

Politics as Organized Spectacle: Why the Swiss Do Not Want to Tax the Rich

Abstract: In 2015, Swiss voters had the opportunity to impose a tax on the super rich in a popular vote and thereby fund a redistributive policy. However, a large majority voted against its seemingly obvious self-interest and rejected the tax. We propose an explanation for this puzzling outcome, bridging the usually separate behavioralist and institutionalist perspectives on the politics of inequality. We start from the observation that political economy tends to neglect processes of preference formation. Theorizing preferences as socially constructed, we show that interest groups played a major role in shaping the outcome of the vote. Business frames were multiplied through allied parties and the media and had a major impact on individual voting behavior. In addition, we demonstrate that business derives the content of its communication from its structurally privileged position in the capitalist economy. Specifically, creating uncertainty about possible perverse effects of government policies on jobs and growth is a powerful tool to undermine popular support. Frames based on this structural power ultimately explain why the Swiss refrained from “soaking the rich.”

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Introduction

Economic inequality has risen in recent decades, in particular because of rapid income growth among top earners (Smeeding 2005; Hacker and Pierson 2010; McCall and Percheski 2010). Government policies such as changes in the tax structure have contributed to this development (Piketty and Saez 2007; Gross et al. 2011; Piketty and Zucman 2015). What makes this striking development possible in democracies? Why do democratic majorities not follow their material interest and impose high taxes on the small minority of super rich? This is puzzling for theories assuming that politicians respond to the position of the median voter, who will always benefit from taxing the (super) rich (Bartels 2008; Jacobs and Soss 2010). Scholars of political behavior have put forward several possible solutions to explain this apparent puzzle, including differences in mobilization, access to information, or the role of crosscutting cleavages (e.g. Roemer 1998; Campbell 2010; Erikson 2015).

Hacker and Pierson (2010) have proposed another way to explain why democracies do not respond to rising inequality. They contrast behavioralist arguments (“politics as electoral spectacle”) with an institutionalist perspective (“politics as organized combat”). The latter stresses how organized business interests use their privileged access and their superior resources to influence government policies outside public scrutiny. It is in the lobbying arena that business prevents policy reactions to growing inequality that would be in the interest of the median voter (Hacker 2002; Gilens and Page 2014; Hacker and Pierson 2014).

Hence, the literature on the politics of inequality and taxation is divided between research focusing either on voting behavior or on interest group activity. While there usually is little dialogue between the two perspectives, we argue that combining behavioral and interest group arguments greatly enriches our understanding of the politics of taxation.

Our main criticism of both approaches, in a nutshell, is that they tend to ignore (or unduly simplify) the political process in which preferences are formed. Researchers in the median-voter tradition often simply use income to gauge preferences, but this merely reflects an untested assumption (Katznelson and Weingast 2005). Effects of policies (and taxation in particular) are ambiguous and uncertain; citizens typically lack a coherent sense of what their interests are

(Zaller 1992). This provides political and economic elites with leeway to manipulate preferences through strategic framing (Hall 2005; Chong and Druckman 2007).

Acknowledging preferences as socially constructed raises the question of where in the process of preference formation the median voter is “led astray” and by whom. But it also points to a lacuna in the interest group literature on inequality, which has downplayed the role business plays in voters’ preference formation. We know from other fields that business often directly tries to mobilize civil society and to persuade voters (Gerber 1999; Walker and Rea 2014). We therefore argue that it is useful to combine the electoral-spectacle and the organized-combat perspectives by studying how *organized interests influence the construction of the median voter’s preferences over taxation and redistribution*. In short, we propose to study the politics of inequality as an *organized spectacle*.

We show the usefulness of this perspective in an in-depth analysis of a direct democratic vote in Switzerland, where the population recently rejected the possibility to implement a national scheme to tax inheritances above 2 million Swiss Francs (approximately 2.1 million US Dollar). We see this vote as a highly relevant and puzzling case for both perspectives outlined above. On the one hand, it challenges interest group arguments because taxation was avoided although the decision was restricted to the voting arena. Direct lobbying did not matter. On the other hand, it also raises a puzzle for the median-voter perspective. As we show below, a clear majority of citizens participating in the vote preferred less inequality, believed that family background is key for economic success, and did not expect to be personally affected by the new tax. In addition, usual explanations of crosscutting cleavages cannot account for the rejection, because the decision was made in a single-issue vote without competing political dimensions. The Swiss vote thus provides a unique opportunity to directly examine how organized business interests influence voters’ preference formation process.

In line with our organized-spectacle argument, we show that interest groups played a major role in shaping the outcome of the vote. Business frames were multiplied through allied parties and the media and had a major impact on individual voting behavior. But what made business frames so persuasive? After all, business had to compete with other elites that offered powerful frames in

favor of redistribution. We demonstrate that business derives the content of its communication from its structurally privileged position in the capitalist economy (Lindblom 1977). Specifically, creating uncertainty about possible perverse effects of government policies is a powerful tool to undermine popular support (Somers and Block 2005), particularly if jobs are claimed to be at stake. In short, to make its voice heard, business needs to remind the public of the extent to which prosperity and jobs depend on private investment decisions. Frames based on this structural power ultimately explain why the Swiss refrained from “soaking the rich.”

Electoral spectacle or organized combat?

Increasing levels of inequality and economic insecurity have attracted considerable scholarly interest in recent years (McCarty et al. 2005; Bartels 2008; Gilens and Page 2014; Piketty 2014; Achen and Bartels 2016). While some of the rise in inequality might be attributed to skill biased technological change and globalization, government policies have contributed to this development (Hacker and Pierson 2010; Gross et al. 2011; Emmenegger et al. 2012).

One way governments can reduce inequality is through higher taxes. Inheritance taxes are particularly important in this respect (Piketty and Zucman 2015; Scheve and Stasavage 2016), because “inheritance is probably the main factor of wealth concentration among the richest part of the population, and of its intergenerational reproduction” (Arrondel et al. 1997: 104). Also Beckert (2008: 15) concludes, “it is evident that inheritances contribute substantially to the inequality of wealth within a society.”

If taxes concern only the very rich, as in the case of inheritance taxes, the median voter should support them (Meltzer and Richard 1981). And if governments respond to the median voter, as is often assumed, they should indeed tax the super rich. However, this does not seem to be the case. If anything, government policies have further contributed to wealth concentration (Hacker and Pierson 2010; Jacobs and Soss 2010), a development that is difficult to reconcile with the median voter theorem (Gilens and Page 2014; Hacker and Pierson 2014).

The political behavior literature offers four main arguments to defend the median voter theorem. First, political mobilization is lower among the economically worst off (McCarty et al. 2005;

Erikson 2015). The median voter's income is thus higher than the median income. However, even when considering low mobilization of the poor, the median voter theorem fails to explain why the middle class accepts policies benefiting a tiny minority at its expense.

Second, low-income voters might simply lack sufficient information to form clear preferences (Bartels 2008; Campbell 2010; Erikson 2015). Inequality-related issues often combine low salience with high complexity. Tax policy in particular might overwhelm many citizens. However, this explanation has less clout in our case of a popular vote with high media coverage and intense campaigning. Surveys showed that Swiss voters understood the taxation-redistribution nexus (see below), but they still rejected the tax by a large margin.

Third, crosscutting issues might distract low-income voters from their economic interests. A classical example is voting for right-wing parties out of religious motives (Roemer 1998; De la O and Rodden 2008; Emmenegger and Manow 2014). Kitschelt (1994) points to a general cultural affinity between working-class values and the political right, for instance with regard to questions of national identity and immigration (Gross et al. 2011). Hence, poor voters may discount economic issues and support right-wing parties catering to conservative working-class culture. This argument can explain behavior in elections where voters decide on bundles of cultural and economic issues; but it does not apply in single-issue votes where cultural concerns do not interfere.

Finally, for most voters norms of appropriateness, fairness, and reciprocity may simply trump policies' material consequences (March and Olson 1984). Accordingly, rising inequality is no reason to impose inheritance taxes on the rich, as long as the median voter considers wealth to be deserved (Scheve and Stasavage 2016). This argument's key weakness is that norms and deservingness, unlike wealth or income, are socially constructed. The argument thus begs the question why outcomes are considered (un)fair and, crucially, what role the wealthy play in shaping these perceptions.

Neo-institutionalists reject this "politics as electoral spectacle" perspective focused on the median voter and instead portray the politics of inequality as an "organized combat" of interest groups

(Hacker and Pierson 2010, 2014). According to this view, organized interests use their privileged access to government agencies and their superior resources (material or informational) to shape distributional outcomes through public policies. Benefitting from the decline of organized labor, business interest organizations increasingly dominate this arena.

