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Conflicting Institutional Pressures During the Establishment of Tax Administrations in the Post-1990 Eastern German States

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ABSTRACT
The reunification of Germany in 1990 has been extensively analysed, yet little knowledge exists on how this critical period has impacted Germany's system of tax administration. Drawing upon document analysis and semi-structured interviews with experts who were personally involved in the transition, this article investigates the key challenges faced during the establishment of tax administration infrastructures in the post-1990 eastern German states. Specifically, the article compares the transition process in two eastern German states, Saxony and Saxony-Anhalt, thereby illuminating how early administrative design choices explain subsequent differences between these states in their post-1990 tax administration performance. The article employs an historical institutional perspective, combined with an isomorphic institutional analysis, demonstrating that the institutional configuration of Germany's system of tax administration is central to understanding the performance of eastern German tax administrations post-reunification. Conflicting interests between government actors, both vertically and horizontally, resulted in different views as to how the eastern German states' tax systems should be developed. Whilst the reunification brought these institutional tensions to the surface in a uniquely clear manner, these tensions continue to affect Germany's present tax administration, making this study important from a historical perspective but also to better understand Germany's contemporary system of fiscal administration.

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Introduction

In 2024, the Federal Republic of Germany (FRG) celebrated its thirty-fourth anniversary as a reunited country. Although an abundance of research has been published on the political, economic and cultural impact of German

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reunification, little is known about the tax administration consequences of the transition. Post-reunification, the new states in eastern Germany (hereafter: new states), most of which had existed in some form prior to the German Democratic Republic (GDR), were re-established. Due to the small role occupied by taxation in the GDR and a correspondingly small tax administration, the establishment of state tax administration infrastructures constituted one of the key challenges in the rebuilding of the post-1990 eastern German states.

In the initial years, the new states' tax administrations faced unique challenges and problems, resulting in large sums of tax revenues remaining uncollected, and substantial amounts of tax subsidies aimed at encouraging East Germany's economic development poorly distributed. These problems occurred across all new states. The scale at which they affected the performance of the new tax administrations nonetheless varied significantly between them. Applying a process tracing analysis (Gerring 2007), this paper focuses on the tax transition in two new states – Saxony and Saxony-Anhalt – to analyse why states employed different establishment processes and how these differences affected the performance of their tax administrations in the immediate aftermath of the transition. The paper finds that the institutional configuration of Germany's system of tax administration is central to understanding differences in the establishment process of tax administrations during the reunification.

The main research methods employed in this study are document analysis and semi-structured interviews with West and East German civil servants who were personally involved in the East German tax transition in the 1990s. The paper is organised as follows. First, a review of existing literature on German unification is provided, which is followed by a theoretical framework to analyse institutional reform processes. After that, an overview of Germany's system of tax administration is provided, followed by a methodology section, and subsequent discussion of the empirical results. The final section concludes.

Literature Review

In contrast to the transition processes in other socialist countries, the transition to an economically capitalist and politically democratic system in East Germany was realised with both private capital and public subsidies being available on an 'unprecedented scale' (Derlien 1999). The political changes in East Germany were not confined to the political sphere but also fundamentally altered the administrative system of the GDR. This contrasts with the administrative stability often observed following political regime transitions (Baker 2001). The term 'institutional transfer' (Lehmbruch 1993) has been used to describe how institutions in the new eastern

German states were established—largely as replicas of existing institutional structures in the FRG, with assistance from West Germany.

Despite West Germany's support during the phase of institutional reconstruction, especially through partnerships between East and West German states, including West German civil servants occupying senior positions in the administrations of the new states, many of the eastern German state administrations continued to be staffed by former GDR administrators. This required significant changes in attitudes and behaviours for the transition from the GDR's socialist *Kaderverwaltung* (Balla 1972) towards the traditional continental administrative system typical of West Germany.

Over the past decades, many studies have examined the consequences of reunification for East Germany's public sector, including the effects on municipal organisations (Kuhlmann 2003), judicial authorities (Schaefgen 1998), and railways and postal services (Seibel, Benz, and Mäding 1993). These studies show that the transition generally involved clearing the politicised eastern service, particularly regarding those who collaborated with state security operations. Additionally, there was a need to secure the specific expertise characteristic of the West German system, which was unavailable in East Germany.

Despite its comparatively large size compared to other public sector domains, virtually no studies exist on the impact of reunification on East Germany's tax administration system. The lack of attention in reunification scholarship for tax administration is remarkable given the significant challenges that existed in this area of public administration, as illustrated by frequent reports by the German Federal Audit Office and in German media during the 1990s. In particular, the limited audit capacity of the tax offices has been criticised, with some reports claiming this would have resulted in the new east German states having transformed into a virtual tax oasis (*Berliner Zeitung* 1995; *Der Spiegel* 1996). The challenges were largely caused by the GDR's planned economy and the corresponding marginal role of taxation, and thus tax administration, hence a virtual rebuilding of a tax administration infrastructure was necessary in post-1990 eastern Germany. In addition to the unique challenges that Germany's tax administration system faced during unification, the importance of a well-functioning tax administration – both from a governmental public finance perspective and for the economic development of a country (cf. Bird 2004) – further highlights the significance of analysing this understudied aspect of Germany's unification.

Analysing Institutional Change

Institutional theories provide relevant insights to explain the course of fundamental administrative reform processes. The three main perspectives of neo-institutionalism provide different perspectives to explain why institutional change is likely to occur in a particular manner, focused on different perceptions of human agency. Rational choice institutionalism, as the first approach, emphasises the utility maximising behaviour of actors and subsequently reduces institutions largely to mechanisms facilitating collective decision making (e.g. Shepsle 2006). In contrast, sociological institutionalism emphasises the sensitivity of actors' preferences and behaviour to institutional influences (e.g. Hall and Taylor 1996). Historical institutionalism takes a middle position, with human beings observed as both norm-abiding rule followers and self-interested rational actors (Hall and Taylor 1996; Thelen 2003).

A central concept of historical institutionalism is path dependency (Pierson 2000), which suggests that due to lock in effects institutional reforms will most often occur in an incremental manner since opportunities for radical reform are rare, being limited to 'critical junctures' (Pierson 2003). As many historical institutional analyses illuminate the complexity of changing a status quo, the approach has difficulty explaining actors' behaviour during periods of non-incremental change. It is here where sociological institutionalism is valuable as it focuses on actors' motivations and choices. According to sociological institutionalism, organisations are likely to resemble other organisations 'that face similar environmental conditions' (Scott 2001, 153). DiMaggio and Powell (1991) refer to this process as isomorphism, and they distinguish three forms.

