

COMPARING PERSPECTIVES ABOUT THE GLOBAL ECONOMIC CRISIS: A CROSS-CULTURAL STUDY

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ABSTRACT

Individuals' perceptions about global events are often influenced by their culture and history. This paper examines and compares the views of German and American university students about the global economics crisis. Germans tend to be more risk averse, less individualistic, and more socialist than Americans. The paper finds that Germans were more likely to agree that the government should bail out firms and help poor countries. Nonetheless, there was no statistically significant difference between Americans and Germans in half of the answers. Additionally, both groups agreed that banks and their practices were largely to blame for the crisis.

INTRODUCTION

Individuals' perceptions about global events are often influenced by their historical, social, and cultural backgrounds. This paper investigates the perceptions of university students about the current global economic crisis and compares the perceptions of American and German students. The research surveyed students at Coastal Carolina University in Conway, South Carolina and in Fachhochschule Mainz in Mainz, Germany to examine their perceptions and beliefs about what caused the crisis, how severe the crisis is, and how their government should respond to the crisis.

This research is important for two reasons. First, it investigates the opinions of young people about the current global economic crisis. People's perceptions play a pivotal role during economic recoveries. Individuals who think that the economy is unlikely to recover soon are likely to consume and invest less, which slows the recovery. Secondly, this research provides insight as to how people's cultural and historical backgrounds influence their perceptions about global issues. The global economic crisis is a perfect issue to utilize in order to investigate differences in perceptions across cultures because it is a prominent, complex issue that affects most people in the world.

McClelland and Scher (1974) emphasize that culture includes all the material and non-material things that are passed across generations. Several studies show that cultural differences lead to different perceptions about important global issues. For example, Burkink et al (2007) find that American students are more likely to accept Genetically Modified Organism than French students. American and European also differ in their perspectives about how the Internet

should be designed and regulated. According to May, Chen, & Kuang-Wei (2004), Europeans have a stronger desire for government regulations and protection of intellectual property rights than Americans. They also place more importance on national identity than consumer choices when utilizing the Internet.

Hofstede (1980 & 1983) finds that Americans are very individualistic, have a somewhat low power-distance, have weak uncertainty avoidance, and are moderately masculine. By comparison, Germans are moderately individualistic, have an even smaller power distance, have a strong aversion to risk, and exhibit a greater degree of masculinity. Additionally, Germany is a more socialist culture where firms are regulated more heavily and workers have more rights. Consequently, I hypothesize that since Germans are more risk averse and live in a more socialist society they are more likely to support the notion that their national government should help bail out banks and other failing businesses. Similarly, I hypothesize that Germans are more likely to support additional government spending to help stimulate the economy.

Smith, Peterson, and Schwartz (2002) show that workers and mid-level managers in different countries have different perspectives on the structure of organizations and the role of the management. Germans tend to place greater ethical standards on their upper management. Consequently, I hypothesize that since Germans have a lower power structure and have a more socialist outlook, they are more likely to think that bank executives are responsible for the crisis and should not be allowed to receive any bonuses or salary increases.

As McClelland and Scher (1974) discuss, history has a major influence on people's perceptions. For example, a study by Kustin (2006) finds that people in Belarus have a preference for autocratic rule despite their strong sense of individualism because they experienced autocratic rule under the Soviet Union. Germany was heavily bombed in World War II and then split into two republics. Following reunification in 1990, West Germany funneled trillions of dollars to East Germany in order to help build its infrastructure and modernize its economy. The reunification and labor market rigidities caused high unemployment and sluggish economic growth in post-unification Germany. By contrast, save for a few short and mild recessions, the U.S. experienced a period of economic prosperity and low unemployment since World War II. Bulmahn (2000) finds that Germans tend to be more pessimistic about the future than Americans. Consequently, I hypothesize that Americans are more likely than Germans to believe that the global economy will recover soon.

Germany's and the United State's economies differ in other important ways. The U.S. is the world's largest importer and, therefore, can potentially benefit from imposing new tariffs. In fact, the U.S. has a history of imposing tariffs and trying to isolate itself during times of economic hardship. For instance, the U.S. government passed the Smoot-Hawley Tariff Act in 1930 during the Great Depression. By contrast, Germany is the world's second largest exporter and, therefore, is likely to suffer from a tariff war. Therefore, I hypothesize that Americans are more likely to advocate imposing new tariffs to support domestic industries.

