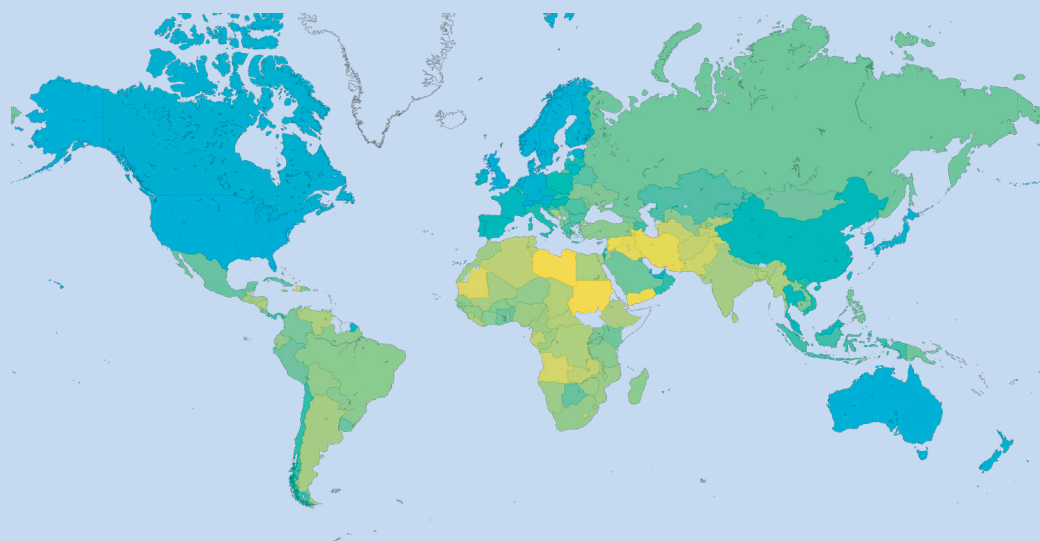


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ELITE QUALITY REPORT 2021

Germany: A gold mine full of contradictions

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Germany: A Gold Mine Full of Contradictions

It is no exaggeration to say that Germany, the only country that fully believed in its homegrown biotechnological hub, saved the world from COVID-19. The first and most innovative mRNA-based vaccine to combat the pandemic was conceived through the work of BioNtech, a global leader in immunotherapy based at the University of Mainz. Ugur Sahin and Özlem Türeci, a married couple of first and second-generation Turks, are a success story of German inclusion and educational mobility. They received the code of the virus only in mid-January 2020, but by the beginning of April, the best vaccine ever invented was ready to start clinical trials. At least a decade of German-based research laid the foundation for the rapid development of the vaccine. As soon as the research showed promise, about EUR400 million of public money was invested into the ongoing work by the German government. In EQx terms, this is an exemplary example of Giving Income, even if Germany's lowly global ranking is # 45 in this Pillar (iii.7). The German state got this right and so did Dr Sahin, now one of the 100 richest individuals in Germany.

According to Ursula von der Leyen, the German President of the European Commission, when launching the European Innovation Council: "We're good at making science with money; we need to get better at making money out of science". The statement could have been directed at the German pharma sector, disinterested in investing in the German vaccine. As a result, this value was readily captured by Pfizer, one of the leading US 'Big Pharma' companies. According to the EQx2021, this paradox is symbolic of the tension between German elites, and is mirrored in many facets of the political economy. The costs of innovation are borne by society at large, but the returns are privately appropriated.

Germany leads the world in productive research (RDR, iv.10, rank # 1) and *Venture capital availability* (VCA, ii.6, rank # 1). It is also very good at R&D in general (RND, ii.6, rank # 6), in patent applications (PAT, iv.10, rank # 9) and for its *Net brain drain* (BRN, iv.12, rank # 13). It enjoys a high level of connectivity for such a large country, as exhibited by its high score in the *Network Readiness Index* (NRI, iii.7, rank # 9), is a stellar performer in the in *Academic*

Freedom Index (AFI, ii.4, rank # 5), leads the world terms of its diversity of specialized knowledge and organization (ECI, ii.4, rank # 1) and its levels of *Political globalization* (PGL, i.1, rank # 1). In short, Germany offers an excellent environment for research and provides a gold mine of promising ideas for the world.

Such an environment should be an extremely fertile place for emerging free elites to thrive and prosper. However, Germany has failed to produce new cohorts of elites for decades, as exhibited by its extremely disappointing showing in *Billionaires' wealth as % of GDP* (BIW, ii.5, rank # 134), and its too few self-made billionaires (BSM, iv.11, rank # 54).

