

*Tôyô Visit
Strasbourg
13/03/2024*

Introduction to the German and French macroeconomic and business systems: Cultural aspects

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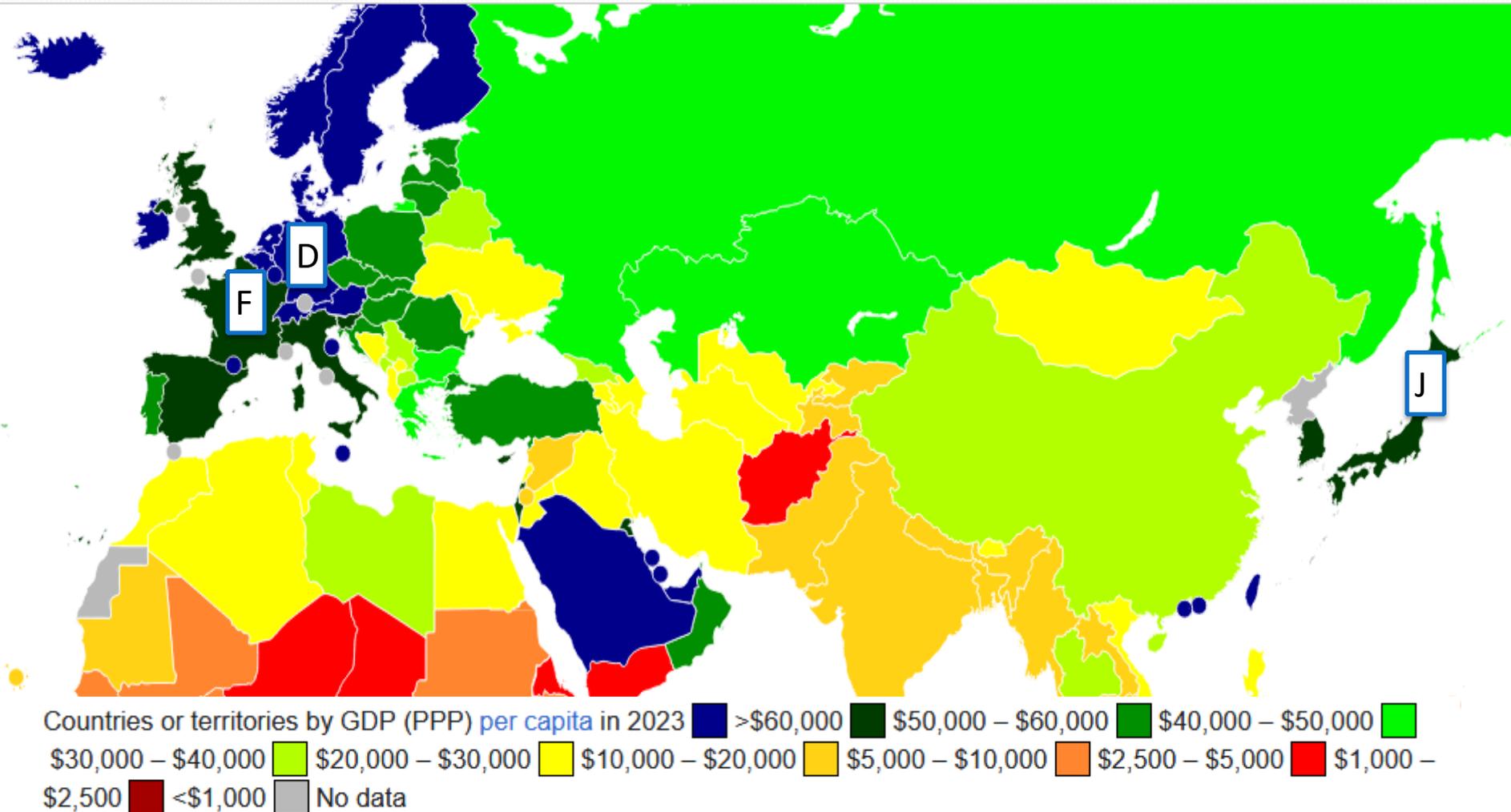
Explaining macroeconomic outcomes by cultural foundations

- × Differences among European countries in economic results and responses to economic challenges
- × Can they be explained by cultural traditions ? In particular:
 - * Social priorities
 - * The conception of labour and perception of enrichment
 - * Entrepreneurial spirit

