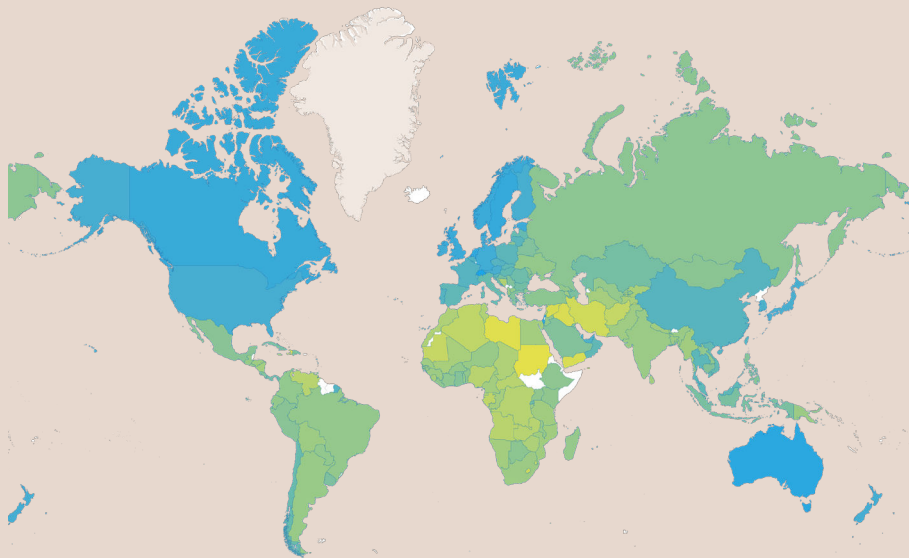


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# ELITE QUALITY REPORT 2022

**Germany: Solid performance, but outliers call for transformational elite leadership**

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## Germany: Solid performance, but outliers call for transformational elite leadership

At first sight, the performance of Germany in the EQx2022 is, as one would expect, consistent with a leading nation and the largest economy in Europe. Germany ranks at # 11 in the overall assessment of Elite Quality. Moreover, the country's ranking in the 2 Sub-Indices (Power, rank # 9, and Value, rank # 14), and 4 Index Areas (ranks between # 11 and # 21) appear to be almost stereotypically German: no cause for overwhelming cheers of joy but representing solid and satisfactory performance.

These first impressions might be deceptive. A closer look at the lower levels of the EQx multi-level infrastructure—the Pillar and Indicator levels—exposes both the strengths and weaknesses of German elite business models, denting the overall positive impression, and revealing considerable room for improvement.

The EQx framework views Power (rank # 9) as indicative of potential future value extraction. While power does not necessarily imply value extraction, there can be no value extraction without it. Germany has robust political institutions and the Index Area of Political Power (i, rank # 12) reflects this with relatively decentralized Germany ranking # 1 in *Control of corruption* (COC, i.1), # 6 in *Constraints on government power* (CGP, i.2) and # 13 in *press freedom* (PFD, i.1).

A different picture emerges, however, when inspecting the extent that firms and individuals have been able to amass Economic Power (ii, rank # 11). Firm Dominance (ii.5, rank # 101) is a remarkable outlier, and exposes the fact that Economic Power in Germany is relatively concentrated in the hands of a few selected individuals, firms and industries. For instance, Indicators such as *Top 3 firms' revenues as % of GDP* (FRG, ii.5) and *Top 30 firms revenues as % of GDP* (FRR, ii.5) highlight the relative concentration of Economic Power by firms, with Germany ranking # 67 and # 50 respectively. *Billionaires' wealth as % of GDP* (BIW, ii.5, rank # 130) paints an even gloomier picture of the concentration of Economic Power in Germany. Furthermore, *Top 3 industries exports as % of exports* (IEE, ii.4, rank # 31) and *Top 3 industries as % of VA* (IVA, ii.4, rank # 63) point towards a small number of relatively dominant industries in the German economy. The German Mittelstand, for many a key engine of German prosperity and value creation, has much less power than it ought to have given its contributions.

It is fortunate, however, that these relatively powerful organizations and elite coalitions have largely refrained from utilizing their power to restrict Creative Destruction (ii.6, rank #

11). In this regard, good performance in Indicators for *Entrepreneurship* (ENT, ii.6, rank # 13), *Firm exit ratio* (EXR, ii.6, rank # 13) and *Venture capital availability* (VCA, ii.6, rank # 4) are significant because they point to future value creation.

A more granular look at the second EQx Sub-Index, Value (rank # 14), allows us to inspect direct evidence of value creation and extraction through elite business models. Germany ranks above average in terms of value creation in the economy's 3 markets: products and services (Producer Value, iv, rank # 40), the capital markets (Capital Value, iv, rank # 27), and the labor markets (Labor Value, iv, rank # 15). Furthermore, Germany benefits from institutions developed in the political arena that, more often than not, create value. This is true, for instance, in respect to education, as is reflected in *Top Universities* (UNV, iii.7, rank # 18), *PISA Mean Scores* (PIS, iii.7, rank # 17) and *School life expectancy* (EDU, iii.7, rank # 17). This is also the case for some health-related matters such as *Life expectancy women and men* (LEW and LEM, iii.7, rank # 19 in both categories).