Institutionalist scholars have paid little attention to voters and how vote-seeking parties and policy-seeking interest groups interact. Only recently the literature has begun to rediscover voters, noting for instance that business is particularly successful when the public pays little attention to policies (Campbell 2010; Culpepper 2011). In our view, however, research on the politics of inequality has paid too little attention to the fact that business often directly tries to mobilize civil society and to persuade voters – often in cooperation with political parties. This is a crucial omission, given how active interest groups are in electoral politics (Gerber 1999; Walker and Rea 2014). The argument we propose is a first step to fill this lacuna.

Politics as organized spectacle

With the goal to overcome subfield divisions between the “politics as electoral spectacle” and the “politics as organized combat” perspectives, we propose studying politics as *organized spectacle*. We accept that the median voter is decisive in popular votes. However, rather than assuming that preferences are a function of exogenous material interests, as most political economists do, we insist that the median voter’s preference formation process has to be part of the empirical analysis (Katznelson and Weingast 2005).

As Hall (2005), we see preference formation as a political process. Every actor arguably has multiple interests (e.g. an equitable distribution of wealth *and* the protection of jobs). Often, single issues (e.g. taxation) touch upon several of these interests simultaneously. At the same time, every action can be believed to have multiple effects (e.g. taxes can be redistributive but also endanger jobs). When the median voter forms her preferences, she must therefore attach weights to her multiple interests. This aggregation process is complex because interests are not strictly comparable and policy effects are uncertain. As a result, the median voter’s preferences are not a function of exogenous material interests but are at least to a certain extent endogenous to the decision-making process.

Conceptualizing preference formation as a political process has important implications for the politics of inequality. The co-existence of several interests and the uncertainty about outcomes provides leeway to political entrepreneurs to strategically reframe issues. This implies that also organized business interests may be able to influence the median voter's preferences.

The literature describes two main sources of influence for business (and by implication the wealthy): instrumental and structural power (Offe and Wiesenthal 1980; Culpepper and Reinke 2014). Instrumental power concerns the various means business can deploy to lobby governments or the public, most notably donations, media campaigns, and expert advice. In media campaigns, instrumental business power results not so much from content but from the amount of deployed resources. This suggests that business can “buy” decision by outspending opponents. However, empirical evidence on the effect of sheer spending power is mixed at best (Baumgartner and Leech 1998; Gerber 1999; Smith 2000).

Structural power results from business's core functions in liberal capitalist societies, most notably investing in economic activities that provide jobs. As famously argued by Lindblom (1977: 170-188), the ability to tax the rich is limited by outside options: the rich can choose to shift wealth and investment abroad. Economic globalization and wealth concentration have arguably increased this structural power. From this point of view, any redistributive gain from taxation will be offset by efficiency losses. Hence, business's structural power motivates voters to reject a heavier tax burden on wealthy citizens despite their preference for more redistribution.

Whether taxes do have negative economic consequences is an empirical question. What matters are beliefs about consequences. These beliefs are social constructions that can turn into self-fulfilling prophecies (Bell 2012). Indeed, it is a widely accepted narrative that the capacity to tax in a globalized world is greatly curtailed through the threat of capital flight.¹

Beliefs about multiple effects of redistributive policies (and how they are influenced by structural power) are usually ignored in the “politics as electoral spectacle” literature, but they have a long tradition in institutionalist theories (Somers and Block 2005). Classic examples are Polanyi's

(1944) perversity thesis or Hirschman's (1991) discussion of "reactionary narratives." They are also crucial in Block's (1977) argument about why "the ruling class does not rule" (because it does not have to).

The structural power thesis has been rightly criticized for leaving little room for agency and for struggling to account for variation in business success. As a consequence, political economy has largely neglected research on business's structural power. However, the criticism addresses a rather strong version of the structural power thesis. If we drop the assumption that the public is fully informed about business preferences and if we assume instead that uncertainty is ubiquitous (Hall 2005; Culpepper and Reinke 2014), business might first have to credibly signal what it wants and what kind of consequences it would consider if it does not get it (Bell 2012). In this scenario, the exercise of structural power is intentional and requires agency. This blurs the analytical difference between instrumental and structural power in the empirical reality: structural power becomes effective only if (some) instrumental power is exercised (Bernhagen and Bräuninger 2005).²

Of course, governments and the public may not take business's arguments and threats at face value. People know that business representatives have every incentive to exaggerate the consequences of new taxes. So when does the public consider business warnings credible? While little is known about this question, Gerber (1999: 62) suggests that costly campaigning is effective in *preventing* new policies by creating "enough doubt and concern about the measure to dissuade a majority of the electorate from supporting the new policy." Costly campaigning is a way to signal the public the extent to which business is concerned about the negative economic consequences of new taxes. But the core point, in our view, is that business's ability to create doubt and concern is, to the very least, facilitated by its structural position as a provider of investment and jobs.³

Another possibility, which we will consider in this paper, is that business makes use of more credible actors such as newspapers or politicians. While citizens probably distrust lobbyists, they should be more receptive to frames from these sources. If voters have difficulties to form an opinion, they tend to rely on party cues as heuristics (Lupia and McCubbins 1998; Nicholson

2005; Druckman et al. 2013). For complex issues such as taxation, voters might simply adopt the position of parties they feel close to or they trust endorsements of more or less partisan media.

Business strategies can make use of these heuristics by influencing how politicians and newspapers talk about taxation. But why should parties play along? Our simple answer is, again, business's instrumental power. Parties need campaign financing, are subject to business lobbying, and their members are part of the same elite networks (Mills 1956; Salisbury et al. 1989). Hence, the instrumental and the structural power of business are intertwined in the empirical realm. On the one hand, structural power provides business with persuasive content for its communication strategy. Instrumental power, on the other hand, is important to make the structural dependence argument credible and heard.

In sum, our *politics as organized spectacle* perspective has three empirical implications that have not received sufficient attention in the literature on the politics of inequality. First, we expect business to emphasize risks of taxes for investments and jobs in public debates. Second, business uses (right-wing) political parties to spread these concerns and tries to have its arguments multiplied through the media. Third, given business's structural power and given the alliance with trusted politicians, many voters adopt the anti-taxation arguments provided by business. These, in turn, motivate many citizens to vote against their redistributive preferences. In the following analysis, we will show that each of the three steps can be observed in the Swiss case and that they jointly help to understand the failure of the proposed tax.

The proposal for a new inheritance tax

The Swiss case offers unique insights into the politics of taxation and inequality, because its political system created a situation in which interest groups were, on the face of it, sidelined, while voters had a direct and unambiguous opportunity to tax rich citizens. Our main puzzle is why voters forewent this opportunity.

Wealth concentration is high in Switzerland – in fact higher than in the USA (Davies et al. 2007). According to Forbes, Switzerland has considerably more billionaires per capita than almost any other country.⁴ At least to some extent, this wealth concentration is the result of inheritances

(Jann and Fluder 2015). However, Switzerland knows no federal inheritance tax. Instead, inheritance taxes are a cantonal matter, which leads to rules that differ widely across the 26 cantons. In addition, inheritance taxes in case of transfers to children and grandchildren have been gradually abolished in most cantons (Credit Suisse 2015). Total inheritance taxation revenue amounted to only 1.3 percent of total tax revenue in 2012 (Jaeger and Trütsch 2015: 11-17).

A popular initiative, launched in 2011, aimed to change this status quo.⁵ It proposed the introduction of a national inheritance tax of 20 percent on all transfers exceeding two million Swiss francs (with the first two million being tax exempted). While this federal tax would have replaced the existing cantonal taxes, it would not have exempted transfers to children and grandchildren. The proposal stipulated that two thirds of the resulting tax revenue should be devoted to the financing of the highly redistributive first pillar of the old-age pension system. The remaining third should be transferred as compensation to the cantons. The fact that the revenues were earmarked for redistributive purposes should increase the material interest of low- and middle-income groups in the proposal. Importantly, the proposal noted that in case of inheritances and donations containing companies or farms, there should be special tax reductions if the beneficiaries commit to continuing business activities for at least ten years.⁶

The supporters of the proposal, mostly (center-)left parties including Switzerland's second-largest party, emphasized distributional issues. They argued that inheritances taxes are fair because beneficiaries do not work for this income, that only few would be affected because wealth is highly concentrated (around 1.5 percent of the population according to one estimate, cf. Hübeline and Farys 2015), and that the federal inheritance tax would eliminate the large differences in cantonal taxes. At the same time, they stressed that the new tax would not have any negative economic consequences because of the mentioned exemptions for companies and farms, moderate tax rates by international standard, and the high threshold of 2 million francs (Eidgenössische Volksinitiative "Erbschaftssteuerreform" 2015).

