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By Way of Deduction: Schütz's Essay on Taxation

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Abstract. Alfred Schütz's 1927 essay on capital income taxation is examined in the contexts of the evolution of the German progressive income tax, the fiscal and monetary crises of the time, and Schütz's relationship to the Austrian school of economics.

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1. Introduction

This special edition of the *Review of Austrian Economics* commemorates the 100th anniversary of the birth of the Viennese philosopher and social theorist Alfred Schütz (1899–1959). Seeking to keep alive the questions that Schütz brought to the symposium of 20th century social thought, the major phenomenological societies in Germany and the United States gathered together at scholarly conferences to celebrate his centennial and his ideas. Many fine papers were read on those occasions, but none developed the theme that is central to this special edition—the profound reciprocity of intellectual influence between Alfred Schütz and the Austrian school of economics.

Schütz's engagement with Austrian economics and methodology was long-lived, profound, and central to his project of developing a "constitutive phenomenology of the natural standpoint" (Schütz 1967:44). Not only were his adaptations of Weber's ideal type fitted to the premises of the school (Prendergast 1986), but such fundamental Schützian themes as relevance, typification, the social distribution of knowledge, and working (*Wirken*) as the paramount reality of everyday life all resonate with elements of the Austrian tradition from Menger to Hayek. Indeed, since Emil Kauder (1965) first brought Schütz's Austrian debts to the attention of intellectual historians, a small subspeciality has grown up around these connections.[1]

In this essay I seek to sharpen the question of reciprocal influence by focusing not on Schütz's methodological or substantive writings, but on his writings on economic policy. As strange as it may seem, to date no one has undertaken to collect, contextualize, and interpret this body of work. It seems altogether appropriate to commence this undertaking in this celebratory edition of the *Review of Austrian Economics.*

During the eight years that he served as executive secretary of the Austrian Banking Association, Schütz sent an unknown quantity of policy-relevant material to legislative committees, newspapers, and financial magazines. Little of this material has even been collected, let alone translated into English. In light of the centrality of policy questions for the Austrian school, I make a synopsis of one these articles here. Writings like this lent

credibility to Schütz's methodological arguments for the ideal type, since they led to the same economic and policy conclusions.[2]

Admirers of Schütz's work need no encouragement to reassess his ideas or apply them to current problems of theory, method, or policy analysis. As other contributors to this special issue will no doubt show, his work is rich and varied, and complex in purpose and structure. Focusing narrowly on one of his policy writings from his Vienna period, as I do here, adds but a small tile to a large and still-incomplete mosaic. I begin with three levels of context before unpacking the legal-historical and normative strands of Schütz's analysis. Finally, I return to the theme of this special issue, the question of reciprocal influence.

1.1. Biographical Context

Just before completing his degree in law at the University of Vienna in December of 1921, twenty-two year old Alfred Schütz accepted a position as executive secretary of the *Verband für österreichischer Bankens und Bankiers* ("Association of Austrian Banks and Bankers"). The *Verband* combined the functions of a professional association, a research center, and a lobbying organization. As a lobby for banking interests, the association worked closely with the *Kammer für Handel, Gewerbe, und Industrie* ("Chamber of Trade, Commerce, and Industry"), whose chief economist was Schütz's professor, Ludwig von Mises. As executive secretary, Schütz handled legal matters as well as correspondence, office management, and record-keeping. Yet he was also expected to present the association's research reports and policy positions to legislators and the public. This he did in the form of memoranda, press releases, statistical summaries, and articles in local newspapers and financial magazines. As an organizational functionary, few of these materials were attributed to him personally. His annual survey of economic conditions for Vienna's *Neue Freie Presse,* for example, would be revised and copy-edited and attributed to the editor and staff (Wagner 1983:9).

