). Endogenizing interests thus puts HI at a stark contrast to rationalist variants of institutionalism, and accounts for much of HI's explanatory strength. Yet, institutions are not the unbiased mediating devices as might be discerned in such a broad-stroked sketching. Being the consequences of political action, they are inherently political and structure power relations between groups and aggregated interests (Steinmo/ Thelen 1992: 2, Lieberman 2002: 699), "giv[ing] some groups or interests disproportionate access to ... decision-making process[es]" (Hall/ Taylor 1996: 941).³ Sven Steinmo's (1993) noteworthy exploration of taxation systems also found that institutional configurations stack the deck for some interests to be incorporated in the policy-making processes while effectively working against the representation of others. This fact elucidates why fights over institutional configurations can take on such intensity (See for instance Steinmo/ Thelen 1992: 10, 15, 22).

Arguably its most distinctive – and eponymous – feature is HI's perspective on historical development. Historical institutionalists do not conceive of history as a chain of independent events (Steinmo 2008: 128). The basic contention in this regard

³ Bo Rothstein (1992) provides an interesting account of deliberate formation of institutions for the sake of consolidating one's position in future power relations.

is that the interplay of forces, immanent in the context of a given situation, is a function of a specific past. Such a view is strongly at odds with much of the earlier consensus, which saw history as essentially efficient and political and social outcomes as independent of a historical path (see for instance Hall/ Taylor 1996: 941)⁴. However, there is more to the history argument: Political events happen in a specific historical context (itself shaped by an institutional setup), with direct consequences for subsequent decisions or events (Steinmo 2008: 127 f.). Moreover, experiences made in the past can have substantial effects on future choices, as Peter Hall (1993) has demonstrated in relation to social learning. Thus, there is a lot to be gained from studying the interactive effects of multiple causal variables (Steinmo 2008: 128).

Nevertheless, neither institutions nor historical paths can be regarded as deterministic⁵, nor should the impression be nurtured that political outcomes could be simply read off institutional configurations (Steinmo/ Thelen 1992: 14, 20). Since political actors define their interests and the goals they pursue, form beliefs, and consequently align their behavior, within a specific historical and institutional context, the contingent character of agency allows for myriad outcomes.

2.2 THE DISCOVERY OF SELF-REINFORCING PROCESSES

The importance accredited to distinct historical paths is exemplified in one of the central components of HI scholarship. Critical outcomes at a moment in time are claimed to “trigger feedback mechanisms that reinforce the recurrence of a particular pattern into the future” (Skocpol/ Pierson 2002: 698); or, from a complementary and more specific perspective, that “[d]ecisions at one point in time can restrict future possibilities by sending policy off onto particular tracks” (Weir 1992: 192). This mechanism describes the logic of what is generally known as path dependence (but also referred to as increasing returns or positive feedback). In a narrower understanding, path dependence, thus, refers to the dynamics of self-reinforcing processes in a political system. At an early stage, political actors may find it relatively

⁴ For an account of historical efficiency see March and Olsen (1984: 737 f.).

⁵ Although Steinmo’s main work *Taxation and Democracy* suggests that no other outcome was possible given the specific institutional constraints at hand (Steinmo/ Thelen 1992: 14 f.).

easy to impinge on such processes. However, once they have walked down one such path for a while, reversing course is much harder, and “[p]olitical alternatives that were once quite plausible may become irretrievably lost” (Skocpol/ Pierson 2002: 698).

This process demands some elaboration: A decision made at some point in time is followed by a sequence of other decision points. While the outcome at any such point is not given a priori⁶, decisions taken at later points will likely reflect the run thus far. This phenomenon is captured in the term “increasing returns”, which suggests that “the probability of further steps along the same path increases with each move down that path ... because the *relative* benefits of the current activity compared with other possible options increase over time.” (Pierson 2000: 252; italics in original) Thus, sequence is key, with earlier events bearing greater weight than ensuing ones (ibid.: 253).

In light of the path dependence argument the previous remarks on power asymmetries call for some qualifications: While it is obvious that institutional arrangements are inherently political and structure power relations, favoring some and putting others at a disadvantage, “the allocation of political authority to particular actors is a key source of ... positive feedback” (ibid.: 259). By using their authority to effect changes in the set of rules in an attempt to consolidate their power, political actors may in effect induce positive feedback: Initially minor disparities may enhance as processes of authority become self-reinforcing (ibid.).

A notion of the presence of such path-dependent processes points back to the institutional premises of HI: Historically evolved institutional arrangements tend to be quite persistent, or “sticky” even in the face of pervasive political and economic changes (Steinmo/ Thelen 1992: 15, 18), which of course is a big part of the reason for studying them in the first place – were institutions ephemeral phenomena, there would be little hope for seeking answers to understanding political processes in them. The solidity of institutions follows from several factors: For one, as a given institution is itself embedded in a wider institutional arrangement, any change to a set of rules is rocky, since those favored by the institutional configuration will likely oppose.

⁶ Since myriad other factors will influence such decisions, including institutional configurations, power relations, historical context, and chance, to name but a few.

Further, since people create expectations around rules, deviations from an institutionally trodden path entail uncertainty, which effectively thwarts change (Steinmo 2008: 129). Similarly, changes to a given institutional configuration incur up-front costs, as actors invest in learning new rules, acquiring specialized skills and developing distinct social and political identities. Unsurprisingly, actors may be led to prefer the existing institutional arrangement they are acquainted with to hypothetical alternatives (Pierson 2000: 259).

In spite of manifest self-reinforcing processes, reality evidently does not quite fit the static environment that an emphasis on path dependence would suggest. And indeed the newer institutionalist scholarship conceives of institutions in more dynamic terms than its predecessors did (Lowndes 2010). Notwithstanding e.g. Steinmo and Thelen's sources of institutional dynamism⁷, much institutionalist research has focused on institutional stasis. Indeed, research strategies aimed at explaining institutional persistence tend to overstate the stability of institutions (Hall 2010: 204).

This bias is not surprising though, seen in relation to the importance attributed to institutions in explaining political behavior and outcomes. This is not to say that institutional change has not been conceptualized in institutionalist scholarship – it has. However the different approaches could not make sense of institutional change (equally) well. While RI seriously struggled with explaining evident institutional change (Hall 2010: 204), HI approaches for a long time have been drawn to the notion of “punctuated equilibrium”, which at its heart sees institutions as stable, until factors in the external environment effect changes in the institutional configuration – thus moving from one equilibrium to another. While changes exogenous to an institution may help explain institutional change, such an approach does not lend itself to explaining the form of the ensuing institutional configuration (Blyth 2002: 8). Indeed, scholars have red-flagged prevalent delusions about the stability of systems, arguing

⁷ Steinmo and Thelen (1992: 16 f.) instance the cases of (i) previously latent institutions becoming salient, (ii) existing institutions being put in the service of novel ends, and (iii) new goals and strategies being pursued through existing institutions. These three cases have in common that the changes taking place within the institutional configuration are portrayed as consequences of exogenous variation. The authors' fourth source of dynamism relates to changes in actors' strategies following abrupt or gradual institutional change.

for endogenizing change and conceiving of it in gradual continuous terms (Streeck 2010). In light of institutional changes devoid of obvious exogenous punctuations, ideas have become attractive among historical institutionalists as an endogenous source of change (Blyth 2002: 20).

Peter Hall's (1993) conceptualization of social learning has contributed significantly to the understanding of when and why policies change. Hall argues that policies chosen at one point in time are a response to the experiences made with previous policy choices. To this effect, he distinguishes between three types of changes: first and second order, displaying elements of gradual changes in terms of technique and strategic action including policy instruments, and third order changes denoting comprehensive shifts in the overall goals agents pursue. However, contrary to the view of state-centered approaches, Hall's analysis of shifting economic policy paradigms showed that politicians, rather than the state (or experts acting on its behalf), were the key players in driving policy change. This finding is remarkable considering that the highly technical economic policy realm is especially prone to technocratic – or expert – sway. The processes leading to policy transition were shown to be taking place at the junction between the realms of state and society, as mediated by the institutional order. Accordingly, calling into question the common dualism between the state and society, Hall's results put the political system at large center stage.

Margaret Weir's (1992) work on US employment policy seems to endorse this consequence. Raising the question of why some understandings of problems prevail in guiding policy-making, Weir argues that policy sequences offer a useful heuristic for understanding processes of policy innovation. While emphasizing arguments of path dependence, Weir deems “a broad eye over politics” imperative for grasping such sequences, as developments in different domains of politics and policy collide to establish turning points that offer prime opportunities for agents to promote new ideas (1992: 192). Policy changes, in this reading, are thus a matter of path dependent processes encountering the interplay of ideas, social interests, expert knowledge and political actors. Yet just what exactly are ideas, and what is their role in the changing of institutions and policies?

2.3 TAKING IDEAS SERIOUSLY

In response to the weaknesses evident in the institutionalisms a number of scholars turned to ideas to deal with variance, starting around the late 1980s. Fundamentally, ideas can be grasped as creative solutions to collective action problems (Steinmo 2008: 131). While such a functional understanding sheds some light on the role ideas can play, it may not be conducive to a more profound understanding of the mechanisms of the concept. John Campbell (2002) expands the notion of ideas to further include cognitive paradigms and world views, constraining the range of policy choices likely to be considered, as well as normative frameworks, which also pre-select the options on the table, but according to a logic of appropriateness, rather than expedience. Ideas were perceived to be instrumental in explaining the “substantive course of politics”, such as the appearance of a given set of choices at a given moment in time (Lieberman 2002: 697).

Indeed, the explanatory potential immanent in ideational accounts seems substantial, as it adds essential dimensions to the analysis of an inherently complex reality: taring the reductionism in institutionalist approaches is complemented by relaxing a general privileging of structure over agency (Lieberman 2002: 698). However, rather than considering them on a par with institutions, ideas have often “[made] an appearance in institutional analyses, where they serve the purpose of patching over lacunae in the basic explanation” (ibid.: 699), thus becoming “ad hoc addend[a] to an already existing research program” (Blyth 1997: 231). The challenge for institutional approaches hence lay in finding “a way to treat ideas as analytically consequential in accounts of political action, policy development, and institutional change“, while retaining the crucial strengths of institutionalist approaches, such as its accounts of agents' strategic behavior mediated by structural constraints, and the consequences of institutional design on power relations (Lieberman 2002: 699).

Mark Blyth's (2002) study of the rise and fall of liberal institutions in the US and Sweden, provides a useful framework through which to better understand the interplay of ideas and institutions. Blyth focuses on the transformative quality of ideas, and devises a five-tiered model of ideas in institutional change. He contends ideas and interests to be mutually constitutive and suggests they be considered together (Blyth 2002: 27-30). Blyth conceptualizes economic ideas as interpretive

frameworks, describing both the constitutive elements of the economy and their “proper” interrelations. By linking positive statements with appropriate action, economic ideas thus “provide agents with both a 'scientific' and a 'normative' account of the existing economy and polity, and a vision that specifies how these elements *should* be constructed” (ibid.: 11; italics in original).

The formation of interest, according to Blyth, happens in a process of aligning beliefs, goals and desires – the cognates that usually remain unacknowledged. This process of alignment is intimately informed by the complex sets of ideas actors hold. To be sure, this is not to deny the impact of agents' structural location on the formation of their interests; yet there is “still plenty of room for agents to make history apart from their structurally given interests” (Blyth 2003: 698).

In times of institutional stability, the interests of political actors are fairly unproblematic, as ambiguities about strategies are but a function of complexity and risk: Agents may be unsure about how to achieve their interests, or how likely they succeed on a particular path, yet they are sure of what is in their interest (Blyth 2002: 30 f.). Uncertainty drastically alters this relationship, as actors find themselves in a unique situation without blueprints and knowledge of what is and what is possible, and consequently no longer have a clear understanding about what their interests actually are (ibid.: 32). Economic crises are prime examples of the triggers of such kind of uncertainty, called Knightian⁸. Blyth argues that it is precisely in such circumstances, that ideas bring to bear their power by offering actors a device for making sense of the new environment. “By developing and deploying such ideas, agents reduce uncertainty by narrowing possible interpretations of the crisis, and hence courses of action, to a significant degree.” (ibid.: 37)

Ideas thus help actors define both the problems and possible solutions to a crisis, whereby existing distributional relationships between agents may be called into question and restructured in actors' shared attempt to resolve the crisis. Consequently ideas act as coalition-building resources, facilitating collective action,

“by allowing agents to redefine existing interests ... and thereby redistribute the perception of existing political costs and benefits regarding alternative courses of

⁸ For an illustrative and entertaining account of the concept of Knightian uncertainty see Taleb (2010); further see Dizikes (2010).

action ... such ideas empower agents affected by economic crises to restructure existing institutions in line with the ideas they use to interpret their interests under uncertainty.” (Blyth 2002: 37 f.)

Yet, merely establishing a causal link between specific institutions and a problem at hand does not in itself lead to institutional change: The essential step is a process of delegitimation of the very ideas these institutions are predicated on. To this effect, ideas act as weapons, since present sets of political and economic institutions embody past ideas about how the economy works (ibid.: 39).

Following institutional ablation, ideas play a vital role in the setting up of new institutions. Since ideas inform agents' understanding of a crisis – what went wrong and what needs to be done – the normative dimension of ideas correspondingly determines the ensuing institutions regarding their form and content (ibid.: 40 f.). Lastly, the very ideas that guided institutional turmoil then cause stability to set in again. By way of generating conventions as to the mechanics of the polity and economy, agents' expectations are once again aligned to support the solidity of institutional orders anew (ibid.: 41 f.).

Blyth has incorporated and transcended earlier works notably by Karl Polanyi and Peter Hall. The strength of Blyth's account of the transformative power of ideas is that it helps make sense of how institutional arrangements move between equilibria. While this process was simply spared in many previous works, Blyth powerfully describes the characteristic features of ideas and their role in the mechanics of institutional change. However, Blyth's account seems valuable more for pervasive changes, as when monetarism superseded Keynesian ideas as the dominant approach in economic policy, than subtler ones. In other words, it sheds light on the kind of Hallian third order, or paradigmatic changes, and seems less apt to make sense of first and second order changes, or changes within a paradigm.

2.4 DEVISING A SYNTHETIC PERSPECTIVE

In light of the plethora of thoughts about how to make sense of policy continuity and change, there is need to bring in some order, and to mold the myriad approaches into one coherent whole, suited to guide the aim of this thesis. Following above remarks,

a view could be nurtured that ideas were free floating and unambiguous entities. Also, it might be presumed that the adoption of a novel set of ideas by a powerful agent leads to ultimate and complete supersession of the hitherto dominant ideas, and a par for par establishment of the core institutions, as outlined in the ideas' normative dimension. Indeed, Hall's work on the introduction of monetarism suggests just that: namely that the Keynesian foundations were ablated to the very last stone⁹. While in this very instance it may be justifiable to think of such a shift in such subversive terms, it appears that the vast majority of policy shifts, notably their 3rd order kind, do not follow this pattern. Robert Lieberman asserts that political arrangements are seldom the products of a coherent or total vision of politics. "Rather, they are inevitably the products of compromise ... rarely if ever sweeping away the detritus of a previous order to construct a new one" (2002: 702).

As the case of British economic policy suggests, much of the story was, and is, contingent upon the institutional premises of the political system: the British first-past-the-post electoral system has different implications for government action from Austria's proportional representation system, in which single-party governments are an exception to the grand-coalition rule. Grand coalitioning between the two major parties brought with it inevitable need for compromise. Compromise played out as an essential feature of Austrian political reality not only on the government level between the parties and ministries, but also in the realm of the state-owned industries, and between the various interest groups associated to either one of the parties. Importantly also, it follows from endogeneity of interests that actors may define what is in their interest in quite distinct ways, effectuating crucially differing outcomes despite conformity of world views, or country specific solutions to common challenges (Campbell 2002: 22).

Since agents' interests inform the choice sets of strategies they employ – and therefore what kind of policies they want to enact – interests are crucial for an understanding of policy outcomes. Following above discussion, interests themselves are formed at the junction of the general beliefs and convictions actors hold, their

⁹ This point is elucidated in the following quote: "Under Prime Minister Margaret Thatcher, monetarist modes of economic policy-making *replaced* their Keynesian antecedents" (1992: 90; my italics). See also Hall 1993, passim.

position within the institutional configuration, and the “rules of the game” (Immergut 1992). Identities, while evidently informing beliefs and world views, also play a vital role in the formation of agents' interests (Campbell 2002: 24 f.). However integral identities may prove in relation to policy making, in effect the essential question is in which ways the various identities actors hold, play out against one another and interact with their cognitive paradigms, to produce idiosyncratic approaches in pursuit of their ends. The strategic frame spelled out in response to this process will then, as it were, serve as the road map of political action meeting, however, the rules of the game.

The importance of above question is elucidated when one regards the political and economic transformations in the aftermath of Bruno Kreisky's resignation in 1983. After he left office, Kreisky's distinctive notion that he'd rather have sovereign debt to be up by a few billion Schillings than see a few hundred thousand more unemployed, also vanished. Gradually the mosaic of economic policies that came to be known as *Austro-Keynesianism* yielded, and another set of ideas came to guide Austrian economic policy. In the perceived need to modernize an allegedly “sclerotic” polity (Luther 1999: 6) and a laggard economy manifested an outspoken breach with the way these realms had hitherto been managed. This fission with the conventional wisdom of how to run the state was fostered first and foremost by Vranitzky and his circles, and it featured a delegitimation of the dominant institutions and policies, while forming new coalitions around the reorganization of the economy, predominantly with the Christian Social coalition partner (see for instance Unger 1999; Lauber 1997; Kittel/ Tállos 1999).

The crucial point is that the ablation of what used to be the dominant paradigm for more than a decade was carried out by agents of the same political party. As Campbell asserts, “identities of political actors shape how they perceive their interests and therefore which policies and institutions they favor” (2002: 25). Expediting encompassing modernization (read: change) by a fellow party member, necessarily sharing a number of convictions and identities, demands careful evaluation of the contingencies within which the modifications took place.

This again points at the interplay of the institutional premises of the political system and the various ideas actors hold. Despite a clear rebuff to deterministic

notions based on either institutional positioning (structuralism) or agents' ideological premises, there is much to be derived from studying the ideas working in the fore and background of policy debates (Campbell 2002).

The ideas working in the background of political processes are the world views, cognitive paradigms and normative beliefs that political actors hold. As they spell out cause and effect relationships (Campbell 2002: 22-4), they constitute agents' basic view on the external world and may be informed by perceptions of class affiliation and various national and regional historical and political experiences. While such may keep a low profile in political discourses, they filter what options are considered in the first place (ibid.: 23 f.). Consequently, they intimately inform policy processes, regardless of the fact that they are often largely invisible in the actual debates.

The frequently referred to concept of ideology works in similar ways. Following Jackson and Kingdon “[i]deology ... is a set of core beliefs that organize perceptions of political issue and that underlie individual preferences” (1992: 814). And Talcott Parsons specifies that ideologies rationalize underlying value-selections, “[giving] reasons why one direction of choice rather than its alternative should be selected” (Parsons 2005: 237). Indeed, most modern parties have developed in one or another ideological tradition, which they may or may not explicitly bear upon, e.g. in party programs. The relevance of political ideology is particularly evident in the historical proceedings of the 20th century.

Withal, ideologies play a key role in the political arena, for instance as an intermediary to deal with the issue of (costly and insufficient) information, effectively linking voters and parties without explicit concern for specific positions (Wimmer 2000: 534). This relation is consequential, in that it may engender the adoption of policies strongly at odds with the perceived image of a party as voters assume parties' issue positions to have gone through a process of ideological deliberations (ibid.). The enactment of conservative policies by liberal parties in a number of European nations during the 1990s and 2000s bears witness to such processes.

Although the notion of ideology has become more of a container of meaning than a sharp-edged research tool, there is no need to deny the existence and consequentiality of ideologies in political reality. In light of above discussion, the

ideologies citizens and parties hold do not contradict the process of ideational influence on political actors. Rather, ideologies constitute another means of filtering options and as such are reminiscent of Campbell's background ideas. Indeed, its proximity to the notion of world views suggests that ideology can be accounted for by Campbell's expanded ideational account.

Although taking political actors as purposive and calculating agents, I reject the assumption of rational actors prevalent in much of economics and rational choice inspired research. While actors are generally taken to be giving their best shot at achieving their ends, they may experience their interests becoming ambiguous or vague. This is particularly true in times of uncertainty. In such instances, interests cannot be assumed stable and given, and therefore assuming rational agency seems utterly unrealistic. An illustrative example is found in the Austrian Trade Union Federation's (ÖGB) ambiguity¹⁰ over both its stance and strategy on the eve of Austria's accession to the EU. In light of the encompassing changes that EU membership implied for interest mediation, the federation's leadership was unsure whether to support the government's decision – and thus sanction the concomitant losses of influence – or to boycott it. This momentous transformation of the institutional configuration, thus, caused the hitherto fairly stable interests of the ÖGB to be suddenly rendered ambiguous.

A more sensible approach would, thus, be open to the idea of endogenous interests that cannot be determined by merely regarding dichotomous concepts such as class. Instead, interests shall be grasped as resulting from the beliefs political actors hold, contingent upon the institutional environment in which they are embedded. Therefore it is the interplay of beliefs with the idiosyncratic features of the institutional arrangement that let agents define their interests, and also shape their

¹⁰ This assertion may be misleading. Since the ÖGB is the umbrella organization of the various unions, its strategies result from an internal process of interest reconciliation. ÖGB interest, thus, cannot be assumed to be static but is better understood as a continuous process. The dynamism inherent in ÖGB's interest formation is elucidated in internally changing power relations, also associated with macro-level changes in the economy. The point is that, notwithstanding this intricate process through which the ÖGB arrives at a common position, EU membership entailed a shift in the locus of many decisions from a national to a supranational level. The different sectors of the economy were also affected unequally by the implications of EU integration. Thus both internally between the constitutive unions, as well as externally vis-à-vis the government and institutions representing business interests, ÖGB leadership was at a bit of a loss with respect to defining goals and strategies, as its interest was now even less clear (see Unger 1999, Tálos/ Kittel 1999, 2001).

conception of the goals they pursue. This is not to deny the influence of factors such as class on the formation of interests and goals. Rather, concurring with Steinmo and Thelen (1992: 11), I regard studying the mediation of such overarching structures by meso-level institutions as instrumental to an approach studying political outcomes.

Since institutions are intimately linked to processes of path dependence, it is fair to assume institutional configurations, within which political conflict takes shape and decisions are made, to be reasonably robust structures. The resilience of institutional arrangements in turn bolsters the self-reinforcing character of particular paths, rendering changes fairly arduous, and sweeping changes highly improbable. For examining the bread-and-butter policy-making processes taking place in such stable environments, Ellen Immergut's (1992) concept of veto-points offers an excellent framework within which to situate the actors involved in decision-making. Her examination of health policy-making is a powerful account of how institutional idiosyncrasies shape decision-making processes. According to Immergut, the "rules of the game", immanent in a system, follow from the interplay of *de jure* and *de facto* rules "establishing distinct logics of decision-making that set the parameters both for executive action and interest group influence" (1992: 59). Enacting a law, then, hinges on successive affirmative votes in a sequence of decision points, the number and location of which varying with the particular institutional configuration at hand (Immergut 1992: 63).

Immergut employs the concept of veto points to identify those crucial institutional locations where executive policy may be impeded or altered. A strength of this account is that such veto points are not conceptualized in static physical terms – rather they can be imagined as "points of strategic uncertainty that arise from the logic of the decision process itself" (*ibid.*: 66). As such, they may be the intended or unintended outcome of political action; nonetheless they are malleable, as when constitutional rules or electoral results, or specific features of the party system effectuate changes to the location or strategic importance of veto points (*ibid.*: 64, 66). This claim Immergut elucidates with respect to stable parliamentary majorities of the ruling party or coalition, which is frequently observed in parliamentary democracies, and a recurrent feature in Austrian politics. In such cases, even if by constitutional law the government needs parliamentary approval to pass legislation, party discipline

customarily leads to rubber-stamping policy proposals. Thus, in effect the decision point remains in the executive realm. When such stable majorities fade, however, the parliamentary realm can emerge as a veto point (Immergut 1992: 65).

The cracks that the Austrian two-party system incurred in the course of the 1990s correspondingly hint at the possibility of a shift of veto points to the parliamentary realm; how much truth is to this possibility, subsequent parts shall examine. At any rate, the point is that the clout of actors is not a substantialist trait to be possessed, although of course certain characteristics do impact on an agent's sway. Rather, it is the institutional setting that structures how opportunities to influence decision processes are distributed, and in so doing shapes the relative strength between actors.

While above remarks seem to offer a promising approach for studying political phenomena, a preliminary look on realpolitik suggests that political actors place a premium on expertise. Indeed, expertise is frequently sought for advice on strategic, tactical and technical matters. Further, political actors readily employ expert knowledge to argue their cases, lend credence to one thing or delegitimize another. Indeed, as Desmond King argues, “[l]iving in liberal democracies committed to the Enlightenment values of progress and rationality, it is inconceivable for a politician to propose a new ... policy simply on grounds of hunch or intuition about its likely value.” (1999: 33)

The expertise guiding and legitimating policy choices may be internal or come from the outside, e.g. when policies are copied from (successful) examples elsewhere. Particularly, highly technical fields such as tax policy call for copious knowledge, prompting a key role for expertise. Tálos and Kittel substantiate this claim in their analysis of Austrian decision-making processes (2001: 9). Which expertise is to inform and propel policy consequently becomes fiercely contested, which is why political actors give such weight to the composition of advisory councils and committees and the like. Alongside myriad other factors, interest group influence (also) accrues from their ability to understand and contribute to policy expertise (King 1999: 41).

The use of expertise for strategic and legitimacy action spells out the close relationship between expertise and ideas. Since only on rare occasions is existing

evidence sufficiently robust for acceptance to transcend ideological divides, expertise is customarily selected in correspondence with decision-makers' beliefs (King 1999: 32). In times of “ordinary” decision-making, expertise may be called upon to drive adaptations in the institutional or policy framework, potentially resulting in changes of different degrees, like the ones outlined by Peter Hall (1993). In this regard, the institutionalization of economic coordination in the form of the Economic Directorate in 1951, or what came to be known as the *Raab-Kamitz-Kurs* – a policy of deflationary economics –, as well as the numerous austerity packages could be instanced (see e.g. Tálos 2008: 24).

Yet while growing expert reputation and increasing complexity cannot be ignored, the clout of experts is also not to be overestimated, since at the end of the day it is elected politicians who make decisions and launch policies, and who can be held accountable.¹¹ This also follows from King's insistence on the distinction between expertise and experts: Whereas the “fortunes of individual experts fluctuate ... expertise *remains* a valued and sought-after commodity amongst policy-makers and politicians” (King 1999: 33; italics in original).

What is evident in these remarks is that ideas are an integral factor in understanding political outcomes. They play a key role in the formation of actors' interests, which consequently also impinges on both the goals and the strategies such actors employ to attain them. Yet, while helping to make sense of many puzzles hitherto inherent in institutionalist scholarship, ideas cannot be the whole story. On their own, they are insufficient to grasp the continuity of institutional arrangements, policy legacies or (structural) power asymmetries. This is why such emphasis has been placed upon the mediative effects of institutions and self-reinforcing processes, fostering the persistence of particular paths once they have been adopted. The key insight guiding the ensuing analysis is that policies follow from struggles between purposive political actors, informed by ideas, mediated by institutional arrangements. Since the tax policy realm, due to the complexity of the matter, is especially dependent on expertise, the implications arising from this need are of great interest.

¹¹ See for instance Peter Hall's (1992; 1993) studies of the role of ideas in the transformation of economic policy paradigms in the UK. As he contends, while “[p]olicy at time-1 was certainly a response to the consequences of policy at time-0 ... politicians rather than experts played a dominant role” (Hall 1993: 288).

In the next chapter, the intricacies of taxation shall be discussed, and a positive examination of the mechanics and effects of selected taxes linked with normative ideas about good practice vis-à-vis the organization of tax systems.

3 TAXES AND TAXATION

The development of comprehensive systems of taxation is a concomitant process in the emergence of the modern state. Indeed, modern statehood is unimaginable in the absence of the regular revenues taxes provide, as the indispensable funds for performing state functions would be insufficiently provided – making consolidated taxation a prerequisite for modern states (Wimmer 2000: 308 f.). The intimate relationship between parliamentary democracy and systems of taxation is well captured in Mick Moore's (2008) concept of *revenue bargaining*, describing the process leading from coercive forms of revenue extraction, associated predominantly with agrarian societies and unconstrained elites, to contractual taxation, forming around the consent to taxation in exchange for political representation and power. Yet just what purposes taxes are to serve, which taxes to employ, and to what extent the state is or should be allowed to appropriate privately generated funds, has been neither uniformly answered in practice, nor has there been unanimous consent in the scholarly discourse.

After discussing the general permissibility of taxation in the context of market-based economies, the following sections shall briefly sketch the path tax systems have taken and approach the issues of equity and efficiency. A final part shall then carve out the mechanics of a number of taxes considered important vis-à-vis the aim of this work.

3.1 THE CASE FOR TAXATION

As taxation constitutes state intervention into the economic realm, levying taxes in today's societies committed to the liberal idea, as well as embracing a market-oriented form of economic organization, is commonly held to demand justification. Over the course of the past centuries, the degree to which the modern state should be allowed, or is required, to meddle in the economy has been a matter of hot contention. In practice we have seen myriad degrees of state interventionism and various forms of government – small, big, totalitarian.

Stressing the problems of government failures, some have argued for a minimal role of the state (Stern 1991). On a philosophical level, the idea that

government is part of the problem, as was voiced by Ronald Reagan, is embodied in the liberal night-watchman state and championed for instance by Robert Nozick (1974). The historical record shows rent-seeking, corruption and inefficiencies as very real side-effects of strong interventionist states. There is, thus, a case for a limited role of the state. To be sure, historical evidence also points out severe market failures which can have strong negative effects on economic, political and social development by aggravating poverty, inhibiting investments, and causing inefficiencies (see e.g. Kaldor 1963). Together with governments' comparative advantages in areas such as infrastructure and the social sectors, this argues the case for a government role exceeding a minimal one (Burgess/ Stern 1993: 763).

There are essentially three purposes taxation serves, with the primary aim of raising revenues to finance government expenditure, alongside the objectives of redistribution and economic management. This pertains for instance to controlling externalities and other market imperfections as well as business cycle policy. Nicholas Stern (1991) has identified five main areas of legitimate state intervention: One relates to addressing market failures as indicated above¹². Another one is the prevention or reduction of poverty and improving income distributions. A third pertains to asserting rights of access to particular goods and services, such as education, housing, and health. Related to this are paternalistic activities, in the area of education and retirement provisions. And finally protecting the rights of future generations, including environmental concerns (see e.g. Weiss 1992).

If one, thus, accepts a role for government intervention in circumstances like the above, there remains the essential question of how to fund such expenditures. The economic literature typically lists four sources, namely government revenue, internal as well as external borrowing, and money creation (Burgess/ Stern 1993: 767). All come with a number of advantages and drawbacks¹³; yet, as Burgess and Stern (1993: 769) maintain, "there is no viable, long-term, and substantial alternative to taxation

¹² Market failures denote situations in which a market does not deliver efficient outcomes, for instance as information is not perfect, externalities arise, public goods are not provided, and resources are not funneled to efficient use as e.g. credit markets are incomplete.

¹³ E.g. borrowing can fill budget deficits, and effectively avoids the costs of resistance and collection troubling government revenue generation through taxation. Yet they come at the cost of potentially inducing inflation, which is also the pivotal downside of financing by printing money. High inflation can potentially seriously impede economic development and undermine tax yields (Dornbusch et al. 1990).

as a means of financing government expenditure". Taxes are, hence, a prime means to achieving the ends underlying government activities, be it directly by influencing agents' incentives and perceptions, or indirectly through providing funds that the government can draw on in its attempt to correct situations calling for intervention.

While states may therefore tax demerit goods (e.g. tobacco, alcohol) and subsidize merit goods (education, old age provision, research), run investment promotion programs and stimulate saving or consumption in line with their economic policy goals, they may also employ taxation for the purpose of pursuing social policy ends, which is illustrated most directly in regard of family taxation (Lehner 2008: 75).

With such myriad purposes taxes are to serve, it is evident that they frequently conflict, the pursuance of one goal manifestly undermining the very realization of, or previous achievements in other aims. Imposing taxes then also happens in a context where specific, often irreconcilable interests and goals meet. The state needing resources to fund the activities legitimating its existence¹⁴ while taxpayers seek to minimize the amount they should contribute to government. Since taxes – in most environments at least – need to be grounded in law, a further conflictive dimension establishes. Translating economic matters into matters of law is tricky, and indeed the judiciary may modify or abrogate non-fiscal aims and thus also affect states' fiscal objective (Lehner 2008: 75).

3.2 ON THE ORIGINS AND EVOLUTION OF TAXATION

While the history of taxation can be traced as far as to the Roman Empire, it is in the context of the (fiscal) crisis of the European empires around the 17th century that taxes began to take a form akin to what we now understand by the term: namely regular and involuntary levies on citizens at set rates and payable at a specified time (Wimmer 2000: 308-13). Previously, the resources appropriated by rulers had been mainly feudal rents and duties, characterized by arbitrary imposition without any

¹⁴ This also points at the dilemma governments face, namely the need for taxes to fund the programs securing voter approval, and keeping the tax yield low, so as not lose constituents. In this dilemma some have seen an institutional recipe for producing public debt (e.g. Alesina/ Tabellini 1990), while others noted that it gave rise to highly complex tax codes designed to attain maximum voter support (Wigger 2006). Both strands may be right; indeed the issue seems to be primarily that people – thus voters – hold inconsistent preferences (Steinmo 1993: 194 f.).

form of taxpayer representation (Moore 2008: 40 f.). While the obvious perk of such *coercive taxation* is that authority remains squarely with the ruler, it engendered taxpayer resistance, and could not be quickly expanded in case of need (ibid.: 46).

The escalation of violence then created need for financing standing armies, for which rulers were granted the imposition of regular duties¹⁵. However, the various ways in which the nascent states sought to finance their growing expenses, for long continued to resemble rather incoherent collections of excises and tariffs without much reliability or predictability (Steinmo 2003: 4). They were also ill-suited for generating revenues on a big scale, opened the door for corruption, and for the most part were not conducive to economic growth (Wimmer 2000: 317-20). Further, the forming tax systems largely lacked universal application, in that privileged groups, such as the aristocracy, gentry and clergy were either spared or could get away with paying a lump sum (ibid.: 317, 321). One notable exception was England, where the aristocracy did not exempt themselves from their tax duty (ibid.: 327 f.).

Over the course of the 17th and 18th century then, the formation of systems of taxation became a concomitant process of nascent parliamentarianism (see e.g. Wimmer 2000: 694 f.). The onerous move toward contractual taxation entailed the gradual centralization and standardization of hitherto decentralized systems of tax collection, often based on outsourcing^{16,17}. This process markedly reduced collection and compliance costs and thwarted caprice, which helped curb taxpayer resistance (Homburg 2007: 40-2). However, the ad-hockery evident in most instances led to a steep increase in the reliance on consumption taxes (Wimmer 2000: 332 f.).

At that time taxation still served the limited needs of safeguarding public order as well as provision of internal and external security. As parliaments then were exclusively composed of members of economically powerful strata, calls for an expansion of state functions for the purpose of addressing evident social issues – implying increases in tax burdens for wealthy groups – was not met with great enthusiasm (Ausch 1965: 324). Eventually the emergence of common suffrage, in the

¹⁵ Such as the *taille* of the French king. See Wimmer (2000: 317).

¹⁶ E.g. in form of tax farming. On tax farming see White (2004).

¹⁷ In Austria this was achieved through the adoption of the “*Verzehrungssteuerpatent*” of 1829, in which the state reimbursed estates (*Stände*) and private individuals for nationalizing indirect taxes, as it were (see Gratz 1940: 235).

19th and early 20th century brought the representation of previously excluded societal groups. This reorganization in the composition of legislative bodies then paralleled demands for reform in the tax code, essentially calling for a redistribution of the tax burden from lower to more privileged classes (Wimmer 2000: 334 f.). Alongside this, new political ideas engendered novel demands that were claimed from the state, ranging from the expansion of education and social security to subsidies for agriculture, industry and trade, and public housing (Ausch 1965: 324). The demand for more equitable forms of taxation, in line with the ability-to-pay principle, subsequently epitomized in the spread of progressive income taxation (Steinmo 2003: 209).

With the development from the night-watchman state to present-day welfare states, and aided by the advances in modern economics, state budgets expanded and budget policy assumed important new tasks (Ausch 1965: 325). These called for increased funds and, correspondingly, tax takes increased. During the wars, average as well as top bracket rates of income and corporate taxes¹⁸ reached unparalleled levels in light of strong revenue needs to fund war activities. States further managed to gradually expand their tax take through advancements in administrative capacity; notably the PAYE¹⁹ system helped finance the establishment of a social security system as part of the New Deal approach of the 1930s in the US (Brownlee 2006: 16 f.; Steinmo 2003: 212). Via policy diffusion such advancements spread over the confines of nation states, leading to a degree of convergence among countries, especially industrialized nations (Kato 2003).

In Austria, the developments in the realm of the economy over the course of the 19th century sparked a process of tax reform. The ongoing process of economic secondaryization, and the concomitant move from a barter system to a money based system, implied the end of the three-tiered taxes on profit and income that had formed

¹⁸ In the UK, Canada and the US, these were enacted as “excess profit” taxes. Although the definitions of what basis excess referred to varied substantially, consequently leading to considerable differences in the tax take between countries, the imposed rates were comparable. It seems that the war effort legitimized the imposition of tax rates at a level otherwise deemed expropriation. See Brownlee (2006: 18 f.).

¹⁹ The PAYE and also the similar pay-as-you-go (PAYG) are systems of income taxation operating on the withholding of an imputed tax obligation from employees' paychecks. While such systems have been around for decades, their introduction was groundbreaking, since they contributed significantly to the expansion of governments' tax take. See Steinmo (1993), chapter 1.

the bulk of direct taxation, yielding to the first income tax in 1849 (Gratz 1949: 232). Following the stabilization of public finances half a century later, the outdated degressive²⁰ class tax was turned into a progressive personal income tax²¹, with a top marginal rate of 5% (Gratz 1949: 233). With respect to indirect taxes, the tax take was largely based on various excise duties, until in 1923 a commodity sales tax was introduced; its rate was doubled without further ado the following year (Gratz 1949: 236). While both income and sales tax steadily increased their share of the total revenue, Austria's idiosyncratic stamps duties and charges initially increased rapidly²², before losing relevance due to economic and efficiency considerations (Gratz 1949: 237 f.).

The ideas informing Austria's economic policy during much of the inter-war years emerge in the government's response to the onset of the pervasive economic slump following the American stock market crash of 1929. When the crash hit Austria, the government decided to increase virtually all taxes in order to stem the aggravating public finances resulting from the lack of revenue as the economy began to stagnate. Indirect taxes as well as tariffs experienced the highest relative increase during the 1930s. Notably the sales tax was employed for the purpose of boosting revenues, which was increased by a crisis surcharge in 1932 (Gratz 1949: 229 f.). In light of the deficits even the Economic Chamber dropped its demands for tax reliefs (ibid.: 290). This pro-cyclical economic policy response aimed at curbing budget deficits, much in line with orthodox economic thought at the time (Blyth 2002, 2013: 187-205), in the face of the contraction of economic activity obviously aggravated the situation even more (Gratz 1949: 290).

The adoption of the German tax code in 1938 then engendered a significant expansion in both the revenue level and efficiency of the tax system. The tax hikes and expansion of surcharges during the Second World War would establish the dominance of the income tax within the Austrian tax code and among direct taxes. Top

²⁰ The term “degressive” denotes the effect of declining tax burdens over the income scale resulting e.g. from the combined effects of a personal allowance and a progressive tax schedule as in the income tax, or assessment thresholds in the frame of social security contributions.

²¹ So consequential was the “Personal Tax Act” of 1896, it was deemed the “most important reform in the history of Austrian finance” (Gratz 1949: 233).

²² Their share quadrupled from some 5% to around 20% between 1847 and 1883, in the broke state's attempt to tap all imaginable income sources (see Gratz 1949: 237).

bracket tax rates were, thus, increased to 67%, almost twice the level they had attained during WW I (ibid.: 234).

3.3 TAXATION EQUITY

Being a concomitant process in the development of the state, it is unsurprising that perhaps the essential dimension with regard to taxation is fairness. Correspondingly, the various approaches on the proper principles guiding taxation share a claim to their justness. An early account of fair taxation is found in Thomas Hobbes's *Leviathan* of 1651, where he makes the case for what today is known as the benefit principle. He argues that no qualification is to be made for differences in incomes between persons, asking himself why,

“... he which laboureth much, and sparing the fruits of his labour, consumeth little, should be more charged, than he that living idly, getteth little, and spendeth all he gets; seeing the one hath no more protection from the Common-wealth, than the other?”
(Hobbes 2002: 72)

Fair taxation in Hobbes's account, thus, rests on the premise of the individual benefits people derive from common goods, which offer the basis for the imposition of taxes. The justness of the benefit principle is deeply rooted in the Lockean concept of entitlement to earnings, and its appeal is inherently grounded in the efficiency²³ it provides notwithstanding the given interference (Musgrave 2002: 11). While the benefit principle lies at the heart of contributions and charges, its general application is problematical for philosophical as well as practical reasons. This results from problems associated with assessing individual benefits and the need for the existence of a just state prior to the imposition of the tax, as Knut Wicksell has pointed out (Wicksell 1886, in Musgrave 2002: 12). Although informed by the benefit principle, Adam Smith went beyond the Hobbesian understanding of just taxation. In a famous sentence, Smith expresses the view that “[t]he subjects of every state ought to

²³ The efficiency is contingent upon the equalization of marginal benefits and marginal costs. As was indicated above, the benefit principle is fairly near to the market, in that contributions are in line with benefits derived. Efficiency isn't customarily perceived to be the whole story in regard of taxation though. The complementary question of equity, however, seems not to be grasped in its entirety merely by reference to a Lockean entitlement argument. See Musgrave (2002: 10-3).

contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities” (1999: 416).

The derived ability-to-pay principle then discards concern for benefits received and applies a standard of “just taking”, that grew out of a Benthamian utilitarian framework²⁴ (Musgrave 2002: 13-4). The fair share was consequently taken to lie in an equal burden resulting from the tax. The linking up of the concepts of sacrifice and marginal utility then served as the philosophical basis for the case of progressive taxation (Kendrick 1939: 93). As John Stuart Mill (1965: 807) asserts: “Equality of taxation, therefore, as a maxim of politics, means equality of sacrifice”. The implications of such a maxim are captured in the two integral forms of equity. The horizontal dimension of equity stipulates that equals be treated equally and thus “the first basic rule of taxation” is quite uncontroversial (Stein 1959, in Steuerle 2002: 259). The vertical dimension of equity evokes much stronger contention, not so much concerning the derivative demand for differential contributions on grounds of differential ability; but rather regarding how taxation among unequals should differ (Musgrave 2002: 9). To be sure, there exist formidable problems not only with respect to measuring who is more or less able to pay, but also who are equals (Steuerle 2002: 278).

After decades of strong interest in the formulation of criteria of justness, which also affected the realm of taxation, the elusive quest for universally applicable standards fed into a phase of stronger concern for efficiency considerations – frequently under the aegis of economists, who “often dismissed fairness as more an issue of aesthetics than of analysis” (Steuerle 2002: 254). The emphasis on efficiency culminated in a growing appeal of indirect and uniform taxes, as well as calls for the adoption of flat-rate tax regimes in the last quarter of the 20th century. Yet Burgess and Stern (1993: 791) state that,

²⁴ The argument runs parallel to the concept in economics of declining marginal utility, or benefit, usually associated with concave utility functions. Declining marginal utility implies an ever smaller increase in utility for every additional unit of input. Similarly, the utilitarian sacrifice approach suggests that giving up a unit, say a euro, implies an ever smaller sacrifice as one moves along the x-axis, i.e. with increasing income. See Steuerle (2002: 264).

“[w]e often hear uniformity of proportional indirect taxes advocated as a requirement for efficiency [...] That argument is inadequate because there are generally many sets of taxes which are efficient subject to revenue and other relevant constraints.”

There is thus “much more ... at stake than simply minimizing the inevitable distortions that accompany all tax and expenditure systems” (Steuerle 2002: 278-9). And Burgess and Stern (1993: 791) specify that,

“[i]f we add equity as a criterion to efficiency, we find that uniform taxes become unattractive unless the income redistribution system through taxation and transfers is very powerful”.

It is evident that equity is a contested concept. This is particularly true of taxes, and may in part explain the more recent scholarly preoccupation with efficiency and minimization of distortions. Yet the previous discussion also highlights the centrality of taxation for the functioning of the state in terms of both economic capacity and political performance, as well as social development. Thus, unfettered emphasis on efficiency considerations may run counter to such factors and prove a myopic and detrimental policy choice. The next part shall focus on the more technical side of the tax coin; nevertheless equity considerations will also be addressed.

3.4 ON THE FUNDAMENTALS OF TAXES

Taxes are a particular form of levies imposed by the state, whose general function is to generate funds so that the state can perform its various tasks (Homburg 2007: 2).²⁵ While there are myriad forms of levies, commonly *pars pro toto* called taxes²⁶, there exist broadly three prime types that states collect, namely taxes, charges, and contributions. All three of them share the characteristics of being pecuniary burdens that are levied on the basis of predetermined criteria and exacted pursuant to legislative authority; they all are funneled to one or another body politic under public law. While both charges and contributions enter special budgets²⁷ as they constitute

²⁵ Unless indicated otherwise, the subsequent remarks about the various kinds of levies and their functions follow Homburg 2007, Chapter 1.

²⁶ Black's Law Dictionary lists tolls, tributes, tallages, gabels, imposts, duties, customs, excises, subsidies, aids, and supplies as generic forms of taxes. See <http://thelawdictionary.org/tax/>

²⁷ These special budgets refer to what is commonly known under the term *Parafiski*.

fees for special services, charges are imposed for the actual claiming of benefits, whereas contributions tax the capability of use. Hence, charges are close to the market prices of services and need to be individually attributable; contributions, on the other hand, are based on group-specific attribution.

Taxes then denote such levies that do not entail a claim to a service in return. Since they are not earmarked for special services, they enter the general budget, and thus can be used for all public spending activities. Their imposition, too, serves the purpose of generating revenue, although this can also be a secondary aim. While in a democratic polity, taxpayers as a whole may well hope to obtain services in return for the taxes they pay²⁸, the individual has nothing to expect for their payment. In other words, charges are collected to fund private benefit services, contributions for the sake of group benefit activities, and taxes for public benefit usage.

The key agents in the tax realm are the taxable person and the tax recipient²⁹. While the latter is usually well defined, the former is less clean-cut. As is commonly the case in tax practice, the ultimate taxpayer – so the one who is burdened by the tax subsequent to the various roll-over processes – may not chime with the one intended by the government, nor may she be the same as the one who pays the tax in accordance with the legal requirements. The agent, who makes a tax payment sometimes is only intended for the job for the purpose of easing tax collection. Thus, once again it is important to keep in mind that formal provisions may say little about the actual incidence of a tax. Since circumstances affect the possibilities to roll over a tax burden, the incidence of a tax is not a trait of the tax itself. The elasticities of demand of the various agents involved shed some light on the question of who is likely to bear the tax burden.

The various taxes then are customarily grouped along a number of dimensions. Taxes on income, for instance, are classed as a form of *direct* taxes, while consumption taxes are generally regarded a form of *indirect* taxes. Previously such a distinction

²⁸ And indeed, traditionally public discourse has formed more around the question of how many services the state should be allowed to provide; thus the issue seems to be whether there is potential for *curtailing* service provision on the part of the state, rather than how to make the state give some benefits back to taxpayers in the form of public services. See for instance Steinmo (1993), Ch. 1.

²⁹ Although Neumark (1970: 23) has pointed out that the single taxpayer is of minor importance in tax policy.

followed on the basis of identity (direct taxes) or disparity (indirect taxes) of the taxable person and the actual taxpayer, hence from whether or not a tax could be rolled over. Since economic circumstance impinges on the possibilities to passing on tax burdens, a distinction on the basis of such criteria, however, is misleading and untenable. Although less straightforward, a more sensible distinction follows from a tax's direct or indirect drawing on economic capabilities³⁰.

The design of taxes is an intricate undertaking in that the specific arrangements of a given tax decide on its eventual effects. To this extent, even the labeling of a tax becomes inherently momentous, and the clarity of the wording becomes key. Then again, a narrow, and thus precise, definition of a tax's constitutive parts runs the risk of fostering tax avoidance endeavors. A number of basic principles seem to enjoy broad consent, such as the universality³¹, efficiency³², simplicity³³, and fairness³⁴ of taxes. Trade-offs in various combinations may arise, and indeed a tax may be attacked on the basis of either one above principles.

For an understanding of tax effects it is expedient to study its scale, which systematically assigns a tax rate to every taxable base. Three types emerge: in a proportional scale, the average tax rate is constant for all tax bases; and while a progressive scale features average rates that increase with the tax base, for a regressive scale the average tax rate falls with the base. Tax scales are affected by a number of factors, such as personal allowances, tax credits, tax caps, or tax base

³⁰ Such a distinction is also found in the conception of the late Chancellor Renner. See Renner (1909).

³¹ Taxes ought to be paid by everyone they apply to, i.e. no special privileges shall exclude certain individuals or societal groups. See for instance Wimmer (2000: 343 f.).

³² On a theoretical level this relates to the dead-weight loss. It means price signals should not be distorted, as they encourage economic behavior that does not maximize people's preferences. Consequently, utility is lost and Pareto-optimality not realized. On a more practical level, this implies that the imposition of taxes ought to be set up in a way as to not "waste" revenue in the process of tax collection, and that the costs associated with a given tax should not be disproportionate to the revenue it yields, respectively. The overall costs are referred to as "compliance costs": Aside from all costs accruing to the state in the process of collection, such wasted resources also include the costs for the taxpayers, e.g. time and money costs for documentation, annual financial reviews, accountant fees. The efficiency of a tax is thus a function of costs necessary for collection vis-à-vis the revenue it generates. See for instance Homburg (2007: 54-5; 141-2).

³³ Which is, as it were, a direct consequence of the efficiency argument, in that the simplicity of a tax is inversely related to the accruing compliance costs, mentioned above.

³⁴ I.e. heeding differences in abilities to contribute, as conceptualized in the notions of horizontal and vertical equity.

ceilings. Since a tax base is indicative of economic capabilities³⁵, the tax scale becomes an important ingredient for assessments of the overall distributional effects in relation to taxation. The states' strongest income sources, however, by and large differ in their scales and thus in the way the various income brackets are affected. Further, despite relying on a number of taxes of the same scale, the overall effect need not be of the same scale; nor does, say, a regressive overall tax code mean that no redistributive efforts are undertaken, as the expenditure side of the budget may offset or alter the overall effect (Steuerle 2002: 268 f.). Thus careful evaluation of the intricacies is key in order to produce useful statements.

