



## GERMAN TRIP OBSERVATIONS JUNE 15-30, 2012

Below is a summary of my observations and some conversations from last month.

### INTRODUCTION

The main subjects of interest heard on this trip were the Euro and the European Soccer tournament. No one had an answer to the Euro problem and so not much was said on this point. Germans *do* seem to understand that the DM would be so strong as to make exports very difficult. Germany (rightly) views itself as financing Europe. But really it is only West Germany doing this and then, mainly, Bavaria and Baden Wuerttemberg. East Germany and the old, industrial northwest are still struggling. Some Germans would be happy to see Greece leave the Eurozone and would like to reverse retroactively Germany's support for Greece. But this would not end the problems for Spain and Italy. Returning to soccer, Germany was lucky not to have to play Spain.

The Euro crisis has pushed other topics that used to concern us off the front page – Scientology, Russian gas, custody of children of divorcing US-German parents, the death penalty, subsidies for Airbus, for example.

### GERMAN POLITICS

In contrast to many trips, politics were not a lively topic. Sigmar Gabriel could well be the next SPD candidate and is liked by his party but does not have much chance of winning. Steinbrueck would do better. Gabriel is simply not smart enough. The FDP has done a miserable job. No one knows what the Pirates are about and whether they are a joke or a danger.

Germans are worried about cutting off nuclear power and its effect on the price of energy. They care about the environment but are skeptical about plans for renewable energy. What will be the resulting cost of production? Some pointed out to me that only non-commercial users will pay the higher rates.

Germans know what “fracking” is [fracturing shale formations for obtaining natural gas] and think it is too dangerous to be considered.

### US POLITICS

People were interested to know that Romney has a good chance of winning the presidential election. They are surprised that US political discussion is so unpleasant and compromise so difficult. They are concerned about the Tea Party. Despite US polls (Pew) showing that the US has fallen in popularity due to drone strikes, no one mentioned these attacks.

Obama and Merkel have no personal chemistry. Still, Obama frequently cites Germany as a model in his speeches – especially regarding energy.

## GERMAN POPULAR CULTURE

When arriving at the Hamburg train station the first day, I rode up the escalator behind a really fat person and thought, “so, the Germans are fat too.” But then I overheard him speak English with an American accent. We remain the world champions in this area.

Germans grow accustomed to complying with the law every day at the crosswalk. Even when no car is in sight, they (generally) stand and wait for the “walk” sign. Everyone sees the other person doing what is asked, despite there being no obvious reason for it. I know this is a common comment about Germans, but I think it is worth repeating.

On the other hand, according to an older friend, German civil society has declined. Drivers speed up and try to beat the red light instead of slowing down. Traffic cameras are not effective. Reduction in the size of the police force encourages this bad behavior. When caught, everyone denies his/her illegal act. Years ago, if caught, the person would take responsibility and “fess up”. My own observation was that drivers are very respectful of pedestrians.

I noted some presumably Turkish-Germans ignore the lights. They were not the only ones, but were noticeable. Integration has a long way to go. On the other hand, my taxi driver in Berlin was “Persian.” He bemoaned the German soccer loss to Italy.

The use of smart phones in German – high as it is – is less frequent than in New York City and on our suburban commuter trains. On the other hand I saw lots of laptops in use, especially at Starbucks.[What is the plural of Starbucks? Starbucks’s?]

Germans wear clothing with a lot of language on it, usually English that makes little sense. Blue jeans are everywhere – more so than in the US. So are ear buds (tiny in-ear speakers), which prevent casual contact.

Prices for goods and services are very reasonable except for clothing and airport food. I did not buy gasoline. Starbucks’ prices are consistent throughout Germany and not much different from here.

Many of the issues frequently discussed had to do with BIG infrastructure projects (none of which are going on in the US today):

- The Elbe is being dredged to permit bigger ships. This will lower the water table and let more salt water in. This in turn will kill the shallow rooted fruit trees.
- The cost of the Elbe Philharmonie is not 3x the original estimate. True, the city's part of the cost has gone way up, but this is because the part paid by contributions does not change.
- The Brandenburg airport was estimated to cost only as much as one new runway at Frankfurt. This made no sense. The new deadline was set for completely political reasons, regardless of the actual analysis. Public transport to Brandenburg is good and the distance to walk once there is normal. The “safety” reason given for delay is only a convenient one because the public always wants safety – especially fire safety after the Duesseldorf disaster.

- The 3<sup>rd</sup> Frankfurt runway has raised noise dramatically. No one knows quite why the noise increase was so badly estimated. The airport was open 24 hours a day during the Iraq war, but no Americans are aware of the resulting inconvenience.
- Stuttgart 21 is moving ahead. The stretch Ulm to Munich is long done. So this is an extension. There are new issues about groundwater.

## GERMAN ECONOMY

The economy in Germany continues to do well. People admit it was Schroeder who created the conditions permitting this. While Germany was adjusting to globalization (at the costs of worker salaries), the rest of Europe looked on and borrowed money at bargain rates.

Germans (particularly in Berlin) see rents and real estate prices going up. Other Europeans look for safer investments.

Some high tech German companies profited greatly from the US wars. Those companies will have trouble buying assets in China. The US military will force them to choose between the US and China as their customers.

## GERMAN LAW

A great many young German students waste years studying law. They should switch subjects or drop out of university completely. German women are more and more studying law and becoming a bigger part of law firms. This is also true in the US. Many German law firms (not just the big name, international firms) require a 9 or better on applicants' exams. This is about the top 15%.

"Pooling" agreements are unknown to Americans; they are a product of the German tax system. They do present bankruptcy problems.

German and US "due diligence" investigations are quite different and play different roles in acquisitions. While the process is taken seriously in the US, its consequences are not nearly as important as in Germany.