Hence, following a citizens' proposal, Swiss voters were asked to give a binding verdict on the introduction of a tax on the very rich, which was also supported by some of the countries' biggest political parties. As we show below, the proposal was widely discussed in the media. In addition,

post-vote surveys showed that a majority of voters favored more equality, clearly understood the link between inheritance and wealth, and did not expect to be directly affected by the tax (see Table 1). Hence, based on the median voter theorem, this proposal should find majority support. However, in June 2015, 71 percent of the Swiss population rejected it. How can this puzzling outcome be explained?

[Table 1]

Based on our argument, we ask three questions in the following case study. First, which arguments did opponents use to persuade voters not to support the inheritance tax? Second, which political parties took the side of business? And why did they do so against the straightforward interests of their constituencies? Third, did voters “buy” arguments provided by business and allied parties? How influential were these arguments on voting behavior?

The opponents’ arguments

In direct democratic votes in Switzerland, there is a strong norm that the government does not actively campaign. Since several decades, oversized majority coalitions govern Switzerland, which encompass all major political parties, although center-right parties traditionally control a majority of the seven seats in the so-called Federal Council (*Bundesrat*). As a result, both supporters and opponents of a proposal are typically represented in government (as in the case of the inheritance tax). Instead, active campaigning is left to political parties and interest groups.⁷

Business interest organizations and (center-)right parties jointly campaigned against inheritance tax in multiple so-called nonpartisan committees. Political parties typically provide the public faces of the campaign. This was also true in the case of inheritance tax. Leaflets of the committees included names and pictures of leading right-wing politicians as well as party logos, so that voters effectively had to perceive politicians as the main actors of the campaign. However, business interest organizations often contribute with funding. Since Swiss law does not force committees to disclose their members and sources of financial support (Transparency International 2012; GRECO 2015), the precise role of business interest organizations is unknown. However, in the case of the inheritance tax proposal, business interest organizations were clearly

involved. For instance, the nonpartisan committees' campaign websites lists *economiesuisse*, Switzerland's peak-level business interest organization, as well as the organization of homeowners (*HEV*) as the main contact addresses, which is a clear sign that business interest organizations provided most of the administrative and financial support for the opponents' campaign.

In the public debate, the committees organizing opponents emphasized two main points (e.g. Komitee "Nein zur neuen Erbschaftssteuer" 2015; SVP 2015; Zürcher Komitee "Erbschaftssteuer Nein" 2015). First, it challenged the supporters' fairness argument. Instead, it emphasized that inheritance taxes lead to a triple taxation of all income earned (income, wealth, and, finally, inheritance tax). This argument ultimately boils down to the (normative) question of whether inherited wealth is *new* income (of the heir/heirress) or already taxed income (of the parents). Second, and more importantly as we show below, the opponents questioned whether it really is in the median voter's material interest to support the new tax. In particular, these nonpartisan committees highlighted how a new tax would endanger the handing down of small and medium-sized enterprises (SME) to the next generation because the new owners would be unlikely to have the capital to pay the tax. As a result, a large share of the population would be negatively affected because by endangering SMEs, the proposal would result in widespread job losses. According to opponents, the proposed inheritance tax was a "SME killer" (Komitee "Nein zur neuen Erbschaftssteuer" 2015: 4).

How credible is this "perverse effects" argument? Unsurprisingly, there were large disagreements between advocates and opponents of the proposal. Several studies commissioned by the opponents highlighted the dangerous consequences of the proposal for SMEs and by implication the resulting negative effects for the middle class (NEXT 2013; Jaeger and Trütsch 2015; PwC 2015). For instance, Jaeger and Trütsch (2015: xxi) conclude that the new tax would endanger approximately 7'000 family enterprises over the following five years. Others rejected these claims. Instead, they argued that a federal inheritance tax would concern only few people (1.5 per cent of all taxpayers) and that, in case of a generous tax exemption for companies, only very large SMEs would have to pay the tax in case of a company transfer to the next generation (Hümbelin

and Farys 2015; Jann and Fluder 2015). Throughout the whole debate, the economic effect of the proposal on SMEs remained disputed.

Importantly, business groups funded the three main expert studies highlighting the new tax's dangerous effects. NEXT is a foundation created to support SMEs in managing the transition process to a new owner, while *Economiesuisse*, Switzerland's main peak-level business interest organization, funded the PwC study. The Jaeger and Trütsch study was funded by the committees "Verein zum Erhalt der Schweizerischen KMU" (Association for the preservation of Swiss SMEs) and the "Unternehmergruppe NEIN zur Bundeserbschaftssteuer" (employers against the federal inheritance tax). It is not clear who exactly is hiding behind these names, because Swiss law, as noted above, does not force these groups to disclose their identities and members. However, given that the study can be downloaded from *Economiesuisse*'s main campaign website, it is likely that Switzerland's main business interest association was at least involved.⁸

While we remain agnostic about the SME argument's credibility, we note that this strategy to "deliberately stoke fear" is consistent with the literature on the effects of campaign spending in direct democratic votes.⁹ This literature shows that campaign spending has little effect when business pushes for change. However, campaign spending is considerably more effective when the goal is to defend the status quo (Gerber 1999; Kriesi 2009). It is also worth noting that the SME argument was put forward in a highly emotional way. For instance, the campaign imaginary worked with tombstones with SME engraved or oversized hammers smashing picturesque farms emblematic for Swiss family businesses. Similarly, the commissioned expert studies often used emotional language. For instance, Jaeger and Trütsch (2015) repeatedly refer to the "expropriating" effects of the tax.

In sum, the opponents' campaign, publicly led by center-right parties but paid and organized by business interest organizations, revolved around pointing out adverse effects of inheritance taxes for economic growth and jobs. This was done by pretending to champion SME interests, a claim that was doubtful given the generous exemptions for family businesses included in the proposal. While the SME frame was suitable to illustrate the vulnerability of the Swiss economy and labor

market situation to taxation, the focus on SMEs was certainly due to the unpopularity of “big business.”

Business interests and political parties

Political parties play key roles in direct democratic votes because they signal to their supporters whether a proposal should be endorsed or not. This task is particularly important in cases in which it is difficult for voters to form an opinion about the proposal based on empirical facts alone. In these situations, voters are likely to rely on ideology or recommendations made by organizations they consider trustworthy to make sense of reality (Lupia and McCubbins 1998). Because, as we showed above, reducing inequality is popular, we would expect political parties to support inheritance tax. However, all (center-)right parties, representing approximately 70 percent of the electorate, opposed the new tax. This is particularly puzzling in the case of the populist Swiss People’s Party (SVP), which represents mainly low-income voters (Oesch and Rennwald 2010). Strikingly, the party’s 324 delegates unanimously agreed to reject the proposal because it would “soak the middle class”¹⁰ and endanger SMEs and jobs (SVP 2015).

Why did the center-right and the SVP in particular not provide the expected check against special interests? Organizational interests could be the answer. There is a large Swiss literature on the strong connections between (center-)right parties and business interest organizations (cf. Kriesi 2006; Pilotti et al. 2010; Bühlmann et al. 2012). In case of direct democratic campaigns, “given that the interest associations are generally embedded in partisan coalitions,” Kriesi (2006: 607) argues, “it is impossible to separate their impact from the partisan coalitions that form at the outset of the campaigns.” In addition, due to a general lack of transparency, it is not known how much business interest organizations contribute financially to party activities (Transparency International 2012; GRECO 2015).

However, information on MPs professional activities and interest representation mandates is publicly available. Switzerland’s so-called “militia system” (*Milizsystem*) implies that (all) MPs have to pursue professional activities next to their mandate as MPs. In addition, MPs are required to make their interest representation mandates public (including membership in company boards). To analyze the connections between business interests and political parties, we conducted a

simple analysis of MPs professional activities and interest representation mandates in early 2015 (for both parliamentary chambers).¹¹ We restricted the analysis to the three main (center-)right parties (Christian Democrats, the Liberals, and the Swiss People's Party), which provide almost 60 percent of the MPs. With regard to professional activities next to the MP mandate, we counted the number of business owners, farmers, functionaries of business interest organizations, and members of the higher management of private companies (including MPs hired for the purpose of lobbying).¹² With regard to interest representation mandates, we counted the number of MPs representing at least one business interest organization and serving on at least one company board.