3.5 ON THE MECHANICS OF TAXES

While people generally hold some knowledge about taxation, the majority of the population is largely ignorant of how taxes work, what the various technicalities and subtleties imply, and what kind of tax code would actually be in the interest of a specific person or group³⁶ (Steinmo 1993: 194). The technocratic character of taxation implies great need for expertise in the design of tax codes, particularly as the very configuration of a tax system has considerable implications for the various constitutive parts of the economy, and, thus, the economy at large. On the other hand, taxation engenders information asymmetries as expertise is highly concentrated while the general public is predominantly ill-informed. Such asymmetric relations of information can easily be exploited by political actors, who commonly have access to expert knowledge.

Although contemporary tax systems cause distortions, create incentives and disincentives, and require a large administrative apparatus for the execution of the

³⁵ This is not to say that a tax base is a definite marker of capability. However, since all indicators of ability-to-pay are in one sense or another problematical, and useful indicators scarce, income is customarily used as a proxy to reflect people's abilities. The horizontal dimension of ability-to-pay, however, puts the validity of measuring ability solely in monetary terms in perspective. Further, the use of the income correlate, which results from the elusive measurability of people's abilities, also has the unfavorable trait that it is alterable and therefore incentives can arise to manipulate the proxy, which would be quite impossible with abilities. See Slemrod (2006: 74 f.).

³⁶ An illustration of this fact is found in a survey conducted in the US in the late 1970s, in which a majority of respondents found the income tax unfair in that low-income families paid too much, while corporations and high-incomes paid too little. While such an impression is widespread, respondents' preferred remedy in the form of a flat tax scheme is baffling, and suggests a lack of information on the workings of taxes; See Minarik (1985, 4-8).

complex provisions of tax law, there are myriad reasons why we do not see a general move toward the single most straightforward tax: the head tax. Indeed, when the Thatcher administration introduced a poll tax in 1989 it stirred such public outrage, and may well be associated with the Iron Lady's political resignation (Steinmo 1993). This tax offers the advantages of unmatched simplicity and broad avoidance of negative effects on labor demand and supply. Yet in light of considerable differences in incomes and wealth, such an indiscriminate approach is strongly at odds with both the ability-to-pay and the benefit principles.

The following section shall discuss a number of key taxes, prominent both because of the proportion of the total tax yield they commonly account for, and their salience in terms of the distributional dimension taxation. The taxes singled out for the purpose of study are thus the income tax, including corporate taxation, consumption taxes, especially the value-added tax (VAT), taxes on wealth, as well as social security contributions. The Austrian tax take falls relatively evenly on the income and value-added tax, as well as social security contributions (see chapter 4). Austria's general property tax was abolished in 1994, but even while it was still functional it did not account for a substantial part of the general budget. Yet, taxes on wealth have received full-scale attention, and surface time and again as sensitive political issues. Especially in economically troubled times, and in light of an increasing divergence in the distribution of incomes and assets within societies, wealth taxes acquire pertinence.

3.5.1 INCOME TAXATION

Income taxation addresses the generation of incomes and constitutes burdens on the market-based revenues of natural persons and corporate entities, generated within a specific time frame, usually a calendar year (Homburg 2007: 113)³⁷. Generally, taxes on the incomes of natural persons apply only to amounts above a defined personal

³⁷ Such an understanding of incomes follows from Ruppe's market income approach, and is not uncontroversial. Other important understandings are based on the source theory ("Quellentheorie"), including only regularly received incomes, and the Schanz-Haig-Simons concept (or "Reinvermögenszugangstheorie"), which also includes irregular income; see Reding and Müller (1999: 308 f., 314 f.).

allowance (zero tax bracket), which above all serves to guarantee a minimum subsistence level. The taxable income in national accounts equals net value added, which is distributed to the productive factors, and ensues from generated revenues less concessions and write-offs (ibid.: 113-5).

While the current Austrian tax code distinguishes between seven types of income³⁸, broadly market incomes are made up of labor and capital income, which are by far the most important income types, as well as land rents and pure profits. A common way of taxing incomes is through a comprehensive income tax, by which means all incomes received are taxed, irrespective of their character. Although it does not hold under all circumstances, the taxes levied on labor incomes that are customarily paid by employers due to pay-as-you-earn (PAYE) systems are in the main carried by employees. In regard of capital income, economic thought also suggests the burden to be passed on to employees via wage cuts; or if such cuts are unfeasible, capital taxes may induce unemployment.

While traditionally European countries have relied on such comprehensive income taxation systems for its advantages in terms of simplicity and equity, starting in the mid-1980s many Western European countries have switched to dual (or “Nordic”) income tax schemes (Schratzstaller 2004a: 23). This step occurred notably for the dual tax system's merits regarding tax avoidance and double taxation, as well as accumulation of savings, particularly vis-à-vis private old-age provision (Broadway 2004: 7 f.). While a comprehensive tax system does not discriminate between income types, and taxes all forms of income at a progressive rate, the dual tax is characterized by making a distinction between capital incomes, taxed at a proportional rate, and all other forms of income, notably labor income, which is subject to a progressive rate structure, and whose initial tax rate commonly equals the rate levied on capital incomes (Broadway 2004: 7). Despite a number of strengths of such a scheme³⁹, there are also serious drawbacks to the dual tax approach, as both the horizontal and vertical dimension of the ability-to-pay principle are violated by virtue of discrimination between income types (Schratzstaller 2004a: 28).

³⁸ See the guide to income taxation on the Ministry of Finance's homepage (http://www.bmf.gv.at/Steuern/TippsfrUnternehmeru_7722/Einkommensteuer/Einkommensteuer.htm)

³⁹ E.g. a broader capital income base, and lower tax rates to attract capital (Broadway 2004: 7 f.).

Income taxes have played an important role in the development of modern tax systems, notably for their revenue raising capacity, which is reflected in the substantial share of income taxes as a fraction of total revenues in a multi-year trend and across countries (OECD 2012a). A key facet of the income tax has been its parallel growth with expanding economic activity. A common feature of income tax schemes across countries is failure to index tax rates to inflation. The consequence is a steadily growing yield from taxes on income, as income recipients move into higher brackets – a process also known as bracket-creep.⁴⁰

Harsh criticism has been directed at taxation of incomes. Robert Nozick may be regarded as exceptional in his attack on taxation in general, and on incomes in particular. Using Locke's entitlement theory, Nozick (1974) argues that any tax levied on “the fruits of a person's labor” amounted to slavery, and only functionally⁴¹, and highly limited, were taxation permissible. While many rejected Nozick's view as too far-reaching⁴², there seems to be a case for discussion of levels of income taxation⁴³. Aside from equity considerations, the most influential argument arguably relates to the disincentive effects for labor supply⁴⁴. However, while the actual effects are not uncontested, and may differ between countries and gender (Hausman 1985), it seems plausible, notably for the medium and long run, that in the face of substantial taxes on their income, people may be moved to leave the labor force into unemployment, to work abroad, or for cash-in-hand jobs. Thus, again effective tax policy design is a crucial ingredient for national as well as sub-national and regional development. There is a lot to gain from sensible policies, just as there is to lose from imprudent ones. Yet there is more to taxation than mere technical economic considerations: a lot may also be explained by cultural and democratic factors⁴⁵.

⁴⁰ While obviously a part of an individual's additional income, thus, goes straight to the treasury, due to the approach of taxing only the amount exceeding a threshold at the higher rate, the story of the person given a pay raise and left with a lower after-tax income due to bracket creep is technically impossible, see Homburg (2007).

⁴¹ I.e. in order to establish the minimal state – a state aimed at protection of individual property rights and provision of freedom from force.

⁴² See for instance Buchanan (1984); Phelps (1973).

⁴³ The German Federal Constitutional Court, for instance, ruled unconstitutional taxation practices burdening more than half of a given income, as that would amount to expropriation. See Ganghof (2004).

⁴⁴ See for instance Slemrod (2006); Gwartney/ Lawson (2006); Homburg (2007).

⁴⁵ See for instance Everest-Phillips (2010); Cobham (2005), Fjeldstad/ Moore (2007).

3.5.2 CORPORATE TAXATION

Taxes on corporate profits in fact may also be considered an instance of income taxation. Indeed the bulk of above considerations is also readily used in discussions of corporate taxation. However, while above comments pertain to the income of natural persons, corporate taxes relate to the income of legal persons. Subsumed under the label corporate taxes are all burdens on either a corporation itself or its entrepreneurs, managers or shareholders (Homburg 2007: 226). In Austria, only businesses with a minimum level of equity qualify for corporate taxation⁴⁶. As a minimum corporate tax is due independent of profits, corporate tax liability pays off for high-revenue yielding businesses in particular.

Generally only actual profits are taxed, which means that expenses and losses are deducted from returns. This is of special importance in light of a business structure that is incrementally internationally interrelated. Austria, to this effect, has effected comprehensive legislation aimed at facilitating international crediting of losses (see WKO 2013). While corporate profits used to be subject to a general double taxation, this was initially offset by tax crediting (Homburg 2007: 234). In recent years the widespread move toward a dual tax system then limited the possibility of double taxation to the case of distributed profits. This follows from the principle of differentiating between a body corporate and its shareholders. At the same time this entailed the adoption of a proportional schedule, in contrast to the way income taxation is organized.

Much of the changes in corporate tax environments were legitimized by reference to the need for taking into account increased capital mobility in the face of growing competition between states as business locations (see ABA 2011). Yet, as Cullen and Gordon (2002) suggest, the link between tax rates and investment decisions of corporations is not as direct as customarily assumed.

⁴⁶ Unless indicated otherwise, the following remarks draw on Bundesministerium für Finanzen <https://www.bmf.gv.at/steuern/selbststaendige-unternehmer/koerperschaftsteuer/koerperschaftsteuer.html>.

3.5.3 CONSUMPTION TAXES

Taxes on consumption increase the prices of commodities by an amount resulting from the tax rate. For long, consumption taxation was pursued through a plethora of particular taxes on certain goods, some of which are still in use today⁴⁷. Over time, the trend moved from specific consumption taxes to taxing general consumption. By far the most widely used form of a general consumption tax is the value added tax (VAT), which was introduced in the bulk of Western nations in broadly two waves between the late 1960s and 80s (Kato 2003: 25). Although the term suggests the tax to be a levy on added value, there exist other forms of VAT. The common form of VAT in Europe is of the consumption type, which characteristically exempts capital incomes from taxation, while burdening all other incomes (Homburg 2007: 125-7). "From a legal and practical standpoint, VAT is essentially a transaction tax, which aims at taxing the sale to the final consumer through a staged payment process across the supply chain" (OECD 2012: 14).

While there is neither a standard level, nor number of VAT rates across countries, commonly states set a standard rate, and add to that a reduced rate, which can be interpreted as a subsidy on special goods and which normally applies to food and other basic requirement goods; there may also exist an increased rate for certain goods, such as luxury items, which can similarly be grasped as a tax on special goods.

The perks of employing a VAT are first and foremost the strong revenue-raising capacity, which results from its broad tax base, and the steady income it generates for the state in light of economic ups and downs (OECD 2012a: 106). There are two further key advantages of the VAT vis-à-vis other taxes, notably income taxation, namely its invisibility, which is a crucial trait particularly with respect to popular acceptance of the strain accruing from taxation; as well as the steadiness of its revenue yield, owing to a tax base fluctuating to a considerably lower degree when compared with that of income taxes (Kato 2003: 27). Further, the VAT is more easily administered compared to the income tax (Fjeldstad/ Moore 2007).

⁴⁷ Examples of such long runners include the tobacco tax, the beer tax, and the tax on alcoholic beverages. See list on the homepage of the Austrian Economic Chambers (http://portal.wko.at/wk/format_detail.wk?stid=539058&angid=1#SchwStG-Wein)

The VAT is commonly criticized for the distortions it causes vis-à-vis household decisions, and its dampening effect on consumption. However, the common sense notion that a VAT were more output-friendly than income taxes since it did not penalize effort is untenable, as consumption and income are two sides of the same coin (Johansson et al. 2008: 18). Further, strong reliance on VAT revenue may also come at the price of equity. Since the VAT is not responsive to individual earning capacities, it has considerable regressive effects, as the relative burden accruing from the proportional tax rate decreases with higher income (Caspersen/ Metcalf 1994). As Kato (2003) has shown, however, the introduction of the VAT was a concomitant feature in the expansion of modern social security systems (see also Beramendi/ Rueda 2007). This finding once again points back to the need to view the revenue-raising side in regard also of the complementary spending side.

3.5.4 TAXES ON WEALTH

While levies on personal wealth tax substance rather than flows, there is a fundamental identity between income and wealth, which enables one to translate a given wealth tax into an equivalent income tax (Homburg 2007: 131). Taxes on wealth are most prominently informed by considerations of influencing (unequal) distributions of wealth within a society, and find legitimation in arguments of *ability-to-pay* – in that the holding of wealth constitutes higher capacity for the satisfaction of needs –, *power* – in that wealth establishes economic and political power, and may thus facilitate individual influence on decision making processes –, *income* – in that wealth constitutes a source of income, which in turn may be “idle” income based on accretion –, *allocation* – in that resources should be directed to efficient usage –, *equivalence* – in that people who possess wealth derive greater benefits from the protective function of the state –, as well as *equity* – in the sense of creating equal starting opportunities⁴⁸ (Schmidl/ Schratzenstaller 2011: 403-5).

There then exist three forms of wealth taxes, taxing (i) the appreciation of assets; (ii) transfer of assets, such as inheritance and gift taxes, capital transfer tax,

⁴⁸ For a discussion of the principles and practicalities of tax policy regarding equality of opportunity and equality of outcome, see Alstott (2007).

and real estate transfer tax; and (iii) use of assets, of which the property tax and land value levy are examples. Further distinctions include general levies on wealth, which tax the total asset base and transfer, and partial ones like on inheritance. Wealth taxes may also differ in their regard to personal circumstance: subjective (or *personal*) taxes on wealth, accordingly, do take account of taxpayers' circumstances, while their objective counterparts do not. Lastly there may exist the possibility to discount debt – as is the case in net wealth taxation – or not, if taxed on the principle of gross wealth.⁴⁹

While the aforementioned principles foster taxation on wealth, there exist a number of difficulties associated with their imposition. A significant part of the intricacies forms around assessment problems, relating to such diverse facets as assumed special benefits derived from state services, and the assessment of a monetary value of various kinds of assets, such as art objects and luxury goods, or real estate and businesses (Schmidl/ Schratzenstaller 2011: 411). Further, compliance costs of wealth taxes are said to be relatively high in relation to their yield, as well as compared to other taxes⁵⁰.

This fact is partly a consequence of the assessment difficulties; yet it also results from problems of control (ibid.: 411 f.). But also problems of double taxation in regard of property and business assets, erosion of business assets, as well as tax evasion afflict taxation of wealth, notably in its general form (ibid.: 412-6). On an institutional level, Austria's bank secrecy has proved a formidable obstacle, as tax authorities consequently lack the means to control whether statements are correct and thus have to rely on the taxpayers' honesty. The very bank secrecy eventually caused Austria's defunct wealth tax to effectively act as a tax on businesses (Schmidl/ Schratzenstaller 2011: 415).

On the other hand, there aren't many taxes that are as growth friendly as the various wealth taxes. Although some forms of property taxes are more prone to

⁴⁹ The defunct Austrian inheritance tax serves as a good example: It constituted a partial, personal, net wealth tax, since it taxed a part of the individual's wealth (that, which is to be passed on, and e.g. was not in a foundation), while taking into account personal circumstances (e.g. degree of kinship), and allowing for deducting debts from the tax base.

⁵⁰ Such as, notably, the VAT. There exist no studies for Austria, but the studies on the German case should be considered instructive. See e.g. Rheinisch-Westfälisches Institut für Wirtschaftsforschung (2003); Rappen (1989).

causing distortions in economic performance, Johansson et al. show that especially net wealth taxes and inheritance taxes have only minor distortionary effects, and may even contribute to economic performance by directing assets to more efficient use (2008: 21 f.). Ultimately, the intricacies of the design of the individual taxes, as well as the overall tax mix will decide on the effects of property tax schemes. Yet, in light of myriad possibilities for inefficiencies and economic distortions, one should not lapse into economistic puritanism and be negligent to the fact that such considerations account for only one side of the story, and that indeed more is at stake than that⁵¹.

3.5.5 SOCIAL SECURITY CONTRIBUTIONS

When people get in distress, the integrity of the collective is affected, particularly when it involves a large number. States have therefore introduced social security systems to fund programs, designed to protect the people from the (income) effects of unemployment, disease and old age (Krywult 1952: 18). In Germany, social security contributions had accounted for some 80% of tax revenue by 1999 (Bach et al. 2001: 28). Social security contributions, however, differ from the taxes discussed above in that they are levied for a specific purpose, namely to fund the activities of the statutory social insurance system, including health insurance, pension scheme, and unemployment insurance⁵². They are directed to a special budget since they do not contribute to the financing needs of the state in a narrow sense.

Yet social security contributions fund activities that are sometimes financed directly by the state from the general tax yield, and therefore constitute state activities in a narrower sense. In Austria, contributions, withheld from paychecks, are funneled to *Parafiski*, which according to the ASVG 1995 belong to the state sector. Thus, as the case of Austria elucidates, compulsory insurance, and the associated mandatory character of contributions, makes a case for including social security contributions when studying state efforts to finance its activities. Moreover, international

⁵¹ See Steuerle's apposite conclusion (2002: 277-9).

⁵² See Oberösterreichische Gebietskrankenkasse's web page http://www.oegkk.at/portal27/portal/dgoegkkportal/channel_content/cmsWindow?action=2&pmenuid=72143&p_tabid=3

comparisons on taxation are rendered inadequate as there exists substantial variation between states regarding how welfare states are financed (Bach et al. 2001: 28 f.).

3.6 A VIEW OVER TAX SYSTEMS

When studying taxation, one finds a surprising array of systems, all with their idiosyncrasies pertaining to the overall level of taxes and charges, the efficiency at which the system extracts resources, individual emphases as well as the general structure of the tax code and, consequently, the distribution of the burdens within society. In order to facilitate systematic comparisons between different tax systems, industrialized nations have been grouped in four families of taxation, characterized by the dominant principle in regard of taxation and their overall tax level.

Uwe Wagschal (2005: 64-7) distinguishes two key perspectives in terms of the consequences of taxation, one stressing particularly the dimension of equality and putting redistribution center stage, and the other concerned mainly with tax burdens, thus emphasizing the negative incentives and extraction of purchasing power that taxes engender.

Analysis of OECD tax systems shows a clear and significant negative association between the level of taxes and charges and income inequality. Unsurprisingly, it is particularly leftist parties who take the high tax road. However, contrary to common wisdom the leveling of income disparities is more to do with (regressive) indirect taxes rather than (usually progressive) direct taxes (Steinmo 1993, Kato 2003). This is to be seen in connection to the funding constraints of the welfare state, for whose expansion over the course of the 20th century direct taxes proved an insufficient source.

In Austria, the existence of a Bismarckian pay-as-you-go social security system implied strongly increasing social security contributions. This type of funding contrasts sharply from the way e.g. Denmark and the UK have organized their welfare state, financing it via the general tax take. However, in light of fast-paced increases in social security services, the federal state began to allocate ever higher amounts from the general tax yield in order to balance social insurance companies' aggravating financial bottlenecks (Butschek 2006: 92 f.).

	Tax level	
	high	low
ability-to-pay Dominant tax principle	Social democratic-Scandinavian cluster	Conservative-liberal cluster
benefit	Christian-democratic cluster	peripheral-residual cluster

Table 1: The four families of taxation. Source: Wagschal 2001: 293.

According to this classification, Austria, together with Belgium, France, the Netherlands and Germany, is representative of the Christian-democratic–continental European cluster, characterized by a broad application of taxes, below average use of direct taxes, and a generally high burden on labor income relative to other sources of income (Wagschal 2001: 293). The dominance of social security contributions in terms of total revenues then causes the ability-to-pay principle – although readily invoked by politicians of all colors – to yield to the benefit principle. This has been reinforced through the incremental introduction of charges for various public services, previously tax-funded.

While often people readily oppose measures aimed at a fairer distribution by reference to their being a threat to growth or price stability, measures threatening a “fair” distribution are rare. Consequently, it appears, the distributive goal becomes subsidiary, only to be considered if other goals are not compromised. This also contributes to the relative absence of a substantive distributive policy in Austria (Rothschild 1978: 477).

3.7 ON TAX REFORM

Tax policy arguably becomes most interesting when it changes course. It is those instances when things suddenly alter that typically receive broad attention. Periods of reform contrast to the bread-and-butter proceedings of day-to-day politics in that they exhibit all the traits that make the political processes appealing to the observer.

Reforms constitute a deviation from the trodden path, opening up room for general reorientations and adjustments to the external environment as well as for capturing novel needs for the collectivity. By assessing who is involved in the design of reforms, they also offer insight into the power relations within society, consequently acting out in contests over securing advantages and averting disadvantages for various groups.

Tax reforms often carry the expectations of reliefs and simplification of the tax system. However, although cuts in rates or schedules play an integral role, tax reforms should be seen in a more fundamental way (Lehner 2008: 87). In a classic investigation, Cedric Sandford (1993) studied the conditions and constraints of myriad instances of the tax reform movement of the 1980s. When dealing with reforms, it is crucial to first assess the notions of the term itself, which are usually fairly vague. As Helige notes, tax reforms carry the associations of discretionary adjustments as well as systemic changes, and imply an improvement to the status quo (1986: 367). Correspondingly, “[w]hen the term 'tax reform' is used to describe their own proposals by ministers of finance they imply both senses: a restructuring which is also an improvement” (Sandford 1993: 3). Yet while tax reforms arguably occur in the course of a process of social learning from past experience⁵³, the question of whether a reform constitutes an improvement implies an inherently subjective judgment. Further, there is room for potentially *worse* outcomes than the initial situation that gave the impression of a need for improvement (Helige 1986: 367).

This consequently suggests an understanding of the concept of tax reform as based on “significant” changes to the system at hand, in the sense of a “tax change or series of changes with objectives additional to any revenue objectives, like improving horizontal or vertical equity, increasing economic efficiency, or simplifying the system” (Sandford 1993: 4). Thus, going beyond mere adjustments of tax rates for the sake of meeting revenue needs or granting taxpayers relief, tax reform can take myriad forms, covering manipulation of rates, brackets and thresholds and tax base changes; adoption of new or abolition of existing taxes; changes in the tax mix; as well as indexations⁵⁴ or radical changes of administrative practices and procedures (ibid.).

⁵³ See Peter Hall's (1993) instructive remarks on social learning in regard of the move from Keynesian economic ideas to monetarism as the policy du jour.

⁵⁴ Indexing a tax means to adjust for changes in the monetary value, thus absorbing the consequences of inflation and avoiding the phenomenon of bracket creep.

While virtually all modifications to the tax code carry the attribute of reform, when studying the past reform activities in Austria it becomes evident that there hasn't been a great number of actual reforms, that is deep changes in the system or its structure (Lehner 2008: 83).

Following Helige (1986), tax reforms are to a large degree contingent upon the structural and functional idiosyncrasies of a political system, particularly with respect to the distribution of information and leverage between actors. Thus, the influence of powerful interest groups crucially shapes tax policy processes. To this extent it can be argued that the plethora of expenditures and concessions granted to various groups, undermining the overall efficiency of the tax code, are a consequence of groups using their leverage to advance their interests.

Interest politics may also to a significant degree explain the failure to simplify the tax code in any meaningful way. Further, the fact that political actors seek to maximize votes in line with the logic of the political contest, in conjuncture with the activities of interest groups frequently effectuates a bundling of individual measures. This is much in line with the opinion expressed by a civil servant within the financial bureaucracy, namely that politicians in Austria seek out tax reform solutions that affect all groups to the same degree (Rainer 2014).

However, above notes should not suggest that tax policy were all about reforms and that the gradual developments did in fact not matter much. They do. For one, because periods of tax continuity are the drivers of the systemic development and, thus, determine the actual outcomes from a given tax policy. And second, intuitively, these developments are the factors that then engender reform. Since absence of reform, further, also constitutes an outcome, that continuity also contributes to our understanding of tax policy.

3.8 INTRODUCING AUSTRIAN POLITICS

Austria is a federation of nine states, commonly referred to as the *Länder*, who, to be sure, enjoy somewhat limited freedoms. The historically evolved federalism goes back to the centrifugal tendencies bedeviling the formation of the Austrian state in the late

19th century, and found its primal legal footing in the *Februarpatent* of 1861, instituting regional governments in the federate states (Bußjäger 2012: 43).

Political parties rank high in the Austrian political system, and are the central actors in political contest. Their real importance is also reflected formally in the Political Parties Act of 1975 (Müller 2006c: 280). The number of the relevant⁵⁵ parties has changed considerably and more than once in the course of the post-war politics⁵⁶: While the two grand parties *SPÖ*⁵⁷ and *ÖVP*⁵⁸ have been relevant – and indeed *the* relevant – political forces from the outset, the relevance of the other parties is less clear. Arguably, however, the *third Lager*, in the form of *VdU*⁵⁹ and *WdU*⁶⁰ and later *FPÖ*⁶¹, has played a decisive role over the years, tipping the scales for one or the other grand parties⁶². The sway of the Communist Party (KPÖ) in the immediate post war years, was based primarily on its relations to the Soviet occupation forces; however, it remained fairly unsuccessful in elections and was voted out of parliament in 1959. The *Liberal Forum* (LiF) seceded from the Freedom Party in 1993 and, although never in government, was influential in the political constellation notably as it rendered impossible an ÖVP-FPÖ coalition following the elections the same year, and vis-à-vis the socio-political positions it engendered, extorting the governing Social Democrats and Christian Socials.

The outcome of the surprising secession of most of its officials holding a ministerial office from the Freedom Party in 2005, and incorporation into the newly founded *BZÖ*⁶³, long seemed uncertain. However, the party has steadily been losing ground, and was voted out of parliament in the elections of 2013. The Greens⁶⁴ have not been in government, and the weight Müller (2006c) accredits their influence is minor. Yet they managed to substantially expand their share of the vote over the

⁵⁵ This follows a Sartorian understanding in terms of their importance for coalition-forming as well as in view of their ability to affect the course of party competition.

⁵⁶ The following remarks are based on Müller (2006c: 292 f.), unless indicated otherwise.

⁵⁷ The Socialist and later Social Democratic Party of Austria.

⁵⁸ The Austrian People's Party or, and formerly, Christian Socials.

⁵⁹ The Federation of Independents.

⁶⁰ The Electoral Party of Independents.

⁶¹ The Freedom Party of Austria.

⁶² As they would by buttressing the Kreisky I minority government in 1970-1, being the junior partner in the SP-led Sinowatz government of 1983-6, or again as junior partner of the Schüssel I and II administrations.

⁶³ The Alliance for the Future of Austria.

⁶⁴ The Austrian Green Party.

years, and have clearly become a force to be reckoned with. Similar to the Liberal Forum, their clout consists in affecting the options on the table for coalition forming, as well as their impetus on socio-political, ecological and other matters, previously not on the key parties' agenda.

When studying the Austrian political system of the Second Republic it becomes obvious that political reality differs markedly from the various formal regulations spelled out in the constitution. Therefore the constitution itself is usually distinguished between its formal and its real form (Tálos/ Kittel 2001: 39). So, for instance, although the formal standing of plebiscitary means suggests prominence of direct democracy, any such notions are belied upon examining Austrian *realpolitik*, which is indeed characterized by the primacy of representative democracy (Müller 1992: 103). Similarly, in spite of the president's strong position in the constitutional framework, his significance in reality is eminently limited, and his powers in fact resemble those of a representative figure – although both Waldheim, as well as Klestil entertained a more active understanding of their role (Müller 2006a: 198 f.). Yet Helms and Wineroither (2012: 150) suggest that in the absence of profound changes in the political realm and concomitant institutional reforms a sustainable redefinition of the role of the Austrian president is utterly unrealistic, notably in the sense of an emancipation toward the role of a permanent and systematic opponent to the government.

Austria is consequently often reckoned a semi-presidential system, although constitutional reality would rather have it classed with parliamentary regimes (Müller 2006: 117). By the same token, the federal principle spelled out in article 2 (1) B-VG, establishing the division of the state functions between the *Bund* – or federal state – and the *Länder* – or federate states –, appears utterly weak in light of the actual distribution of competencies, and the virtual impotence of the Federal Council (Ucakar 2006: 132).

A clearer understanding of the particular institutional configuration of the Austrian political system and its subsequent internal developments, follows from embedding it in the historico-political frame at its inception, thus keeping in mind its

particular historical contingency. The memory of *Lager mentality*⁶⁵ and the resulting internal divisions (Plasser et al. 1992: 16-8) that culminated in the civil war of 1934, had profound effects on the ensuing political system regarding its formal provisions and, more importantly, political reality. While at the mass level there was still notable political enmity, party leaderships sought ways to overcome this fission, which finally heralded a centripetal process in political reality (Plasser et al. 1992: 18).

“[The] 'historical-compromise' between once hostile elite groups found its political expression in the ÖVP-SPÖ 'grand' coalition governments until 1966 and in the division of the public administration system ... the education system and the vast state-owned industrial sector into two separate spheres of influence and interest. This so called Proporz system was based on dividing the spoils proportionately between the parties. The awarding of jobs, housing and government contracts was undertaken according to party affiliation and served to strengthen party loyalty and Lager culture.” (Plasser et al. 1992: 18; italics in original)

Although this *Proporz* system was clearly questionable in terms of ethical, democratic, and efficiency considerations, it served the aim of keeping the formerly warring factions at a distance. The overall consociational structure of the political system established in the years following WW II, greatly enhanced political stability in Austria (Luther 1992: 45). The *Sozialpartnerschaft* (social partnership) system, a “pattern of interest reconciliation and interest politics in Austria, whose pillars are the large umbrella organizations of employee and employer interest organizations, as well as the government and particular ministries” (Tálos 2008: 10; own translation) played a prominent role for the country's subsequent social and economic development. The extension of the legislative process regarding the integration of the umbrella

⁶⁵ This hardly translatable term refers to the deep cleavages within Austrian society at the onset of the Second Republic and their consequences for political ideologies. These cleavages mainly formed along the lines of occupation (industrial labor vis-à-vis farming and enterprise), confession (secular and agnostic vis-à-vis Catholic), and nation (Austrian vis-à-vis German nationalism). They then engendered formidable integrative and excluding dynamics, structuring political contest, as the two central political forces, embodied by the Socialist Party (who would integrate the former set of identities), and the Christian Social Party (integrating the latter identities, but also Austrian nationalism), exploited growing internal contrasts and consequently fueled conflict by accentuating the divergence in their positions (see Luther 1992: 45 f.). These lines of discord then came to constitute the two central *Lager*, with the literal 'third Lager' uniting secular, enterprise and German nationalist identities (Plasser et al. 1992: 17 f.). The dichotomous structure of Austrian social reality, and centrifugal political environment survived WW II, implying substantial difficulties for the post-war endeavor of building a stable democracy and rebuilding the economy.

organizations, in the decades following WW II, was not unanimously welcomed though, and especially constitutional lawyers regarded their influence on legislation problematical. However strongly such organizations may have impinged on legislation, 'substitute' or 'parallel' administrations are improper terms to grasp this phenomenon (Tálos/ Kittel 2001: 43).

4 THE GENESIS OF TAX POLICY IN THE SECOND REPUBLIC

At the time of writing, Austria's tax system is characterized by a strong reliance on a small number of taxes, namely on goods and services, on income (mainly personal but also corporate), and social security contributions. Indeed, these three income sources account for more than 90% of total revenues. Other taxes, particularly taxes on property lag behind, as is evident in Figure 1.

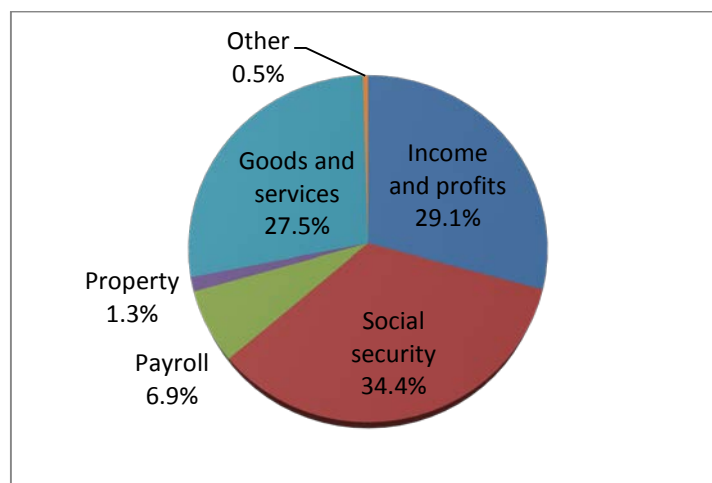


Figure 1: Tax revenue by sector in % of total taxation. Source: OECD database

The funding of a functional welfare state evidently necessitates substantial financial resources. Yet the burdens are placed squarely on labor income, while property-related incomes remain untaxed. High income recipients, on the other hand, benefit from a base ceiling of contributions (currently set at EUR 4,530; Hauptverband der Österreichischen Sozialversicherungsträger 2014), meaning that income earned above that amount is not taxed. Correspondingly, it is particularly the low wage jobs, already distressed by international competition, that are burdened by these levies (Marterbauer 2007: 127, 132, 148 f.).

The value added tax is the dominant revenue source in the realm of consumption taxes. Taxes on income and profits also show a strong concentration with the wage tax standing out; markedly outperforming revenues from the corporate income tax and the taxes on interest and dividend income in terms of revenue yield (see Figure 2). Second only to the VAT, it is a key source of income generation. The centrality of the income tax is also reflected in the level of tinkering it has been subject

to. There has been a “[r]emarkable intertemporal variation in the marginal tax rates since 1955 ... Including the 1955 tax reform, the Austrian tax formula has been altered 13 times during the last five decades” (Schratzstaller/ Wagener 2009: 316).

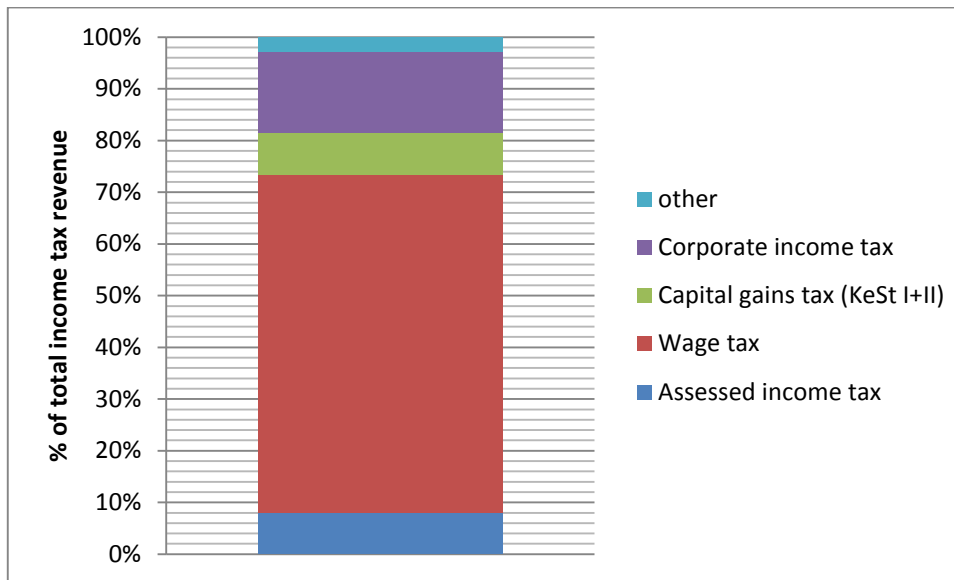


Figure 2: Income tax types as percentage of total income tax receipts. Source: WIFO dataset

In an international comparison Austria exhibits a comparably higher tax and charges rate than most other industrialized countries. While the difference to the EU-15 average amounted to some 4% in 2000/1, this trend has become less nuanced over the course of the 2000s (Lehner 2008: 81). Particularly payroll taxes stand out (see Figure 3), where the difference to both EU and OECD averages amounted to more than 2% of GDP, or some EUR 5.5 billion. It has been argued that these taxes affect the competitiveness of the Austrian economy by increasing labor costs (Lehner 2008: 81). The trichotomy of Austria’s tax structure and the relative insignificance of other taxes, as well as its similarity to the German tax code are elucidated in the illustration below.

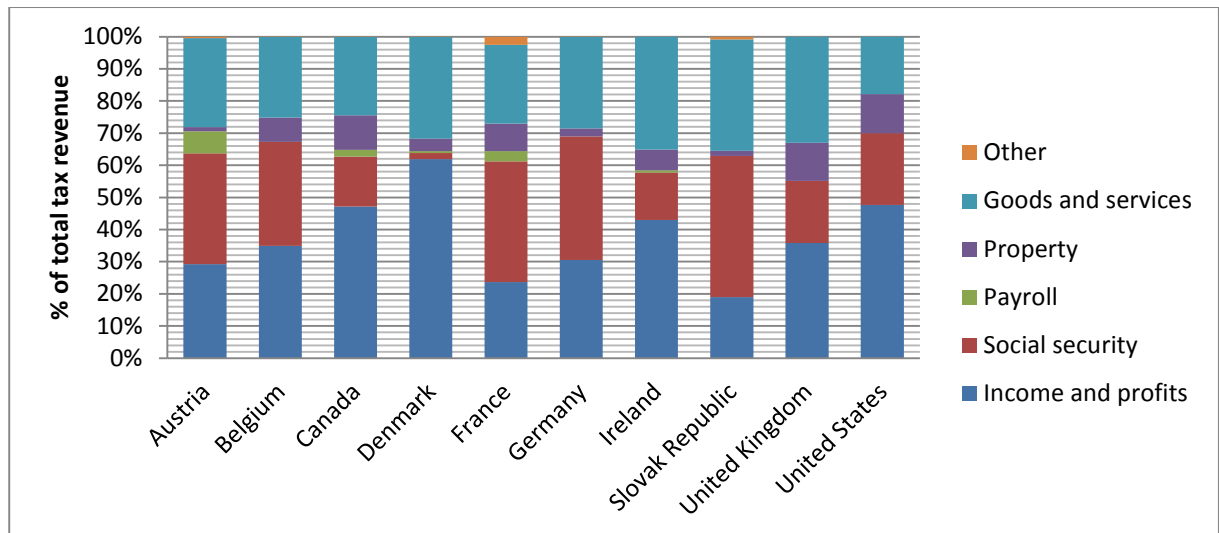


Figure 3: Tax revenues by sector, international comparison. Source: OECD database

Figure 3 also suggests a comparably low reliance on property taxes. Indeed,

“Austrian property taxes are considerably lower than the international average. Real estate is not taxed according to its current market value, but on the basis of its substantially lower assessed value ... The assessed values should be adjusted to conciliate existing tax differences within real estate categories. An increase of property taxes could also partly compensate for cuts in corporate and personal income taxes.” (Schratzstaller 2003: 899)

A clearer picture of the gap between the property taxation levels of Austria and that of other nations is shown in Figure 4, which ranks all 34 OECD nations according to their share of property tax receipt of total revenues.

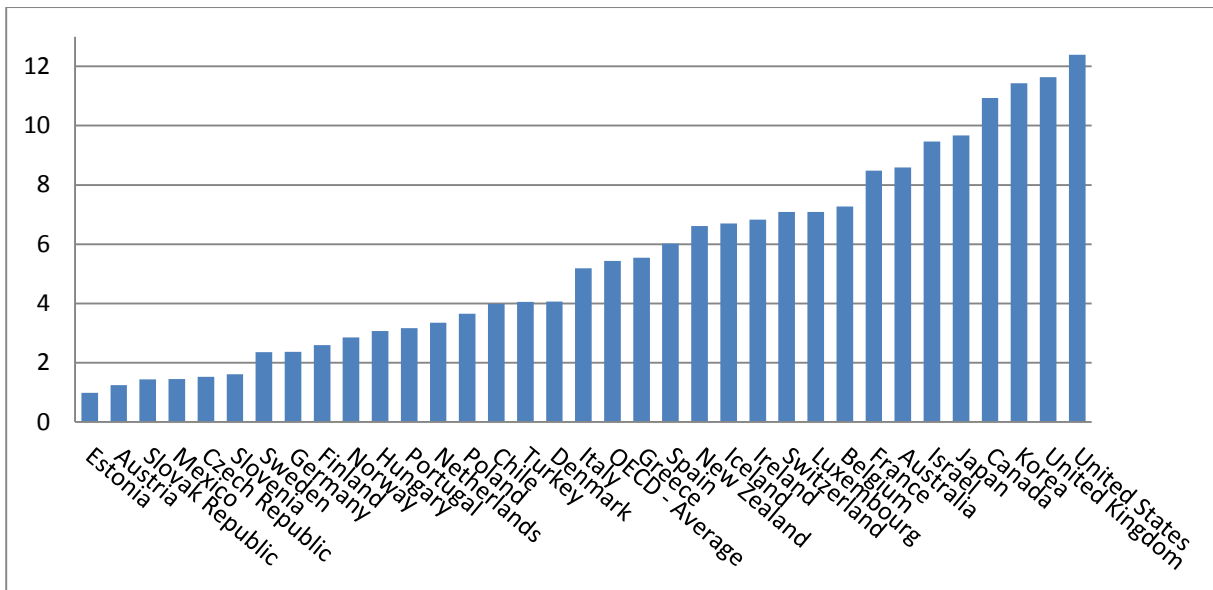


Figure 4: Property tax revenue in % of total tax receipts. Source: OECD database

The international comparison shows a marked distance to industrial countries average in terms of the burdens placed on wealth. The distance between group leader United States and penultimate Austria is substantial, the former's value being nearly ten times that of the latter's.

The specific structure of Austria's tax code as well as the extent of taxation a decade into the 21st century reflect the outcome of an idiosyncratic development. To this extent not only the development of tax policy ideas over the course of the past centuries (Steinmo 2003) impinged on the trajectory of tax policy and the tax system. Also the demands and possibilities that economic and social development engendered crucially affected the development of taxes and charges (Bach et al. 2001: 29-33). The following sections will shed light on the *what* and *how* regarding the development of tax policy and the tax system in Austria during the Second Republic from its inception in 1945. As tax policy is embedded in an institutional mesh and its development is a concomitant process in economic and socio-political evolution, attention will also be paid to the processes in the political, economic, and social realm, which shaped tax policy.

4.1 SETTING THE COURSE

In the spring of 1945, allied forces moved into Austria heralding in the transition from fascism to a democratic state. In accord with the Yalta program, Austria was to form a temporary government, representative of the nation. A provisional government was, thus, set up under the leadership of Karl Renner, which launched a challenging process of state-building (Hiscocks 1953: 29). Little was left of public authority institutions, as many physical entities had been destroyed and office bearers had vanished. The provisional government, therefore, could not take over an operative state structure and put it under new authority. As Renner (1945: 3) observes, there wasn't a state anymore, it had to be re-established from scratch.

In spite of the Allied Commission unanimously favoring a new constitution that was to be adjusted to the demands of the present era (Stourzh 1966: 339), it was decided to go back to the constitutional state of March 5, 1933, the day the presidents of the National Council had resigned. Encompassing constitutional changes were postponed until the foundation for a new state had been erected on the basis of a conjoining element, namely the republican constitution of 1933. This crucially facilitated the integration of the *Länder*, while forestalling altercations over the constitution, and thereby subjecting the legislative to outside pressures⁶⁶; not only within the newly forming Austrian political spectrum and civil society, but also from the occupying powers.

The recovery of governance bodies was ultimately realized at the price of violating democratic principles as the executive also took over the tasks of the president, as well as the two chambers of the legislative branch of government (Schärf 1955: 52 f., Hiscocks 1953: 25 f.). The bundling of executive and legislative powers consequently strongly enhanced government agency. The nascent state relied on a government acting as a link between the people and the occupying powers, and made up of the successors of the two key parties, Socialists and Christian Socials (now the People's Party), plus the Communist Party. In its aim to obtain popular acceptance, an even-keeled government was a central tenet. Consequently, with the notable exception of the finance department, in all departments representation of the three

⁶⁶ The weak national unity government also needed all capacities in order to rebuild a state, and material constitutional discussions might have resulted in party efforts to secure positions (Schärf 1955: 26 f.).

parties was secured by appointing secretaries and under-secretaries of state (Schärf 1955: 52). A key component in the recovery of the state lay further in the resumption of administrative capacity.

The newly forming parties differed both in terms of their stances toward their respective predecessors – the ÖVP rejecting a continuation with the burdened heritage of the Christian Social Party, the SPÖ taking pride in its heritage – and with respect to the development of their programmatic positions. Thus the Socialists carried on an Austromarxist emphasis, adopting the 1926 Program of Linz^{67, 68} (Kriechbaumer 1990: 60 f.). The ÖVP, on the other hand, reinvented itself in a reformist and pragmatist fashion and formulated rather undogmatic positions with the aim of embracing a large portion of society, which, however, were conflicting at times⁶⁹ (Kriechbaumer 1990: 63).

The first free and secret elections for more than a decade, held on November 25, 1945, were crucial regarding the setting of the political direction of the forming nation. The ensuing renewal of a unity government between the victorious ÖVP, the SPÖ and a weak KPÖ was short-lived though, collapsing two years later, and was succeeded by the first in a row of grand coalitions that were to last until 1966 (Gehler 2006: 36). It was agreed to appoint experts to key positions, so Georg Zimmermann became the first minister of finance of the Second Republic (Schärf 1955: 83).

4.2 THE AUSTRIFICATION OF THE TAX SYSTEM

The end of the war also opened up room for deviations from the pursued path in the realm of economic policy, and tax policy in particular. Following the reinstatement of the Austrian state, the question arose, whether to stick with the German tax system that had been introduced to Austria in 1938, or to go back to its own idiosyncratic

⁶⁷ See SDAP (1990).

⁶⁸ The decision to use the 1926 Program partly also served the aim of internal stabilization, as the various strands within the Socialist Party had shown disintegrative tendencies, which by all means were sought to address in order not to fall victim to a fission. See Kriechbaumer (1990: 61-3).

⁶⁹ In this regard, its affirmative position toward both state influence on the economy and communization of certain industries, the promotion of encompassing involvement of unions and entrepreneurial entities for the purpose of economic management, in line with the overarching aim of advancing the common good, vis-à-vis promoting private initiative and embracing meritocracy, while arguing for only limited communization of enterprises, bear witness to its programmatic balancing act (ÖVP 1990: 679).

system that had developed over the course of the 19th century. Despite various issues relating to the adoption of a tax system devised for the peculiarities of another state, the German tax code to a large part constituted a significant progress, since its provisions were much more in line with the requirements of the modern economic system. It further yielded significantly higher revenues while capturing individual ability more comprehensively, insofar being more equitable (Weber 1962: 80 f.). In light of these considerations, and also owing to the given administrative capacities, the application of the German tax code was continued⁷⁰, gradually to be adapted to the country's demands. Interestingly, its very provisions aimed at promoting investments into the economy were canceled even in the face of pervasive damage to productive capacities (Lehner 1987: 70).

To this effect, initially a number of provisional arrangements were implemented with the intent of ridding passed down tax provisions from national-socialist ideology (Fritsch 1946: 3). Importantly, Austria's evolved system of integrated revenue sharing between *Bund* and *Länder* was resuscitated on the basis of the *Finanzausgleichsgesetz* (FAG) of 1948, which superseded the German approach that was rooted more in financial transfers between the federal state and subordinate entities (Weber 1962: 88 f.).

In a second stage, financial authorities aimed for unification of tax regulations, a third phase brought a number of adapted tax laws, such as the Income Tax⁷¹ and Industry and Trade Tax⁷² Acts of 1953, Property Tax Act of 1954⁷³, the 1955 regulations concerning the property transfer tax⁷⁴, inheritance and gift tax⁷⁵, land tax⁷⁶, and assessment⁷⁷, and the Sales Tax Act⁷⁸ of 1959, to name but a few (ibid.: 81-5).

In light of the fiscal situation of the state in the immediate years following the war, the level of extraction of resources from the economy was substantial. As Gratz

⁷⁰ On the basis of the *Steuerliches Weitergeltungsgesetz*, May 8, 1945, StGBI 12.

⁷¹ Bundesgesetz of December 3, 1953, BGBl. 1/1954.

⁷² Bundesgesetz of December 3, 1953, BGBl. 2/1954.

⁷³ Bundesgesetz of July 7, 1954, BGBl. 192.

⁷⁴ Bundesgesetz of June 30, 1955, BGBl. 140.

⁷⁵ Bundesgesetz of June 30, 1955, BGBl. 141.

⁷⁶ Bundesgesetz of July 13, 1955, BGBl. 149.

⁷⁷ Bundesgesetz of July 13, 1955, BGBl. 148.

⁷⁸ Bundesgesetz of December 17, 1958, BGBl. 300

notes, the fact that post-war revenue levels matched pre-war levels, in spite of an idle economy, bears witness of the state squeezing taxpayers (1949: 299). The high tax rates strongly inhibited capital formation and undermined a socially equitable distribution of the tax burden. In order to account for the resulting negative growth effects, select tax concessions were implemented, aimed at promoting capital formation and reconstruction efforts (Weber 1962: 96). At the same time, the income and sales tax were continually modified, which gradually riddled the tax code by granting numerous tax breaks to influential pressure groups (ibid.: 81). In light of soaring inflation bracket creep increased revenue from the income tax; however the reliance on direct forms of taxation increasingly dwindled relative to indirect taxes (ibid.: 8).

Upon the end of the war, despite de facto patronage, Austria's general direction in terms of economic orientation and tax system was determined, shaping the ensuing decisions by narrowing the scope of possible options. While it can only be hypothesized what direction tax policy might have taken, given e.g. the decision to go back to the status quo ante system, it is plausible to assume rather different outcomes. Thus, the very decisions taken at the beginning of the new era, crucially shaped the following decades of tax policy in the state of Austria.

4.3 ECONOMIC WOES AND RECONSTRUCTION

Owing to the financial situation, the first budget after the war had to be financed with credits from the Russian occupying forces and the National Bank (Weber 1962: 7). The lack of state income was in part due to issues resulting from the Nazi tax collection scheme in the final years of the war (see Fritsch 1946), partly from the administrative deficit and are fundamentally associated to the lack of economic activity from which taxes could be collected (Weber 1962: 7). As there was further a substantial oversupply of money in the economy⁷⁹, a central concern of the administration lay in

⁷⁹ Although the present economic ideas in the immediate post-war years were not consistent, there was a political consensus that money was to retain its function as a means of exchange, measure of value, and value storage. The old *Reichsmark* was kept as the official currency, and complemented by *Besatzungsschillinge* ("occupation schillings"). The amount of money relative to goods and services was 6:1, which hints at the preoccupation with price stability in post-war economic policy-making. (Butschek 1985: 76).

curbing the rampant inflation (Weber 1962: 7). To this effect, a system of regulated prices was introduced that was to gradually lead to a market-oriented economy as production would grow into the price system (Butschek 1995: 60)⁸⁰.

In light of the many problems accruing from the effects of occupation, limited freedom of action, and economic woes⁸¹ Austria was heavily dependent on foreign economic and financial support. It received large sums through the ERP, which helped enormously to rebuild the economy. Compared to other participating countries, Austria was privileged in terms of the amount received (Butschek 1985: 90 f.), which it largely owed to its key geopolitical location in light of the onset of the cold war. It is an ironic historical twist that the period of Marshall Plan aid⁸² coincided with the phase of Austrian economic development that showed the highest level of dirigisme (Weber 1985: 133, in Kriechbaumer 1990: 230).