In general, Germans seem to have a more cooperative outlook than Americans. Germany, for instance, has been a key proponent of the European Union, which led to economic and political integration amongst countries in Europe. Germany also contributes a larger share of its national income to foreign aid than the U.S. Therefore, I hypothesize that Germans are more likely to call for more global cooperation in order to deal with the crisis. Furthermore, I predict that Germans are more likely to support providing more aid to poor countries to help them recover from the economic crisis. I test these hypotheses by analyzing the results of a survey.

METHODOLOGY

This paper compares and contrasts the perceptions of American and German university students about what caused the global economic crisis, how severe the crisis is, and how their national government should respond to the crisis? I utilize a three-part survey to investigate students' perceptions. The first part consisted of 26 Likert psychometric questions with a scale from 1 (strongly agree) to 7 (strongly disagree). The second part required students to rank eight institutions from the one that is most to the one that is least responsible for the crisis and then rank the causes of the crisis from the most important to the least important. The last part asked students for personal information such as their age, gender, and academic major. The survey is presented in Appendix A.

108 students at Coastal Carolina University in Conway, South Carolina and 139 students at Fachhochschule Mainz in Mainz, Germany took an identical survey in English. The German students were enrolled in the International Business Program, where they are required to take most of their courses in English and, therefore, are proficient in English. The mean age of the American students was 21.0 and the mean age of the German students was 24.3, which is not surprising considering that Germans typically work on an apprenticeship before attending a university. 135 of the students were males and 110 were females (two students did not reveal their gender).

41.7% of American students identified themselves as moderately or very conservative compared to just 9.4% of German students. By contrast, 30.9% of the German students identified themselves as moderately or very liberals compared to 24.1% of the American students (other students did not answer the question, were neutral or identified with another political ideology). As expected, Americans are more conservative in their political outlook while Germans, like most Europeans, are more liberal and, consequently, are more likely to support government intervention. As discussed earlier, this difference is likely due to differences in the sociopolitical environments of the two countries.

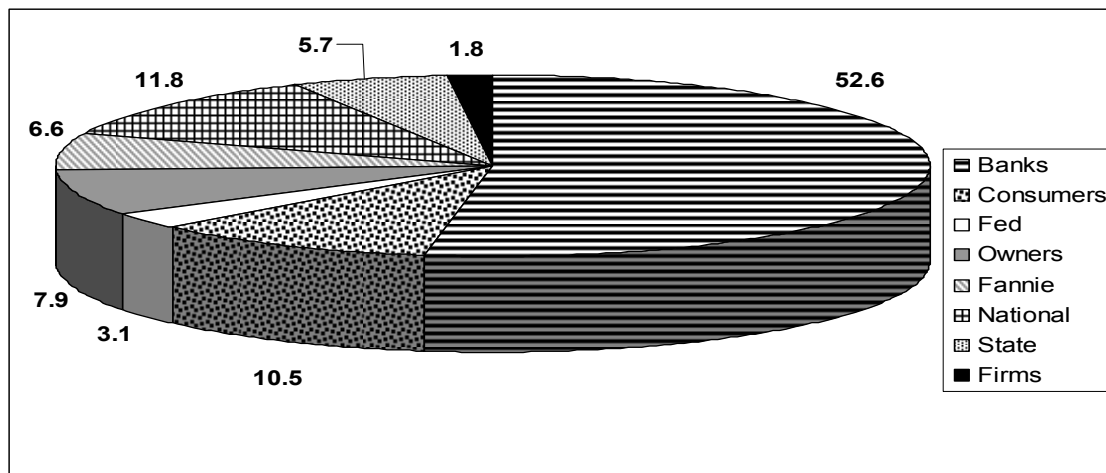
The survey was conducted in various business and economics classes and the subjects were all undergraduate business students. I did not survey my own students to make sure not to bias the results. Both American and German students took the survey in early May of 2009 and all the surveys were conducted anonymously.

I organized the data from the survey in an Excel spreadsheet and conducted t-tests to see if there were any statistically significant difference in the means of the answers between the two groups (Americans and Germans) and F-tests to see if there is any difference between the variances of the answers between the two groups. The survey's results are presented in Appendix B and are interpreted in the following section.