First, isomorphism may result from formal and informal pressures exerted on organisations by actors upon which 'deviant' organisations are dependent, referred to as coercive isomorphism. Mimetic isomorphism, as the second variant, emphasises homogenisation of organisational forms being largely a consequence of organisational uncertainty, leading organisations to imitate counterparts they perceive to be legitimate or successful. Finally, homogenisation may result from normative isomorphism, in which case change is brought about by professions such as consultants (DiMaggio and Powell 1991).

From the perspective of isomorphism, it might be expected that organisational transition will produce more diffuse results if coercive institutional powers are relatively weak. In contrast, transforming an organisation or establishing it from near scratch as happened with tax administrations in post-1990 eastern Germany, is more likely to occur in a uniform manner when coercive pressures are executed by a single, often hierarchical superior actor. As theorised by mimetic isomorphism, diffuse results of processes of institutional transfer similarly result when actors lack awareness of organisational legitimacy. Finally, if professional norms and standards are of limited importance, transferring institutions in a homogeneous manner is expected to become more difficult. From the perspective of sociological institutionalism, problems occurring in the new states' tax administrations need to be primarily interpreted as an effect of deficient processes of institutional transfer.

Drawing on insight from rational choice theory, it can be expected that organisation's behaviour will be guided more strongly by utility maximising strategies when the three variants of isomorphic pressures are contradicting one another or are limited in intensity. In case hierarchically superior organisations assert contradictory institutional pressures, subordinate organisations are more likely to withstand institutional pressures. We draw upon these insights in the remainder of this paper when analysing the institutionalisation process of the new states' tax administrations.

German Tax Administration – A Decentralised System with Unitary Aspects

As intended by West Germany's occupying powers after the Second World War, the Federal Republic of (West) Germany developed a highly decentralised system of tax administration (Feldkamp and Müller 1999; Senger 2009). In this system, the role of the federal government remained largely restricted to tax policy making, with the federal states responsible for the implementation and administration of tax laws. The most significant German taxes, known as joint taxes (*Gemeinschaftssteuer*), encompass the income, corporation and turnover tax, and are shared between between the federal government, the states, and their respective municipalities. Despite tax administration being the principal responsibility of the states, the federal government has progressively become more involved in tax administration since the 1960s. Growing federal influence has been legitimised with reference to the federal government's duty, as outlined in the German constitution, to supervise state tax administrations to assure equal tax treatment of citizens across the federation (Blancke 2004). Regarding the administration of joint taxes, the constitution additionally states that federal supervision 'extents to the conformity with law and appropriateness of the execution' (article 85, subsection 4), legitimating a degree of federal government oversight on state-level tax administrations.

To achieve federal oversight, the Federal Ministry of Finance, or *Bundesministerium der Finanzen* (hereafter: BMF), possesses various instruments to influence state tax administrations. Examples include the federal competence to regulate the training of tax administrators, organise the training of senior tax civil servants at the BMF's training academy *(Bundesfinanzakademie)*, and the possibility to send federal civil servants to state-level Finance ministries for information-gathering purposes.

In the German Unification Treaty, on which East and West Germany agreed in August 1990, the decision was formalised to establish an administrative infrastructure in the new states resembling that of West Germany. This decision was taken out of time pressure in light of the geopolitical context at the time, which offered a unique opportunity for reunification, but also due to high transaction costs if reunification was going to be used for a more fundamental redesign of the German constitutional and administrative model encompassing West German states (Derlien 1993). During the subsequent process, of what is labelled path dependency by historical institutionalists (Pierson 2000), the BMF played a key coordinating role when tax structures were established in the new states resembling West German state tax systems. Nonetheless, it proved extraordinarily challenging to achieve a performance in the new states' tax administrations resembling that of the old, West German states. This is illustrated with reference to three tax administration tasks: processing of income taxes, audits of corporate taxpayers, and the distribution of special investment subsidies made available by the federal government for the new states during the transition period.[1] These tasks were selected based on their large administrative scale, and as such provide a good illustration of the functioning of the new states' tax administrations during the reunification period.

In relation to income taxe, at the end of 1991, only 0.23 per cent of all income taxe to be processed for FY1990 had been completed in Saxony, and 2.77 per cent in Saxony-Anhalt, and the backlogs were affecting revenue collection in subsequent years. To reduce administrative pressures, the BMF agreed with the State Finance ministries by the end of 1991 to permit tax offices in the new states to process tax assessments of FY1990 in a simplified manner.[2] In practice, this meant that audits were only undertaken if evident irregularities were found in income tax returns. Despite these measures, the processing of income taxe continued to show backdrops in the early 1990s, even though differences can be observed between the states with Saxony processing almost twice as many income tax returns during 1992 compared to Saxony-Anhalt (BMF 1994).

As one of the main tax sources for the federal and state governments, the institutionalisation of corporate taxation, including auditing of corporate taxpayers, was a key issue of discussion during the transition. Due to capacity constraints, it was evident that the institutionalisation of corporate auditing would be extremely challenging, resulting in the agreement between the BMF and the states to start auditing of large business taxpayers by 1994 at the latest, the ultimate legally permissible point by which those audits had to be completed. As shown by Table 1, when corporate tax audits started in 1994, the number remained limited at 6.1% in Saxony and 5.2% in Saxony-Anhalt. The frequency at which companies in the new states were audited was also far below the West German average – for middle size companies, for example, the West German average audit frequency was every

Table 1. Audits of large, mid-size, small and very small companies, 1994.

	Saxony	Saxony-Anhalt
Large companies	5637	3376
- audited by new state	296	48
- audited by partner state	49	129
Total (% audited total population)	345 (6.1%)	177 (5.2%) [15]
Mid-size companies	24,621	10,857
- audited by new state	542	278
- audited by partner state	37	61
Total (% audited total population)	579 (2.4%)	339 (3.1%)
Small companies	44,871	20,836
- audited by new state	177	160
- audited by partner state	21	21
Total (% audited total population)	198 (0.4%)	181 (0.9%)
Very small companies	207,656	86,938
- audited by new state	1071	184
- audited by partner state	10	8
Total (% audited total population)	1081 (0.5%)	192 (0.22%)
Category: all companies	282,785	122,007
- audited by new state	2088	670
- audited by partner state	117	219
Total (% audited total population)	2205 (0.78%)	889 (0.73%)
Audits executed as % of all audits by:		
New state	94.7%	75.4%
Partner state	5.3%	24.6%

Source: own composition, based on BMF Bericht, 1995: 74 & 80; own calculations.

11.1 year, but for Saxony the equivalent was 41.7 years and for Saxony-Anhalt, somewhat better, 32.3 years (Senger 2009, 164).