The looming wage-price spiral, and the fact that in 1947 more than a quarter of public expenses needed to be financed through money creation, then prompted the government to negotiate the first wage-price agreement with the economic interest groups (Weber 1962: 8), of which four more were to follow. These arrangements initiated a policy to halt the inflationary pressures through focusing on keeping real wage income constant, thus supporting business, industry and trade achieve realistic pricing structures by ignoring productivity gains (Butschek 1985: 101 f.). Further, necessary price changes were conducted centrally, and also the development of taxes and contributions as well as pensions and child support were negotiated there (Butschek 1995: 60). This process was accompanied by measures to reduce the money supply realizing the desired result of a stop of the inflationary process in 1948, however only temporarily (Butschek 1985: 101 f.).

⁸⁰ The goal of achieving monetary stability, however, was undermined by the fiscal needs of the government, resulting from the costs of occupation and the reconstruction of vital infrastructure. Thus, inflation-limiting activities were frequently sapped by government borrowing from the National Bank (Weber 1962: 7 f.).

⁸¹ What is evident when looking at fiscal indicators of the first few years after the war is that the government established quite optimistic budgets that excluded much of the occupation costs, and also put encompassing physical investments in separate budgets. This meant that the government could show balanced budgets, and thus continue at high rates of expenses while relieving further pressures on the tax system. For a table on budget estimates see Weber (1962: 8 f.).

⁸² Which was contingent upon the adoption of free market principles. See Gehler (2006: 36).

The preoccupation with inflation in large part follows from the profound implications it may entail for taxation. The common failure to index income taxes to inflation engenders remarkable revenue increases due to the standard progressive rate schedule. However, this also means that individuals move up the tax scale facing tax rates not designed for them, which has become an issue in recent years (see Schratzenstaller/ Wagener 2009: 326). In view of businesses, inflation may similarly cause nominal and real profits to diverge by a margin resulting in effective taxation of the enterprise's capital. Inflation can also entail the contrary effect, namely erosion of the value of tax obligations. Common time lags between the accrual of tax liabilities and actual payments⁸³ result in reduced effective tax rates and lower government yields in real terms (Thuronyi 1996: 434-7).

While the first three of these agreements managed to keep inflation down, the fourth and fifth were less successful and indeed increased inflationary tendencies themselves (Butschek 1995: 60). Yet for all its weaknesses, "the system of wage-price agreements not only facilitated the transition to a market economy with high growth, but through the cooperation of the interest representatives also laid the foundation of Austrian Social Partnership" (Butschek 1995: 60 f., own translation). Moreover, this collective action scheme may have also let the government off the hook, insofar as an alternative option to counter inflation advanced by Keynesians is to decrease demand, notably through tax hikes, which appeared quite unfeasible in view of the given tax burden.⁸⁴

4.4 SCALING DOWN THE BURDEN

In light of the substantial tax level and its ramifications, an encompassing income tax reform⁸⁵ was implemented in 1949, which lowered income tax rates by some 20% on average (Weber 1962: 98). Given the phasing out of Marshall Plan aid scheduled for 1952 (Stiefel 2006: 77) and the consequent need to promote domestic investment,

⁸³ Particularly with respect to business profits as taxation of wages involves PAYE schemes by default, where this discrepancy is limited.

⁸⁴ And indeed enabled the government to *lower* taxes, as will be shown presently. For a discussion of policy options to fight inflation see Galbraith's classic book *The Affluent Society* (1998).

⁸⁵ Bundesgesetz of May 19, 1949, BGBl. 132.

this measure was widely approved as it supported capital formation⁸⁶. However, it also put serious strains on the public purse. Since budgets had been in the red and other means were not available⁸⁷, the income tax cuts had to be financed by increasing the sales tax (Weber 1962: 98). Around the same time the economic chambers' call for tax relief was heard, too. In light of the staggering inflation, expanded write-off possibilities were enacted for the purpose of promoting private investments into the economy (Weber 1962: 102 f.). To this extent, further tax concessions⁸⁸ were implemented alongside slashing import subventions, also aimed at tackling phantom profits (Butschek 1985: 92-4).

Within the ÖVP, the Economic Alliance had gradually increased its influence relative to the hitherto dominant. Developing discussions frequently formed around the issues of full employment and the further need to strengthen capital formation for investments (Kröll 1951). Following the defeat in the 1951 presidential elections, the ÖVP reorganized its leadership and presented a reformed economic agenda. Spearheaded by the newly appointed Minister of Finance Reinhard Kamitz, whose “concept for the reintroduction of a market economy” formed the party's economic instruction sheet (Uher 1993: 39), the ÖVP incrementally distanced itself from its political competitor and coalition partner.

With the beginning of the 1950s the grand parties saw themselves confronted with formidable programmatic pressures to respond to the profound changes taking place within society and the economy (Kriechbaumer 1990: 241). The population was perceived to becoming increasingly depoliticized, oriented more and more at realizing advancements to living standards (ibid.: 232), and increasingly showing opportunistic association with political parties (ibid.: 238-40).

Informed by the developing idea of a “social market economy” (*Soziale Marktwirtschaft*) in West Germany as well as the subordination of social policy to

⁸⁶ For a discussion on the role of capital for economic development see Birdsall (2007).

⁸⁷ These are, as outlined above, internal borrowing (which was hardly possible given the state of economic affairs and private savings), external borrowing (which was also difficult given the economic environment in other states), privatization (there was not a whole lot to be sold), and inflation (which was a red flag for the government and public).

⁸⁸ Generous treatment of business profits through tax free creation of reserves was, thus, introduced in the course of the *Investitionsbegünstigungsgesetze* on top of aforementioned write-offs (Weber 1962: 102). See Bundesgesetz of May 19, 1949, BGBl. 134, in the form of Art. VIII of the Bundesgesetz of March 31, 1950, BGBl. 101; Bundesgesetz of July 20, 1951, BGBl. 192.

economic policy ideals, the People's Party's new program *Alles für Österreich* (ÖVP 1990a) featured a commitment to market economy principles, and emphasized private initiative, increases in production and export orientation as goals. When Kamitz took office in 1952, the trajectory in tax policy was, thus, continued and brought onto another level. Kamitz floated a policy of early write-offs – on top of said increased write-off options – within the frame of the *Ausfuhrförderungsgesetz*⁸⁹ of 1953 (Weber 1962: 104). The economic policy pursued by Kamitz building on the reduction of dirigiste regulation, the fostering of export capacities and promotion of investments in infrastructure became synonymous with the key figures behind it - the *Raab-Kamitz Course*.

“Kamitz's overriding aim was to unburden entrepreneurial profits in order to strengthen initiative and equity formation among entrepreneurs. In other words: Kamitz substituted the inflationary self-financing due to the stabilization of the schilling with auto-finance through tax incentives” (Uher 1993: 40).

Successively taxes on wages and incomes were slashed with expansionary effects, accompanied by tax concessions for capital formation. The first reduction in 1954 was marginally degressive in its effect, while the 1955 cuts relieved higher incomes by some 10%, and the third of 1958 again benefited lower incomes for the purpose of stimulating spending in light of the looming recession (Butschek 1985: 123 f.). Kamitz's tax policy resulted in direct taxes falling behind indirect ones as a share of total revenues (Weber 1962: 99); withal effective federal revenues fell from 20% of GDP in 1953 to 17.5% two years later (Aiginger 1985: 100).

With the adoption of the ASVG⁹⁰ in 1955 the social security system was eminently strengthened. Shortly after, social partnership found its institutional ground-breaking in the establishment of the *Parity Commission on Wages and Prices*, a panel formed to align wages and prices, as well as pursuing consultation, and serving as the primary forum of social partner dialogue (Gerlich 1996: 121). The launch of the Parity Commission in 1957 was followed by the foundation of the Advisory

⁸⁹ What is generally known as the *vorzeitige AfA* (“Absetzung für Abnutzung”). Bundesgesetz of July 9, 1953, BGBl. 119. In 1956 the AfA was temporarily suspended in the face of a looming overheating of the economy (Lehner 1987: 89).

⁹⁰ General Social Security Act (“Allgemeines Sozialversicherungsgesetz”).

Committee for Economic and Social Affairs in 1963, which institutionalized the involvement of interest group experts in economic policy (Unger 1999: 166).⁹¹ In light of increasingly difficult decision-making due to growing discrepancies within the coalition government, safeguarding of social peace was further put in the hands of the social partnership system that established the societal status quo, while shifting labor/industrial disputes from the street to the negotiating table (Gehler 2006: 37).

4.4.1 KAMITZ'S LEGACY

Despite impressive growth rates and booming exports upon stabilizing the currency, this policy in effect was highly controversial. While praised by many as having paved the way for the ensuing Golden Years (e.g. Schöpfer 2006), for one Kamitz's tax policy was criticized for its pro-cyclical nature and its ignorance toward business cycle management (Weber 1962: 97). Further, it has been argued that the induced revenue losses subsequently engendered budget deficits (Ausch 1965: 331). Moreover, the extent of the subsidization was said to exceed any measure justifiable on objective grounds (Uher 1993: 40).

Another argument put forward relates to the mis-allocation of productive resources through investment incentives, resulting in inefficiencies and malinvestments (Weber 1962: 104), and on top of that creating profound structural problems within the economy (Uher 1993: 41 f.).⁹² Finally, Lehner noted that the growing revenues from high growth and low unemployment during the economic boom over the course of the 1950s, eventually led to substantial expenditure increases, driving the continuous budget deficits (1986: 220). This sheds some light

⁹¹ While the institution of such a body can be seen as an expression of a particular Austrian setting, it was crucially facilitated by the development of a specific technocratic mindset. This was based on a reconceptualization of economic development away from the notion of economic ups and downs around a value, embracing instead the idea of permanent growth. Such a notion conceptualized the economy as inherently manageable and found its fundamental manifestation in the idea of the possibility of "fine-tuning the economy". The inherent hubris is evident. Consequently, many well-educated economists joined the social partner organizations or economic research institutions. The political parties, lacking matching expertise, thus increasingly relied on expertise from institutions they had ties with, with the resulting influence on economic policy ideas (Butschek 1985: 141).

⁹² This is perhaps the gravest critique as it makes the ÖVP's actual policies sit awkwardly with its programmatic conception, which holds that "public economic planning is to be limited to giving general guidelines, in order to forestall... mis-allocations of capital in our economy" (ÖVP 1990: 703; own translation).

on the debates between Socialists and Conservatives on this issue, each of them identifying excessive and wasteful spending on the part of the other. As Stiefel (2006: 80) notes, in a long-run perspective there isn't a marked difference in terms of deficits between Austrian ruling coalitions.

4.4.2 PROGRAMMATIC REORIENTATION

Yet voters obviously did not seem to share these concerns, leading to the ÖVP's victory in the 1956 election. Following this defeat, the SPÖ launched internal discussions about a reform of its programmatic foundation. While loyalty to its Austromarxist tradition had been slowly eroding within SPÖ circles, reformist groups did not prevail, hence the 1958 program⁹³ – constituting an opening up of ideological dogmas, to be sure – remained fairly orthodox in its conceptions (Kriechbaumer 1990: 330-2).

The ÖVP's trajectory, on the other hand, was continued with ever stronger skepticism over the role of the state⁹⁴ and the notions of *Leistung* (merit) and responsibility taking center stage. While the state's proper role was to attain price stability and safeguard a smooth economic process⁹⁵, the programmatic praise of private property was now complemented by a lament over the fact that not everybody in society had property^{96,97}. Correspondingly, particularly workers and employees were to be supported in attaining property (ÖVP 1990b: 712 f.).

Indeed, the coalition government pursued encompassing promotion of savings. Particularly tax concessions for capital gains from various financial investments were enacted. While the promotion of acquisition of property and other investments was generally less pronounced, the familiar *Bausparen* also received state sponsorship. However, contrary to the ÖVP's wish to promote property acquisition by workers and employees, the received benefits from home purchase savings increased substantially with income (Die Sparförderung in Österreich 1962:

⁹³ See SPÖ (1990).

⁹⁴ The first sentence of the 1958 program maintained that “man in these times felt threatened by the growing power of the state” (ÖVP 1990b: 706, own translation).

⁹⁵ Here the affinity to the ordoliberal idea of the state providing the necessary framework conditions is evident.

⁹⁶ Which was taken to be an instance of what is wrong with the social order at the time (ÖVP 1990b: 712).

⁹⁷ This position was subsequently confirmed in the *Klagenfurt Manifesto* of 1965.

35). While costing at least ATS 900 million annually in subsidies (without accounting for losses in tax receipts through concessions), the public savings scheme promoted particularly those groups that already exhibited high savings rates owing to their income levels (ibid.: 38).

Both SPÖ and ÖVP in their programmatic endeavors increasingly focused on young voters, who were perceived to be detached from the parties' ideological heritage (Kriechbaumer 1990: 295, 387). When in 1959 only electoral arithmetic saved the People's Party from losing the elections to the Socialists, it in turn initiated a reform debate on its personal and ideological foundations. Since the “defeat” was attributed to a perceived process of de-ideologization linked to the realities of continued coalition politics, the party was to sharpen its profile while distinguishing itself more strongly from the coalition partner (Kriechbaumer 1990: 384 f.). Yet in spite of the allegedly exaggerated pragmatism hitherto pursued in daily politics (Burghardt 1962: 3), what followed was an amplification of this characteristic.

4.5 ENTER THE SWABIAN HOUSEWIFE

With no realistic alternative to a grand coalition – and also in light of continued fears of violent expressions of the old antagonisms – the path was continued. Yet the early 1960s saw a new type of politician taking center stage within the ÖVP, skeptical of the grand coalition. With Josef Klaus, a prominent exponent of the reformist wing within the ÖVP took over the ministry of finance in the Gorbach I administration, becoming party leader in 1964, and assuming chancellorship the next year (Gehler 2006: 38). Klaus fostered the use of cutting edge expertise that was to phase out the reliance on rules of thumb hitherto practiced (Kramer 1990), for the purpose of a pragmatic budget policy, establishing the age of technocracy (Aiginger 1985: 102).

A key goal was to keep price stability and reduce the strains on the public purse, by breaking the feedback processes between revenue demands and public expenditures, which had given rise to “growing demands from all sides” (Ausch 1963: 328). Thus, funding capacity concerns that in light of high growth and full employment had taken a back seat during the Golden Age years (Butschek 2006: 96) were to be put in the driver's seat again.

While this entailed a reduction in the previous practice of using clientele politics for the sake of calming party antagonisms, it also curtailed leeway by linking the necessities of budget policy to the ideal of the *Swabian housewife* – not spending beyond one's income (Kriechbaumer 1998: 20). Klaus, thus, continued Kamitz's legacy with a focus on the framework conditions and promoting private sector initiative (Kriechbaumer 1998: 20). Notwithstanding the positive impetus given to economic policy, Klaus's balanced budget line caused formidable issues both between the ÖVP and SPÖ, as well as within the ÖVP.

The attempts to curb the dynamic of expenditures were only partially successful though. Budgets continued to show deficits that were increasingly financed through credits in order to avoid coalition tensions. Parliamentary debates between the parties frequently touched upon the growing fiscal issues (Czettel, Novak in Stenographische Protokolle 1966c: 1976, 6766). The traditional alliances within state and party proved resistant to the desired decoupling from interest politics (Gehler 2006: 39). Also Klaus's successor in the ministry of finance was troubled by balancing fiscal demands with a growth-friendly (read: low-tax) tax policy (Budgetrede Schmitz 1966: 4).

After more than 20 years of coalition governments, in 1966 the ÖVP would be the first party to form a single party government. Initial fears of a return to domestic warfare resulting from the single-party rule, were proven wrong. "Democratic culture experienced a stimulus, as Parliament and opposition managed to make a mark (Gehler 2006: 39).

Incomes began to be taxed more strongly over the course of this decade, with a particularly strong effect for the middle and upper class. For the poor, whose income had been taxed at an average of 0%, tax burdens began to rise from the mid-1960s (Schratzenstaller 2009: 319). Top statutory marginal income tax rates only in 1966 began to affect taxpayers as their incomes exceeded threshold levels (Schratzenstaller 2009: 317). During the first half of the 1960s, there was no use of tax policy for the purpose of boosting consumption⁹⁸; only in 1966/7 were income tax rates on wage and other incomes lowered in order to facilitate increases in after tax wage

⁹⁸ There was an income tax cut in 1962, but it was motivated less by business cycle concerns (Lehner 1987: 89).

developments and stimulate private consumption (Butschek 1985: 143). At the same time, a children tax allowance was introduced (Schratzstaller/ Wagener 2009: 314). Yet the parallel increase of the sales tax and introduction of a special tax on income and wealth reduced the effects of the cuts (Lehner 1987: 89), which, however could no longer effect similar revenue outcomes as previous measures (ibid.: 40, 46).

While the economic low of 1967 could be stemmed, in light of the country's increased integration into the international economy, the downturn in many economies also affected Austrian growth in 1968. In order to confront the recession, a hard currency policy coupled with a job security program was implemented and financed through deficit spending and tax increases, which subsequently became known as the *Koren Plan* (Gehler 2006: 39). This policy mix proved effective to avert getting caught in the economic slump.

However, societal changes associated with the student movements of 1968 (Kriechbaumer 1990) and overall frustration with the political course of the single-party government weakened the ÖVP's standing. Moreover, traditional party loyalties, triggered by socio-economic and demographic changes, had started to undermine the parties' home turfs. Due to its electoral structure, this process became virulent for the ÖVP's integration already by the late 1960s. Largely owing to the integrative quality of Kreisky, the SPÖ managed to retard this process until the late 1970s (Plasser 1988: 64). So profound was the process of de-alignment from traditional party affiliation that by the mid-1980s eventually every other voter would no longer associate with either one of the grand parties, a number that had been less than 20% some 30 years earlier (Plasser 1988: 65 f.).

The newly elected head of the Socialist Party, Bruno Kreisky, successfully exploited the politicized environment by embarking on a reformist path in terms of social policy⁹⁹ (Gehler 2006: 40). Kreisky portrayed an image of redressing the party's class loyalty and offering modern technocratic solutions alongside a new

⁹⁹ Important in this regard is the economic program of 1968, which for the first time transported a Socialist claim to leadership in the realm of economic policy, hitherto an undisputed Conservative domain. Its leitmotif was to liberalize and modernize economic policy, which reflected the ongoing debate on the structural fossilization of the Austrian economy, society and political processes. To this extent, the accession to both the EFTA and EEC as well as attempts at curbing the *Proporz* system, efforts to modernize and increase funds for the universities, or reforms in the realm of agricultural subsidies should be named (Lacina 1993: 15 f.).

liberality within the power structures (Uher 1993a: 78). Kreisky also reset the SPÖ's identity to one of a moderate, progressive party of the political middle, and distanced itself from the previous attachment to Austromarxism (Stiefel 2006: 40 f.).

4.6 THE BOOM AND BUST OF THE 1970S

Under Kreisky's leadership, the SPÖ won their first federal elections on March 1, 1970, missing the 50% threshold by a narrow margin. Offering an electoral reform aimed at relaxing the systemic discrimination of small parties and increasing the number of MPs, the SPÖ subsequently formed a minority government. The ÖVP, on the other hand, for the first time since 1945 found itself in the role of opposition. Owing to its minority position the Kreisky I administration's leeway was curtailed and consequently a number of legislation proposals had to be taken back, such as a reduction in savings premiums, or continued against the Socialists preference (e.g. the continuation of freedom of appraisal) (Uher 1993a: 79). The snap elections of 1971, then, resulted in a landslide victory for "Kreisky and his team", whose absolute majority was to last more than a decade (Stiefel 2006: 40).

Since there was no substantial opposition to the economic ideas of the previous administration¹⁰⁰, they were largely absorbed and continued (Franz Vranitzky im Gespräch mit Fritz Weber 1993: 184). As minister of finance Kreisky appointed political newcomer Hannes Androsch, who would become the dominant figure in economic policy, and Kreisky's harshest critic, for the next decade. When Kreisky took office with Androsch, a determined monetary policy approach took shape. The dominant approach during much of the 1960s of running an undervalued Schilling in order to improve international competitiveness, yielded to the notion that Austria's productive abilities were on a par with the rest of Europe. The necessary step was therefore to stave off inflation, which would then enable moderate wage demands and sensible price policies on the part of entrepreneurs (Butschek 1985: 148). The decision to run a hard currency policy also entailed a range of other implications: For one, it increased Vienna's attractiveness as a location for capital, implying an important income source for the fisc and the economy at large (Uher 1993a: 83). It

¹⁰⁰ Particularly Koren's, and in this regard his supply side ideas including tax reliefs.

further constituted a “structural whip” (Franz Vranitzky im Gespräch mit Fritz Weber 1993: 183) for businesses to increase productivity.

Kreisky's encompassing and ambitious reform agenda entailed a number of pioneering measures in the realm of tax policy. With the backing of an absolute majority and a good economic climate in the fall of 1971, Androsch launched a comprehensive income and sales tax reform (Hannes Androsch im Gespräch mit Fritz Weber 1993: 197). In the course of this, for instance the scaling of incomes with respect to the 13th and 14th salary was abandoned and replaced by a proportional tax at 6% (Lehner 2008: 80). And in 1972, an investment allowance was introduced in order to tackle the growing issue of phantom profits resulting from the soaring inflation during the early 1970s (Lehner 1987: 72).

The year 1973, then, saw the individualization of income taxation, leaving behind an anachronistic practice that used households as the tax unit with different tax schedules in place for unmarried and married taxpayers, and taxpayers with children. Informed both by socio-political considerations and a general scarcity of labor during the early 1970s, the reform had profound effects on female labor market participation by eliminating negative work incentives for second earners – almost exclusively women (Schratzstaller/ Wagener 2009: 313 f.). Also in 1973, various tax allowances of degressive effects were converted into tax credits, e.g. for children and for sole earners (ibid.: 314), changing the distributive effects in the income tax (Rainer 2014). With the economic integration into the European system came the need to adapt the national tax code, which, after a decade of discussions, heralded the introduction of a general VAT in 1973.

While sensible in many areas, the approach that the government took during the 1970s with regard to tax policy has also attracted criticism from its own ranks. To this effect, Lacina notes that tax expenditures and loopholes were expanded, frequently in an adhoc manner and without (re-)distributive economic or social bedrock – such as in the case of the preferential treatment of the 13th and 14th salary. Overall this produced a tax code of high nominal tax rates and reduced efficiency creating resistance among taxpayers, thus, undermining the government's counter-cyclical budget policy (Lacina 1993: 18).

4.6.1 DEVELOPING THE "AUSTRIAN WAY"

The Austrian economy was going strong at the beginning of the 1970s, with high growth, and unemployment rates continuously below 2%. In the fall of 1973, however, what was to become known as the first oil price shock hit the world economy by strongly increasing costs for mineral oils and correspondingly driving inflation to two-digit levels. Austria responded to this challenge by approaching a range of issues in a fairly pragmatist fashion, that is to say, by combining a number of ideas that made sense and that were viable – in the sense that people were willing to buy into them (Hannes Androsch im Gespräch 1993: 190). The established policy mix was subsequently termed *Austro-Keynesianism*, building on a combination of management of demand (thus expansive fiscal policy), "controlled" income policy (through the stabilizing effects of exchange rate policy) (Koren 1990: 10), reductions of working hours, and an expansion of the public sector. These measures were embedded in a mesh of crucial institutional and psychological factors, such as the social partnership system, which aided public policy through its influence on wage and price policy and by including them in economic policy making (Ostleitner 1993: 107).

The performance of Austrian Keynesian economics hinged on the interplay between a number of policy fields as well as agreement with interest groups, as is elucidated in the way that the first oil price shock of 1973/4 was addressed: Caught by surprise, and against the backdrop of negative growth, wage negotiations had targeted excessive numbers. Yet wage agreements were amended in regard of the bad economic outlook, and the danger of wage-price spiraling (Unger 1999: 168 f.).

The idea to continue the hard currency policy followed from the experiences made by other countries, such as Italy and the UK. Consequently Austria disbanded its currency basket for a peg to the German Mark, which had the advantage of attaining price stability, fostered by Germany's efforts at internal stabilization (Butschek 1985: 157). "Austria was, thus, free-riding on Germany's stability policy" (Frisch 1979, 60). At the same time tax cuts and business subsidies¹⁰¹ were

¹⁰¹ Moneys were taken from the *family assistance fund* ("Familienlastenausgleichsfonds", FLAF) (Butschek 1985: 156).

implemented in an attempt to stimulate domestic consumption.¹⁰² Yet the downturn came and it was unexpectedly profound. This was to a large extent due to the fact that the increases to disposable incomes, resulting from improved wage income in 1974 and the wage and income tax reform of 1975, were mostly saved rather than used to expand consumption (Butschek 1985: 156 f.).

As a consequence of diminished revenues, increased spending levels to bolster the nosedive of private spending, and the costs from activation of the automatic stabilizers¹⁰³, budget deficits went beyond 5% relative to GDP in 1975, where they would float until 1980. The government accepted it, having placed full employment as the top item on their agenda. It rejected the possibility of halting inflation by allowing for unemployment, and instead embarked on a course of deficit spending and expanding the monetary base, which was retained until early 1976 and '77, respectively (Butschek 1985: 156 f.).

Kreisky had been considerably influenced by the experiences made in Sweden, and consequently saw the state's principal task in protection through the welfare state, notably safeguarding jobs, for which running a deficit was a practicable option. This stance, however, pitted him against minister of finance Androsch who held strong views vis-à-vis the growing public expenditures and debt as well as conserving structural problems within the economy through backing deficient industries (Kriechbaumer 2008: 326 f.).

In order to relieve the budget strain and improve the balance of payments, in 1976 the re-elected Kreisky II administration increased the property tax and various charges, implemented a vehicle tax and reintroduced the investment tax (Butschek 1985: 158). These measures were complemented the following year by the introduction of the elevated VAT rate of 32% on luxury items, largely imported goods (Seitz 1997: 57 f.), reductions of federal subsidies to social security contributions and increases in contribution rates (Dusek/ Pelinka 1995: 291). Yet the adjusted budget

¹⁰² These measures were believed to balance the losses in export activity, and thus buttress production levels (Butschek 1985: 156 f.).

¹⁰³ The term *automatic stabilizers* relates to social security services that are activated in times of economic downturns, with associated payments, for the sake of individual security as well as averting drastic decreases in consumption and the effects for the economic at large this engenders.

deficit showed little improvement¹⁰⁴. While these measures may have hampered growth in 1978, they were successful in the sense that full employment persisted (Butschek 1985: 158). Finally in 1979, the public premiums on savings were slashed (Fischer 1980: 29), which had been a matter of contention for some time.

Although enjoying the backing of an absolute majority and the need for revenues to bolster the budgetary consequences of the economic turmoil, Kreisky evidently failed to draw on Austrian private wealth more strongly. Figure 5 below shows a continuing drop of property related revenues at the beginning of the Kreisky era (Kreisky I and II), followed by a moderate increase starting around 1975 (the beginning of the Kreisky III administration).

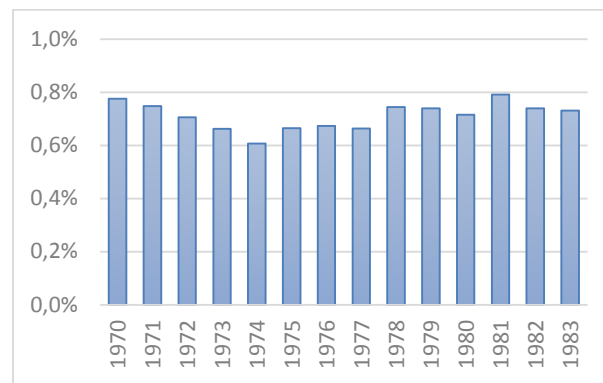


Figure 5: Property related taxes during the Kreisky era, in % of GDP, 1970-1983.
 Source: WIFO dataset, own calculations

However, there is generally little variation over the studied period. In light of statements of Socialist MPs during the ÖVP-led administrations of the 1960s (Stenographische Protokolle 1964: 3816, Stenographische Protokolle 1966c: 1877 f.), this begs the question why Social Democracy did not enact higher property taxation when it got the chance in the '70s. In fact, as Figure 6 illustrates, the level of property taxes as a share of total tax receipts was actually higher under Conservatives ministers of finance during the 1960s.

¹⁰⁴ This is to be seen in relation to the fact that tax policy yielded to economic policy when the 2nd Tax Amendment Act was adopted in 1977, as Androsch lamented in an address at the 1980 tax reform commission (Helige 1980: 18).

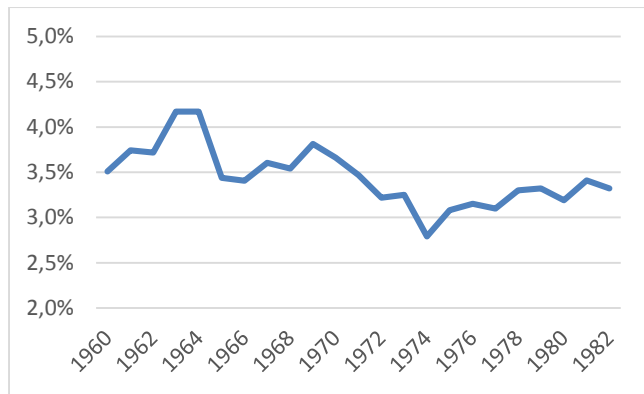


Figure 6: Property related taxes as a share of total tax revenues 1960-1983. Source: WIFO dataset, own calculations

When in 1978/9 the second oil shock hit the world, Austria sought to adopt the same approach as the last time around. However, the economic environment had changed. For one, the US had been running a policy of high interest rates, which a number of European nations copied¹⁰⁵. At the same time, the aggravated fiscal situation inherited from the period of deficit spending virtually precluded renewed anti-cyclical crisis management (Kriechbaumer 2008: 328 f.). The year 1979 would mark a watershed for Austria's turn to neoliberal policies (Unger 1999: 172).

Figure 7 below illustrates the consequences of the economic turmoil of the 1970s on income tax revenues. The sustained high employment level is reflected in growing wage tax receipts, which were also driven by inflation. Since business income is usually more sensitive to changes in the economic environment, we should expect tax receipts from the corporate and assessed income tax to contract. And indeed, this is exactly what happened. However, part of the decline in tax revenue from business income also reflects the discretionary measures listed above.

¹⁰⁵ Austria did not, and when oil imports drove up costs while current account deficits remained high, the national bank's foreign reserves were running low as pressures built on the currency to depreciate. When it finally did depreciate against the German Mark in 1978/9 (by 2.3%), a third of the country's foreign reserves were gone (Unger 1999: 172).

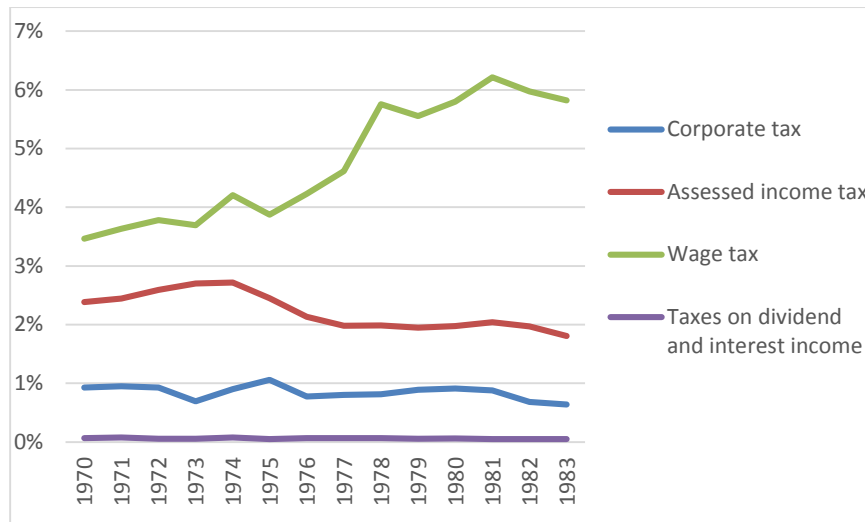


Figure 7: Development of income taxes during the Kreisky administrations 1970-1983, in % of GDP.
Source: WIFO dataset, own calculations

4.6.2 THE LEGACY OF AUSTRO-KEYNESIANISM

In comparison to other states, Austria fared quite well through the slump of the 1970s. To be sure, there was inflation and deficits rose to unprecedented levels. With them sovereign debt also increased, implying heavier burdens on the budget from interest payments. Yet the employment level was unmatched. The fact that Austria managed to keep unemployment so low spared it the idiosyncratic experience of permanent structural unemployment that many other, particularly European, nations subsequently experienced, in turn causing formidable budgetary strains through reduced revenues and increased social expenditures (Marterbauer 2001: 449).

The 1980s, however, saw the end of this approach. The traditional narrative holds that it was the growing public debt that ultimately caused this institution to falter. However, another reading suggests that the end of this conception of economic policy lay in the structural changes of the Austrian political and economic system and not in the growing strain on the federal budget through interest payments, the worsening debt ratio or the derived “necessity” for budget consolidation measures (Ostleitner 1990: 32)¹⁰⁶.

¹⁰⁶ According to this rationalization, Austro-Keynesianism's demise rather follows from the fact that the nationalized industries began to fare rather badly and political support for the government was waning, effecting changes to the power symmetries, coupled with increasingly heterogeneous interests

4.6.3 PROGRAMMATIC REVISION

The Socialists' political dominance under Kreisky had profound effects on the People's Party. Split internally and with a weak political attraction, the ÖVP had to admit it was out of sync with the populace (Reichhold 1970: 15). After 25 years of governance, the awkward role of opposition was thus to be used for a programmatic and ideological process of reflection, which resulted in a debate to address the inherent ambiguities and emerge from its crisis strengthened. In light of a continuing process of dealignment in the electorate (Plasser/ Ulram 2006) and an increasingly reformist and liberal intellectual climate (Kriechbaumer 1990: 484), the party sought to reinvent itself as a politically attractive alternative.

To this extent, the ÖVP was to rid itself from the stigma emanating from the advancing association of conservatism with reactionary and conservationist ideas and offer voters the kind of no-nonsense solutions then associated with Kreisky and his team (Pisa 1971). The aim of the ensuing 1972 *Salzburg Program* was thus twofold: internally, to regain unity and clout, and externally to reform its image and carve out distinction to the SPÖ (Kriechbaumer 1990: 493). The result was a claim to being the “party of the progressive middle” (ÖVP 1990c). However, against the background of previous calls for emphasizing equality and embracing the idea of empowering those at the bottom end (Diem 1970, Pelinka 1971), the *Salzburg Program* remained fairly ambiguous in this regard. Instead it placed strong emphasis on the traditional ideals of freedom¹⁰⁷ and merit, quite in sync with voters' preferences¹⁰⁸, it appears.

With the subsequent defeat in 1975, the ÖVP renewed its ideological soul-search. In light of increasing deficits and a growing public sector, which the public began to regard as problematic, the ÖVP found programmatic shelter in neo-conservative and neoliberal positions that were gradually gaining credence

within the unions' members (Kittel/ Tálos 1999), as well as significantly increasing shares of interest income, leading to a destabilization of expectation (Ostleitner 1990: 42).

¹⁰⁷ See Kriechbaumer (1990: 517) for a telling list of the relative frequency of the term freedom vis-à-vis e.g. equality.

¹⁰⁸ See the results of a survey conducted by the *Fessel Institut* in 1972 concerning voters' the preferences as to which ideals parties should engage in Diem (1974: 56).

(Kriechbaumer 1990: 522). Throughout the Kreisky years, the People's Party had been generally sympathetic to Androsch's stance regarding the expansion of the welfare state, notably the issue of sustainable pension schemes (Kriechbaumer 2008: 328). To this effect, Wolfgang Schüssel (1978) found fault with the way that Austria's welfare expenditures had gone out of hand by handing out funds on a large scale. His remarks already mirror the kind of welfare state retrenchment then marketed in the ensuing 20 or so years.

Yet again the People's Party did not fare too well in either parliamentary elections of 1979 and 1983. Upon these events, and after surviving five party leaders and secretary generals over the course of the 1970 (Kriechbaumer 1990: 488), the ÖVP launched another discussion under Mock. Since the SPÖ had lost both its absolute majority and much of its appeal due to Kreisky's resignation, the environment had changed significantly. The Socialists' losses reflected a growing insecurity among the electorate that the pursued path was in effect adequate to resolving the economic troubles bedeviling the government. Moreover, in light of stagnating real wages (Butschek 1985: 231), although real incomes developed much more favorably than in the EU average (Marterbauer 2001: 458), growing tax levels were increasingly perceived as excessive (Kriechbaumer 1990: 597 f.).

At the same time, the onset of novel topics, such as the question of environmental sustainability as promulgated by the Club of Rome, led to the forming of the political movements spurring the diversification of the political arena and rendering voting coalitions increasingly heterogeneous and mobile (Ullrich 1988: 60 f., in Kriechbaumer 1990: 595). Against this backdrop the ÖVP sought a synthesis between its two evolving ideological strands, namely the neo-conservative and neoliberal agenda on the one hand, and postmaterialist notions on the other (Khol 1986: 208).

The *Zukunftsprogramm* of 1985 constituted the strongest, albeit conflicting, propagation of the notions of private initiative and merit, and reductions to social spending – although warning against the increase in new poverty, lauding those pursuing a modest lifestyle and prompting those living in plenty to share with those less well off (ÖVP 1990d: 794). The state – more and more degraded to the role of caretaker of the rules of the game – was thus to effect a fairer distribution of goods

and services (ibid.: 785). On the other hand entrepreneurs, degraded to supplicants by the public subsidy system, needed to be supported through drastic reductions in subsidization for the sake of a social and meritocratic tax system (ibid.: 801). Further, one already finds traces of the notions of living at the cost of future generations (ibid.: 811), both in view of sovereign debt and the environment, and the need to improve flexibility and capital and labor mobility (ibid.: 803, 811).

While the ÖVP was trying to gap its divide, the SPÖ itself initiated a programmatic discussion, in order to balance the pragmatist demands from realpolitik with its fundamental conception. Despite harsh critique vis-à-vis the political practice of the SPÖ governments with respect to the capitalist system and its consequences (Hindels 1976, März 1970), the resulting *Neues Parteiprogramm* of 1978 was decidedly pragmatic. The SPÖ was thus positioned as an open non-ideological mass party, coming to terms with the capitalist market economy, while still embracing solidarity and criticizing the increasing individualization of society.

Expanding its traditional turf, the party reached out to various groups other than workers, and in lieu of an expansion of the public sector, the program now called for the realization of equality and equality of opportunity, notably through the redistribution of market incomes. To this extent, tax policy was instanced as a means for manipulation of income relations, besides expansion of public services and direct payments to economically weak groups. Lastly, it stated a more equitable distribution of wealth, which, however was to be realized through capital formation on the part of employees; interestingly what was spared is a commitment to the redistribution of existing property, the broad absence of which e.g. present President Heinz Fischer would lament just two years later (1980: 29).

4.7 A NEW POLITICAL ECONOMY OF TAXATION

Following a period of expansive fiscal policy, and given that the export oriented Austrian economy was struggling in light of a generally meager economic environment (Lacina 1988: 21), sovereign debt levels had been rising along with budget deficits since 1975 (Seitz 1997: 57). As this implied increased interest payments, particularly in the face of the high interest rate policy the US had initiated

(Butschek 1985: 170), and reduced budgetary leeway to absorb business cycle shocks and deliver on the allocative function of budget policy, Austria, like many other European governments, began to consolidate¹⁰⁹.

This form of voluntary deflation in which the economy adjusts through reducing prices, wages, and public spending in order to regain competitiveness is also known as austerity (Blyth 2013: 2). This they did not only in light of the increase in budgetary strains themselves, but also due to a change of economic perspective, in which Keynesian-welfare approaches yielded to monetarist and neoclassical-individualistic views. With it came impulses to cut spending, consolidate budgets, and reduce tax takes (Butschek 2006: 102).

In Austria, the teetering Kreisky IV administration launched the *Mallorca Package*, which was to alleviate the budget largely through revenue side measures, such as taxation of the hitherto privileged 13th and 14th salary (Dusek/ Pelinka 1995: 300)¹¹⁰, which did not fly politically. Minister of finance Salcher subsequently ushered in revenue and expenditure side consolidation, entailing an increase to the VAT of 2%, an interest gains tax of 7.5%, increases to unemployment contributions and the vehicle tax as well as various other charges (Kriechbaumer 2008: 333).

The small coalition of SPÖ and FPÖ that had formed following the 1983 elections, was struggling with slowing job growth and the continuing financial needs of the state industrial sector that had lost in productivity and competitiveness. The growing unemployment was in part bolstered by early retirement schemes (Marterbauer 2001: 451), which began to burden budgets in subsequent years, via necessary government subsidies to the *Parafisci*. Decreasing efficiency of the tax system (Lehner 1987) coupled with increasing expenditures, however, meant that deficits remained high (Butschek 2012: 370).

¹⁰⁹ While individually consolidation may be “the right thing to do”, when done by a sufficiently large number at the same time, this can have devastating effects on *everybody's* economic situation. The effects of the so called *paradox of saving* can be observed in the frame of the current economic slump in Europe, where practically everybody sought to run an economically restrictive course. However, in light of the interconnectedness of the economy at the end of the 21st century, “we cannot all cut our way to growth at the same time” (Blyth 2013: 8).

¹¹⁰ While maintaining that it went in the right direction, Androsch describes the Mallorca Package as dilettante for its inadequate content and communication (the signal to send a “blood and tears package” from sunny Mallorca), noting that it contributed immensely to the subsequent electoral defeat in 1983 (Hannes Androsch im Gespräch mit Fritz Weber 1993: 203).

In 1984, the government was reorganized, following a shift of power within the SPÖ – from the union to the industrial wing, from the ideological to the pragmatist Socialists (Semotan 1996: 25). Franz Vranitzky followed the unpopular Herbert Salcher as minister of finance, and consequently abolished the tax on interest income and the double taxation of stocks (Franz Vranitzky im Gespräch mit Fritz Weber 1993). The controversial and unpopular interest tax, successfully framed as a tax on small savers, had been ruled unconstitutional by the Constitutional Court as it discriminated savers relative to stock holders (Kriechbaumer 2008: 337).

Although having been the strongest party for more than ten years, forfeiting their conception of economic reform with the demise of Austro-Keynesianism meant a major blow to the Socialists' identity (Ostleitner 1988). An increasingly open debate thus established, challenging previous axioms and appraising issues that traditionally used to belong to conservative rhetoric, as well as calling for a general modernization of party and system (Pelinka/ Steger 1988: 22). Particularly the question on the necessary and desired extent of the public sector was a major area of contention vis-à-vis the Socialists' paramount goal of attaining a fair(er) distribution of the country's wealth, but also as the idea of big government was increasingly associated with intense bureaucratization (Pelinka/ Steger 1988, Nowotny 1988).

A key component of social democratic rhetoric thus became the emphasis on efficiency, economicalness and cost-benefit analyses for public expenditure programs, heralding a culture of new public management (Nowotny 1988). As Chaloupek (1988: 33) stressed, Social Democracy had to realize the state's limits in shaping economic policy.

4.7.1 THE PATH TOWARD "AUSTRO-NEOLIBERALISM"

The deteriorating public budget and the ongoing internal discussions was grist to the mills of the ÖVP. Since the early 1980s, Economic Alliance Secretary General Wolfgang Schüssel had argued the case for the neoliberal conceptual trinity of liberalization, privatization and deregulation (Schüssel 1982, Hawlik/ Schüssel 1983, Hawlik/ Schüssel 1985). As former state secretary Johannes Ditz (2010: 236) would later note,

“[t]he need for a fundamental political change of course – from a state-run demand-based policy to a supply-based policy oriented toward competition, deregulation, and exports – became more and more apparent. This change, of course, was programmatically prepared by the Austrian People's Party (...) and implemented by the Grand Coalition that was formed after the National Council elections of 1987.”

With the resignation of Sinowatz following Waldheim's victory in the presidential elections, Vranitzky assumed chancellorship in June of 1986. When Steger was ousted by Haider at Innsbruck in September of the same year, Vranitzky terminated the government and coalesced with the ÖVP upon winning the ensuing early elections.

Vranitzky was a “technocratic banker, whose successful career had [...] apparently been conducted independently of the party hierarchy and who was consequently both willing and able to modernize the Austrian political system” (Luther 1999: 5). To Luther, what needed to be addressed was the *Proporz* system, the degree of state (and thus party) control over the economy, “as well as the consequences of years of 'Austrokeynesianism', which included, for example, overstaffing and a very generous and in the long-term financially unsustainable set of welfare state benefits” (Luther 1999: 6).

Vranitzky's leadership was strongly founded on pragmatism and compromise¹¹¹. The stable majority of the grand coalition as well as the similar stances between the two governing parties further offered a promising situation to effect the “necessary change”. TINA¹¹² had thus arrived in Austria. Although the ÖVP in its junior partner role could not fully capitalize on its programmatic concepts, the coalition agreement of 1987 went in the very direction of privatization, liberalization and a business-friendly tax policy (Dirninger 2013: 213). It further included a

¹¹¹ On the importance of conflict Vranitzky argues that it constituted the “engine” of society. “Settlement of a conflict is attained through compromise, which always has to be made if politics is to be realized” (Semotan 1996: 18).

¹¹² “There is no alternative” was Margaret Thatcher's paradigmatic, and apodictic, diagnosis regarding the measures to retrench the welfare state, slash union leverage and restructure the tax system so as to have affluence trickle down on society at large, in order to better the economic and political situation the UK had maneuvered itself into. Interestingly, however, the consolidation path of the 1987 SPÖ/ÖVP government had a number of similarities to both Thatcherism and New Labour (see Wagschal 2005: 390). Vranitzky saw himself not in line with the Iron Lady (Zeit im Bild 2, April 8, 2013). However Schüssel (1987) in an article lauded Thatcher's measures with respect to privatization, and called for Austria to follow that example.

commitment to medium-term consolidation, aiming to lower deficits to 2.5% by 1992 largely on the expenditure side of the budget (Seitz 1997: 58 f.).

To this effect, Lacina's fiscally restrictive budget of 1988, the first year of decreasing unemployment numbers in the 1980s (Chaloupek 1988: 31), should be mentioned, enacted unanimously and with the unions approval, however inciting strikes (Dusek/ Pelinka 1995: 317 f.), and which coined the dictum "Sparpaket" (*savings package*) (Semotan 1996: 117). While in 1990 the deficit was lowered to 3.47%, structural reforms were largely absent and the success was founded in large part on the economic boom of the late 1980s that increased revenues and led to lower social expenditures (Seitz 1997: 59).

The neoliberal paradigm in economic policy had its Austrian idiosyncrasies, involving less fundamental positions and slower implementation of policies of privatization and deregulation. A key factor in the transformation lay in social partner support who also forfeited part of their influence over the course of the austerity policies of the 1990s. The tripartite balance of power in that period would gradually shift to the benefit of employers' representation and the government, while employee interests took a beating (Unger 199: 167).

4.7.2 TAX REFORMS

At the same time, growing resentment over high tax burdens, coupled with dwindling acceptance of high public expenditures and the onset of an international tax reform wave (Sandford 1993), paved the way for an encompassing tax reform in Austria in 1988. As Fürst noted, the tax system had become more of a collection of exceptions than of rules, enticing tax avoidance and discriminating against those lacking information or options to optimize their tax liability (1987: 29). Not only could the "historically evolved erosion of the tax bases ... not be halted", but politics rather abetted its expansion, with all its distributive consequences (Lacina 1988: 21; own translation). Taxes, and the income tax in particular, had begun to shoulder an impressive amount of tasks over the course of the Second Republic, thus creating formidable trade-offs between tax aims, giving rise to loopholes and significantly

reducing the tax base – with the result of a growing impediment to the fiscal aim of taxation as tax efficiency dwindled (Lehner 1988: 610).

Further, the structure of the revenue system had significantly shifted to the dominance of the wage tax and the VAT. The ratio between wage tax and assessed income tax revenues had almost doubled from 2:1 to 3.6:1 between 1976 and 1987, particularly following increased use of “tax optimization” and the investment premium (Nowotny/ Ostleitner 1988: 26). In addition, the functional distribution of incomes had been shifting, which boosted capital incomes more than three times the rate of salary increases between 1976 and '86. In light of guaranteed capital anonymity this implied a substantial redistribution to untaxed forms of income (Nowotny/ Ostleitner 1988: 26). Moreover, inflation meant that a growing share of taxpayer income was taxed away through bracket creep.

In light of these considerations, and informed by the substantial developments in tax theory since the early 1970s that stressed the priority of efficiency and neutrality over concerns of equity, Lacina – together with ÖVP state secretary Ditz – worked out the biggest change to the income and corporate tax since WW II (Lehner 1988: 610 f.). Lacina was strongly informed by the fact that in Austria redistribution – an integral Socialist concern – was an expenditure side issue, threatened by a tax system of an overall proportional effect, whose efficiency had dwindled. Consequently, budget consolidation was the way to realize the Socialist aim of solidarity (Walterskirchen 1992: 135); at the same time it would correct for the distributive consequences of sovereign debt (Lacina 1988: 22). The fundamental idea was to slash income tax rates while abolishing the widespread expenditures that undermined the efficiency of the tax system, which came to be known as *rate-cut-cum-base-broadening*.

4.7.2.1 Stage One: The 1988 income and corporate tax reform

The tax reform of 1988/9 was a caesura in Austrian tax policy. It was designed to break with the long-standing pursuance of economic policy ends through the tax system (Lehner 2008: 83). It put an end to the trend of steadily rising average and marginal income tax rates by cutting both average and marginal rates and thus

drastically reducing progression (Schratzenstaller/ Wagener 2009: 310, 322). To this effect, marginal tax rates were reduced over the entire income range, the amount of tax brackets halved from 10 to 5, tax credits modified and bracket creeping made retroactive (Lehner 1988). The existing 62% top bracket rate was reduced to 50%, as agreed in the preceding tax reform commission (Rainer 2014). Average tax rates, hence, were cut over the whole schedule, and the discrepancy between marginal (thus “subjective”) and average (read “objective”) burdens reduced. The tax relief was strongest for recipients of middle and high incomes (Schratzenstaller/ Wagener 2009: 320).

In light of the envisaged budget consolidation the tax reform needed to be revenue-neutral. The ensuing revenue losses of some ATS 44 billion were, thus, primarily cross-financed through cuts in tax concessions, partly in the lead up to the reform, by expanding the capital gains tax, and through increasing various minor taxes. A last part was carried by the general budget (Lehner 1988: 618 f.).

At the same time, the corporate tax was reformed, which was a logical continuation of the reform process aimed at abandoning the double taxation on distributed profits; however, the term “reform” may be misleading, since the underlying structure remained untouched and based on the old 1966 tax law (Wiesner 1989: 36 f.). To be sure, the tax on industry and trade was cut by some 10%, and the progressive tax schedule was altered to a flat rate at 30%, contrasting sharply with the 50% top bracket rate in the income tax. This benefited particularly high profit enterprises and fostered a deliberate breach of independence of legal form, in the sense that corporations became much more attractive relative to partnerships (Lehner 1988: 619-21).

