

The opportunities for Starting Up: American Dream or European Dream?

A comparison UE-USA

Massimo D'Angelillo

Genesis – Società di ricerca e consulenza, Via Galliera 26, 40121 Bologna – Italy, www.genesis.it

Tel +39-51-236137 – fax +39-51-264015 –mail: m.dangelillo@genesis.it

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***Abstract:** A society that promotes professional and entrepreneurial activities offers its citizens a wider range of opportunities.*

A comparison between Europe and USA shows that to-day, contrary to the old rethoric of "American Dream", the European context comprehensively presents more favourable conditions in this sense, due to several social (welfare state, social trust, etc.), cultural (openess to external influences, opportunities for all citizens, etc.) and also strictly economic (professional resources, financial sector, organization of firms, etc) factors.

1. Introduction

For many people, starting up an independent activity - whether it be of a professional or an entrepreneurial nature - is a way to ensure that they have a source of employment or it can be a way for them to improve their current professional and economical position.

In either case however, starting up an independent activity is not all that easy: it requires the right cultural conditions, a certain level of experience and a sufficient amount of motivation, professional training and preparation, not to mention enough financial resources and the use of external services. Furthermore, starting up an activity means accepting a mid-to-long term project horizon, since it usually requires a personal commitment of at least 5-10 years.

A society that encourages the start up of an independent activity simultaneously strives to broaden the range of opportunities that are offered to its members, as well as give them further rights as citizens of that society.

The purpose of the following essay is to compare Europe and the United States through a frontal analysis of various sets of factors which may influence the starting up of an independent activity.

The United States has long been described as “the land of opportunity”, and it continues to be considered as such: it is the most fertile ground for starting up a business venture since it is the country where anyone can succeed as long as he or she has a good idea and enough determination to make it work. This is the so-called ‘American Dream’. Europe, by comparison, would appear to be the less dynamic part of the world where, according to this stereotype, pursuing a business venture would mean facing a number of almost impossible obstacles to overcome: endless red-tape, high taxes, trade unions etc.

Today however this picture appears to have changed drastically from this 1950s stereotype. In fact, if we look at the percent of the work force which currently performs independent work, we can see that the percentage is actually higher in Europe than it is in the US: the percentage of independent contractors in the US is 10%; although this figure is higher than that in countries like Denmark and Luxembourg (steady at 6%) it is lower than the percentage of independent work of countries such as Spain (13%) and Italy (18%)¹.

This study will attempt to explain why, despite rhetoric, the propensity towards business and enterprise, which America supposedly has, is in reality much stronger in Europe.

The starting up of independent businesses can be influenced by three major groups of factors such as social, cultural and economical factors.

Social factors relate to family and relationships with the community and other areas, such as education, which can significantly influence the choices people make.

Cultural factors are those which contribute to the formation of a person’s mentality, behavior and attitude in general, which would consequently include mentality, behavior and attitude towards work and independent work in particular.

Economic factors are those which most directly, but not necessarily most strongly, influence the type of business a person usually chooses to enter into.

What follows is the first part of a broader study carried out by Genesis with the final objective being to compare the attitudes towards independent work with more complex socio-economic variables.

2. Social factors

As previously mentioned, factors such as family, education, and personal relationships can either stimulate or discourage the growth and development of entrepreneurial attitudes, and this can directly effect the emerging potential entrepreneur base and therefore determine whether or not it increases or remains limited; thus, these factors undoubtedly affect the starting up of an independent activity.

The more democratic the context, the more vast the public who, a part from their ideologies, is actually in the position to engage in free choice and who is not stimulated to act by the simple need to survive.

2.1. Wealth distribution and social equity

Despite the differences which appear between its various countries, Europe as a whole can be characterized by the active presence of the State, by a well-organized system of welfare and by a

¹ Cfr. EIM, *Comparative entrepreneurship data for international analysis*, Compendia, 2000. See also Commissione delle Comunità Europee, *L'imprenditorialità in Europa (Libro Verde)*, Bruxelles, 2003, p.10.

more even distribution of profit and wealth than what is found in North America. The great socialist traditions and Christian-based society of Europe have introduced and consolidated policies which focus on solidarity and helping the weak.

One fact that should not be overlooked is that in the mid-late 1800s, while great battles for social equity were being waged in Europe, slavery continued to be accepted in the US until it was finally abolished after a long and bloody civil war².

In the US today, the number of people who live below poverty level is higher than in Europe. 20% of US citizens earn 9 times more than 20% of the poorest US citizens; this figure is double that of Germany³. In the US, the *middle class* has become progressively narrower; the majority of the general wealth is concentrated in a limited number of millionaires, who make up a closed privileged group that is very difficult to enter into and take part in. Consequently, the social hierarchy in the US has become more crystallized than in Europe⁴.

US society appears to be very open and the country seems to be governed by a series of informal rules (as the colloquial use of the informal 'you' demonstrates); however there are very strict hierarchical rules that operate throughout the country which are based on the economic status. Displays, even small ones, of daily life tend to emphasize the conditions of the privileged few who can afford particular services (from the use of credit cards to purchasing theater tickets).

Ostentatious displays of personal wealth are more visible than in Europe, as is the presence of numerous exclusive clubs. The American school system and university tend to strengthen and further embed these tendencies into existing hierarchies.

It should be noted that one conspicuous part of the North American population will be born into difficult conditions and will find it difficult, if not impossible de facto, to be given even the simplest chance to start up an independent venture. The weak economic situation of an individual or his/her family barely allows him/her to survive, living from one temporary job to the next. Those who belong to the upper class or who are part of a wealthier society can instead start up their own businesses much more easily since they enjoy the protection of the family and comfortable social relationships.