The build-up of tax administrations in the East was closely followed by the Federal Court of Audit (*Bundesrechnungshof*), which particularly criticised the performance by tax offices in the new states in relation to investment subsidies, and the decision by the new states' governments, which was authorised by the BMF, not to undertake the required audits before and after investment subsidies had been allocated. In the period 1990–1993 alone, financial losses due to illegitimately provided subsidies by the new states were estimated to be around one billion D. Mark (equal to around 500 million euro).[3]

Substantial problems thus existed in the tax performance of the new states.[4] Before analysing how the unique transition circumstances and Germany's institutional configuration of tax administration influenced the establishment process of the new tax administrations, the next section outlines the research approach employed in this study.

Research Issue and Methodology

It might be assumed that the 'causal configurations' (Mahoney and Rueschemeyer 2003) traced in this research to explain the establishment processes of the new states' tax systems are not only influenced by combinations of factors at a particular moment in time but also by the sequencing of these causal factors. After all, the nature of tax administrations in the new states is likely to have evolved over time, with some aspects of their establishment uniquely tied to the context of German reunification, while others may emerge in any administrative transformation process. Carefully reconstructing the establishment process of the new states' tax administrations will allow for the identification of causal configurations responsible for the differences in the establishment processes between the two eastern German states selected for this research.

Given that the East German tax transition was not a static event occurring at a single, fixed point, a research approach is required that explicitly considers the dynamic, historical nature of institutional change processes. Compared to other research approaches, the ability to incorporate temporal elements is a key distinguishing feature of process-tracing analysis (cf. Gerring 2007; Mahoney and Rueschemeyer 2003; Pierson 2003), making this approach highly suitable as the central research strategy for investigating differences in the establishment of East German tax administrations in the early 1990s. To mitigate the inherent risk in case-study research of being overwhelmed by a large number of variables (Lijphart 1971), the longitudinal analysis in this study was conducted as a comparative case study. This approach enhances the likelihood of identifying the key factors that influenced the establishment of the tax administration infrastructure.

Given the limited number of East German states, the case selection was made using non-random selection procedures (Gerring 2007). Following John Stuarts Mill's 'method of agreement' (Mill [1843] 1872), two relatively different East German states were selected in order to increase the generalisability of the research results. The two new states were selected on the basis of two criteria – first, the number of West German states that provided administrative support, and second the economic position of those supporting West German states. Both the number of states involved and their economic position can be expected to have affected the nature of transition support provided.

Limited financial resources are likely to make it more difficult to provide a newly constructed tax administration adequate resources and administrative support. The degree of West German state support might subsequently explain the performance of East German tax systems. Based on these considerations, the East German states Saxony and Saxony-Anhalt were selected. The institutional reconstruction process in Saxony has been primarily supported by the two West German states Bavaria and Baden-Württemberg, which (also) at the time of reunification were part of the most prosperous West German states. Saxony-Anhalt, instead, was supported by Lower Saxony only. Due to its reliance on more traditional industries, Lower Saxony did not reach the same levels of economic dynamism during 1990s compared to more technologically advanced West German states including Bavaria and Baden-Württemberg. These differences were also reflected in comparatively high state debt levels held by Lower Saxony - e.g. Lower Saxony had a debt to GDP ratio in 1992 of 18% compared to 10% for Bavaria (German Federal Statistical Office). Consequently, the selected states ensure a high range of variation on the expected relevant dimensions that might explain the nature of tax administration support provided post-reunification.

The empirical investigations in this paper are informed by two types of empirical data. First, 11 semi-structured interviews were conducted with civil servants personally involved in the tax administration transitions in Saxony and Saxony-Anhalt (see online appendix).[5] The interviews in the states included former West German officials who provided administrative support in the new states, and former GDR officials who experienced the transition to the new administrations, making it possible to capture the personnel consequences of the transition. Interviewees in the selected new states were selected based on the relevance of their organisation in the tax transition, and the extent to which their organisation occupied an oversight or coordinating role in the process. This resulted in the selection of interviewees based at regional tax administration head offices (*Oberfinanzdirektionen*), who are the central organisations heading local tax offices, State Finance Ministries and State Audit Offices, the latter constituting the main organisations charged with reviewing state tax administrations' performance. Further, interviews were conducted at the federal level including at the BMF in Berlin and the Federal Audit Office in Bonn; both organisations were extensively engaged with the East German tax transition. Interviews were in-depth and semi-structured, providing some flexibility and spontaneity. The interviews lasted on average 60–90 minutes and were mainly conducted in the premises of the interviewee. The interviews were digitally recorded, with written summaries produced following the interview.

Next to the interviews, a large volume of primary documents was consulted. First, interviewees at the Regional Fiscal Offices in Saxony and Saxony-Anhalt shared reports published by their organisations in the early 1990s, which contained an overview of the nature of the transition support their tax administrations had received from West German partner states. Additionally, interviewees at the BMF generously shared records from a federal working group established to coordinate tax administration support for the new states, along with four special reports published by the BMF between 1992 and 1995 that focused on this issue. These documents were supplemented with annual reports from the Federal Court of Audit, as well as the State Courts of Audit of Saxony and Saxony-Anhalt, covering their first published reports from 1992 to 1996. Finally, parliamentary documents were consulted regarding the transition support provided by West German states, particularly focusing on the West German partner states of Saxony-Anhalt and Saxony. Together, these documents—many of which are not publicly accessible—provided a uniquely comprehensive perspective on the transition from the viewpoints of the new states, West German states and the federal level.

The Transition as Explanation for Underperformance by the New States' Tax Administrations

After the fall of the Berlin Wall in 1989, a reformist GDR government came to power intending to introduce a West German like tax system in the GDR, be it of a more centralist kind. Important changes were required since tax administration only played a minor role in the GDR, as was the case in most socialist states. State revenues of the GDR were mainly made up of transfers levied on state enterprises (*Kombinate*), raising 81.1 per cent of the GDR state budget in 1989. Taxes only formed around 5 per cent of the state budget and were mainly used to control economic behaviour and prevent 'socially undesirable private activities' (Nerré and Pallas 2005). The marginal role of taxation in the GDR is reflected in the country's small tax administration; whilst for every 100,000 inhabitants 120–150 tax administrators were employed in West Germany in 1990, the GDR's equivalent number was approximately 20 tax employees (Eisold 1992, 140).