According to our analysis, of the 143 relevant MPs 43 percent are business owners and entrepreneurs (including several lawyers with their own law firms), 11 percent are farmers, 3 percent are functionaries of business interest organizations, and 9 percent are members of the higher management. In addition, 63 percent have interest representation mandates from business interest organizations, while 69 percent serve on company boards. In total, among the 143 MPs of the three main (center-)right parties, only 6 percent have no interest links to business.¹³ Given these strong connections between (center-)right MPs and business interest organizations, it is not surprising that the impact of business interest organizations and (center-)right partisan coalitions is difficult to separate.¹⁴ This lends strong support to our argument that in the politics of inequality there is no point making a stark distinction between the voting and the interest groups arenas. Right-wing parties, in Switzerland and elsewhere, do not have to be convinced to support business; to some extent they *are* business (Hartmann 2010; Kriesi 2006; Walker and Rea 2014).

Newspaper discourses during the campaign

We have shown that business and allied parties mainly aimed at creating worries about the effect of the tax on the Swiss economy. Now we turn to the question how effective these attempts were. Before studying voting behavior, we ask to what extent newspapers took up business frames. To this end, we conducted a basic content analysis of newspaper articles dealing with the issue. To balance complexity and coverage, we focus on the three main German-language newspapers in Switzerland with different political leanings: *Blick* (tabloid), *Tagesanzeiger* (center-left leaning) and *NZZ* (center-right leaning). The details of the analysis are discussed in the Appendix.

We distinguished six main arguments journalists could use to (explicitly or implicitly) support or oppose the initiative. To link the coding scheme to our micro-level analysis below, we used the arguments included in the post-vote survey (see Appendix). These arguments were that inheritance tax 1) is the fairest tax, 2) endangers SMEs, 3) affects only a rich minority, 4) violates cantonal autonomy, 5) is not a problem for SMEs because there are special rules to protect them, and 6) leads to the (unfair) multiple taxation of citizens' income. In addition, we coded the tone as negative (against the initiative), neutral, or positive. Finally, we dichotomously coded whether SMEs or family enterprises were referred to in the article and whether the article made an explicit link to jobs being put at risk.

Figure 1 shows the frequency of main arguments. Two pro arguments (fairest tax and only minority affected) as well as two contra arguments (cantonal autonomy and multiple taxation) receive rather equal coverage with nine to twelve occurrences. The dominant argument clearly is endangering SMEs with 22 occurrences. Interestingly, the corresponding pro argument (special rules for SMEs) appears prominently in only five articles. We can conclude that SMEs risks were the dominant topic in the campaign, mirroring business attempts to place the issue high on the agenda.

[Figure 1]

Moving to the *tone* of the articles, Figure 2 presents frequencies of negative, neutral, and positive cases. Looking at all 45 articles, negative tone dominates with 23 cases (51 per cent). Neutral and positive articles make up roughly one fourth each. Closer inspection shows that the bulk of negative articles appeared in the *NZZ* (14 cases), which is unsurprising considering its business-friendly profile. Five negative articles appeared in *Blick*, four in *Tagesanzeiger*. Positive articles appeared most frequently in the center-left *Tagesanzeiger* (six articles as opposed to three each in each of the other two newspapers).

The predominantly negative tone can also be observed in the subset of articles that refer to SMEs or family enterprises. Those were in total 30 articles, precisely two thirds of all articles. Coverage

of SMEs was relatively even across the three newspapers, ranging from eight in *Blick* to twelve in *NZZ*. Half of the 30 articles on SMEs had a negative tone, meaning that the initiative was portrayed as a risk for the competitiveness or even survival of SMEs. In most cases (eleven), an explicit argument was made that the initiative could destroy jobs. Again, the *NZZ* dominates in this category, with ten out of the 15 negative articles on the SME debate. Articles were more balanced in *Tagesanzeiger* (two negative, six neutral, two positive) and *Blick* (two to three per category).

[Figure 2]

Beyond our coding, the tendency with regard to the SME issue can also be illustrated with headlines such as “Family enterprises are worried” (*NZZ* March 31), “The hereditary enemy of the family enterprise?” (*Tagesanzeiger* April 22), “Spare family enterprises: warning against inheritance tax” (*NZZ* April 24), or “The family entrepreneur becomes a high-risk patient” (*Blick* May 15).

In general, business interest associations and their arguments had high coverage. For instance, on March 26 both *NZZ* and *Tagesanzeiger* reported on the findings of the business-sponsored study by Jaeger and Trütsch (2015) that pointed to the risks of inheritance tax (the reports largely took the findings at face value but mentioned who had financed the study).¹⁵ MP Elisabeth Schneider-Schneiter (Christian Democratic People's Party)¹⁶ and a PwC employee (April 27 and April 4, respectively) used similar findings of the PwC study (commissioned by *Economiesuisse*) in *NZZ* guest commentaries, while the PwC findings were also reported in the *Tagesanzeiger* (May 29) and *Blick* (June 8).¹⁷

Voting behavior

What explains the voting behavior in the Swiss vote on the introduction of a national inheritance tax? Specifically, how effective were business strategies to convince voters that the inheritance tax is not in their economic interest? To answer these questions, we analyze the official post-vote survey. The dependent variable is support for the introduction of a national inheritance tax (see the Appendix for a detailed discussion of the data set and the variables). Our argument leads to

three expectations. First, we expect that self-interest in the form of income has limited explanatory power, if the business campaign succeeded in convincing relatively poor voters that taxing inheritances is not in their interest. Second, we expect support for right-parties to have a strong negative effect, because these parties were crucial organizations lending credibility to business arguments among their supporters. Third, we expect business arguments about perverse economic effects to receive high agreement among voters and to serve as strong predictors of voting behavior.

As a baseline, we estimate effects of two standard predictors of the probability to support inheritance tax: self-interest (income and expectation to inherit in excess of two million francs) and attitudes towards inequality (preference for income equality and beliefs about the importance of family background). We control for the respondent's competence, education, gender, and age, their religiosity, the presence of children in the household, and, finally, whether they are in an employment relationship. We estimate logit regressions with clustered standard errors and canton fixed effects.

Model 1 in Table 2 shows that a preference for an equal distribution of incomes is a strong positive predictor of support, while income has the expected negative effect. The income effect is, however, significant only at the 10 percent level. In addition, the income effect is solely a function of the inclusion of the group with the highest income (15'000 francs a month or more). Once this group (which includes only 31 respondents) is removed from the sample, the coefficient of income ceases to be significantly different from zero. Surprisingly, both the expectation to benefit from a large inheritance and attitudes towards societal mobility have no effect on the decision. While only few expect to inherit a large sum (see Table 1), the latter finding could indicate that respondents are not particularly concerned about social mobility.

With regard to control variables, we observe that employed respondents are more critical of the proposal. This finding is consistent with our expectation that concerns about the labor market implications of the proposal have been a powerful reason to reject it. In contrast, university educated respondents tend to support the new tax. Finally, religious respondents reject the proposal, which is consistent with a large literature suggesting that poor citizens in particular

discount their material self-interest out of religious motives and therefore also tend to support right-wing parties.

Model 2 adds dummy variables capturing right and left party supporters. If political parties play important roles in lending credibility to the “perversity thesis,” we would expect the inclusion of these two variables to reduce the empirical relevance of variables capturing the respondents’ direct interests. Indeed, Model 2 shows that the two party variables are powerful predictors of the vote decision. The average marginal effect of being a left party supporter is a staggering 0.25, while the average marginal effect of being a right party supporter is a sizeable -0.14. In addition, the four variables capturing the respondents’ direct (unmediated) interests lose relevance. The coefficient of the income variable is now barely significant, while the coefficient of the preference for equality variable (albeit still highly significant) is reduced from 0.41 in Model 1 to 0.31 in Model 2.

[Table 2]

The post-vote survey also enables us to study the reasons for accepting or rejecting the initiative. It asked for agreement to six statements (from one “fully agree” to four “fully disagree”) that reflect prominent arguments in the political debate about the creation of a federal inheritance tax (the full questions are provided in the Appendix). Interestingly, with the exception of argument 1 (fairest tax), all arguments find a majority among the respondents although they point into different directions with regard to accepting or rejecting the proposal (see Table 3).