2.2. Education and University

The percentage of American students who obtain a high school education is relatively high, although the quality of the education they receive appears to be rather low compared to what is offered in the various European schools⁵. Moreover, young people in America often cannot afford the high university tuition costs; consequently there appears to be little interest in obtaining post-diploma education - only 54% of US high school graduates receive professional training or invest in further education. In Germany, by comparison, 99% of the students who have completed secondary school attend university or get professional training⁶.

² In one US State, Alabama, some forms of racial discrimination exist still now.

³ Cfr. W.Hutton, *Europa vs. USA*, Fazi editore, Roma, 2003, p.156.

⁴ L.Mishel, J.Bernstein e J.Schmitt show that american workers have a lower social mobility than european workers and that they present a higher percentage of workers who are not able to keep a full time job. Cfr. L.Mishel, J.Bernstein e J.Schmitt, *The state of working America*, Cornell University Press, Ithaca, 1998.

⁵ The OECD survey "Pisa 2003" compares the level of performance of 15 years old students. In Europe, above the mean level are students of Finland, Ireland, Sweden, Netherlands and Belgium. Outside Europe there are Korea, Canada and China. US students are at an intermediate level, similar to French and German students. Italy, Spain, Portugal and Greece are under the mean level.

⁶ Cfr. W.Hutton, op.cit., p.160.

US universities can be divided into two extremes: elite universities which are expensive and very selective and a wide range of mid-low level universities. In Europe there is a more even balance among universities, many of which are public or are partially tuition free.

The few elite universities in the US are rarely accessible to people coming from the lower classes; these universities tend to mould students to fit the role of big businesses managers rather than prepare them to become new entrepreneurs.

In Europe, the drive to strengthen the public school system and education in general derives from the solid concepts of 'equality' and 'brotherhood'. Promoting widespread education is considered simply another way to promote the public interest and herein lies an essential element, and a distinctive mark, of "Europeanness".

In the US instead there is a very well-developed connection between science-technology university departments and the start up of entrepreneurial projects (business incubators, for example) whereby both share the benefits of the results from combined research. An analogous situation exists in some European countries such as France, Germany, Great Britain, Holland, Sweden and Austria.

2.3. Social security

Europeans generally live free from any immediate concerns about having to provide for the basic needs for survival. They can plan their future with relative tranquility, even if they do not come from a wealthy family.

There is a strong sense of community. For example, Europeans enjoy a semi-free public health system which surely helps to guarantee that they will live a longer life than their United States counterparts⁷. Europeans choose to receive an education, the basic part of which is free, and they know that they can count on a well-organized network of public services if they are ever in need of it.

The role that the trade union plays is fundamental; it works to both defend the weaker worker and fight against worker exploitation. In Europe the union's greatest strength lies in supporting the creation of well-paid jobs and promoting better working hours and conditions. In the US, the working day is 28% longer than a typical working day in Germany, and 40% longer than in France.

North Americans work in a harsher setting where they must dedicate much more time and energy to their jobs just to have the bare necessities for survival. Unless, that is, a person comes from a wealthy family. In the USA, as many as 43 million people are without health benefits or health insurance and therefore risk complete devastation if they suffer from a long term disease or suddenly develop a serious illness.

This also makes it more difficult to start up an independent business, in that the risks and unexpected developments that are part of such a choice would only add to an already stressful existence.

2.4. Criminality

Breaking the law in the USA, even if it is a small violation, means being labeled a criminal, especially if a person cannot afford to pay for a lawyer. 2% of the US population is currently in prison, which is 10 times higher than that of the main countries in Europe.

No attempt is made at rehabilitating a law-breaker, there is only humiliation and punishment. In Europe, notwithstanding all of the different laws which vary from State to State, the judicial system

⁷ In USA expectation of life at birth (ONU, 2003) is 77 years USA. In Europe only in Portugal is lower: 76 years. In all other European countries expectation of life is higher than in USA, with a maximum (80 years) in Sweden.

leans more towards rehabilitation as a solution, which can be achieved through independent work such as cooperatives formed by prisoners or ex-prisoners.

These prevention policies could be the reason why crime rates in Europe are lower than in the USA. The high concentration of crime in some areas, especially the rundown areas of many metropolitan areas in North America, can be a serious deterrent for starting up a new business, just as it is in some regions of Europe such as Calabria and Sicily.

2.5. Social trust

In European countries, relationships between people are normally 'softer' and are based more on collaboration rather than on competition. This can be seen in the minimal number of firearms which are used and, looking at it from a less radical point of view, the fact that many people do not resort to using a lawyer to settle personal disputes. In the US instead intense individualism, where everyone is a solo player⁸, permeates the country with a condition that P.M. Garry defined as 'a nation of adversaries'⁹.

In the USA even the gesture of shaking another person's hand is considered too friendly and encroaching on a person's personal space, while a growing number of citizens are afraid of their own countrymen; as a result, many Americans are withdrawing from society and going to live in communities that are closed off and defended by armed guards¹⁰.

In Europe, the social climate in terms of a general sense of trust is quite positive which makes life easier for its citizens (there is less crime, more collaboration among citizens, etc) while it also promotes collaboration between companies and businesses. Many people start up their own businesses by working with other businesses. In Europe, (especially in countries like Italy) there is a widespread network of sub-suppliers, which can also be a type of partnership such as a consortium, a cooperative, or a business association.

The North American business world, not including the micro-cosmos of the Internet based high-tech industries, has a networking economy that is much less widespread than that found throughout almost all of Italy, France, Germany and Spain. Such economies are based on a network of small and mid size businesses that share a common trust and values and have a healthy corporate capital; American individualism, on the contrary, makes it necessary to impose more restrictive hierarchies¹¹.