The article summarized below did appear under Schütz's own name. The proximate context of its appearance was a revision of the German tax code in 1925. Coming on the heels of a series of offenses to the principle of equal taxation under international law, the revision galvanized the business lobby.[3] Representatives of the various member associations met with the Finance Ministers of Germany and Austria, and a number of economists—including Mises' friend, Albert L. Hahn of Frankfurt—took up the cause in the popular press. In the midst of this endeavor, Schütz developed a novel legal interpretation that bolstered the movement's legal and moral case. His article, entitled "Besteuerung der Kapitalserträgnisse im zwichenstaatlichen Verkehr zwischen Deutschland und Österreich" ("Taxation of Capital Income in the International Treaty between Germany and Austria"), was published in 1927 in the Banking Association's own journal. Mises published no fewer than eight articles in the same journal between 1918 and 1934 on such topics as currency reform, the gold standard, and exchange rates.

Part legal history, part normative argument, Schütz's essay is interesting in three respects. First, it provides insight into Schütz's estimation of the possibility of value-rational action in the sphere of public finance. In his legal-historical analysis, German legislators zig, zag, and lurch toward an inequitable and self-serving tax policy. Schütz attributes no

malicious intent to German legislators. Rather, operating from expediency in the midst of an extraordinary monetary crisis, they first "supplement" the existing income tax with new levies on capital, then overhaul the tax code in 1925 in a way that violates a three-year-old treaty with Austria banning "double taxation" (taxing the same transnational income in both countries). In the process, the normative principles of reciprocity and equal treatment are forgotten, to the detriment of Austrian investors. Second, the article applies, at least implicitly, the phenomenological concept of "constitution" to legal interpretation. Third, it reveals Schütz's facility with the anti-interventionist, perverse-consequences arguments of the Austrian school.

1.2. Economic and Political Context

To understand how German legislators became complicit in these transgressions against international law, it is necessary to recall the enormity of the crises facing the new republics of Germany and Austria after the war, and the drastic measures that were eventually adopted to alleviate them. Arising from the ashes of defeated imperial powers, both countries inherited astronomical war debts. To pay just the *interest* on its debt in 1919, for example, Germany would have had to devote its *entire* federal revenue that year to debt service alone (Hughes 1998:6). The popular socialist parties that governed the new republics, however, had more pressing priorities than paying off imperial war debts. As the debts continued to grow, the German mark and the Austrain crown depreciated sharply in foreign exchange and inflation began the nonlinear dynamics that culminated in the hyperinflations of 1922 (in Austria) and 1923 (in Germany).[4] Although Austrian hyperinflation was less extreme, in both countries depression, high unemployment, epidemic, starvation, and the threat of civil war and social revolution provided ample justification for desperate measures.

In the end, both countries had only three options for ending the debt, currency, and inflation crises. First, they could seek foreign loans (in a stronger currency). Foreign loans were arranged in late 1922 for Austria and in 1923 for Germany, but only succeeded in reviving investor confidence in the former country. Germany had to take the drastic step in 1924 of returning to the gold standard to stabilize its prices and currency—an action that immediately plunged the country into a new depression that lasted nearly two years. Second, they could pay off their debts in inflated marks and crowns. Both countries did this, effectively wiping out the savings of tens of thousands of patriotic citizens who had purchased government war bonds.

Finally, they could impose a capital levy. A capital levy is general property tax "purposively set so high that the taxpayer will be obliged to borrow or to part with a portion of his property in order to meet his payments" (Van Sickle 1931:136). Concentrated on business assets and accumulated wealth, the capital levy borders on the appropriation of property. Capital levies on both persons and companies were imposed in both countries in 1920, but ineffectively. In Austria, the levy was so cumbersome in its assessment procedures that most property owners either escaped the burden altogether or paid their bills in installments of inflated crowns (Van Sickle 1931). One might think that hit-and-miss assessment, capital flight, widespread noncompliance, inequitable enforcement, loss of legitimacy, and protest

would dispatch the capital levy to oblivion. Instead, it went underground. In the desperate years of 1923 and 1924, German legislators inserted a capital levy into the German income tax law in the guise of an emergency "supplement" (Schütz 1927:93).

