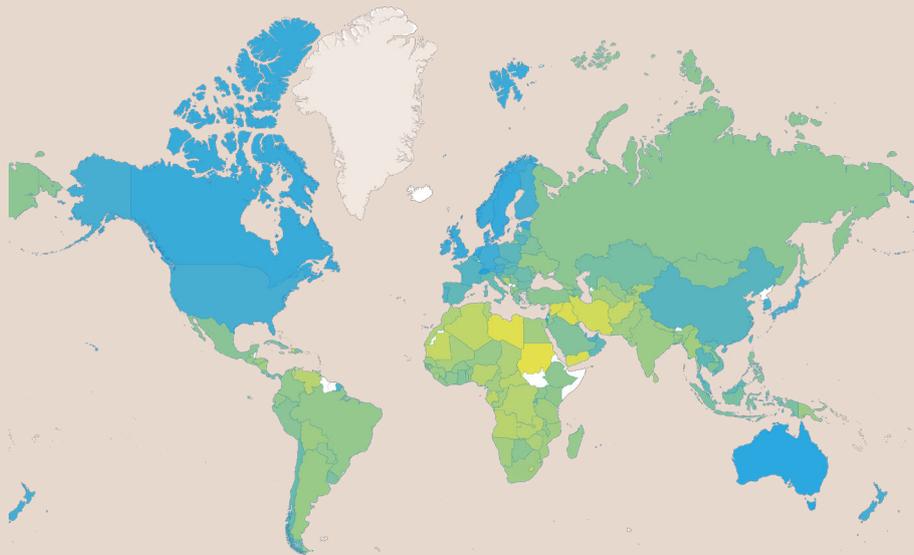


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ELITE QUALITY REPORT 2022

Austria: High Elite Quality but less than top performance

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4.1 Country Scorecards: Deep-dive analyses

Austria: High Elite Quality but less than top performance

Leaders coordinate the resources and actions in politics, businesses and society that are needed to advance a country's growth and inclusiveness. To implement actions and strategy, elites need power. Checks and balances must ensure that they act responsibly and make progress inclusive rather than self-serving. Do elites in Austria deliver good results, and how do they fare in international comparison? The Elite Quality Index (EQx) measures, using a broad set of indicators related to growth and inequality, whether elites act in a way that *creates value* for all rather than *extracts value* by serving the self-interest of a privileged few.

Austria is a rich country, with GDP per capita of USD 48,791. In the EQx2022 it ranks # 17 out of 151 countries overall, and slightly better than in 2021 (rank # 19). Its Elite Quality is high, but Austria still fails to reach the levels of the best performing countries. Austrian elites appear to be not very powerful (Power, rank # 20) since power is reasonably well distributed rather than concentrated in the hands of a few. Power could be used responsibly to broadly share progress in society (value creation). It could also be exploited to extract rents and privileges at the cost of the population at large (value extraction). The EQx value creation ranking indicates that the former is generally true (Value, rank # 18). While rent extraction and self-serving behavior dominate in some dimensions, the overall picture indicates that elites focus on creating value that is broadly shared.

Political and Economic Power are preconditions for the ability of elites to implement action and change, both good and bad. Interestingly, in Austria, Political Power appears to be somewhat lower than Economic Power (i, rank # 13 compared to ii, rank # 24). Although indicator scores vary a lot between different dimensions, the low degrees of State and Regulatory capture (i.1, rank # 13; i.2, rank # 10) and of Human capture (i.3, rank # 17) help to contain Political Power. The extremely high levels of *E-participation* of citizens (EPR, i.1, rank # 6), *Political decentralization* (PDE, i.1, rank # 11) and strong protection of *Property rights* (PRI, i.2, rank # 8) reinforce this tendency. Many indicators fluctuate around the overall Power ranking of 20. Performance regarding Regulatory Capture (i.2, rank # 10) is mixed. *Regulatory quality* (REQ, i.2, rank # 14) and *Regulatory enforcement* (REN, i.2, rank # 9) are better than the country's overall

ranking, but there appears to be a slight tendency for *Crony capitalism* (CRO, i.2, rank # 33) and regulatory rigidity (*Ease of challenging regulations*, ECR, i.2, rank # 27).

However, Power is entrenched in other areas. Relatively low social mobility indicates high state capture and political and economic entrenchment. There are few chances for less privileged groups to move up the ladder, as can be seen by low *Social mobility (upward)*, (MOB, i.1, rank # 65), while elites also deter competition to protect their privileges as indicated by *Social mobility (downward)* (MOD, i.1, rank # 106). Other areas that point to exclusion rather than inclusive participation are the very poor rankings regarding religious openness (*Religion - Government Restriction Index*, GRI, i.3, rank # 98 and *Religion - Social Hostilities Index*, SHI, i.3, rank # 70). Similarly, a ranking of # 55 in the *Proportion of women in senior and middle management positions* (WMA, i.3) is a rather discouraging sign of the state of female participation in leadership.