2.6. The role of the family

The majority of North American families are not united; often scattered in various parts of the country, the family is not rooted to any particular geographical area¹². The bonds of solidarity, sometimes even within the family itself, are weak and this can have a negative influence on the start up of a business. In Europe, one fundamental part of supporting a new entrepreneur is the family, which is also due to the fact that most businesses are either family owned or operated, or both.

⁸ Cfr. R. Putnam, *Bowling alone: the collapse and revival of american community*, Simon and Schuster, New York, 2000.

⁹ Cfr. P.M.Garry, *A nation of adversaries: how the litigation explosion is reshaping America*, Plenum Press, New York/London, 1997.

¹⁰ These communities are at least 20.000. About them, see J.Rifkin, *L'era dell'accesso*, Mondadori, Milano, 2000, p.155.

¹¹ Cfr. F. Fukuyama, *La grande distruzione*, Baldini e Castoldi, Milano, 2001, p.288.

¹² About this see Fukuyama, *op.cit.*

2.7. The role of women

On average, the employment rate for women in the USA is higher than that of women in Europe, however this can be attributed to the number of American women employed in temporary jobs.

It should be noted that the presence of female entrepreneurs is no higher in America than it is in Europe. In fact, regarding new businesses in the US, for every male job created, 0,58 jobs are created for women. This ratio is identical to that in France; while it is slightly higher than in Germany (0,51 jobs for women) but it is significantly lower than in Italy (0,70)¹³.

In the USA there are no Equal Opportunity schemes, which instead are a fundamental issue in the European Union.

Most North American societies are typically based on conservative Paleo-Christian ideas which put forth the idea that a woman should mainly be a mother, and not a bread winner, to the family.

This idea is often transmitted by way of example, where famous families such as the Bush family portray an image which was common years ago in the poorer areas of Europe, such as southern Italy, southern Greece and Spain; today however the role of women - and consequently how women are being seen in these areas - is changing rapidly, one admirable example of this being Spain.

2.8. Demography

In recent years there has been a heavy flow of immigration into the US which has helped boost the population rate (+1,3% per year) and has increased the dynamics of various sectors, starting with real estate. In Europe the situation appears to be more static in terms of demographics due to the low birth rate. However, in recent years the immigration flow to many European countries from Eastern Europe and North Africa has become more intense, thereby causing the population to increase.

3. Cultural factors

A strong economy and a wealthy society do not necessarily favor the development of entrepreneurial attitudes among its citizens. In fact, where there is a tendency for big organizations to prevail, often the development of smaller economical ventures is not encouraged. The cultural fabric that surrounds a population can be an incentive for assuming an entrepreneurial attitude or it can discourage it.

3.1. Structure of building and architectonic space

The prevailing nature of North American culture focuses on constructing skyscrapers, therefore this culture creates physical spaces that tend to glorify the big powerful organizations and simultaneously belittle the role of the single worker.

Meeting places for socializing, such as the central square, which are typical of European urban structure no longer exist in North American cities. Here, from an architectonic standpoint, large cities are planned without a recognizable city center and provide for the circulation of a large number of automobiles. All cities are planned in the same way and they all look alike due to the presence of identical business and shopping centers.

In this sense the US is similar to Asian cultures, like Japanese or Korean.

¹³ Cfr. GEM, *2003 Global Report*, GEM, Kansas City, 2003, p.37.

In Europe, tradition and urban planning encourage the renewal of already existing smaller structures rather than the creation of new ones, and they are careful to provide for numerous gathering places such as squares, pedestrian zones and historic centers. This setting tends to strengthen the faith and trust of the single individual and it indirectly encourages a micro-entrepreneurial spirit.

Small-mid size businesses (tradesmen and craftsmen) play a key role in improving the quality of life in city centers.

3.2. Openness towards other cultures

In the USA the flux of immigration was and is very strong. The tendency was however to assimilate all of these other cultures into the dominant white Anglo-Saxon culture and, whenever this was not possible, to confine any remaining cultures into separate areas like Chinatown, black ghettos and Indian reservations.

Europe, which has faced and lived through the tragic consequences of racism and colonization throughout the course of history, today leans more towards integrating the various cultures despite national differences and encouraging a reciprocal exchange of cultures and traditions (for example between German culture and Italian culture).

From a business standpoint, Europe, being a world of such diverse cultures, offers many business opportunities that are associated with opening of precisely these kinds of activities: an Italian coffee bar, a German Brauhaus, an Austrian pastry shop or an Irish pub, just to name a few, which come from one culture and are then placed within the context of another.

It is precisely this 'tapestry' of cultures that inspires more Europeans to travel abroad, also outside of Europe, and it is the reason why many people know more than one language. Abroad, Europeans try to live the local culture and they are less likely to recreate environments similar to their own countries.

In the USA the tendency is instead to know only their native language and not learn about other cultures through traveling abroad. Only 9% of Americans go abroad, and in most cases they go for professional reasons such as for business, to study, or for the military¹⁴.

3.3. Roots and territorial mobility

The similarities that exist among the various states in the US allow Americans to move from place to place with relative ease. Contrary to Europe, in the USA it is common for many people to change their place of residence for work-related motives or to attend school.

European citizens are normally more rooted to their 'homeland', i.e. the geographical area where they were born and grew up, and where they are usually very attached to their local customs and usages. Europeans, whether they be French, Greek, Italian, or German, just to name a few, are all proud of their homeland. The same can be said for regional pride, or similar site-specific attachment.

This kind of bond to a geographical area, as Fukuyama has observed¹⁵, makes the community more stable and forms a higher level of trust and social capital. To start up a business in this context is much easier than undertaking a similar project in an anonymous context where a person has no real identity or is considered an outsider.