Unlike the US Supreme Court, when the German Supreme Court makes a decision, the public does not know which judge voted which way. The court is not seen as being as political as the US court has become.

## LAW FIRMS

German law firms face the issues familiar to American lawyers:

- Some areas of practice are more profitable than others.
- Clients want discounts, whatever the rates.
- Clients want fixed fees – This is easier to do in Germany than in the US.
- The amount of organization needed to produce a successful, integrated firm is questioned.

- Finding and keeping highly qualified young associates is hard, especially in 2nd tier cities.
- Big, English-run law firms push out attorneys at age 60. What are they to do?
- The competition for projects is intense, with some big law firms offering to do "due diligence" for free to get the deal.

In the old days, the German owner also ran the company and long-term loyalty to and from the lawyer was expected. Now managers report to non-participant, family members and loyalty or long-term familiarity does not count. Even old, trusted law firms have to compete in beauty contests to win projects.

## MITTELSTAND

The Mittelstand is cautious about investing due to:

- There being no apparent need
- The Euro crisis
- The general world financial situation

This generation of business owners is not as driven as the last. It is more satisfied with itself. Does this have a price?

Germany has developed a class of managers to take over operations and oversight from the heirs and represent their interests in the companies.

What should Germans buy to become better consumers? They have what they need or even want. The problem (I think) is the low population growth. Young families buy and buy. Not old ones.

Big, international German companies are proud of retaining their "Mittelstand" way of management.

Chinese companies are buying mid-sized German companies. It is hard to deal with the Chinese, more so than Americans or Japanese. They shout at each other even when they are not mad. It is hard to tell what is going on.

German companies go to China sometimes for low wages but often to follow their customers. Some manufacturing has left Germany and other countries and gone to China. German suppliers to these companies have to go there, too.

Berlin's residential real estate market is tightening, with prices going up faster than elsewhere. This is due to foreigners looking for safer investments.

## FAMILY LIFE

A male friend going through a divorce lamented that support for single mothers has the effect of letting them leave their husbands and being less committed to family life and more interested in "self-actualization." He spent 7 years in the US and thinks German parties are less likely to involve whole

families, like back yard bar-b-que's in suburban US. Child care is still a problem. We encountered this in Germany 30 years ago.

Mothers who work are often blamed for any problems their children exhibit.

Germans (mostly men) often live far from their families during the week and commute home (fly) on weekends. To get the good jobs, they have to be willing to travel. In the US, the whole family moves.

Alcohol is a problem for teenagers. They view it as a "safe", "clean" drug. They drink vodka with soft drinks with the goal of getting drunk. German teenagers are permitted to travel on their own at a younger age than in the US. But they are permitted to drive only a couple of years later.

#### TRAVEL and TRANSPORTATION

German air flights, trains and local transportation (buses, streetcars, etc.) are set up for the business traveler and for visiting trade fair participants. Tourists benefit from this infrastructure. Local transportation fares are set very low. Signage to the fairs is good. Of course hotel prices during the fairs are well-known. American public transportation is not at all comparable. German airlines and airports are better run and flight times more reliable than in the US. In part this is because of more violent US weather but the rest is probably just different organization. My waits at the gate and on the runway in Germany were all very short. Security lines were short, too.

On my way back to the US, I did not go through a 2nd round of searches at Stuttgart after landing from Berlin. Liquids went through. No shoe search.

Germans complain constantly about the Deutsche Bahn and local transportation system yet it is excellent. Perhaps it remains so good BECAUSE of the complaints and pressure to do better. The DB clerks I consulted were all very efficient and knowledgeable. So were the LH crew and ground personnel.

Bike rentals are readily available as are some electric cars.

In some towns, driving is just impossible, as is finding a parking place. But traffic in cities does not compare to New York's.

When I first came to Germany years ago, every German would tell me how to get where I wanted to go but then end the directions with "and then ask on the next corner." There was always a bridge involved. Now they simply say they do not know; they only work in the neighborhood. At first I thought this might be true only of non-ethnic Germans but then a German told me the same thing. The one time I took the advice of a German bus passenger as to where to get off, he was wrong. My bus driver in Berlin was a retired US soldier (African American). His German was good, but he did not know that the numbers on one side of the Ku'damm go up and on the other side down. Still, fun to meet him in his adopted country.

Klassikstadt is a factory converted to "old timers", their storage, sale and repair, near Frankfurt. You can have a Porsche built for you there using an old body. Some of the custom cars there are close to 1 million Euros each. There's even a law firm office there! <http://www.klassikstadt.com/>

A friend's driver got his Audi diesel limo up to 300 km/hr (but not with us in it).

## ART

The Bremen Kunsthalle has recently been renovated and has a surprisingly good collection (as do many German cities). The El Greco show in Duesseldorf Kunstpalast closes August 12<sup>th</sup>. The Falkenberg Collection in Harburg (suburb of Hamburg) is much too large to see during the normal 90 minute tours. <http://www.sammlung-falckenberg.de>. Hamburg tries to compete with Berlin for young artists. Admiralitaetstrasse in Hamburg has some interesting galleries offering affordable art. For those whose taste is in their mouths, there's The Cube in the Stuttgart Kunstmuseum.

## FOOD

Dinner at The Cube on top of the new art museum in Stuttgart is a must. The garden at Zum Wattkorn (north of Hamburg) is perfect. The service is well-intended.

Thai restaurants are all over and produce good food at reasonable prices. Hot is NOT hot by Texas standards.

In the summer, Germans eat outdoors. We have almost no possibility of doing this in the US.

Italian gelato is a great bargain and pleasure. We don't have ice cream "Strassenverkauf" in the US.

Strawberries in Germany are so much better than all but the best in the US.

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