Entrepreneurial Behaviour in Austria\(^1\)
(The Evidence of the IFO Business Test)

By. E. STREISSLER and P. HOSCHKA, Freiburg\(^2\)

1. Introduction

The IFO-Institute in Munich has developed a well-known Business Test (hereafter abbreviated as BT) for the purpose both of a rapid collection of ex post data on production, prices, stocks, etc., as well as the collection of anticipational information\(^3\). The BT is of a qualitative nature, asking the entrepreneurs only whether a certain variable in their control has risen, fallen or remained constant relative to the previous month or the same month last year (ex post data) and to estimate the same changes for the coming month (ex ante data). The Austrian Institute of Economic Research has adopted the IFO-Test with minor variations.

The predictive value of the Austrian ex post BT data for price and production statistics has proved very low, however. This inaccuracy is all the more astonishing as the degree of representation in the Austrian Test

\(^1\) As Hofrat Professor Dr. W. WINKLER has always been an outstanding proponent of empirical economic research, we have thought it fitting to dedicate him an article in this vein. The subject is all the more suitable as a tribute to him as its material is derived from the Austrian Institute of Economic Research which has so far found only Professor WINKLER worthy of its Honorary Membership.

\(^2\) This paper has arisen out of a lecture given by E. STREISSLER at the international CIRET Conference in Vienna in 1963, in which the main economic theses here presented were propounded. Due to lack of time, they were, however, insufficiently substantiated statistically. P. HOSCHKA tried at great pains to find the best statistical tests for our hypotheses which has led to a considerable elaboration of some ideas and elimination of others. We are grateful to H. KELLER and especially P. RICHTER for many laborious calculations, often not visible in this final version of the paper.

is very high. What is the reason for this disappointing failure to gain statistical information in advance? Two main explanations could be offered: Austrian entrepreneurs either do not wish to communicate accurate information on their moods, plans and past actions or they are not able to do so. After a brief examination of the first, we shall turn to a more thorough analysis of this second explanation. For the main thesis of this paper will be that seemingly objective data are in fact much more subjective magnitudes than would appear at first sight, a thesis which would seem to be of far-reaching significance for the theory of entrepreneurial behaviour.

In explaining the low degree of accuracy of the Austrian test by the habits of entrepreneurial reporting, by their lack of interest and their deliberate attempts to deceive, we can distinguish three basic causes:

Firstly, the smallness of the Austrian economy and the preponderance of medium-sized enterprises make this country predestined for highly oligopolistic markets and all forms of collusion. Now, oligopoly is an enemy of BT accuracy. In oligopolistic markets deliberately false responses by single entrepreneurs in order to deceive competitors must always be reckoned with. This would account both for ex post and ex ante inaccuracies. The main blurring effect should, however, be expected in ex ante data: The period between the formulation of a plan and its execution may be so short in oligopolistic markets that plans do not show up ex ante even one month in advance. This will be especially true if a plan is considered fully matured only after it has been concerted with the competitors; but once it is agreed upon, it may be immediately executed. All these effects of oligopolistic behaviour are well known and dealt with in the literature. We have only to add a further practice seemingly up to now experienced only in Austria. Evidence has been found in at least one case of a collusion by a whole industry to give a wrong report in order to deceive its own customers about an intended price change.

Beside the effects of oligopoly, a second reason for the inaccuracy of our data is the proneness of many Austrians to regard all kinds of information as top secret. This attitude, typical of many Austrian civil servants, is shared by some entrepreneurs, especially in regard to the reporting of key variables like prices.

Even more common than the type of business man who regards all statistics as dangerous is the type who regards statistics as a nuisance which, at any rate, can be treated very cavalierly. This is a third reason for inaccuracy. It is very probable that in many firms the test forms are filled in at a rather low level of the administrative hierarchy; i.e. by a routine accountant. The effect is that in more than 90 per cent. of all cases no changes in ex post prices are reported. In 50 per cent. of all cases no changes in ex post production in relation to the preceding month and in 35 per cent.