The rationale for adopting the 30% proportional scale may have been a consequence of abandoning the previously scaled rates (Wiesner 1989: 39). Its primary aim, however, was to increase the attractiveness of Austria for foreign entrepreneurs, who would not be drawn to a 55% top bracket rate on corporate incomes. “A 30% corporate tax rate, on the other hand, gives a certain signal, when comparing nominal rates only” (ibid.). Further, the encompassing possibilities for enterprises to reduce their declared profits within the frame of the long-standing

institution of various depreciation regulations were abandoned (Nowotny/ Ostleitner 1988: 26).

A pivotal concern in the reform was to increase the allegedly negative work incentives for high income earners. At the same time, the increased available incomes resulting from the across-the-board cuts were expected to stimulate both consumption (particularly among low income earners) and savings (on the part of high income recipients and retired persons), along with the associated benefits to the economy (Breuss/ Schebeck 1988: 626 f.). Yet the unrivaled relief of the 13th and 14th salary, a “peculiarity of Austrian wage taxation survived the reform” (Rosner et al. 1999: 151 f.). Although particularly high income earners benefit from this regulation, “all leftist politicians who dared to question this tax privilege had reason to regret their critique shortly later; the coalition of labor unions and certain newspapers defending this privilege has always been strong “ (ibid.).

Distributive and economic policy issues had had to be considered more strongly than intended (Lehner 1988: 611), and in a number of provisions the outcome of political trade-offs are evident. All considered, the reform of 1988 appears as a political compromise neither fully realizing social democratic nor conservative programmatic ideas (Nowotny/ Ostleitner 1988: 27 f.). While to minister of finance Lacina the compromises struck strongly reflected social democratic priorities (1988: 22), Schratzenstaller and Wagener note that “[i]n terms of its distributional impact among taxpayers, the Austrian income tax has, in a sense, become ‘more proportional’ and ‘less egalitarian’ since 1989” (2009: 329).

4.7.2.2 Stage Two: Restructuring the tax system

In the context of an increasingly interrelated international economy, policy makers had come to the realization that tax policy needed to take account of international developments more strongly (see Wagschal 2005). After the reliance on income and wages for tax revenue was reduced by way of the 1988 reform, the early 1990s were a nod to tax measures aimed at alleviating burdens on capital and wealth, and relieving the budget by enhancing contributions and charges. A key aim lay in boosting private capital formation (Lehner 1994: 33). The concept of the first stage

was continued regarding corporate tax rates, in that effective rates were reduced as the tax on industry and trade was abolished alongside the inheritance tax (Lehner 1994: 32), which hitherto had taxed business substance and had been shouldered largely by enterprises (Schrattenstaller 2013). At the same time the tax base was broadened.¹¹³ The aim to enhance available incomes is also evident in the second stage reforms, although partly informed by the economic downturn of the early 1990s (Lehner 1995).

The early 1990s saw a vivid debate on the issue of taxing capital gains, which formed along the lines of equity concerns vis-à-vis technical feasibility and administrative concerns, while raising concerns over burdening “grandma's savings” (Konecny 1988). In 1992, the first measures in this regard were enacted. To this effect, capital income was hived off from the general income, thus, taxing capital gains through a withholding tax at a proportional rate, an idea Ditz had floated (Schmidt 2010: 32).

Alongside this crucial development, a number of other changes were made, such as with respect to the vehicle tax, taxes on beverages, and family taxation (Breuss et al. 1994). So by the mid-1990s, Austria's long tradition of synthetic income taxation was terminated and replaced by a dual income tax, allegedly better suited to address the increasing issues resulting from the continuing processes of financial liberalization and globalization¹¹⁴. One observer takes such a move to constitute a Hallian third order change (Wagschal 2005). Yet the dual tax also implied a breach with the ability-to-pay principle, in that discrimination between types of income was institutionalized.¹¹⁵

The core of the second stage of tax reform, however, were the measures enacted in 1994. Burdens on mass incomes were again reduced by increasing tax credits in the income and wage tax (Lehner 1995: 285). Alongside the cancellation of the estate tax for businesses and the tax on industry and trade, also the general property tax fell victim to the reform endeavors. Further, the special tax on banks was

¹¹³ E.g. by eliminating the investment reserve and reducing the investment allowance (Lehner 1988: 32).

¹¹⁴ See the articles on the dual tax reforms in the 2004 CESifo Report, particularly Broadway (2004) and Spengel and Wiegard (2004).

¹¹⁵ See for instance Lunzer's (2006: 16) notes on this issue.

abolished (Lehner 1995: 275). Hence, property and capital income would subsequently be taxed at a proportional rate as opposed to progressive taxation, as is the case with labor income. The “capitulation” to this idea to a large extent followed from the inability to effectively levy such taxes in light of the given institutional constraints, notably Austria's bank secrecy (Schratzenstaller 2013).

The overall revenue losses resulting from this reform amounted to some 19 billion schilling, adding to the already negative budget balance of the previous years. These losses were partly “financed” by substantial cuts in public expenditures through an austerity package of the magnitude of around ATS 16-17 billion, building largely on increases in pension contributions, reductions in federal subsidies to social security schemes, reductions in family allowances and increases to the mineral oil tax (Lehner 1995). On a sectoral level, particularly the energy sector as well as industry and trade benefited from the reform. The tax structure consequently shifted significantly from taxing income and property to consumption and excise duties (Lehner 1995: 284 f.). The result was a further reduction to an already low level of property taxation in Austria, both relative to GDP and as a share of total revenues (e.g. Rosner et al. 1999: 152 f.).

Another momentous decision was taken in 1993 with the implementation of the Foundation Act, which regulated preferential taxation for private and charitable foundations. A key concern, thus, lay in attracting capital flows from abroad and averting capital drain (Farny et al. 2009: 1 f.). From the effects that the accorded tax privileges had, the relevance of the Foundation Act for Austria's (aggressive) economic policy becomes evident. Substantial moneys were transferred to Austria, notably from Germany, where Austria's treatment of foundations has been welcomed by affluent circles (Vermögen: Österreich ist gut zu den Erben 2006). Today, only a fraction of the existing foundations pursue charitable aims, with 1-5 € going to charity per year for every Austrian citizen. In Germany, in comparison, 95% of foundations are charitable, giving out a per capita sum of 180-230 € (Schneider et al. 2010). In an international comparison, Austria's tax treatment of private foundations stands out, matched only by Liechtenstein and select Swiss cantons (Farny et al. 2009).

4.8 THE RELIEF THAT WASN'T

Over the course of the late 1980s and 90s the conception of financial policy had taken on a narrower focus on budget policy and with it on budget consolidation and tax reform. This also implied that its (Keynesian) business cycle and employment policy component was revoked (Dirninger 2013: 217).

The 1994 reform happened in the context of Austria's imminent accession to the EU, with concomitant expenditures in the form of membership fees of some 1% of GDP. The consequent financial convergence requirements for the further accession to the EMU were a welcome external factor supporting Vranitzky's consolidation endeavors. However, after realizing (primary budget) surpluses in 1991 and 1992 (Seitz 1997: 67), the accelerating deficits of the mid-1990s to a good part resulted from the revenue losses associated with the changes in the realm of family taxation of 1993 and the 1994 reform. Federal deficits, thus, grew from 2% of GDP in 1992 to 5.1% in 1995 (Breuss/ Weber 1999: 525).

In order to meet the "Maastricht criteria", Austria thus consolidated again with the effect of curbing its deficits by almost 4%. The austerity packages of 1995 and '96 were to be attained predominantly on the expenditure side with only one third of the volume funded through increased revenues (BMF 1996, quoted in Wagschal/ Wenzelburger 2008: 100). In 1994, Lacina and Ditz single-handedly prepared a package of consolidation measures of a volume of some ATS 100 billion without social partner involvement. The government's parliamentary dependency on unionists, particularly on the part of the SPÖ, led to a substantially tamed compromise in the form the Structural Adjustment Act of 1995 (aka savings package I) (Wagschal/ Wenzelburger 2008: 102). In the course of these events, long-term minister of finance Lacina resigned (Dirninger 2013: 223) and was replaced by Andreas Staribacher who, however, would soon yield to Viktor Klima.

The subsequent involvement of the social partners in the following and more extensive savings package II received their backing, and in this particularly ÖGB support¹¹⁶. The package was designed to reach a substantial volume through small

¹¹⁶ The government could therefore count on the interest groups to not only execute the task of persuasion and explanation but also indicate social partner support and in this sense forestall critique and resistance (Unger 1999: 182).

measures spread broadly over virtually all societal groups and managed to scale down the deficit below the Maastricht threshold of 2% in 1997. Interestingly, although the Social Democrats won the snap elections of 1995 largely on a platform against cuts in social spending, the *Sparpaket II* had its emphasis on the expenditure side (Wagschal/Wenzelberger 2008: 103). An explanation may be found in new ÖVP chairman Wolfgang Schüssel pushing for continuation of budget restructuring and shrinking the state sector (Dirninger 2013: 223). The existence of a right of center majority implied a structural weakening of Social Democracy – indeed, Vice-Chancellor Schüssel's repeated attempts to coalesce with the FPÖ were only frustrated by president Klestil's denial (Sperl 2000).

Yet austerity came at substantial costs for a major part of the population. The tax hikes of 1996 coupled with bracket creep effects implied growing taxpayer resistance and increased the attractiveness of cash-in-hand jobs, which in turn engendered revenue losses for the fisc (Lehner 1999: 517). Therefore, the new Klima administration instituted a tax reform commission to prepare a tax reform for 1999, which, however, eventually would be carried out by the subsequent right-conservative coalition between ÖVP and FPÖ, following the National Council elections of October 1999.

In spite of the reform commission's efforts, hardly any structural changes were implemented (Lehner 2008: 83). The 2000 tax reform built on three tiers. One was the reduction of rates and changes to tax schedules, offsetting “cold progression” and enhancing progressivity, thus implying increasing future revenues (Lehner 1999: 517). Lower income groups benefited relatively more strongly than high income earners, implying a top-down redistribution. However, the effect on consumption was small despite a higher propensity to spend on the part of the former, since the absolute boost to incomes was fairly low. High income groups exhibited the biggest tax relief in absolute terms (Breuss/ Weber 1999: 525 f.).

The second tier was a renewed scaling up of family services in the frame of a *family package*. Tellingly, recipients of lower incomes benefited more strongly from this measure than from the cuts in the wage and income tax (Breuss/ Weber 1999: 527). Finally, a comprehensive package for enterprises was devised in order to improve Austria's position as a business location. To this effect, the research

contribution and the apprentice allowance were stepped up, inheriting eased by introducing an allowance of ATS 5 million, and equity financing promoted. Besides, private old age provision schemes received subsidization (Lehner 1999).

The cuts of the reform of 2000 reduced tax burdens by some ATS 32.5 billion, thus, surpassing both the 1988 and 1994 reforms in terms of volume (Lehner 1999). The favorable economic outlook in 2000 (Marterbauer 1999), coupled with the new coalition's desire to carry out a “fundamental paradigmatic change” (Parlamentsskorrespondenz Nr. 575, October 18, 2000), then enticed the new government to strive for a balanced budget. This entailed tax hikes only a year into the ostensible relief.

4.9 THE “UMBRUCH”: TAX POLICY DURING THE 2000S

The increased burdens to attain Chancellor Schüssel and minister of finance Karl-Heinz Grasser's paradigmatic *Nulldefizit* – against strong opposition from the Social Democrats (Liegl 2006 : 43) and the Greens (Graf 2006) – built on a range of packages, increasing revenues particularly from higher excise duties, charges, and reductions in tax credits in regard of the income tax, complemented by a number of disincorporations and public service sector cuts (Kramer 2001: 33-5). The EU's 2000 critique of Austria's insufficient stability program served as a source of external expertise and legitimation for the government's pivotal concern over budget consolidation, which manifested in the proclaimed intent to run permanently balanced budgets (Ditz 2010: 245 f.).

To this effect, the subsidiary principle was invoked to realize surpluses on the municipalities and *Länder* level. However, much of the intended effects from the purported administrative reform were attributable to creative accounting measures (Schratzenstaller 2006, Wagschal/ Wenzelburger 2008: 26). Alas, the government's intention to *reduce* the tax ratio was turned on its head as the “zero-deficit” year of 2001 also marked the peak of the tax ratio since WW II (Dirninger 2013: 245). The ÖVP's landslide victory in the early elections of 2002 consolidated Chancellor Schüssel's internal position. The perception of a rather positive economic

performance implied a further strengthening of leeway of the government and the federal party vis-à-vis the *Länder* (Fallend 2006: 14).

By the mid-2000s a vivid debate had taken shape on the need for a comprehensive tax reform, informed by (i) the perceived need to scale down burdens on lower income groups, (ii) the need to stimulate economic growth, (iii) concerns over the distributive effects of the tax system and the need to relieve lower income groups that had been particularly affected by the consolidation of 2000/1, and (iv) the wish to modify the structures of the tax system for the purpose of long-term growth and employment improvements (Marterbauer 2004: 1). Moreover, in the face of increasing unemployment and a generally meager economic environment, the Schüssel government relaxed its stance on balanced budgets. Merely two years after calling for a fundamental change, and a year into the end of “inane economic actionism”¹¹⁷, Grasser observed that it had “always been our contention that budgets needed to be balanced over the business cycle, also since they constitute an economic policy tool” (Stenographisches Protokoll 2002: 52; own translation).

The resulting “most comprehensive tax reform of all times”¹¹⁸ was carried out in a two-staged process, effective of January 1, 2004 and 2005, respectively. The first stage entailed increases in energy taxes, such as the mineral oil and gas taxes, and the new coal tax. Comprehensive modifications were enacted in the frame of the income tax, notably adjusting formal tax rates to conform to effective marginal rates, and reducing tax brackets to four. In stage two, then, tax credits were increased (Breuss et al. 2004), the benefits of these measures falling largely on low-income earners (Schratzenstaller/ Wagener 2009: 324). The most notable change, however, pertained to the considerable reduction of the corporate tax rate. Despite already attractive corporate tax regulations, the effects of the EU eastern enlargement led Austria to send a strong signal by significantly reducing the rate at which corporate profits are taxed from 34 to 25%, along with a very liberal group tax, allowing national and international offsetting of profits and losses (Breuss et al. 2004: 643; Schratzenstaller 2013).

¹¹⁷ “Konjunkturprogramm” of September 2001, quoted from Dirninger (2013: 247).

¹¹⁸ As the government called it. See Rossmann (2006: 147).

The incurred tax losses strongly impinged on the budget, which consequently showed a negative balance the fourth year in a row also in light of the economic downturn of the early 2000s (Schratzenstaller 2004).

4.9.1 THE EXPIRY OF THE ESTATE AND GIFT TAX

The burdens that the Austrian fisc places on property have traditionally lagged behind the levels of its European and OECD counterparts. This is true also for taxation of inheritances, which notably serves the principles of justice and equality through its contribution in regard of equal opportunity and a redistribution of wealth from more affluent to poorer social strata (Marterbauer/ Schürz 2007: 37; see also the relevant part in chapter 3). The development of the yield of the estate and gift tax over time exhibits a striking constancy.

In absolute terms, the trajectory of the yield was constant and increasing, with a few aberrations beginning in the late 1980s. As a share of both GDP and total tax take, however, it had remained fairly stagnant over time (Berghuber et al. 2007: 23-5). This is surprising given the natural tendency of property values to increase over time. Yet the inheritance tax only once (in the late 1960s) exceeded the threshold of 0.4% of the overall tax revenues, and even then missed the 0.1% of GDP line, see Figure 8 below.

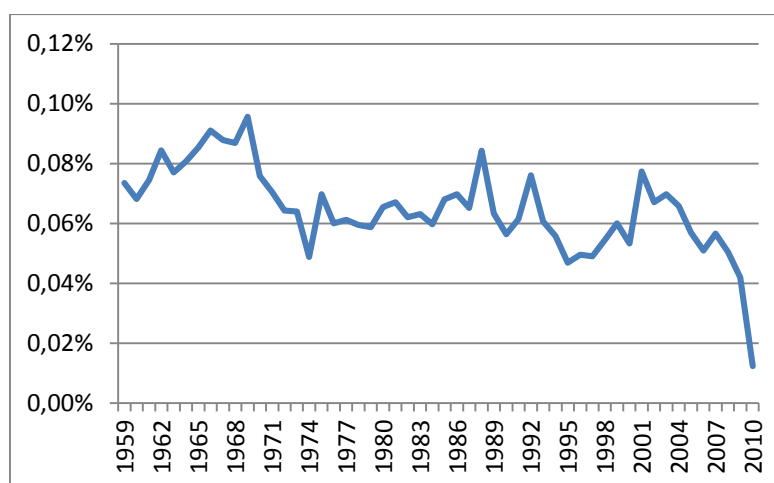


Figure 8. Revenues from the inheritance and gift tax as a share of GDP, Austria 1959-2010.
Source: WIFO, own calculations

In another study on inheritances, Farny et al. (1997) showed that effective tax rates were substantially lower than nominal rates and had been dwindling over time. The authors suggest that this downward trend may have been the result of the fact that the majority of monetary assets had been tax free since 1997 owing to final taxation. Further, the growing discrepancy between market and assessed values had caused realties to become more and more undervalued. These facts, coupled with the tax-free existence of foundations and various allowances, meant that the tax base of the inheritance and gift tax was gradually eroding over time.

On March 17, 2007, the Constitutional Court ruled the inheritance and gift tax unconstitutional as its provisions discriminated against the principle of equality.¹¹⁹ At the eve of the ruling, the tax was organized as follows: it placed a progressive burden on five categories representing degree of kinship, exempting stocks and interest bearing securities (as of 1993/94), as well as fund; foundations had already been exempted ¹²⁰; further there was a € 365,000 allowance for transfer of enterprises. Importantly, real assets were taxed at three times their assessed value, whereas other inherited assets had their market value as base (Berghuber et al. 2007: 16 f.).

This fact then offered the basis for the court ruling as financial assets were discriminated against vis-à-vis real estate. Moreover, also the numerous exemptions and the incongruence of using assessed value for taxing realties while using market values for liabilities was criticized. To be sure, the Court expressly stated that its concerns focused solely on the specific configuration of the tax and that it did not have any fundamental reservations against the levying of an inheritance tax itself (Berghuber et al. 2007: 19 f.).

In the ensuing public debate on the necessity or desirability of an estate tax positions favoring the expiry option were surprisingly effective in winning over large parts of Austrian society. This is striking insofar as both liberal conceptions (vis-à-vis the realization of an individualistic-meritocratic ideal) and leftist positions (in regard of distributive considerations) should have been favorable to the alternative option, namely a modification of the provisions so as to make the inheritance and gift tax

¹¹⁹ For an account of the background of the ruling see Lahodinsky (2006).

¹²⁰ Save for a 5% contribution tax, plus an additional 3.5% of the assessed value for transferred realties.

conform to legal requirements. In the course of the parallel debate in Germany, the Conservative Edmund Stoiber challenged the idea of taxing labor income while sparing inheritances (Marterbauer/ Schürz 2007: 38-40). However, arguments of double taxation ¹²¹ and economic deleteriousness were invoked against the inheritance tax, and it was portrayed as being administratively expensive, jeopardizing small businesses, house-owners, and savers, and generally hitting the middle class hardest.¹²²

In light of actual data on the distribution of wealth in Austria, the ready acceptance of such arguments is remarkable. Survey data suggests that the distribution of inheritances in Austria is highly concentrated. Only about a third of the population has made inheritances – those who do, again typically belong to more affluent circles (Marterbauer/ Schürz 2008: 159). Moreover, inheritances themselves show a high degree of concentration: The average inheritance of € 73,000 is a far cry from its median of € 20,000, suggesting strongly unequal sizes of inheritances. In 2006, 97% of accrued inheritances involved estates of less than € 73,000 responsible for just over half of the total tax revenue, with the remaining 3% accounting for the remainder (Marterbauer/ Schürz 2007: 42).

The debate ended in August of 2008 with then minister of finance Grasser stating in a public address that “we do not need an inheritance tax”. Although only accounting for a relatively small fraction of tax revenue, the expiry of the estate and gift tax put pressures on other taxes.

4.9.2 THE 2009 TAX REFORM AND BEYOND

The crisis that hit the world in 2008 also affected Austria, although arguably less intensely. This time around, however, leaders dismissed the concerns over balanced budgets that had intensified the economic ills in the past. Like most other industrialized nations Austria, too, responded to the gravest economic slump since the crisis of the 1930s with a comprehensive fiscal stimulus package combining spending and revenue measures. The adoption of a fiscally expansionary course built

¹²¹ As the inherited wealth had already been subject to the income tax.

¹²² See the myriad examples invoking above concerns sampled in Marterbauer and Schürz (2007: 50 f.).

on the belief that encompassing state action, exceeding the effects from the automatic stabilizers, would keep the economy afloat and secure jobs – and ultimately avoid the type of social ramifications that such crises may give rise to.

Part of the package constituted a tax reform initially intended for implementation in 2010 that was rescheduled for 2009 for the purpose of business revival. Already in 2008 a number of measures were implemented in order to combat the stark inflationary pressures of early 2008. These included reductions to unemployment contributions for low income earners, and increases to the *Pendlerpauschale* in what was termed the “*Anti-Teuerungs*” package; as well as the infamous “giveaways” of September 24, 2008, namely lowering of the VAT for medication and tax exemptions for extra hours (Schratzenstaller 2009: 688), which were hardly justifiable in light of the economic environment and contrast sharply to the expansion of short time work shortly after (Bock-Schappelwein et al. 2011).

The focus of the tax reform of 2009 was clearly to increase mass incomes, so as to stimulate private consumption. To this effect, tax scales in the wage and income tax were lowered, and the personal allowance increased, so that now 2.7 million persons, or more than 41% of taxpayers, were exempted from income and wage tax duty. In addition, the top rate threshold was finally elevated from € 51,000 to € 60,000, reducing the amount of people paying the top rate by 70,000, or 26% (Schratzenstaller 2009: 689). The reliefs from the income tax cuts were strongest in the lower income ranges in relative terms, absolute reliefs were strongest for high income earners (*ibid.*: 692 f.). These measures reduced tax revenues by some € 2.3 billion annually.

Alongside the modifications in the wage and income tax, a comprehensive family package was adopted, which increased direct or indirect monetary transfers by some € 510 million, notably through increases to child tax credits and the reintroduction of a general allowance for children, besides tax concessions for day care expenditures (Schratzenstaller 2009: 696 f.). To complement these measures, tax liabilities for business incomes were reduced and donations were made tax deductible. However, these components were secondary to the reliefs for households and families.

While the reform clearly benefited low income recipients, offsetting the effect from bracket creep, it increased progression in the lower and medium income ranges – kicking the bracket creep can down the road – and failed to both make the tax system more ecological and simplify it. Further, in light of the “expiry of the inheritance tax and the gift tax there will be no correction of the unequal distribution of inherited wealth in the future” (Schratzenstaller 2009: 702).

Although the Social Democrats won the 2013 elections running on justice-based campaign, not much of its voiced demands found their way into the joint SPÖ/ÖVP government program. To be sure, the vast privileges in terms of corporate group taxation are being scaled down and measures aimed at an extension of the capital gains tax to non-EU citizens were taken (Bundeskanzleramt 2013: 105). However, Chancellor Faymann’s core demand of a tax on property came to nothing – while the ÖVP managed to carry through the cancellation of the corporation tax by 2016 (ibid.). Further, a task force of experts from the social partner organizations, research institutions and the government is to work out a program for a tax reform – again based on tax cuts and simplification. The envisaged key features include reduction of the lowest bracket rate toward 25% (vis-à-vis 36.5% at the time of writing), tax relief for families, and a stronger ecological concern in tax matters (ibid.: 104, 106).

A novelty is the adoption of a financial proviso (*“Finanzierungsvorbehalt”*), which is to impose a self-restraint on costly policy matters – and which may mean that one will not see all, or any, of the negotiated points implemented. The recent government agreement, it appears, bears the Conservatives’ stamp and is a further step toward financial orthodoxy. After more than a decade of Austria influencing German tax policy (see Winner 2001), this trend seems to be reversing with the adoption of the German institutions of said financial proviso and the debt ceiling.

4.10 THE LONGER-TERM DEVELOPMENT OF THE TAX SYSTEM

For much of its history, Austria’s tax system acted as a means of economic policy. The reform of 1988 then challenged this long-standing tradition, feeding into a phase where tax policy was degraded to being much of a vehicle of budget policy. Thus, the

tax measures of 1996/7 and 2000/1 were predominantly aimed at boosting revenues. Only with the reforms of 2004 and 2005 was economic policy brought back into the tax policy arena (Lehner 2008: 83). Since the 1980s, tax policy began to be increasingly carried out in an adhoc manner (Farny 2013), predominantly reacting to immediate problems and following a surprisingly unsystematic approach (Schratzstaller 2013). The reform zeal of the 1970s and 80s faded with the 1994 reform (Rainer 2014). Following efforts at tax simplification this year also marked the reversal to growing complexity (ibid.).

When studying the Austrian tax system over a multi-year frame a few trends emerge. As illustrated below, tax receipts have steadily increased over time both in absolute terms (see Figure 9) and as a share of GDP (Figure 10).

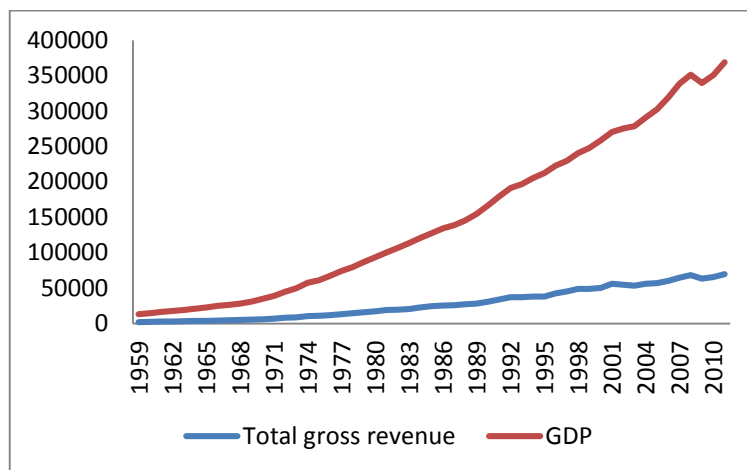


Figure 9: Development of GDP and total tax revenues, 1959-2011, in millions of Euro. Source: WIFO dataset

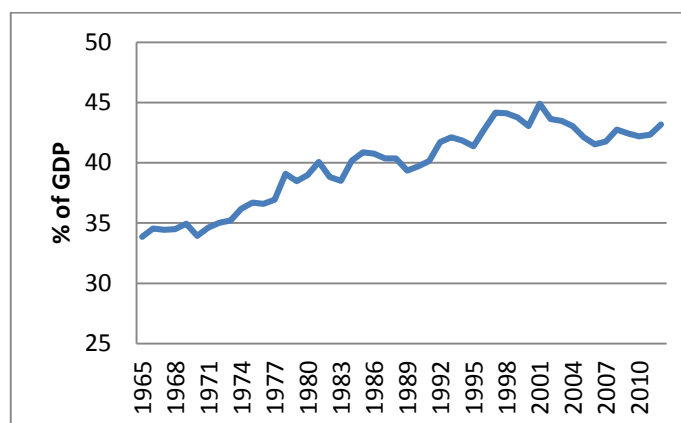


Figure 10: Tax revenue as a percentage of GDP, 1965-2012. Source: OECD database

Figure 11 sheds some light on the path dependencies within the Austrian tax system. It shows that it is the same range of taxes that tax-policy makers have relied on over the past 50 years. To be sure, there have been changes in the weight of a number of taxes.¹²³ However, the taxes that made up the bulk of total revenues in 1960 also did in 2010. In fact, as a whole, they have increased their share of total tax receipts.

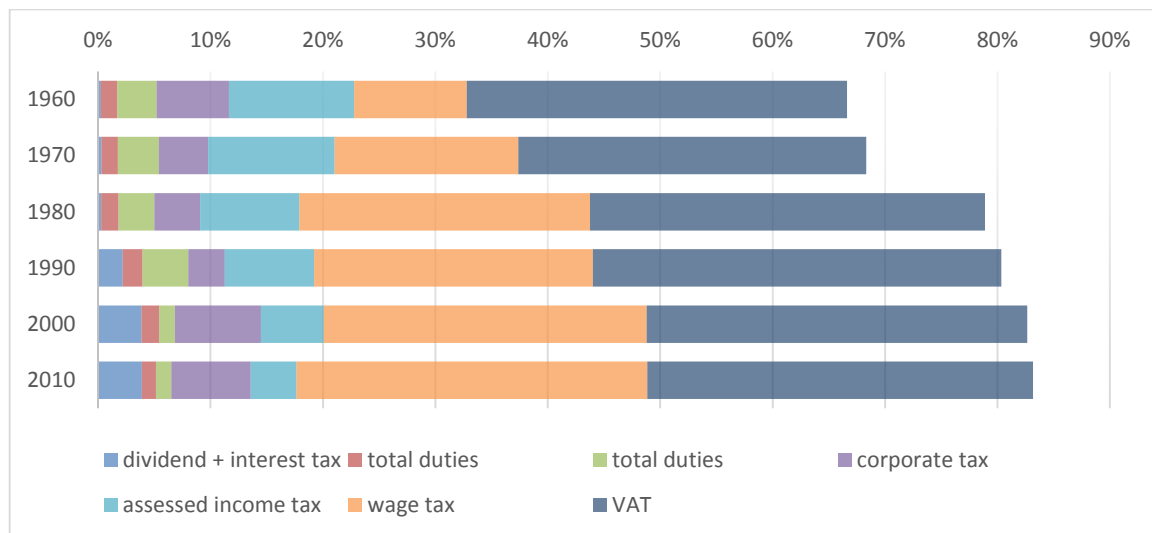


Figure 11: Sectoral composition of tax receipts over time, in percent of total tax revenues.
Source: WIFO dataset, own calculations

Income tax revenues have been steadily rising along with GDP increases. The exceptions constitute notably the years following income tax reforms, particularly the years 2008/9, 2001/2, 1993/4, and 1988/9, but also 1998/9, 1982/3 and 1967/8, as well as following the economic slump triggered by the first oil shock, captured in Figure 12. As can be seen, there is an intimate link between the development of the total income tax rate and the wage tax. While the weight of other kinds of income taxes has dwindled over the years¹²⁴ the wage tax has risen markedly, pulling overall tax takes along with it. The virtual correspondence between the two underscores the

¹²³ For instance the dividend and interest tax (KESt I and II) has experienced a sharp increase from 1990 onward, resulting from the 1988/9 and 1994 tax reform measures. Another obvious case is found when looking at the development of the wage and assessed income tax. Yet the reversing trend is also partly due to changes in regulations within the administration of taxes. See Schratzenstaller/ Wagener (2009: 326).

¹²⁴ With the ostensible exception of the corporate tax. However, as was established above this characteristic is rather a reflection of the conducted changes within the frame of the tax reform of 1994. See chapter 4.7.2.2 Stage Two: Restructuring the tax system

prime importance of the wage tax for income tax receipts as well as the overall tax yield.

This circumstance together with the fact that “[c]apital incomes have been ‘outsourced’ from the progressive income tax schedule” leads observers to draw the conclusion that the “once comprehensive Austrian income tax has evolved towards a wage (and pension) tax” (Schratzstaller/ Wagener 2009: 328). Also a growing reluctance of policy-makers to effect changes in the income tax through manipulating the tariff can be discerned. Correspondingly, attention has been focused more on “less visible tinkering with the tax base and its definition” (ibid.), which was also confirmed in one interview (Rainer 2014).

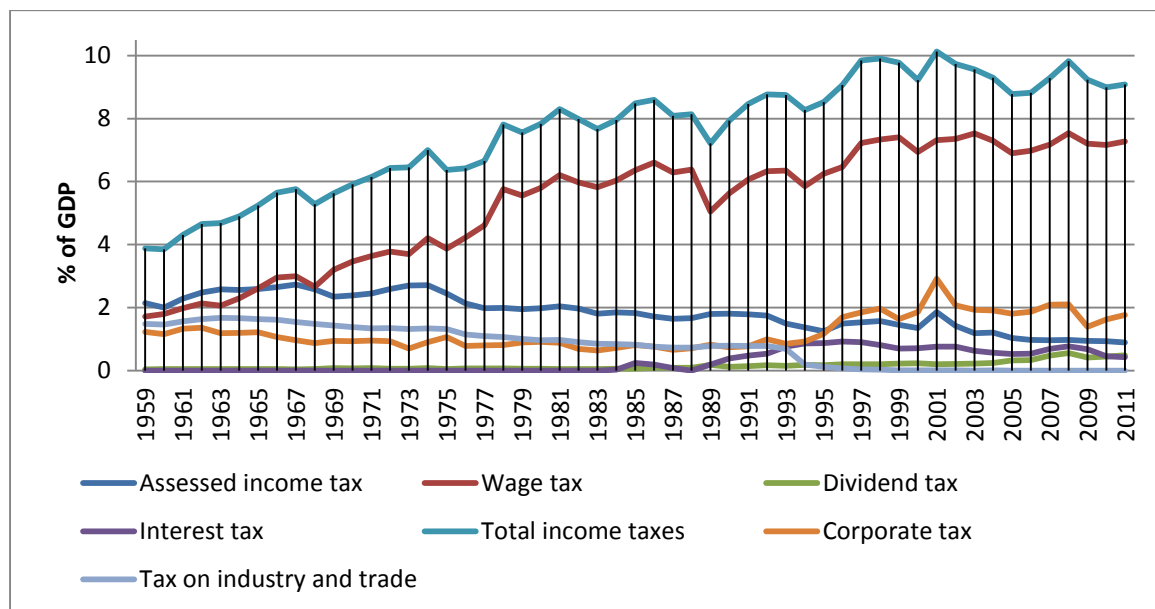


Figure 12: Development of income tax items as fractions of GDP, 1959-2011. Source: WIFO dataset

Yet the developments in Figure 12 above pale when juxtaposed to the levels that social security contributions have reached over the course of the Second Republic. Figure 13 below provides clear evidence of Austria’s growing reliance on contributions. While this reflects the development of an effective and reliable welfare state, it has also implied increasing burdens on labor incomes. Notably lower and medium incomes are affected by social security contributions, owing to the existence of a base ceiling and the acquittal of capital income for welfare state funding. Also the attempts at driving back social security by various governments since the mid-1980s are

evident. After the trajectory flattened over the course of the 1990s, it dipped during the ÖVP/FPÖ governments before bouncing back by the mid-2000s.

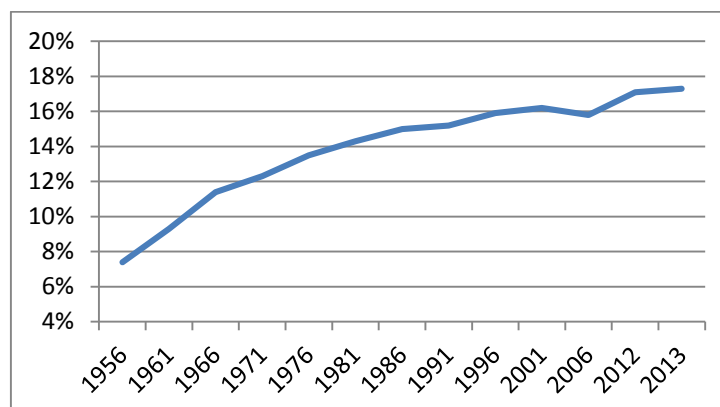


Figure 13: Development of social security contributions as a fraction of GDP, 1956-2012. Source: Hauptverband der Österreichischen Sozialversicherungsträger

However, since both economic growth and inflation induce rises in tax yields, the more interesting developments are the relative changes in revenue shares between various taxes. Since its inception in 1973, the value added tax contributed heavily to the strong increase in total tax revenue. While social security contributions also show substantial increases over time in both relative and absolute terms, taxes on property have exhibited a decreasing trend as a proportion of total revenues¹²⁵. Whereas contributing for almost 4% of total tax yields at its peak in 1993, the share of property taxes had halved to 1.98% by 2011, only accounting for some 0.46% of GDP.

¹²⁵ To be sure, the property related taxes – including of course the inheritance and gift tax – constitute stocks and thus cannot be assumed to reach any level similar to taxes on flows, i.e. income of any kind. However, this is not to deny the fact that taxation of stocks (e.g. various property-related taxes) has remained remarkably constant over time, before dwindling toward the end of the last century.

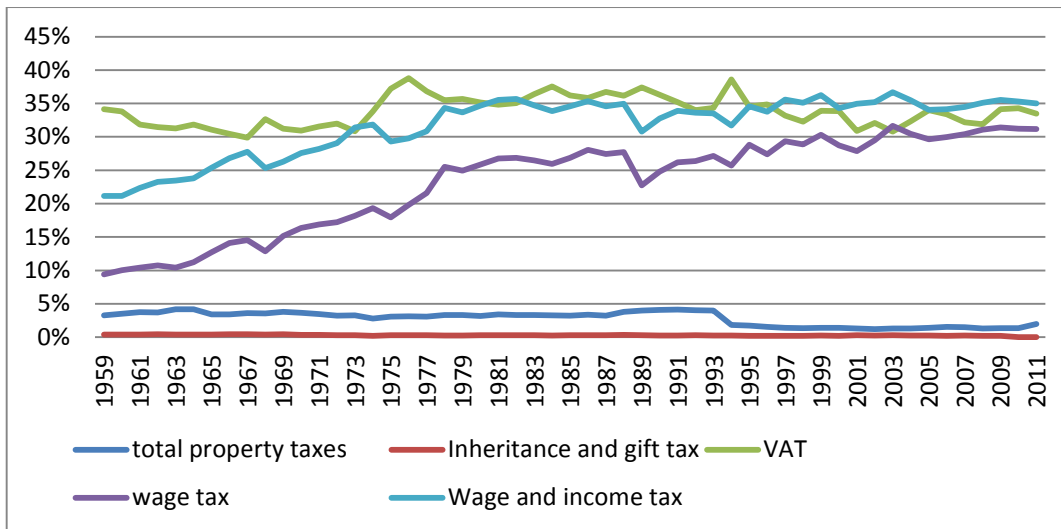


Figure 14: Development of various taxes in % of total tax revenue, Austria. 1959-2011. Source: WIFO dataset

Another interesting development emerges in the study of functional tax aims. In this regard, Austrian tax policy for a long time served non-fiscal purposes, notably fostering capital formation in terms of both real investments and savings. This aim was pursued through a substantive toolkit, largely relying on early write-offs, tax concessions for certain investments, as well as investment premiums and credits. While these measures contributed immensely to Austria's rapid economic development, they also gave rise to the very erosion of tax bases that the comprehensive reform of 1988/9 sought to stem. This fact implied formidable pressures on other revenue sources, notably consumption taxes, informing the discrepancy between Austria's and Germany's VAT rates over much of the 20th century (Lehner 2008: 79).

Interestingly, for all the political noise about a fair(er) distribution of income and wealth, Austria's tax system exhibits a remarkable absence of redistributive concerns. As soon as 1970, the tax system at large hardly showed any redistributive effect, with the result that income differentials could not be attenuated (Matzner 1970). The failure to attain redistributive effects within the tax system largely resulted from both better information and more options to exploit concessions and reduce tax liabilities for higher income recipients, the reduction of tax progressivity since the 1950s, the proportional effects from social security contributions, whose significance had been steadily rising, and the mere preservation of a subsistence minimum on the expenditure side (ibid.).

In Austria, particularly since the 1970s, income was becoming more strongly taxed. In light of a contraction in the share of labor income of the domestic product since the 1970s, as the wage ratio began to decrease relative to profits¹²⁶, revenues had to contract and the expenditure level would only be sustainable if either profits (thus capital) were taxed more strongly so as to bridge the discrepancy, or through a higher tax burden on wages. Austria opted for the second option, which is evident in empirical data (Imhof/ Leibrecht 2008: 56 f.). The option to heavily rely on taxation of wage income must also be seen in relation to the legacy of Kreisky's administrations, namely to uphold full employment comparably longer than other nations, as well as considerably lower unemployment rates following the demise of Austro-Keynesian employment policy (see Butschek 2012: 358).

An approach to studying the distribution of burdens placed on labor and capital, respectively, is to compare gross and net wage income shares. Glocker et al. (2012: 221 f.) show that the adjusted net wage income share has continuously deviated from the gross share, which suggests a divergence between burdens placed on labor and capital, respectively. The measures aimed at reducing burdens on labor as well as the economic slump from the advent of the crisis briefly reversed the widening differentials during the mid- to late 2000s (ibid.).

Figure 15 elucidates the comparatively high burdens placed on labor income in Austria. While still dwarfed by the ratio exhibited by Scandinavian states, the Austrian level is evidently above the average in the Euro area. The efforts at lowering burdens at the beginning of the decade, aimed at alleviating pressures on labor costs, show a rather limited effect. Since 2007, these effects have all but vanished.

¹²⁶ This may be due to rising unemployment, a weakening of labor representation and international trends resulting from the continuing integration into the European community and internationalization. However, it likely also results from the effects of substitution of labor through capital, which reflected the growing divergence in the costs of the two factors of production (Imhof/ Leibrecht 2008: 56 f.).

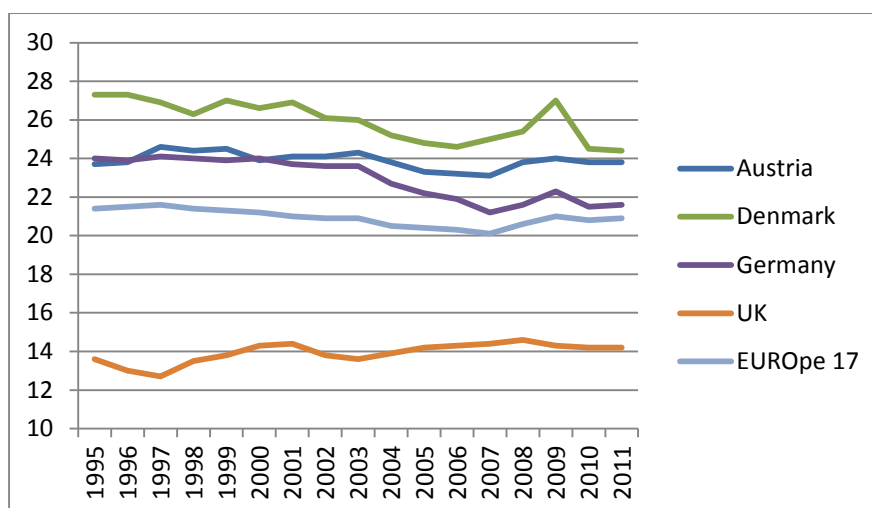


Figure 15: Taxes on labor in % of GDP, 1995-2012. Source EUROSTAT

Over the longer run one can identify a trend of converging marginal tax rates for different income groups. This resulted for the most part from cutting the number of tax brackets (Schratzstaller/ Wagener 2009: 317), notably in the course of the 1988/9 income tax reform. While progressivity has been affected through numerous discretionary measures, only for the top income group (local) tax progressivity has steadily decreased since the early 1970s. Incomes attributed to the upper and upper middle class, on the other hand, have exhibited the highest progressivity (Schratzstaller/ Wagener 2009: 321).

5. ANALYSIS

The purpose of the subsequent thoughts is to shed light on the *how* regarding Austrian tax policy making. Thus, the following chapter shall analyze the conditions that have shaped tax policy over the course of the Second Republic. As was discussed in the theoretical part, the contention guiding this study is that the idiosyncratic institutional framework of a state crucially shapes how tax policy is played out by determining the rules of the game. This structural component is complemented by the role of ideas, which guide political actors' strategic behavior through spelling out cause-and-effect relationships and informing agents' perception of proper policy choices (Campbell 2002).

5.1 THE INSTITUTIONS SHAPING AUSTRIAN TAX POLICY

In political practice the parties dominate the political system and act as a joint between government and parliament, as well as between them and the chambers and organizations (Tálos/ Kittel 2001: 54). However, the parties' clout is considerably restricted in light of the preponderance of the executive in the political structure. Since the Austrian government is not only an administrative body, but one entrusted with running the state, it is formally given the right of legislative initiative, and is further distinguished by its vast resources (Müller 2006b: 183). This puts the government "in a unique position to initiate policy" (Müller 1992: 109), letting it virtually enjoy a monopoly on authoritative political action in the realm of federal politics (Müller 2006b: 185).

Since continuous governance of government action by party committees is impracticable in light of both scope and complexity of affairs, government leverage is necessarily extended (Müller 2006b: 185). This fact is substantiated in empirical data, showing a trend toward higher autonomy of administrations vis-à-vis the parties they come from. Thus becoming "less of a mirror of social forces", and, while retaining party political underpinnings also "assuming a political identity that is increasingly separate from the parties" (Müller 1992: 111).

To be sure, the most exalted figure in government is indubitably the Federal Chancellor, who, besides the Vice Chancellor and Minister of Finance, is explicitly named by the constitution, making them the central elements of an administration. Notably the chancellor's double role as head of government and party leader puts him in a strong position (Müller 1992: 110 f.). This has been especially true in times of single-party governments, when “the chancellor's capacity to dominate cabinet decision-making increased substantially and he could exercise at will a monopoly of representing the government *vis-à-vis* the public” (ibid.: 111; italics in original).

The changes Austrian politics has experienced, notably since the end of the single-party governments of the 1960s and 70s, entailed a degree of emancipation of the government actors *vis-à-vis* their parties, as well as a decrease of the chancellor's sway over the government team. In light of the (informal) principle of unanimity in the context of government decision-making, cabinet ministers thus enjoy *de facto* veto power (Tálos/ Kittel 2001: 56).¹²⁷ Yet various interviews conducted by Helms and Wineroither confirm the view advanced in the literature that relations between ministries and between ministers and the government leadership are for the most part consensual (2012: 155). The fact that most Austrian ministers look back on long careers within their parties and have frequently been recruited as policy experts from the social partner organizations, has contributed to longer ministerial periods and inhibited ministerial interference notably on the part of the coalition partner (Helms/ Wineroither 2012: 156).

Of further importance are the myriad informal congregations established at various times for the purpose of enhanced decision-making capacity. Such “institutionalized power circles” are frequently recruited from the party leaderships, as was the case in the *Koordinationsausschuss* (“coordination committee”) and *Kanzlerfrühstück* (“chancellor's breakfast”) that were established during the Schüssel I administration (Helms/ Wineroither 2012: 156) and the *Koalitionsausschuss*

¹²⁷ This institutional constraint goes back to Karl Renner's attempts to increase government effectiveness by strengthening majority decision-making. Further, Renner instituted the norm of resignation in case a cabinet member strongly opposed the majority position. Through this, and dealing with controversial issues at late hours, an effective institutional constraint was established, that strongly facilitated majority decision making even in light of the requirements emanating from the provisional government setup (Hiscocks 1953: 32).

(“coalition committee”) of the 1950s and 60s (Müller 1992: 109 f.), which was also resuscitated in the early 2000s (Tálos/ Kittel 2001: 44).

The deliberate consensual character at the inception of the Second Republic also manifested in other areas, such as economic policy and industrial relations, and ultimately facilitated the establishment of another Austrian idiosyncrasy: the *Sozialpartnerschaft* – or 'social partnership' – system, frequently regarded the core element of Austrian corporatism (Gerlich 1992: 132). Ties of various degrees between specific ministries, parties and umbrella organizations notwithstanding, there has been a common and generally balanced participation of the four or five key umbrella organizations in Austrian realpolitik, although not with equal levels of influence (Tálos/ Kittel 2001: 41). Despite constitutional anchoring, the social partnership system has been characterized by an “institutionalized informality”, based on the premise of permanent readiness to negotiate of all parties involved (Kittel/ Tálos 1999: 108). The integration of the Austrian Trade Union Federation (*ÖGB*), the Federal Chamber of Labor (*BAK*), the Austrian Economic Chambers (*WKO*), the Conference of the Presidents of the Chambers of Agriculture (*PRÄKO*), and the Federation of Austrian Industries (*IV*)¹²⁸ is obvious on all levels of the legislative process, despite limits to cooperation between the actors and the sectoral extent of social partner involvement in policy-making¹²⁹.

The pattern of interest reconciliation has strongly built on the organizations' privileged integration in the policy-making process, what is known as *Konzertierung* (concertation), and *Akkordierung* (or adjustment) of the agents' interests. The interaction between such agents would take the form of institutionalized, formalized and informal interactions. This is what Tálos and Kittel describe as *horizontal linkages* (2001: 75). Its *vertical* counterpart being the pursuit of particularistic ends, via party-organization networks, such as between factions within *ÖGB* and the Social Democratic Party, or the Farmers' Association and *Wirtschaftsbund*¹³⁰ and the People's Party (Tálos/ Kittel 2001: 72; 75).

¹²⁸ Formerly the Federation of Austrian Industrialists (*Vereinigung Österreichischer Industrieller, VÖI*).

¹²⁹ For an account challenging the sectoral extent of social partnership see Unger (1999).

¹³⁰ the Economic Alliance.

Recent developments engendering greater informality, a continuing incorporation into modern media logics, and internationalization of political processes, led scholars voice rather pessimistic ideas about the state and future of parliamentary democracy ¹³¹ (Helms/ Wineroither 2012: 147 f.). However, notwithstanding clear signs of territorial losses on the part of parliaments, the suggested “de-parliamentarization” of political decision-making processes has not stripped parliaments of their role and powers: both their normative and empirical standing remain intact (Helms/ Wineroither 2012: 147 f.).

5.2 DECISION-MAKING BETWEEN FORMAL PROVISIONS AND DE FACTO PROCEDURES

The formal provisions of the Austrian constitution, in relation to the rights and responsibilities of the different institutions in the genesis of a bill, once again, contrast strongly with practical proceedings. The National Council is the place where political content is molded into legislation. In accordance with the principle of legality spelled out in article 18 of the federal constitution, which purports that all state administration shall be grounded on law, legislation is the single most important domestic form of molding political content (Müller 2006: 111). Article 24 B-VG demands that the legislative function be exercised by the National Council together with the Federal Council.

By far the most important way to initiate lawmaking is through government bills. The reason is often found in the access to capacities of the administrative apparatus that the executive commands (Müller 2006: 112); or in order to bypass formal institutional provisions, such as the obligation to obtain expert advice from corporate bodies such as the chambers (Sickinger 2000: 163). The other two formally envisaged means to lawmaking – from members of the Federal Assembly and through ballot measures, respectively – are significantly less important in light of the infrequency of their application (Müller 2006: 112).

¹³¹ See for instance Crouch (2004).

The typical lawmaking process in Austria proceeds as follows: A matter on the policy agenda of an actor ¹³² is first discussed in informal contacts within a government department. Beside ministerial officials, a number of societally relevant actors are called in, in particular the *Verbände*¹³³ constituting the social partnership system. In this pre-evaluation process, external expertise is sought and the scheme is tried for preliminary consensus. The outcome of such tentative conciliation then forms the basis of the ministerial draft proposal, which is subsequently submitted to the official review process, in which various actors, in particular the social partnership organizations, *Länder* governments and other ministries, present their evaluations (Müller 2006: 112 f.); this process usually takes six to eight weeks (Sickinger 2000: 163).