RESULTS

The objectives of this research are to investigate the views of university students about the current global economic crisis and to compare and contrast the perceptions of German and American students. In 13 out of the 26 Likert psychometric questions there was no statistically significant difference between the two groups and in the other 13 question there was a significant difference between the two groups at the .05 level of significance. Overall, the students surveyed agreed that “banks around the world engaged in irresponsible lending in the past couple of years” (with an overall mean of 2.44) and that “excessive spending by Americans led to the current global economic crisis” (2.83).

Figure 1
Who Is to Blame for the Crisis?



When asked to rank the institutions that were most responsible for the crisis, 52.6% of the students thought that banks are most responsible for the crisis. When asked to rank the main causes of the crisis, 28.4% thought that “banks investing in risky assets” and 20.2% thought that “banks lending too much money” were the main causes of the crisis (It should be noted that 20 of the students did not complete Part II of the survey or did not complete it correctly and, therefore, were not included when calculating these numbers). Thus, a plurality of students blamed banks and their unsustainable practices for the crisis, but they also recognized other trends such as excessive spending by American consumers and the U.S. federal government borrowing too

much money as contributing to the crisis. Figure 1 shows the percent of respondents that selected a given organization is being the most responsible for the crisis.

Students had a fairly neutral response to the statement that “the world is currently experiencing an economic depression similar to the Great Depression of 1930-1933” (3.82) and that “housing markets around the globe are likely to begin recovering in 2009” (4.17). Students somewhat disagreed that “the world economy can recover without government intervention” (4.74). Hence, students were somewhat ambivalent about the severity of the crisis, but most felt that there was a need for some government intervention to help the economy recover.

When asked about the response to the crisis, there was an overall agreement that “Executives in banks and firms that received bailout money should not be allowed to receive any bonuses or wage raises” (2.47) and that “There is a need for more global cooperation in order to help the world recover from the current financial crisis” (2.51). However, the students were somewhat ambivalent whether their national government should spend more money helping the economy recover (4.37), whether their government should help bail out troubled banks (4.43), or whether the U.S. government should help bail out corporations like General Motors (4.29).

There were several significant differences between the groups. Not surprisingly, Americans (where the saving rate was negative prior to the crisis) agreed that people in their country did not save enough before the crisis (with a group mean of 2.03), whereas Germans (where the savings rate hovered around 10%) slightly disagreed with this statement (with a group mean of 4.45). As predicted, Americans (4.77) disagreed more strongly than Germans (4.17) that their national government should help bail out banks that are likely to fail without government support (with p-value of .008). Americans (4.83) also disagreed more strongly than Germans (3.86) that “The U.S. government should help bailout failing firms like General Motors and Chevrolet” (p-value < .000). This difference might be because of the differences in the views on the role of government between the two countries or because German tax payers did not have to pay for GM’s bailout. Also, Americans (2.49) were more likely than Germans (4.66) to agree that their “professors frequently talked about the global economic crisis and about other global issues in class.” In general, class discussions are more common in the U.S. than in Germany where professors are less likely to deviate from the curriculum.

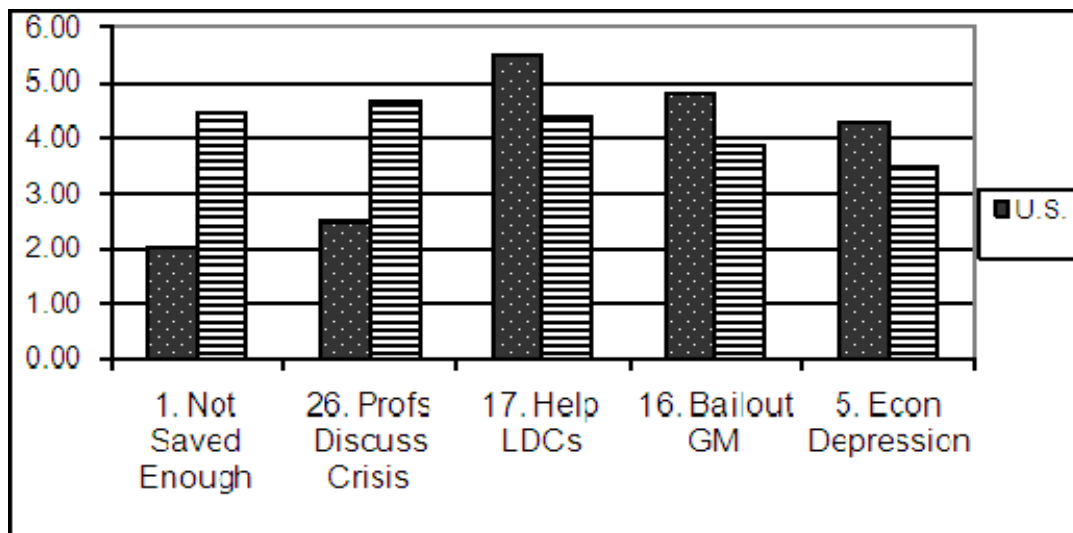
There was no statistically significance difference between the response of Americans (4.32) and Germans (4.40) regarding the statement “My national government should spend more money to help the economy recover from this economic crisis,” despite my prediction that Germans would be more inclined to support public spending to stimulate the economy. In contrast to my prediction, Americans (2.06) were far more inclined than Germans (2.80) to agree that “Executives in banks and firms that received bailout money should not be allowed to receive any bonuses or wage raises” (p-value of .002). This result is not be too surprising considering that even though Americans tend to be more market-oriented, the U.S. government used American taxpayers’ money to bail out banks.