¹⁴ Cfr. Regione Veneto, "Marketing Stati Uniti", *Quaderni di marketing turistico*, 2003

¹⁵ Cfr. F.Fukuyama, op.cit. 116.

3.4. Looking towards the future

Having faith in the future used to be an essential element of the American dream. As J. Rifkin has pointed out, things have changed. Young Americans today are increasingly less willing to invest in the future because they are too concerned with their own narcissistic quest for more disposable consumer goods, as asserted by Christopher Lasch¹⁶. Today, as Rifkin states, Americans have become a 'fat, lazy and sedentary population'¹⁷.

Compared to Europe and Japan, Americans tend to save less money. Saving implies temporarily taking a portion of personal resources out of circulation as a way to accumulate a financial reserve which can later be reinvested in an important project like buying a house or starting up a business. Most Americans are in difficult economic conditions when it comes time to buy current goods and usually opt to purchase through consumer financing.

Looked at from a government and company standpoint, it should be noted that R&D (research and development) investments are higher in the US than in Europe, which allows the US to be leaders in some of the more innovative technological sectors such as computers and biotechnology.

In the US, one of the most highly developed disciplines is the so-called "futurology", a sector in which many research centers currently operate. This attests to the importance that the future holds in the US, a fact which is culturally significant; however in this context the too-limited views of the American experts prevented them from foreseeing many of the great events which mark the recent era: the fall of the iron curtain (the collapse of the USSR) the boom of the electronics age, the Islamic attacks, the rise of China, the crisis of the New Economy and the reaction of the Iraqi people to the American military occupation.

3.5. Value of the private company

The private company and the market. In the USA these two concepts are almost like a mantra or magic formula that needs only to be chanted to receive an immediate solution, even when it's obvious the market is what has been the source of many serious crises, and that the bounce back phase of the economy had to be helped out by the US government – not the private businesses - who introduced vigorous ventures aimed at boosting the economy.

The Reagan era, as well as the presidency of Bush Sr. and Bush Jr. have all been characterized by a government policy of deficit spending; other innovations, such as those associated with the Internet, have been possible by public investments in telecommunications executed by the US government in the previous decades.

In Europe, most Europeans are keenly aware of the limits of business and the market, and most recognize the indispensable role that the State plays in managing the economy. It follows that political decisions are taken not only by listening to the exponents of the business world, but by evaluating the complexity of the interests at stake and by recognizing the importance of their decisions on workers and consumers.

This undoubtedly places many more controls and restrictions on businesses in many areas, such as in environmentally-related questions.

Moreover businesses are more heavily taxed as a means of contributing to the overall well-being of the general public.

¹⁶ Cfr. C. Lasch, *La cultura del narcisismo*, Bompiani, Milano, 2001.

¹⁷ Cfr. J. Rifkin, *Il sogno europeo*, Mondadori, Milano, 2004, p.32.

3.6. Value of money and of people

Money and monetary incentives are of great importance in the US. In Europe however, while these things are undoubtedly important, they are more mediate as personal income is often considered an award for having expressed creativity and skill and not as an ends in itself that must be attained at all costs. Let's look, for example, at a person who starts up a business in Europe: the most important aspects are that he or she is motivated to do what he/she likes and that in this way he/she realizes himself/herself in the work. For many Europeans, quality of life it is more important than the mere acquisition of material wealth.

The importance that the US attaches to money creates a similar attachment of importance to "the one who is paying", in other words the client and the business; conversely the role of "the one being paid", or the worker, is stripped of its value.

In Europe, great importance is generally placed on individuals as human beings, a fact that is quite clearly evident in Europe's decision to abolish the death penalty. The death penalty is still in effect in many of the states of the US which would place it in the same category as Turkey in terms of human rights; therefore the US would not be allowed to accede to the European Union due to its failure to meet the full requirements (no death penalty, no racial segregation).

It is therefore quite understandable how the value of a person can be, and in Europe is, translated into laws that tend to protect the worker in the workplace and in society.

In European companies, an individual is not considered simply as a resource to hire or fire when the company sees fit, but a fundamental part of the company's heritage whose value and importance increases in the long term through the company's investment in their continuing experience and its guarantee of steady employment.

Trade unions protect jobs within the company setting, while in society there are health, insurance and social security institutions.

3.7. Cultural stimuli

Wim Wenders, screenwriter/director of several films about the United States, at the preview of his latest film "A Land of Plenty" recently defined the United States as a "no man's land"¹⁸. The American economist Rifkin completed this picture by defining the US today as a "sad and dangerous place"¹⁹.

In fact, an average city in Europe (especially in regions such as Tuscany) has more cinemas, theaters, restaurants and gathering places than in a much larger city in the US.

A quick overview of this complex theme of culture can be made by giving a brief analysis of two areas of popular culture: cinema and sports.

North America cinema has the highest turnover in the world and it portrays (with a few notable exceptions) a universe dominated by insecurity and fear, where paranoid people are caught up in bitter relationships usually driven by greed while they are continuously threatened by some hostile force: monsters, sharks, aliens, criminals, natural catastrophes or divine punishment.

The threatened American engages in an almost always violent 'battle to the death' against the 'bad guys', which he inevitably wins. The plot is always predictable, far removed from reality, characterized by a strong element of violence, banal special effects and with too much attention paid to the photography and the music.

¹⁸ Afferma Wenders: "Travelling through States the impression is that of a no man's land lacking culture, information, contacts with the world". Interview to "La Repubblica", 25-3-2004.

¹⁹ Cfr. J.Rifkin, *Il sogno europeo*, op.cit., p. 58.

Quite the opposite, the great European cinema (from Fellini to Buñuel to Benigni) contains a certain social dimension and makes ample use of creativity and wit. The leading characters are normally in possession of all their mental capacities, violence is rarely present and emphasis is placed on interpersonal and social relationships.