At the time of the 1925 revision of its tax code, then, Germany had only partially recovered from the multiple crises of the postwar period. Hyperinflation and currency depreciation had been halted by the most extreme affirmation of capital value, the return to the gold standard. The ensuing slowdown in economic activity, however, reduced tax revenues and threatened new budget deficits. Under these conditions, expediency favored the retention of tax provisions that soaked wealthy foreign investors. By contrast, Austria was in the second year of a recovery. With the League of Nations supervising government spending and the threat of a new capital levy remote, capital that had been parked abroad in foreign currencies returned home. While no popular political party stood for the interests of capital, the new monetary regime forced the Ministry of Finance to respond to the complaints of the business associations, particularly complaints orchestrated by the Banking Association.

1.3. Innovations in Tax Assessment and Collection

Although the German tax code of 1925 was the immediate stimulus for the mobilization of Austrian business associations the following year, the law itself was a model of consistency and fairness compared to what preceded it. In phenomenological terms, the principle that "constituted" or unified the tax code into a meaningful whole was progressivity—taxation proportional to the ability to pay. In his article, Schütz deconstructs this constitution, then undermines the legal precedents it rests upon. He does not attack the principle of progressivity. Whatever his views on progressive taxation, the focus of Schütz's article, like the protest of the Austrian business associations itself, was the narrower, less controversial issue of double taxation (*Doppelbesteuerung*). Somehow, as German progressive taxation evolved from its origin in 1920 through its emergency revamping in 1923–1924 to its coherent integration in 1925, Austrian investors wound up paying taxes on the same asset in two countries. In his legal-historical analysis, Schütz explains how this came about.

Three innovations of the German tax code of 1920 are central to his analysis. First, before the federalization of business taxation in 1920, business profits and real property were taxed at the state and local levels, using broad, objective measures like the "assessed-value" estimates in American property taxation. In the parlance of the time, these were called "produce taxes." After 1920, the federal government in Berlin assessed and collected business taxes based on *total income from all sources,* net of legitimate expenses and tax allowances (Popitz 1926). Second, before the income tax, "capital income" (*Kapitalerträge*) meant the gain or profit from business transactions. Now the term expanded in reference to include earnings (to companies or persons) from dividends, interest, bonds, annuities, and capital gains. As long as Germany retained the older, local form of business tax assessment, the double taxation of capital income was literally impossible. Now it affected all foreign investors in German enterprise.

Third, the German income tax law of 1920 introduced a bold innovation in tax *collection* that would have unforeseen repercussions for Austrian investors in German enterprise. That

innovation was the payroll deduction, then set at 10% of earnings. It took several years for the method of tax collection by "way of deduction" (*Abzugsweg*) to transfer successfully from wages and salaries to capital income such as dividends and interest payments (Witt 1983). Once it did, however, the "way of deduction"——i.e., automatic withholding——provided *the* mechanism of double taxation.

These innovations were not implemented in a single stroke. Since the very *language* of progressive taxation was evolving along with these procedures, considerable confusion existed with respect to the meaning and reference of key terms, especially in the area of business taxation. Only in 1925 were federalized "produce taxes" superceded by corporate income taxes in the modern sense (Popitz 1926). By exploiting the ambiguities of the antecedent legislation, particularly an international treaty between Austria and Germany signed in 1922, one could argue that *only net proceeds,* not investment income, was covered by the 1920 *Kapitalertragsteuergesetz* ("capital income tax law"), at least as it affected Austrian investors. That would seem to ignore the *intent* of the legislation, particularly in light of its principled integration in 1925. Yet Schütz argues precisely that in his brief.

2. Schütz's Brief on Double Taxation

The legal-historical and normative strands of Schütz's argument begin from the same point: a German–Austrian treaty on taxation signed into law on 23 May1922, effective 1 January 1923. Article I of the treaty stated unequivocally that, as far as direct taxes were concerned, legal persons were subject to taxation only in their country of residence. The intent of the article is to avoid *Doppelbesteuerung,* income subject to taxation by two sovereign governments. While such a principle makes perfect sense from the point of view of the individual, and stands four-square in the liberal tradition, it is often hard to adjudicate in practice, even under the best of conditions, particularly where "juridical persons" (corporations) are concerned. In the 1922 treaty, for example, under Article III, foreign-owned real estate and branch business operations were subject to a "profit tax" (*Kapitalertragsteuer*) in the territory where the property was located. When "profit" was defined as receipts in excess of costs, a profit tax of this sort was customary and expected. Indeed, in referring to branch businesses and real estate property managed abroad, the treaty could be interpreted as authorizing just an old-fashioned produce tax of this kind.