The first statement refers to the fairness of inheritance taxes. On this issue, the electorate is rather divided with a slight majority disagreeing. The second statement portrays a federal inheritance tax as a danger for SMEs. This argument turns out to be a powerful reason to vote against a federal inheritance tax, as almost half of the respondents fully agree and another fifth rather agrees. On the statement that only a minority is affected by the reform, the respondents are, again, almost perfectly split in two halves. The federal organization of the Swiss state also seems to matter for the issue. A vast majority (approx. 65 percent) fully or rather agrees with the argument that a federal inheritance tax would violate cantonal tax autonomy. Around 70 percent

of the respondents agree with the statement that the parliament has the right to define lower tax rates and higher tax exemptions for SMEs, so that the transfer of SMEs to the next generation would be no problem. Finally, there is strong agreement with a statement capturing a potential ‘unfairness’ of inheritance tax, namely that one should avoid taxing income multiple times. This argument has wide acceptance with more than 50 percent fully and 20 percent rather agreeing.¹⁸

[Table 3]

Based on our argument, a crucial question is whether voters with different partisan leanings adopted different beliefs regarding inheritance tax. In the appendix, we show that this is the case. Table A2 shows that, as expected, party identification is a powerful predictor of agreement with the statement that the new tax endangers SMEs. The effects are substantial. The average marginal effect of being left party supporter on fully agreeing with the statement is -0.24, while it is +0.11 for right party supporters. However, respondents’ income and their attitudes towards social mobility and inequality also affect their agreement with the SME argument.

How influential were these motives in the voters’ decision making process? We can analyze this by adding the attitudinal variables presented in Table 3 to our regression models (Model 1 from Table 2). The results are presented in Figure 3, which displays the average marginal effect of the six attitudinal variables as well as the preference for equality on vote choice (see Table A3 in the Appendix for the full regression table). All coefficients point in the expected direction. However, overall, concerns about risks for SMEs have by far the strongest effect on the vote decision. The effect is substantively large. The average marginal effect of a one-unit change on the SME variable (ranging from 1 to 4) on the probability to vote is more than seven percentage points.

Interestingly, once the six attitudinal variables are added, the coefficient of the variable capturing preferences for equality is no longer significantly different from zero. Concerns about perverse effects of the new tax thus clearly trump a preference for equality.¹⁹ In addition, agreement with the statement that the parliament has the right to define lower tax rates and higher tax exemptions for SMEs, so that the transfer of SMEs to the next generation would be no problem, did not affect the vote decision (although 70% of the respondents agreed with the statement). Hence, we

conclude that worries about the effects on SMEs had a strong influence on the decision of Swiss voters to reject inheritance tax, while the possibility to define special rules to protect SMEs was widely ignored. This broadly mirrors our findings for the unequal newspaper coverage of these two aspects.

[Figure 3]

In sum, the analysis of voting behavior shows that party ideology is a key predictor of vote choice and agreement with the SME argument. The SME argument, in turn, is the strongest predictor of vote choice. Although we also find some effect of variables capturing respondents' interests and attitudes independent of salient features of the ideological and institutional context in which the respondents are situated, these variables are in general of secondary importance. We therefore conclude that concerns about perverse effects were the main reason why the new tax was rejected by a large majority of the Swiss population. This, we would argue, strongly supports our view of the politics of inequality as *organized spectacle*.

Conclusion

Swiss voters were presented with the opportunity to impose a tax on the super rich and thereby fund a redistributive policy. However, a large majority voted against its seemingly obvious self-interest and rejected the tax. Why? In this article, we have proposed an eclectic approach, combining insights from both behavioralist and institutionalist approaches, to analyze this puzzling decision. More concretely, we have argued that the political economy literature must take the voters' preference formation process more seriously.

Business and the wealthy have structural power, because they can choose not to invest their resources or relocate their activities. If voters believe that well-intentioned redistributive policies might have perverse consequences such as destroying jobs, they must attach weights (*how important?*) and probabilities (*how likely?*) to their multiple interests. Voters, easily overwhelmed by this complex process, provide political elites therefore with the possibility to influence voters through strategic framing. To some extent, elites orchestrate debates about inequality. Politics thus takes the form of an *organized spectacle*.

This is what happened in Switzerland. Without doubt, business was an active player and emphasized what we see as reflections of its structural power: risks for investments and jobs. These attempts were somewhat disguised because politicians were the faces of the campaign. However, given the strong overlap of economic and political elites, this observation does not diminish the role of business in the process. In addition, business frames were multiplied through the media. Here, providing media with information in the form of business-sponsored research arguably was important. Finally, our analysis of voting behavior shows that business, right-wing parties, and the media clearly got the message across.

How externally valid are our findings? While the Swiss political system with its strong emphasis on direct democracy is rather idiosyncratic, it provides a unique opportunity to study the politics of inequality, because it brings to light the strategies organized business interests use to influence voters' preference formation process. Nevertheless, the system's idiosyncrasies may limit the relevance for other cases. While the question can only be answered on empirical grounds, we expect our results to have broad implications.

First of all, it is apparent that business not only in Switzerland tries to influence voters' preference formation. While this process is particularly visible in direct democratic votes, ordinary elections provide similar and additional opportunities, such as raising the salience of non-economic issues. Another insight of general relevance is that parties are not simple transmission belts of voter preferences. Rather, parties should be seen as being influenced by constituencies and simultaneously influencing their constituencies. And, maybe even more importantly, the party elite is often part of the economic elite, so that the distinction between the economic and political spheres becomes blurry. The internal cohesion of political and economic elites is certainly not only a characteristic of Switzerland, although it shows variation across countries (Hartmann 2010). Finally, the structural power of business and its effect on citizens' preferences, which is often forgotten in the contemporary literature on the politics of inequality, should by definition play some role in all capitalist societies.

The analysis presented in this paper suggests several hypotheses for comparative research. First, we would expect more redistribution in response to rising inequality in countries with a weak overlap between political and economic elites, for instance because new populist (right-wing) parties have a critical stance towards business elites. Relatedly, in countries with a limited realignment of the working class with the new right, the political left is likely to have more political clout and a stronger pro-redistribution agenda. Second, transparent political systems or party systems in which parties are less dependent on financial support from business should reduce business's instrumental power. In a similar vein, an independent and critical media system is likely to limit interest groups' ability to convey their messages to the public. Third, a strong SME sector is likely to strengthen business's position in public debates, because it is easier for politicians to adopt a pro-business position in order to defend family-owned small and medium-sized companies rather than large, but typically unpopular multinational companies. Particularly because existing research heavily focuses on the US, exploring the effect of these variables in systematic comparative research could be a major step forward.

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Tables and figures

Table 1: Voters' attitudes (post-vote survey)

Do you prefer a Switzerland with large differences in income or a Switzerland with no differences in income (in %)?		Do you agree? What you can achieve in life in Switzerland depends substantially on your family background (in %).		How likely is it that you will be able to benefit from an inheritance in excess of two million Swiss francs (in %)?	
1 (large differences)	6.2	Strongly agree	17.8	Rather likely	8.1
2	11.6	Rather agree	45.8	Rather unlikely	91.9
3	25.7	Neither/nor	12.2		
4	19.8	Rather disagree	16.2		
5	11.2	Strongly disagree	8.0		
6 (no differences)	25.6				

Source: Vox 119. See the Appendix for a discussion of the data set and the operationalization of the variables.

Table 2: Logistic regression of voting in favor of initiative

	1	2
Left party supporter	-	1.548*** (0.262)
Right party supporter	-	-0.862*** (0.204)
Concerned about social mobility	0.0990 (0.0758)	0.0995 (0.0796)
Preference for income equality	0.410*** (0.0804)	0.313*** (0.0863)
Expectation to inherit	-0.284 (0.234)	-0.226 (0.227)
Household income	-0.0856* (0.0481)	-0.125* (0.0750)
Political competence	0.170 (0.206)	0.131 (0.220)
Very high education	0.702*** (0.221)	0.395** (0.201)
High education	-0.0286 (0.190)	-0.102 (0.191)
Low education	0.0610 (0.608)	0.0309 (0.637)
Age	-0.00408 (0.00555)	-0.00421 (0.00542)
Gender (women)	-0.104 (0.144)	-0.270** (0.137)
Children in household	0.336 (0.236)	0.521** (0.228)
In work	-0.411*** (0.153)	-0.573*** (0.177)
Religiosity	-0.724*** (0.279)	-0.483 (0.318)
Constant	-1.846** (0.904)	-1.459 (0.911)
Observations	732	732
Pseudo R-squared	0.124	0.222

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table 3: Six attitudes on inheritance tax (responses in percent)

	Fairest tax	Endangering SMEs	Only minority affected	Violates cantonal autonomy	Special rules protect SMEs	Avoid multiple taxation
Fully agree	26.5 %	45.5 %	30.4 %	40.4 %	39.8 %	51.8 %
Rather agree	18.5 %	21.6 %	23.5 %	25.5 %	30.1 %	20.7 %
Rather disagree	20.5 %	17.5 %	22.4 %	14.5 %	19.4 %	15.1 %
Fully disagree	34.6 %	15.3 %	23.7 %	19.6 %	10.8 %	12.4 %
Obs.	914	920	885	856	827	913

