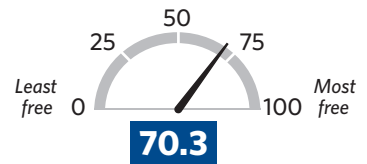


AUSTRIA

Economic Freedom Score



World Rank: **28** Regional Rank: **14**

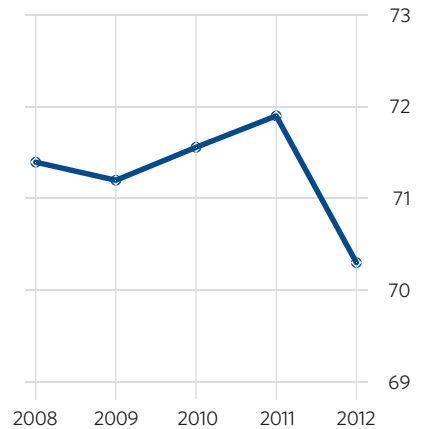
Austria's economic freedom score is 70.3, making its economy the 28th freest in the 2012 *Index*. Its score is 1.6 points worse than last year due to worsened scores for government spending and business freedom. Austria is ranked 14th out of 43 countries in the Europe region, and its overall score is well above the regional and world averages.

Despite considerable strains during the recent economic crisis, Austria has been able to maintain much of its economic stability and dynamism. Continued strong protection of the rule of law and fundamental foundations of economic freedom is reflected in Austria's high scores in property rights and freedom from corruption. Institutional strength, however, is not matched by a commitment to limited government. Public spending has been expansionary, generating great budgetary pressure.

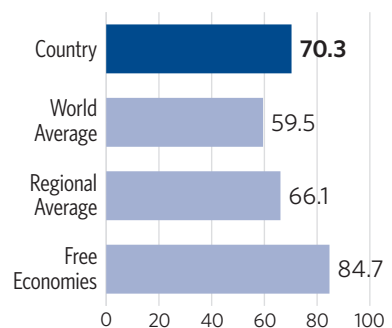
Counterbalancing excessive government spending and weak fiscal freedom, the transparent and competitive business environment has been effective in promoting a thriving entrepreneurial private sector. The banking system has regained much of its characteristic efficiency and competitiveness after being roiled by the global economic crisis.

BACKGROUND: Austria joined the European Union in 1995, and from 2000–2007, People's Party Chancellor Wolfgang Schüssel accelerated market reform and significantly limited government intervention in the economy. After the September 2008 parliamentary elections, Social Democrat Werner Faymann was able to form a center-right coalition government with the People's Party, and in April 2010, Heinz Fischer, also a Social Democrat, was re-elected for a second term as president. While EU member states account for more than 80 percent of Austria's trade, the United States is Austria's sixth-largest trading partner. The government has gradually relinquished control of formerly nationalized oil, gas, steel, and engineering companies and has deregulated telecommunications and electricity. Austria's economy has large services and industrial sectors and a small but highly developed agricultural industry.

Freedom Trend



Country Comparisons



Quick Facts

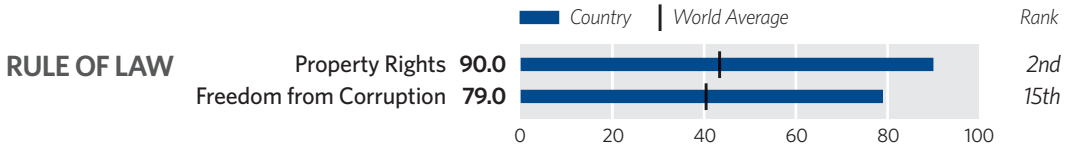
- Population:** 8.4 million
- GDP (PPP):** \$332 billion
- 2.0% growth in 2010
- 5-year compound annual growth 1.5%
- \$39,634 per capita
- Unemployment:** 4.4%
- Inflation (CPI):** 1.7%
- FDI Inflow:** \$6.6 billion
- Public Debt:** 72.2% of GDP

How Do We Measure Economic Freedom?

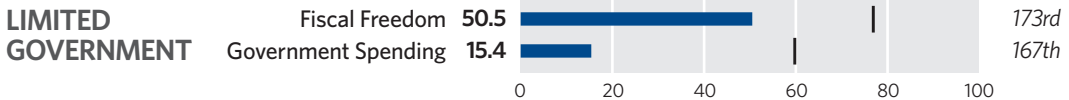
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

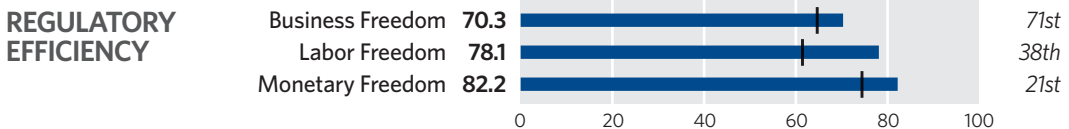
THE TEN ECONOMIC FREEDOMS



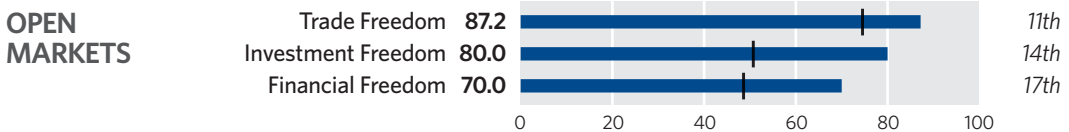
The rule of law is well respected, and the judiciary is independent. Contractual agreements are enforced effectively, and the protection of intellectual property is strong. Corruption has not been a serious cause of concern. Maintaining a high degree of transparency is a key part of Austria’s institutional strength, and revamped criminal regulations against corruption have not weakened effective enforcement of rules against bribery.



The top income tax rate is 50 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a tax on real estate transfers, with the overall tax burden amounting to 42.8 percent of total domestic income. Government spending has risen to 53.1 percent of total domestic output, leading to a higher budget deficit at 4.6 percent of GDP and public debt equivalent to 72.2 percent of GDP.



Austria’s overall regulatory framework has been marked by transparency and efficiency, encouraging business innovation and productivity growth. Nonetheless, the absence of major regulatory reforms has eroded regulatory competitiveness. There is no nationally mandated minimum wage, but the cost of fringe benefits is among the highest in the world. Average inflation has been a low 1.5 percent in the most recent three years.



Austria’s trade policy is the same as that of other members of the European Union, with the common EU weighted average tariff rate standing at 1.4 percent. However, myriad non-tariff barriers increase the cost of trade. With an efficient investment regime in place, there are no controls on currency transfers, access to foreign exchange, or repatriation of profits. The modern and competitive banking sector provides a wide range of financial services.

Score Changes

| RULE OF LAW | LIMITED GOVERNMENT | REGULATORY EFFICIENCY | OPEN MARKETS |
|-------------------------|---------------------|-----------------------|--------------------|
| Property Rights | Fiscal Freedom | Business Freedom | Trade Freedom |
| 0 | +0.2 | -2.5 | -0.4 |
| Freedom from Corruption | Government Spending | Labor Freedom | Investment Freedom |
| 0 | -12.6 | -0.1 | 0 |
| | | Monetary Freedom | Financial Freedom |
| | | -0.7 | 0 |