2.4. Attractive location for subsidiaries of foreign owned companies

There are several reasons for the high share of foreign owned and multinational companies in Austrian industry which I have already mentioned. Austria has traditionally had excellent institutes for technical education and high standards of engineering and labour skills. For historical reasons there was a scarcity of capital, especially venture capital for the financing of industrial enterprises. Transforming inventions into industrial production often was impossible without the help of foreign capital. After 1945 many foreign companies discovered that highly qualified Austrian labour was available at a cost which for a long time was considerably below Western European levels and which is still some 20 per cent lower than in Western Germany. A stable political climate and peaceful industrial relations further increased Austria's attractiveness as a location of industrial production establishments. For German and Swiss enterprises geographical vicinity and common language are another important aspect.

From the 1960's onwards, these advantages were systematically used in a deliberate policy of "acquisition" of foreign owned industrial subsidiaries. During the seventies and eighties, long run employment stability was highest in the foreign owned sector of industry. In the seventies and eighties, its contribution to technological modernization of Austrian manufacturing industry was substantial. Some of the big multinational companies have built new plants in Austria in the last ten years. Subsidiaries of medium sized foreign firms (especially German and Swiss) play an important role in the restructurung of some of the older industrial regions where traditional industries have declined. Foreign
owned industrial companies have been a strong support for the growth of exports since a large part of their production is delivered to mother companies or to branches in other countries. The attitude of labour towards multinationals has been generally favourable.

However, it is increasingly felt that industrial policy should not exclusively rely on foreign capital and foreign owned enterprises. Strategic functions, especially R&D, are still largely reserved for headquarters which are far more demanding for surrounding business services than steering units of lower hierarchy. Also, foreign companies cannot legitimately be expected to take into account national interests as much as Austrian owned enterprises do. Hence, a sufficient degree of industrial autonomy is hardly conceivable without strong own industrial enterprises, no matter be they privately owned or nationalized.

2.5. Equity finance and capital markets

Austria's savings ratio is high by international comparison (over 10 per cent for most of the eighties). But there has traditionally been a strong preference for liquid forms of savings, especially for deposits, whereas bonds, stocks and other long term assets did not become popular until a few years ago. Thus, for most of the postwar period, enterprises had to rely mainly on two sources of finance: accumulation of retained earnings was the main source of internal finance, whereas capital from outside mainly took the form of bank credit. Even with the high profits of the fifties and sixties, the share of equity finance declined continuously and bank credit became ever more important. But this tendency was not