However, according to constitutional law, the statements of such actors need not be considered by the government; nor would failure to meet the requirement of assessment render a bill unconstitutional. Thus, formally the chambers and other actors depend on the government's will to include them and seek their evaluation in the review process (Tálos/ Kittel 2001: 37 f.). This facet, pertaining to the informality of the social partnership system, would become important in regard of the attempt of curbing the social partner influence on the polity on the part of the Schüssel I administration in the early 2000s (Armingeon 2012: 242).

However, the government's inclusion of additional actors in the policy-making process, notably the social partners, can also serve integral purposes. First, on a number of issues, particularly the big business and labor organizations have copious expertise which may not only be expedient but sometimes even necessary to obtain. Such action may be vital for anticipating side effects and fine-tuning policy mechanisms (Schratzenstaller 2013). Further, integrating civil society actors into

¹³² Government programs or coalition agreements are important sources of issues for policy-making; see Sickinger (2000: 163).

¹³³ The term *Verbände* is necessarily hard to translate, since they are not uniformly established: while the chambers – the *Federal Chamber of Labor* and the *Economic Chambers* constitute organizations under public law, the *Trade Union Federation* and *Federation of Industries* are free syndicates (Pelinka 1996: 14). Further, the institution within which they operate is an Austrian particularity, notwithstanding systems akin to Austria's *Sozialpartnerschaft*, e.g. in Belgium or Sweden (see for instance Tálos 2008: 13). In order to not flood this thesis with German terms, I shall use the terms *interest groups*, *organizations*, and *syndicates* synonymously to refer to the concept of Austrian *Verbände*, unless their distinctive traits need to be emphasized.

policy formation facilitates acceptance from the population, notably with respect to unpleasant provisions (Tálos 1999: 280). The legitimation accruing from inclusion of the social partners effectively debilitates critique and hampers counter-measures, such as strikes. Various governments took advantage of this quality, notably the Vranitzky administrations' austerity packages in the mid-1990s politically flew only on the basis of social partner backing (see chapter 4.7). Finally, implementation processes may see comprehensive participation in particular on the part of the chambers, who frequently exercise judiciary or bureaucracy duties for the state (Smekal/ Fink 1996: 27).

The ensuing draft bill will then be considered and decided on in the cabinet, where unanimous consent is needed for its adoption. Consequently, the go-ahead for a bill vitally depends on both political and inter-ministerial consent. Once decided, the government bill is forwarded to the National Council where the relevant committee(s), including government officials, civil servants and various experts, further discuss the bill and, where required, make modifications (Müller 2006: 112). After a first and second hearing¹³⁴, a vote is taken on the bill, generally requiring a simple majority for it to become law. A concomitant trend to parliamentary professionalization was the gradual shift of legislative activity from plenary sessions to specialized committees as indicated above. Parliamentary hearings correspondingly forfeit their role of engendering substantive debates on the content of pieces of legislation; the fundamental substance of bills is generally already set. However, they take on the equally important task of informing on the formation of political will, thus compensating for the committees' lack of publicity (Wimmer 2000: 699).

While the constitution envisages free mandate for ministers of parliament, in practice party discipline is an effective adversary to this provision. Uniform voting behavior may follow from the need for division of labor within parliamentary parties: In light of the amount of matters that have to be considered, MPs tend to specialize in the areas relevant for the committees they are involved in, and follow their fellow party members' advice on matters of other realms (Schefbeck 2006: 146). Indeed, the

¹³⁴ Or second and third if a first hearing was agreed to be conducted prior to the committee discussions (Tálos/ Kittel 2001: 39).

ruling parties' parliamentary groups deem it necessary to support the government (Müller 2006b: 186; 1992: 104). The point is that government bills are customarily rubber-stamped, leaving only little room for parliamentary action.

Although formally a bill needs the approval of both the Federal Council and the president, in reality their power to impede legislation is meager: while the former's veto is only suspensory, the latter's right to audit legislation applies only to examining whether it was passed in conformity with the constitution (Müller 2006: 113).

Finally, a law enters the implementation process for which the department(s) designated in the bill bear responsibility. Practically, however, the implementation of a law is in the domain of the bureaucracy. In some sectors, civil society actors may be involved in the implementation process by establishing advisory boards where they are included (Müller 2006: 113).

There are three modes of control that federal lawmaking and implementation are subject to. The first is political, and is typically assumed by the parliamentary opposition. To this effect, the opposition parties employ the parliamentary instruments of interpellation, inquiry committees, and motions of censure. Another is judicial and residing with the Constitutional Court, who can examine the constitutionality of specific laws and, where required, repeal them. This competence gives the Constitutional Court considerable leverage on tax policy. Since the mid-1980s, the Court has assumed a more active role, notably with respect to its extensive jurisdiction in the realm of family taxation, but also regarding taxation of interest income in 1988 and the estate and gift tax in 2008. Experts have thus attributed its growing influence on tax policy (Wagschal 2005: 312). The last mode of control is economic and rests on the Court of Audit. While the wider public is generally open to its critique, its evaluations do not carry penalties (Müller 2006: 114).

Although organized as an independent institution in 1922 (similar e.g. to the US), the practical relevance of Austria's national bank (*OeNB*) in the realm of tax policy is utterly limited (Winkler 1997: 284, quoted in Wagschal 2005: 298). This has also been true for the period before effectively forfeiting monetary autonomy with the accession to the EMU. Partly, this also results from the fact that interest groups were on the bank's board and held part of its shares, which implied a "double taming of the

formally powerful veto player Austrian National Bank (Wagschal 2005: 298, own translation).

5.3 MAKING TAX-POLICY

Although de facto policy-making processes approximate the ideal-typical mode of the lawmaking process laid out above, the forms and timing of involvement of the various actors, as well as who is considered, varies with type and matter of policy, and can further be affected by e.g. politicization (Biegelbauer/ Griesler 2009). Correspondingly, tax-policy processes, although largely following the habitual Austrian procedures, deviate from the outlined general observations in some respects. This is in large part owing to the complexity and technicality of the matter, which renders expertise paramount in the making of tax-policy, and grants experts a key role in the process. Yet the distributive dimension of taxation also makes it an inherently contested matter, putting it at the center of many disputes between the political parties, interest groups, such as employers' and labor unions, and, in the face of revenue sharing, the *Länder* (Tálos/ Kittel 2001: 171).

5.3.1 FEDERALISM'S DEMANDS

Being a federal state, the relations between the various levels of government shape tax policy in myriad ways. For one through the conflictive process of financial distribution. Although state and municipal taxes account for less than 10% of tax receipts, together they command about a third of the total (see Figure 16 and Figure 17). The sharing of sovereign revenues between the various levels of the state is necessitated by the distribution of competencies. Revenue sharing practices in Austria changed over the course of the 20th century, particularly in regard of the change to a transfer based system through adoption of the German tax code, and the subsequent switch back to its traditional organization (see chapter). Revenue sharing regulation is rooted in the *Finanzverfassungsgesetz* (F-VG)¹³⁵, with a

¹³⁵ Article 13 B-VG.

Finanzausgleichsgesetz (FAG) establishing the regulations of the intergovernmental financial distribution and tax authority, which is renegotiated every four years.

This contrasts sharply with the situation found in Germany, where revenue sharing provisions are ingrained in the federal constitution, making fiscal autonomy on the part of Austria's *Länder* appear seriously constricted (Dirninger 2003: 232). Although the *Bund* can issue a FAG without involvement of municipal or *Länder* representatives (Schaltegger/ Frey 2003), compromise is the habitual pattern of this "gentlemen's agreement" (Bußjäger 2012: 46). The time-limited nature of the FAG thus formally offers the possibility to adjust the agreements to changing circumstances. However, such revenue-sharing provisions are eminently path-dependent, rendering virtually all new regulations in this realm merely incremental adaptations (Aiginger 2006: 13).

To be sure, the *Länder* enjoy the right to invent taxes. In reality, however, this tax autonomy plays no significant role (Bußjäger 2012: 46). The time trend, thus, shows a centralization of tax competencies on the federal level (Biwald 2011: 25), which may be partly due to *Länder* reluctance to assume a higher degree of responsibility in terms of taxation (Karlhofer 2011, Schratzenstaller 2013). Figures 16 and 17 below provide an illustration of fiscal federalism in Austria. A key issue frequently, more or less polemically¹³⁶, discussed¹³⁷ pertains to the very fact that local and regional governments administer substantial funds for whose generation they are (largely) not responsible. The uncovered problem is, thus, one of accountability, in the sense that sub central governments are spared the costs from taxation but may reap the benefits from employing tax money, with prime incentives to overspend.

In reality fiscal equalization also happens through transfers in terms of public housing subsidies and the disaster fund. A key institutional constraint is found in article 6 of the FAG, which establishes a duty to negotiate with the federate states and the representation of municipalities on the part of the federal state in the case of tax policy measures that might reduce these entities' revenue shares (Finanzausgleichsgesetz 2008). This provision becomes crucial in the face of tax

¹³⁶ Prior (2010), Rauscher (2012).

¹³⁷ Bird (2005), Tanzi (2004).

reforms as it binds government to the negotiation table. Notwithstanding this legal requirement, however, the formal standing of the federate states is rather weak as the National Council is entrusted with legal competency for both the F-VG and FAG.

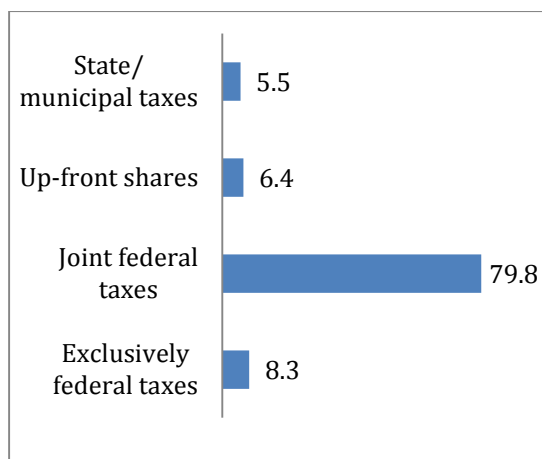


Figure 16: Total tax revenue by tax type, Austria 2012.
Source: STATISTIK AUSTRIA

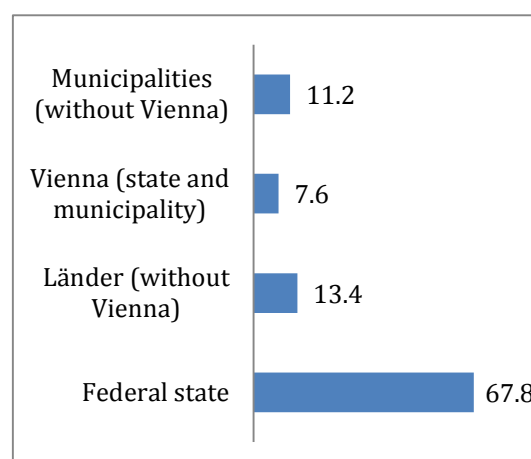


Figure 17: Total tax revenue by body politic, Austria 2012. Source: STATISTIK AUSTRIA

Once again, however, realpolitik belies the formal provisions: Owing partly to the concentration of functions of *Länder* governors¹³⁸ (Matzinger/ Pröll 2010: 74 f.) and the leverage of the *Landeshauptleutekonferenz* (LHK, the “conference of governors”) itself (Karlhofer 2011), in reality the *Länder* have considerable weight. Withal, the vertical links between government and sub-state actors, notably via party affiliation, create substantial institutional constraints on government leeway to deviate from the status quo.

The fiscal demands that the accession to the EU entailed, engendered the adoption of an internal stability scheme, which is to keep general government deficits within certain bounds, enforced through a penalty system (Matzinger/ Pröll 2010: 101 f.). The stability pact of 2008-13, however, was rendered quite obsolete in light of the galloping public deficits, particularly on the sub-state levels (Bußjäger 2012: 47). The ambitious open-ended pact of 2012, thus, aims at returning to a balanced budget by 2016¹³⁹.

5.3.2 THE FORMATION OF TAX-POLICY WILL

¹³⁸ As leaders of the *Landeshauptleutekonferenz*, leaders of the regional organizations of the federal political parties, and representatives of the federal bureaucracy (Matzinger/ Pröll 2010: 74 f.).

¹³⁹ Bundesministerium für Finanzen (<https://www.bmf.gv.at/budget/finanzbeziehungen-zu-laendern-und-gemeinden/oesterreichischer-stabilitaetspakt-2011-und-2012.html>)

Aware of the intricate process leading toward attaining a politically and technically feasible consensus, there seems to be an element of reluctance to incorporate a wide array of actors in tax-policy making. The executive sway in tax policy is also emphasized by Sickinger (2000: 173), who sees MP autonomy in issues belonging to the “economic basis” of governance heavily constricted. This holds true especially for budgetary and financial matters, where MPs have no leeway to alter the government line, notwithstanding the budget committee and its permanent subcommittee's encompassing rights of control (ibid.).

There are essentially two levels to be distinguished in tax policy. One is the expert level where the technical configuration is discussed by experts from the ministerial bureaucracy of the ministry of finance, academia and the social partner organizations. The level of political contest forms mainly along the ideological cleavages and clientele politics between the Socialists and People's Party, independently of government configuration (Tálos/ Kittel 2001: 171).

In line with article 42, the Federal Council is not involved in budget matters (Müller 1992: 123) as the National Council enjoys exclusive budget sovereignty¹⁴⁰. The basis for state budgeting is the Federal Budget Act, which spells out the principles of economicalness, cost effectiveness, and expedience. In response to perceived inefficiencies in the budgeting process the Ministry of Finance sought a “complete relaunch of the budget system ... based on a medium-term expenditure framework with legally binding expenditure ceilings as well as accrual accounting and budgeting” (Steger 2010a: 6).

Following the budget law reform of 2009, the annual *Federal Financing Acts* are now incorporated into a *Federal Budgetary Framework Law*, identifying budgetary ceilings for a period of four years. On the basis of the proposals obtained from the various ministries, the minister of finance then conducts negotiations, whose results are eventually incorporated in a draft Federal Financing Act. This first proposal is then decided on in the cabinet and consequently forwarded to the National Council, where it is allotted to the budgetary committee. There, in numerous and frequent sessions, the

¹⁴⁰ The subsequent remarks, unless otherwise stated, follow a description of the budgetary process published by the Austrian Parliament, available at: <http://www.parlament.gv.at/PERK/FAQ/BUDG/index.shtml>

intricate complexities of the budget are discussed (Sickinger 2000: 168). This is also where expertise is employed from a range of experts from within parliamentary groups¹⁴¹, as well as externally.

In line with above qualifications vis-à-vis the habitual pattern of policy-formation, the substantive negotiations in tax policy are carried out on the highest political level, as opposed to other realms such as employment and social policy, where the social partner organizations have been customarily entrusted with conducting negotiations (Sickinger 2000: 172). In terms of interest group incorporation tax policy is, thus, characterized by a complete lack of horizontal coordination of interests between the social partners, so central in other fields (Tálos/ Kittel 2001: 172). Yet, despite the limitations of direct leverage on tax policy making, the various interest organizations do exert influence indirectly via their respective associated parties. This observation was also confirmed in the interviews conducted (Farny 2013, Schratzenstaller 2013).

5.4 TAX POLICY IN A DYNAMIC PERSPECTIVE

As was fleshed out in the previous chapters, the interplay between political, economic, and social institutions on the one hand and ideas (political and economic) on the other, engendered a specific trajectory of tax policy over the course of the 19th and 20th, and into the 21st century. This is not to say that no other development was imaginable given the institutional configuration. Rather, what is suggested is a contextual frame linking the processes that impinge on tax policy. The following sections shall discuss the effects from various factors on tax policy development in a dynamic approach. It is necessarily hard to disentangle the myriad parameters affecting tax policy as they evidently interact, producing feedback and in turn shaping the environment within which other factors operate. It is my contention that institutions and ideas are to be treated on a par for attaining a deeper understanding of the environment tax policy is embedded in. However, for the sake of analytical clarity, the subsequent parts will aim at distilling the effects from institutional and ideational development, respectively. In light of the preceding thoughts, the repercussions between ideas and institutions will be considered where expedient.

¹⁴¹ And therefore often including interest group representatives linking parliamentary mandates with organizational representative functions.

5.4.1 LAYING THE INSTITUTIONAL CORNERSTONES

The political ramifications of developing parliamentarianism and the ensuing expansion of suffrage to broader sections of society (Scheffbeck 2006) also impinged on the development of tax policy. Similar to other nations, also in Austria the economic transformation processes around the turn of the 19th/20th century “brought with [them] a new set of political ideas and laid the foundations for the development of both the modern welfare state and the modern tax system upon which it is financed” (Steinmo 1993: 202).

To this extent, the centralization of revenue systems and the development of ideas of the state exceeding its minimal conception engendered an expansion of the tax system. The introduction of a general sales tax in 1923 and its quick expansion, making it account for a fifth of revenues two years later, and a parallel gradual decrease of tariffs (Gratz 1949: 249 f.), elucidate the growing concern for tax efficiency and free trade in the first decades of the 20th century. “State officials quickly learned ... that modern taxes were uncommonly buoyant sources of revenue and that they could be collected much more efficiently than traditional taxes.” (Steinmo 1993: 204)

Yet this fact did not preclude tax policy-makers to tap all available sources during the 1930s in order to realize the paramount economic goal of balanced budgets, with devastating economic, social, and political ramifications. Indeed, economic policy in the inter-war years, and particularly in regard of the way the economic crisis was addressed, was much in line with entrepreneurial representation (Gratz 1949: 290) and favored business and employer interests as well as those of agrarian elites (Tálos 2006: 15).

In Austria, as was the case in Sweden and the UK, through the development of the big parties, middle and working classes found a prime means of advancing their interests vis-à-vis the monarchy (Steinmo 1993: 203). In its classic conception, Montesquieu envisaged the division of powers between the legislative, executive, and judiciary branches of government. Through the formation of modern mass parties with fixed MP affiliation the dividing line no longer formed between government vs. parliament, but rather along the lines of government and parliamentary majority on the hand, and the

minority factions on the other (Schefbeck 2006: 140). This evidently implied a departure of Austrian political reality from the ideal-typical division of powers.

In light of the duopolistic fragmentation of the party system over the better part of the Second Republic, the resulting interleaving of legislative and executive powers (see for instance Bergt 2010: 104) – indeed a key feature of parliamentary regimes (see von Beyme 1999) – would consequently entail profound effects for decision-making. The political reality of parliamentary democracy indeed suggests a structural impairment if not a profound deprivation of power, resulting notably from the decades of impressive government majorities and the social partners' influence on law-making processes (Helms/ Wineroither 2012: 161). This follows from the effects of the resulting lack of a meaningful opposition, and the only *de iure* constraint of a no-confidence vote, which is *de facto* effectively undermined by party discipline and the association of parliamentary majority and the government (Pelinka 2009: 614 f.).

Although Austria was also a late industrializing country, which in many cases facilitated the development of strong and centralized unionism, interest organization before and during the First Republic, had had a low degree of centralization and concentration. This engendered particularistic and conflictive modes of interest reconciliation as both inter- and intra-organizational interest coordination was rendered ineffective, which was true of both entrepreneurial interest groups and unions (Tálos 2006: 13 f.). What further initially undermined *Konzertierung* and *Akkordierung* was strong political polarization and the absence of the idiosyncratic consensus between political parties, government and interest groups *vis-à-vis* questions of economic and social policy that is evident over long periods of the Second Republic (Tálos 2006: 14).

In spite of inherent institutional and ideological fragmentation, the specific institutional configurations that consequently formed the essentials of social partnership interest mediation, carved out over the course of the 19th and early 20th century. These include the predominance of government and its bureaucracy in policy-making, the organization of interests via chambers under public law, as well as the pattern of interactions between state bureaucracy and societal interest organizations (Tálos 2006: 13). Around the same time also the crucial vertical networks formed. Particularly the development of the social-democratic and the union movement were intimately

related¹⁴², already showing the idiosyncratic overlaps in terms of personnel, and the pooling of functions. Vertical networks between employer organizations and the Christian Social and the Greater German People's Party, on the other hand, were less pronounced (Tálos 2006: 16).

Consequently,

“[p]artly as a result of the need to address overarching interests, contacts between the *Lager* elites did exist and their co-operation gradually contributed to the development of a feeling of mutual trust that stood in sharp contrast to the style of their interwar interaction. The elite groups' prevailing political style became one of pragmatic bargaining and accommodation.” (Plasser et al. 1992: 18)

The keystones of social partnership were already evident in the reconstruction phase of the post war era: (i) A multidimensional system of cooperation between the government and parties and interest groups in commissions, as well as horizontal interest group cooperation; (ii) inclusion of these interest representatives in the government's endeavors at reconstruction; (iii) their alignment with goals of the economy as a whole; and (iv) the overlap of state and economic interests (Tálos 2008: 18 f.).

5.4.2 KEY INSTITUTIONAL DETERMINANTS

The development of Austrian tax policy is deeply rooted in the shock that the system took following the *Anschluss* in 1938, and the ensuing introduction of German legislation. The fact that Austria's evolved tax code was supplanted by organization principles differing in essential aspects, implied a caesura to the institutional foundation informing tax policy. The hitherto pursued path, thus, found an abrupt conclusion through institutional supersession. As discussed previously (see chapter 4.2 The Austrification of the tax system), the administrations of the post-war years decided against going back to the traditional organizational form, thus sparing the country yet another institutional revolution. To be sure, sectoral modifications to the inherited provisions were made, notably in relation to fiscal federalism (Weber 1962: 88 f.). The decisions taken at the beginning of the Second Republic set the general direction of the subsequent tax policy, in particular regarding the structural dimension of the tax system.

¹⁴² On the intimate links between unions and social democracy see e.g. Krula (2002), Klenner/ Pellar (1999).

By and large, the preservation of German institutional premises would subsequently engender quite similar outcomes for the two countries, which is indicative of the relevance of institutional factors in shaping tax policy. The similarities pertain not necessarily to each sector’s contribution to the total tax yield, but to the general revenue and institutional structure (Bach et al. 2001: 138). Compare the composition of tax receipts of these two countries to other nations and you will find profound differences (see Figure 18 below), e.g. markedly stronger reliance on revenue from incomes and profits on the part of Ireland or the US, or a comparably stronger (weaker) emphasis on social security contributions on the part of Slovakia (Sweden).

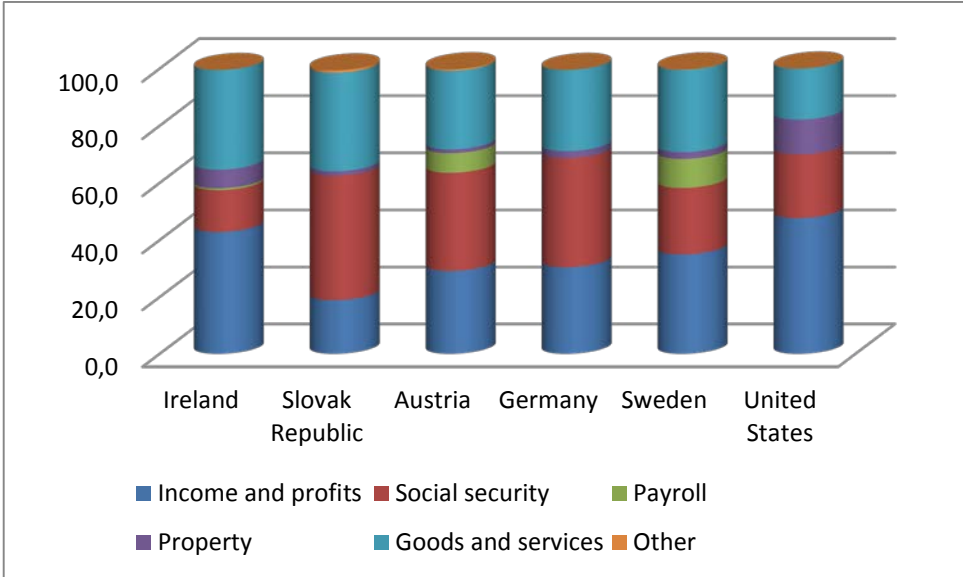


Figure 18: Sectoral tax revenues, international comparison, 2012. Source OECD database

When after the war many other European nations began to orient their welfare state services at the Beveridge report, Austria reintroduced its social security system, which, too, had yielded to the German organization (Heitzmann/ Österle 2008: 48). The decision to re-adopt a Bismarckian principle for the organization of social security established a pervasive path-dependent process. Constructed in this way, its funding was based on work-related contributions (Heitzmann/ Österle 2008: 47; Tálos 2005: 194). The alignment by the benefit principle in most parts of the system, notably the pension, unemployment and accident insurance schemes (Heitzmann/ Österle 2008: 49), meant that the expansion of services would drive social security contributions.

Within 20 years, they had increased by some 65%, accounting for 9.1% of GDP by 1975 (Butschek 2012: 349). Correspondingly, labor incomes faced increasing burdens, even in the face of expanding aids from the general tax yield to attenuate contribution advances. The pronounced growth of social security contributions would subsequently imply formidable pressures on labor costs particularly for lower salaries. Already during the 1950s, Austria's social expenditures were above other European industrialized nations. Only by the late 1960s did Austria take a place in the European average (Butschek 1985: 200).

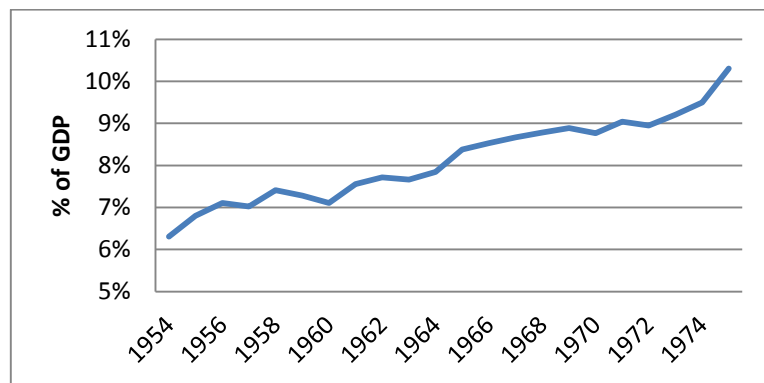


Figure 19: Development of social security contributions as a share of GDP, Austria 1954-1975. Source: WIFO dataset

The share of welfare spending between 1956 and 1975 doubled relative to GDP, as did retirees per working age persons. (Stiefel 2006: 78 f.). By the end of the 1980s, the development of welfare state expenditures then began to strain the capacities of the institutions bearing primary responsibility, notably the pension and insurance institutions. Obviously the expansion of the welfare state since the end of the reconstruction phase drove social expenditures, as did demographic developments (Butschek 2006: 105 f.). However, in particular the developments in the labor market of the last decades have significantly contributed to the financial bottlenecks of the welfare state. Higher unemployment implied reduced revenues while expenditures increased (Grüne Bildungswerkstatt 2013).

This fact is also to be seen in relation to the worsening in the ratio of the national income going to wages. A continuing stagnation of lower and medium real incomes coupled with the base ceiling favoring high incomes suggests funding issues. At the same

time, the rapidly rising incomes from capital were exempt from contributing to welfare provision (see Marterbauer 2007: 66, 86 f., 108 f.).

The government consequently increased federal subsidies in an attempt to deliver on its responsibility vis-à-vis their incurred losses by tapping general tax revenues, thus increasing the share of taxes used for social security purposes. This facilitated the doubling of social expenditures from 15% of GDP in 1955 to its peak of 29.3% in 1994 (Butschek 2006: 92 f.). Breaking the expenditure dynamic resulting from a deeply path dependent process was attainable only in conjunction with a shift in power relations and economic ideas. Thus, the medium-term goal had shifted to consolidating the budgets in large part by cutting welfare benefits (ibid.: 104).

The social partnership system provides a case in point for studying path dependence. The initially limited political authority bestowed on them magnified as these organizations put their authority to use (see Pierson 2000: 259). With the end of the Kamitz era, the sidelined umbrella organizations managed to reinvigorate social partnership; particularly the marginalized organizations representing employees' interests successfully lobbied for a formalization of the system, which was facilitated in large part due to the development of a technocratic mindset (Butschek 1985: 137-40, Lang 1978: 39 f.). The Socialist Karl Auch would occasionally blast the results of the *favor democracy* building up debt through clientelism, which he believed the coalitions fostered (1965: 332 f.).

With the stabilization of the currency and completion of the immediate reconstruction phase spawned the differences between the two dominant and governing parties. The fact that over the previous decades a centralized and concentrated system of employee and entrepreneurial interest representation had formed offered a way out of government stalemate. Similarly to Sweden, also in Austria the establishment and strengthening of extra-parliamentary decision-making bodies proved a feasible alternative to "redesigning the system and pushing power back into the legislature" (Steinmo 1993: 207). The advent of high growth and economic development coupled with the intimate links between parties and *Verbände* then also facilitated *quid pro quo* bargaining. Consequently, the employees' goal of expanding the social security system could materialize via low wage demands (Butschek 2006: 97) and the traditional conservative aim of keeping taxes low particularly for entrepreneurs, families and

farmers (Matzner 1970). This is in line with the developments in other corporatist states (see Beramendi/ Rueda 2007: 626 f.).

Within the frame of various bodies (Economic Directorate, Parity Commission, Advisory Committee), the interest representatives, in turn found a peculiar setting for impacting on federal policy. In this regard, the fundamental lack of expertise on the part of the parties granted the well-staffed interest organizations formidable clout. Notably the recommendations and economic policy advice that the Advisory Committee propounded carried utmost political weight (Lang 1978: 41). De facto delegation of decisions to the social partners during the 1950s, particularly in the realm of social policy (Unger 1999, Táló 2006), would subsequently engender the formalization of the social partnership system, which strongly corroborated the interest organizations' leverage. Although involvement of these groups is only formalized in the assessment process of a bill, their standing in domestic politics and linkages to Social Democracy and the People's Party, respectively, established a deep normative demand for the government to include them.

Despite the outstanding expertise they combine (Schratzstaller 2013), and notwithstanding the concern for the economy at large they are customarily accredited with, the social partner organizations ultimately are interest representatives with a clear agenda, namely to advance the interests of their respective members. This was generally confirmed in the conducted interviews. The employee representatives, thus, predominantly seek to correct the perceived imbalance between the level and extent of taxes on capital vis-à-vis labor (Farny 2013). Similarly, concessions granted to clientele of employers' organizations are to be balanced, which is elucidated in the defense of the privileges for the 13th and 14th wages (Rosner et al. 1999: 152, Marterbauer 2007: 125).

The entrepreneurial interest representation, on the other hand, for the most part is concerned with Austria's business environment. To this effect, it is in the interest of employers to keep labor costs and the burdens placed on profits (through the income tax and corporate tax) low (Schmid 2014). Although neither directly nor necessarily affecting the interests of their clientele (see Schlager 2013), it is little surprise that the Economic Chamber strongly rejects burdening property even for the purpose of cross-financing a relief of taxes on labor (ibid., Eberhartinger et al. 2013).

In light of an institutional setting putting them in an eminent position to pursue their interests, the social partner organizations crucially shaped tax policy over the

Second Republic. This they did not only regarding the general course of economic policy (Schöpfer 2006, Hannes Androsch im Gespräch mit Fritz Weber 1993), but also in relation to specific proposals as in the frame of tax reforms (Rainer 2014; Farny 2013, Tálos/ Kittel 2001: 174-6).

An institution with profound effects on Austrian tax policy is the long-standing and highly controversial bank secrecy law. A self-imposed tax policy constraint enjoying constitutional anchoring, it has proved a potent barrier for capital taxation. By effectively shielding monetary assets from the fisc, it contributed to the demise of the general property tax, and forestalled progressive taxation of capital incomes on the basis of the assessment procedure (Schratzenstaller 2013). In light of the virtual inability to effectively tax capital income over much of the Second Republic (and unwillingness to alter the institutional foundation), other taxes, notably the wage and consumption taxes, and public debt accounted for the lack of capital tax revenue.

5.4.3 INSTITUTIONAL CHANGES AND POWER SHIFTS

In light of the decision to readopt the republican constitution envisaging proportional representation, Austria's deep political and social polarization after the war engendered the (re-)formation of the two political blocks. Virtually equal in power (regarding election turnouts and organizational linkages), the lack of alternatives to grand coalitioning over much of the Second Republic produced eminent need for compromises. The quid pro quo deals on the part of the parties' affiliated institutions were one way of finding compromise. Bartering, however, also happened directly between the government parties by involving various policy fields in negotiations, e.g. the tax reform of 1994 involved a range of such barterers (Tálos/ Kittel 2001: 175).

With the incremental decomposition of *Lager* mentality, the consociational character that had distinguished Austrian politics was on the wane since the end of the 1960s. The electoral reform of 1970 proved consequential for the subsequent political development by strengthening small parties and therefore heralding the fragmentation of the political system. The political duopoly of the post-war years would thus slowly give way to a 2 ½ party system, which subsequently evolved into a multi-party system following the 1986 elections (Helms/ Wineroither 2012: 153). Although grand coalitions

continued as the default form of government, in light of a majority of FPÖ and ÖVP and Social Democracy's renunciation of ruling with the Freedom Party, the Conservatives capitalized on the SPÖ's increased costs through increased bargaining power (ibid.).

While for long Austria's economic institutions had fostered an even-keeled balance of power between the labor and capital side representations, and thus contributed to the stability of the social partnership system, with the incremental dissolution of the nationalized industries this balance was sensitively disrupted (Ostleitner 1990: 38). The loss of power that the labor representation consequently suffered, implied a disadvantage for swaying decision-makers. The power shifts within the affiliated Socialist Party further contributed to the ÖGB's and BAK's leverage loss.

At the same time, tax policy reforms brought the end of the property tax and the tax on industry and trade, strongly reduced the corporate tax and the top income tax bracket, increased social security contributions, and brought a general relocation of the emphasis of taxation from income and property to consumption (see chapters 4.7.2.1 and 4.7.2.2). Another factor driving the retrenchment in social partnership leeway was internal, namely increased heterogeneity of members' interests. Not only did this result in difficulties of interest unification; it also affected inter-organizational relations as conflict readiness increased as a result of externalizing internal pressures (Tálos 1999: 280).

When competition between the parties intensified since the mid-1980s, striking compromises was becoming more difficult. Further, the slowdown of economic growth and of tax base increases since the 1970s (due to the slowing of wage increases), coupled with growing public debt narrowed tax policy options. Particularly the two parties' rather contrasting views on tax policy, thus, have fostered compromises that are quite close to the status quo (Rainer 2014). In addition, growing concern not to alienate voters has engendered the motto that "nobody shall lose" with respect to tax reform measures (ibid.). Unsurprisingly, therefore, most of the recent tax reforms had more to do with minor adaptations to the status quo than with actual systemic alterations (Lehner 2008, Rainer 2014). While this hints at the persistence of the Austrian tax policy trajectory, the lack of vigorous attempts at systemic change in turn reinforces path dependence.

A crucial development in the institutional setup of economic policy harks back to Schüssel's economic agenda reform. Starting with the ÖVP claiming the ministry of finance

– traditionally the senior coalition partner’s turf – in the negotiations following the elections of 1999, economic policy tasks were subsequently transferred from the ministry of finance to the ministry of economy, which Schüssel himself had held between 1989 and 1995. The FPÖ’s ministry of finance was consequently reduced to overseeing the envisaged tax reform and budget matters, while the ÖVP’s novel economic switch board dictated the rhythm of economic policy through structural and supply side policy (Dirninger 2013: 240). Moreover, it took employment policy on its portfolio, which implied a severe loss of leverage for the unions (ibid.: 241).

By the early 1990s, the government under Vranitzky rather unsuccessfully attempted to break the established path dependency of social partner involvement. While a breach with the way that interest representatives are engaged failed, their leverage on federal policy waned (Farny 2013) as government became more assertive in both policy formulation and decision-forming, notably since the mid-1990s. Although still involved, government dictated both procedure and core contents, leaving only selected issues to be influenced by interest groups, whose involvement therefore pertained more to legitimation, rather than shaping (Tálos 1999: 280). The corresponding erosion of the pattern of horizontal adjustment of interests (*Akkordierung*) and coordination (Farny 2013), resulting from the effects of a changing political and economic environment (e.g. internationalization, transnational decision-making processes), was complemented by incremental matching of interests of government and entrepreneurial representations (Michalowitz/ Tálos 2007: 380 f.).

The right-conservative Schüssel I administration then fundamentally changed the rules of the game, actively seeking ways to limit social partner involvement in the assessment process. To be sure, in contrast to the changes to interest group participation during the 1980s and 90s, the activities since 2000 were motivated rather by domestic politics (Michalowitz/ Tálos 2007: 381). They also dovetail with a more general trend toward lobbyism and the concomitant rolling back of corporatist forms of interest mediation (ibid.: 373-5). However, from 2002 on (now Schüssel II), the government relaxed its behavior in light of popular and internal resistance, also on the part of president Klestil (Tálos 2005: 202; Butschek 2004, in Dirninger 2013: 243 f.). While formal involvement was, thus, reinvigorated the much more important way of participation via the political parties continued to be blocked for the unions and the

chambers of labor, while entrepreneurial umbrella organizations managed to use their intact vertical networks (Farny 2013, Tálos 2005: 202).

Since 2002, the ÖVP-FPÖ coalition broke with the traditional policy-making process, forming around compromise and barter on essential matters for employees and employers, by reducing access for interest organizations to decision-making processes and dictating terms with little room for negotiation (ibid.: 202 f.). Since the subsequent Gusenbauer coalition the influence of employees' organizations on politics has grown again (Farny 2013). The latest decision to continue the regulations with respect to the outdated assessed values regarding the land transfer tax for transfers within families, while expanding preferential eligibility (John 2014) bears witness of intact Conservative interest politics.

The institutional effects from EU accession need careful evaluation. Fundamentally, EU membership shifted authority from the national to the supranational level in a number of areas (Ucakar 2006, Falkner 2006). Particularly decisions in the realm of economic and budget policy have been affected by the shift of competencies and a tight-laced economic corset, with substantial implications notably for interest organizations. Austria's social partnership system was accordingly hit hard, seeing its institutional networks disintegrate and traditional scopes of action narrow (Michalowitz/ Tálos 2007: 376 f.). Further, European regulatory mechanisms and modes of participation have incrementally formed political systems and processes of member states (Michalowitz/ Tálos 2007: 375).

To be sure, while EU accession affected tax policy immensely through such indirect effects, direct effects have been rather limited as taxation largely remains a member state responsibility. Although there have been efforts at tax harmonization, notably in relation to corporate tax bases within the frame of the EU's activities against "unfair tax practices", the subsidiary principle applies (Rixen/ Uhl 2007: 4f.). Correspondingly, direct taxes are still shaped within national decision-making processes (see also Rainer 2014). Only value added tax provisions are prescribed by the EU. To this extent, the EU VAT directive¹⁴³ codifies the legitimate levels and relations of the VAT rate.

¹⁴³ http://europa.eu/legislation_summaries/taxation/l31057_en.htm

5.4.4 THE PLACE FOR DISTRIBUTIVE POLICY

In many Western democracies, political parties have not been very class-aware or ideologically driven, instead seeking the broadest possible support from the populace as well as interest groups and power centers. Hence, the sensitive issue of distribution was often denied a prominent role and statements frequently vague and tentative when voicing distributive goals (Rothschild 1978: 474). “The distribution of income – both in its personal and functional dimension – has proven to be surprisingly resistant vis-à-vis the goal of a ‘fairer distribution’” (ibid.: 480, own translation) frequently invoked in party programs. Measures aimed at a fairer distribution have further readily been opposed by reference to their constituting a threat to growth or price stability. Since measures threatening a “fair” distribution are rare, the distributive goal effectively becomes subsidiary only to be considered if other goals are not compromised (ibid.: 477). In Austria, distributive policy, correspondingly, had to yield to the demands of stabilization and growth policy (Matzner 1970: 199), and by the 1980s allocative efficiency (Walterskirchen 1992: 130).

Although a body to a large part concerned with income policy, the Advisory Committee served the aim of transcending particularistic interest politics on the part of the *Verbände* for the sake of overall economic goals (Tálos 2008). Thus, income policy was to be employed to the benefit notably of economic growth, as endorsed by the interest representatives (Butschek 2012: 301). This meant that redistributive aims fundamentally had to take a back seat (Lang 1978: 56). Monthly wages before taxes consequently only managed to match GDP increases 1956-75, subsequently lagging behind (Stiefel 2006: 78 f.). Such a growth oriented income policy, however, was only viable so long as it had the backing of sufficiently high growth (Lang 1978: 56). This relationship elucidates the growing tensions between the two sides in the allocation of production income.

In the years following the end of the war, the employers’ and employees’ umbrella organizations facilitated concerted action in order to avert a spiraling of wages and prices. The unions oriented their wage demands at real incomes rather than galloping productivity increases (Butschek 2012: 279). As was made clear, the decision to eschew comprehensive wage increases in light of raising living expenses due to inflation, was contingent upon the specific situation the nation faced (Tálos 2006: 18-21). However, horizontal reconciliation of interests between the two sides continued even after the

stabilization of the economy. After years of moderate wage demands, by the 1970s the unions managed to exploit their leverage backed by full employment, strong demand for labor and a vibrant nationalized industrial sector. The favorable wage agreements of the 1970s, however, could not avert the continuous decline of the wage ratio after its peak in the late 1970s (Marterbauer 2007: 107 f.).

While an improvement of the primary income differentials is desirable, it cannot substitute altering the secondary distribution (Walterskirchen 1992: 130). Interestingly, however, in Austria the responsibility of where distribution policy is to be carried out is not clearly assigned, and has often been passed on from unions to the realm of tax policy and back to the social partner system to be part of wage negotiations (Walterskirchen 1992: 128 f.). The focus on primary distributions found an ally in a strongly expanding social security sector, which has particularly benefited lower income earners (Matzner 1970: 181, 195 f.).

It appears that this combination may have distracted attention from the waning progression of the tax system, resulting particularly from the economic policy ideas since Kamitz, and the SPÖ's inability (during grand coalitioning) and unwillingness (during the absolute majority years) to initiate a comprehensive reform of the tax structure. However, these institutional effects did not entail a preoccupation with wage policy for distributive policy, which has never been a key concern thereof (Tálos/ Fink 2003: 207). Rather, the relation between wages and profits was to be maintained over the long run (Tálos 2008: 59). Indeed, union *solidarity* in wage policy resulted in amplified wage differentials for the sake of safeguarding employment and growth (Guger 1989: 103, in Tálos 2008: 59, Marterbauer 2007: 117). Compensation was realized instead in employment and fiscal policy (Tálos/ Fink 2003: 207). Both of these areas, however, would subsequently become key targets of the effects from the ideational changes taking place during the 1980s and 90s, thus reducing options for accommodation of employee interests.

Corporatist income policy turned out to be quite resilient to external pressures. In spite of a continuous deterioration of the adjusted wage ratio undermining the legitimacy of cooperative wage policy – which was based on distributive neutrality (Lang 1978: 179) – and the breakdown of the logic of welfare compensation and political influence for moderate wage demands, it was carried on (Tálos/ Fink 2003: 219). However, with the advent of increased competition of business locations ("*Standortwettbewerb*") came a

growing preoccupation with the cost dimension of wages¹⁴⁴, and wage agreements in many small economies began to be aligned to those of the major trade partners¹⁴⁵ (Jochem/ Siegel 2003: 20).

5.5 EFFECTS FROM IDEATIONAL DEVELOPMENT

When after the end of WW II the economic environment was even bleaker than it had been before the war, following the collapsing international economy, economic orthodoxy radically changed direction and was now strongly at odds with the set of ideas that had been driving economic policy in the inter-war years (see Blyth 2002, 2013; Galbraith 1988: 43). Economic policy du jour henceforth entailed demand-side management of the economy and an encompassing role for the state (Stern 1991: 494). In Austria, the newly forming Socialist and People's Party opted for a pragmatist approach directed at kick-starting the economy. As was noted in the previous chapter, the government willingly stuck with the German tax code, informed in large part by the substantially increased revenue it yielded.

“As government revenues grew, so did government's responsibilities. And as governments began to take on these responsibilities, both mass and elite attitudes toward the proper role of the state in society and economy began to shift as well. The same democratic institutions that made possible the expansion of taxes brought government into the management of both the society and the economy” (Steinmo 1993: 205).

This novel understanding of the proper role of the state engendered pervasive intrusion into the economic realm. While the immediate post-war years required state action for the purpose of coordinated reconstruction efforts (Butschek 1985, 1995) entailing aforementioned large-scale dirigisme, the subsequent decades built on a strong belief of the “manageability” of the economy (Koren 1990: 11, Butschek 2012: 300, Franz Vranitzky im Gespräch mit Fritz Weber 1993, Rothschild 1990). Correspondingly, tax policy in large part served an allocative purpose so as to promote capital formation (Imhof/ Leibrecht 2008: 56 f.) or support consumption (Butschek 1985: 156). Yet the tax

¹⁴⁴ Although Austria's key market is its home market, and hence wage costs correspond to consumption potential, this relationship has been increasingly discounted in a kind of paradox of rationality, where rational individual behavior leads to collectively irrational outcomes.

¹⁴⁵ Indeed, EUROSTAT data show that Austrian and German wages exhibit remarkably parallel developments since the turn of the century.

concessions granted for such allocative purposes gradually expanded in response to powerful agents' demands for tax expenditures (Weber 1962: 81). Such provisions would come to stay (Rainer 2014), with the effect of an incremental erosion of the tax base (Lacina 1993: 18), and making the tax code in general highly complex (Farny 2013, Rainer 2014). More importantly, since such “privileges are not defined in order to pursue equity objectives but to achieve political support, they turn out to be systematic instruments of achieving and maintaining power” (Wigger 2006: 22).

5.5.1 ECONOMIC IDEAS OF THE EARLY YEARS

Particularly minister of finance Reinhard Kamitz would severely shape the trajectory of Austrian tax policy. Although perpetuating public allocation of resources, he was concerned about the tax level in the economy, but also sought to balance the budget, as deficits, too, may drive inflation (Butschek 1985: 111). In an article, Kamitz outlined the tax policy ideas informing his actions. While acknowledging the compensatory quality of the income tax to balance degressive effects from indirect taxes, he emphasized the alleged common notion that “tax progression destroys the foundation of the free economy” (1954: 1 f., own translation). However, rather than seeking remedy from the perils of inhibited potential to save and willingness to invest¹⁴⁶ in a stronger emphasis on indirect taxes, Kamitz was convinced that the blossoming of private initiative and the economic process at large were less dependent on the distribution of the tax burden but “hinge[d] primarily on the level of total burdens” (ibid.).

The resulting tax-policy measures enacted by Kamitz were much in line with the ideas outlined above and informed significantly by the economic interest representatives, notably of *VÖI*, the congregation of industrialists (Schöpfer 2006: 186 f.). The growth enhancing tax measures of the 1950s, largely building on tax credits through early write-offs, depended on an overall growth-oriented economic substrate, which was found in the environment of the roaring 50s, whose inherent strong optimism also provided the basis for the effectiveness of the measures (Lehner 1987: 72). While Kamitz’s economic policy

¹⁴⁶ This point is ironic in the sense that if the insinuated superiority of private initiative holds, then given a project yielding returns on one's investment, said unwillingness to realize the project on the part of the investor appears utterly whimsical.

also featured a full employment perspective, this was subordinate to the creation of a business-friendly environment, stable prices and economic growth (Unger 1999: 165 f.).

The *Raab-Kamitz Course*, while portrayed as an early type of supply side economics and monetarist policy (Uher 1993: 39 f.), was undogmatic in some respects. For instance, it defied conservative calls for allowing for unemployment in exchange for healthy finances and used long-term credits rather than tax hikes to fund the considerable infrastructural investments (highways, railroads) (Aiginger 1985: 100). In the face of the economic slump of 1958, Kamitz relied on Keynesian fiscal policy measures, which engendered a serious deficit, quadrupling from less than 1% to 4% (ibid.).

Kamitz's active budget policy contrasts sharply to the self-restraint of the governments during the 1960s. An idea crucially shaping economic, and thus budget, policy was the notion of balanced budgets that Josef Klaus entertained. Correspondingly, budget policy was put in a corset. In light of a tax policy that was still informed by ideas of growth and private initiative (ÖVP 1998: 330), pressure on expenditures increased as revenues determined expenditures (Kriechbaumer 1998: 20). Neither was the call for a fairer distribution of income (ÖVP 1998: 335) realized – instead ÖVP MPs lamented low allowances in regard of the inheritance tax, calling to mind the confiscatory character of the estate and gift tax and invoking the example of house owners and farmers having to sell their estate in order to pay their tax duty (Mitterer in Stenographische Protokolle 1964: 3835), which would stage a comeback in the mid-2000s (see chapter 4.9 The “UMBRUCH”: Tax policy during the 2000s). It would need an economic downturn in 1968 for Social Democracy's call for expenditure needs determining revenue demands (Weihs in Stenographische Protokolle 1964: 3824) to manifest in Koren's counter-cyclical response to the recession.

The dominant approach during much of the 1960s of running an undervalued currency in order to improve the country's external position, under Androsch yielded to the idea of running a hard currency policy for the sake of inflation control, which correspondingly would keep wages and prices low (Butschek 1985: 148). The success of implementing such measures as a VAT or hard currency policy crucially hinged on the specific situation and the way the public was won over for rather unpopular issues (Hannes Androsch im Gespräch 1993: 195 f.). Particularly following the inflationary pressures from the oil shock this approach helped also the export sector, whose

importance for policy-makers manifested in the fact that economic upturns had long taken their impetus from the export economy (Butschek 2012: 302).

In this decision, however, also manifested Austria's subsequent quest for capital, as it boosted Vienna's attractiveness as a location for capital. In light of the severe budgetary effects from the first oil shock, the passed on economic ideas were modified and tax hikes introduced in response to the substantial budgetary strains that job security, the expansive fiscal policy, and activation of the automatic stabilizers engendered¹⁴⁷. Particularly consumption¹⁴⁸ and property¹⁴⁹ were targeted (Butschek 2012: 357). The *increase* of taxes happened in the face of ever louder laments over excessive tax levels stymying growth and reducing efforts, notably from monetarist circles (ibid.: 350). When assessing the empirical evidence, however, it becomes evident that the implemented measures were not very drastic (see e.g. Figure 5).

Kreisky's resignation in 1983 then accompanied profound political and economic transformations. As Kreisky left office, so did the Keynesian instruction sheet he was wedded to. The economic problems the country was confronted with following the second oil shock, particularly in regard of the crisis of the nationalized industries (the so called *Verstaatlichtenkrise*) and increasing employment and budgetary distress (Michalowitz/Tálos 2007: 371 f.), engendered doubts as to the adequacy of the prevalent economic organization and budgetary consequences of the dominant economic policy approach (e.g. Kriechbaumer 2008: 331 f., 334, 338).