Apparently, economic elites enjoy significantly more power than their political counterparts. For example, the country ranks # 127 out of 151 in *Billionaires' wealth as % of GDP* (BIW, ii.5), # 106 in *Military expenses as % of GDP* (MIL, ii.4), # 55 in *Top 3 industries as % of total VA* (IVA, ii.4), and # 59 in *Top 3 firms' revenues as % of GDP* (FRG, ii.5). Other factors work to contain Economic Power (ii). Incumbent firms are constantly challenged by competition from new market entrants and Creative Destruction (ii.6). A high firm turnover (TUS, ii.6, rank # 6) and large share of *R&D spending as % of GDP* (RND, ii.6, rank # 6) filters out weak firms and strengthens the fittest, adding to economic value creation. The scarcity of venture capital, however, is a lost opportunity to challenge incumbent Economic Power (VCA, ii.6, rank # 36).

Austrian elites yield relative power. But is it used responsibly? Does it create value for all rather than rents for a few? Regarding Political and Economic Value creation, the EQx2022 again portrays a relatively favorable picture with ranks of # 15 and # 19 respectively out of the 151 countries analyzed. Political Value (iii, rank # 15) creation refers to the effectiveness of the government to use resources and craft regulations

in a way that supports income growth, an equitable distribution and other measures of well-being such as health and security. It also points to the ability to tax (taking income) in the least harmful way and to the ability to avoid spending 'unearned income' by growing government debt or exploiting the environment. The favorable EQx ranking particularly benefits from an outstanding result in the *Environmental Performance Index* (EPI, iii.9, rank # 1), although *CO2 emissions per capita* are high (CDO, iii.9 rank # 100). Austria, a neutral country, also benefits from a world leading ranking in *Battle-related deaths* (BRD, iii.8, rank # 1), as wars and civil conflicts are not known in the country. The *Corporate tax rate* is close to the optimum (DCT, iii.8, rank # 6), online government services are very good (OSI, iii.7, rank # 6) and inequality is relatively moderate (*Top 10% share of pre-tax national income*, INE, iii.8, rank # 17).

However, Political Value creation is questionable in other areas. The heavy use of *Subsidies and transfers as % of expenses* (SNT, iii.7, rank # 116), as well as large *Regional redistribution* (REG, iii.7, rank # 137) leads to unfavorable rankings. The poor scores for *COVID-19 mortality rate, age-adjusted* (COM, iii.7, rank # 88) and *COVID-19 lost schooldays* (CLS, iii.7, rank # 75) similarly drag down the overall ranking. The high rates of drug misuse (SUB, iii.8, rank # 120) and suicide (SUI, iii.8, rank # 125) also highlight poor social performance. Finally, the country spends a considerable amount of Unearned Income (iii.9) at the expense of future generations, as evidenced by the high share of *Government debt as % of GDP* (DBT, iii.9, rank # 115).

The value creation of economic elites is measured somewhat less favorably, although is still substantially above average (Economic Value, iv, rank # 19). On the positive side, *Human flight and brain drain is low* (BRN, iv.12, rank # 10) and the economy successfully operates globally (*Economic globalization*, EGL, iv.10, rank # 12). Performance is also good in the categories of *Trade freedom* (TRF, iv.10, rank # 10), *Number of patent applications per 100,000 people* (PAT, iv.10, rank # 8), *Global Food Security Index - affordability* (FSA, iv.10, rank # 8), *self-made billionaires* (BSG, iv.11, rank # 10) and *Unicorns per 1 million people* (UNC, iv.11, rank # 14). The ability of economic elites to create value for inclusive growth is less impressive in other areas. For example, performance is unfavorable in the *Labor force participation rate* (LFP, iv.12, rank # 88) and *Unemployment rate* (UEM, iv.12, rank # 63). In addition, Austria is not a very attractive location for highly

profitable multinationals (*FDI inflows as % of GDP, stock*, FDS, iv.10, rank # 68). The high share of *imports targeted by protectionist measures and government interventions as a % of total interventions* (IPM, iv.10, rank # 112 and DGI, iv.10, rank # 104) also suggest protection and rent extraction rather than value creation.

To sum up, political elites are less powerful in Austria than economic elites. For the most part, this power is geared towards value creation and rather than self-serving rent extraction. Elite quality is also relatively high, leading to an overall global ranking of # 17, but does not reach the standards of the best performing top 10% of countries. The results indicate the need for institutional reform to improve incentives and elite accountability.