Part 1: Macroeconomic facts

1.1 Revenues and inequalities

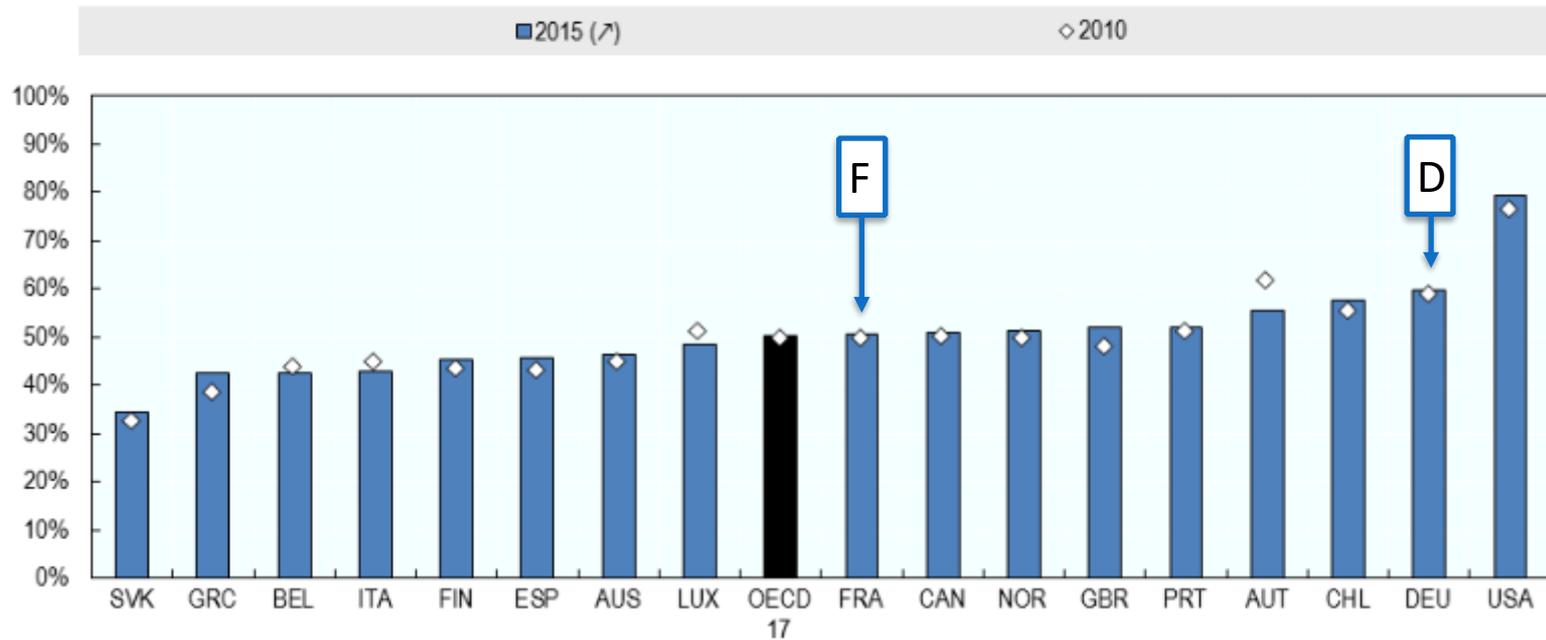
GDP per head



Source: Wikipedia

Inequalities

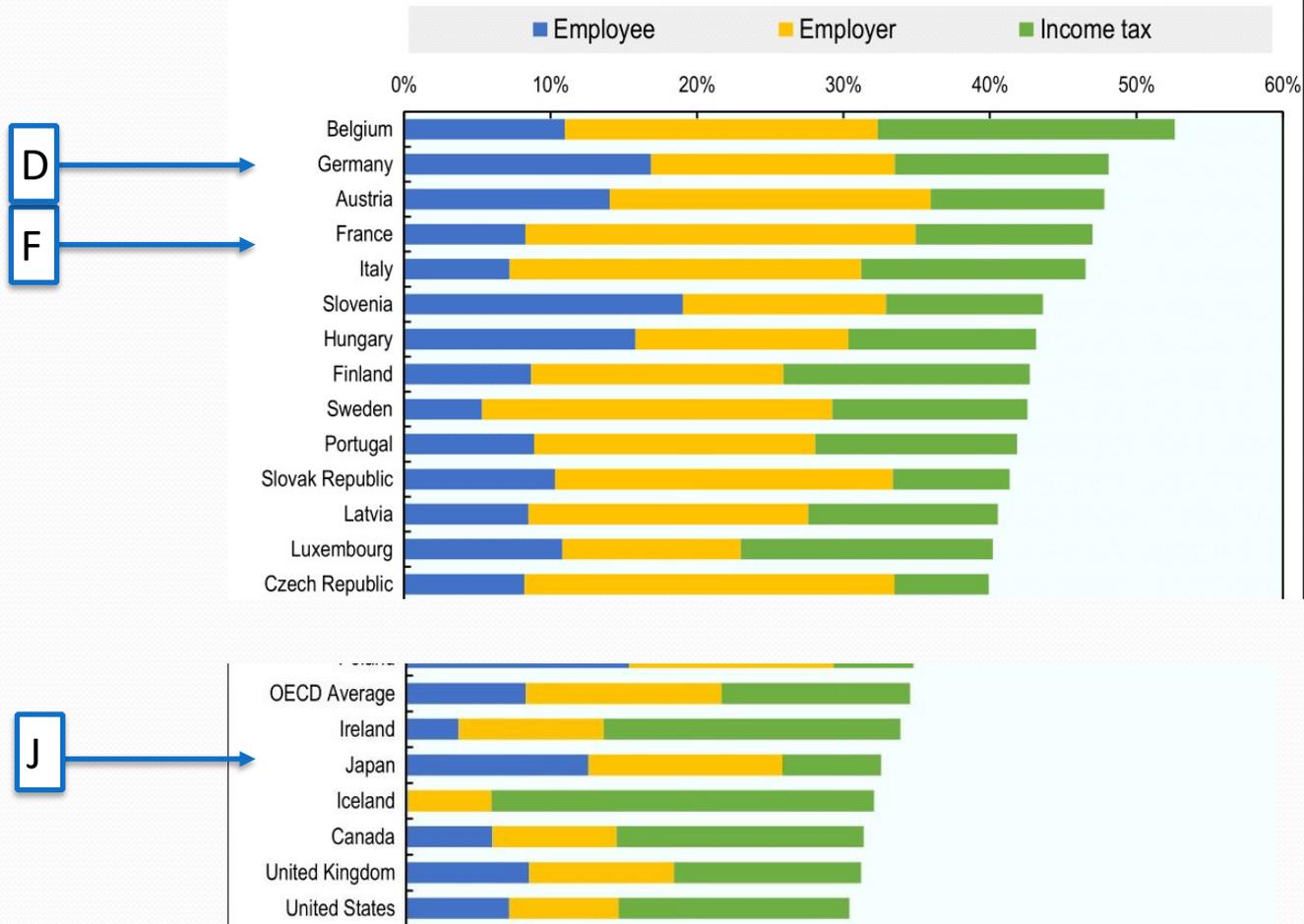
Panel B: Share of net wealth of top 10% of households