Even as the treaty was being signed into law, however, the German Treasury was beginning to subsume income from interest, dividends, and bonds under the "profit tax" as well. These forms of wealth had not escaped taxation previously, but the tax had not been collected "at the source," calculated on the basis of total income, or subjected to progressive rates before. Now banks and stock-issuing corporations were being asked to deduct 10% of the income from savings, bonds, and stocks and forward it to the Treasury in regular installments. (In the context of high inflation, this meant that recipients of capital income could no longer pay their tax bills for the previous year in inflated marks.)

Collection at the source was not unprecedented in Austria. Austria's *Rentensteur,* a tax on the interest from annuities, mortgages, and bonds, had been collected "by way of deduction" for over twenty years. Even more importantly in this context, *the Rentensteuer applied to Austrians and foreigners alike.* Just as Germany was eager to extend the "way of deduction"

to new forms of capital income, so was Austria prepared to broaden its *Rentensteuer* in the same direction. Accordingly, the very treaty that banned double taxation in principle contained the following fateful loophole:

> "In so far as taxation on interest, dividends, and other capital income occurs by way of deduction (at the source), according to the laws of the Republic of Austria concerning the *Rentensteuer* or the German *Kapitalertragsteuergesetz* of 29 March 1920, the revenue belongs solely to the nation-state in whose territory the deduction must, according to these laws, be taken" (quoted in Schütz [1927:93]).[5]

At the time the treaty was signed, the infrastructure of capital taxation was just being developed or phased in. The 1920 tax code initiated revenue collection by "way of deduction" and set the withholding rate at 10% for capital income, matching the 10% payroll deduction for wages. The brackets, progression, and refund policies were approved in 1925. Only persons earning less than 1300 marks (the subsistence income at the time) could apply for a refund of the previous year's withholdings. Meanwhile, persons earning over 9200 marks fell under the progression, with marginal rates exceeding 90% in the highest bracket. These rules applied to residents and non-residents alike, but with sharply different effects on the latter.

One consequence was double taxation for Austrian investors. In the simplest case, 10% of capital income is deducted at the source and sent to the German Treasury; the remaining 90% is then added to other income and taxed in Austria (at progressive rates capped at 45% in 1924). For most mid-range investors, the non-refundable 10% "deduction" is the entire tax payment; no further paperwork is required (Schütz 1927:95). In this respect, the deduction resembles the old flat-rate produce taxes of the prewar era, except it applies to investment income as well as business proceeds (which itself amounts to a tax increase). Austrians earning over 9200 marks in Germany, however, fall under the progression, and so must file tax returns reporting all income earned from German sources. The wealthiest Austrian investors file tax returns and pay progressive rates in two countries.[6]

As the campaign against double taxation gathered momentum, Schütz took a closer look at the Austro-German treaty of 1922. In his brief for the Austrian Banking Association, he notes four things. First, one of the legal precedents cited in the treaty, the *Kapitalertragsteuergesetz* of 1920, had been nullified by the emergency tax legislation of 1923. Second, the treaty refers to fewer kinds of *Kapitalerträge* than the comprehensive income tax law of 1925, mainly common business "earnings" or "profit" (*Ertrag*). On a strict interpretation of the treaty, only those *specific* kinds of income may be taxed. Third, the other legal precedent, the Austrian *Rentensteuer* (a tax on interest income from bonds and annuities), was not an income tax. Even though it was a federal tax collected at the source and applied to foreigners and residents alike, it was not based on the taxpayer's total income but assessed all taxpayers at the same flat rate. Hence, it was a produce tax. "The [withholding] tax on capital income introduced through the German income tax law of 1925," Schütz (1927:96) concludes, "is not identical with the [1920] profit tax and is incompatible with the Austrian *Rentensteuer.*" In Schütz's strict interpretation, the treaty bans taxation on all forms of capital income save proceeds from enterprises operating on German soil. Naturally, that would make moot the

issue of double taxation. In his legal opinion, "the revenue deducted from the capital income of foreigners ensues illegally" (Schütz 1927:98).

