Comparing living standards – how Germany outperforms the United States

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Abstract:

The paper compares living conditions in the U.S. and Germany for the year 2022 with a focus on economic, social and environmental standards. Eleven dimensions of comparison are used, split into 14 themes, which are examined with 70 indicators. Subjective indicators based on polls or surveys are explicitly not used, such as happiness or quality of life in general. A special emphasis is on median values instead of mean ones, if data allow, and on income and wealth inequality. The methodology with a focus on only two countries in a granular approach allows much more detailed information than the one in other studies. The paper is, as to the knowledge of the author, the only comprehensive comparison of living conditions in the U.S. and Germany.

The result of the comparison shows that Germany is superior in nine thematic areas out of 14, the U.S. in four (one is on par). If the 14 measures are supplemented with the strength of superiority in each with only three grades (small, strong, very strong), Germany scores 18 to 6. The eleven dimensions are not weighted.

The framing of the comparison is the analysis of two different types of capitalism, beyond a purely quantitative analysis. It underlines the limited role of GDP and its growth for the living conditions of the majority of the population, and the impact of institutions and of the type of welfare state. Yet, GDP is not irrelevant. The U.S. is classified as a system with pro-rich growth, while the case for Germany is not so clear.

Zusammenfassung:

Diese Studie vergleicht die Lebensbedingungen in den USA und Deutschland im Jahr 2022 mit dem Fokus auf ökonomische, soziale und ökologische Standards. Es werden elf Dimensionen behandelt, aus denen sich 14 Themenbereiche ergeben, die anhand von insgesamt 70 Indikatoren untersucht werden. Subjektive Wahrnehmungen von Wohlfahrt oder Glück werden explizit nicht beachtet, die jedoch in anderen Studien aus Befragungen über Glück oder

Lebensqualität im Allgemeinen abgeleitet werden. Besondere Beachtung finden Medianwerte anstelle von Durchschnittswerten, soweit hierzu statistische Daten vorliegen, sowie die Einkommens- und Vermögensungleichheit. Die verwendete Methodik weicht von anderen Untersuchungen ab, indem nur zwei Länder mit einer größeren Zahl an Indikatoren untersucht werden, um die Besonderheiten der Länder besser zu erfassen. Die Studie ist nach Kenntnis des Autors die Einzige, die in einem breiten, aber fokussierten Themenspektrum die Lebensbedingungen in beiden Ländern untersucht.

Im Ergebnis zeigt sich, dass Deutschland in neun von 14 Themenbereichen bessere Bedingungen aufweist, die USA in vier. In einem Bereich sind sie gleichwertig. Vertieft man die ordinalen Bewertungen (nur „besser“ oder „schlechter“), mit drei Stufen des Vorsprungs (klein, stark, sehr stark), ergibt sich eine Punktbewertung für Deutschland von 18 zu sechs. Die Dimensionen und Themenbereiche werden nicht gewichtet. Es wird vermieden, eine einzige eindimensionale Bewertungszahl wie etwa beim Bruttoinlandsprodukt je Einwohner zu bilden.

Der Ländervergleich ist Teil einer Analyse von zwei unterschieden Spielarten des Kapitalismus. Er zeigt, dass das Bruttoinlandsprodukt und das Wirtschaftswachstum eine viel geringere, wenngleich nicht irrelevanten Rolle spielen. Institutionelle Unterschiede und die Ausformung des Sozialstaates sind wichtiger. Was das Wirtschaftswachstum betrifft, wird letzteres für die USA als *pro-rich growth* klassifiziert, während Deutschlands Position an dieser Stelle offen bleibt.

Comparing living standards - Germany outperforms USA

1. A novel approach

There are many data on living standards and multi-country- comparisons on the table, most prominently the OECD “Better Life Index” (OECD 2023), among many other popular comparisons of key data. We have found – surprisingly – no comprehensive analysis of living conditions of the U.S. and Germany. Here we follow a new approach for comparison: we focus on only two countries, use more indicators and more granular ones which enable an in-depth analysis; we focus as far as possible on median data rather than averages, hence putting ordinary people in the limelight instead of fictitious mean values which apply to nobody; we avoid a single overarching measure as a substitute for GDP, supposed to synthesise many dimensions. In this way, we follow many recommendations of the Stiglitz-Commission (Stiglitz, Sen, Fitoussi 2010, in the following Stiglitz et al. 2010) which can be summarised as “going beyond GDP” when measuring the quality of life. We leave out any subjective evaluation based on pols and surveys as in the “Better Life Index” or in the “World Happiness Report”.

It is not an easy undertaking to go beyond GDP, as recommended by the Stiglitz-Report. Since GDP per capita in the U.S. is 57.7% above the German value, measured in current US$ (2022), which looks at first glance like an obvious massive advantage, and 21% in terms of purchasing power parity dollars (see WDI), we devote much space to analyse this issue regarding incomes and related dimensions in greater detail. Overall, we look at 70 indicators of which 25 are related to incomes, poverty and income distribution.