Another interesting aspect with which Europe can be compared to America is through sports. The most popular sport in Europe (and in the world) is soccer, a game that uses technique, strategy, physical strength and creative thinking. When champions like Maradona or Zidane are on the field the game reaches artistic heights.

In comparison, American football appears much more primitive. Players run with their heads down, they tackle each other violently and they pass the ball according to repetitive plays. Technique and creativity have a modest role in the game²⁰.

Another American phenomenon that is not found in Europe, is the popular sport of baseball. This is a game with fixed, repetitive plays where the player must hit a ball, which is thrown at high speed, as far as possible by using a bat. Here there is even less creativity than in American football.

The same lack of strategy is found in another popular US sport, which is also gaining popularity in Asia: golf. This is a sport that is popular especially among older people and/or people who prefer a sport which requires less physical exertion, mainly because it is played at a relaxing pace in a pleasant outdoor setting²¹.

3.8. Competition and cooperation

American culture is full of competition. At school, in business, and even in running a business there is much emphasis placed on the winner/loser situation, which seems to come straight from the Hobbesian (pre-Enlightenment) vision of “*mors tua vita mea*”.

In Europe the competitive element is present as well, but in many cases it is tempered by the instinctive impulse to work together and to rescue the weaker party.

As previously mentioned, there are many forms of collaboration in the European business world such as consortiums, cooperatives and business associations. The presence of business and professional networks are the key element that make many European business districts so successful.

Even in foreign politics Europe tends to lean towards cooperation. In the 1980s, Europe successfully resisted the constant pressure from America to adopt a violent position against the Soviet block (the Euro-missile crisis). By insisting on dialogue and through the *Ost-Politik* of Willy Brandt, the moral persuasion of Pope Paul II, and the wisdom of soviet leaders like Gorbachov who could culturally be considered a European leader, a traumatic East-West confrontation was avoided. The iron curtain of the ex-Soviet Union came down without requiring any military intervention, much to the disappointment of American powers perhaps.

4. Economic factors

A person's economic context can favor or hinder a good entrepreneurial attitude.

²⁰ Rugby, a very popular sport in european counties like Great Britain and France, is more “physical” than soccer, but in any case much more technical and creative than American football.

²¹ Actually, there is a technical and creative sport, popular in USA (and Europe): basket. But we must underline that basket is not played by “middle Americans” but by a particular category of citizens: black and hispanic youngsters living in metropolitan ghettos.

4.1. Macroeconomic growth

Both Europe and America are mature economies with fairly controlled growth rates (normally less than 4% annually) which also suffer years of recession. From 1990 to 2003 the GDP in the US increased by an average of 2%, while in Europe it increased by 1,5%.

The economy in Europe is not as dynamic as it was in the 1960s nor does it have the strength of the young Chinese economy which has been growing by an average of 9% per year for the last 30 years.

Yet at the same time, some areas of Europe have registered growth rates that are higher than that of the US; in particular these growing economies belong to the newcomers to the European Union who apparently are benefiting from their accession. Looking at the same period, 1990-2003, the economy in Ireland grew by a 6,6% annual rate, Poland by 4,4%, Finland by 2,5% and Spain by 2,3%.

4.2. Width of the internal market

The US market is the biggest in the world offers businesses an almost unlimited area to trade their products and services; it is especially advantageous if the goods and services, which might range anywhere from detergents to credit cards, are standardized products.

European businesses, by comparison, operate within the confines of a more limited national market characterized by linguistic diversity, national regulations and diverse tax laws.

This situation has changed in the recent years, thanks to the enactment of certain EU legislation which has provided for the uniformity of technical rules and the subsequent formation of a true internal market. With the enlargement of the European Union from 15 to 25 member states, the European market is clearly set to exceed the US market, both in number of consumers and purchasing power²².

4.3. Tax burden

Regardless of the differences that exist between the European countries, the tax burden in Europe remains higher than in the USA. Indirect taxes (levied on the consumer) and direct tax (levied on the citizens and businesses) are higher in Europe because they are needed to finance the services sector such as the health system, which in the US is paid for privately.

In addition, there concept of taxation and taxes is different in Europe compared to America. An idea like that of Nozick²³, according to whom taxation is something similar to doing hard labor, is considered bizarre in Europe where taxation is understood to be a way to finance the entire social system. Interestingly, in European countries such as Denmark and Sweden, where there is the highest tax rate, there is also the highest income and well being.

Social contribution is higher in some countries in order to guarantee sufficient pension coverage to all workers.

Anyone who starts up a business in Europe will undoubtedly recognize the impact of higher taxation on profit, notwithstanding the differences between the countries. It should be noted however that during the first years of activity, it is normal for the revenue of a business to be low and therefore taxes on a new business are lower.

²² With the enlargement EU citizens shall be 455 millions.

²³ Cfr. *R.Nozick, Anarchy, State and Utopia*, Harvard University Press, Harvard, 1974.

4.4. Bureaucracy

In the US, bureaucracy associated with running a business (bookkeeping, accounting etc) is more streamlined than in many European countries, Greece or Italy for example; despite computerization and the adoption of other advanced technologies, bureaucracy remains burdensome and costly in Europe.

This rhetoric often is an exaggeration of the truth. To make a comparison, the state of Florida (USA) for example has a population of 16,7 million. There are 185 thousand state employees and the 604 million local government employees. The total of these two groups equals 789 thousand public servants: 4,7% of the entire population. This is similar to, if not higher than, that of an underdeveloped region such as the south of Italy or Greece.

The European Commission is frequently criticized for its presumed excess of bureaucracy but it has only 24.000 employees, a number similar to that of a mid-sized European or North American city. In any case, this number of employees is far inferior to the number of employees and collaborators in a state agency like the CIA (which employs 72.500).