Source: OECD

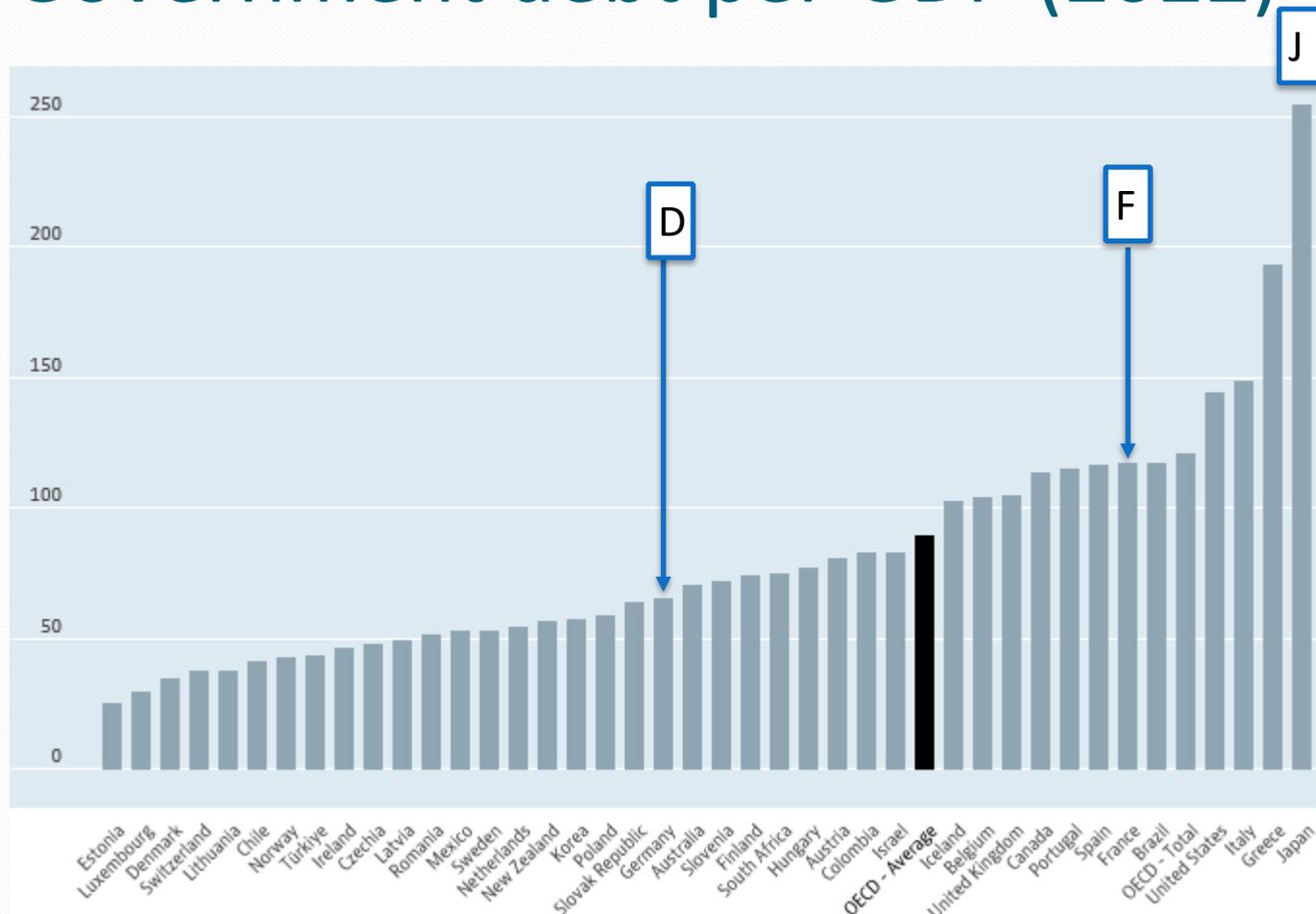
1.2. Taxes, compulsory expenses, government debts

Income tax plus employee and employer social security contributions 2021 As % of labour costs