The intention of the reformist GDR government to transform its tax administration necessitated West German support and, to facilitate this, a meeting took place between the GDR Ministry of Finance and the BMF in February 1990. The BMF established a special working group for the modernisation of the GDR's tax administration, in which West German states and federal government representatives resided, as well as civil servants from the GDR Ministry of Finance.[6] The working group, chaired by the BMF, played a vital role in coordinating West German administrative support for the GDR, and the new states that soon replaced it.

Selected New States

With the GDR regime still in place, contacts developed between the West German states and the regional entities existing in the GDR, known as *Bezirke*. In October 1990, the GDR *Bezirke*, of which 15 existed, were transformed into five states in order to meet the constitutional requirements for reunification (see Figure 1). To support the new states, partnerships were established between the former West German and new East German states. Regarding the states discussed in this article, Saxony was supported by the West German states North Rhine-Westphalia, Bavaria and Baden-

Figure 1. The former 15 GDR districts (Bezirke) are depicted on the left-hand side map, with all post-1990 German states depicted on the right-hand side. From October 1990, the districts Magdeburg and Halle formed the Land Saxony-Anhalt, whilst Leipzig, Dresden and Karl-Marx-Stadt (later: Chemnitz), formed the Land Saxony. Source: Alamy Stock Vector.

Württemberg, while the West German state Lower Saxony became the main partner state of Saxony-Anhalt. Although political factors played a role, the partnerships were principally formed pragmatically, with distance between the respective states being a key consideration.

Most West German states were ahead of the federal government in starting to provide administrative support in the GDR. The BMF, as representative of the federal government, initially restricted its contacts to the GDR central government. The early involvement of West German states in the GDR partly resulted from the smaller administrative capacity at the federal government level. However, interviewees indicate it also arose due to the desire amongst West German states to prevent the federal government from becoming 'too active in the East'. Minutes from state parliament debates show that West German state-level politicians regarded the partnerships with the new states as an opportunity to ensure the expansion of a state-level-based tax administration system in the East equivalent to the West, which they thought was at risk due to what state-level politicians perceived as a federal government seeking to expand its traditional tax policy role to tax administration, the latter traditionally a state-level responsibility. By engaging early with the new states and supporting the establishment of state-level tax administrations, West German states also aimed to consolidate their own institutional position in Germany's tax system. This intention is reflected, for example, in comments by the Chairman of the then Christian-Democratic governing party of Baden-Württemberg when they reflect on their state's partnership with Saxony:

> The task of our partnership is to provide support for the development of federal structures in Saxony. In this sense, this aid is also a contribution to preserving the importance of federalism in a united Germany. Nothing would be more reprehensible in terms of national political responsibility than accepting an erosion of federalism. In this respect, the partnership with Saxony contributes to guaranteeing the political leeway of state politics for Baden-Württemberg in the long term.[7]

Interviews with civil servants at the BMF who were personally involved in the transition process confirm that in 1990 the federal government, encouraged by the Federal Court of Audit, sought to take on a more prominent role in tax administration, especially regarding corporation tax. However, fierce resistance from West German states combined with the federal government's reliance on West German states' administrative resources to achieve a speedy transition made the federal government to abandon these efforts.

Challenging Starting Position

In both Saxony and Saxony-Anhalt, the starting position of tax administration proved exceptionally difficult. Though an initial number of tax offices could be accommodated provisionally in former GDR government buildings, the office infrastructure was insufficient to accommodate an expanding tax administration staff. Unclear property regulations and slow decision-making on the boundaries of the tax districts to be established further complicated the accommodation problems. The unfamiliarity of East German taxpayers with tax regulations and procedures adopted from West Germany added to the challenges faced by tax administration staff. The main challenge however was to ensure a professional tax staff was in place of sufficient size. While around 2300 tax administrators were inherited from the GDR system, comparative calculations with West Germany indicated that at least 26,000 administrators would be required. In terms of the tax administration infrastructure, this meant that 35 tax offices had to be established in Saxony and 21 in Saxony-Anhalt.

In line with legislative requirements, the BMF and the states agreed on the necessity to make the new states' tax offices able to quickly perform basic tasks. Administrative support from West German states was decided to be essential in this process, however, West German states could not provide the necessary administrative support without disrupting their own tax administration. The states and the BMF therefore agreed in 1990 to quickly staff the new states' tax offices with former GDR tax administrators and staff with no or little tax administration experience. This '*Schnellbesohlung*', or making tax offices quickly able to 'walk', i.e. perform elementary tax administration tasks, was achieved by putting staff on speed training courses. The background of these future tax administrators ranged considerably, '*from people who used to be employed in the GDR finance administration to former GDR sports teachers without any relevant financial or administrative experience whatsoever*', as stated by one interviewed tax civil servant (Interview 2). In contrast to the regular two-year training programme applied in West German states for the training of mid-level tax civil servants, and a three-year training programme for senior-level tax civil servants, the transition resulted in both groups being trained in crash courses of around eight weeks. Although this basic training was supposed to be rounded off with a more advanced training programme of 12 weeks for mid-level tax civils servants and 20 weeks for senior-level tax civil servants, capacity pressures often prevented tax staff from attending these courses. An interviewed senior official from the Saxonian Court of Auditors noted:

> in practice it often proved difficult for administrators to attend training courses because tax office chiefs did not always permit them to attend tax courses, primarily due to staff shortage. (Interview 3)

The limited number of fully qualified tax administrators, in proportion to the large number of administrators participating in the speed courses during the initial transition years 1990-1993, is reflected in the personnel structure of Saxony's tax administration staff by 1998, with 28 per cent of Saxonian officials having completed a regular training programme but 69 per cent having been trained through speed courses.[8] Figure 2 demonstrates that

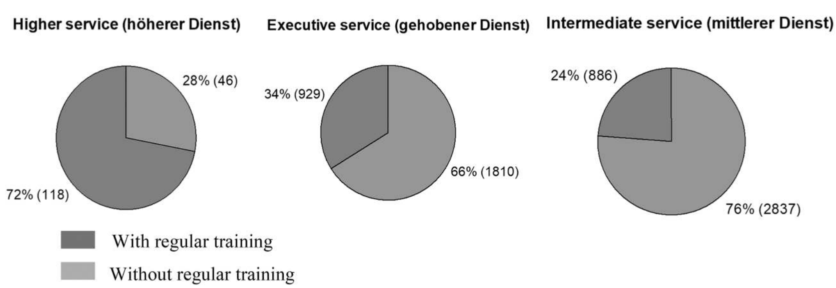

Figure 2. *Division of regularly vs. irregularly trained tax administrators in the Saxonian tax administration by 1998, differentiated by civil servant's seniority.* Source: own illustration, based on figures from OFD Saxony/Chemnitz (1998) 15-16.

significant inter-administrative differences exist in the number of Saxonian tax administrators having graduated from the regular tax training programme, with a steep decline of fully qualified tax administrators once going down the administrative hierarchy.