For all its clarity of principle and procedure, the income tax law of 1925 contravened the international treaty of 1922. As Schütz (1927:97) points out, that treaty referred to a narrowly-delineated class of *Kapitalerträge,* chiefly mortgage income and business profits, not "capital income" as defined by the 1925 tax code. Indeed, Article III of the 1922 treaty explicitly excluded income from "mining shares, stocks, and certificates" from the capital profit tax. Reading that as an exemption of investment income in general rather than investment in the mining industry specifically, Schütz concludes that investment income falls under Article I of the treaty banning double taxation. Article VIII's ambiguous reference to a new procedure of tax collection, the "way of deduction" (*Abzugsweg*) notwithstanding, Germany has no legal right to skim off 10% of the proceeds of Austrian investment in German enterprise or to ensnare wealthy foreign investors in German progressive taxation. This legal interpretation is Schütz's original contribution to the campaign for tax abatement and equity for Austrian investors.

2.1. Perverse Consequences

The legal-historical and normative sides of Schütz's essay converge on the apparently technical—but actually normative—question of double taxation. Rather than conclude on the normative high ground of tax fairness, however, toward the end of his essay Schütz shifts gears and delves into a different kind of argument, that of perverse economic consequences. Here he draws upon the business coalition's memorandum as well as two newspaper commentaries by banker-economist Albert L. Hahn.[7] Hahn's analysis of the 1925 law parallels Schütz's: The automatic withholding and refund provisions amount to an old-style produce tax of 10% on foreign capital, except higher returns become embroiled in the income tax as well. Hahn's particular concern is the capacity of commercial banks and financial markets to allocate capital efficiently. He sees three self-defeating effects of these tax policies. First, the law encourages foreigners to invest in tax-free bonds (i.e., state and municipal public spending), rather than in industrial and commercial enterprise. Second, by reducing the overall supply of capital reaching German firms, it raises the costs of corporate loans, bonds, and dividends in financial markets. Third, like other forms of protectionism, taxing foreign capital disproportionately shifts costs, reduces competitiveness, and discourages international trade. Ultimately, Hahn argues, these disturbances in the free circulation of capital undermine the value of the mark in international currency exchange. To these, Schütz (1927: 98) adds a fourth effect derived from the coalition's memorandum, delayed stock offerings: Companies are reluctant to issue stock unless higher dividends can offset the tax disincentives to invest, a risky commitment to make in uncertain times. In short, whatever the short-term advantages to the German Treasury, double taxation will retard capital formation and hamper the postwar recovery.

Schütz (1927:99) brings the essay to a close by reiterating the conclusion of his legal-historical argument, that the provisions of the German tax law on capital income violate the treaty of 1922 and are thus illegal. He calls not for piecemeal exemptions from these provisions, but for their repeal.

3. Discussion

Schütz's decision to earn a professional degree in law and enter his stepfather's world of banking is commonly seen as a choice necessitated by circumstances. As his biographer assures us, "he justified this side of his existence in terms of external necessities and obligations but was unable to enoble [sic] it by endowing it with a higher meaning" (Wagner 1983:9). Schütz's 1927 essay on taxation compels us to reject this interpretation, at least as far as his involvement with the Austrian Banking Association is concerned.

Even if Schütz did feel obliged to forego an academic career in order to maintain his family's affluent style of life, the mission of the Austrian Banking Association during the 1920s could hardly be described as devoid of value-relevance. Austria had just established itself as a constitutional republic in a vastly reconfigured Europe. Its postwar governments experimented with newly-created instruments of budgetary pump-priming, suffered surreal levels of currency depreciation and inflation, and tottered on the brink of socialist revolution. The banking system stood at the center of this maelstrom, to be sure, but also at the forefront of the stabilization measures that followed. By mandate of the League of Nations, the central bank of Austria was made independent of government controls in 1923 (Palyi 1972:50). Three years later the League lifted its external controls over government spending (Low 1985:31). From then on, bankers and bondholders vied with elected officials to set the upper limits of government expenditure. In the midst of all this, British and French firms began to acquire a number of Viennese banks, making the city a transit point for international capital flows (Teichova 1983). During Schütz's eight years as executive secretary, the Banking Association faced the historic tasks of reorienting member banks to London, Paris, and New York, protecting the independence of the new central bank, promoting anti-inflationary policies, safeguarding assets, and coping with new forms of taxation aimed directly at accumulated wealth. However interested he may have been in Husserlian phenomenology and Weberian methodology, it is impossible to believe that Schütz ranked his participation in these activities "lowest on his scale of relevances" (Wagner 1983:17). The normative aspects of his essay on taxation belie that interpretation.