Rather than looking at the European Commission as the 'red tape' monster, it should be viewed as a great red tape reducer, considering that the task of coordinating the national policies of the 25 member states involves streamlining of their various administrations.

4.5. Financial System

The European financial system, although varied among the nations, is made up of an effective network of local banking institutions (savings banks, people's banks, etc) that tailor their services to the needs of the small businesses. Normally they offer traditional financing tools, such as loans, where the bank does not participate in the risk-taking of the venture.

This network of local institutions used to exist in the US; with the liberal politics of the Reagan era, however, this network was almost completely dismantled when many small banks closed. Between 1979 and 1999 the number of banks in the USA was reduced by half²⁴. The small-mid size businesses were left without an important financial resource, which instead has remained very active in Europe.

However in the USA, venture capital financing was developed where the investor participates in the risk of the business. Through venture capital participation, a business has the possibility of enjoying a very rapid growth in a very short time, especially if it manages to be quoted on the stock market.

It could be said that venture capital is absent in many European countries, although it is fairly well known and used in France, Germany, Holland, Sweden and Great Britain²⁵.

However the number of venture capital financing operations in general, including those in the US, is very limited if compared to the number of new businesses that there are, and so the probability of obtaining such financing is quite low. In 2000, the year in which there was the highest expansion of venture capital, only 6.213 of these operations were performed in the entire United States for a total value of 78,4 billion euro. They were only larger financing operations, where the average investment was 7,5 billion euro, or 2,2 for every 100.000 people, 45% of which were concentrated just in California²⁶.

²⁴ Cfr. Hutton, op. cit., p.135.

²⁵ Accordino to EVCA Yearbook 2002, Venture Capital operations in Europe were 7.000 in 2002.

²⁶ See: Venture One/Ernst & Young. In 2003 the number and value of Venture Capital operations dramatically decreased: 1884 operations and a value of 14,1 bln Euros.

Moreover, most of the venture capital operations were not successful; the majority of the businesses that were financed with venture capital lost value²⁷.

For example, in just one country of Europe, such as Italy, the value of subsidized credit facilities to small trade and craft businesses is 49,87 billion euro²⁸, equal to more than half the operations made in the US in the year that venture capital was at its peak. The success rate of these financial operations is higher than 95%.

4.6. Costs of running a business

In the USA, the costs of many basic services involved in running a business (legal services, accounting, consulting etc.) are particularly high and offset the lower bureaucratic and tax costs.

For example, the ratio between the hourly fees of a US attorney and those of a European attorney is 5:1, and that is despite the fact that American lawyers belong to bigger law firms which, theoretically, should be more efficient due to the larger economy of scale.

In Europe, such services are less expensive also because many matters are taken care of at the basic level in public offices, and there are many forms of professional associate groups, like accounting services.

In Europe, the only professional service category that has costs comparable to that of professionals in the US is Italian notary publics.

4.7. Quality of information

In the US, there is great deal of attention paid to the value of information, a continuous flow of urgent information which, however, can be manipulated, as has been shown in the case of the war in Iraq. Apparently the average American is often the 'last to be informed' when it comes to questions that regard more important issues²⁹.

Europeans tend to be more well-informed and are consequently more capable of making autonomous judgments compared to their North American counterparts.

Moreover, in Europe, there are more media companies that are not state-owned or influenced by big pressure groups³⁰.

4.8. Professional quality

European culture, similar in this case to Chinese and Japanese culture, is based on the ancient tradition of skill and education in professional areas. The great tradition of craftsmanship in Europe is reflected in the attention of the quality of the product, personalized work, and the creativity with which it is produced.

Professionalism, especially in countries like Germany, is not something that develops overnight but is rather the result of mid-to-long term investments. These investments are made at both an individual and collective level and they are possible only when there is a solid professional education sector and when the person running a business or exercising a profession possesses the right technical requirements.

²⁷ Cfr. Hutton, op. cit., p.229.

²⁸ Cfr. Artigiancassa, 2004.

²⁹ We ironically refer to CNN slogan "first to be informed".

³⁰ Cfr. Hutton, op. cit., p.180.

The most modern forms of technology are normally used at the highest levels, but they are always applied under the direction of a strong individual professionalism.

Even though the US received a heavy flow of European immigrants during the first half of the 20th century, who were undoubtedly a contributing factor in closing the culture gap between America and Europe, this tradition of professionalism does not exist in the USA. The US work force is still today significantly less professionally trained and prepared than in Europe.

Constant changeover in the work force combined with America's great faith in technology have caused the downfall of professionalism in the US, which also forces it to outsource work to other countries, especially when it is more cost effective.

Therefore it should not be surprising that European workers are more productive than their North American counterparts. The income of a German worker, for example, is much higher than that of an American worker, despite the fact that the latter works 28% more than the former; the conclusion is that American workers appear to have a lower hourly production rate³¹.

From the point of view of starting up a business, in Europe many new businessmen come from professional trade and crafts sectors, from hair dressers to electricians, craftsmen to mechanics; in the US these jobs are often performed by mid-to-large businesses that standardize operations as much as possible while they employ salaried workers who are underpaid and unmotivated, all of which causes the quality of the service or product to drop to a very low level.

4.9. Programs to promote new businesses

In all the main countries in Europe, there are many schemes to encourage the starting up of new businesses which are considered leading figures in overall development.

The European Union has implemented the Treatise of Amsterdam of 1997 which supports new businesses on the basis of the 4 employment policy 'pillars'³².

One of these pillars is that of equal opportunity which provides for a series of measures, at both a community and national level, to give incentives to less-advantaged individuals who intend to start up of a business: women, immigrants, the disabled, etc.