Disowning its frugal tradition in the depths of the pandemic, the country's 2020 fiscal stimulus was among the highest in Europe. This was a heroic attempt to keep firms—both the good and the bad—and jobs alive. However, this redistribution was captured by many different lobbies, dragging Germany's score towards the bottom for the *Subsidies and transfers as % of expenses* (SNT, iii.7, rank # 107) and *Regional redistribution* (REG, iii.7, rank # 136) Indicators. Germany's highest deficit since reunification now stands at 42% of GDP. The country has many dynamic industries and regions, but these are still paying for the laggards, political pressure from which is undoubtedly very extractive. *Government debt* has skyrocketed (DBT, iii.9, rank # 96), requiring a waiver of the constitutional debt brake.

Simmering social tensions have not made it easier to govern the country under mounting pressure, and Germany ranks poorly in the *Social Hostilities Index* (SHI, i.3, rank # 132), for deadly substance abuse (SUB, iii.8, rank # 126), and for having a regrettably high *Suicide rate per 100,000 people* (SUI, iii.8, rank # 117).

Overall, German elites will need to redouble their efforts to regain the EQx podium place that they held in the pre-COVID world. This looks like it may be a longer-term project.

Prof. Guido Cozzi,
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Germany

EQx2021 Country Scorecard

Population **83 million**
 GDP (nominal) **3861 billion USD**
 GDP per capita **46'445 USD**



Level 1 - Index

EQx Rank / 151	EQx Score
15	62.4

High Quality Elites

Level 2 - Sub-Indices & Index Areas

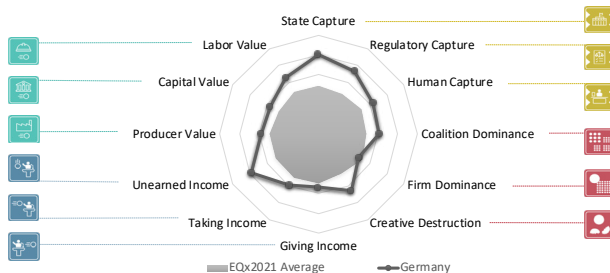
EQx Sub-Indices			
Power		Value	
Rank / 151	Score	Rank / 151	Score
10	64.9	16	61.2

EQx Index Areas

Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
11	73.4	13	60.6	17	62.6	19	60.5

Level 3 - Pillars

		Rank / 151	Score
Political Power (i)	State Capture	8	80.5
	Regulatory Capture	15	73.6
	Human Capture	31	63.9
Economic Power (ii)	Coalition Dominance	26	61.3
	Firm Dominance	104	47.2
	Creative Destruction	15	65.9
Political Value (iii)	Giving Income	45	53.9
	Taking Income	30	59.4
	Unearned Income	6	78.5
Economic Value (iv)	Producer Value	24	58.2
	Capital Value	35	56.5
	Labor Value	24	66.0



Level 4 - EQx Indicators

		Rank / 151	Score
State Capture (i.1)	COR Political corruption	9	89.4
	MOB Social mobility	19	72.9
	PDE Political decentralization	11	77.2
	ADE Administrative decentralization	29	74.0
	PGL Political globalization	2	90.5
	WPI Women's Power Index	27	73.0
	RTC Government's responsiveness to change	17	76.8
	EPR E-Participation Index	54	63.2
	PFDF Press freedom	11	87.9
Regulatory Capture (i.2)	COC Control of corruption	1	100.0
	DBI Institutional quality	20	77.7
	CRO Crony capitalism	21	60.4
	PMI Protecting minority investors	57	59.7
	ECR Ease of challenging regulations	5	99.9
	EDB Digital institutional quality	14	66.4
	PRI Property rights	22	82.7
	GSI Global Slavery Index	31	66.2
	WBL Women, business and the law	7	80.3
Human Capture (i.3)	LIN LGBT+ Inclusiveness	23	77.4
	GRI Religion - Government Restriction Index	80	55.3
	SHI Religion - Social Hostilities Index	132	18.0
	WSB Women self made billionaires	9	63.3
	HRI Human Rights Index	7	94.9
	FDP Forcibly displaced population as % of population	1	56.2
	AFI Academic Freedom Index	5	77.6
	IEE Top 3 industries exports as % of GDP	2	75.7
	ECI Economic Complexity Index	1	100.0
Coalition Dominance (ii.4)	IVA Top 3 industries as % of VA	56	40.1
	CON Construction as % of GDP (dev. fm optimum)	7	69.6
	MIL Military expenses as % of GDP (dev. fm optimum)	123	23.9
	UNI Unionization rate (dev. fm optimum)	28	61.0
	CBC Collective bargaining coverage	42	34.7
	BSN Barriers in service & network sectors	7	76.4
	PRO Top 10 firms profitability	87	48.4
	SME SMEs per 1,000 people	46	44.3
	BIW Billionaires' wealth as % of GDP	134	23.1
Firm Dominance (ii.5)	FKG Top 10 firms market cap as % of GDP	40	51.3
	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 years	27	27.4
	TUS Listed firms turnover, short run 3 years	18	45.6
	ENT Entrepreneurship	13	92.2
	VCK Venture capital finance	16	65.0
	RND R&D as a % of GDP	6	83.8
	ENR Firm entry ratio	67	50.0
Creative Destruction (ii.6)	EXR Firm exit ratio	11	54.8
	BCD Billionaire's creative destruction	18	56.0
	IWE Index of Women Entrepreneurs	26	58.5
	VCA Venture capital availability	1	100.0
	GSE Governmental support to entrepreneurship	37	48.2