Austria has recently experienced substantial political turmoil, starting with the dissembling of the worn out 'grand coalition', followed by a short-lived coalition of the conservative and far-right parties. Next came an innovative coalition between the conservative and green parties that quickly led to a crisis as a political scandal forced the resignation of the Chancellor. The COVID-19 pandemic caused an unprecedented level of government intervention and an increase in public debt. It remains to be seen whether the current coalition, now with a new Prime Minister, will succeed. Can the country achieve fundamental change that succeeds in further pushing back rent seeking and self-serving behavior by improving incentives and elite accountability to favor value creation for all?

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Austria

EQx2022 Country Scorecard

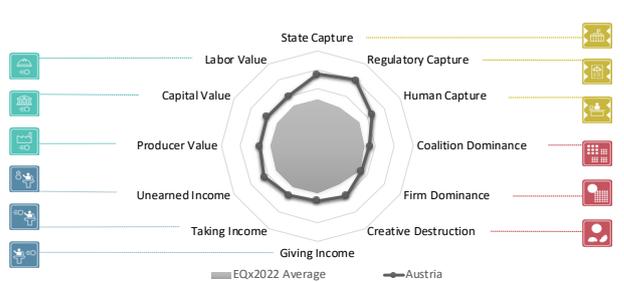
Population **9 million**
 GDP (nominal) **433 billion USD**
 GDP per capita **48'791 USD**



Level 1 - Index	EQx Rank / 151 17	EQx Score 61.2	High Quality Elites
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	20	63.1	18	60.3	13	74.8	24	57.2	15	60.0	19	60.4

Level 3 - Pillars		Rank / 151	Score
Political Power (i)	State Capture	13	75.8
	Regulatory Capture	10	80.3
	Human Capture	17	65.8
Economic Power (ii)	Coalition Dominance	48	54.4
	Firm Dominance	72	52.7
	Creative Destruction	25	60.1
Political Value (iii)	Giving Income	30	57.5
	Taking Income	23	59.5
	Unearned Income	11	64.0
Economic Value (iv)	Producer Value	24	59.8
	Capital Value	17	60.9
	Labor Value	43	60.5



Level 4 - EQx Indicators		Rank / 151	Score
State Capture (i.1)	COR Political corruption	20	86.4
	MOB Social mobility (upward)*	65	48.6
	MOD Social mobility (downward)* (n)	106	24.3
	PDE Political decentralization	11	76.9
	ADE Administrative decentralization	15	79.7
	PGL Political globalization	10	86.2
	WPI Women's Power Index	20	80.9
	RTC Government's responsiveness to change	22	73.3
	EPR E-Participation Index	6	85.1
	PFDF Press freedom	16	81.1
Regulatory Capture (i.2)	COC Control of corruption	15	91.9
	OPG Open government (n)	16	80.1
	NJK Nr. of journalists killed per 1 million people (2yrs avg.) (n)	1	58.2
	REQ Regulatory quality (n)	14	85.7
	CRO Crony capitalism	33	59.1
	ECR Ease of challenging regulations	27	73.5
	EDB Digital institutional quality	15	65.8
	PRI Property rights	8	90.7
	INO Informal output as a % of GDP (n)	3	95.8
	CGP Constraints on government power (n)	8	94.5
Human Capture (i.3)	REN Regulatory enforcement (n)	9	95.3
	GSI Global Slavery Index	21	67.7
	WBL Women, business and the law	18	78.5
	LIN LGBT+ inclusiveness	5	90.6
	GRI Religion - Government Restriction Index	98	42.4
	SHI Religion - Social Hostilities Index	70	57.0
	WSB Women self made billionaires	15	39.1
	HRI Human Rights Index	1	98.0
	FDP Forcibly displaced population as % of population	6	54.2
	AFI Academic Freedom Index	5	77.6
Coalition Dominance (ii.4)	FLS Financial Literacy Score (n)	20	79.2
	WMA Prop. of women in senior and middle mgmt. positions* (n)	55	51.8
	IEE Top 3 industries exports as % of exports	29	70.9
	ECI Economic Complexity Index	8	91.5
	IVA Top 3 industries as % of VA	55	51.8
	CON Construction as % of GDP*	35	36.5
	MIL Military expenses as % of GDP*	106	47.6
	UNI Unionization rate*	65	44.1
	CBC Collective bargaining coverage	75	0.0
	BSN Barriers in service & network sectors	30	44.8
Firm Dominance (ii.5)	PUE Public employees as a % of total employment (n)		
	CRA Criminal actors (n)	24	74.4
	SME SMEs per 1,000 people		
	BIW Billionaires' wealth as % of GDP	127	32.4
	FKG Top 10 firms market cap as % of GDP	37	52.8
	FRG Top 3 firms revenues as % of GDP	59	55.2
	FRR Top 30 firms revenues as % of GDP	38	57.7
	TUL Listed firms turnover, long run 15 yrs	13	58.8
	TUS Listed firms turnover, short run 3 yrs	6	74.4
	ENT Entrepreneurship	14	91.6
Creative Destruction (ii.6)	VCK Venture capital finance	37	46.3
	RND R&D as a % of GDP	6	89.1
	EXR Firm exit ratio	22	26.5
	BCD Billionaire's creative destruction	49	36.5
	IWE Index of Women Entrepreneurs		
	VCA Venture capital availability	35	66.7
GSE Governmental support to entrepreneurship	33	57.7	