Within the SPÖ voices critical of the status quo emerged. Whereas still in 1984 – after losing the absolute majority and forming a small coalition with the Freedom Party – new Federal Chancellor Sinowatz proclaimed that a change of course was not intended (Arbeiter Zeitung 1984, in Kriechbaumer 1990: 639), the incited internal deliberations gradually dismantled the ideas hitherto guiding economic policy (see chapter 4.7). The lengthy discussions need not be retold here, however, the Socialist Party incrementally opened up to neo-conservative and neoliberal positions, while trying to retain a decidedly Socialist spin. The expansion of the state began to be seen in its implication as increased bureaucratization with the resultant increases in costs and, thus, tax levels (Nowotny

¹⁴⁷ See Androsch's budget speech of November 1975, available at:

<http://www.oesterreich-am-wort.at/treffer/atom/0971D079-054-0002C-00000E8C-09714453/>

¹⁴⁸ Which during downturns remains fairly constant and can therefore contribute to financial stability.

¹⁴⁹ Traditionally exhibiting low burdens.

1986: 121 f.). Further, the welfare state was to be put on a solid financial basis so as not to jeopardize its existence (Vranitzky 1985: 434 f.).

5.5.2 ECONOMIC UNCERTAINTY AND SHIFTING PARADIGMS

The uncertainty that the specific situation engendered was aided by a concomitant appeal of neoliberal economic ideas and heralded a paradigm shift in economic and budget policy priorities (Michalowitz/ Tálos 2007: 371 f.). With the demise of Austro-Keynesianism, hence another set of ideas came to guide economic policy. While full employment remained an official goal (Vranitzky 1988), it must be perceived a semantic one in regard of the effects that privatizations, a wary eye on monetary stability and the trimming of the state had on employment (see e.g. Unger 1999). This new approach found its discursive expression in Franz Vranitzky's conviction to “modernize” Austria. The breach with passed on forms of engagement and organization of the economy built on a fundamental delegitimation of the hitherto dominant institutions and policies. The profound changes that Austria's economic and tax policy experienced were carried out first and foremost by Social Democracy. The key players in this regard were notably Vranitzky and Lacina, who formed new coalitions around the reorganization of the economy, predominantly with the Christian Social coalition partner (see for instance Unger 1999; Lauber 1997; Kittel/ Tálos 1999).

So while the Conservatives deserve conceptual credit for the change of course of economic priorities pursuing activities in regard of consolidation of the budget, tax reform, liberalization and privatizations, “critical to this success was not just the ÖVP's espousal of this change of course, but also the acknowledgement and contributions on the part of the SPÖ's leading economic politicians (Franz Vranitzky, Ferdinand Lacina, Rudolf Streicher, and Viktor Klima)” (Ditz 2010: 244). Indeed, Social Democracy seemed to embrace the new economic paradigm much more readily than the Conservatives despite the fact that it had developed rather in the tradition of the latter (Feigl-Heihs 2004). The fact that it was Socialists who enacted unwelcome legislation, crucially facilitated the viability of such policies (Hannes Androsch im Gespräch 1993: 193, Schratzenstaller 2013). This has been true of Germany, evident in the most incisive welfare retrenchment

policies carried out by the SPD in the course of Chancellor Schröder's *Agenda 2010* (see e.g. Butterwegge 2008). It was also true of Austria.

The strategic changes that economic policy incurred since the late 1980s need also to be viewed in relation to the developments in the institutional environment, outlined above. Since political management of the labor supply, notably regarding early retirement schemes (Marterbauer 2001: 451), dashed against consolidation objectives, monetary policy autonomy was forfeited, and budgetary leeway constricted in light of both external targets and domestic fiscal issues (Jochem/ Siegel 2003: 19), alleviation of growing unemployment was incrementally sought via supply side measures (Feigl-Heihs 2004). Accordingly, through promoting entrepreneurship employment effects were to be realized (ibid.: 166), with corresponding increases in consumption tax revenues (Rainer 2014).

Concomitantly, the powerful Economic Alliance skillfully tailored political demands to a major part of the Austrian population sharing the vague feeling of belonging to the disadvantaged and overburdened middle class. Calling for, inter alia, tax cuts for middle income earners, defined by grouping entrepreneurs, managers and owners, as well as senior staff and social climbers, the Economic Alliance strongly mobilized voters. Demands for class-specific tax cuts were broadened to feature a general call for reductions in the tax take, also as neither low income recipients (for equity reasons) nor top earners (for political reasons) could reasonably be offered as groups to bear the costs (Aiginger 1985: 112).

Indeed, when Grasser took office in 2000, he established a link between his economic ideas and the legacy of the *Austrian School*, a group of heterodox economists embracing free markets and usually associated with the names of Schumpeter, von Mises, Hayek, and Böhm-Bawerk (Stenographisches Protokoll 2012: 52)¹⁵⁰. The same government revealed its stance on the state in its vision of lowering the tax and contribution ratio to 40% by 2010, and to 33% over the longer term (Marterbauer 2007: 123). The latest budget speech by ÖVP's Spindelegger reinforced the small government ideal (Bundesministerium für Finanzen 2014).

¹⁵⁰ For a discussion of the Austrian school of economics see Chaloupek (2005).

Growing economic internationalization and competition for capital since the 1980s seemed to call for modifications in the tax code, also in light of potential first-mover advantages. This is the context within which tax policy measures aimed at relieving businesses and employees and offering productive capital attractive terms (Wiesner 1989: 39) were enacted.

The incidence of the severe crisis toward the end of the first decade of the 21st century then let ideas once again dramatically shift. Still in 2006 then minister of finance Molterer argued the case for “common sense policy”, which again featured the *Swabian housewife* ideal linked to a generational argument (Parlamentskorrespondenz 223, March 29, 2007). As it also included the call for a general tax cut, expenditures once again were targeted. The onset of the crisis then induced new minister of finance Pröll to shelve the funding question regarding the distribution of the costs of the crisis for the benefit of securing employment (Parlamentskorrespondenz 324, April 21, 2009). Soon, however, in line with the European consensus, the country was to slash its deficits and growing debt, the proper – indeed only sensible – way ostensibly being expenditure side consolidation (Parlamentskorrespondenz 959, November 30, 2010).¹⁵¹

To be sure, Social Democracy evidently pushed for a stronger inclusion of capital taxes, and indeed a number of taxes pertaining notably to gains in the realm of financial products were expanded and loopholes closed, respectively. Further, a special tax on banks was introduced alongside a tax on the accrual of assets to foundations in 2010 and 2009, respectively, and the former effectively raised receipts from property taxes by 50% (WIFO dataset). The status quo in tax policy, however, remained untouched as taxation of property continued to be perceived and communicated as “burdens on the middle class ... squeezing them of their hard-earned money and frustrating attempts at capital formation” (Parlamentskorrespondenz 959, November 30, 2010; own translation).

The last episode in the development of economic ideas came with the drafting of the government working program in 2013. Although the Social Democrats had been eager to exploit old associations of being the party for workers and demanded stronger taxation of wealth in Austria (SPÖ-Vermögenssteuer müsste bis zu 400 Mrd. Euro erfassen 2013), the program lacked a visible emphasis on employment and taxation of property. Instead,

¹⁵¹ For a rebuttal of this “apodictic” notion see OECD (2010), Wagschal/ Wenzelberger (2008), Schratzenstaller (2010).

one finds a reinvigorated call for austerity (Bundeskanzleramt Österreich 2013). The core of the measures has been portrayed by a social democratic official to reflect a “policy oriented at budget targets during a crisis, which finances increased public expenditures exclusively through cuts and sends the signal of wage restraint in regard of employees of the state” (Ablinger 2014: 11, own translation).

Although current minister of finance Spindelegger has emphasized the need for everybody to contribute to the goal of budget consolidation (BMF 2014), effective tax-policy measures spare high incomes and property, while further burdening low income earners by increasing burdens on consumption. Similarly, the voiced need for government to retract to its core tasks does not seem to preclude concessions for entrepreneurs (ibid.).

On the basis of the current framework it is hard to see how government is to safeguard the welfare state and full employment, and increase tax equity (Bundeskanzleramt Österreich 2013: 4, 8, 105), as vital economic policy tools have been forfeited over the recent past (Ablinger 2014: 12). The debt brake and fiscal compact have forestalled reliance on the practice of anticyclical policies and engendered the need for cuts in economic downturns (ibid.). It, thus, appears that the old ideas informing the proper organization of economic policy, although enjoying newfound popularity and success in the US (Rehm 2014), have moved beyond reach in Austria and the larger European context.

5.6 SOME REMARKS

The very organization of the economic system, meaning the importance of labor in productive activities and the creation of value, is a crucial factor for explaining the centrality of work-related revenues for government income (Rainer 2014). Indeed, the development of modern welfare states was intimately related to the growth of mass incomes (Steinmo 2003); conversely, its expansion directly impinged on tax burdens on labor income, the progressive character of the income tax driving revenue yields.

The income tax itself, and particularly the top bracket rate, is embedded in a highly constrictive environment, making deviations fairly difficult. For one thing, there is agreement that the rate should not exceed the 50% threshold for (tax-)psychological reasons. Moreover, economic development and increasing affluence mean that a large

part of middle income groups nowadays face the top marginal rate, with bracket-creep adding to it. However, the constitutional coupling of the income tax with the capital gains tax rate (the capital gains tax rate has to be half the top income tax rate for the minimum) has made a reduction of the top rate highly improbable, as it would need to entail a concomitant cut of the rate at which capital gains are taxed. For one, this would imply significant costs for the fisc (a 1% cut in the capital gains tax corresponds to a loss in revenue in the range of EUR 100 million on top of the forfeited income tax receipts). On the other hand, distributive concerns may render such an endeavor quite tricky (Lehner 2008: 87 f.).

The established trend of reducing the number of income taxpayers further restricts scope for meaningful changes in the structure within the income tax as well as with respect to the very tax code, if only because people are reluctant to give up privileges. The fact that taxpayers are ultimately voters then engenders corresponding effects on politicians' perception of their interest. In a similar vein go the manipulations with tax bases: "Income tax reforms are always controversial, and the tax tariff is the most prominent and (allegedly) easiest-to-understand component of the income tax law. Politicians might have simply become too anxious to touch it after 1989" (Schratzstaller/ Wagener 2009: 328). The effect from these factors is that notably the "Queen of Taxes" (ibid.) is highly path dependent.

6 TAXATION AND DEMOCRACY REVISITED

Sven Steinmo's (1993) seminal work on the links between taxes and democratic institutions has fundamentally expanded our understanding of the factors informing tax system development. The argument the author advanced was that the very way in which democracies have been set up in the course of moving from the ages of absolute monarchy to contemporary (Western) democratic systems has crucially shaped both the way in which tax policy is made, and its manifest outcomes. Steinmo, thus, maintained that although they share a canon of democratic institutions, the myriad idiosyncrasies of Western democracies may help explain why they produce such distinctively differing outcomes.

Taxation and Democracy was, thus, above all concerned with the effects of the democratic premises on taxation, which has also been the foundation of the presented thoughts thus far. Yet, Steinmo eschewed exploring the implications that the tax policy paths he traced engendered, thus remaining silent on the quality of the effects on democracy and democratic citizenship emanating from tax practice. Raising this question, however, seems to offer promising insights vis-à-vis the state of democratic affairs. This is particularly true in light of the manifest changes tax systems across regions have experienced alongside profound political and economic transformations.

Taxation and democracy overlap in myriad ways. Quite directly, taxation affects Locke's fundamental principle that people have a right to the fruits of their labor by regularly taking away from them a predetermined amount. With the so collected moneys various projects of material or immaterial value are financed. On this basis the elementary democratic institutions can be provided, including parliaments, courts, and regular elections, and public order guaranteed. Through advancing property rights, the rule of law and political equality, also core democratic elements are strengthened. Taxation is therefore crucial to the protection of democratic institutions and inextricably intertwined with democratic citizenship.

The following sections shall be guided by two aims. The first is to identify key concerns and consequences of the very character of the Austrian tax system by the time of writing. The second, and arguably more consequential, aim is to discuss the effects of the status quo for democratic citizenship in Austria. To be sure, while a comprehensive

study of the effects of taxation on the state of democracy in Austria makes for a prime research topic, it would go well beyond the confines of this thesis. Hence, the ensuing discussion will necessarily remain limited with respect to both scope and depth.

6.1 GROWING INEQUALITY AND TAXATION OF WEALTH

The last decades of the 20th century resuscitated income inequality. After income disparities had been decreasing between the 1950s and 70s, by the late 1970s this trend reversed and amplified over the course of the 1980s. The 2000s saw gaps between rich and poor increase further, with the highest increment in traditionally low-inequality countries, such as Nordic nations or Germany (OECD 2011: 22). As in most other nations, in Austria too, the onset of the crisis by the late 2000s halted the accelerating trend of income shares shifting from wages to business and property revenues (Glocker et al. 2012: 218 f.).¹⁵² Already in 2010, however, this relation was back on its long-run trajectory (ibid.: 222). The dynamic development of various types of property income show a marked contrast vis-à-vis their incremental relief from taxation (Lunzer 2006: 20). Research conducted by the chamber of labor on the basis of WIFO data further indicates that increases to wages and salaries for the period 2000-2010 had been taxed at substantially higher rates compared to incremental business profits (Arbeiterkammer Wien 2012: 54).

While there has been a trend toward income concentration at the high end of the scale, the relative losses in the share of the national income that lower income groups incurred resulted notably from declining market income shares (Marterbauer/ Schürz 2008: 165 f.). Indeed, the gap between primary and secondary income distributions remained fairly constant in the 1st and 2nd quintiles (Glocker et al. 2012: 235), which is indicative of functioning redistribution. Correspondingly, the value of Austria's Gini coefficient of per capita household income is markedly reduced through redistribution from 0.43 to 0.26 (Arbeiterkammer Wien 2012: 54), which is a substantial movement also in an international comparison (Glocker et al. 2012: 241).

¹⁵² This is to be seen in relation to the stickiness of wage income relative to business profits resulting notably from a wait-and-see stance on the part of businesses, as it were, and labor contracts, which usually cannot be terminated at discretion.

6.2.1 WEALTH INEQUALITY IN AUSTRIA

Yet income inequalities pale when contrasted to inequalities of wealth, as various studies have suggested (see Hahn/ Magerl 2006, Mooslechner/ Schürz 2008, Bundesministerium für Arbeit und Soziales 2013). However, as international comparisons show, Austria's tax system is characterized by a remarkable neglect of taxing capital (see the statistical evidence presented in 4). Even before the significant drop in revenues in 1994, notably from killing the general property tax, aggregated property taxes never exceeded the 1% of GDP threshold level (WIFO dataset).



Figure 20: Taxes on property, Austria 1990-2012. Source: WIFO dataset, own calculations

Lack of information on the extent of property inequality, as well as the derivatives of wealth concentration itself (Schürz 2012) meant that until recently there has not been an appreciable public debate on distributive concerns (Walterskirchen 1992: 127).

Although such studies have provided a generally unambiguous picture of increasing concentrations of wealth, available data frequently proved insufficient. Apart from high administrative costs, this has been a key argument put forward in discourses on taxation of property (for both arguments see Keuschnigg et al. 2013). Indeed, the fact that governments frequently lacked the necessary expertise (and failed to commission it) is rather telling (Steger 2012a, Marterbauer 2007: 93).

The recently conducted Household Finance and Consumption Survey (HFCS) offers the most comprehensive survey on the distribution of wealth in Austria and other European nations so far, allowing for cross-national comparison. This study corroborates the previous findings, showing that wealth in Austria is distributed quite unequally with respect to age, income group, education or asset type. A Gini coefficient of 0.73 for the gross wealth distribution as well as a 233-fold higher property endowment of the household at the verge to the 10% richest households relative to that on the verge to the 10% of the poorest, suggest a markedly unequal distribution. This relation deteriorates further to 581:1 when assessing net wealth instead (Fessler et al. 2012: 46).

Notably material wealth is important in Austria (Fessler et al. 2012). The results from the HFCS survey further show that even on the basis of a relatively equal income distribution a similarly equal distribution of wealth cannot be concluded (Schürz 2012a). Interestingly, Austrians exhibit a remarkable bias in assessing their wealth positions, in that individuals on the low end consistently overestimate, whereas their high-end counterparts underestimate their position. While this middle class bias may indeed result from ignorance of one's relative endowments, it may also suggest a deeper aspiration of belonging to the middle class (Schürz 2012a). Other surveys have also come to the conclusion that in Austria a vast majority signal belonging to the middle class (Linsinger 2011).

6.1.2 POLITICAL BEARINGS

While surveys have indicated that a majority would favor property taxes in Austria (Umfrage: Gut 70 Prozent für Vermögenssteuern 2010, Seidl 2012), a sober debate dashes against antagonistic party positions in the play of interests and its consequent exploitation for short-run gains. Legitimation of the pervasive economic inequalities in Austria is customarily based on the principle of merit. This notion, chiefly employed by the ÖVP, goes back to developing liberalism, when reliance on meritocratic criteria rather than social markers, such as class, age or sex, was promoted as the legitimate principle of social organization (Neckel 2012, Linsinger 2011).

Indeed, the ÖVP has not grown tired of emphasizing individual effort, espousing the familiar performance-oriented notion of distributive justice (see the ÖVP's party

programs; Parlamentskorrespondenz No. 275, 575, 955, and 959). When at the height of the crisis the idea was floated to tax wealthy individuals for the sake of increasing distributive equity, then minister of finance Pröll dismissed it single-handedly by reference to the fact that such activities would burden the middle class – and burden *property* (Parlamentskorrespondenz 959, November 30, 2010).

More recent calls for a property tax on the part of the SPÖ invited the familiar ÖVP rebuff that the Socialists were trying to “snatch grandma’s savings” (SP-Vermögenssteuer: Steuersatz Zwischen 0,5 und einem Prozent 2013). The Conservatives would further see families and privacy endangered¹⁵³ by such a “sniffing-tax”, which might hit “all of us” (OÖVP 2013). Yet the Social Democrats’ (moderate) proposal in fact entailed a tax free amount of a million Euro (some 15 times the median wealth level, see Fessler et al. 2012) – the ominous middle class, thus, would not have been affected.

The People’s Party’s firm stance on merit, however, sits quite awkwardly with its frequent attempts at averting taxation of capital and property, revenues from which might be used for the benefit of curbing the rather high burdens on labor income that “hinder work to pay off” (Parlamentskorrespondenz No. 959, own translation). Indeed, as one observer noted, ÖVP policy during the last term was fairly detached from the idea of merit, and quite to the contrary “was squeamishly preoccupied with preserving the assets of those already privileged by birth, descent, and status” (Linsinger 2011, own translation). Its most recent election campaign then featured the slogan “work through growth (*Arbeit durch Wachstum*)”; which raises the question why Austria relies so heavily on taxes detrimental to growth and employment, and so little on growth-friendly forms of taxation (see chapter 3.5).

Moreover, the rhetorical coupling of inequality of wealth with individual effort and performance by the Conservatives is refuted by empirical observation (see Fessler et al. 2012). Notably the issue of property and its transfer elucidates how in a society, whose self-image is one of espousing merit, descent is a distinctive factor shaping people’s life chances (Neckel 2012). Yet, even within the People’s Party calls for higher taxation of

¹⁵³ An interesting facet of the liberal concern with individual liberties and the protection of privacy is that it is readily invoked in cases affecting the assessment of property, however does not seem to be violated in regard of welfare benefit procedures, e.g. in the frame of Austria’s *Mindestsicherung* or the German *Hartz IV* provisions. See also Martin Schürz’s blog (2013).

more affluent social strata have not been absent, as minister of the interior and ÖAAB head Johanna Mikl-Leitner's controversial "gimme the dough" line shows (Pink 2011).

A concern with the issue of inequality and its alleviation is arguably the key element on a Social Democratic agenda, and much of its *raison d'être*. Indeed, SP old hand and governor of the national bank Ewald Nowotny has long recognized a threat to individual freedom in the incremental accumulation of political and economic power in Austria (1992: 18). The SPÖ's current party program also features myriad calls for greater equality, including the just distribution of income and wealth and equal social participation (SPÖ 1998: 6), and argues that inequality rather than equality of income and wealth demanded justification (*ibid.*: 9). Call to mind that it was a Social Democratic Chancellor and minister of finance, who enacted the sweeping tax privileges for capital during the 1990s. Recall further that it was again a grand coalition that decided to phase out the inheritance and gift tax in 2008. Against this backdrop, the express demand that neither capital nor property be advantaged *vis-à-vis* work-related income (*ibid.*: 7) rings hollow and cynical.

A comparison of the factual and rhetorical reality with the parties' programmatic stances brings to light a deep discrepancy. Indeed, the occasionally blatant disparities leave the reader wondering about Austrian political practice. Explaining the evident departure from fundamental values is a challenging task and shall be left to those better qualified for the job. Yet, from the interpreted evidence it seems plausible that the manifest middle class bias in Austrian society may have facilitated the property-friendly (tax) policies notably of the recent decades. In parties' attempt for voter approval, policies tangent to the hot-button issue of *who gets what and who pays for what*, especially when the majority believes it is affected, may well fly in one's face, and are particularly prone to misinformation and rhetorical finesse. Intensified political competition likely contributed to the parties' lack of willingness to put their money where their mouth is.

Further, political allegiances plausibly induced decision-makers to go easy on the clientele of associated organizations. The ÖVP's commonplace concern for business environments being critically marred by property-related taxation (ÖVP: "Vermögenssteuer gefährdet Standort" 2013) is instructive. Further, in light of increasing concentrations wealth, substantial economic and political power centers have established. Playing out their influence, political decisions can reasonably be assumed to

incorporate the interests of such informal power houses. The growing competition within the modern economic system further supports interest politics that serves a select few by offering a compelling frame of inevitability. Yet a key enabling factor lies in the recently established possibility to discriminate between income types, for which Vranitzky and Lacina bear responsibility. While the adoption of a dual income tax resulted in response to external developments and social learning processes, it has also engendered the possibility to tailor tax burdens accordingly.

6.1.3 EVALUATING THE ECONOMIC DISPARITIES

The consequences of such a marked concentration of property induce Schürz (2012) to regard it as the key challenge of social policy. On an individual level, the potential gains derived from wealth may entail social and other security or additional income, generally increasing one's capabilities. But they also impinge on possibilities of acquiring skills and qualifications (that then form the basis of labor income) (Berghuber et al. 2007: 3), access to information and use of consultation (which has been an eminent aspect vis-à-vis taxation issues), occupational choice, or what risks one can take (Schürz 2012). For a collectivity, concentration of wealth may manifest in growing accumulations of power, which not only undermine the principle that all members of a polity should enjoy equal opportunities, but also pose a challenge to democracy by boosting the ability of some to attain political outcomes that are to their own advantage. The very existence of such pervasive material inequality within nations has evoked analogies to a new "Gilded Age" (Krugman 2014) and invited comments about a resuscitation of feudal organization principles in modern times (e.g. Lingens 2013); and the political reality of a liberal oligarchy (Castoriadis 2006) or plutocracy (Neckel 2012).

The contribution of an eminent 20th century liberal thinker may offer some valuable insight here. John Rawls's seminal *Theory of Justice* envisions a society that is just as it is rooted in a just social framework, the *basic structure*. Background institutions organizing the backbone of society may well engender inequalities as long as they are not in conflict with equal basic liberties. Inequalities within society are further only permissible if based on equal opportunity, i.e. if everybody gets a fair chance, and if they are to the advantage of the least well-off in society (Rawls 2003: 42 f.). The state of

economic inequality in Austria is inherently at odds with Rawls's conception of justice, as it contravenes both his first and second principle of justice. For one, this follows from the fact of markedly impeded social mobility (Altzinger et al. 2013), implying a contradiction to the demand of "the same prospects of success ... for those similarly motivated and endowed" (Rawls 2003: 44).

The results from the HFC survey then question the existence of a functional "framework of political and legal institutions that adjust the long-run trend of economic forces so as to prevent excessive concentrations of property and wealth, *especially those likely to lead to political domination*" (ibid., my italics). While the formal provisions guaranteeing equal political liberties in democracy such as Austria are enshrined in and protected by the constitution, the concentration of wealth challenges the fair *value* of political liberties. This means that equal "chances of influencing the government's policy" are undermined (ibid.: 48).

While the fundamental features of democratic participation, namely elections and ballots, are evidently functional in industrialized Western democracies like Austria, they can merely be seen as one essential part of public reasoning and the idea of democracy (Sen 2010: 326 f.). Indeed, the notion of actual participation of mature citizens cannot be taken for granted in contemporary societies. Rather, it is rendered a normative ideal, when considering the way pivotal decisions for the polity are made, such as determining the demands of a "decent living", or the way that the question, as to who is to pay for the effects of the current crisis played out (Kronauer/ Schmid 2011: 159).

6.2 THE ISSUE OF DEBT AND GENERATIONAL EQUITY

Taxation as a means of collecting revenues for the purpose of funding public goods, as well as the further functions it is customarily entrusted with, constitutes an agreement between the people in a polity. As such, it excludes future generations who are typically very directly affected by the decisions taken today. Although there are obvious practical problems associated with addressing this democratic issue, it should not lead us to discount the effects from our actions on the livelihood of our progeny (see e.g. Weiss 1992). While this issue has been around forever, only more recently did a stronger concern become evident.

The issue of debt is intimately linked to taxation. Sovereign debt for the most part¹⁵⁴ accrues from deficits, hence the discrepancy between the amount a country collects in taxes (or rather, its total revenues) and its expenditures. In Austria, since 1975 sovereign debt has been steadily expanding with growing deficits (Seitz 1997: 57). As noted above, this upward trend established in consequence of the first oil shock when the administration under Kreisky embarked on an expansive fiscal course in order to keep the economy afloat. As budget deficits thus rose, interest payments, too, increased demanding ever larger shares of annual revenues. As these developments reinforced one another, the accumulation of debt picked up pace with the result that in 2012 sovereign debt had reached 73% of GDP – while interest payments accounted for 2.2% of GDP, or some 7.5 billion Euro (Rechnungshof 2013). Evidently, there would have been myriad other ways to spend this amount of money.

The issue with sovereign debt is manifold. One dimension is that budgetary leeway, for instance for economic stabilization measures, is seriously strained. This means that economic policy options shrink as governments keep a wary eye on public finances. A precarious state of fiscal affairs can further engender increased costs for taking up debt. In light of the implications that ratings can entail, governments have become sensitive to the notions of security and autonomy. Indeed, in the aftermath of the crisis public debt levels developed into the government's paramount concern as they allegedly threatened Austria's sovereignty (e.g. *Parlamentsskorrespondenz* No. 955, October 19, 2011, *passim*; Bundeskanzleramt Österreich 2011). In consequence, a *debt brake* was introduced establishing a debt ceiling, which was to forestall further deterioration of the budget.

Debt, however, also has distributive dimensions as the interest that the state pays on its debt is a direct transfer of tax money to the private realm. In light of the fact that creditors generally belong to more affluent groups and the proportional effect of the Austrian tax code (Steger 2012a), debt service constitutes bottom up redistribution. Another distributive concern relates to the issue of today's public debt for future generations, which has substantially gained in prominence over the past years. In then Vice-Chancellor and foreign minister Spindelegger's words, debt is an "original sin of

¹⁵⁴ There are other ways of generating debt, for instance when a government takes on another actor's liabilities, which was a widespread practice during the early years of the crisis, or a state assuming financial responsibility for its predecessor's debts, as the case of South Africa illustrates. See e.g. Blyth (2013).

politics” (Pressestunde 2011), which places unacceptable burdens on our children for the purpose of advancing present prosperity. In an address in 2013, Spindelegger went further, linking youth unemployment in the European periphery (“debt states”) to the costs that current generations encumbered those to come with (ÖVPVIDEOS 2013, see transcript in the appendix).

While debt incurs costs through interest payments, one’s liabilities are another’s revenue, which is to say that the tax money future generations will need to spend on debt service does not evaporate but rather to a significant degree stays within the national economy (Butterwegge 2008: 165). To be sure, debt reduces budgetary leeway and engenders undesired distributions. In light of the current overall tax level, and also said distributive effects, there isn’t substantial room for increasing existing taxes for revenue side consolidation. Evaluation of sovereign debt, however, importantly builds on its relation to GDP, suggesting that debt levels may be sustained and even reduced by a growing economy (BMF 2012: 4). The long-term development of GDP shows a clear positive trend, and may reasonably be expected to continue. Further, as the (unfavorable) example of the 1980s shows, interest rates are not fixed, thus under low interest regimes like today, even substantial debt can well be sustainable. If, thus, these factors do not deteriorate, then the burden that future generations will bear may in fact not differ markedly from the burden placed on today’s taxpayers (Butterwegge 2008: 166).

Since debt levels are to be cut, as common wisdom holds (ÖVP 2013) and without increasing taxes (Pink 2013), in light of the state of the economy consolidation is likely to entail expenditure cuts, for which social expenses have been a popular target (Wagschal/Wenzelburger 2008). The implication is that current consolidation conducted in the name of our grandchildren can plausibly engender cuts in the very realm that today’s youth mostly benefit from (Butterwegge 2008: 167). More ¹⁵⁵ or less ¹⁵⁶ recent examples substantiate this possibility.

The surfacing of the inflationary concern with generational equity coincided with the neoliberal turn, as the agenda building on retrenchment of the state, welfare state reform and economic deregulation is commonly labeled (see Ptak 2008). While fostering awareness for equity issues, the *inter-generational* argument distracts attention from

¹⁵⁵ Increases to class sizes, see Nimmervoll (2014).

¹⁵⁶ E.g. introduction of tuition fees, non-adjustment of child benefits.

aggravating *intra*-generational concerns (Butterwegge 2008: 163 f.). As the evidence presented in chapter 6.1 suggests, in many nations inequality has intensified while distributional equity has been on the wane.

By putting generational concerns in lieu of present social questions and linking developments in the former to the perceived exuberance that the latter has led to (Biedenkopf 2006: 174, in Butterwegge 2008: 165), discourses on increasing distributive justice become expressions of envy (e.g. ÖVPVIDEOS 2013). A serious debate on how to realize a more equitable distribution of the social product may in fact also engender solutions to related issues, for instance growing labor costs, fiscal consolidation, investments in education and research and welfare state funding.

6.3 TAX SYSTEM COMPLEXITY – FLAT TAX, A WAY OUT?

Decision-makers customarily employ the tax system for various purposes, such as promoting certain industries and growth, and encouraging or discouraging certain activities. On the basis of widely shared principles of fair taxation, individual abilities are to be accounted for. By taking account of ability-to-pay in the pursuit of fairness (Kaplow 1996), through tax breaks and as a consequence of distributional preferences (Rainer 2014), tax codes have become more complex over time. Indeed, complex tax structure may be an “inevitable consequence of public decision making that is mainly shaped by competition of political parties for office” (Wigger 2006: 19).

However by the 1980s, the degree of tax system complexity began to press governments to counteract this development, as the consequences had become seen as detrimental to business environments, and correspondingly employment. In the US, President Reagan launched two comprehensive attempts at simplifying the tax code in 1981 and '86 (Sandford 1993: 117-23). Other nations followed suit, and also Austria's 1988/9 and 1994 reforms featured a simplification perspective (Rainer 2014). It is generally argued that complex tax codes are inefficient, engendering high transaction costs and creating incentives and opportunities for tax avoidance and evasion (e.g. Laffer et al. 2011). Today, even the Chamber of Labor champions a simplification of the tax system (see Farny 2013).

In the UK, Thatcher introduced the simplest possible tax, namely a head tax, making “the duke in his castle [pay] the same as the peasant in his cottage” (Sandford 1993: 28). Although the unpopular poll tax was both short-lived and merely one part of the general tax code, since the mid-1990s a vivid debate had (re-)opened on the issue of (ultimate) tax simplification. On fairness grounds, the calls for proportionate (or flat-rate) taxation are customarily rooted in libertarian arguments, taken up e.g. by Friedman, Hayek, and von Mises (Fried 2002: 149-51). Frequent defenses of a flat rate tax also form around the view that it “vindicate[d] some important notion of equality”, left individual choices undistorted and “limit[ed] the (unfair) expropriation of the wealthiest classes by the majority” (ibid.: 151). On the other hand, a flat tax implies a fundamental breach with any notion of ability-to-pay, indeed suggesting the *opposite*.

The adoption of flat rate tax regimes in a number of newly forming former Soviet states since the mid-1990s, however, was informed by very different factors. As a flat tax schedule has the distinction of being easily administered, it offered a potent vehicle for revenue generation in the face of weak state capacity (e.g. Svejnar 2002). However, also burgeoning neo-liberal ideas and economic globalization processes contributed to the process of flat-rate policy diffusion (Thorndike 2007: 201). The perceived need for attracting foreign capital induced policy-makers to signal their business-friendliness by adopting proportional tax-regimes, which an influential epistemic community of policy-experts – wedded to a neo-liberal agenda – encouraged as it eased burdens notably on capital income (ibid.). Also in Austria, it had prominent supporters: Jörg Haider presented a flat rate tax in the course of the campaign for the 1999 general elections (Dirninger 2013: 229).

The spread of flat-rate taxes across the new EU states of Eastern Europe became virulent for Austria when Slovakia abandoned its complex tax structure and levied a radically reduced 19% on personal income, profits and consumption at the eve of its accession to the EU in 2004. The Slovak leadership received much praise from around the globe, and registered a 47% increase in foreign direct investments (Thorndike 2007: 213). Although the old EU states would not follow suit, this event consequently triggered a wave of corporate tax cuts in the old EU member countries, beginning in Austria in 2005.

For all its ostensible advantages, a flat tax can hardly be defended on the basis of fairness (Fried 2002, Rainer 1999). This follows particularly from the outstanding tax cuts

at the high end of the income scale vis-à-vis only modest relief – or even increases – at the low end, suggesting deep neglect of ability-to-pay. Further, both significant effects on entrepreneurial activity and the labor market, and the alleged increase in tax receipts resulting from rate cuts (*“Laffer curve”*), are far from a given (Oswald 2012). And indeed, in late 2012, the new Slovak government decided to abandon its flat tax in light of the budgetary state of affairs. The rationale offered held that there was no other way of consolidating the budget than to increase taxes for top earners and businesses (Slowakei Gibt Flat-Tax auf 2012). It, thus, appears that the flat tax turned out to be less of a panacea than has been held by proponents of small government, notably in a libertarian or neo-liberal tradition (see e.g. Kolm 2013).

7 CONCLUSION

Tax policy is first and foremost politics. This is perhaps the key insight of this study. As it touches upon the distribution of burdens and benefits, issues of power are inherent to taxation. The existence of pervasive information asymmetries makes tax policy an area particularly vulnerable to technocratic and political exploitation. Its significance for a range of vital concerns renders it a key arena of political battles.

I have argued that a sensible approach to studying tax-policy involves a focus on its underlying institutions. The contention has been that such arenas are structured by an institutional setup that shapes which actors are involved in the making of decisions. The institutions spell out the rules of the game. Therefore the institutional design determines the possibilities the various actors have to influence decisions, and crucially affect substantive policy outcomes by defining where policy-making processes can be influenced. Being the outcome of political action, such institutions are malleable and may differ from polity to polity (Immergut 1992). However, their establishment may induce processes of path dependence, effectively thwarting institutional change.

That said, agents can shape the institutional mesh within which tax policy is played out. To this effect, the ideas that political actors hold are key as they spell out cause-and-effect relationships and provide agents with a notion of the proper interrelations within the economy. They may therefore be understood as agents' *instruction sheets* (Blyth 2002, 2003), which carves out their importance in the making of decisions. Since the effect of ideas is also mediated by the constraints of the institutional mesh (Weir/ Skocpol 1985), tax-policy has been grasped as happening at the junction of institutions, ideas, and interests.

As the results of this examination suggest, such an approach is well-suited to capture the key factors shaping the development of tax policy. It was shown that over the course of time, various interests managed to influence tax-policy in Austria and elsewhere, with significant effects on the economy, politics, and society. The institutional environment tax policy in Austria is embedded in exhibits a remarkable discrepancy between formal and de facto provisions. Although the formation of tax policy will is a competency of the National Council, as envisaged by the constitution, in reality members of parliament have little scope of action in matters of economic and budget policy. To be

sure, the budget committee is an important locus in the budgetary process, as it is the place where political debate and expertise meet to discuss the intricacies of the budget. Yet it is the executive that calls the shots in terms of the essential direction in tax policy, which largely follows from the government's autonomy and the demands of party discipline. It is also a consequence of the know-how that the government commands through the bureaucracy.

In light of a simple majority requirement for the adoption of a budget act and stable political majorities, the key veto points are in fact located in the executive realm. The principle of unanimity in the cabinet makes it the crucial arena in the formation of tax policy will. Especially the reform of the budgeting process and the introduction of top-down budgeting in the last years of the 1990s strengthened the position of the minister of finance vis-à-vis the rest of the government team.

As was carved out, however, Austrian policy-making processes are vitally shaped by the influence of powerful actors. Although the budget process grants points of influence, the interests that can so impinge on policy are limited to a select few, notably the social partner organizations. As this lever is quite constrictive though, these economic interest representatives found the most promising way of influencing tax-policy via the political parties. Thus, they predominantly rely on the vertical networks to the party they are affiliated with for advancing the interests of their clientele in tax policy.

Apart from funding the modern state and its achievements, such as democratic institutions and the welfare state, taxation has also served more mundane purposes, which has been particularly true of Austria. Austrian governments have readily employed tax-policy for the sake of fostering saving or spending, and relieving businesses or workers, depending on the perceptions of the needs of the economy and the interests of powerful groups.

Austria's evolved tax system experienced a severe shock through the introduction of German legislation in 1938. The decision to retain the German tax code as well as welfare state funding on the basis of earned income crucially shaped the environment within which future (tax) policy choices were made. A novel understanding of the role of the government in the economy and the strong need for revenues at the outset of the Second Republic engendered sweeping taxation. The government thus relied particularly on consumption and incomes, which began to affect the economic reconstruction process.

In light of the perceived need for capital, then a wave of tax cuts was enacted tailored to the key economic agents, in line with the economic instruction sheet. These measures have been linked notably to the name Reinhard Kamitz.

Similarly, economic ideas during the 1960s and '70s employed tax policy for the purpose of management of demand, and would occasionally entail tax hikes when budget consolidation was the order of the day. Particularly the reform zeal associated with Bruno Kreisky also had a bearing on taxation, with a peculiar social reformist edge. To this effect, the individualization of the income tax as well as the move toward a VAT crucially shaped tax-policy. When the economic effects of two shocks began to unhinge the country's key economic institutions in the 1980s, the dominant ideas informing economic policy again changed.

Under the social democratic Chancellor Vranitzky and his minister of finance Lacina, Austria's dominant approaches to economic policy took a blow, with profound implications on tax-policy. For one, burgeoning supply side ideas led to drastic reductions in income and corporate taxes. Alongside concerns over capital burdens emanating also from an international economy closing ranks, the adoption of a dual income tax scheme meant a breach with the ability-to-pay principle. Seen also in light of the pervasive relief in terms of property taxation, it also engendered an increasing reliance on the wage tax and the VAT, as well as social security contributions. The winners of these reforms were particularly high income earners and businesses. The measures enacted in the late 1980s and '90s, thus, heralded the *regressivation* of the tax code and welfare state cuts, which has been a characteristic development in most industrialized countries in recent decades.

Although the same economic ideas informed the *Nulldefizit* and the focus on balanced budgets in the early 2000s, tax policy again began to be employed for the purpose of economic management. The drastic cuts in corporate tax rates in 2005, a decisive step in the old EU states' attempt to defy the flat tax regimes that had been adopted in neighboring states, and the expiry of Austria's inheritance tax in 2008 – as well as the generous foundation provisions enacted already in 1994 – bear witness to Austria's hard play in the international competition. This quest for capital came at the cost of growing burdens on low and middle income earners through the wage tax and social security contributions as well as various consumption charges, which concomitantly

increased to offset revenue losses; as well as a general shift of taxes from capital to labor income.

Although in response to the financial bottlenecks in relation to the crisis at the end of 2000s political actors warmed to the idea of increasing burdens on capital, the latest government working program does not feature any intentions in this direction. The specific tax and budget policy environment has further engendered a political discourse on the issue of tax simplification and fostered a distinctive concern for future generations.

The specific trajectory of Austrian tax-policy over the course of the Second Republic has led to pervasive economic inequality. Although (labor) income disparities have increased over time, a strongly redistributive welfare state managed to attenuate this development. Yet inequality with respect to property has reached levels usually associated with developing nations.¹⁵⁷

This fact, and the state of affairs that has engendered it, is problematical for a number of reasons. For one, the extremely low taxation of property, and capital income, means that other taxes need to bear heavier weight, which may be detrimental to growth and employment (Schatzenstaller 2013), and shift the tax burden to groups already strained. However, it also has profound implications on democracy as pervasive accumulation of wealth involves concentration of economic and political power. This in turn may undermine democratic citizenship as the principle of equal opportunity is violated resulting from the profound increase in capabilities ensuing from commanding property.

Perhaps even more alarming is the fact that such concentration of political power in the hands of a select few crucially enhances influence on political decisions. The possibility to attain political outcomes to one's own advantage is thus facilitated for some, while the concerns of others may increasingly become sidelined, as the discourse on the so called two-thirds society (*"Zweidrittelgesellschaft"*) suggests. This relation evidently violates fundamental notions of equality, as was shown with reference to John Rawls's ideas of justice. The notion of path dependence captured crucial institutional constraints on economic and indeed tax-policy in Austria.

¹⁵⁷ In terms of Gini values.

The establishment of path dependent processes in relation to the organization of the welfare state and the revenue-sharing demands resulting from federalism have significantly shaped tax-policy in Austria. Regarding federalism, I advanced the plausibility that the organization of fiscal federalism has implied upward pressures on tax yields. While there is indication corroborating this argument (Matzinger/ Pröll 2010, Steger 2012a), its basis does not appear firm enough for confirmation. Plausibilities (ii) and (iii), pertaining to the role of the welfare state for tax levels and the shifting of tax burdens from capital to labor income, respectively, seem to be confirmed by the empirical evidence. Similarly, the view that the progressivity of the tax system declined over time is substantiated in the data.

Lastly, the preoccupation with constant wage agreements on the part of the unions that may have distracted attention from affecting secondary distributions via the tax system, can neither be confirmed nor rejected. The evidence suggests that primary income differentials have increased over time and the wage share worsened, while secondary distributions remained comparably constant. This, however is largely accounted for by redistribution through the welfare state, rather than the tax system. To be sure, the employees' organizations have evidently lost influence in tax policy over the last decades. Whether there has been a preoccupation with wage agreements, or rather with compensations in other policy realms could not be determined. There simply is not enough indication to give a clear answer.

As an eminent scholar and commentator on Austrian political economy concluded a while ago, the rigidity of the manifest differentials and income hierarchies are an expression of a society, whose members seek to defend by force their traditional relative positions (Rothschild 1978: 484). Austria's political elites would be well advised to take measures to counter the trend of staggering economic inequalities. For one, because the future of the economy may be contingent on whether or not policy-makers manage to muster the necessary funds for investments in vital realms of the economy. And not least because citizenship engenders fundamental democratic rights, which are challenged in the existence of inequalities of such degree.

To be sure, taxation of wealth in today's interconnected and liberalized economic system has become trickier. This may require concerted activities on a higher political level. On the EU level, there have been attempts at harmonization and information

sharing. In order to increase effectiveness of national tax authority, common approaches at tackling common challenges are indispensable. Yet, even in the absence of functional activities at a higher level, there are various things national governments can do on their own.

One meaningful contribution in Austria lies in giving up the anachronistic reliance on assessed values and using market values instead for determining property values. Further, a new assessment of these assessed values might also offer potential to increase property-related taxation, as the current basis goes back to 1973. The considerable loss of tax revenue as a consequence of the generous provisions in terms of the foundations are hard to legitimize, given the fact that benefits accrue almost exclusively to private persons. A modification of the provisions is thus desirable. Finally, the inheritance and gifts tax should be reintroduced, as it constitutes a powerful tool to counter the passing on of concentrated wealth. If the ideal of a meritocratic society is to be approximated in any meaningful way, a functional tax on inheritances is a *sine qua non*.

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Zeit im Bild 2, April 8, 2013: Hanno Settele Interviewing Franz Vranitzky

APPENDIX A: TRANSCRIPTS OF THE CONDUCTED INTERVIEWS

A (I) TRANSCRIPT OF THE INTERVIEW WITH DR. OTTO FARNY, SEPTEMBER 26, 2013 AT AK WIEN, VIENNA

BP: Es sind in den letzten Jahren jetzt immer wieder Stimmen laut geworden, die eine Reform des Steuersystems in Österreich verlangen oder fordern. Wenn jetzt nach der anstehenden Wahl die diskutierten Reformvorhaben realpolitisch angegangen werden, wie schaut das aus, wie kann ich mir das vorstellen? Welche Prozesse werden da anlaufen?

F: Traditionell ist es so, dass die Sozialpartner Einfluss nehmen auf die Steuerpolitik, weil das ja eines der wichtigsten Politikfelder ist, wobei vielleicht im Ablauf der Geschichte es so war, dass es immer wenig Konsens zwischen den Interessenvertretern gab, sondern der praktische Einflussnahmeprozess geht über die Parteien. Also die Parteien, im Fall der SPÖ lässt sich von der Arbeiterkammer beraten. Wir arbeiten auch Vorschläge aus und versuchen die Parteien sozusagen in das Fahrwasser zu bekommen. Das Gleiche macht die Wirtschaftskammer und Industriellenvereinigung mit der ÖVP. Und jetzt ist gerade die Zeit, wo man natürlich versucht, die einzelnen Positionen in die Koalitionsabkommen hineinzubringen. Das heißt, es ist im Vorfeld schon relativ viel gearbeitet worden, was wir uns eigentlich erwarten von der Bundesregierung. Was uns betrifft, wird versucht, bei der SPÖ also relativ konkrete Modellvorstellungen usw. einzubringen, damit das dann im Koalitionsabkommen umgesetzt werden kann. Die letzten beiden Koalitionsabkommen haben den Gedanken einer Steuerstrukturreform explizit festgehalten. Passiert ist allerdings sehr wenig in dieser Richtung. Wo dann konkret Dinge eingebracht worden sind, ist – es gab ja zwei Sparpakete – das ist dann adhoc, weil irgendetwas gemacht werden musste, also zum Beispiel die Bankenabgabe, aber auch die Spekulationssteuer auf Wertpapiere und Grundstücke. Das ist zum Beispiel von uns gekommen und gepusht worden, und das wurde auch umgesetzt.

BP: Okay. Und ganz allgemein, welchem Zweck dient die Steuerpolitik?

F: Naja Steuerpolitik ist immer ein Verteilungskampf. Also Steuerpolitik ist schon von der historischen Entstehung her immer ein Kampf um die Verteilung. Im Mittelalter völlig unkontrolliert – da haben die Kuenringer eine Kette über die Donau gespannt und haben die Schiffe ausgeraubt. Und heute geht das halt alles im Rahmen des Rechts. Aber es ist immer eigentlich ein Kampf, deswegen ist das Thema auch im Wahlkampf so prominent vorhanden. Also einer nimmt einem anderen was weg. Da gibt's eine Verteilungauseinandersetzung und

deswegen ist das Thema – wir sollen ja die Arbeitnehmer vertreten – auch für uns so wichtig, dass wir die Schieflage, die wir zweifellos haben in Österreich in der Besteuerung Arbeit und Kapital, dass wir diese Schieflage verbessern, sag ich einmal bescheiden. Und das ist, in den letzten Jahren ist das dann doch einigermaßen gelungen, dass wir eben nicht lohnabhängige Abgaben erhöht haben, sondern Abgaben anderer Art.

BP: Also keine rein technische Sache.

F: Es ist keine rein technische Sache. Das ist eine sehr emotionale Sache, in der es letztlich um Verteilung geht, in der es um Fragen geht, sollen die besonders Reichen mehr beitragen - also in Form der Vermögenssteuer, in Form der Erbschaftssteuer - oder ist das wirtschaftlich schlecht, wenn man sie vergrault oder so irgendetwas. Also um diese Sachen geht's in der Steuerpolitik, das ist etwas sehr Lebendiges.

BP: Mit einem hohen Stellenwert von Überzeugungen, Ideologien..

F: Mit einem hohen Stellenwert von Ideologien, also das ist eigentlich das klassische Ideologiefeld sozusagen. Und Emotionen, die hier natürlich mitspielen.

BP: Sie haben vorher als Ziel der Arbeitnehmervertreter die Korrektur der Schieflage der Einkommen angesprochen. Gibt es noch weitere Ziele, die jetzt Handeln von den Interessenvertretern.

F: Ja, es gibt, außer dem Gerechtigkeitsziel grundsätzlich, gibt es natürlich weitere Ziele. Also unser Steuersystem hat einen Grad der Komplexität erreicht, der in Wirklichkeit nicht mehr handlebar ist. Also ein Arbeitnehmer in einer Branche, wo das ein bisschen komplizierter ist, zum Beispiel Bauarbeiter, Krankenschwester usw., kann die Lohnverrechnung gar nicht mehr nachvollziehen. Das halte ich für schlecht, weil dann kann man auch keine Fehler kontrollieren und man fühlt sich auch irgendwie schlecht dabei, wenn man da irgendetwas vorgerechnet bekommt und man versteht überhaupt nicht, was da passiert. Also es ist schon ein Ziel, das Ganze auch transparenter, einfacher, verwaltungsökonomischer zu machen. Aber es ist auch ein Ziel, sozusagen gewisse Schieflagen, die es im österreichischen Steuersystem gibt, die wir nicht als gerecht empfinden, eben zu beseitigen.

BP: Okay. Das heißt die Arbeiterkammer versucht vorwiegend, ihre eigenen Interessen bzw die Interessen der von ihr vertretenen Personen umzusetzen, und nicht...

F: Wobei unser Personenkreis vom Hilfsarbeiter bis zum Manager natürlich ein sehr breiter ist; und da gibt es auch unterschiedliche Interessen. Die muss man halt irgendwie koordinieren und auch mit den Gewerkschaften abstimmen, aber grundsätzlich wollen wir schon eine Entlastung der Arbeit, weil sie uns zeigt, weil internationale Vergleiche uns zeigen, dass in Österreich also das besonders stark ausgeprägt ist. Und im Gegenzug beispielsweise die Belastung der Vermögen oder der hohen Einkommen in Österreich im internationalen Vergleich eigentlich relativ gering ist. Jetzt können Sie sagen, das ist ein Versäumnis von uns, aber ganz so einfach ist es nicht, weil wir sind nicht allein auf der Welt. Aber es ist unsere permanente Aufgabe, dass diese Schief lagen nicht vergrößert werden, sondern verringert werden.

BP: Jetzt bringen Sie mich damit gerade zu meinem nächsten Punkt. Was sind die zentralen Akteure in der Steuerpolitik in Österreich?

F: Ja gut, die zentralen Akteure sind zunächst einmal die, die verfassungsmäßig dafür vorgesehen sind. Also das sind primär natürlich das Finanzministerium und der Finanzminister, in Österreich haben wir auch einen Staatssekretär im Finanzministerium. Das sind zum Teil auch die Länder, die auf die Steuerpolitik Einfluss nehmen - einerseits weil sie selbst Steuern haben, allerdings nur in geringem Umfang, und andererseits, weil sie ja auch von den Bundessteuern leben und hier natürlich ihren Einfluss auch geltend machen. Und dann sehe ich eben die Interessenvertretungen als zentral in der Fortbildung des Steuerrechts. Da gibt es einerseits die, die das hauptberuflich machen – die Wirtschaftstreuhänder. Die haben ja auch eine Kammer, die haben da relativ großes Gewicht auch. Und dann die großen Interessenvertretungen – eben Arbeiterkammer, Wirtschaftskammer, Landwirtschaftskammer, Industriellenvereinigung –, die natürlich alle versuchen, ihre Klientel irgendwie zu vertreten in diesem Prozess. Das sind die wesentlichen Akteure. Andere, die theoretisch auch Einfluss haben könnten, ich sage zum Beispiel Wissenschaft. Oder ich sage, sozusagen, NGOs, Attac und so weiter, die sich auch mit Steuerthemen beschäftigen, haben in der realpolitischen Situation eigentlich ein relativ geringes Gewicht.