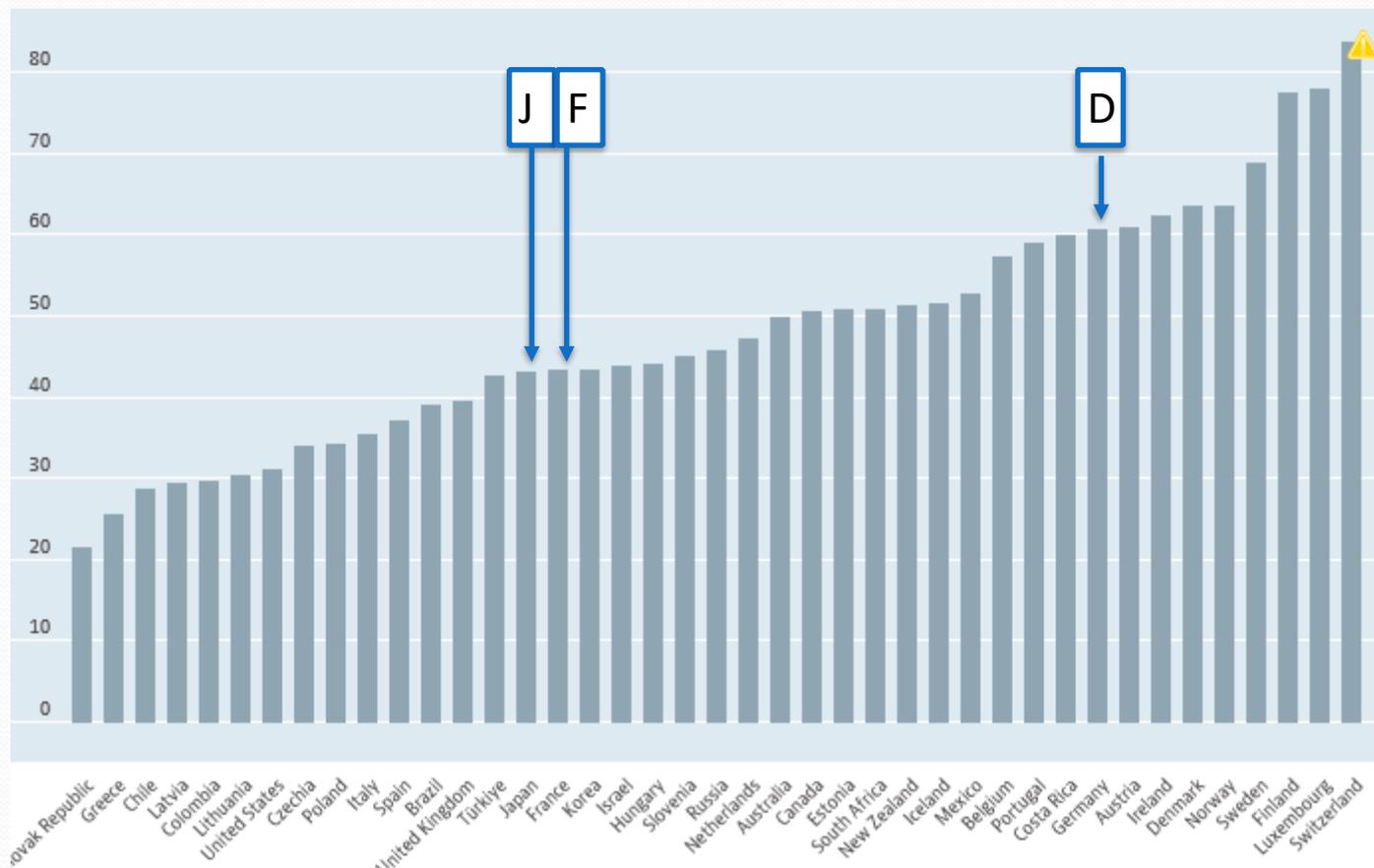
Source: OECD

Government debt per GDP (2022)



Source: OECD

Trust in Government (2022)



Source: OECD

1.3. Preparing the future

Investment & indebtedness

One aspect is how much assets and debts we leave to people in the future

A specific and important aspect of what we invest for the future is knowledge creation: R&D, education/training...

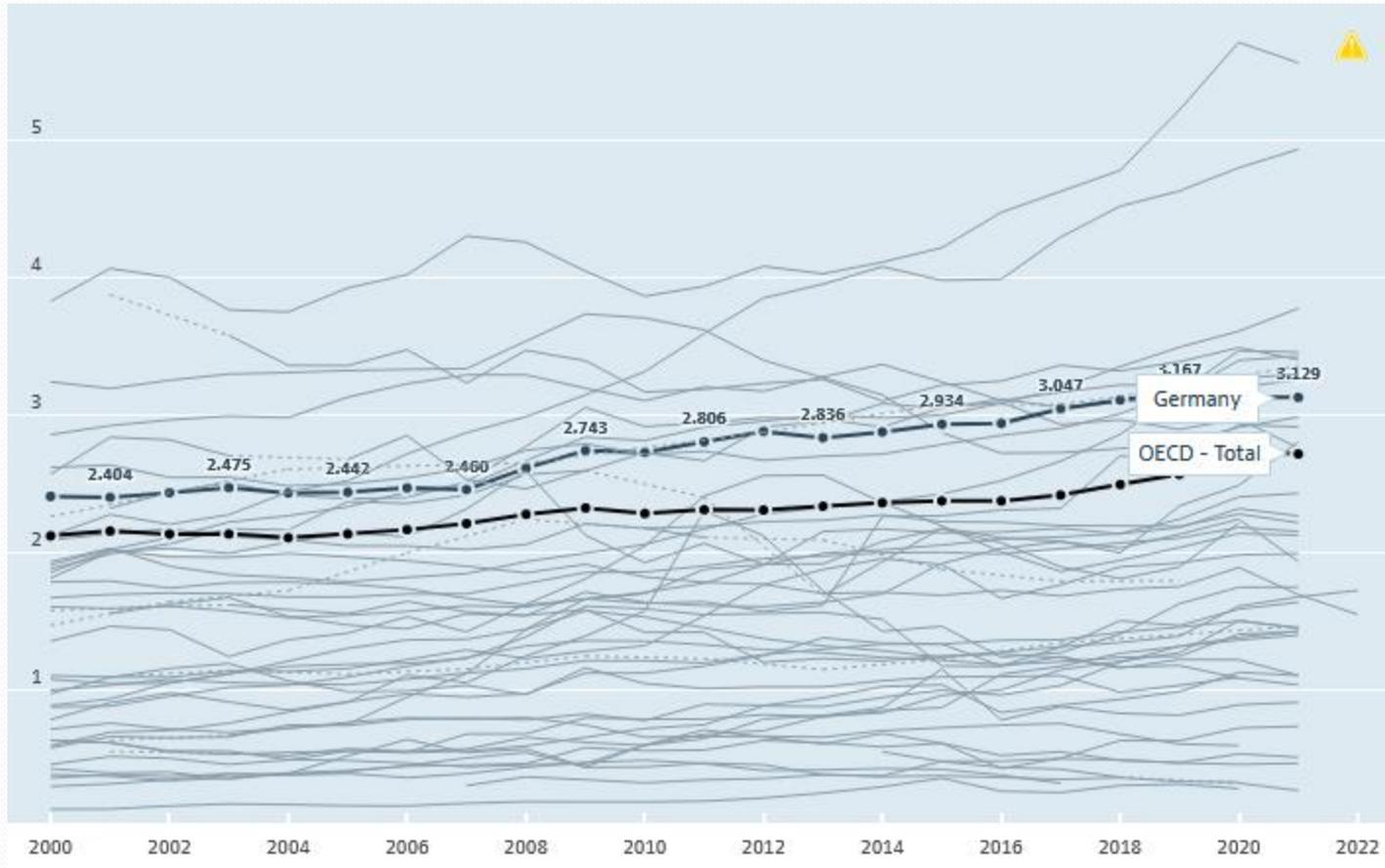
Investment: Growth fixed capital formation (%GDP)