Rank / 151	Score	Rank / 151	Score
SNT	116	8.1	Subsidies and transfers as % of expenses
REG	137	0.0	Regional redistribution as % of government budget
EDU	34	65.2	School life expectancy
GPS	43	51.7	Expenditure on general public services as % of GDP*
INT	28	74.9	Internet access
NRI	15	86.6	Network Readiness Index
LEW	18	77.4	Life expectancy women
LEM	17	79.5	Life expectancy men
FSQ	6	87.3	Global Food Security Index - availability, quality & safety
COV	2	70.5	COVID-19 excess deaths, age-adjusted
COF	21	63.2	COVID-19 fatality rate, age-adjusted
COM	88	52.8	COVID-19 mortality rate, age-adjusted
CLS	74	45.5	COVID-19 lost schooldays
VAX	34	73.8	COVID-19 vaccination rate (n)
OSI	6	85.1	Online Service Index
UNV	14	94.0	Top universities (n)
PIS	26	66.6	PISA mean scores (n)
GEX	140	17.3	General government expenditure as % of GDP* (n)
DCT	6	76.2	Corporate tax rate*
HOM	27	71.3	Homicide rate
INE	17	82.3	Top 10% share of pre-tax national income
FDE	43	36.2	Fiscal decentralization
DTR	114	10.0	Tax revenue as % of GDP*
BRD	1	54.2	Battle-related deaths per 100,000 people
GCI	35	75.1	Global Cybersecurity Index
SUI	125	33.7	Suicide rate per 100,000 people
SUB	120	29.3	Death rates from substance use per 100,000 people
DPS	19	59.9	Delta public vs private sector salaries (n)
GEG	2	84.9	Gender education gap (n)
EPI	1	100.0	Environmental Performance Index
DBT	115	39.7	Government debt as % of GDP
NRR	20	77.3	Natural resources rents as % of GDP (n)
COO	100	26.8	CO2 emissions (metric tons per capita) (n)
CRM	23	76.3	Criminal markets (n)
TRF	10	76.9	Trade freedom
FDS	68	46.2	FDI inflows as % of GDP, stock
BTF	50	49.6	Barriers to FDI
EGL	12	86.5	Economic globalization
HEI	30	45.5	Health Efficiency Index
OFB	15	74.7	Open for business
ESG	16	64.6	ESG company scores
RDR	20	49.9	R&D as % of revenue Top 10 firms
FSA	8	77.6	Global Food Security Index - affordability
PAT	8	61.7	Nr. of patent applications per 100,000 people
IPM	112	52.9	% of imports targeted by protectionist measures (flow)
IPS	39	50.6	% of imports targeted by protectionist measures (stock) (n)
DGI	104	34.7	% of discr. govt. interventions as % of total interv. (flow)
DGS	119	29.6	% of discr. govt. interventions as % of total interv. (stock) (n)
DNI	24	53.6	Neutral interest rate*
DOI	50	54.8	Inflation*
GOL	19	49.1	Gold demand as % of GDP
DMA	38	52.6	M&A as % of investment - 3 yrs rolling avg.*
DKI	101	21.7	Delta capital gains tax vs income tax
UNC	14	66.3	Unicorns per 1 million people
BSG	10	81.8	Billionaires self-made nr. per 1 million people
BSM	16	69.3	Billionaires self-made as % of total billionaires
FMI	22	78.9	Financial Markets Index
UEM	63	61.5	Unemployment rate
LFP	88	46.2	Labor force participation rate
WLP	30	26.9	Delta real wage vs labor productivity increases
YUN	46	65.4	Youth unemployment rate
BRN	10	95.1	Human flight and brain drain
LFR	53	63.6	Labor force participation ratio - male vs female*

* Calculated as the deviation from a conceptual optimum
 (n) Refers to Indicators newly incorporated in the EQx2022