In contrast to the other eastern German states, whose training strategy largely resembled the Saxonian approach, Saxony-Anhalt chose not to permanently employ tax officials whose training had remained limited to the what interviewees referred to as crash courses. Instead, the Ministry of Finance of Saxony-Anhalt proposed a transition period of two to three years using temporary employees, whilst tenured tax administrators would be enabled to receive a standard qualification in the meantime. This strategy meant that initially, Saxony-Anhalt became relatively strongly dependent on its West German partner state Lower Saxony. At the Ministry of Finance in Saxony-Anhalt, interviewed senior officials involved in this decision at the time stated they were convinced that adhering to the standard training norms when building up the states' tax administration would enhance tax administration quality in the long term. Interviewees indicate that the approach was also expected to preclude demographic problems occurring in the age structure of the administration and prevent future internal tensions that might arise if rapidly qualified civil servants occupied senior positions, thereby likely causing frictions with what over time would become an increasingly sizeable cohort of regularly qualified tax civil servants.

As a result of its more demanding training programme, career opportunities for tax administrators in Saxony-Anhalt were more restricted during the early transition years compared to Saxony. This is reflected in the percentage of tax officials who had acquired the official civil servant position (*Beamte*), which carries a privileged legal status, versus those tax administration staff subjected to the same laws and regulations as employees in the private sector (i.e. *Tarifbeschäftigte*) (Mehde 2023). While the percentage of civil servants in Saxony was 41 per cent by 1995, the figure for Saxony-Anhalt was only 22 per cent. In contrast, when analysing the average percentage of fully qualified tax administrators the division is reversed with around 16 per cent of all Saxonian tax administrators having completed a regular training programme, compared to almost 26 per cent in Saxony-Anhalt, as shown by Table 2. Since the civil servant status is compulsory for most tax administrators, the numbers clearly illustrate that in Saxony a significant number of irregularly trained administrators acquired the civil servant status. In line with this, a comparative survey carried out by the Bertelsmann Foundation (2008) amongst tax office staff shows that Saxonians were less positive compared to administrators in Saxony-Anhalt about the professional expertise of their superiors and perceived opportunities for further training.

Table 2. Tax officials granted civil servant status and fully trained tax officials in Saxony and Saxony–Anhalt in 1995.

Tax officials granted civil servant status	Saxony	Saxony-Anhalt	Fully trained tax officials	Saxony	Saxony-Anhalt
Higher service[16] (*höherer Dienst*)	4	16		89	68
Executive service (*gehobener Dienst*)	1005	398		289	319
Intermediate service (*mittlerer Dienst*)	1447	293		563	449
Basic service (*Einfache Dienst*)	0	0		–	–
Total N tax officials granted civil servant status	2456	707	Total N fully trained employees	941	836
N tax officials granted civil servant status as % of all tax administration staff	40.9%	21.7%	N fully trained employees as % of all tax administration staff	15.7%	25.7%

Source: own composition, based on BMF Bericht 1993, 43; BMF Bericht 1994, 53; BMF Bericht, 1995: 38–41.

Nature of Transition Support

Although the Unification Treaty imputed a role to the federal government and West German states in re-establishing the new states' administrations, it did not specify how the support had to be provided, except that it had to continue until June 1991 at the latest. In practice, West German administrative support was mostly of a practical nature, such as helping tax administrators in the new states to resolve individual tax queries, while more complex tax fields were expected to be initially mainly administered by West German tax officials.

The BMF played an important role in coordinating the support for the new states in the initial period and introduced special financial incentives for West German tax officials to assist in the new states. These incentives, informally referred to by interviewees as 'bush bonuses' *(Dschungel-Zulage)*, proved vital to motivate West German tax staff to sign up for temporary employment in the new states. The federal government and West German states agreed that the special bonuses would be paid for by the federal government until March 1991, after which West German states would cover the costs until the end of 1992. In both Saxony and Saxony-Anhalt, most of the senior tax administration positions were occupied by West German civil servants, creating many career advancement opportunities for West German civil servants. In Saxony, this was formalised in 1991 when, according to an interviewed senior Saxonian tax civil servant (Interview 2), the decision was made for all higher positions in the tax administration to be occupied by West German civil servants for a period of at least two years.[9]

The practical support between West and East German states primarily occurred via partnerships at the tax office-level, which showed both strengths and weaknesses in practice. Interviewees indicate that the bottom-up organisation of the partnerships made it possible for West German tax offices to flexibly organise support for their new states' counterparts. However, it also meant some West German tax offices got away with providing limited support in practice. Personal relationships between tax office chiefs in east and west were important too for the practical level of support provided. Differences can also be traced in how the West German states assisting Saxony and Saxony-Anhalt structured their support internally. Saxony's partner state Bavaria, for example, made the provision of support a requirement for civil servants wanting to make promotion in the Bavarian tax administration. According to an interviewed senior tax official, it was largely due to this policy that substantial numbers of Bavarian civil servants volunteered to assist in Saxony.

In contrast, Lower Saxony, Saxony-Anhalt's partner state, decided in an early stage to force its civil servants involved in providing transition support to decide between either returning to their home state or to permanently settle in Saxony-Anhalt, in the latter case as a civil servant employed by the state of Saxony-Anhalt. As a result, while 124 West Germans became permanently employed in the Saxonian tax civil service, approximately 300 civil servants from Lower Saxony permanently entered the tax administration in Saxony-Anhalt. This number was not reached by any of the other new states and is even more remarkable when considering the comparatively small scale of Saxony-Anhalt.[10] Partly, Lower Saxony's 'resettlement policy', as it was referred to by several interviewees, was influenced by tax capacity constraints faced by its own tax administration following staff cuts implemented in the 1980s. As these capacity pressures were augmented by the transition support, Lower Saxony was unwilling to keep staff positions in its own tax administration unfilled by officials remaining undecided whether to stay in Saxony-Anhalt or return to their home state.

Interviewees state that the overall results of Lower Saxony's resettlement policy were largely beneficial, not only for Lower Saxony but also for its East German partner state as it was felt the policy made newly entered West German civil servants more committed to Saxony–Anhalt. It also enabled civil servants to provide more effective support compared to what were otherwise relatively short support periods of between three to six months, which according to most interviewees proved too short to deal effectively with the exceptional circumstances in the new states.