The essay on capital income taxation reviewed above suggests that Schütz found value in at least one of the activities of the Banking Association, the campaign against double taxation. That is evident in the essay's narrative structure as well as in its normative argument. The essay's narrative structure is sequentially tragic and heroic. An initial social contract establishing the legal framework for mutually-beneficial tax policies is derailed, first by desperate measures of self-preservation, then by blithe disregard of the smaller party's interests. The descent into expediency is potentially reversed when the alliance of business associations stands up for principle (equity, reciprocity, tax fairness) and for Austria. The success of its campaign would restore an original position of equality, and rekindle the hope in both young republics for mutual prosperity through the free circulation of capital. These normative and narrative elements make Schütz's rendition of perverse consequences—higher capital costs for all, distorted investment in public bonds, delayed stock offerings—seem the ineluctable punishment for violating the original compact conceived in mutual respect and understanding.

While not unique to the Austrian school, perverse-consequence arguments were developed by Menger (Streissler 1994) and used extensively by Mises (1978b). They dovetail with another characteristic of the Austrian school, constitutionalism. By constitutionalism I mean the quest to cement private property rights at the deepest strata of constitutional law (Nozick 1974). The narrative structure of Schütz's essay suggests just such a longing. At key constitutional junctures, the failure to institutionalize the liberal vision fosters regimes of perverse consequences as instrumental rationality descends into expediency, opportunism, and coercion. Yet this is not inevitable, for the value-rational conduct of professional elites (bankers, lawyers, and academics) could yet succeed in restoring that vision. Thus Schütz allows for the possibility of *heroic* action, in the form of the constitutional or retroactive embedding of liberal principles.

Finally, the essay shows how the phenomenological concept of constitution can be employed in legal-historical analysis. Two qualifications are required here. First, Schütz does not use the term constitution (*Konstitution*) in the essay. Second, the essay was written *before* Schütz discovered Husserl's (1964:157) concept of "the double intentionality of the stream of consciousness" in 1928. It was this formulation that gave Schütz the definition of *Konstitution* that he would use for the rest of his life, and permitted him to resume his abandoned manuscript on Weber's methodology. Nevertheless, "the monothetic glance subsuming polythetic acts" finds an inchoate formulation in Schütz's legal-historical analysis. As the Austrian *Rentensteuer* and the German capital profit tax of 1920 become redefined as "antecedents" of the unified tax code of 1925, their meanings are reconstituted, as Schütz demonstrates by going back to the original statutes.

Probably the key question in all this is, How much does this essay represent Schütz's own beliefs and how much does it reflect the position of the Banking Association? It is difficult to say. One element of Schütz's conclusion, however, strikes a false note: His claim that adherence to the international treaty of 1922 requires a rollback to the kinds of produce taxes that existed in Germany *before* the income tax law of 1920. Considering the trajectory of Austria's own progressive income tax system, this seems more like wish-fulfillment than principled policy. Exempting the investment income of foreigners from the progression would be sufficient to end the double taxation. Sheltering multinational corporations from the progression by restoring the *status quo ante* of local, flat-rate produce taxes, by contrast, seems unnecessarily regressive and self-serving. Schütz's own positive remarks on the German tax code of 1925—his praise of its clarity, uniformity, appeals procedures, and consistency of principle—suggest that he was not opposed to progressive taxation in principle, just to the illiberal policy of subjecting a person's income to progressive rates twice. Thus, even in an essay published under his own name, Schütz seems reticent to offer his own policy prescriptions. In the end, he aligns his legal-historical, phenomenological, and normative analysis with the policy prescriptions endorsed by the business coalition and the Austrian Banking Association.