However, several unsettling outliers undermine Germany's overall solid performance in the EQx2022. Germany ranks a lowly # 116 for *Suicide rate per 100,000 people* (SUI, iii.8) and an even worse # 128 for *Death rates from substance use per 100,000 people* (SUB, iii.8). The EQx generally uses the most recent available data and for both of these Indicators this is from 2019. In that year, Germany registered roughly 12.3 deaths by suicide per 100,000 inhabitants. Furthermore, between 6 and 7 persons per 100,000 inhabitants died from overdoses of alcohol or illicit drugs, such as opioids, cocaine, and amphetamines. This indicates that the state tolerates, to an alarming extent, the existence of some business models that extract the ultimate form of value—life itself.

Overall, the German elite system fosters value creation over extraction. The country rarely ranks among the world's very best in any area, pointing to a lack of exceptional and transformational leadership from its elites, which are generally solid while nonetheless having some concerning blind spots. German decision-makers will hopefully address issues such as the over-concentration of Economic Power in the near future in order to maximize the potential value creation of the nation and of Europe as a whole.

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# Germany

## EQx2022 Country Scorecard

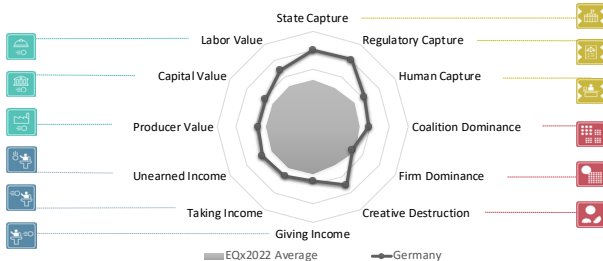
Population **83 million**  
 GDP (nominal) **3'846 billion USD**  
 GDP per capita **46'290 USD**



<b>Level 1 - Index</b>	<b>EQx Rank / 151</b> <b>11</b>	<b>EQx Score</b> <b>62.7</b>	<b>High Quality Elites</b>
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (I)		Economic Power (II)		Political Value (III)		Economic Value (IV)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	9	67.0	14	60.6	12	75.9	11	62.5	21	58.6	14	61.5

Level 3 - Pillars	Rank / 151	Score
Political Power (I)		
State Capture	7	80.4
Regulatory Capture	8	81.2
Human Capture	34	62.5
Economic Power (II)		
Coalition Dominance	24	58.5
Firm Dominance	101	47.7
Creative Destruction	11	70.1
Political Value (III)		
Giving Income	35	56.2
Taking Income	25	59.2
Economic Value (IV)		
Unearned Income	22	61.1
Producer Value	40	57.2
Capital Value	27	57.5
Labor Value	15	68.7



Level 4 - EQx Indicators	Rank / 151	Score
State Capture (I.1)		
COR Political corruption	6	90.6
MOB Social mobility (upward)*	13	81.2
MOD Social mobility (downward)* (n)	11	86.7
PDE Political decentralization	11	76.9
ADE Administrative decentralization	29	74.0
PGL Political globalization	2	90.2
WPI Women's Power Index	30	71.5
RTC Government's responsiveness to change	17	76.8
EPR E-Participation Index	54	63.2
PFDP Press freedom	13	82.9
COC Control of corruption	1	100.0
OPG Open government (n)	10	93.1
NJK Nr. of journalists killed per 1 million people (2yrs avg.) (n)	1	58.2
REQ Regulatory quality (n)	10	90.2
CRO Crony capitalism	26	62.7
ECR Ease of challenging regulations	8	91.9
EDB Digital institutional quality	14	66.4
PRI Property rights	22	82.7
INO Informal output as a % of GDP (n)	14	84.4
CGP Constraints on government power (n)	6	95.4
REN Regulatory enforcement (n)	1	100.0
Regulatory Capture (I.2)		
GSI Global Slavery Index	31	66.2
WBL Women, business and the law	9	79.4
LIN LGBT+ inclusiveness	19	81.4
GRI Religion - Government Restriction Index	73	56.4
SHI Religion - Social Hostilities Index	137	11.7
WSB Women self made billionaires	12	57.4
HRI Human Rights Index	7	95.1
FDP Forcibly displaced population as % of population	5	56.2
AFI Academic Freedom Index	5	77.6
FLS Financial Literacy Score (n)	1	100.0
WMA Prop. of women in senior and middle mgmt. positions* (n)	71	39.9
Human Capture (I.3)		
IEE Top 3 industries exports as % of exports	31	68.4
ECI Economic Complexity Index	1	100.0
IVA Top 3 industries as % of VA	63	47.1
CON Construction as % of GDP*	24	54.5
MIL Military expenses as % of GDP*	124	38.8
UNI Unionization rate*	40	61.1
CBC Collective bargaining coverage	60	32.0
BSN Barriers in service & network sectors		
PUE Public employees as a % of total employment (n)		
CRA Criminal actors (n)	57	58.3
Firm Dominance (II.5)		
SME SMEs per 1,000 people	47	44.0
BIW Billionaires' wealth as % of GDP	130	29.7
FKG Top 10 firms market cap as % of GDP	47	52.8
FRG Top 3 firms revenues as % of GDP	67	53.5
FRR Top 30 firms revenues as % of GDP	50	48.5
TUL Listed firms turnover, long run 15 yrs	25	29.6
TUS Listed firms turnover, short run 3 yrs	18	45.6
ENT Entrepreneurship	13	93.9
VCK Venture capital finance	16	65.0
RND R&D as a % of GDP	7	88.6
EXR Firm exit ratio	13	52.4
BCD Billionaire's creative destruction	15	63.7
IWE Index of Women Entrepreneurs	26	58.5
VCA Venture capital availability	4	99.8
GSE Governmental support to entrepreneurship	32	60.1