The EU has financed national programs that are also supported by funding from each separate country. Many programs directed by public agencies - such as APCE (Agence pour la Creation d'Entreprise) in France, "Enterprise Ireland" in Ireland and "Sviluppo Italia" in Italy - have contributed to the starting up of hundreds of thousands of new businesses, while other programs - like EXIST in Germany - have focused on strengthening relationships between the school system and starting up new businesses.

In the USA, the overall picture shows a lack of collaborative harmony between the States. Public ventures of this kind, if there are any, are usually weak and ineffective.

4.10. Organizational corporate models

American organizational models, propagated through business schools, heavily emphasize the role of marketing and finance.

European organizational models, as well as Japanese models, place more emphasis on directing and managing production, technological innovation and human resources.

³¹ Cfr. W.Hutton, op.cit. p. 145.

³² The other pillars are employability, adaptability and equal opportunities.

Work ethic is an essential element of European culture. In post-war Italy and Germany, the strong work ethic was built on the foundations of strong labor force, a tradition of technical skill and a combined individual and collective effort aimed at creating a better future for all. The same can be said for late-blooming economies such as Spain and Ireland and similar characteristics can be found in the Asian countries of China and Japan.

In Europe, businesses bear a social responsibility towards the general stake-holder public, which includes workers, clients, suppliers and the local community.

In the USA and Great Britain, there is a more of a tendency to 'conquer' rather than 'construct'. The international actions taken by these countries and the importance they give to financial factors have caused them to lose their manufacturing traditions. Their widespread use of the language of marketing, the basic concepts of which have been almost entirely invented in the US, provides significant proof of this.

According to North American views, using marketing means increasing the aggressive tactics of a company or business through the use of advertising campaigns aimed at manipulating consumer behavior. Marketing theorized in the US is full of expressions that are derived from military language such as 'conquer', 'attack' and 'hit the target' etc.

The basic concepts of the marketing style practiced by many European and Japanese businesses are very different from those of the US; they focus on developing a long-term relationship based on trust and reliability which is, in fact, the reason for the success of many such businesses, quite unlike the American strategy of conquering and 'capturing' the customer.

US businesses are particularly successful at producing large-scale consumer goods, or 'convenience goods', such as carbonated beverages, soap and detergent, jeans, and fast foods, while they seem to be totally unable to produce superior quality products, whether they be food products, clothing, cars or furniture.

American businesses focus on a mass-production that satisfies more mediocre tastes through the promotion of "junk goods"; in comparison, European businesses excel at producing high quality products, concentrating in particular on niche market goods.

It's evident that the European concept of developing a business creates not only great companies but it also tends to create more opportunities for a multitude of small specialized businesses working in production and commerce. In Europe, the presence of independent dealers and retailers is a common sight while in the US there are more large scale distribution systems and franchising chains that market and sell standardized products. At the same time, Europe has many more small craftsmen or tradesmen in its the services sector, like hair dressers, auto mechanics and ice cream shops, which normally provide a high-quality performance.

The attention that the US places on financing means creating sophisticated tools for borrowing money, the scope of which is to increase the amount of financial resources available to managers. This is aimed at speeding up the growth of a business so to put it into a position where it will be able to buy up newer and smaller businesses. This in turn gives stockholders results that justify the pay raises to managers (stock options). In the end, the entire chain of events means setting extremely short-term and short-sighted goals for the company, where its financial success is often gauged by how high its stocks climb on the Stock Market.

When this mechanism is pushed to the limit, what happens is a *crack*, Enron or Worldcom being cases in point; on a more general scale, when mergers and acquisitions provide bonuses to managers, consultant and business banks, they lead – with the help of "creative accounting" - to the destruction of a substantial part of the company value³³.

³³ On these aspects see J.E.Stiglitz, *I ruggenti anni Novanta*, Feltrinelli, Torino, 2004.

On a productive scale, US businesses are less concerned with human resources: workers are simply paid for the services they provide and are hired and fired as needed, otherwise known as flexibility. Just doing the job and checking the results are enough to guarantee that the manufacturing procedure was carried out accurately, especially if it was done by using computerized forms of control.

Regarding the consumer, workers and small businessmen, the predatory nature of capitalism tends to be the prevalent condition in the USA, which favors first and foremost the big stockholders, managers and consultants.

In Europe and Japan, the approach is very different. Businesses are formed, first and foremost, by people. The power of a manager is limited, less attention is given to financing, while participation and worker satisfaction (therefore also job stability) are considered essential for the success of the business; marketing, as mentioned previously, is considered important for building a trusting relationship with clients who are sure to receive quality products that have been manufactured to the high standards demanded by niche market production.

Worker participation is guaranteed in various ways which include trade unions, co-management, cooperatives and family-run businesses. Professional growth is encouraged by business and/or the government investment in training programs.

The sight of most European businesses is towards the mid-long term horizon. Investors become more stable over time and self-financing is considered more important than other forms of financing. Stock Market trends are not necessarily considered indicative of the value of the company, therefore it should not be of any surprise that many valid European businesses prefer not to be quoted on the Stock Market and instead feel that it is more advantageous to invest in new technology. Europeans invest more than US businesses, the consequences of which could possibly be the reason for their higher hourly productivity rate, even though Europeans work a shorter year in terms of hours worked and have more paid holidays than Americans typically do.

The European business vision is more in tune with the characteristics of the small businesses which cannot afford big marketing campaigns but tend to build relationships based on client trust. In addition, quality manufacturing is very important for small businesses and finding the right kind of financing is often the result of a need to further develop production.

Conclusion

“We have become tangled up in a class system that is as rigid as it was in the times of the Roman emperor Diocletian”. This dramatic phrase by the famous American writer Gore Vidal perfectly expresses the contradiction of American society today³⁴.