BP: Ist einer von diesen genannten Akteuren jetzt dominant gegenüber den anderen? Hat jemand ein größeres Gewicht?

F: Das hängt ganz von der Konstellation ab. Also zum Beispiel wie die Regierung ab 2000 Schwarz-Blau war, war die Wirtschaftskammer ganz dominant. Wir sind da zum Teil gar nicht eingeladen worden zu Sitzungen. Das hat sich jetzt etwas verbessert, das heißt wir sind bei allen wesentlichen Sitzungen dabei und können dort auch unsere Meinung sagen, aber natürlich ist, wenn sozusagen die ÖVP den Finanzminister stellt, oder die Finanzministerin wie es jetzt ist, ist das natürlich ein

gewisses Übergewicht. Also es ist ganz wichtig, auch für unseren Einfluss – wie stark der ist –, ist ganz wichtig, wer ist der Finanzminister.

BP: Sie haben vorher angesprochen, dass die Einflussnahme der Interessenvertreter primär über die Parteien passiert. Gibt es daneben noch andere Einflusskanäle, die beansprucht werden, die verwendet werden?

F: Ja es gibt hin und wieder immer eine Steuerreformkommission, wo Interessenvertreter in der Regel auch dabei sind. Das ist schon ein gewisser Einflusskanal. Wenn wir jetzt nicht ein großes Steuergesetz verhandeln wollen, sondern wir wollen im Detail eine Regelung haben, dann spielt sich das direkt über die Beamten ab. Also man geht zu den Beamten, in meinem Fall sind das hauptsächlich Lohnsteuerfragen, und sagt, „Bitte dort das passt überhaupt nicht, da müssen wir was tun“. Und eigentlich funktioniert das relativ gut. Das geht dann ziemlich unabhängig von der politischen Schiene, dass man, wenn man glaubt, okay das ist berechtigt, das Anliegen, das man eigentlich ohne Großpolitik zu machen, das dann auch irgendwie regeln kann.

BP: Wie steht es denn um den Spielraum für größere Abweichungen von diesem Pfad, den die Steuerpolitik, den das Steuersystem als solches genommen hat?

F: Naja, große Systemänderungen hat ja die letzten Jahre das Steuersystem nicht verzeichnet. So große Änderungen, wie es zum Beispiel 1994 war – da hat man die Gewerbesteuer abgeschafft und die Vermögenssteuer und die Bankenabgabe, und im Körperschaftssteuerrecht einiges gemacht – die gab es ja dann nicht mehr. Das waren eher so, ich weiß nicht wie ich es bezeichne, es waren einerseits Tarifänderungen, Steueranpassungen, dass man die kalte Progression oder so irgendwas zurückgegeben hat teilweise, aber so Systemänderungen gab es eigentlich nicht. Das waren immer so adhoc Maßnahmen – in Sparpaketen, wenn man wieder mehr Steuermittel gebraucht hat – und solche Dinge gab's. Aber ein richtiges systematisches Herangehen ans Steuersystem gab es ab 2000 überhaupt nicht mehr.

BP: Gab es da keinen Bedarf mehr seit 1994?

F: Doch es gibt viel Bedarf. Aber ich kann Ihnen auch nicht genau sagen warum. Aber es ist irgendwie der Eifer größerer Reformen zu machen, verloren gegangen. Das war sehr interessant, da war ich so alt wie Sie ungefähr, war ich dabei bei dieser großen Einkommensteuerreform 1988. Und da hatten wir einen anderen Typ von Politiker, und es war die Politik auch eine andere. Das heißt primäre haben sich die Politiker überlegt, was ist vernünftig, und nicht sozusagen, wie

punkte ich politisch. Oder wie stelle ich dem anderen ein Bein. Das war sozusagen nicht, es waren die Berater auch anders. Das waren nicht so Spin-Doktoren, sondern das waren eigentlich Beamte und Fachleute, die die Berater waren. Und dadurch ist es zum Beispiel gelungen - die Einkommensteuerreform '88 war sicher eine große Reform -, also viele vernünftige Dinge zu machen. Auf der SPÖ-Seite waren die Politiker der Professor Nowotny, der jetzt Nationalbankpräsident ist, der Ferdinand Lacina, der war damals Finanzminister und der AK-Präsident Czettel, der eine sehr große Autorität hatte. Also der wirklich was durchsetzen konnte. Und auf der anderen Seite war es der Doktor Taus, ein Wirtschaftstreibender, der Doktor Ditz, der war Staatssekretär der ÖVP, und der Wolfgang Schüssel war dabei. Also das waren alles Leute, die irgendwas von der Wirtschaft verstanden haben und selbst das Anliegen hatten, dass man etwas zusammenbringt, und es ist ja auch etwas zusammengebracht worden. Heute sind - rein, wenn sie es sich soziologisch oder politologisch anschauen -, die Politiker praktisch nicht mehr aus der Wirtschaft kommend, sondern aus dem Apparat. Das heißt es fehlt ihnen überhaupt der Zugang zum Thema und sie reden auch nicht gern darüber. Sie machen gern so Wolkenkuckucksheim. Und dadurch ist es wahnsinnig schwierig geworden, in der Konstellation irgendetwas zusammenzubringen. Und sie denken - sie haben auch nichts gelernt, nichts anderes - sie denken politisch-taktisch die ganze Zeit. Also wie lass ich den anderen möglichst schlecht ausschauen, was mach ich da. Aber trotzdem ein freundliches Gesicht zu wahren. Und dadurch - das ist ja nicht nur in der Steuer so, sondern das ist ja in vielen anderen Sachgebieten auch so -, geht eigentlich nichts wirklich weiter. Also das ist dieser soziologische Wandel, der mit dem Generationenwandel zu tun hat, der sozusagen diesen Politikzugang, den wir früher hatten eben nicht mehr herstellen lässt.

BP: Das heißt, es ist eine Frage der politischen Kultur.

F: ..Es ist eine Frage der politischen Kultur und auch des Zeitgeists und der Generation auch der Politiker, wie sich das Ganze entwickelt hat. Wenn Sie das ganze Leben sozusagen in einer politischen Umwelt aufwachsen - also zuerst in der Hochschulorganisation und dann in irgendeiner Teilorganisation der Parteien oder in den Parteien selbst, oder das ganze Leben Politiker sind - haben Sie den Zugang zu Problemen nicht, die in der Wirtschaft tatsächlich eine Rolle spielen. Und Sie haben dann selber kein Urteil mehr, sondern Sie müssen sich dauernd beraten lassen von irgendwelchen Leuten, was denn etwas Gutes wäre. Und da kommt dann aber selten etwas Konsistentes raus.

BP: Und die Institutionen unterstützen die Parteien und die Regierung im Allgemeinen dabei, dass sie auch so die Einflussnahme verhindern, wenn sie es nicht wünschen?

F: Ja wir unterstützen die Parteien sozusagen sachlich-fachlich und können das auch insoweit, weil wir auch praktisch tätig sind. Also, wir machen ja da Steuerberatung auch und nicht nur Steuerpolitik. Wir reden mit allen Betriebsräten und kennen die Probleme vom Betrieb auch und haben sozusagen einen anderen Zugang als die Leute, die nur politisch sind. Aber sozusagen, wir sind eben nicht die Politiker, sondern die Politiker sind die Politiker und letztlich die verfassungsgemäß Verantwortlichen für die Politik. Und das scheint mir ein generelles Problem zu sein - heute in der Politik -, dass es nur mehr sehr wenig Leute gibt, also es gibt ein paar Beispiele, aber es gibt wenig Leute, die so wirklich woanders sozialisiert worden sind. Und nicht nur das ganze Leben in der Politik. Und die sehen, die denken einfach anders. Die Arbeitsstile sind anders. Sie haben einen anderen Arbeitsstil, ob Sie jetzt Direktor eines Zementwerks sind oder ob Sie sozusagen, ich sage nicht "nur" im Sinne von abwertend, oder ob Sie Parteisekretär immer waren - da muss man anders agieren. Und das nimmt man mit. Das prägt einfach im Lauf der Zeit.

BP: Sehen Sie auch, sehen Sie den Beitritt zur EU auch als eine Conditio, dass die Einflussnahme geschmälert wurde – die Möglichkeit dazu?

F: Nein, eigentlich nicht, weil gerade in der Steuerpolitik die EU nur teilweise tätig ist. Also es gibt harmonisierte Gesetze, die in Richtlinienform harmonisiert sind - das wichtigste ist die Umsatzsteuer. Da passieren die entscheidenden Dinge ja nicht mehr in Österreich, sondern in Brüssel. Aber wir sind auch in Brüssel vertreten, eben aus diesem Grund. Aber bei, Energiesteuern haben noch einen gewissen Rechtsrahmen, aber dann ist es schon aus. Alles andere.. Das wichtigste ist die Einkommensteuer in der politischen Debatte, alles andere gestalten wir national.

BP: Ich habe jetzt immer wieder gelesen, dass der Einfluss der Sozialpartner auf die Politik, wie sie auch erwähnt haben, geringer geworden ist im Lauf der Zeit. Kann man, man hört dabei auch sehr oft, dass vor allem die Arbeitnehmer da weniger Einfluss haben gegenüber den Unternehmervetretern.

F: Das würde ich so gar nicht sagen. Der Einfluss ist anders geworden. Früher einmal, vor 30 Jahren oder so irgendwas, haben die Sozialpartner regelrecht regiert, das war quasi eine Nebenregierung. Da gab es den Beirat für Wirtschafts- und Sozialfragen und dann gab es diese Paritätische Lohn-Preis Kommission usw. Die Sozialpartner haben das eigentlich alles gemacht – mehr oder minder. Und das gibt es nicht mehr – diese Art Nebenregierung gibt es nicht mehr. Aber der Einfluss auf die Parteien ist noch immer relativ groß und in der SPÖ war es so, dass so eine gewisse, ein gewisser Einflussverlust, zum Beispiel unter Vranitzky, war festzustellen seitens der Arbeiterkammer und den Gewerkschaften. Aber jetzt würde ich sagen, ist der Einfluss wieder sehr

groß – eigentlich größer als er jemals war. Also die Sozialpartnertätigkeit ist anders geworden, sie treten weniger koordiniert auf – wie das früher einmal der Fall war. Aber sozusagen der politische Einfluss ist zweifellos gegeben.

BP: Weil Sie auch Vranitzky angesprochen haben: Wie erklären Sie sich da jetzt eben diese steuerlichen, doch recht großen, Veränderungen, die Vranitzky durchgeführt hat – die nicht wirklich jetzt, für mich zumindest, sozialdemokratische Positionen reflektiert haben?

F: Ja, ich habe immer gesagt, Vieles war auch ein steuerpolitischer Fehler. Und ich habe selber mit Lacina, der ja Finanzminister war unter Vranitzky – ich kann mich noch erinnern, im Keller der Stadthalle, weil dort war der Parteitag - also wirklich gestritten bis auf's Messer über die Reformen, die angedacht waren. Aber wir konnten uns einfach nicht durchsetzen, schlicht und einfach. Und Vieles war auch objektiv ein Fehler; weil es ist die Gewerbebeertragsteuer weggekommen – sicher nicht weil es die SPÖ primäre wollte, sondern auf Druck eben der ÖVP. Und gleichzeitig hat man die Lohnsummensteuern erhöht. Und unter anderem dadurch ist diese Schiefelage erst entstanden. Also aus meiner Sicht war das immer ein Fehler – es war auch ein Fehler, die Privatstiftungen so einzuführen, wie man das damals gemacht hat. Das ist ja gleichzeitig gekommen.

BP: Aber das kam aus Vranitzkys Überzeugungen auch heraus?

F: Das kam aus Vranitzkys Überzeugungen, das war – es spielt immer der Zeitgeist eine Rolle. Also sozusagen, wenn man damals – also so in den 90er Jahren – gesagt hätte, man findet irgendetwas Gutes am Kommunismus, wäre man ja sofort psychiatriert worden. Man konnte sich ja auch nicht Sozialist nennen, sondern maximal Sozialdemokrat und das noch eher so unwillig. Es war allgemein der Zeitgeist auch in der SPÖ so, dass eben der Kapitalismus gesiegt hat, und jetzt müssen wir das sozusagen unbedingt alles unterstützen. Und jetzt schlägt das Pendel wieder – so ein bisschen hat Hegel schon Recht gehabt – das Pendel wieder zurück und man hinterfragt Vieles, was dort die neoliberalen Strömungen, die damals entstanden sind, angerichtet haben, ob das alles so gescheit war. Und es gibt auch in der Steuerpolitik jetzt wieder eine Gegenbewegung.

BP: Ich habe noch eine abschließende Frage für Sie, und zwar: weil Sie es auch vorher angesprochen haben, ich habe da auch einiges darüber gelesen - diese sozialpartnerschaftlichen Lohn- und Preisabkommen der 40er und 50er Jahre und eben die Paritätische Kommission. Welche Auswirkungen, oder welche Rolle spielten die in der Steuerpolitik?

F: Das hat eine große Auswirkung auch in der Steuerpolitik gehabt. Wenn ich zum Beispiel das dritte Lohn-Preis-Abkommen ansehe, dann wurden dort verschiedene Begleitmaßnahmen, um die negativen sozialen Auswirkungen – das war ja praktisch ein Lohn-Stopp – abzumildern. Also zum Beispiel, um die Arbeit.. die Angestellten haben ihren 13./14. bekommen, die Begünstigung - die war noch nicht so groß wie heute, aber es war eine Begünstigung. Und die Arbeiter haben so steuerfreie Zulagen bekommen zum Ausgleich. Oder es wurde der Dienstgeberbeitrag zum Familienlastenausgleichsfonds gleichzeitig geschaffen, damit die Familien eben eine Familienbeihilfe bekommen konnten, weil sonst hätten sie sozusagen diesen Lohn-Stopp – damals hat man ja auf sehr bescheidenem Niveau gelebt –, die hätten das nicht verkraftet sozial. Und insoweit gab es da schon historisch gesehen einen großen Einfluss.

BP: Hätte es da steuertechnisch Möglichkeiten gegeben – sollten diese Abkommen nicht zustande kommen –, wie man die Probleme der 40er/50er Jahre auch ansonsten lösen könnte?

F: Also ich glaube damals war man in der Wiederaufbauzeit, in einer ökonomisch sehr schwierigen Situation und man hätte ohne diese Zwangsmaßnahmen – weil das waren ja Zwangsmaßnahmen, da sind ja Preise regelrecht vorgeschrieben worden, den Unternehmen – man hätte ohne diesen Dirigismus Österreich nicht auf so eine Erfolgsweg gebracht, meiner Meinung nach. Es ist immer schwierig zu beweisen, weil sozusagen das Kontrollmodell ist ja nicht gelaufen. Aber es war auch in der Bundesrepublik Deutschland so, dass man – und auch in den Niederlanden so –, dass man planwirtschaftliche Elemente in der Wirtschaftspolitik gehabt hat. Und im Lauf der 60er Jahre ist dieser Dirigismus dann immer mehr verschwunden. Den brauchen wir heute auch nicht mehr, weil wir entwickelte Märkte haben, das haben wir ja damals alles nicht gehabt.

A (II) TRANSCRIPT OF THE INTERVIEW WITH DR. MARGIT SCHRATZENSTALLER,
NOVEMBER 26, 2013 AT THE WIFO, VIENNA

BP: Ich wollte Sie einleitend fragen, was das Besondere ist an der österreichischen Steuerpolitik?

S.: Das Besondere an der österreichischen Steuerpolitik? Ich sag lieber, was das Besondere am österreichischen Abgabensystem ist. Oder, vorweg die Frage: Was verstehen Sie unter Steuerpolitik? Also quasi prozedural gefragt oder ...

BP: Prozedural, aber auch hinsichtlich der Ergebnisse, also hinsichtlich des effektiven Systems, das dabei herauskommt.

S.: Na die österreichische Steuerpolitik zeichnet sich prozedural gesehen dadurch aus, dass man das System eigentlich selten im Gesamtzusammenhang sieht – und auch diskutiert. Und auch Reformen eigentlich nicht im Gesamtzusammenhang macht, sondern die fokussieren sich auf bestimmte Teilbereiche – eben Einkommensteuerreformen oder Körperschaftsteuerreformen – ohne wirklich strukturelle Reformen zu sein. Also die antworten oft auf irgendwelche relativ aktuellen Erfordernisse. Also zum Beispiel die Steuerreform von Grasser – also die Körperschaftsteuersenkung von 34 auf 25% – war quasi die Antwort auf, oder das Umfeld, in dem die stattgefunden hat waren die zwei Osterweiterungsrunden der EU – das ist zumindest meine Interpretation und so ist auch die Diskussion geführt worden –, wo eine Reihe von neuen EU-Ländern mit relativ niedrigen Körperschaftsteuersätzen eben der EU beigetreten sind, die sich in mehr oder weniger unmittelbarer Nachbarschaft zu Österreich befinden. Das war quasi die österreichische Antwort – also dann hat man eben den Körperschaftsteuersatz gesenkt. Aber was mir immer mehr fehlt, ist eine systematische und eine systemische Perspektive – und eine umfassende Perspektive. Das österreichische Abgabensystem hat ein großes strukturelles Defizit, das darin besteht, dass der Faktor Arbeit sehr hoch besteuert und vor allem mit Sozialbeiträgen belastet ist. Dass insgesamt die Abgabenbelastung relativ hoch ist – also Österreich hat die siebthöchste oder so Abgabenquote in der EU – das ist an sich noch kein wirkliches Problem, weil es keinen systematischen Zusammenhang gibt zwischen wirtschaftlichem Erfolg und Höhe der Abgabenquote. Aber im österreichischen Fall ist es durchaus ein Problem, weil die Abgabenstruktur eben nicht wirklich optimal ist. Also diese Kombination aus hoher Abgabenquote und einer aus einer Wachstums- und Beschäftigungssicht – auch aus einer verteilungspolitischen Perspektive – nicht optimalen Abgabenstruktur ist das Problem und das wird nicht systematisch angegangen.

BP: Warum ist es nun so, dass Österreich so eine starke Belastung auf den Faktor Arbeit hat?

S.: Naja das ist natürlich ein bisschen einer historischen Entwicklung geschuldet, und auch dem geschuldet, dass die Arbeitseinkommen eine gute beobachtbare und besteuerbare Größe sind – dass das eine breite, also quasi makroökonomische Bemessungsgrundlage ist. Und (ist) natürlich auch vor dem Hintergrund der spezifischen Finanzierungsform des österreichischen Sozialsystems zu sehen – das ja in der Bismarckschen Tradition ist, also ein umlagefinanziertes System –, das sich eben hauptsächlich aus Beiträgen auf die Arbeitseinkommen speist. Und anders als viele andere Länder, die auch aus einer ähnlichen Tradition kommen, hat es Österreich eigentlich nicht unternommen, zumindest einen Teil dieses beitragsfinanzierten Systems auf eine

steuerfinanzierte Grundlage zu stellen. Also ähnliche Bestrebungen hat es in vielen anderen Ländern gegeben, in Österreich eigentlich kaum.

BP: Ist es aber eine grundsätzlich gangbare Möglichkeit für Österreich?

S.: Das würde ich schon glauben. Es ist nicht nur eine gangbare Möglichkeit, sondern auch eine Notwendigkeit. Wenn man das Abgabensystem wachstums- und beschäftigungsfreundlicher machen will, ist das eine absolute Notwendigkeit. Wir wissen aus vielen empirischen Studien – die OECD und der IWF zum Beispiel –, dass Abgaben auf die Arbeit sehr schlecht für Wachstum und Beschäftigung sind und eigentlich die aus einer Wachstums- und Beschäftigungssicht schädlichsten Steuern. Umgekehrt werden in Österreich einige Abgaben, die wesentlich wachstums- und beschäftigungsfreundlicher sind – bestimmte vermögensbezogene Steuern, Umweltsteuern – halt auch im internationalen Vergleich relativ wenig genutzt. Also hier gibt es Potenzial umzuschichten, also von der Arbeit hin zu Vermögen, auch hin zu Umwelt und Energieverbrauch.

BP: Ist diese geringe Nutzung von vermögensbezogenen Steuern etwa, ein Resultat der Politik oder der politischen Auseinandersetzung?

S.: Ja, auf jeden Fall. Das ist natürlich schon eine Diskussion, die man in einem Land wie Österreich, das ein kleines Land ist, eine kleine offene Volkswirtschaft, anders zu führen hat als in einem großen Land. Also Kapitalflucht ist hier, glaube ich, ein größeres Thema. Und ansonsten gibt es hier einfach eine relativ lange Tradition eines strikten Bankgeheimnisses, das heißt im Bereich der Finanzvermögen – da brauchen wir die Möglichkeiten der internationalen Kapitalflucht noch gar nicht zu berücksichtigen – sind bestimmte vermögensbezogene Steuern sehr schwer durchzusetzen, vor allem die allgemeine Vermögenssteuer, die dann 1994 ja auch entsprechend abgeschafft worden ist. Aber auch zum Beispiel eine progressive Besteuerung der Kapitalerträge im Wege des Veranlagungsverfahrens ist in einem Land mit einem strikten Bankgeheimnis eben sehr schwer durchzuführen. Und das ist etwas, das in Österreich sogar im Verfassungsrang steht und sich zum Teil auch einer ökonomischen Diskussion entzieht, weil es von Vielen, glaube ich, einfach auch als Teil der politischen Kultur begriffen wird. Also, dass es dieses Bankgeheimnis gibt, mit all seinen steuerlichen Implikationen.

BP: Das heißt solche Institutionen wie das Bankgeheimnis oder gewisse Veränderungen in den letzten 20 Jahren, die ganz gerne über technische oder technokratische Notwendigkeiten begründet wurden, sind eher Ausdruck einer politischen Kultur? Seh ich das richtig?

S.: Nein das sind politische Entscheidungen. Ganz klar. Also ein Bankgeheimnis, ist etwas, was – auch dessen Aufrechterhaltung – natürlich eine politische Entscheidung ist. Ein bisschen die Frage, in wie weit das noch den Mehrheitsverhältnissen entspricht. Es gibt ja immer wieder Umfragen, die zumindest zeigen, dass die österreichische Bevölkerung da geteilt ist. Also, dass es keine eindeutige Mehrheit für die Aufrechterhaltung dieses Bankgeheimnisses gibt. Aber es gibt im Moment keinen politischen Willen das abzuschaffen, und zwar zumindest was die großen Parteien anbelangt – von beiden großen Parteien nicht. Und das ist natürlich eine politische Entscheidung, ob man so etwas will oder nicht. Und umgekehrt natürlich auch eine selbstauferlegte Restriktion für die Steuerpolitik.

BP: Wie sehen Sie die Bedeutung des Umverteilungszwecks in der österreichischen Steuerpolitik?

S.: Das ist eine gute Frage. Es gibt eine relativ stark umverteilende Einkommenssteuer, zumindest was jenen Teil der Einkommen anbelangt, die überhaupt der progressiven Einkommensbesteuerung unterliegen. Das sind ja bei Leibe nicht alle. Die wichtigsten sind die Arbeitseinkommen und die Ansprüche, die daraus resultieren, also die Pensionseinkünfte, die ja mittlerweile zu einem Viertel oder so zum Lohnsteueraufkommen beitragen. Aber es ist seit 20 Jahren so, dass die Kapitalerträge nicht progressiv besteuert werden, sondern eben einer separaten Abgeltungssteuer unterliegen. Und es ist auch so, dass es politisch nicht gewollt ist, die Vermögen über die Vermögensbesteuerung umzuverteilen. Und dass auch die Gesamtheit der indirekten Steuern, also der Verbrauchssteuern und auch die Sozialversicherungsbeiträge, die ja eine große Rolle spielen, auch keine umverteilende Wirkung haben. Insgesamt – es gibt eine WIFO Studie, die ist zwar schon ein bisschen alt und beruht auf Daten aus 2005 oder so, aber insgesamt hat sich da nicht viel daran geändert – ist es so, dass das österreichische Abgabensystem insgesamt eigentlich nicht umverteilt. Ich weiß nicht ob Sie die Studie kennen von Guger und Kollegen, Kolleginnen. Aber insgesamt ist es so, dass in einer Haushaltsperspektive eigentlich die untersten 10% der Haushalte effektiv fast genauso sehr belastet werden prozentual wie die obersten 10% – also, dass das Abgabensystem eigentlich kaum umverteilt.

BP: War das früher anders?

S.: Das weiß ich nicht, weil wir nicht so lange Untersuchungen haben. Aber ich denke, dass es ein bisschen anders war, weil zum einen die Progression in der Lohn- und Einkommensteuer höher war – es gab auch einen höheren Spitzensteuersatz. Der betrug früher einmal um die 60%. Und weil es auch noch bestimmte vermögensbezogene Steuern gab, bis Anfang der 90er. Also es gab ja die allgemeine Vermögenssteuer bis Anfang der 90er, auch wenn man sie effektiv nicht

durchsetzen konnte. Es gab auch noch eine Erbschaftssteuer, die ist ja 2008 ausgelaufen. Also das war früher sicher anders. Also ohne, dass ich das quantifizieren kann. Aber die Umverteilungswirkung hat sicher abgenommen in den letzten 20 Jahren.

BP: Ich hab mir die Eingangssteuersätze angeschaut und da ist eine sehr interessante Entwicklung passiert – es ist eine Bewegung zwischen Erhöhungen und Reduktionen seit 1988. Von 22 auf 21, dann wieder auf 38,3%, dann wieder reduziert auf 36,5.

S.: Sie wissen aber, dass Sie die 21% nicht einfach so nehmen können. Also effektiv war der höher, was mit irgendwelchen komischen Absetzbeträgen zu tun hatte. Den allgemeinen Absetzbetrag gab es früher, den hat man dann irgendwann in den Tarif integriert.

BP: Verstehe.

S: Genau. Also der Eingangssteuersatz war früher schon höher. Er ist leicht reduziert worden. Er ist immer noch bei 36,5% und ist damit auch im internationalen Vergleich sehr hoch. Es gibt wenige Länder, die einen so hohen Eingangssteuersatz haben. Es gibt aber auch wenige Länder, die gleichzeitig einen so hohen Grundfreibetrag haben. Also das ist schon ein interessantes Phänomen – oder ein interessantes Feature am österreichischen Einkommensteuertarif.

BP: Ist der zu hoch?

S.: Der ist ganz sicher zu hoch. Nicht nur verteilungspolitisch gesehen, sondern auch anreiztheoretisch gesehen. Und ist steuerlich gesehen sicherlich einer der Gründe dafür, oder ein negativer Anreiz für Frauen, dass sie aus relativ geringfügigen Beschäftigungsverhältnissen in reguläre Beschäftigungsverhältnisse wechseln.

BP: Haben Sie eine Erklärung, warum der so hoch ist in Österreich?

S.: Nein habe ich nicht. Ich habe eine Erklärung dafür, warum man so zögerlich ist, ihn zu senken. Also es wollen zwar alle und finden ihn alle zu hoch, aber es ist natürlich teuer, weil alle davon profitieren. Dieser eine Vorschlag, den es da ja gibt – ihn auf 25% zu senken –, das kostet über vier Milliarden an Steuerausfällen. Das ist natürlich ein hoher Steuerausfall.

BP: ... den man nicht aufkommensneutral gegenfinanzieren könnte?

S: Könnte man ganz sicher, wenn man... Könnte man innerhalb der Einkommenssteuer schon zum Teil gegenfinanzieren, indem man die begünstigte Besteuerung des 13. und 14. (Monatsgehalts) oder sonstige Ausnahmeregelungen abschafft. Aber auch indem man andere Steuern im Gegenzug erhöht – könnte man schon.

BP: Ähnlich wie der Eingangssteuersatz bei der Lohnsteuer, habe ich gesehen, dass die Körperschaftsteuer ähnliche Bewegungen vollzogen hat. Es waren 55% 1988, da wurde er auf 30% reduziert, dann ist er wieder raufgegangen auf 34% und dann ist er wieder, wie Sie eingangs angesprochen haben, 2005 auf 25% reduziert worden. Warum ist das passiert?

S: Ich glaube die 34%, das war Anfang der 90er, das war eine Reaktion auf die Abschaffung der Gewerbesteuer. Das ist quasi ein Kompensationsgeschäft gewesen. Da steckt weiter nichts Bemerkenswertes dahinter. Das war eine relativ große Reform 1993/94, die die Gewerbesteuer – also die Gewerbeertragsteuer – und die Gewerbekapitalsteuer abgeschafft hat und dafür kompensatorisch den Körperschaftsteuersatz angehoben hat. Und das, was noch übrig geblieben ist von dieser Gewerbesteuer – also die Gewerbelohnsummensteuer –, die ist dann eben in diese Lohnsummensteuer umgewandelt worden, die man jetzt hat.

BP: Okay. Gab es im Laufe der Zeit irgendwelche größere Zäsuren in der österreichischen Steuerpolitik?

S: Also ein großer Schritt war tatsächlich diese Kapitulation, so würde ich es nennen, vor der – angesichts der gegebenen Restriktionen, sprich Bankgeheimnis, – nicht möglichen effektiven Durchsetzung von progressiven Kapitalertragsteuern und der Vermögenssteuer. Indem man eben 1993/94 dann die zwei Kapitalertragsteuern – eine auf Dividenden, eine auf Zinsen – eingeführt hat; indem man die allgemeine Vermögenssteuer abgeschafft hat; indem man die Kapitalertragsteuern auch als Endbesteuerung gestaltet hat, die im Bereich der Finanzvermögen – der privaten Finanzvermögen – de facto auch in großen Teilen die Erbschaftssteuer abgegolten haben. Also das war glaube ich schon ein wichtiger Meilenstein in der österreichischen Steuerpolitik.

BP: Sehen Sie die Möglichkeiten für größere Abweichungen, für starke Abweichungen, von der steuerpolitischen Linie der letzten Jahrzehnte – sehen Sie diese als groß oder sehen Sie diese als gering an. Wie würden Sie die einschätzen?

S: Wie ist die Frage gemeint?

BP: Wie stark hält sich der steuerpolitische Pfad, wie leicht kann man davon abweichen bzw. wie stark hält der sich in der politischen Auseinandersetzung?

S: Ich glaube nicht, dass es leicht ist, davon abzuweichen. Ich glaube es braucht in dem Fall schon einen starken politischen Willen. Eine weitere Zäsur – oder ein weiterer wichtiger Meilenstein – war Anfang der 70er, wo unter Bruno Kreisky zum einen die Haushaltsbesteuerung abgeschafft und die Individualbesteuerung eingeführt worden ist und wo man gleichzeitig sehr viele Freibeträge in Absetzbeträge umgewandelt hat. Das ist schon ein Spezifikum – auch gerade im Vergleich zum deutschen Steuersystem –, weil man gesagt hat, Freibeträge nutzen vor allem jenen, die viel verdienen und hohe Steuersätze haben, Absetzbeträge entlasten ja alle gleich, unabhängig davon wie viel sie verdienen und wie viel sie abzusetzen haben. Das ist aber damals glaube ich wirklich nur gelungen, weil... Also Kreisky hat ja viele auch moderne Reformen – und das ist durchaus eine moderne Reform, die Deutschen haben es immer noch nicht geschafft, ihr Ehegattensplittingsystem abzuschaffen – da durchzusetzen. Also das ist in diesem gesamten Reformkontext zu sehen. Und Anfang der 90er... Umgekehrt ist es glaube ich ein wichtiger Punkt, dass diese Abschaffung der Vermögenssteuer und auch diese Einführung der Endbesteuerung für die Kapitalerträge, ein sozialdemokratischer Minister gemacht hat – nämlich der Lacina. Also ein konservativer Politiker hätte das nicht durchsetzen können, glaube ich. Das ist meine Interpretation. Weil da wären die Widerstände zu groß gewesen. Also vonseiten der Sozialdemokratie hat diese Widerstände der Lacina dann auch quasi befriedet oder eingedämmt.

BP: Genau, diese Einschnitte von links..

S: (Zustimmung) Ja.

BP: Haben Sie eine Erklärung, warum das Budget so gerne auf der Ausgabenseite konsolidiert wird und weniger auf der Einnahmenseite?

S: Naja, wenn ich mir das letzte Paket anschau, da war das Verhältnis – das haben wir genau ausgerechnet – 57 zu 43%. Also es ist keineswegs so, dass so gerne auf der Ausgabenseite konsolidiert wird. Da entspricht quasi die Legendenbildung nicht ganz den Tatsachen. Im Übrigen haben die Grasser'schen Konsolidierungen auch nicht hauptsächlich ausgabenseitig stattgefunden, sondern – ich glaube – 2001 war ein großer Teil einnahmenseitig. 2002 war es dann mehr ausgabenseitig, das stimmt schon. Aber es gibt da keineswegs eine Schlagseite. Ohne das jetzt bewerten zu wollen, aber rein von den Fakten ist es so. Also meine Interpretation wiederum ist, dass das eine typisch österreichische Kompromisslösung ist. Das waren große

Konsolidierungen, waren beide große Konsolidierungen – auch die Grasser'schen Konsolidierungen eben Anfang des letzten Jahrzehnts und jetzt auch die letzte Konsolidierung. Das ist einfach, auch wenn Sie sich die Maßnahmen anschauen – die sind sowohl ausgaben- als auch einnahmenseitig breit gestreut. Da gibt es ja wenig, was wirklich so große Brocken sind. Also das ist wirklich typisch österreichisch. Das muss man auch nicht negativ bewerten, würde ich auch nicht.

BP: Meine Überlegung war, weil das Einnahmensystem recht wenig umverteilt und eigentlich die Umverteilung über das Ausgabensystem passiert – und ich in der Recherche immer wieder darauf gestoßen bin, dass darauf verwiesen wurde, dass vor allem die Ausgaben gekürzt werden in Budgetkonsolidierungsprogrammen –, dass da eben die Umverteilung einfach darunter leidet.

S: Ja, wenn das so wäre, würde das sicher stimmen. Aber es ist von der Faktenlage einfach nicht so. Und wenn man sich die Entwicklung der Ausgaben- und Einnahmenquoten auch während der Konsolidierungsphasen anschaut, sieht man das auch. Also es ist keineswegs so, dass da die Ausgabenquoten dramatisch gesenkt werden und die Einnahmenquoten da nicht erhöht werden. Das schlägt sich schon auch nieder, dass da auf beiden Seiten etwas getan wird.

BP: Ein anderes österreichisches Spezifikum, die Sozialpartner. Wie würden Sie deren Einfluss auf die Steuerpolitik bewerten?

S: Ich glaube, das ist ein relativ hoher. Schon allein deshalb, weil die Sozialpartner alle in ihren wirtschaftspolitischen Abteilungen – wie immer sie heißen mögen –, sehr gute Steuerexperten sitzen haben, also die auch wirklich inhaltlich fachlich sehr versiert sind, und keineswegs nur das wissen, was sie für eine Lobby-Politik bräuchten. Sondern es sind wirklich sehr versierte Kollegen und Kolleginnen, die sicherlich auch qualifizierte Diskussionsbeiträge leisten und auch fachlich wirklich gut sind. Dass dann auch jeweilige Interessen dahinter stehen ist auch klar, aber ich glaube, die tragen schon auch in den jeweiligen Parteien, zu denen sie sich als Vorfeldorganisation verstehen, also die liefern einen starken und einflussreichen Input auch zu den Diskussionen in den Parteien – oder zur Positions- und Meinungsbildung in den Parteien.

BP: Und der Föderalismus?

S: Der Föderalismus, der spielt eine relativ unheilige Rolle in dem Ganzen, weil das österreichische Abgabensystem sich auch dadurch auszeichnet, dass es trotz Föderalstaat ein sehr zentralisiertes ist – also über 90% der gesamten Steuereinnahmen fließen über gemeinschaftliche Abgaben an

den Bund und werden dann weiterverteilt an Länder und Gemeinden. Die Länder haben so gut wie keine eigenen Abgaben. Und die Gemeinden haben die Grundsteuer, da können sie über die Hebesätze ein bisschen den Satz variieren – tun sie aber effektiv nur sehr wenig, weil bestimmte Transfers davon abhängen, dass sie ihre eigene Steuerertragskraft ausschöpfen. Und dann haben sie die Kommunalsteuer, die bundeseinheitlich festgelegt ist. Also Länder und Gemeinden haben in der Steuerpolitik dadurch einen relativ geringen Einfluss. Sie haben insofern Einfluss, als sie sich vehement wehren gegen höhere Abgabenautonomie. Das ja. Also das haben sie bisher mit großem Erfolg abwehren können.

BP: Ich wollte noch einmal kurz bei dem Sparpaket 2010 einhaken, das haben Sie vorher kurz angesprochen. Und zwar einerseits die einnahmen- und die ausgabenseitigen Maßnahmen – die haben sie kurz dargelegt. Aber wie sieht es zwischen den gesellschaftlichen Gruppen aus? Wo waren da die Belastungen? Waren die sehr ähnlich verteilt oder gab es da große Verlierer, große Gewinner?

S: Nein, dadurch, dass das so breite Maßnahmen sind, glaube ich waren die relativ breit verteilt. Ich glaube es gibt eine große Verlierergruppe, das sind die Pensionisten, weil man ja die Pensionen nur sehr mäßig angepasst hat. Und das hat schon durchaus keinen kleinen Brocken der Konsolidierungsmaßnahmen auf der Ausgabenseite ausgemacht, wobei das natürlich auch immer alles zu relativieren ist – es sind die Pensionen angepasst worden und sind nicht gekürzt worden. Doch die Anpassung war schon sehr bescheiden, das muss man schon sagen. Also das ist glaube ich eine relativ große Gruppe und eine zweite große Gruppe waren die Beschäftigten im öffentlichen Dienst, die auch eine Nulllohnrunde hinnehmen mussten. Und wo es eben Nachbesetzungsstopps gibt, und teilweise nachbesetzt worden sind. Also das ist sicherlich eine zweite relativ große Gruppe. Naja und die Autofahrer. Die diversen KFZ-Steuererhöhungen – NOVA und Mineralölsteuer. Aber insgesamt waren die Erhöhungen ja mäßig. Also jeder Einzelne ist nicht sehr stark betroffen worden. Aber das war auch eine größere Gruppe. Und die Unternehmen sind relativ ungeschoren davongekommen. Also wenn man so zwischen Arbeitnehmer und Unternehmen differenzieren will, hat es die Unternehmen wahrscheinlich relativ wenig getroffen. Man hat diese Energieabgabenrückvergütung eingeschränkt für die energieintensiven Dienstleistungsunternehmen und dann hat man im 2. Konsolidierungspaket, glaube ich, die Gruppenbeschränkung ein bisschen eingeschränkt, aber wirklich in überschaubarem Ausmaß. Also die Unternehmen hat es glaub ich relativ wenig getroffen.

BP: Sind die Unternehmen in Österreich stark besteuert?

S: Nein, ich glaube im Mittelfeld. Also sie sind nicht besonders gering besteuert. Sie sind aber auch nicht besonders hoch besteuert. Also die effektiven Steuersätze liegen im Mittelfeld, wobei die meist noch nicht einmal berücksichtigen, dass es besonders attraktive Dinge gibt, wie eben diese Gruppenbesteuerung oder die großzügige Forschungsförderung. Also ich glaube, die Unternehmensbesteuerung ist sicherlich nicht exorbitant hoch.

BP: Also Unternehmer als Nutznießer der letzten 20 Jahre Steuerpolitik?

S: Ja, die Unternehmen sind sicher entlastet worden in den letzten 20 Jahren. Also mit der Abschaffung der Vermögenssteuer angefangen, die ja de facto dadurch, dass sie im Privatbereich nur wenige bezahlt haben und sie bei den Immobilien wenig eingebracht hat – de facto haben die Vermögenssteuer ja die Unternehmen bezahlt. 80% des Vermögenssteueraufkommens stammte ja aus dem unternehmerischen Bereich. Also das war eine große Entlastung. Die Erbschaftsteuer ist abgeschafft worden, auch für die Unternehmen, und der Körperschaftsteuersatz ist gesenkt worden, die Gruppenbesteuerung ist eingeführt worden und wir haben eine großzügige Forschungsförderung, also auf der steuerlichen Seite. Also ich würde schon meinen, dass man die Unternehmen steuerlich sehr gut gestellt hat.

BP: Und diese Maßnahmen standen in einem Zeitgeist oder würden Sie sagen, das waren vor allem technische Notwendigkeiten?

S: Nein, das passt schon dazu, was die anderen auch gemacht haben. Also die Unternehmen entlasten durch Senkungen der Körperschaftsteuersätze – das ist in Österreich ja auch gemacht worden – und durch bestimmte attraktive Regelungen bei der Bemessungsgrundlage und auch durch Entlastungen bei den Vermögenssteuern. Also das ist ja auch nichts Besonderes, das ist in Österreich vielleicht besonders stark. Aber das entspricht schon dem allgemeinen Trend. Auch, dass man die Kapitalerträge nur noch proportional besteuert, das machen fast alle anderen Länder auch.

A (III) TRANSCRIPT OF THE INTERVIEW WITH DR. ANTON RAINER, JANUARY 9, 2014 AT THE MINISTRY OF FINANCE, VIENNA

R: Ich bin 1972 ins Ministerium gekommen, aber nicht in der Steuersektion, sondern in der Budgetsektion. Wir haben dort ein ökonometrisches budgetpolitisches Modell entworfen, wobei wir die Steuern nur exogen drin hatten, aber nicht die Rückwirkungen auf die Steuern. Im Zuge der Budgetvorschauen habe ich mich dann allerdings bald mit Steuerprognosen beschäftigt.

Später habe ich dann auch selbst Schätzungen gemacht. Daher habe ich mich – selbst als ich noch in der Budgetsektion war – relativ viel mit Steuerreformfragen und Tariff Fragen befasst und ich wurde über die möglichen Kosten von dieser und jener Maßnahme befragt.

BP: Als ökonomischer Rat..

R: Auch, aber mit Schwerpunkt Budget, also welche Kosten (Mindereinnahmen) anfallen oder was es bringt (Mehreinnahmen).

BP: Funktioniert das so, dass Sie Vorschläge einbringen oder war das eher ein Befragen der eigenen Experten bezüglich Auswirkungen? Wie funktioniert das in der Finanzpolitik?

R: Schätzungen von Ausnahmebestimmungen habe ich schon sehr früh zu Papier gebracht, das dürfte Anfang der 80er Jahre gewesen sein. Zu der Zeit habe ich auch begonnen, mich mit Tariff Fragen zu beschäftigen. Ich wurde dann hier und da zu solchen Sachen gefragt, aber das war so, die Steuersektion hat da eben einen steuerpolitischen Vorschlag gekriegt – z.B. Einführung einer Investitionsprämie oder vorzeitige Abschreibung und so – und dann wurde ich beigezogen um die Kosten zu schätzen. Bei der so genannten Steuerreform 1986 war ich dann schon konkreter eingeschaltet, weil es darum ging, welchen neuen Tarif wir machen. Gemeinsam mit dem späteren Sektionschef Nolz, der damals noch Abteilungsleiter war, haben wir einen Tarif entwickelt und die Kosten berechnet. Nur, der Tarif ist dann bei der Gewerkschaft nicht angekommen. Daher haben wir – anstelle eines neuen Tarifs – die Steuersätze in den unteren Tarifstufen leicht gesenkt und diese Senkung für höhere Einkommen durch eine teilweise Absetzbetragseinschleifung kompensiert. Der damalige Ministersekretär beim Lacina hat den dann als „Nora“ bezeichnet – Nolz-Rainer-Tarif, obwohl es eigentlich gar kein neuer Tarif war.

Ja und dann war ich relativ stark involviert bei der Steuerreform 1988/89. Da hat es ja eine Steuerreformkommission gegeben, die eigentlich ziemlich gut funktioniert hat im Vergleich zu den nachfolgenden. Sie war relativ hoch besetzt und Lacina und Ditz haben relativ guten Kontakt gehabt und gut zusammengearbeitet. In dieser Zeit, haben sie Maßnahmen auf steuerlicher Seite – und andere auch – gemeinsam besprochen und einige Beamte aus dem Haus dazu gezogen. Da war ich meistens auch dabei, um die Auswirkungen zu schätzen. Bei der Steuerreform 1989 habe dann hauptsächlich ich (mit Unterstützung der steuerlichen Berater von Lacina und Ditz Rill und Holzer, die beide leider schon früh verstorben sind) die Rechnungen gemacht. Die Vorschläge sind natürlich von verschiedenen Seiten gekommen (aber hauptsächlich von Lacina und Ditz, die das schon vorher mit BMF-Mitarbeitern besprochen hatten). Die Vorschläge sind in der Kommission besprochen und beschlossen worden. Und 1994 war es dann ähnlich – da hat es dann den

nächsten Schritt gegeben mit der Abschaffung der Gewerbe- und Vermögensteuer und der Umwandlung der Lohnsummensteuer in die Kommunalabgabe. Das waren zu dieser Zeit eigentlich die größten Reformen, bei denen ich mitgemacht habe. Bei den anderen großen Reformen Anfang der 1970er Jahre war ich zum Teil noch nicht da oder noch nicht im Fach. Das waren auch sehr große Schritte – die Einführung der Mehrwertsteuer und dann die Individualbesteuerung bei der Einkommensteuer. Das waren eigentlich die „Brocken“ Anfang der 70er Jahre.

BP: Die Absetzbeträge..

R: Naja die Absetzbeträge, das ist in Wirklichkeit nur eine Formulierung von Steuerfreigrenzen. Es ist eigentlich kein Unterschied, ob man sagt ein Einkommen ist bis 10.000 steuerfrei oder bis 10.000 ist 20% und ich mache 2.000 Absetzbetrag – dann habe ich die gleiche Wirkung.

BP: Auch verteilungspolitisch?

R: Aber es stimmt schon – in dem Sinn, dass die Kinder früher ja im Tarif drin oder durch Freibeträge berücksichtigt waren. Eine Umstellung von Freibeträgen zu Absetzbeträgen ändert natürlich die Verteilung, das ist klar.

Ich (mit meiner Abteilung) habe natürlich auch bei den letzten Reformen mitgewirkt – den so genannten Reformen, die meiner Meinung nach keine besonderen Reformen waren (vielleicht mit Ausnahme 2005, weil damals der Tarif vereinfacht wurde und seither dem Effektivtarif entspricht), weil die nachfolgenden Schritte eigentlich nur Steuersenkungen ohne wirkliche Reformen waren. Man braucht sich nur das Einkommensteuergesetz 1988 anzuschauen – und nicht nur das Einkommensteuergesetz, sondern auch die Gesetze zur Gewerbesteuer und Vermögensteuer usw. 1994 ist dann Vieles weggefallen, also wieder einfacher geworden. Und ab dann ging es nur mehr bergauf mit der Anzahl der Bestimmungen, also es ist immer wieder etwas dazugekommen. Die meisten Steuerreformen waren eigentlich Steuersenkungen – manchmal verbunden mit zusätzlichen begünstigenden Ausnahmebestimmungen (anstatt durch Streichung von Ausnahmen das Steuersystem zu vereinfachen), da man gesagt hat „es darf aber keine Person in Österreich etwas verlieren dabei“. Bei einer solchen Vorgabe ist es natürlich logisch, dass man nicht sehr viel machen kann.

BP: Warum hat man das gesagt?

R: Naja, das hat politisch schon einen guten Grund, da ja normalerweise die Begünstigten sich still freuen und die Verlierer laut schreien. Nur hätte man meiner Meinung nach es nicht so genau

nehmen brauchen, weil wenn es Maßnahmen gewesen wären, die unter Umständen Leute betroffen hätten, die z.B. über 50.000 Euro Einkommen haben und die dann zufällig 200 Euro mehr Steuern zahlen, wird deren Hilfeschrei nicht sehr populär sein. Aber man hat wirklich immer als Devise ausgegeben: „Es darf keiner verlieren“.

Noch schlimmer war es bei der Steuerreform 2000, da habe ich mit Lehner zusammen gearbeitet und wir haben einen Tarif entworfen. Der wurde aber von den Politikern (insb. Schüssel) nicht akzeptiert. Diese haben dann eine Entlastungskurve und eine Senkung der Tarifsätze vorgegeben. Diese Vorgaben waren nur durch komplizierte Einschleifbestimmungen für den allgemeinen Absetzbetrag zu erreichen. Deshalb musste ich die ganze, auf die Präsentation der Steuerreform folgende Woche irgendwelche Absetzbetragseinschleifungen konstruieren, damit auch für Pensionisten und Selbständige etwa der gleiche Entlastungsverlauf gegeben war. Der Tarif selbst war – abgesehen von den Sätzen - unverändert. Also nicht sehr kompliziert, aber mit den Einschleifungen der Absetzbeträge war der Effektivtarif ziemlich kompliziert.

BP: Wobei 2000 ja ursprünglich eine recht große Reform hätte werden sollen.

R: Ja betragsmäßig war es wahrscheinlich nicht so wenig, aber inhaltlich hat es wenig Substanz gehabt.

BP: Es scheint, dass ähnlich wie darauf bedacht worden ist, wie das Ganze den Steuerzahler bzw. die Wählerschaft als solche stimmt, wie das Ganze auch die Verbände stimmt. Ist das so? Also werden Reformvorhaben..

R: Ja klar, die Sozialpartner haben schon immer einen starken Einfluss. Aber wahrscheinlich eher einen behindernden Einfluss, weil sie eher Sachen abblocken, die ihrer Klientel nicht sehr gefallen würden, bzw. stellen sie dann eher Forderungen um ihre Klientel zu befriedigen und zu begünstigen. Und solche Forderungen führen natürlich meistens eher zu einer Komplizierung des Steuerrechts. Auch lassen sich Konflikte zwischen Arbeitgeber- und Arbeitnehmerseite auf Staatskosten leichter entschärfen.

BP: Das heißt, es geht den Interessenvertretern um die eigenen Interessen und weniger um das Allgemeinwohl, um quasi das Steuersystem effektiver oder ausgewogener zu gestalten.

R: Ja das glaube ich auch. Ich will ihnen das Interesse nicht absprechen, aber das ist ziemlich begrenzt. Sobald es irgendwem ein bisschen wehtun könnte.. Gut, es ist auch logisch, dass der Status Quo immer relativ stark zählt. In den früheren Steuerreformen war es einfacher, größere Änderungen zu machen, weil das Wirtschaftswachstum und auch die Inflation höher waren als

heutzutage, das heißt mit der Progression sind die Steuern ziemlich stark gewachsen – also zumindest die Einkommen- und Lohnsteuer. Und dadurch hat man in Wirklichkeit immer relativ viel Spielraum gehabt, weil es ja für die meisten Leute nicht so leicht zu sehen ist, ob sie real entlastet sind oder rein nominell. Also insofern war es natürlich leichter, denn heutzutage gibt es Lohnwachstum von etwa 2-3% und wenn man die Progression drauflegt, steigt die Lohnsteuer um 4-5%. Aber früher waren das oft zwischen 7 und 10%.