As expected, Americans (3.69) were slightly more optimistic than Germans (4.09) that “The global economy will begin growing again by the end of 2009” (p-value of .043). On the other hand, there was no statistically significant difference between Americans (4.06) and Germans (4.25) in their response to the statement that the “Housing markets around the globe are likely to begin recovering in 2009.” Moreover, Germans (4.21) were more likely than Americans (4.64) to agree that “Stocks markets around the world are likely to recover before the end of 2009.” Therefore, it is not clear whether Germans or Americans are more pessimistic about the recovery from the crisis.

As predicted, Germans seemed to have a more global outlook than Americans. Germans (2.35) agreed more strongly than Americans (2.70) that “There is a need for more global cooperation in order to help the world recover from the current financial crisis;” although, the difference was only significant at the 10% level (p-value of .069). Also, more Germans (4.38) than Americans (5.52) agreed with the statement that “My national government should spend more money helping poor countries recover from the global economic crisis” (p-value < .000). Although, both groups were somewhat reluctant to support more foreign aid for poor countries. Nonetheless, despite my predictions, there was no statistically significant difference between Americans (4.08) and Germans (4.23) on whether their country “should increase tariffs in order to increase the sell of domestically produced products.”

Figure 2 highlights the question that had the largest difference between the mean responses of American and German students. The questions’ numbers are indicated on the graph and the full statements are available in Appendix A.

Figure 2
Differences in Perspectives between Americans and Germans



CONCLUSION AND DISCUSSION

This research examines and compares the views of American and German university students regarding the causes of, severity of, and government response to the global economic crisis. The research is based on a survey that was distributed in May of 2009 to business students in an American university and a German university. The survey included 26 Likert psychometric questions, a question that required students to rank the organizations that were most responsible for the crisis, and another question that required students to rank the main causes of the crisis.

There was a general consensus amongst the students surveyed that banks engaged in excessive lending and that Americans spent excessively before the crisis occurred. A plurality of survey takers in both countries ranked banks as the main culprit for the crisis; although, more Germans thought that the main cause of the crisis was risky investment by banks and more Americans thought that the main cause was excessive lending by banks. Additionally, students were neutral about whether this crisis is similar to the Great Depression; although, a majority of the students did not think that the economy would recover without government intervention.

In general, Germans were more pessimistic than Americans about the recovery of the global economy, but more optimistic than Americans about stocks. As hypothesized, Germans were more supportive of using public funds to help bail out failing banks and firms. However, in contrast to my predictions, Americans were more inclined to think that executives of banks who received government support should not receive bonuses and equally inclined to think that their government should spend more money to help the economy. As predicted, Germans were more likely to agree that there is a need for more global cooperation to deal with the crisis and that their national government should help poor countries. However, there was no statistically significant difference between the groups over the question of whether their government should raise tariffs.

It is possible that the recent bailout of Greece's economy, which occurred after this survey was conducted, may have further influenced Germans' opinions about the role that their government should play. In 2010, Germany's parliament voted to contribute around \$30 billion to bail out Greece's troubled economy. According to the New York Times, "German taxpayers, most of whom oppose any kind of bailout, were dragged unwillingly into helping their southern neighbor (Kulish, 2010)." Thus, although Germans are more likely than Americans to agree that their government should help the economy recover and help other countries, their opinion could be influenced by circumstances. In this case, according to the media many Germans believed that they should not be financially penalized for the questionable decisions of another European Union member.