Hutton adds to this, “They call it the land of opportunity, but the spring of its social mobility is drying up, becoming more and more an aristocracy of a self-perpetuating wealth that forces the poor to live in conditions that are unthinkable in Europe”³⁵.

As suggested by these views, which correspond to the description of the ‘social factors’ shown earlier in the report, conditions for starting up an independent business appear to be less favorable in the US compared to Europe. Potential new entrepreneurs appear to be limited to only the fortunate few who belong to a system which discriminates on the basis of education, employment and income.

Poverty, temporary employment and social insecurity undermine not only consumption but also the opportunity to start up an independent business.

³⁴ Cfr. G.Vidal, *Democrazia tradita*, Fazi Editore, Roma, 2004, p. 117.

³⁵ Cfr. Hutton, *op.cit.*, p.342.

Lack of social trust, widespread crime rate, and the weak role of the family all contribute to reducing the number of opportunities available to Americans.

From among all the various social factors, only expanding demographics favor the start up of new businesses more than they do in Europe.

Also the cultural factors in the US appear to be unfavorable. The particular urban context, as well as the absence of close inter-relationships and solid values, all tend to weaken the commonly perceived hypothesis that there is a widespread entrepreneurial attitude in the US. While Europe remains a territory that is open to differences from which new business opportunities are created, the US in comparison continues to become more and more a 'land of homogeneousness', a place where products and services are of the same mediocre quality, this being the only advantage of big business.

The US, however, appears to have a more positive attitude toward the future than can be found in Europe as well as appearing to play a supposedly more central role in business.

Considering economic factors, there is less ambiguity in the comparison since the US clearly is stronger than Europe on all economic fronts. European macroeconomic growth may be similar to that of the US but it is unmistakably weaker. In addition the US has a stronger internal market, a lighter tax burden on businesses and a more streamlined bureaucratic system which make it an environment where it is significantly easier to start up a business.

Although these are undoubtedly important factors, they are impressively counter balanced by the other factors which are much more advantageous in Europe.

Europe boasts a financing system that is more tailored to the needs of small businesses (despite the diffusion of Venture Capital in the US) and offers specialized services that are less expensive. There is a higher quality of information in Europe; European company models do not undervalue the role of small businesses in favor of larger corporations, and the basic quality of professional services and trades is much higher which is partially due to the presence of efficient programs that promote new entrepreneurs.

We feel that the conclusions drawn in this essay are useful for three basic reasons.

First, the results of our analysis demonstrate that there is -and has been for some time now- a decline in the US compared to Europe³⁶. What is particularly significant is that if we look at one of the key aspects of the "American Dream", that being the opportunity for Americans to freely express themselves by starting up entrepreneurial ventures, Europe is actually more favorable for this kind of activity.

Secondly, we have included a series of reflections on economic and business development incentives. Contrary to what is commonly thought, potential economic policies, such as lower taxes or bureaucracy, cannot be regarded as complete truths as they are only a part of the picture. The entire picture shows that there are many factors which influence attitudes towards work, and that an excess of individualism, as underlined by J. Hirsch, undermines social trust and this can damage the long term development of economy³⁷. According to our analysis, if a society does not invest in training and preparing its own workforce, if it does not create opportunities for everyone, if it does not stimulate culture and tradition, or if it does not eliminate segregation of the population, then the process of creating new businesses is significantly weakened.

Thirdly and lastly, developing countries are looking to encourage the start up of new businesses as a means of boosting the economy and promoting their society in general. These processes provide real personal freedoms which can be enjoyed by everyone and help all people rise out of the depths

³⁶ About american decline, see I.Wallerstein, *Il declino dell' America*, Feltrinelli, Milano, 2004, and the already quoted J.Rifkin, *Il sogno europeo*.

³⁷ Cfr. F.Hirsch, *Social limits to growth*, Routledge and Kegan, London, 1976.

of poverty and misery. By investing in education and an effective health systems and a by building social trust, the result is a subsequent amplification in what Amartya Sen calls ‘capabilities’ and this indirectly influences the creation of new businesses in terms of number and level of activity³⁸. As it has already been seen in many countries, such as Argentina and Thailand, neo-liberal formulas that are based on weakening the government, reducing the protection of workers rights and giving multinational corporations unlimited power, can seriously compromise the rate of entrepreneurial activity in a country rather than increase it.

³⁸ Cfr. Amartya Sen, *Lo sviluppo è libertà*, Mondadori, Milano, 2000, p.19.

Summary

	SOCIAL FACTORS	UE	USA	Diff.
1	Wealth distribution and social equity	7	3	+4
2	Education and University	7	5	+2
3	Social Security	7	3	+ 4
4	Criminality	7	4	+3
5	Social Trust	7	5	+2
6	Family	7	5	+2
7	Role of Women	7	7	0
8	Demography	6	9	-3
	TOT			+ 14
	CULTURAL FACTORS			
1	Structure of building and architectonic space	8	5	+3
2	Openness towards other cultures	7	6	+ 1
3	Roots and territorial mobility	7	6	+1
4	Looking towards the future	6	8	-2
5	Value of the private company	7	8	-1
6	Value of money and of people	7	7	0
7	Cultural stimuli	8	5	+3
8	Competition and cooperation	7	4	+3
	TOT			+8
	ECONOMIC FACTORS			
1	Macroeconomic Growth	5	6	-1
2	Width of the internal Market	7	9	-2
3	Tax Burden	6	8	-2
4	Bureaucracy	5	7	-2
5	Financial System	7	6	+1
6	Costs of running a business	7	4	+3
7	Quality of information	7	6	+1
8	Professional quality	8	5	+3
9	Programs to promote new businesses	7	4	+3
10	Organizational corporate models	7	6	+1
	TOT			+5