BP: Aber die Progression hat zunehmend abgenommen, wie ich das sehe.

R: Nein die Progression selbst hat nicht abgenommen, aber wenn der Zuwachs der Steuerbasis schwächer wird, dann wirkt die Progression nicht mehr. Denn Progression heißt ja nur, dass die prozentuelle Zunahme der Steuer ein Vielfaches der Zunahme der Basis ist. Also, wenn z.B. die Löhne pro Kopf um, sagen wir um 5% zunehmen, dann steigt die Steuer ungefähr 1,8 Mal so stark – also dann etwa 9%. Und wenn die Zunahme Null ist, dann kann die Progression so hoch sein wie man will, es kommt natürlich nicht mehr Steuer heraus.

BP: Steuerpolitik ist nicht eine rein technische Angelegenheit?

R: Nein überhaupt nicht. Nein, es ist eher nicht technisch. Natürlich müssen dann die beschlossenen Maßnahmen technisch umgesetzt werden. Wie z.B. bei der Steuerreform 2000 – dass die Entlastung betragsmäßig vorgegeben war, aber zugleich auch die Tarifsenkung. Da müsste man dann ja neue Stufen einbauen, das war aber auch nicht gewollt. Sondern was gewollt war, ist, dass man den Tarif senkt, aber genau die Entlastung herausbekommt – was natürlich nicht geht. Und dann ist es natürlich schon eine Frage der Technik, wie ich dann die Absetzbeträge einschleifen muss, damit dieses Ziel herauskommt. Aber das ist den Leuten, die Steuerpolitik besprechen, ziemlich egal.

BP: Was steht hinter solchen Zielsetzungen? Sind das Überzeugungen, sind das Ideologien?

R: Naja über die früheren Steuerreformen der 70er Jahre kann ich wenig sagen. Aber das war sicher auch so. Bei der Mehrwertsteuer war klar, dass man umstellt auf Mehrwertsteuer, weil man gesagt hat, dass ist das Steuersystem der Zukunft in Europa. Dann, dass man die Individualbesteuerung bei der Einkommensteuer eingeführt hat, war sicher damals vom sozialdemokratischen Standpunkt her gewünscht, schätze ich. Und das ist bestimmt auch im Prinzip frauenfreundlich, denn wenn man sich anschaut, was für Probleme Deutschland mit dem Splitting hat – das haben wir zum Glück nicht. Und bezüglich Absetzbeträge statt Freibeträge, das ist auch klar, dass das eher aus dem sozialdemokratischen Gedankengut gekommen ist. Und damals war das ja auch einfacher, weil sie die absolute Mehrheit hatten. Damals in den 70er Jahren

gab es ja gute Einnahmen, also gute Steigerungen von Jahr zu Jahr. Und dazu eine absolute Mehrheit, da kann man natürlich seine eigenen Sachen besser verwirklichen. Man muss aber sagen, dass es bei Lacina/Ditz so war, dass sie sich darauf verständigt haben, dass bei der Einkommensteuer auf jeden Fall die Ausnahmen eingeschränkt werden oder zum Teil wegfallen sollen, und dass der Tarif entsprechend abgesenkt werden soll. Da wurde dann beraten, welche Ausnahmen man wegnehmen oder kürzen sollte. Dann wurde noch beschlossen, so viele Milliarden stecken wir da hinein. Und das Ganze hat dann ein ziemliches Paket für die Tarifsenkung ergeben. Wobei die 50% von beiden vorgesehen waren, darauf hat man sich auch in der Reformkommission verständigt, weil vorher war der Spitzensteuersatz ja 62%. Wir haben auch die neue Körperschaftsteuer eingeführt, endlich das normale System, nicht wie früher eine progressive Körperschaftssteuer und die Ausschüttung war dann halbsatzbesteuert. Da ist man draufgekommen, dass die Unternehmen das so machen, dass sie in Wirklichkeit den ganzen Gewinn halbsatzbesteuern. So ungefähr.

BP: Hat das mit der Bewertungsfreiheit zu tun gehabt?

R: Nein, das hat damit zu tun, dass die Ausschüttung bestimmt ist durch den handelsrechtlichen Gewinn und die Steuer durch den steuerlichen Gewinn. Und der steuerliche Gewinn immer eher niedriger war, sodass sie, wenn sie beispielsweise $\frac{3}{4}$ des handelsrechtlichen Gewinns ausgeschüttet haben, sie tatsächlich den ganzen steuerlichen Gewinn ausgeschüttet haben. Also mit solchen Konstruktionen hat es funktioniert, dass sie (die Unternehmen, Anm.) in Wirklichkeit insgesamt auf den Gewinn ziemlich genau den halben Steuersatz gezahlt haben. Vielleicht ein bisschen mehr, aber nicht viel mehr.

BP: Zur Zeit der 1988/89er Reform sind in anderen Ländern ähnliche Reformen passiert – dass die nominalen Steuersätze gesenkt wurden und dass dafür die Basis verbreitert wurde. Hat sich Österreich daran orientiert oder ist das unabhängig davon zu sehen?

R: Ja, das war sicher auch dadurch bedingt, obwohl wir damit ohnehin relativ früh dran waren.

BP: ... USA 1986.

R: Ja, USA schon, aber sonst in Europa waren wir eher früh dran.

BP: Das heißt Österreich ist da eher ein Zugpferd, ein Ideal für andere..

R: Nein, das glaube ich nicht. Obwohl die Steuern nach der Reform 1994, das hat sich schon sehen lassen können, glaube ich.

BP: Was meinen Sie damit genau?

R: Naja, dass es im Verhältnis zu vielen anderen Staaten relativ einfach war und in sich auch relativ logisch – soweit ein Steuersystem logisch sein kann.

BP: Welche Bedeutung hat ein einfaches Steuersystem?

R: Es wird immer wieder gesagt, man soll ein einfaches Steuersystem haben, weil es gut sei für das Wirtschaftswachstum. Das habe ich immer schon ein bisschen relativiert, Ich war ja in einer OECD-Arbeitsgruppe für Steuerstatistik und da haben sie auch immer den Zusammenhang einfaches Steuersystem-Wirtschaftswachstum präsentiert. Und da habe ich gemeint, dass Steuerberater ein gut bezahlter Beruf ist und dass, wenn man dann weniger Steuerberater braucht, das unter Umständen nicht so gut ist für das Wirtschaftswachstum. War aber nicht ganz ernst gemeint. Aber es würde eben Kosten reduzieren, die sonst nicht da sind. Also unnötige (trotzdem BIO-erhöhend) Arbeit vermeiden. Weil inzwischen ist es so, dass – wie z.B. Farny von der Arbeiterkammer immer sagt – es jetzt keinen Menschen mehr gibt, der wirklich jede Lohnabrechnung korrekt machen könnte. Gut, da kommt natürlich die Komplexität des Sozialversicherungssystems auch dazu. Durch den Zusammenhang Sozialversicherung-Steuer gibt es oft Probleme, dass man durch Änderungen in einem System Ungereimtheiten im anderen auslöst (gilt auch innerhalb der Systeme, wenn Änderungen gemacht werden, die mit dem bestehenden System nicht zusammenpassen). Da kommen dann hin und wieder so Dinge heraus, wie unbeabsichtigte Sprünge in der Steuer entweder nach unten oder nach oben, oder in der Sozialversicherung unterschiedliche Sätze je nach Auszahlungsrhythmus der Löhne/Gehälter.

BP: Haben Sie eine Erklärung für die hohe Belastung des Faktors Arbeit in Österreich?

R: Ich glaube die Belastung des Faktors Arbeit ist überall relativ hoch, in Europa zumindest. Und es ist irgendwie verständlich, weil die Wertschöpfung natürlich hauptsächlich auf Arbeit beruht. Wenn man sich das im Einzelfall anschaut – da wird häufig der hohe Eingangssteuersatz in Österreich beklagt, der mit 36,5% sehr hoch ist. Das ist natürlich ziemlich übertrieben, weil der 13. und 14. Bezug mit 0% oder mit 6% besteuert wird, wobei da seltsame Belastungsverläufe auftreten. Bei den unselbstständig Beschäftigten ist es so, dass der Eingangssteuersatz genau genommen der Sozialversicherungsbeitrag ist. Den zahlen ja alle von vornherein; wenn sie einmal die Mindestbeitragsgrundlage überschreiten, dann zahlen sie 18% Sozialversicherungsbeitrag. Als nächstes kommt dann komischerweise nicht die normale Lohnsteuer, sondern die Lohnsteuer auf den sonstigen Bezug. Die tritt in den meisten Fällen früher ein, als die Lohnsteuer für den laufenden Bezug. Vor allem, wenn jemand Alleinverdiener ist, kommt er mit dem laufenden Bezug

erst relativ spät in die Steuer hinein. Und dann ist es sehr komisch, dass er z.B. im November, wenn er den 14. Bezug bekommt, er dann Steuer auf den 14. Bezug zahlt – aber in allen Monaten zahlt er keine Steuer auf den laufenden Bezug.

Und in diesem Bereich gibt es für die Arbeitnehmerveranlagung ja eine Bestimmung, dass er dann 30% Einschleifung hat. Also in Wirklichkeit zahlen solche Leute unter Umständen 30% als Grenzsteuersatz vom sonstigen Bezug, obwohl sie sonst keine Steuer zahlen. Das heißt, der Eingangssteuersatz ist bei denen dann 30%, aber nur von einem Siebtel, also nur das Siebtel (=ein Sechstel der laufenden Bezüge) wird damit versteuert. Und dann geht der Grenzsteuersatz für den 13./14. wieder hinunter auf 6% und dann sind es 36,5% vom laufenden gemischt mit den 6% vom 13./14. ergeben dann in Wirklichkeit einen Eingangssteuersatz von ungefähr 32%.

Vor ca. zwei Jahren habe ich eine Untersuchung in der Steuerzeitung veröffentlicht und da bin ich draufgekommen, dass die 36,5% der niedrigste effektive Eingangssteuersatz war seit 1970, seit 1972 genau genommen. Davor kann man es nämlich schwer vergleichen wegen der Haushaltsbesteuerung. Aber seit 1972 habe ich mir alle effektiven Eingangssteuersätze angeschaut – und die waren immer höher als die 36,5%. Nur kommen die meisten, auch die wissenschaftlichen Steuerspezialisten, nicht drauf, dass der effektive Steuersatz ein anderer ist als der, der im Tarif steht. Wenn man nämlich irgendeine Einschleifung hat, dann hat man in Wirklichkeit den Eingangssteuersatz verändert, nämlich entsprechend erhöht. Wir hatten schon eine kurze Periode, da war der Eingangssteuersatz für Alleinverdiener 64%. Es gab nämlich eine Einschleifbestimmung bei Überschreiten der Besteuerungsgrenze – also man hat die Steuer berechnet und bis zu einen gewissen Betrag war die Steuer aber nicht zu zahlen, ist auf null gesenkt worden. Und um später wieder die Tarifsteuer zu erreichen, hat man so eine Einschleifbestimmung gehabt, die den Grenzsteuersatz verdoppelt hat. Nur steht der Eingangssteuersatz jetzt explizit im Tarif und früher hat er sich vom Steuersatz der untersten Tarifstufe unterschieden.

BP: Das ist jetzt allerdings äußerst technisch.

R: Ja. Ab den 90er Jahren, glaube ich, war ich dabei bei der Lohnsteuertabelle, bei einer Ausgabe von LexisNexis, da hatte ich immer den Effektivtarif drin. Und bei der OECD im Rahmen von „Taxing Wages“ – da war auch eine Steuerberechnung drin – haben wir auch den Effektivtarif hineingeschrieben, also nicht der, der im Gesetz gestanden ist, sondern der, der wirklich anzuwenden war – mit allen diesen Absetzbetragseinschleifungen und solchen Dingen.

BP: Hat Österreich eigentlich eine große Freiheit, steuerpolitisch zu agieren – wie sieht das aus, als kleines Land innerhalb der EU?

R: Steuerreformen haben sich ja meistens hauptsächlich auf die Einkommen- und Lohnsteuer bezogen. Was in der EU in Steuersachen passiert, das ist normalerweise nicht österreichische Steuerpolitik, sondern eigentlich Vorgabe der EU. Obwohl man da natürlich auch Möglichkeiten hätte. Wir würden schon lange vorschlagen, dass man nur mehr einen Mehrwertsteuersatz verwenden soll, also keinen reduzierten Satz mehr, was einige Länder machen. Was die Sache schon wesentlich einfacher machen würde, denn momentan ist nicht immer klar, wenn man das eine um 20% kauft und das andere um 10% verkaufen kann, weil sich das irgendwie ändert – oder umgekehrt. Und außerdem ist es so, Hotelübernachtungen sind zB 10% und bei einer Halbpension ist das Essen auch 10%, das Trinken zB aber 20%. Bei Pauschalpreisen muss man dann immer sagen, so viel fällt auf das Essen und so viel auf das Trinken. Beim Frühstück zB kostet die Mehrwertsteuer auf den Orangensaft genau genommen 20%, auf den Kaffee auch. Und auf die anderen Sachen sind es 10%. Und solche Dinge sind nicht besonders gescheit, wenn man das machen muss.

BP: Hat das nicht verteilungspolitische ...

R: Ja schon, aber die verteilungspolitischen Wirkungen sind erstens nicht besonders hoch und zweitens kann man das außerdem so kompensieren, dass man bei der Einkommensteuer etwas zu Gunsten niederer Einkommen ändert und die Mindestpension und andere Transfers ein wenig erhöht. Dann hat man einen großen Teil der Probleme draußen, denn man kann ja bei der Negativsteuer – zB für Alleinverdiener oder generell – statt maximal 110 auf 250 gehen, dann haben sie das wieder drinnen. Aber das wird eben mit diesem Argument natürlich sehr oft abgelehnt, da traut sich niemand richtig dran. Außerdem würden die Branchen, die momentan einen niederen Steuersatz haben, ziemlich schreien, zB der Buchhandel würde sagen, in Deutschland zahlen sie 7% auf Bücher und in Österreich 10% und dann später 17%, denn das wäre ungefähr der aufkommensneutrale Gesamtsatz. Die würden sagen, wir sind total benachteiligt.

BP: Woran orientieren sich die österreichischen Parteien in ihrer steuerpolitischen Linie? Was würden Sie sagen?

R: Naja eigentlich ist keine richtige Linie sichtbar, weil sie doch sehr verschiedene Ansätze haben. Und wie man sieht bei der Erbschaftsteuer- und Vermögenssteuerdiskussion hat es keine Änderung gegeben. Das heißt, in diesem Fall kommt dann eher Status Quo mit leichten

Veränderungen heraus, je nachdem ob Konsolidierung oder Steuersenkung angesagt ist. Jetzt hat man eher Konsolidierungsbedarf. Und in einigen Jahren wird man sagen, wir machen eine Steuerreform, was wieder eine Steuersenkung sein wird. Aber unter diesen Umständen (1. wird wahrscheinlich wieder die Devise ausgegeben, dass niemand verlieren darf, 2. gehen die programmatischen Vorstellungen der Koalitionsparteien ziemlich auseinander) ist kaum zu erwarten, dass sich inhaltlich wirklich viel ändern wird. Sondern man wird halt eine Tarifsenkung machen.

BP: Wie notwendig, würden Sie sagen, ist eine Konsolidierung?

R: Ja persönlich bin ich kein Konsolidierungsgeier. Also ich finde die ganzen Vorgaben von der EU her, die gemacht worden sind und denen die Mitgliedstaaten auch zugestimmt haben, reichlich übertrieben. Und die führen offensichtlich auch nicht so wirklich zu einer Konsolidierung.

BP: Gäbe es nicht Potenziale innerhalb Österreichs, die steuerpolitisch genutzt werden könnten, um einer Konsolidierung eine Alternative zu geben?

R: Naja, da werden oft Vermögensteuer und Erbschaftssteuer genannt. Aber die sind vorläufig wieder einmal vom Tisch (siehe Regierungsprogramm), wobei ich allerdings glaube, dass die SPÖ wahrscheinlich gar nicht so unfroh darüber ist, dass die ÖVP die Vermögensteuer torpediert. Denn eine gute Vermögensteuer einzuführen braucht bestimmt 5-6 Jahre. Also so, dass man einfach sagt, jetzt machen wir eine Vermögensteuer und jeder kann sich selbst bewerten – das ist ja illusorisch. Und bei der Erbschaftssteuer hätte ich mir gedacht, dass man sich hätte einigen können. Aber die Erbschaftssteuer bringt auf keinen Fall so viel, dass man sagen kann, jetzt hat man genügend Material, um die Steuer auf Arbeit zu senken. Weil die Erbschaftssteuer wird wahrscheinlich, wenn es hochkommt – muss aber sehr gut laufen, und es kann Ausnahmen geben –, vielleicht eine Milliarde (wahrscheinlich eher wenige hundert Mio.) bringen. Und mit einer Milliarde senkt man die Lohnkosten zB nur um deutlich weniger als 1%. Und Ähnliches gilt auch für so genannte Umweltabgaben. Die kann man schon erhöhen, aber da bringt man praktisch auch nicht so viel heraus, dass man dann großzügig bei den anderen Steuern senken könnte. Das wird also meistens ein bisschen unterschätzt, oder die Möglichkeiten werden überschätzt, dass man sagt, wenn wir Umweltsteuern entsprechend erhöhen, dann können wir dort herunterräumen – das ist eher illusorisch. Und die jetzigen Erhöhungen waren ja nur zur Konsolidierung. Insofern geht es schon in die richtige Richtung, denn zur Konsolidierung erhöht man eben Umweltabgaben oder die Tabaksteuer, was an sich in Ordnung geht. Und macht vorläufig nichts bei den anderen, weil man ja das Geld braucht. Und später senkt man halt dann die Lohn- und Einkommensteuer. Also insofern, im Ablauf passt es ein wenig. Aber dadurch, dass natürlich die Lohn- und

Einkommensteuern viel höher sind und durch eine entsprechende Progression zunehmen, ist man dann bei einem ähnlichen Zustand wie vorher.

BP: Der Status Quo scheint ziemlich festgeschrieben zu sein in Österreich.

R: Ja das glaube ich schon, ja.

BP: Das heißt, gröbere Richtungsänderungen sind sehr schwer zu vollziehen?

R: Ja. Das wäre ja kein solches Drama, wenn nicht immer wieder zusätzliche Begünstigungen eingebaut würden. Dadurch wird die Sache dann laufend komplizierter. Und diese Begünstigungen aber kommen nie mehr weg.

BP: Wie kommen die – Wahlzuckerl?

R: Aus verschiedenen Gründen, die berühmte Sternstunde des Parlaments 2008 etwa, hat zB die unnötige Überstundenbegünstigung verdoppelt. In Wirklichkeit hätte diese angesichts der Krise weg gehört. Aber da gab es eben diesen Antrag im Parlament und die meisten haben zugestimmt. Und dann zB die Senkung der Mehrwertsteuer auf Medikamente – das war auch nicht im Sinn des Finanzministeriums, aber das ist dann halt beschlossen worden.

BP: Wirkt sich das Erfordernis von Kompromissfindungen innerhalb von Koalitionen stark auf die Steuerpolitik aus?

R: Ja schon, denn die Kompromisse sind ja letztlich das, was umgesetzt wird. Nur, die Kompromisse sind eben meistens relativ nahe dem Status Quo. Wenn der Kompromiss größer wäre, dann wäre es natürlich anders.

BP: Das heißt, programmatisch scheint es, differenzieren sich die Parteien schon stärker voneinander, aber wie das dann realpolitisch – oder real-steuerpolitisch – umgesetzt wird, ist dann etwas ganz Anderes.

R: Ja, da wird dann eher ... es ist dann so, dass von der Seite Vorschläge kommen und von der Seite Vorschläge kommen. Allerdings würde ich sagen, die konsolidierenden Vorschläge sind eher von der Regierung oder eben von Regierungsnahen. Und die Interessenvertretungen machen eher Vorschläge, die etwas kosten. Das ist wahrscheinlich so ein gewisses Sperrfeuer im Vorhinein, dass man sagt, man möchte die und die und die Begünstigung haben. Und die werden natürlich dann zum Großteil abgelehnt, weil man ja konsolidieren muss. Aber auf der anderen Seite werden die Konsolidierungsvorschläge dadurch auch gebremst.

BP: Wie schaut es auf einer ministeriellen Ebene aus? Gibt es da gröbere Einflussnahmen von Ministerien auf das Finanzministerium?

R: Ich glaube nicht sehr stark. Also das kann ich jetzt schwer beurteilen, weil ich in letzter Zeit nicht mehr sehr Minister-nahe bin. Ich bin bei Besprechungen etc. nicht mehr dabei. Sondern wir merken das dann eher nur deswegen, weil aus den Gruppen, die Koalitionsverhandlungen führen, diverse Vorschläge über unseren Sektionschef oder das Ministerbüro zu uns kommen und wir berechnen dann eben was die Auswirkungen sind.

BP: Verstehe.

R: Und dann ist es seit einiger Zeit (etwa seit 5 Jahren) so, dass eigentlich die Argumente gegen diverse Vorschläge meistens die Mindereinnahmen sind – also wenn etwas viel kostet, ist das das Hauptargument dagegen – und leider weniger, ob ein Vorschlag sinnvoll ist oder nicht. Er könnte ja inhaltlich dumm sein, das spielt aber eine geringere Rolle – wenn sie wenig kosten, kommen auch dumme Vorschläge durch.

BP: Eine Frage habe ich noch, die würde mich sehr interessieren. Wenn Sie sich unser Steuersystem anschauen, wie ist das Verhältnis zwischen den verschiedenen Zielsetzungen – also zwischen Effizienz, verteilungspolitischen Zielen, Lenkungszielen?

R: Ich halte relativ wenig von der Lenkung, weil offensichtlich das Verhalten der Steuerpflichtigen sich - entgegen den Annahmen mancher ökonomischer Theorien - bei steuerlichen Änderungen kaum ändert. Wenn steuerliche Maßnahmen gesetzt werden, prognostizieren wir die Budgetwirkung aufgrund der früheren (natürlich fortgeschriebenen) Zahlen. Wenn man nach der ökonomischen Theorie geht, müsste man sagen, diese Zahlen (zB. Bemessungsgrundlagen) ändern sich aber durch die Maßnahme. Wenn ich zB die Mineralölsteuer erhöhe, müsste der Mineralölverbrauch zurückgehen und man hat weniger Steuer als man glaubt. Oder die neoklassische Theorie sagt, wenn ich die Steuern auf Arbeit erhöhe, dann geht das Arbeitsangebot zurück und dadurch habe ich negative Auswirkungen auf die Steuer. Nur praktisch sind die nie sichtbar. Also unsere Prognosen, wenn ich zB eine Lohnsteuersenkung oder eine Lohnsteuererhöhung – also eine Abschaffung von Ausnahmen – durchkalkuliere und das aufgrund von fortgeschriebenen früheren Daten mache, dann passt die Prognose normalerweise ziemlich gut. Das heißt, dieser Effekt einer denkbaren Verhaltensänderung ist so gering, dass man ihn in den Daten nicht merkt. Also das steht ziemlich im Gegensatz zur Steuertheorie, wo man sagt, der Effekt ist ziemlich stark. Aber tatsächlich man merkt nichts davon. Wahrscheinlich könnte man sagen, eine Lenkungswirkung wäre schon da, aber da müsste man schon sehr hoch greifen, zB die

Mineralölsteuer verdoppeln. Dann habe ich eine Lenkungswirkung, aber wahrscheinlich eher in dem Sinn, dass dann alle Leute woanders tanken würden. Wir würden praktisch gleich viel Mineralölverbrauch haben, aber viel weniger Steuern – oder nicht viel weniger, aber im Prinzip könnte die Steuer dann fallen, wenn wir über einen gewissen Grenzwert hinausgehen.

Andererseits haben z.B. Einkommensteuersenkungen v.a. im unteren Einkommensbereich günstige Nachfrage- und damit Multiplikatorwirkungen. Diese schlagen sich aber kaum bei der Lohn- und Einkommensteuer selbst, sondern stärker in den indirekten Steuern (MwSt.) nieder. Der ökonomische Effekt ist in den Wirtschaftsprognosen schon grob „eingepreist“, sodass wir den steuerlichen Sekundäreffekt implizit bei der nächsten Budgetierung berücksichtigen.

BP: Sie meinen, dass sich das dann ins Ausland verlagert.

R: Ja, deshalb macht Österreich ja immer die Politik, dass unsere Mineralölsteuer mit Deutschland zwar nachzieht, aber immer ein bisschen drunter ist. Und das heißt jetzt, da Österreich ein Durchzugsland ist – und LKWs können ja mit einer Tankladung durch ganz Europa fahren – werden LKWs, die durch Deutschland und dann durch Österreich fahren, eher bei uns tanken. Wir rechnen ja, dass wir ungefähr eine halbe Milliarde bis eine Milliarde Euro bekommen vom Auslandstanken. Und das würde natürlich dann ziemlich abrupt wegfallen, sobald wir die Erhöhung so hoch machen, dass wir über den deutschen und anderen Sätzen liegen.

BP: Was ist mit dem Bankgeheimnis? Wirkt sich das auf die Steuerpolitik aus?

R: Eigentlich nicht, also nicht sehr, weil wir ja ohnehin Quellensteuer haben. Das heißt, die Österreicher selber müssten deswegen, auch wenn das Bankgeheimnis wegfällt, keine Steuer zusätzlich bezahlen. Und ich glaube nicht, dass man dann die Kapitalertragsteuer auf Zinsen weglässt und die Empfänger dann ihre Zinsen deklarieren müssen, das wäre ja die andere Variante. Ich glaube aber nicht, dass sich das ändern würde. Ich würde vermuten, dass die Banken doch diese Quellensteuer ungefähr richtig einheben, denn die wollen da nicht in Probleme kommen. Noch dazu, weil die Steuerprüfer ja bei den Banken einzelne Konten anschauen können. Sie dürfen aber diese Informationen dann nicht gegen den Kontoinhaber verwenden, selbst wenn dabei z.B. un versteuerte Einkünfte entdeckt würden.

BP: Das muss doch vor allem Menschen mit Vermögen zugute kommen, die ihr Geld eigentlich recht sicher auf Bankkonten deponieren können, ohne dass der Fiskus Zugriff darauf bekommt.

R: Ja, aber das ist ja nur dann, wenn sie das Vermögen irgendwie schwarz angehäuft haben. Also es begünstigt natürlich Fälle, die viel Vermögen auf dunklen Kanälen angehäuft haben und zur

Bank tragen. Nur, die kommen unter Umständen auch in Probleme, weil die Banken bei großen Beträgen ja ohnehin melden müssen. Da gibt es ja dann Bestimmungen gegen Geldwäscherei und so, da würde man dann eher auf dem Weg draufkommen.

BP: Die Stiftungen, das Stiftungsgesetz...

R: Naja die Stiftungen sind eh offiziell, also das heißt die Einbringungssteuer muss ohnehin bezahlt werden. Und die Stiftungen sind jetzt bei weitem nicht mehr so rentabel wie sie früher einmal waren, denn früher konnte man die Veränderungen der Werte – bei Liegenschaften und so – steuerfrei in der Stiftung lukrieren. Während bei Unternehmen, wenn sie buchführungspflichtig sind, die Gewinne aus Bewertungen in den Gewinn hineinnehmen. Also der Unterschied ist bei Stiftungen genau genommen steuerlich nicht mehr besonders groß. Da wir jetzt die Besteuerung der Liegenschaftserträge haben, ist es ziemlich gleich geschaltet. Also nicht mehr sehr viel Unterschied.

A (IV) TRANSCRIPT OF THE INTERVIEW WITH MAG. CHRISTOPH SCHMID, JANUARY 16, 2014 AT THE WKO, VIENNA

BP: Einleitend wollte ich Sie fragen, wie es Ihnen mit dem Arbeitsprogramm der neuen Regierung geht.

S: Meiner Ansicht nach ist der große Wurf nicht gelungen, es sind keine Strukturreformen oder dergleichen angedacht. Man spricht oft von einer Einschränkung der Ermessensausgaben, das bringt punktuell schon etwas, aber es bringt nicht wirklich Großes. Wir als Wirtschaftskammer Österreichs sind für die Strukturreform an sich, das heißt, dass man in der öffentlichen Verwaltung einspart und da sehen wir jetzt nicht wirklich einen Fortschritt. Das ist das eine. Und der andere wichtige Punkt, den man in den Medien jetzt auch immer hört ist sparen und investieren. Hier gibt es eben Ansätze wie diese 100 Millionen Euro pro Jahr, die eben für Offensivmaßnahmen reserviert sind. Was da genau passiert, wird jetzt gerade ausverhandelt, es ist einmal ein erster Schritt. Was für uns wichtig ist, ist klar, Investitionen in Forschung und Entwicklung, in Bildung und eben auch in exportfördernde Maßnahmen - diese Internationalisierungsoffensive zu verstärken, wie sie jetzt gerade angedacht wird, sehen wir natürlich positiv. Also im Großen und Ganzen nicht wirklich der große Wurf, man muss schauen was jetzt passiert, was im Endeffekt herauskommt.

BP: Und die österreichische Steuerpolitik im Allgemeinen - was ist das Besondere, was zeichnet sie aus?

S: Von der Struktur her, haben wir eine hohe Belastung des Faktors Arbeit und überhaupt eine hohe Abgabenlast. Es wird oft eingewandt, dass die vermögensbezogenen Steuern eher gering sind. Der internationale Vergleich über Statistiken der OECD etc. weist dies aus, allerdings sind da auch teilweise die steuerpolitischen Änderungen des Stabilitätsgesetzes von 2011 und 2012 noch nicht berücksichtigt. Rechnet man das hinein, steigern sich die vermögensbezogenen Abgaben sehr wohl. Und was man auch noch dazu sagen sollte, ist, dass in Österreich Vieles, was in anderen Ländern unter vermögensbezogene Steuern fällt, bei uns über Gebühren abgegolten wird. Das heißt, diese müssten eigentlich genauso einbezogen werden, wenn man eine internationale Vergleichbarkeit haben möchte.

BP: Und in prozeduraler Hinsicht?

S: Wie meinen Sie das jetzt?

BP: Wie sehen die Prozesse zwischen den involvierten Akteuren aus?

S: Natürlich ist Österreich durch die Sozialpartnerschaft charakterisiert, wo jeder seinen Input eingibt. Allerdings würde ich da gerne auf den Spezialisten (Dr. Eberhartinger, Anm.) verweisen.

BP: Welche Bedeutung haben Überzeugungen und Ideologien in der Steuerpolitik?

S: Meiner Ansicht nach spielen diese schon eine Rolle. Wie man jetzt in diesen Gesprächen, den Regierungsverhandlungen, sieht, ist das schon ziemlich ideologisch geführt worden. Überhaupt was vermögensbezogene Steuern angeht - in diesem Fall möchte ich es herauspicken. Da hat jede Institution bzw. jede Partei ihre Ideologie und möchte das eben durchsetzen. Da ist meiner Meinung nach oft nicht faktenbasiert diskutiert worden. Das betrifft meiner Ansicht nach auch insbesondere die Datenlage bei den vermögensbezogenen Steuern. Diese sind sehr schwer zu erheben, es gibt hier unterschiedliche Datenquellen, ob jetzt die Volkswirtschaftliche Gesamtrechnung oder aber auch die EU-SILC Studie, jetzt die HFCS Studie der ÖNB, darüber hinaus Mikrozensus Befragungen. Da kommen unterschiedliche Ergebnisse heraus, auch bezüglich der Erhebungen bei Befragungen muss man sich anschauen, welche Annahmen getroffen wurden bzw. was war das Sample. Und dadurch ist es glaube ich wichtig, dass diese Ideologisierung, die meiner Meinung nach zum Teil schon herrscht eben neutralisieren, insofern als man das mehr faktenbasiert sehen muss. Ich glaube die Datenlage wird auch immer besser wird, und dann muss man sich das einmal genauer anschauen. Aber Studien betreffend

volkswirtschaftlicher Auswirkungen, etwa betreffend vermögensbezogene Steuern, gibt es ja nicht wirklich. Und es kommt dabei natürlich auch darauf an, wie man sie verwendet. Wie gesagt, ich sehe schon eine gewisse Ideologisierung in der Steuerpolitik.

BP: Woran orientiert sich die Wirtschaftskammer, also die WKO, in ihrer steuerpolitischen Linie?

S: Also wir sagen natürlich, die Abgabenbelastung ist zu hoch. Im internationalen Vergleich liegt Österreich EU-weit an vierter oder fünfter Stelle, ich glaube nur die skandinavischen Länder und Frankreich sind noch vor uns. Wir sehen natürlich auch, dass die Belastung des Faktors Arbeit viel zu hoch ist, wodurch sich Wettbewerbsnachteile ergeben. Dieser 50%ige Grenzsteuersatz ist ziemlich niedrig (gemeint ist die Einkommensgrenze, ab welcher der Spitzensteuersatz anfällt, Anm.); wir treten natürlich dafür ein, dass da die Progressionsstufe gestreckt wird, also nicht mehr so progressiv ist (der Tarif, Anm.). Und dass, wenn der Spitzensteuersatz bei 50% bleibt, weiter nach oben geschoben wird (die Bemessungsgrundlage, Anm.); und die kalte Progression, die in letzter Zeit nicht abgegolten wurde, miteinzuberechnen, aber auch den Eingangssteuersatz zu entlasten. Das Problem ist nur, wie finanziert man das? Um eine gescheite Lohnsteuerreform zu tätigen, braucht man ungefähr 4-5 Milliarden. Das ist im Moment natürlich nicht drinnen, aufgrund der wirtschaftlichen Lage und was eben passiert ist. Und da sind wir eben der Meinung, dass das durch strukturelle Maßnahmen im Verwaltungsbereich, in der Bürokratie, im Förderwesen, das heißt eben die Doppelförderungen abzuschaffen, dass man da Effizienzpotenziale aushebt und sich somit freispielt. Wir halten nichts von einer Gegenfinanzierung über z.B. Vermögenssteuern, da wir einerseits diese Aufkommensneutralität nicht sehen und andererseits den Wirtschaftsstandort Österreich dadurch als gefährdet ansehen. Eine allgemeine Vermögenssteuer gibt es EU-weit glaube ich nur in Frankreich. In Spanien gab es das zwischen 2011 und 2012. Es ist einfach ein internationales Auslaufmodell und wenn man da etwas macht, ist das für den Wirtschaftsstandort Österreich gefährlich. Zusammenfassend also muss der Faktor Arbeit entlastet werden, das aber durch Strukturreformen und nicht durch Gegenfinanzierung durch andere Steuern, weil eben die Abgabenquote oder Steuerbelastungsquote in Österreich im internationalen Vergleich schon sehr hoch ist.

BP: Jetzt wird ja seit einiger Zeit vorgebracht, dass wir versuchen sollten, eine Reform im Verwaltungsbereich durchzuführen und diese Doppelgleisigkeiten zu beseitigen, um Mittel freizubekommen. Warum passiert da so wenig, warum schaffen es die Interessorganisationen seit einiger Zeit nicht, da etwas in Gang zu bekommen?

S: Wenn ich z.B. den Finanzausgleich hernehme – der ist eine Unterstützung vom Bund für die Länder – das ist ein so komplexes und intransparentes System von Finanzströmen. Es gibt diesen

Finanzausgleich betreffend Reformen, die liegen auf dem Tisch, da herrscht auch im wissenschaftlichen Bereich mehr oder weniger Konsens darüber, was zu machen wäre. Das ist jetzt ein Politikum. Im Endeffekt müsste das umgesetzt werden, was schon auf dem Tisch liegt. Ich glaube halt, dass in Österreich das einerseits ein Problem ist – der Verwaltungsreform überhaupt, gesamtstaatlich gesehen – des Föderalismus, das heißt die neun Länder, wo jeder seine Interessen vertritt. Und verbunden mit dem Bund, ist so etwas wie eine österreichweite Gesundheitsreform, eine Vereinfachung, eine Finanzierung aus einem Topf beispielsweise mit Kompetenzabgaben von den Ländern an den Bund, politisch eben sehr schwer durchzusetzen. Ich glaube, dieser Föderalismus und diese verschiedenen politischen Interessenslagen führen dazu, dass es doch sehr schwer ist.

BP: Wie viel Gestaltungsspielraum hat ein kleines EU-Mitgliedsland wie Österreich überhaupt?

S: Inwiefern jetzt?

BP: Steuerpolitisch. Eine eigene Steuerpolitik zu verfolgen. Also in wie weit ist Österreich gebunden daran, was andere Länder machen, was die EU macht?

S: Naja es gibt Mindeststeuersätze, die die EU vorgibt, die müssen natürlich eingehalten werden. Ich bin jetzt auch kein EU-Steuerrechtler, aber es gibt natürlich innerhalb dieses Rahmens, den die EU vorgibt, einen Spielraum aktiv zu werden und Standortpolitik zu betreiben. Etwa wie man die Körperschaftssteuer ausgestaltet oder eben vermögensbezogene Steuern einzuführen etc. Also meiner Meinung nach gibt es da schon genügend Spielraum, um Wettbewerbsvorteile zu generieren, ich würde diesbezüglich auch auf Dr. Eberhartinger verweisen.

BP: Ich entnehme Ihren Ausführungen, dass es recht schwierig ist in Österreich größere Änderungen von der bisherigen steuerpolitischen Linie zu vollziehen. Sehe ich das richtig?

S: Ich glaube, in der jetzigen Situation, in der sich Österreich befindet, also auch im Zuge der budgetären Möglichkeiten, ist es schwer steuerliche Entlastungen zu unternehmen, ohne Strukturreformen durchzuführen, die wiederum politisch sehr schwer durchzusetzen sind. Insofern denke ich, dass es im Moment keine leichte Zeit ist, um entlastende Steuerreformen zu machen. Andererseits wäre die jetzige Zeit gut, aus dem Druck heraus etwas zustande zu bringen.

BP: Glauben Sie, dass Vertreter der Unternehmerseite es einfacher haben, ihre Interessen in die Politik einzubringen als Arbeitnehmervertreter?

S: Das sehe ich nicht, nein.

BP: Ich glaube, damit bin ich mit meinen Fragen so ziemlich am Ende. Haben Sie noch etwas, das Sie mir gerne mitteilen wollen würden oder gibt es Bereiche, die ich nicht ausreichend betrachtet habe?

S: Nein, wie gesagt, ich denke, dass die Zeit jetzt auch aufgrund der jetzigen budgetären Lage genutzt werden sollte und die Politik so agieren sollte, dass endlich große strukturelle Reformen durchgeführt werden, die vielleicht den Verwaltungsapparat verschlanken, immer aber unter der Prämisse, dass schlechter gestellte Haushalte nicht stärker belastet werden, sondern eher entlastet werden. Und dass es eben wichtig wäre, den Faktor Arbeit zu entlasten, und das nicht unbedingt über vermögensbezogene Steuern zu finanzieren, da man eben auch auf den Wirtschaftsstandort Österreich schauen muss.

APPENDIX B: PARTIAL TRANSCRIPTS OF ONLINE BROADCAST

B (I) PRESSESTUNDE (2011): AUßENMINISTER MICHAEL SPINDELEGGER (ÖVP) IN DER PRESSESTUNDE, SEPTEMBER 18, 2011, DITTELBACHER/ RAINER/ SPINDELEGGER

Spindelegger (12:40): Wir müssen die Schulden reduzieren, eine Schuldenbremse einziehen – wir sagen in Österreich ein Schuldenlimit, bei diesen 60% der Maastricht-Kriterien. Das ist es, was wir brauchen, und das wird durchaus ehrgeizige Pläne erfordern, damit wir das überhaupt einhalten können.

Rainer: Sie haben diese Schuldenbremsen mit einem schönen Bild dargestellt, nämlich ein Weidezaun, der mit Starkstrom versehen ist, und innerhalb dieses Weidezauns kann man sich ein wenig bewegen. Schönes Bild, wie soll Österreich jemals... Also Österreich soll eine Schuldenbremse beschließen, ich glaube dem stimmen Sie mal zu.

Spindelegger: Wir wollen ein Schuldenlimit bei 60% der Staatsschulden, das ist ja auch eine Größenordnung, die in den Maastricht-Kriterien damals von den Experten geschaffen wurde, ja.

Rainer: Wie sieht der Strom aus, der durch diesen Weidezaun läuft? Das heißt, was passiert konkret, wenn zum Beispiel Österreich oder ein anderer Staat diese Schuldenbremse überspringt? Also, was passiert dem, wenn er am Weidezaun hängen bleibt?

Spindelegger: Es wird ordentlich ‚tuschen‘.

....

Spindelegger (24:50): Und ich möchte gerne, dass wir die großen Fragen angehen. Schulden sind eine Erbsünde der Politik. Wir müssen einfach in die Zukunft denken, wir dürfen nicht alles den nächsten Generationen überantworten. Und darum möchte ich so stark und vehement drauf bleiben, eben dieses Schuldenlimit einzuführen, die großen Kostentreiber anzugehen, Reformen in Österreich zu machen

B (II) ÖVPVIDEOS (2013): ÖSTERREICHREDE 2013 VON MICHAEL SPINDELEGGER

(07:50) Für mich gibt es ein paar Grundsätze, ohne die eigentlich kein Politiker auskommen kann. Grundsätze, die ich für mich verinnerlicht habe. Eigentlich ganz einfache Wahrheiten, die immer erfolgreich waren und sich bewährt haben. Grundsätze, die ich auch für selbstverständlich halte. Und trotzdem, darf ich Ihnen sagen, bin ich seit zwei Jahren oft auf eine Mauer des Unverstands und des Unverständnisses gestoßen. Jeder sieht doch die simple Tatsache ein: Wohlstand darf nicht auf Kosten der nächsten Generation gebaut sein. Einen nachhaltigen Wohlstand auf Pump, den gibt es nicht. **(08:30)** Warum können das die Roten und die Grünen nicht verstehen? In den großen Schuldenstaaten, die wir heute haben, auch in Europa, zahlen doch jetzt schon die nächsten Generationen ihren Preis. Sie haben keine Arbeit. Mehr als die Hälfte. Unglaublich. Das müssen wir in Österreich verhindern. Das darf es bei uns nicht geben. Und darum darf es auch bei uns auch nicht weiter eine Schuldenpolitik geben. Da bin ich strikt dagegen. **(09:10)** Eine zweite Überzeugung, die auch so selbstverständlich ist. Kein Schwacher wird stärker, wenn ich die Starken schwäche. Wir sitzen doch alle in einem Boot. Gemeinsam sind wir dieses Österreich, wie es einfach da ist. Wir brauchen Starke, die den Schwachen helfen. Und in einer Neidgesellschaft sind am Ende alle schwach. Auch das verstehen die Mitbewerber nicht, obwohl es so einfach ist. **(09:40)** Und drittens: Früher haben die Gewerkschafter, die roten Gewerkschafter besonders, gesagt: Man darf die Kuh, die man melken will nicht schlachten. Gilt offenbar heute auch nicht mehr. Es bringt dem Arbeitnehmer nichts, wenn ich den Arbeitgeber ruiniere. Dann gibt's nämlich keinen Arbeitsplatz mehr. Und das bedeutet Armut. Und auch das wollen wir nicht.

B (III): BUNDESMINISTERIUM FÜR FINANZEN (2014): BUDGETREDE FINANZMINISTER DR. MICHAEL SPINDELEGGER, 29. APRIL 2014

(04:10) Um diese Wende zu schaffen, müssen alle einen Beitrag leisten. Das ist gar keine Frage. Und da müssen wir auch, und muss ich als Finanzminister, bei allen Österreichern auch um Verständnis dafür ersuchen. Wir drehen hier an vielen Schrauben – beim Bürger, bei der Verwaltung, bei allen in diesem Land, die ihren Beitrag dazu leisten. Wir schnüren aber keinem Menschen die Luft ab, meine Damen und Herren, um das auch klar zu sagen. Das wollen wir nicht und das werden wir nicht tun. Lassen Sie mich auch auf das eingehen, was in diesem Zusammenhang gerne diskutiert wird – die Frage einer Steuerreform. Wenn wir eine Trendumkehr schaffen wollen, wenn wir die Hypobelastungen aufarbeiten müssen, bleibt für 2014 und 2015 wenig Spielraum für eine große Entlastung der arbeitenden Menschen in diesem Land. Aber mit diesen beiden Budgets wollen wir einen Weg einschlagen, der zu einer Steuerreform in dieser Periode führen kann. Und darum ist es einmal mehr zu unterstreichen,

dass das die Grundvoraussetzung dafür ist. **(05:20)** Steuerreform heißt Spielraum jetzt schaffen, heißt nicht mit neuen Schulden finanzieren, und auch unvorhergesehene Krisen – und ich spreche hier besonders all das rund um Ukraine, Russland an, was uns heute belastet – auch das darf nicht dazu führen, dass wir diesen Spielraum wieder verlieren.

(06:10) Wir investieren dort, wo wir der Überzeugung sind, dass Österreich Impulse braucht, und wir sparen dort, wo wir es auch verantworten können. Und die Impulse können sich auch sehen lassen. Schwerpunkte: bei der Familie – mehr Geld für die Zukunft des Landes; bei der Forschung – wir bauen die Grundlagenforschung aus; mehr Sicherheit – wir werden auch mehr Polizisten in diesem Land haben, die für Recht und Ordnung sorgen; für den Wirtschaftsstandort wird es auch Entlastungen für Unternehmer geben, und der Sozialstaat wird abgesichert. Zusätzliche Mittel für Pflege und der Kampf gegen Arbeitslosigkeit sind Grundprogramm dieser Bundesregierung.

...

(17:40) Das strukturelle Defizit – der Maßstab, der Maßstab heute in der Europäischen Union –, wird 2014 1% betragen, 2015 0,9. Das sind Eckdaten, die sich auch sehen lassen können, auch im europäischen Vergleich, da können wir stolz darauf sein. ... **(18:40)** Wie erreichen wir dieses Ziel? In erster Linie sparen wir in der Verwaltung. Ich möchte, dass für jeden einzelnen Österreicher auch mehr bleibt, darum muss sich eben der Staat auf seine Kernaufgaben beschränken. ... Das zwingt zu Reformen, aber wir sparen das Land nicht kaputt, wir sparen den Staat schlank. Das ist das Motto nach dem wir vorgehen.

ABSTRACT (ENGLISH)

The present thesis seeks to trace the trajectory of Austrian tax-policy and to shed light on the question as to why it has developed in the way it did. To this extent the trajectory of tax policy is traced and embedded in its historical and institutional contingency. In this regard, special attention is paid to the distributive dimension of the Austrian tax system. This suggests a two-fold view: one relating to the question of where tax burdens fall, and whether the tax code accommodates differences in abilities. The second dimension involves a functional distribution of tax burdens, i.e. pertaining to labor and capital. In a final step, the implications accruing from the state of affairs of Austrian tax-policy are addressed in conjunction with issues that have emerged in the recent past. In this regard, particularly the effects of tax policy on democracy and democratic citizenship are considered. This work draws on various sources of empirical material, such as statistics, protocols of parliamentary sessions, biographic material, and the programmatic ideas of political actors. Further, four interviews were conducted with experts from academia, the ministry of finance as well as two key interest groups, the Chamber of Labor and the Economic Chamber.

The results show that although the formation of tax policy will be a competency of the National Council, it is the executive that calls the shots in terms of the essential direction in tax policy. This is a consequence of the idiosyncratic institutional setup, granting the government encompassing autonomy. However, various interests, notably the social partner organizations, managed to influence tax-policy in Austria over the course of time, with significant effects on the economy, politics, and society. The specific outcomes in terms of tax-policy crucially reflect the economic ideas that these actors hold, and the extent to which they were able to put them into effect.

The specific trajectory of Austrian tax-policy over the course of the Second Republic has led to pervasive economic inequality. This is problematical not only in view of growth and employment but above all for democratic reasons. As pervasive accumulation of wealth involves concentration of economic and political power, the influence on political decisions also becomes concentrated. Democratic citizenship is undermined as the principle of equal opportunity is violated.

ABSTRACT (DEUTSCH)

Die vorliegende Arbeit betrachtet die österreichische Steuerpolitik der Zweiten Republik. Eingebettet in einen historisch-institutionellen Rahmen wird untersucht, welche Bedingungen und Institutionen für die Entwicklung der österreichischen Steuerpolitik bedeutsam waren. Dabei liegt das Hauptaugenmerk besonders auf der verteilungspolitischen Dimension. Einerseits betrifft dies die Verteilung der Lasten innerhalb der Bevölkerung, andererseits zwischen den Produktionsfaktoren Kapital und Arbeit. In einem weiteren Schritt werden schließlich die Ergebnisse der empirischen Analyse, der Status Quo der österreichischen Steuerpolitik, vor dem Hintergrund von Erkenntnissen aus der gerechtigkeit- und wohlfahrtstheoretischen Forschung bewertet.

Die Arbeit stützt sich auf empirisches Material. Insofern wurden Statistiken und Parlamentsdebatten untersucht, sowie biographisches Material und die Grundsatzprogramme politischer Parteien herangezogen. Weiters wurden Interviews mit Experten und Expertinnen aus der Wirtschaftsforschung, dem Finanzministerium, sowie der Arbeiterkammer und der Wirtschaftskammer geführt.

Die Untersuchung zeigt ein Übergewicht der Exekutive in der österreichischen Steuerpolitik, ungeachtet der *de iure* Kompetenz des Nationalrates. Doch auch Interessenorganisationen, vor allem die österreichischen Sozialpartner, üben wesentlichen Einfluss auf steuerpolitische Entscheidungen aus. Dies ist eine Konsequenz des institutionellen Geflechts, das den Bereich der Steuerpolitik gestaltet, indem es die relative Machtverteilung prägt und Einflussmöglichkeiten festlegt. Die österreichische Steuerpolitik ist somit Ergebnis der Ideen der handelnden Akteure und des Ausmaßes, in welchem diese umgesetzt werden können und konnten.

Der spezifische Pfad der Steuerpolitik in Österreich hat zu eklatanter ökonomischer Ungleichheit geführt. Dies ist problematisch aus einer Wachstums- und Beschäftigungsperspektive, jedoch auch in demokratiepolitischer Hinsicht. Starke Vermögensdisparitäten unterminieren gleiche Startchancen aufgrund der daraus resultierenden individuellen Möglichkeiten. Andererseits geht damit eine Konzentration ökonomischer und politischer Macht einher, wodurch sich der Einfluss auf politische Entscheidungen verschiebt. Dies hat zur Folge, dass die Möglichkeiten, individuelle und gruppenspezifische Interessen durchzusetzen, ebenfalls zunehmend konzentriert werden. Dementsprechend liegt der Befund nahe, dass die Prämissen gleicher politischer Gestaltungsmöglichkeit und Chancengleichheit in Österreich verletzt sind.

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- 02/2009 – 07/2009 Praktikum bei NOAH (Friends of the Earth Denmark), Kopenhagen, Dänemark
Tätigkeitsbereich: Projektmanagement, Korrespondenz
- 07/2007 – 09/2007 Praktikum bei Proudly Manenberg, Kapstadt, Südafrika
Tätigkeitsbereich: Projektkoordination in den Bereichen Business und Umwelt
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