	2017	2022
France	22	25
Germany	20	22
Japan	25	27

For comparison: World=25,7%, but China=42%, Korea=33%

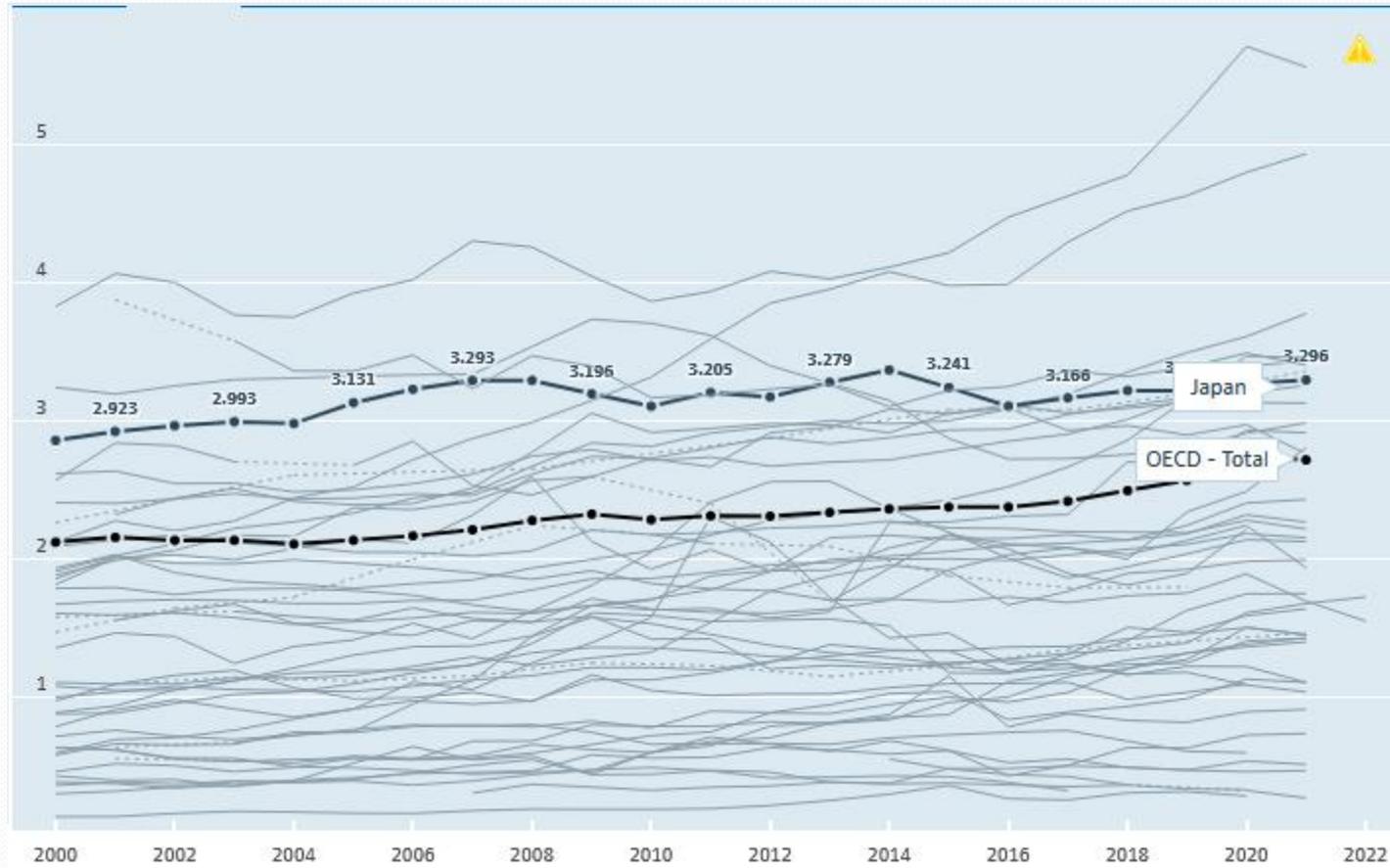
Source: OECD

R&D in % GDP



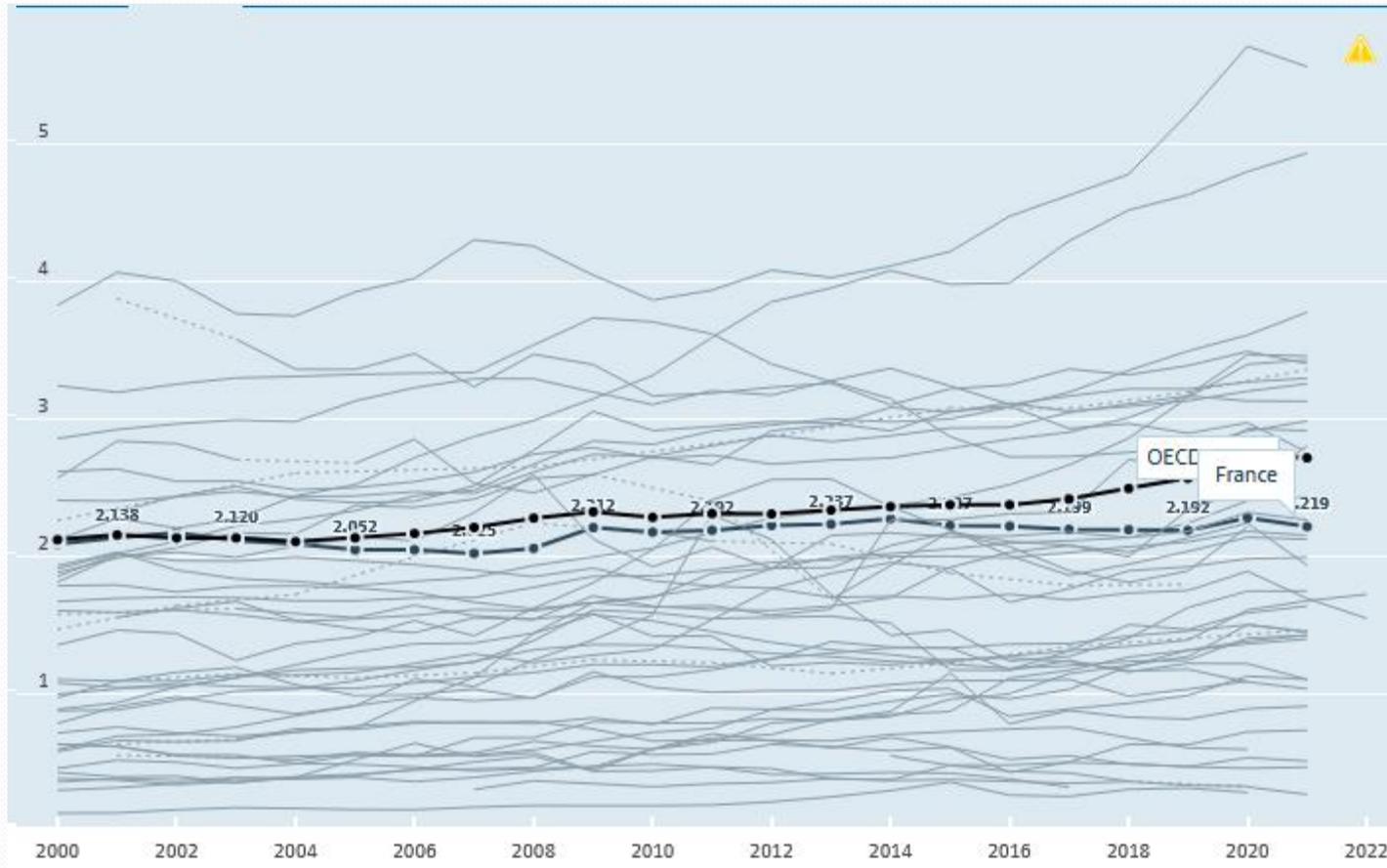
Source: OECD

R&D in % GDP



Source: OECD

R&D in % GDP



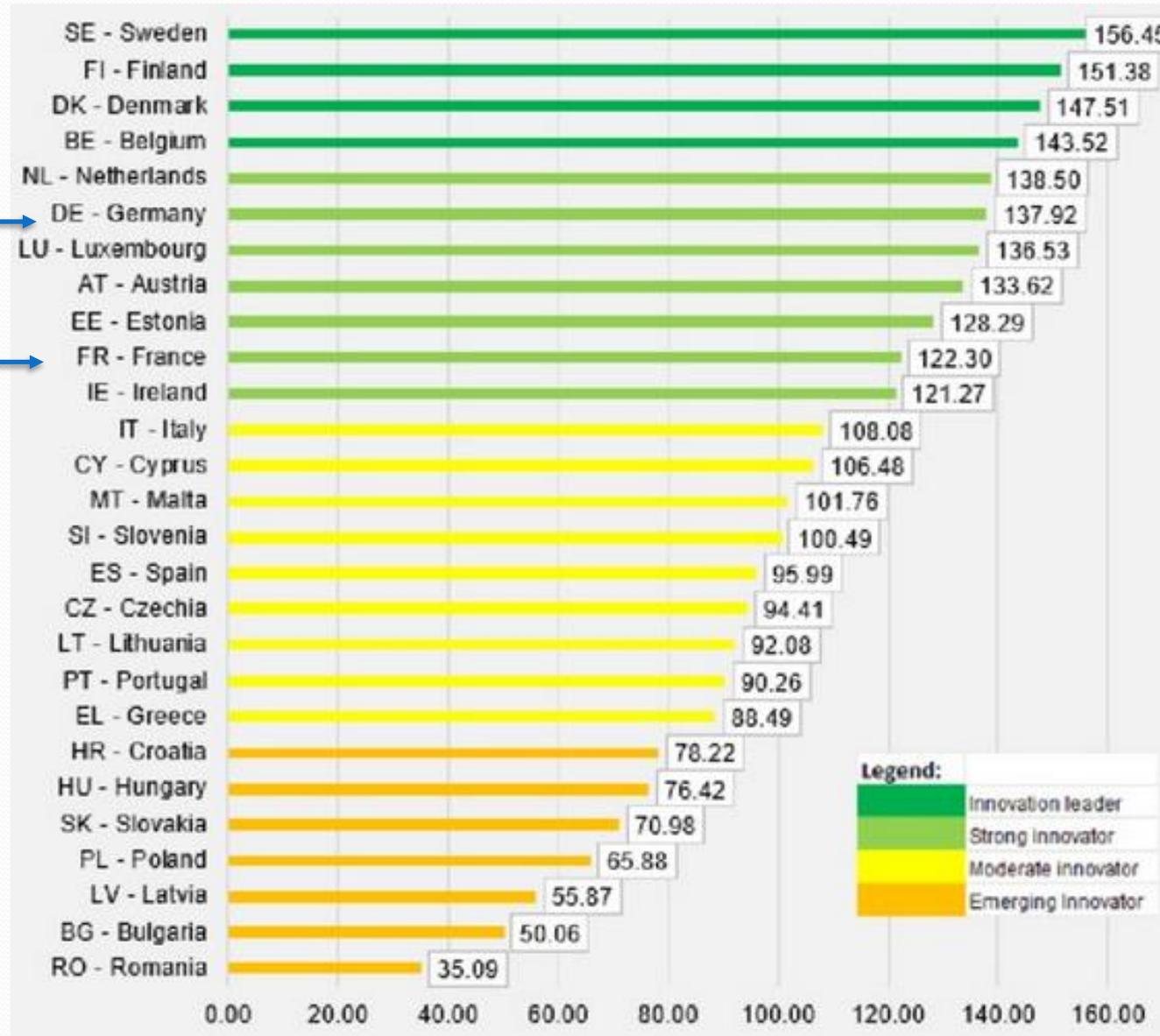
Source: OECD

Innovation index

D



F



Source : EU scoreboard EIS

Redesigned by Ogreaan, Hercin, Sciendo, 2022

Part 2: Cultural factors

2.1 Perception of indebtedness

Schuld & Schulden

DE	EN	日本語
ich bin schuldig	<i>I am guilty</i>	私は有罪です watashi wa yūzaidesu
ich habe Schulden	<i>I have debts</i>	借りている karite iru

負 :	負債 (fu sai)	<i>liabilities</i>
	負目 (oi me)	<i>feeling of indeptedness, being obliged</i>
	顔負け (kaomake)	<i>being put to shame</i>

Some general observations

French people stick to the ideal of *equality*

Germans are pragmatical and prefer global *efficiency*

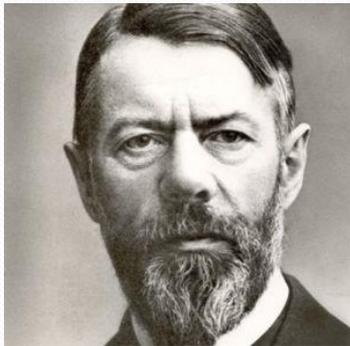
French prefer well-subsidized unemployed people

Germans prefer poor workers

French like public investments and accept public deficits

Germans prefer the least possible *debts*