		Rank / 151	Score
Giving Income (iii.7)	SNT Subsidies and transfers as % of expenses	107	0.0
	REG Regional redistribution as % of government budget	136	0.0
	EDU School life expectancy	16	71.1
	GPS Expenditure on general public services as % of GDP (dev. f	31	54.0
	INT Internet access	21	77.0
	NRI Network Readiness Index	9	92.6
	LEW Life expectancy women	19	77.2
	LEM Life expectancy men	19	78.8
	FSQ Global Food Security Index - availability, quality and safety	14	83.1
Taking Income (iii.8)	COV COVID-19 excess deaths, age-adjusted	13	66.2
	COF COVID-19 fatality rate, age-adjusted	39	59.6
	CGD COVID-19 growth differential	122	50.6
	COM COVID-19 mortality rate, age-adjusted	80	39.7
	CLS COVID-19 lost schooldays	66	54.3
	OSI Online Service Index	54	63.4
	DCT Corporate tax rate (dev. fm optimum)	67	47.9
	HOM Homicide rate	23	69.5
	INE Top 10% share of pre-tax national income	37	70.4
Unearned Income (iii.9)	FDE Fiscal decentralization	15	65.5
	DRD Tax revenue as % of GDP (dev. fm optimum)	6	79.6
	BTR Battle-related deaths per 100,000 people	1	53.8
	GCI Global Cybersecurity Index	23	79.9
	SUI Suicide rate per 100,000 people	117	33.2
	SUB Death rates from substance use disorders per 100,000 pe	126	37.2
	OCR Organized crime	52	58.8
	DUT Dutch disease propensity	11	86.6
	EPI Environmental Performance Index	9	97.5
Producer Value (iv.10)	DBT Government debt as % of GDP	96	48.6
	TRF Trade freedom	13	75.8
	FDI FDI net inflows as % of GDP	103	41.9
	BTF Barriers to FDI	13	67.4
	EGL Economic globalization	6	92.3
	HEI Health Efficiency Index	43	28.7
	OFB Open for business	13	64.2
	ESG ESG company scores	7	70.9
	RDR R&D as % of revenue Top 10 firms	1	100.0
Capital Value (iv.11)	FSA Global Food Security Index - affordability	13	76.2
	PAT Number of patent applications per 100,000 people	9	64.4
	IPM Share of imports targeted by protectionist measures	125	41.6
	DGI Share of discriminatory government interventions as % of t	124	24.9
	DNI Neutral interest rate (dev. fm optimum)		
	DOI Inflation (dev. fm optimum)	1	62.7
	GOL Gold demand as % of GDP	19	49.8
	DMA M&A as % of investment - 3 yrs. rolling average (dev. fm. <	36	53.2
	DKI Delta capital gains tax vs income tax	60	27.1
Labor Value (iv.12)	UNC Unicorns per 1 million people	13	65.5
	BSG Billionaires self-made number per 1 million people	17	53.7
	BSM Billionaires self-made as % of total billionaires	54	26.8
	FMI Financial Markets Index	12	96.6
	UEM Unemployment rate	17	65.9
	LFP Labor force participation rate	85	47.2
	WLP Delta real wage vs labor productivity increases	20	53.8
	LDR Labor dependency ratio	20	71.0
	YUN Youth unemployment rate	25	72.6
Labor Value (iv.12)	GWG Gender wage gap	29	70.2
	BRN Net brain drain	13	71.0
	LFR Labor force participation ratio - male vs female	51	64.0

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries
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