Figure 1: Frequency of main arguments in newspaper articles on the initiative

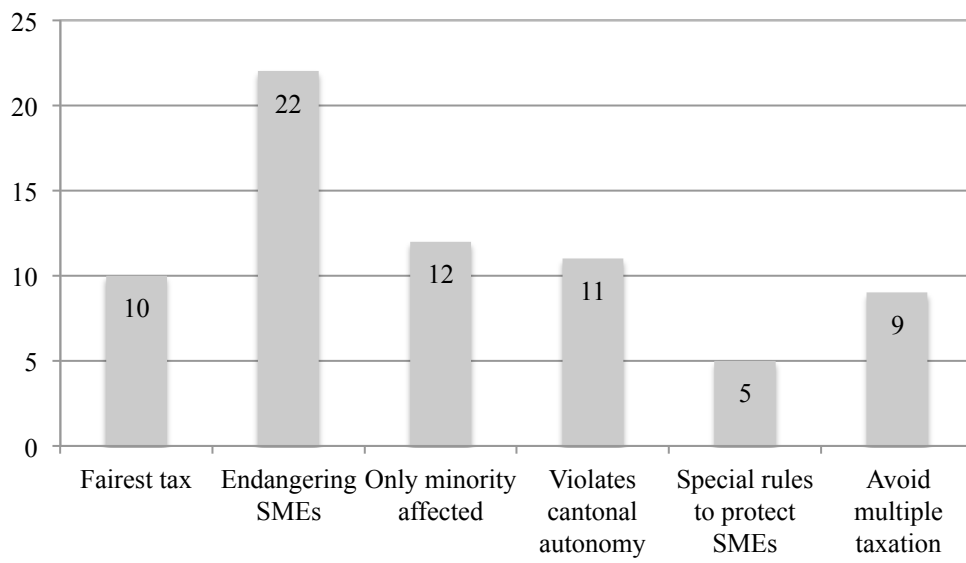


Figure 2: Frequency of positive, neutral, or negative tone in articles on the initiative

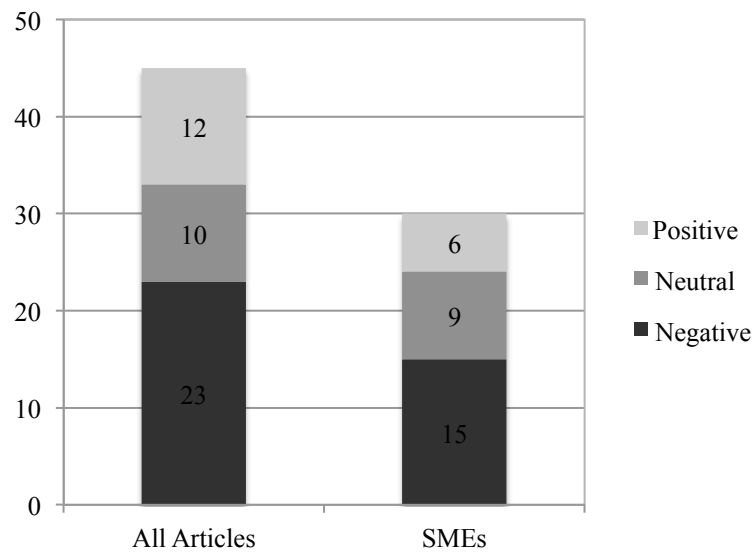
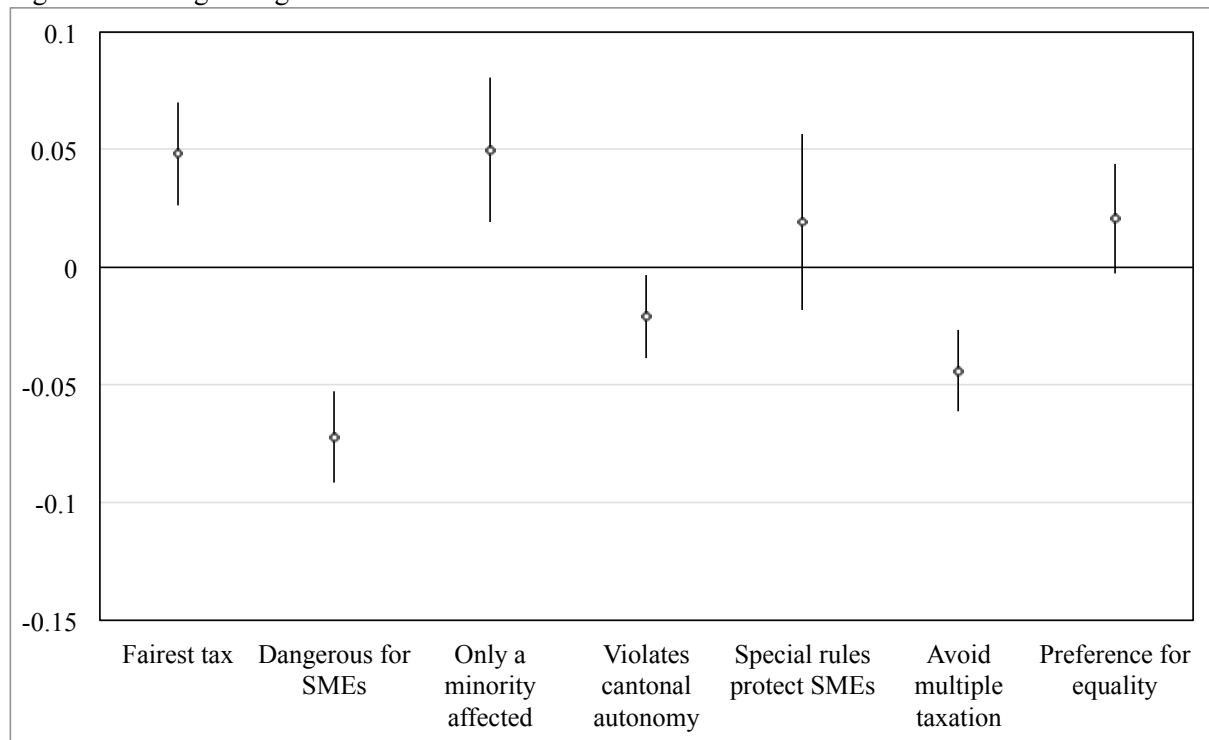


Figure 3: Average marginal effect of attitudinal variables on vote choice



Appendix

Newspaper content analysis

The content analysis is based on three major national newspapers in Switzerland with different political leanings: *Blick* (tabloid), *Tagesanzeiger* (center-left leaning) and *Neue Zürcher Zeitung (NZZ)* (center-right leaning). To avoid ambiguities in our coding because of translations, we focus on three newspapers published in German (more than 70 per cent of all Swiss citizens consider German to be their first language). Moreover, we focus on the major campaign period between March 9 and June 13 2015. Swiss citizens vote four times a year at the national level on direct democratic proposals. The last ballot day preceding the vote on the inheritance tax was March 8, 2015. The vote on the introduction of a national inheritance tax took place on June 14, 2015. Because of the frequency of referendums in Switzerland, political discussions on initiatives usually only intensify close to the polls.

As a first step, we identified articles referring to the initiative with the online database WISO (accessible via wiso-net.de). Concretely, we searched for the combination of the terms *Erbschaftssteuer* (inheritance tax) and *Initiative* (initiative). The search returned 83 articles in our selected newspapers and time period. After screening, we dropped 38 because they mentioned the initiative only in passing, only stated positions of political parties, or were letters to the editor. We then read the remaining 45 articles and coded them on several dimensions.

The six arguments we consider are that inheritance tax 1) is the fairest tax, 2) endangers SMEs, 3) affects only a rich minority, 4) violates cantonal autonomy, 5) is not a problem for SMEs because there are special rules to protect them, and 6) leads to the (unfair) multiple taxation of citizens' income. We only assigned an article to a category if the argument had some prominence, but we allowed for the possibility that articles referred to several arguments (which turned out to happen frequently). We subjectively coded the tone as negative (against the initiative), neutral, or positive. Although the tendency of the articles usually was quite clear, the coding involved some interpretations. Therefore, two coders separately conducted the analysis. The correspondence in assessments was very high.