2.2 A typology of religious heritage



Max Weber

The Protestant Ethic and the Spirit of Capitalism, 1905

Classical interpretation by religion

Max Weber explanation: the role of **protestantism** in the development of capitalism.

Individual enrichment is proof that one is God's chosen

Versus...

Catholic tradition: *the poor more easily enters the kingdom of God*

Religious cultural roots could explain behavioral biases like **entrepreneurial** spirit (promoted in D); acceptance (D)/inhibition (F) of **commercial** activities and **accumulation of wealth**; perception of **money** as the major symbol of value (D) or as a sin (F); negative perception (D) of the idea of **debt** (*Schulden*) because Schuld is bad / more neutral in F.

A contemporary version of the Weberian approach

Pr Dr Peter Nieschmidt

German business consultant, pedagogue, philosopher, historian...

The three European traditions:

***Catholic**

***Lutheran**

***Calvinist**

The Catholic tradition partly carries Greek/Roman philosophy: The wise man does not work for subsistence, but for the beauty of art, sciences, philosophical thought, or for the sake of organization and protection of the City (*polis*), the praise of God(s), etc.

Aristotle's conception of growth and development: any sort of economic accumulation is bad because it will destroy the sustainable order of the City. Interest rate is against nature.

Labour is the typical activity of slaves. Commerce is for foreigners or immigrants, not natives.

The difference between Luther and Calvin

For Peter Nieschmidt, the difference is very important
It is related to the concept of **labor**

Luther:

The good man is a worker. By working in the best possible way he/she gets closer to God.
German etymology: *Beruf* (profession) and *Berufung* (vocation)

The wording *profession* in Germany (and in France) is not restricted to activities like lawyers, doctors, architects.... The artisans and the industrial workers are classified in *professions* as well.

Calvin:

The human nature is corrupted (*natura corrupta*). The best way to help ordinary people not to fall in vice (laziness, crime, fornication...) is to keep them busy. When they work hard they keep quiet.