Support Under Pressure

It soon became evident that the period in which the new states required support needed to be extended, more likely to be estimated in years rather than months. For this purpose, the BMF proposed that West German states would continue to pay the supplementary salary costs after 1992, a recommendation strongly endorsed by the Federal Court of Audit, and the Budget Committee of the Federal Parliament. However, during a meeting of West German state prime ministers in June 1992, no majority was found to extend paying the supplementary salary allowances. Consequently, when the bonuses were removed in 1993 it became far more difficult to recruit West German tax civil servants willing to assist in the new states with the BMF regretfully ascertaining that the 'pioneering mentality of the early administrative support period became increasingly eclipsed by financial interests'.[11]

Whilst the BMF was convinced of the necessity to continue tax administration support for the new states, interviewees in the BMF indicate that it was difficult for the BMF to determine how much support the new states were receiving in practice from their partner state and how much further support was needed to institutionalise their tax administration. Most of the consultations aimed to clarify this, as undertaken by the BMF, took place in federal working groups in which representatives of both West and East German states were represented. Interviewees indicate that with partner states present in the same room, representatives of the new states often remained diffident in expressing criticism on the degree of support provided by their West German partner state. The condition in the German Law on Finance Administration, which stipulates that the BMF is only allowed to send federal civil servants to state finance ministries and not local tax offices, increased difficulties for the BMF to gauge the circumstances at the ground.

According to interviewees, finance ministries in the new states generally regretted the cancellation of the special financial incentives for West German administrative assistance. However, some organisations in the new states pointed at its positive effects, such as the Court of Audit of Saxony-Anhalt which recommended in its annual report of 1992 that financial perks for West German tax civil servants should be reduced as much as possible as the inequal payments between West and East German tax civil servants for similar work could potentially be classified a violation of German civil service law.[12]

Linking Performance Problems with Transition Support

The problems outlined previously regarding the collection of income taxes, company auditing and the distribution of investment subsidies were influenced by the unusual circumstances in the new states. The main cause for the underperformance of tax offices stemmed from staff problems caused by the difficulty to recruit qualified staff. In this regard, tax performance between Saxony and Saxony-Anhalt differed with respect to the quantitative and qualitative results of their tax administration. In Saxony, tax officials were employed at a relatively early stage, which resulted in higher quantitative performance by Saxony's tax administration compared to Saxony-Anhalt. However, interviewees and reports by state audit offices, suggest that the stricter staff selection by Saxony-Anhalt positively influenced the quality of its tax administration's performance.

The establishment of the new states' tax administrations was critically influenced by the institutional configuration of Germany's fiscal system. Despite the BMF conducting a key coordinating role, it was powerless where it judged transition support provided by West German states to be insufficient. Various problems in the performance of tax offices in the new states can be linked to the restricted federal role. A key area affected was the institutionalisation of company auditing. In 1992, the BMF proposed to let every two East German company auditors be trained by one experienced West German corporate tax auditor, and although West German states endorsed the proposal, they rejected any binding agreements regarding their level of support to be provided. In practice, this ratio proved too ambitious and different ratios were subsequently agreed within the state-level partnerships. Saxony, for example, agreed with its partner states to apply a ratio of one West German state auditor training six Saxonian company tax auditors. According to the Saxonian Court of Audit, in practice this ratio was further reduced to one West German company auditor training 15 Saxonian auditors.[13]

Although auditors from both the Federal Court of Audit and the newly established state-level Courts of Audit in the eastern German states criticised the performance of the new tax administrations, a notable difference existed in the approaches taken by federal versus state-level auditors. While the Federal Court of Audit stressed the importance of increasing audit levels to enhance tax compliance among businesses and boost corporate tax revenue, state-level auditors prioritised improving the efficiency of the newly established tax administrations. They also cautioned against intensifying audit levels, as this could lead to higher tax collection costs. To better understand this difference in approach, it is important to consider that, in the German system, states are responsible for administering and collecting major taxes, which are subsequently shared between federal and state budgets. In the case of corporate tax, revenues are divided equally, with a 50–50 split between the federal government and the states as a whole. In addition, states with lower tax revenues receive supplementary funding from the financial equalisation system (*Länderfinanzausgleich*), a mechanism that was particularly relevant to the eastern German states following unification. This feature further reduced the incentive for the new states to adopt measures that would increase tax administration costs (Boenke, Jochimsen, and Schroeder 2013). While the BMF aimed to encourage the new states to strengthen their tax administration capacity, interviewees at the BMF expressed understanding for the challenges faced by the new states. As one BMF senior civil servant noted:

> Our main criticism of the Federal Court of Audit is that it imposed normal administrative standards on the East German states' tax administrations almost immediately, despite them still being in the process of development. (Interview 9)

The Federal Court of Audit's decision to apply the same criteria when initiating audits in the new states was primarily driven by its core mandate: to ensure the equal application of tax regulations across the German federation. An interviewee from the Federal Court of Audit explained:

> When we observe irregularities in states' tax administrations that may negatively impact the equal treatment of taxpayers or entities, we issue a report. If no such irregularities are observed, we do not report—this is our constitutional duty. (Interview 1)

However, state-level actors expressed scepticism regarding the true motivations of the Federal Court of Audit concerning the new states. The Court's appeals to the BMF to take a more proactive role in establishing tax administrations in the East after unification were perceived by some interviewees in the new states as an attempt by the Federal Court of Audit to expand its auditing authority. Such an expansion would have been a likely outcome if the BMF had assumed greater responsibilities in East German tax administration.

Analysing Isomorphism at Work

As DiMaggio and Powell (1991) state, conditions existing in a specific organisational field affect the degree at which homogenisation occurs amongst organisations. Isomorphic processes result in the homogenisation of institutional structures and all three types of isomorphism can be observed in the new states' tax transition, although not always pointing towards the same direction.

Processes of Coercive Isomorphism

Coercive isomorphism refers to the formal and informal pressures exerted on organisations by other organisations upon which they are dependent, (DiMaggio and Powell 1991). In the case of tax administration transition in the new states, coercive isomorphic pressures most significantly derived from the federal level. The federal government had a direct interest in realising an effective tax system in the new states, as it relies on state tax administrations for levying federal revenues. Due to the restricted organisational capacities at the federal level, West German states were expected to play an essential role in building up tax administrations in the new states, which the BMF tried to encourage using various forms of coercive isomorphism.