The discrepancies between my hypotheses and the results for the survey can be explained by recent events. For instance, although Americans are generally more optimistic than Germans, the stagnation of the stock market between 2001 and 2009 probably made them more pessimistic about stocks. Similarly, although Americans have a more market-oriented philosophy, more

Americans agreed that executives of banks who received bailout money should not receive bonuses or wage increases probably because the government used American taxpayers' money to bail out these institutions. This demonstrates that recent events may sometimes trump long-seeded cultural differences in influencing people's perspectives on global issues.

Although this research attempted to utilize similar populations from the United States and Germany, namely university business students, these populations are not identical. In particular, as noted earlier, the German students are slightly older on average and probably more career oriented (many of them already started their career). It is difficult to ascertain how these small differences affected the students' responses, if it all.

Hofstede (1986) shows that cultural differences affect the nature of interaction amongst teachers and students. Therefore, this research can help instructors better understand how to communicate to students from different cultures about global issues. Based on this research, educators should recognize that students from different cultures would tend to perceive global issues differently, but also that these perceptions are partly colored by recent historical events and circumstances. Educators should address these cultural and historical differences in order to help students recognize their own biases and help them develop a more objective perspective.

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Appendix A: Survey about the Global Economic Crisis

Please answer all of the following survey questions and turn in your survey to the instructor. These questions seek to find your perspectives about the current global economic crisis.

Please indicate on a scale from 1 (strongly agree) to 7 (strongly disagree) your response to the following statements. **Use the following scale: 1 (strongly agree), 2 (agree), 3 (slightly agree), 4 (neutral), 5 (slightly disagree), 6 (disagree), or 7 (strongly disagree).**

Statement	Rank from 1 7
(1) People in my country did not save enough money before the financial crisis started	
(2) Banks around the world engaged in irresponsible lending in the past couple of years	
(3) The George W. Bush Administration is largely responsible for starting this global economic crisis	
(4) Excessive spending by Americans led to the current global economic crisis	
(5) The world is currently experiencing an economic depression similar to the Great Depression of 1930-1933	
(6) Stocks markets around the world are likely to recover before the end of 2009	
(7) This is a good time to buy stocks	
(8) This is a good time to buy a house in my country	
(9) Europe will recover from the crisis before the United States does	
(10) The global economy will begin growing again by the end of 2009	
(11) China will become more powerful in the world as a result of this global economic crisis	
(12) The United States will lose a lot of its political power as a result of this global economic crisis	
(13) Housing markets around the globe are likely to begin recovering in 2009	
(14) My national government should spend more money to help the economy recover from this economic crisis	
(15) My national government should help bailout banks that are likely to fail without government support	
(16) The U.S. government should help bailout failing firms like General Motors and Chevrolet	
(17) My national government should spend more money helping poor countries recover from the global economic crisis	
(18) Executives in banks and firms that received bailout money should not be allowed to receive any bonuses or wage raises	
(19) The stimulus package that was passed by President Barack Obama was well designed to help the economy recover	
(20) There is a need for more global cooperation in order to help the world recover from the current financial crisis	
(21) President Barack Obama has the skills and wisdom necessary to pull the U.S. out of an economic recession	
(22) My country should increase tariffs in order to increase the sell of domestically produced products	
(23) The world economy can recover without government intervention	
(24) I understand the causes of the global economic crisis well	
(25) I read regularly about the global economic crisis	
(26) My professors frequently talk about the global economic crisis and about other global issues in class	

In your opinion, which of these organizations/groups is/are responsible for causing the current economic crisis? Please rank the following organizations/groups from 1 (most responsible for the crisis) to 8 (least responsible for the crisis).

Organization or Group	Rank from 1 to 8
Banks and Other Financial Institutions	
Consumers	
The Federal Reserve Board (Fed)	
Homeowners Who Have a Mortgage	
U.S. Government Sponsored Organizations like Fannie Mae	
The U.S. Federal Government	
U.S. State Governments	
Corporations like General Motors	

In your opinion, what are the main causes of the current global economic crisis? Please rank the following from 1 (the most important cause) to 8 (the least important cause).