In such a context, the quality of work is not more important than the quantity.

National types

Central European countries like Germany are strongly influenced by Lutheran tradition.

England and the Netherlands are influenced by the thought of Calvin.

France and southern European countries have kept the Catholic attitude.

Germany:

The cult of quality in the production. Workers are respected. They must find the profession they are “elected” for. Importance of training systems.

Anglo-Saxon world:

The important thing is efficiency in the production. For that, organization of production is more important than individual skills. Workers find “jobs” on the labor market.

Latin countries:

Labor has nothing to do with the religion. It is not sacred but just an issue for the society. The governance of labor is a question of social negotiation.

2.3 Evidence from intercultural management studies

We consider here classical contributions to intercultural management.

A series of studies started with the issue of managing *multinational companies*: how to adapt the style of management and the organizational structures and routines in departments and sister companies located in various countries? How to deal with possible cultural shocks and behavioral misunderstandings when employees and executives move from one country to another?

Hierarchy and decision process

D. Schaupp (1978) proposed the following typology concerning the decision process in various firms and countries

“**tells**”: The boss takes decisions without giving explanations to the subordinates

“**sells**”: The boss decides and then explains and justify decision

“**consults**”: The boss discusses before with concerned people but takes decision alone

“**joins**”: Common decision process

The scores of **France** and **Germany** :

Tells	20	16
Sells	37	27
Consults	21	27
Joins	6	19

Interpretation

Germany:

This country has a culture of *consensus*. Germans are known for respecting discipline, but they believe in the superiority of collective decision. Consulting people on the field is not contradictory with the principle of authority. Concept of *Mitbestimmung*: “codetermination” with the employees.

Before striking the trade unions try all possible compromises.

France

In France there is a tradition of governance by the elites. Catholic France as well as Republican France designs and implements hierarchical organizations. In such top-down structures, people on the field obey, cheat, or make revolutions.

Trade unions have a tradition of confrontation, not cooperation with the company’s management.

NB: Japan looks like Germany. Concept of *nemawashi* (根回し) – consensus building
But the process can be a little tricky and not always transparent.

G. Hofstede

Dutch psycho-sociologist observing attitudes and values of employees
Large enquiry between 1967 and 1978, starting with multinational firms.

Three important indexes:

- **Power distance** : Autocracy, centralization of authority...
- **Individualism**
- **Control of uncertainty** : Fear concerning the future, stress when facing uncertainty

	France	Germany
Power distance	68	35
Individualism	71	67
Control of uncertainty	86	65

Interpretation

There is an apparent contradiction for France: people expect and accept (up to a certain point) *hierarchy* although they are *individualists*

It becomes understandable when considering they are risk-adverse.

Life is easier when somebody organizes the global coherence of the system. It explains the national bias to centralization, State intervention, large firms versus SMEs, etc.

Individualistic citizens are always afraid of the other citizens' liberty! But if the leaders do not correspond to the dreamed model, heads could be cut!

2.4 Impact on entrepreneurial spirit and innovation

Measurement of entrepreneurship

Analysis of creative processes

Entrepreneurship

Difficult to measure, but it is possible to consider some indicators like the rate of corporate establishment (creation of new firms)

In 2013 the rate was 9,5 in France as compared to 7,3 in Germany

(Source MEDEF 2016)

It is then difficult to accept the theoretical hypothesis of a lower French entrepreneurial spirit. In fact a more detailed analysis should be done:

- France is not short of people who want to create their own business
- We have many SMEs. The problem is the size: as compared to Germany or USA, they do not grow rapidly and steadily. The flow of firms creation can also be compensated by firms mortality
- One important issue in the long run is the takeover by new owners when the founder of the company retires. Cultural attitudes explain the differences between France and Germany on that point that cast light on the power of German *Mittelstand*.

The creativity factor

Innovation is a case of *creativity* (in economic life). There are also many forms of creativity at the basis of innovation: scientific discovery, technological invention, artistic design, etc.

Whatever the field, creativity is a way to “think out of the box”.

R.J. Sternberg proposed to define creativity as a combination of *novelty* and *relevance*. We can add another ingredient: the *will*.

In order to innovate we need:

- Breakthrough ideas (novel, original...)
- A filter of relevance: is the new idea adapted to a given context?
- Somebody who has the willingness and the passion to carry out the project

Which cultural attitudes are best fit for innovation and entrepreneurship?

- French individuals are sometimes very good at conceiving new ways of doing things. But have they the support of their hierarchy? And of the institutional system of the country?
- The Germans have strong entrepreneurial capabilities, but aren't they sometimes locked in by their procedural schemes?

The example of « Knowledge Angels »

We studied the creative role of certain individuals in business services

Muller, Héraud, Zenker (2015): “Knowledge Angels: Creative individuals fostering innovation in KIBS – Observations from Canada, France, Germany and Spain”, *Management International*, N°9 (201-218)

Those creative people contribute to innovation within their firm (B to B services) and at the level of the client firms. Their creativity depends a lot to their experience of working in different organisations. Thinking “out of the box” is, in this case, linked to the opportunity of exporting ideas from one cognitive world to another.

It is probable that polychronic culture favors such capabilities, but also some other related cultural aspects like the propensity (or reluctance) to be part of several communities at the same time (multiple identities).

We have interviewed “Knowledge Angels” in 5 different countries and they expressed the following average perceptions of their role:

- France: “idea giver”
- Germany: “knowledge broker”
- Spain: “facilitator”
- Canada: “business pusher”
- China: “solution provider”



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Thank you for your attention

どうもありがとうございました

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