Rank / 151	Score	
SNT Subsidies and transfers as % of expenses	120	0.0
REG Regional redistribution as % of government budget	137	0.0
EDU School life expectancy	17	73.2
GPS Expenditure on general public services as % of GDP*	43	51.7
INT Internet access	23	76.9
NRI Network Readiness Index	8	93.7
LEW Life expectancy women	19	77.1
LEM Life expectancy men	19	78.8
FSQ Global Food Security Index - availability, quality & safety	18	75.3
COV COVID-19 excess deaths, age-adjusted	29	62.5
COF COVID-19 fatality rate, age-adjusted	37	62.2
COM COVID-19 mortality rate, age-adjusted	76	57.1
CLS COVID-19 lost schooldays	58	55.2
VAX COVID-19 vaccination rate (n)	36	73.6
OSI Online Service Index	55	63.5
UNV Unversities (n)	18	76.6
PIS PISA mean scores (n)	17	71.0
GEX General government expenditure as % of GDP* (n)	136	20.4
DCT Corporate tax rate*	70	47.4
HOM Homicide rate	26	71.7
INE Top 10% share of pre-tax national income	34	72.9
FDE Fiscal decentralization	4	98.4
DTR Tax revenue as % of GDP*	4	78.5
BRD Battle-related deaths per 100,000 people	1	54.2
GCI Global Cybersecurity Index	18	77.8
SUI Suicide rate per 100,000 people	116	41.0
SUB Death rates from substance use per 100,000 people	128	22.6
DPS Delta public vs private sector salaries (n)		
GEG Gender education gap (n)	13	64.6
Unearned Income (III.9)		
EPI Environmental Performance Index	9	97.4
DBT Government debt as % of GDP	99	47.8
NRR Natural resources rents as % of GDP (n)	17	80.5
CDO CO2 emissions (metric tons per capita) (n)	107	23.7
CRM Criminal markets (n)	61	55.9
TRF Trade freedom	10	76.9
FDS FDI inflows as % of GDP, stock	105	43.3
BTF Barriers to FDI	13	68.8
EGL Economic globalization	20	83.8
HEI Health Efficiency Index	43	28.7
OFB Open for business	18	69.4
ESG ESG company scores	7	70.9
RDR R&D as % of revenue Top 10 firms	1	100.0
FSA Global Food Security Index - affordability	10	77.1
PAT Nr. of patent applications per 100,000 people	5	86.5
IPM % of imports targeted by protectionist measures (flow)	123	49.3
IPS % of imports targeted by protectionist measures (stock) (n)	66	7.2
DGI % of discr. gov't. interventions as % of total interv. (flow)	129	32.9
DGS % of discr. gov't. interventions as % of total interv. (stock) (n)	143	1.2
Capital Value (IV.11)		
DNI Neutral interest rate*	19	54.8
DOI Inflation*	59	54.6
GOL Gold demand as % of GDP	20	43.5
DMA M&A as % of investment - 3 yrs rolling avg.*	36	53.2
DKI Delta capital gains tax vs income tax	77	36.2
UNC Unicorns per 1 million people	12	75.4
BSG Billionaires self-made nr. per 1 million people	17	57.5
B5M Billionaires self-made as % of total billionaires	56	25.3
FMI Financial Markets Index	10	94.3
Labor Value (IV.12)		
UEM Unemployment rate	29	68.2
LFP Labor force participation rate	87	47.3
WLP Delta real wage vs labor productivity increases	12	58.4
YUN Youth unemployment rate	25	72.6
BRN Human flight and brain drain	15	90.0
LFR Labor force participation ratio - male vs female*	51	64.0

\* Calculated as the deviation from a conceptual optimum  
 (n) Refers to Indicators newly incorporated in the EQx2022