Cause	Rank from 1 to 8
Bad government policies	
Banks investing in risky assets	
Banks lending too much money	
The U.S. federal government borrowing too much money	
People borrowing too much money	
People not saving enough money	
Poor government regulations of the financial sector (banks)	
Corporation like General Motors not being responsible	

A Bit about You

The university where I took this survey: _____

Which class did you take this survey in? _____

Gender (male or female): _____

Age: _____

Nationality: _____

My Major or Main Area of Concentration: _____

How would you describe your political views (circle the best answer)?

(a) Very conservative (b) Moderately Conservative (c) Middle-of-the-road

(d) Moderately Liberal (e) Very Liberal (f) Libertarian

(g) Other. Please specify _____

Appendix B: Survey Results

Table 1 provides the overall mean, the mean for each group and the probability that the difference in mean scores between the group is a random occurrence (p-value) for the 26 Likert psychometric questions in the survey (provided in Appendix A) with a scale from 1 (strongly agree) to 7 (strongly disagree).

Table 1 Mean Score for Part I of survey				
Question	Overall Mean	U.S. Mean	German Mean	P-Value
1	3.38	2.03	4.45	7.17E-34
2	2.24	2.22	2.62	.0284
3	3.67	3.63	3.71	.705
4	2.83	4.28	3.46	.322
5	3.82	4.28	3.46	.000225
6	4.40	4.64	4.21	.0379
7	3.29	3.22	3.34	.620
8	2.95	2.52	3.29	.000632
9	3.32	3.56	3.12	.0204
10	3.91	3.69	4.09	.0430
11	3.42	3.29	3.53	.267
12	3.96	4.17	3.80	.0852
13	4.17	4.06	4.25	.284
14	4.37	4.32	4.40	.751
15	4.43	4.77	4.17	.00768
16	4.29	4.83	3.86	4.39E-05
17	4.88	5.52	4.38	2.28E-07
18	2.47	2.06	2.80	.00154
19	3.41	3.69	3.19	.0160
20	2.51	2.70	2.35	.0692
21	3.31	3.44	3.21	.300
22	4.16	4.08	4.23	.494
23	4.74	4.59	4.85	.291
24	3.11	3.27	2.99	.126
25	3.37	3.54	3.24	.178
26	3.70	2.49	4.66	1.61E-23

Table 2 provides the average overall ranking and ranking by each group for organizations from 1 (most responsible for the crisis) to 8 (least responsible for the crisis) as well as the percent of survey takers who ranked each organization as most responsible.

Table 2 Mean Ranking for responsible organization						
Organization	Average Ranking	U.S. Average Ranking	German Average Ranking	Percent Selecting 1st	U.S. Percent Selecting 1st	German Percent Selecting 1st
Banks	2.22	2.48	2.00	52.6	35.2	67.5
Consumers	5.13	4.28	5.87	10.5	20.0	2.4
The Fed	4.55	4.65	4.47	3.1	2.9	3.3
Homeowners	5.04	5.05	5.03	7.9	6.7	8.9
Fannie Mae	4.59	4.80	4.40	6.6	8.6	4.9
Nat. Government	4.02	3.78	4.23	11.8	19.0	5.7
State Gov.	4.79	5.11	4.51	5.7	6.7	4.9
Corporations	5.57	5.79	5.39	1.8	1.0	2.4

Table 3 provides the average overall ranking and ranking by each group for causes from 1 (the most important cause) to 8 (the least important cause) as well as the percent of survey takers who ranked each cause as the most important.

Table 3						
Mean Ranking for causes of the crisis						
Reason for Crisis	Average Ranking	U.S. Average Ranking	German Average Ranking	Percent Selecting 1st	U.S. Percent Selecting 1st	German Percent Selecting 1st
Public Policies	4.81	5.44	4.31	6.4	4.1	8.3
Risky Assets	3.24	3.77	2.82	28.4	14.4	40.0
Excessive Lending	3.01	2.90	3.11	20.2	23.7	17.5
National Debt	4.32	3.97	4.60	14.7	23.7	7.5
Personal Debt	4.28	3.55	4.88	10.6	13.4	8.3
Lack of Savings	5.18	4.60	5.65	7.3	10.3	5.0
Poor Regulations	4.76	5.09	4.50	8.7	6.2	10.8
Irresponsible Firms	6.28	6.37	6.21	3.7	5.2	2.5