Because of the dominance of the SME frame in the strategic communication of business associations, we zoomed in on this question. We dichotomously coded whether SMEs or family enterprises were referred to in the article (irrespective of how prominently). In addition, we coded whether the article made an explicit link to jobs being put at risk. Finally, we coded the tone specifically with regard to the SME debate: negative (if the initiative is clearly portrayed as endangering SMEs), neutral (if the discussion is balanced), or positive (if assertions about SME-risks are downplayed or refuted, for instance by emphasizing derogation clauses for SMEs).

Survey data

We use data from the Vox survey collected following the federal vote on June 14, 2015. We have obtained the data set from FORS. Vox surveys have been conducted after each federal vote since 1977. Based on a representative sample of approximately 1'500 respondents who are eligible to participate in the vote (albeit with an oversampling of the Italian speaking part of Switzerland), these opinion surveys take place during the two weeks following the ballot vote. The Vox surveys are uniquely suitable for our purposes because they not only concern a real world decision but also contain a broad coverage of all relevant political and socio-economic variables. Table A1 provides the descriptives for all variables.

Table A1: Descriptives of variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
Decision	910	32.1	0.47	0	1
Argument 1 (fairest tax)	914	2.37	1.21	1	4
Argument 2 (endangering SMEs)	920	2.97	1.12	1	4
Argument 3 (only minority affected)	885	2.61	1.15	1	4
Argument 4 (violating cantonal autonomy)	856	2.87	1.15	1	4
Argument 5 (special rules protect SMEs)	827	2.99	1.01	1	4
Argument 6 (multiple taxation)	913	3.12	1.08	1	4
Household income	839	3.59	1.72	1	8
Expectation to inherit	948	0.08	0.27	0	1
Preference for equality	951	3.95	1.51	1	6
Attitude towards social mobility	962	3.48	1.19	1	5
Very high education	974	0.38	0.48	0	1
High education	974	0.30	0.46	0	1
Medium education	974	0.29	0.45	0	1
Low education	974	0.04	0.20	0	1
Religiosity	967	0.79	0.41	0	1
Right Party	982	0.27	0.45	0	1
Left Party	982	0.25	0.43	0	1
Right-Left scale	905	5.07	2.47	0	10
Competence	982	1.58	0.59	0	2
Age	982	55.58	15.83	18	95
Women	982	0.54	0.50	0	1
Work	975	0.52	0.50	0	1
Children	965	0.77	0.42	0	1

We are primarily interested in people participating in the vote. Of the 1'507 respondents, 982 (65.2 percent) have indicated participation in the vote. In the real vote, 43.7 percent have participated. This difference can be partly explained by the sampling procedure but is certainly also reflecting social desirability. Our dependent variable captures whether respondents supported the proposal. Of the 982 respondents indicating participation, 292 (32.1 percent) have supported the proposal, while 618 (67.9 percent) have rejected it or casted a blank vote. 72 respondents could not remember their vote or refused to answer the question. In the real vote, 29 percent supported the proposal.

Following this question, respondents were asked in open questions to provide two reasons for supporting or rejecting the proposal, depending on their previous answer. The survey team subsequently organized these answers into a small number of categories. Later in the survey, respondents were confronted with six prominent arguments from the public debate. Respondents were then asked to indicate whether they completely agree (1), partly agree (2), partly disagree (3) or fully disagree (4) with the argument. The six arguments were (identical to the ones we have used to code newspaper articles):

- *Die Erbschaftssteuer ist die gerechteste Steuer, weil Erbschaften Einkommen ohne Leistung darstellen.* (Fairest tax)
- *Die Erbschaftssteuer stellt eine zu grosse Belastung von Familienunternehmen dar, weil beim Übergang auf die nächste Generation den Unternehmen Geld entzogen wird und somit ihre Existenz bedroht ist.* (Endangering SMEs)

- *Die nationale Erbschaftssteuer belastet nur Personen mit sehr hohem Vermögen. Alle anderen werden entlastet.* (Only minority affected)
- *Die Einführung einer nationalen Erbschaftssteuer stellt einen massiven Eingriff in die Steuerhoheit der Kantone dar.* (Violating cantonal autonomy)
- *Das Parlament kann eine höhere Freigrenze für KMUs beschliessen, so dass die Übertragung von Familienunternehmen problemlos möglich ist.* (Special rules protect SMEs)
- *Das vererbte Geld wurde bereits zu Lebzeiten als Einkommen und jedes Jahr als Vermögen versteuert und sollte nicht ein drittes Mal besteuert werden müssen.* (Multiple taxation)

We use household income (including income from work as well as social benefits) to capture economic self-interest. We expect high-income groups to have a stronger interest in opposing inheritance tax (besides probability to inherit or bequeath, low income earners also should have a stronger interest in securing funding of the highly redistributive public pension scheme). Household income is measured on an eight-point scale, ranging from 1 (below 3'000 CHF a month) to 8 (more than 15'000 CHF a month). In addition, we use a dummy variable to capture whether respondents expect – at one point – to benefit from an inheritance in excess of two million Swiss francs.

We create two variables to measure respondents' attitudes towards equality and social mobility. First, respondents were asked whether they prefer a Switzerland with large differences in income or a Switzerland with no differences in income. Answers could range from large differences (1) to no differences (6). Second, respondents were asked to what extent they believe that what you can achieve in life in Switzerland depends substantially on your family background. Answers could range from strong disagreement (1) to strong agreement (5).

Finally, to capture party identification, we use the survey question asking which party generally corresponds most closely to respondents' goals and demands. We create dummy variables for respondents sympathizing with the main right-wing parties opposing the proposal (Christian Democrats, the Liberals, and the Swiss People's Party) and respondents sympathizing with any of the left or far left Swiss parties (Social Democratic Party, the Green Party, Workers' Party, and Alternative Left).

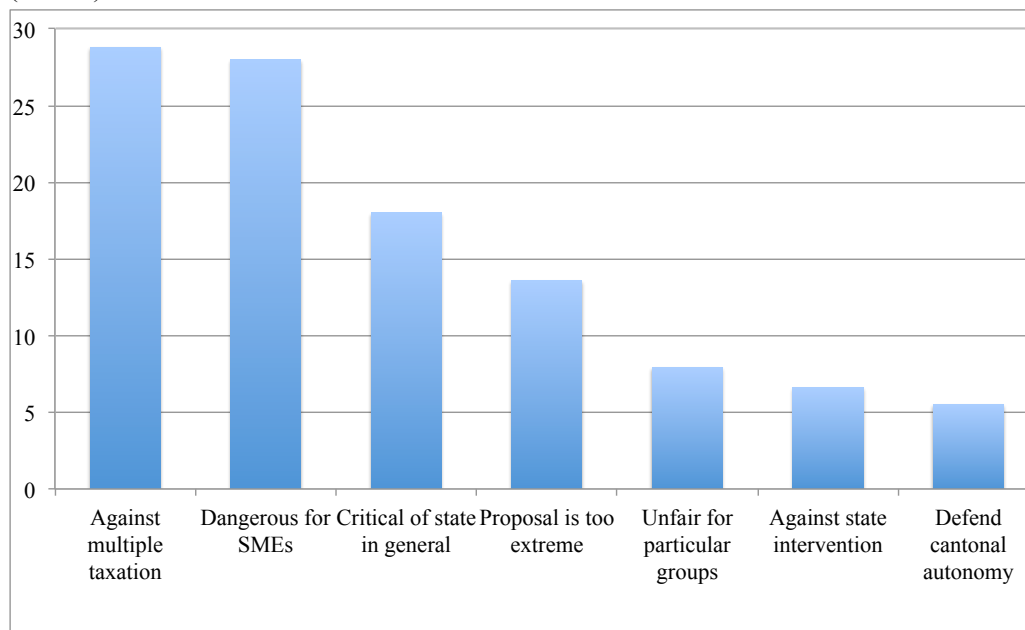
In all statistical models we control for the respondents' competence, age, education, religiosity, and sex, whether they are currently employed, and have children. We use factual questions to measure respondents' competence. First, competence is coded one if they could spontaneously recall the name of the proposal. Respondents are awarded another point if they could also say what the proposal was about. The resulting indicator of the competence of respondents ranges from zero to two. We assess the validity of our competence indicator by comparing it to an indicator of perceived competence. Respondents were asked whether or not they generally struggle to figure out how the proposal would affect them personally. Respondents' perceived competence is coded one if they considered this to be a rather easy task. Respondents are awarded another point if they indicated that this task was also rather easy for the proposal at hand. The resulting indicator of the perceived competence of respondents therefore also ranges from zero to two. Goodman and Kruskal's Gamma (0.48) indicates a strong positive relationship between the two indicators of competence.

