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Press release

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Economic historical study explores the fundamental differences in the business landscapes of Germany and the United States

In Germany, many family companies evolved into internationally successful businesses over generations. But, in the United States, only a few have achieved such economic standing. Of the 200 largest companies, more than one-fifth (21 percent) of them are family companies in Germany. The total is just 6.5 percent in the United States. German family companies are also characterised by their longevity and continuity. A comparison of the largest family companies in both countries reveals that the average age of German family companies is 101.8 years. It is just 74.5 years in the United States.

These are just two of the findings of the first comprehensive economic historic comparison of the business landscapes of Germany and the United States that was commissioned by the Foundation for Family Businesses. The study was prepared by the economic historians Prof. Dr. Hartmut Berghoff and PD Dr. Ingo Köhler of the University of Göttingen. As part of their research, they explored nearly 250 years of economic history in the United States and Germany.

The research revealed that the appropriate business landscape in a society emerges only over a long period of time. "You cannot plan a business landscape on a drawing board," said Professor Rainer Kirchdörfer, Executive Board member at the Foundation for Family Businesses. "It takes shape over centuries and is always a reflection of the society where it is located. But it is relatively easy to destroy it by imposing the wrong political conditions. The imposition of a draconian inheritance tax since World War II clearly shows this: It sealed the fate of many family companies."

The study explains in detail how such totally dissimilar landscapes arose in the United States and Germany. In Germany, artisan traditions and good training have helped family companies to develop a high level of technical expertise. By contrast, the United States is traditionally viewed as a country of opportunities where individuals frequently try to start their own business – and then sell them at some point during their lives. From the very beginning, the constant stream of immigrants and the wide expanses of the country itself have facilitated a high level of mobility and created many opportunities to start companies. Even today, the start-up mentality is stronger there than in Germany. At the same time, companies that have been run by families for generations are seen less frequently.

Companies on both sides of the Atlantic have reacted in different ways to individual market conditions. German companies focus on the export of high-quality technical products as a result of their higher level of cross-generational expertise and the country's relatively small sales market. By contrast, the United States prefers to concentrate on its huge domestic market and mass production like that developed by Henry Ford.

Political factors play a role as well. For decades, German policies actively promoted small and medium-sized enterprises. These policies were designed to offset the shortcomings of the capital market. On the other hand, the United States has only half heartedly promoted small and medium-sized enterprises. Because the role of bank loans was smaller in the United States, many companies raised capital on stock markets. Tax issues played a key role as well. Following World War II, the United States introduced a high inheritance tax with a top rate of 77 percent, a level that the study described as taking on "confiscatory characteristics." This tax rate encouraged many family businesses to "sell off their companies and switch to other asset classes", the study said. "Massive amounts" of liquidity were taken from companies, it added.

The differences between the business landscapes are also deeply rooted in cultural and social terms. "In Germany, the ties between families and their companies remained closer," the study found. "This was a function of the strong individualism and greater social mobility in the United States, but also the lower importance that American business owners generally attached to long-term thinking or the desire to leave something behind for their children."

» Study: "Family Businesses in Germany and the United States since the Industrial Revolution"

More than 90 percent of all companies in Germany are family-owned. The purpose of the Foundation for Family Businesses, a non-profit organisation, is to preserve the country's family-business landscape. The foundation is the most important promoter of scientific research in this field and first port of call for politicians and the media in matters related to economic policy, legislation and taxation. Established in 2002, the foundation is supported by more than 500 companies that are among the largest enterprises of their kind in Germany.

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