First, the BFM held a coordinating role in the federal working groups in which it sought to incentivise West German states to assist in the new states. Yet, coercive pressures the federal level could exert were limited, especially due to the general formulations used in the Unification Treaty regarding the level of tax administration support West German states had committed themselves to provide. The common legal environment created by the reunification also resulted in coercive opportunities for the BMF. Of key importance is the federal government's constitutional competence to determine the training of tax civil servants. However, with the exception of senior tax staff, the BMF only has the legal competence to determine tax administrators' training, whilst provision of training programmes is a state level responsibility. Hence, seeking to persuade the states remained the only option available to the BMF when it considered training to be insufficient. Although civil servants from the BMF supported the foundation of the Finance ministries in the new states, the BMF was not allowed to send federal civil servants to the sub-state level to support or monitor the build-up of tax administrations as part of the state level partnerships. These restrictions also applied in case state tax administrations were levying revenues solely for the federal government, highlighting the coercive isomorphic pressures at play during the transition period.

Processes of Mimetic Isomorphism

Despite federal efforts to homogenise the tax administration systems established in the new states, limited federal competencies in the area meant most decisions regarding the design of the new states' tax administrations were left to the states. With the new states being largely autonomous, mimetic isomorphic processes became a key underlying driver of the process of administrative establishment, with the new states imitating from their partner states many tax administration features they perceived as 'appropriate' (March and Olsen 1998). In line with the assumptions of mimetic isomorphism, both Saxony and Saxony-Anhalt decided to imitate tax organisational features from their partner states. However, West German tax administration models were not copied in all cases and, often for pragmatic reasons, West German tax administrative practises were slightly adapted to the local transition circumstances. For example, interviewees refer to the preference of most new states to establish within their tax administrations finely-woven organisational structures encompassing many hierarchical layers as these provided more scope to establish senior-level administrative positions which increased opportunities for attracting West German tax civil servants.[14]

Processes of Normative Isomorphism

With West German tax civil servants occupying a key role in providing support and guidance on how to establish a professional tax administration, it is normative isomorphism which is most important to understand institutional choices made during the post-1990 period. Support by these civil servants provided a solid basis to East German tax administrations. The introduction of training requirements for tax administrators in the new states and the large number of West German instructors in the new states proved crucial for the professionalisation of tax administrators during the transition.

As is characteristic for processes of normative isomorphism, professionalism has also been influenced, or more precisely hindered, by coercive and mimetic pressures. While the principal decision was taken to oblige all new states' tax administrators participate in special training programmes, in practice it was often difficult to let administrators complete the courses. In case entrants to professional career tracks escape an organisation's 'filtering process', normative isomorphism emphasises that employees are likely to become subjected to 'pervasive on-the-job socialisation' (DiMaggio and Powell 1991). The number of fully qualified administrators in the new states tax administrations was limited to the few percentages of West German administrative supporters. Consequently, a rapid socialisation of tax staff in the new states into West German tax practices was severely limited as the number of tax administrators escaping the filtering process was simply too large.

Further, not all West German tax officials consistently resembled the professional norms they had been accustomed to in West German tax systems. Interviewees indicate that the exceptional transition circumstances in the new states' tax administrations created an atmosphere in which professional norms were frequently judged impossible to comply with. In practice, compliance with these norms only became an objective a couple of years into the transition when tax staff had been substantially increased and the first cohorts of regularly educated tax administrators started to enter the new states' tax administrations.

The key difference in terms of normative isomorphism between the two investigated new states resulted from the more thoroughly applied filtering of personnel in Saxony-Anhalt compared to Saxony. Consequently, professionalism was established more thoroughly in Saxony-Anhalt. Diffusion of normative isomorphic change was similarly encouraged through audits carried out by the Federal Court of Audit and Courts of Audit established in the new states themselves. However, perceptions as to what constitutes a professional tax administration appear to differ between the federal and state-level Courts of Audit. Following from its official task to audit the universal application of laws throughout Germany, the Federal Court of Audit evaluated the performance of new states' tax administrations from an interstate comparative perspective. This federal view frequently resulted in critical evaluations of what federal auditors perceived as too restricted capacities dedicated to tax administration by the new states. The new states' Courts of Audit focused instead on the financial implications of running the new tax administrations for state budgets. This difference in perspective is reflected by the fact that whilst the Federal Court of Audit frequently plead for an expansion of staff of the new states' tax administrations, Courts of Audit in the new states were much more critical about staff expansion, especially if the extra yield collected was likely to be limited.

A final key element for the occurrence of processes of normative isomorphic change is the availability of organisational prestige and competition, which has been theorised to be largely a result of organisational resources (DiMaggio and Powell 1991; Lee 1971). These resources appear indeed critical to explain the occurrence of professionalisation processes in the new states' tax administrations. Special salary allowances and exceptional career opportunities proved key to attract qualified West German civil servants and when these ceased to exist the motivation of West German officials to assist in the East equally decreased. Organisational competition inside the new states also influenced the extent to which tax authorities succeeded in recruiting professional staff. As competition for qualified staff was intense following reunification, the new state tax authorities almost inevitably had to compromise on the quality of support staff sent in from West German states. This shift was similarly driven by West German states quickly changing their stance from what one interviewee described as '*a shift from 'we will send our best civil servants'* to *'we will send those who are willing to provide administrative support*'' (Interview 2). Simultaneously, as the private sector started to develop, including tax focused firms such as consultancy companies, tax administrators in the new states were lured by attractive offers from outside the tax administration. These practical limitations hindered the occurrence of normative isomorphic processes.

Conclusions

An institutional transfer of the same size and intensity as that which happened in post-1990 East Germany is unlikely to be repeated frequently. Only close collaborative linkages, as in the case of the state-level partnerships, as well as economic resources and political interests incentivising West Germany to support development in the new states made it possible for the institutional change process to be implemented in a relatively short period. With few exceptions, such as possibly North and South Korea, only a small number of countries will be able to implement an administrative transition at the scale and pace as happened in the unique East German circumstances.

Using a process tracing analysis, this article offers the first in-depth investigation of the restructuring of tax administration infrastructure in the eastern German states following Unification. Unlike the transition in many other areas of public administration in the former GDR, the creation of post-1990 tax administrations was less about transition and more about building anew due to the very limited tax administration infrastructure that existed during the GDR period. A historical institutional perspective, combined with an isomorphic institutional analysis, explains many developments in the new states' tax administrations. Both theoretical approaches emphasise actors' conformity with institutional pressures. However, institutional pressures in the German system often contradicted one another, providing actors with substantial discretionary space. West German states had been encouraged to become active in the East in order to establish a system of state-level tax administration similar to the West. This explains why the states became less motivated to provide administrative support two to three years into the reunification process when the institutional 'path' set for the new states had more or less stabilised. The efforts required for East Germany's institutional transformation were more substantial than had been anticipated and, in line with historical institutionalism, short time horizons and problems in estimating support required complicated the provision of West German administrative assistance.