Religiosity is measured using a dummy variable that captures the respondents' denomination. Education is captured using a series of dummy variables, differentiating between graduates of universities and universities of applied sciences (very high level of education); other respondents with a tertiary level degree (high level of education); respondents with an upper secondary level degree (medium level of education), and, finally, respondents without an upper secondary level degree (low level of education). In the models below, respondents with a medium level of education are used as a reference category.

Attitudes in open questions

The post-vote survey also included open questions in which respondents could state their major reasons for voting for or against the initiative (depending on their reported vote choice). Respondents could give up to six arguments, but few presented more than two. Among supporters of the initiative, by far the most frequently cited reason was that inheritance tax would help financing the pension system (207 times). Among those voting against the initiative, Figure A1 presents the shares of respondents that mention specific reasons *at least once* in the open question (among the 618 respondents rejecting the proposal). Opposition to multiple taxation of income and concerns about risks for SMEs clearly emerge as the strongest motives to reject the proposal.

Figure A1: Share of no-voting respondents mentioning selected reasons for rejection in open question (n=618)



Attitudinal differences by party identification

Here, we examine the reasons why voters endorsed the argument that inheritance tax endangers SMEs. Our main independent variables are again party identification and our four indicators capturing respondents' interests and attitudes independent of salient features of the institutional, ideological, and social context in which the respondents are situated. In addition, we control for the respondent's competence, education, gender and age, their religiosity, the presence of children in the household, and, finally, whether they are in an employment relationship. Since the dependent variable is an ordinal scale, we estimate ordered logit regressions with clustered standard errors and fixed effects (cantons).

Table A2 shows the results. As expected, party identification is a powerful predictor of agreement with the statement that the new tax endangers SMEs. The effects are substantial. The average marginal effect of being left party supporter on fully agreeing with the statement is -0.24, while it is +0.11 for right party supporters. However, respondents' income and their attitudes towards social mobility and inequality also affect their agreement with the SME argument. High-income voters are more likely to agree, while respondents who prefer more income equality tend to reject it. Finally, respondents who believe that what people can achieve in life depends substantially on their family background are also critical of the SME argument.

Table A2: Ordered logistic regression of agreeing with statement that inheritance tax endangers SMEs

	1	2
Left party supporter	-	0.571*** (0.186)
Right party supporter	-	-1.217*** (0.178)
Concerned about social mobility	-0.129* (0.0659)	-0.142** (0.0671)
Preference for income equality	-0.296*** (0.0513)	-0.205*** (0.0530)
Expectation to inherit	0.205 (0.295)	0.160 (0.306)
Household income	0.123** (0.0501)	0.136*** (0.0511)
Political competence	0.0437 (0.133)	0.0869 (0.137)
Very high education	-0.821*** (0.189)	-0.575*** (0.194)
High education	-0.158 (0.188)	-0.156 (0.191)
Low education	-0.322 (0.435)	-0.341 (0.440)
Age	0.0186*** (0.00542)	0.0188*** (0.00558)
Gender (women)	0.299** (0.151)	0.404*** (0.154)
Children in household	-0.510*** (0.180)	-0.585*** (0.183)
In work	0.449*** (0.172)	0.522*** (0.176)
Religiosity	0.545*** (0.174)	0.361** (0.178)
Constant cut1	-1.462** (0.588)	-1.325** (0.608)
Constant cut2	-0.353 (0.583)	-0.123 (0.601)
Constant cut3	0.646	0.973

	(0.585)	(0.603)
Observations	743	743
Pseudo R-squared	0.0646	0.106

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

With regard to control variables, we observe that employed respondents tend to agree with the SME argument, which is consistent with our expectation that concerns about the labor market implications of the proposal have been a powerful reason to reject the new tax. Older respondents, women, and religious respondents were more likely to agree with the SME argument. In contrast, the highly educated and respondents with children were more critical.

Finally, Table A3 displays the full regression table for Figure 3. Based on Model 1 from Table 2, Table A3 also contains the attitudinal variables presented in Table 3.

Table A3: Logistic regression of voting in favor of initiative

	1	2
Fairest tax	0.800*** (0.219)	-
Dangerous for SMEs	-1.198*** (0.179)	-1.769*** (0.153)
Only a minority affected	0.828*** (0.264)	-
Violates cantonal autonomy	-0.349** (0.164)	-
Social rules protect SMEs	0.322 (0.311)	-
Avoid multiple taxation	-0.729*** (0.140)	-
Concerned about social mobility	-0.207 (0.183)	0.0841 (0.0801)
Preference for income equality	0.340* (0.187)	0.406*** (0.101)
Expectation to inherit	0.523 (0.770)	-0.176 (0.359)
Household income	-0.117 (0.137)	-0.0249 (0.0619)
Political competence	0.127 (0.292)	0.210 (0.297)
Very high education	-0.469 (0.390)	0.244 (0.255)
High education	-1.154** (0.545)	-0.392 (0.313)
Low education	-2.144** (0.971)	-0.425 (0.796)
Age	0.0105 (0.0188)	0.00830 (0.00905)
Gender (women)	0.132	0.0639

	(0.296)	(0.265)
Children in household	0.201	0.279
	(0.498)	(0.434)
In work	0.528	-0.155
	(0.487)	(0.241)
Religiosity	-0.183	-0.574
	(0.476)	(0.351)
Constant	-0.808	1.661*
	(1.661)	(0.977)
Observations	534	698
Pseudo R-squared	0.685	0.481

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Endnotes

¹ Investment shifts might be abstract phenomena for most citizens, but jobs are not. Political discourses often suggest that retaining jobs in high-wage countries presupposes a favorable tax and regulation framework. This might be particularly relevant for inheritance tax, because small and medium sized companies are often part of the inheritance.

² We are not trying to disentangle the effects of instrumental and structural power and are skeptical as to whether the two can be neatly separated in our case. However, research has convincingly shown that structural power matters by analyzing situations in which instrumental and structural power of business lead to diverging predictions (cf. Culpepper and Reinke 2014).

³ Such arguments are less powerful when business desires policy change, because the status quo is unlikely to lend credence to claims about negative economic consequences.

⁴ URL: <http://www.forbes.com/billionaires/list/> (accessed on April 13, 2016).

⁵ Popular initiatives require support of at least 100'000 citizens and allow suggesting constitutional articles that need to be implemented by law if approved in a popular vote.

⁶ The development of specific rules was left to parliament. During the campaign, proponents of the proposal mentioned several numbers, such as tax rates of 5 to 10 per cent and tax exemptions of up to 50 million francs.

⁷ The government issues vote recommendations. In the case at hand, it recommended rejection for three reasons (Bundesrat 2013: 14-15): cantonal tax autonomy, uncertain fiscal consequences, and reduced support for its own pension reform proposal (which was based on higher value-added tax, a much less redistributive way of funding).

⁸ URL: <https://my.abstch.ch/page/-/Erbschaftssteuer/DE/MK%2025.03.2015/Studie%20Universität%20St.%20Gallen.pdf> (accessed on January 11, 2016).

⁹ Marius Brühlhart accused opponents to “deliberately stoke fear.” Brühlhart and other economists with conflicting opinions were quoted in the *Tagesanzeiger* (May 29 and June 2).

¹⁰ URL: <http://www.swissinfo.ch/ger/die-svp-lehnt-die-erbschaftssteuer-initiative-einstimmig-ab/41386712> (accessed on May 30, 2016).

¹¹ URL: <https://www.parlament.ch/en/ratsmitglieder> (accessed on February 1, 2016).

¹² The farmers' interest associations figured prominently in the opponents' campaign.

¹³ Available information is limited and not always conclusive. We might have misclassified a small number of MPs, but there can be no doubt that a large majority of the (center-)right MPs have at least some links to business interests.

¹⁴ Particularly for economic issues. On issues such as immigration or European integration, the Swiss People's Party typically opposes the business position, so that the coalition is restricted to the Christian Democrats and the Liberals.

¹⁵ On May 28-29, *NZZ* and *Tagesanzeiger* referred to this study one more time.

¹⁶ Board member of a regional business association (*Handelskammer beider Basel*).

¹⁷ The NEXT study (2013) was not mentioned in the period, which is likely due to its publication already in 2013.

¹⁸ Predefined survey items invite respondents to state opinions even if these opinions are weak, inconsistent, or arbitrary. Figure A1 shows that the importance of the SME argument also comes through in an analysis of open survey questions.

¹⁹ Preferences for equality remain significant if only the dangerous-for-SME variable is added (Table A3). The substantive effect of the latter still is considerably higher. The average marginal effect of the SME variable (ranging from 1 to 4) is almost 18 percentage points, compared to a four-percentage-point effect of the equality variable (ranging from 1 to 6).