That bit of party discipline aside, it seems equally clear that Schütz was passionately committed to the normative principles of liberal taxation and sought to have them deeply embedded in international law. A positive vision of international commerce, market efficiency, and legal guarantees for property rights underlies his critique. This vision was by

no means uniquely his alone, for it was widely shared among his friends and associates in the Austrian school of economics.

Notes

1. For an introduction to this literature see Boehm (1988), Browne (1981), Craver (1986), Diamond (1988), Eberle (1988), Esser (1993), Helling (1988), Kauder (1965), Koppl (1997), Lachmann (1982), Langlois (1985), Mises (1978a) and Prendergast (1986, 1993).
2. During the late 1920s and early 1930s Fritz Machlup published 150 newspaper articles in an effort to influence public policy (Thornton 1999:237). Schütz's essay would have been interpreted in the context of the school's overall standpoint on taxation and fiscal policy (on which see Mises 1978b).
3. In all likelihood, the 1925 revision did not by itself trigger this response. The publication of the instructions to taxpayers in 1926 and the actual experience of paying the bills were probably more significant. Several exemptions that had been granted to Austrian corporations expired in 1926 as well (Schütz 1927:98).
4. For accounts of the hyperinflation and currency crises, see Beyen (1949), Bresciani-Turroni (1937), Northrop (1938), and Van Walré de Bordes (1924).
5. I am grateful to my colleague, Julie Prandi, for her assistance in translating this sentence. All other translations from Schütz's essay are my responsibility alone.
6. It is important to see that the paradigm case of double taxation does not apply here. A capital gain of 3000 marks was not first subject to the 10% deduction in Germany, then taxed again in Austria. The treaty blocked that egregious violation of property rights. Only the 90% remainder (2700 marks) was taxed in Austria (Schütz 1927:97). The campaign against double taxation targeted more subtle encroachments on property rights. Above all, it sought to prevent sizable Austrian investment in German enterprise from being taxed at progressive rates both countries. Second, it sought to exempt Austrian income from bonds, dividends, and savings from the profit tax altogether. Finally, it sought to shield Austrian business from progressive taxation abroad. The first plank applied to wealthy investors, the second to small business and the upper middle class, and the third to transnational enterprises. Although the first two groups of beneficiaries were a minority of all taxpayers, the inequities they suffered were real. The very idea of persons paying high marginal tax rates in two countries would seem to violate liberal principles of tax fairness. But even small investors were unequally treated. For example, the 10% deduction was non-refundable to foreigners earning between 1300 and 9200 marks in Germany, while German taxpayers could offset the deduction by losses elsewhere (Schütz 1927:97). In so far as the campaign against double taxation concentrated on these inequities, legitimate normative issues were at stake. On the other hand, Schütz neither cites nor provides any positive arguments for the exemption of income from bonds, dividends, and savings from the profit tax or for the exemption of foreign-owned corporations from progressive taxation. To the extent that these planks were tucked rhetorically under the heading of "double taxation," the campaign required normative justification beyond what Schütz provided in his brief.
7. Hahn's commentaries appeared in the *Deutscher Volkwirt* in October, 1926, and in the *Berliner Tageblatt* in June, 1927. My summary is derived from Schütz (1927:98). Hahn is twice cited in Mises' memoirs, once as a friend and ally in the German social science associations and again as someone who stimulated his thinking in monetary theory (Mises 1978a:105, 107). During the 1920s, however, Hahn argued that "capital formation is not the consequence of saving but of the extension of credit" (quoted in Ellis 1934:327). This position triggered critical responses from Haberler (1924) and Hayek (1929). The Austrian closest to Hahn's view on credit expansion was Schumpeter (1954:1116). In citing Hahn, Schütz takes no position on this issue. For Hahn's activities as a banker, see Ziemer (1971:144). For an assessment of Hahn's place in the history of monetary theory, see Ellis (1934:327–334).

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