The ability of West German partner states to reduce their administrative support primarily results from conflicting institutional pressures in Germany's fiscal system. As West German states successfully blocked efforts by the BMF to coordinate support in the East more forcefully, the BMF was unable to prevent the reduction of support to the new states, for some as early as 1993. From the federal perspective, however, West German states would have benefited too when the new states would have acquired a functioning tax system more rapidly, as this would have helped reducing federal financial assistance provided to the new states, most of which has been funded by West German states. Not many West German states however considered providing support on these grounds, reflecting the collective action problem which undermined efforts aimed at continuing tax administration support for the new states (cf. Pierson 2004).

At times, the new states also sought to resist institutional pressures deriving from the federal level. Particularly coercive pressures from federal actors to increase the number of tax audits were frequently rebutted by the new states. The federal pleas are understandable considering the federal government's constitutional duty to achieve equal fiscal treatment in relation to national taxes across the German federation and the federal government's own interest in enhancing tax collection at the state level as this indirectly affects federal revenues through the federal government's share of the joint taxes. These federal interests however partly oppose state-level interests. First, institutionalising a level of audit intensity in the new tax administrations resembling that of West German states would have significantly increased tax administration costs, which are largely paid for by the states. Secondly, and reflecting the fiscal administrative competition inherent to the German system, intensifying scrutiny of corporate taxpayers carries the risk of turning away companies to states with a reputation for having more 'flexible' tax administrations. This is observable in case of the allocation of investment subsidies by the new states – whilst federal actors put strong weight on an accurate distribution of the subsidies, the states prioritised a speedy allocation in order to stimulate economic development. A third reason why new states had few incentives to optimise their tax administrations results from the fact that a large share of new states' income derives from the fiscal equalisation mechanism and federal financial support programmes, with any increases in locally generated tax income reducing revenues deriving from the equalisation mechanism, therefore disincentivising states' tax collection efforts (cf. Boenke, Jochimsen, and Schroeder 2013; Braun 2007).

Clearly, contradicting interests existed between government actors during the institutionalisation of the new states' tax administrations, both vertically, between the federal government and state-level, and horizontally between the states. This resulted in different views as to how the new states' tax systems should be developed, encompassing the allocation of administrative resources. Sometimes actors agreed to compromise, such as when the BMF and the states agreed to temporarily apply simplified auditing procedures in the new states. However, in many cases, these contradicting interests could not be smoothed over, and some of them continue to affect current German tax administration.

Due to persisting economic, demographic, and structural factors (e.g. lower levels of private investment), collected tax revenues in the eastern German states are still below that of most West German states (BMWiBundesregierung 2024). The administrative performance, however, of the new states' tax systems no longer differs significantly from West German states. After a challenging but overall successful transition period, many new states' tax administrations now provide administrative support to other countries, such as Saxony-Anhalt who has maintained over multiple years partnerships with tax administrations in Poland and the Czech Republic. In the new states, tax administration organisational changes now evolve incrementally with tax administration practices becoming increasingly homogenised across all

German states, often driven by innovations in information technology (KPMG 2021). Although most German states still resist any erosion of their tax administration autonomy, in practice a federalisation of state tax administrations is occurring gradually. That the states, and not the federal government, are taking the lead in this process, however, makes a significant difference. State-led reform initiatives have increased state buy-in and inter-state collaboration, increased the reforms' political viability and enhanced the emergence of tax administrative innovations that may have been less likely to emerge if a top-down approach had been followed.

Notes

1. Implemented in line with the GDR Investment Law, officially known as 'Gesetz zum Abbau von Hemmnissen bei Investitionen in der Deutschen Demokratischen Republik einschließlich Berlin (Ost)', (DDR-Investitionsgesetz - DDR-IG), June 1990.
2. The decision was in line with advice from the Federal Court of Audit, which had advised the federal finance minister in December 1990 to apply a simplified audit to all tax returns for FY1990, of which a majority was still required to be processed according to GDR law (Bundesrechnungshof 1991, 19).
3. Bundesdrucksache 12/8490 (1994) *Bemerkungen des Bundesrechnungshofes 1994 zur Haushalts- und Wirtschaftsführung* (Frankfurt am Main) 141.
4. Approximately, since the change of the millennium an East-West division in administrative performance has disappeared.
5. All interviews were conducted during July and August 2009.
6. Officially known as 'Arbeitskreis Aufbau einer leistungsfähigen Steuerverwaltung in der DDR'.
7. Source: Landtag von Baden-Württemberg, Drucksache 10/3496, 'Antrag der Fraktion der CDU, Entschließung zum Vertrag über die Schaffung einer Währungs-, Wirtschafts- und Sozialunion (Staatsvertrag) und zum Fonds Deutsche Einheit', 20 June, 1990, Stuttgart.
8. Excluding three percent of staff in the basic service *('einfacher Dienst')* for which the regular tax-training programme does not apply. Figures from OFD Saxony/Chemnitz (1998), 14–15.
9. Interview OFD Saxony, 29 July 2009.
10. In total 1,026 administrators from Lower Saxony permanently joined the civil service of Saxony-Anhalt, not limited to tax administration. Source: Niedersächsicher Landtag (1994), 17–20; and BMF Bericht, 1993, 123. In Saxony, 76 of the migrated civil servants came from Bavaria, and 48 from Baden-Württemberg. Source: OFD Saxony/Chemnitz (1998) 16.
11. The original phrase: *'Der Pioniersgeist zu Beginn der Verwaltungshilfe tritt zunehmend hinter die finanziellen Interessen zurück.'* Source: BMF Bericht, 1993, 101.
12. Landesrechnungshof Sachsen–Anhalt (1992) *Erster Jahresbericht des Landesrechnungshofes Sachsen-Anhalt 1992 zur Haushalts- und Wirschaftsführung im Haushaltsjahr 1991. Teil 2*, Dessau-Roßlau, 36-40.
13. Sächsischer Landtag, Drucksache 2/4144 (1996) *Bericht des Sächsischen Rechnungshofs: Jahresbericht 1996* (Leipzig) 85-86.

14. Interview OFD Saxony, 29 July 2009.
15. Including additional support delivered by the *Bundesamt für Finanzen*, part of the BMF, which took the responsibility for auditing ten large firms in Saxony-Anhalt during 1994. Source: BMF Bericht, 1994, 118–119.
16. The difference between the relatively small number of tax administrators being granted the civil servant position in the higher civil service in both states is primarily due to the relatively large number of West German civil servants active at this civil service level.

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BMF. 1994. *3. Bericht des Bundesministers der Finanzen über den weiteren Aufbau der Steuerverwaltung in den neuen Ländern*. Berlin: Bundesministerium der Finanzen.

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