We distinguish the following eleven dimensions (eventually split into 14 values), use several indicators for each of them, and report the scores on happiness from two other analyses as an add-on:

- GDP per capita and wages

- Household incomes

- Personal consumption

- Wealth

- Health

- Security

- Housing

- Education

- Environment

- Social provisioning

- Distribution of income and wealth.

To mention some key findings upfront: Germany outperforms the U.S. in the majority of dimensions, in some strongly, in others slightly, and in some the U.S. is ahead or both at equal footing. Our focus is on a static analysis of the year 2022, including adjacent years if necessary due to lack of data for 2022. With few exceptions, we don't look at historical data. Yet, we are interested why a country with much higher GDP per capita does not fare better than the one with lower GDP. The outcome is the insight that the level of GDP is much less important for living conditions than one might think at a first glance. Of course, this does not mean that GDP and National Accounting is irrelevant or unnecessary.

The analysis sheds not only light on the comparison of the two countries, but it helps clarifying what the standard of living is and how it should (not) be measured; furthermore, it contributes to better understanding both types of capitalism – a European welfare state, neither avantgarde nor bottom of the league – by contrasting them. We refrain from a dynamic analysis, don`t attempt to offer a complete list of dimensions and we exclude gender issues (apart from a few data) which would require a separate paper. Subjective valuations via interviews and polls are avoided except when happiness surveys are reported. They make little sense for country comparisons if familiarity with the home country is predominant and living conditions in the other country are not well-known or filtered by hearsay so that sometimes people are not aware of massive (dis)advantages relative to the other country.

In order to define and quantify living conditions we need to answer the question: *whose* living conditions? There is no representative average or representative citizen. We opt for the majority of society with a focus on the less affluent halve but have an eye on the whole of society. Therefore, we define living conditions as social, economic and environmental conditions in a country which are representative at best for the majority of the population. Not all living conditions can be heeded, so we focus on the dimensions mentioned above. This implies that simple averages can deliver distorted pictures if they differ strongly from median values. Yet, for many dimensions there are only average data available. Whether living conditions are

perceived as good or bad is important for polls and policy makers, but here we refrain from subjective individual views and are cautious to use our own judgement.

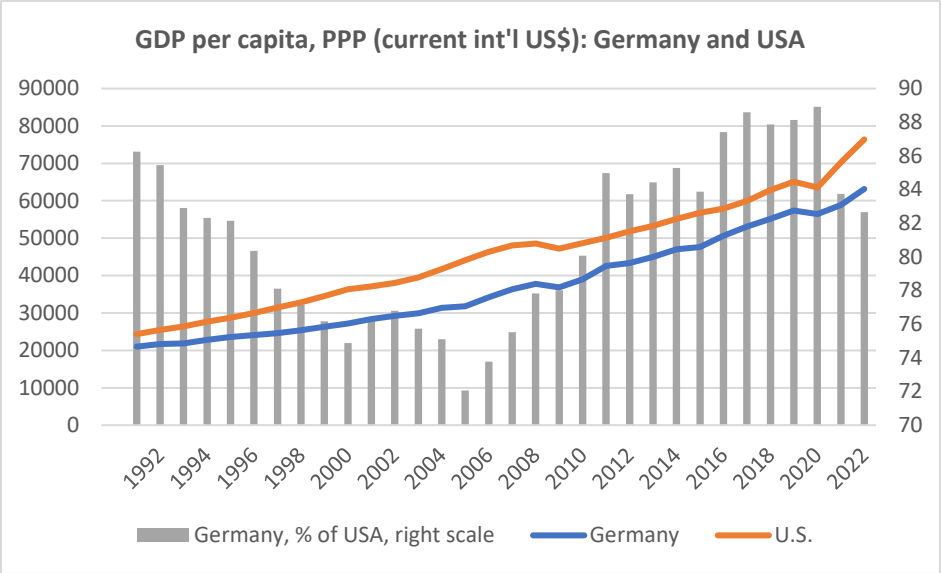
This methodology has three important implications: First, the distribution of incomes and wealth plays a key role since it has a strong impact on many aspects of living conditions as found by many analysts (see Wilkinson/Pickett 2010). Distribution is a catalyst for misery and prosperity of a large share of the population. Since living conditions differ strongly across people and regions, looking at differences and inequality is a necessary precondition. Second, working conditions and especially working times, hence availability of leisure time, is an important ingredient of prosperity. Incomes and GDP or GNI need to be relativised; working time adjusted income is the proper standard, not income as such. Third, environmental and social externalities of production and consumptions have a strong bearing on living conditions, especially in times when natural resources are grossly over-used and have become scarce. This also relevant for the social sphere, such as crime and health. In this analysis, we do not intend to look at everything that is connected to living conditions. We avoid the terms quality of life, wellbeing, happiness or life satisfaction.

In the remainder, we start in the 2nd section with key general features of the two economies and societies. In the main section (3rd), we disentangle the data on incomes and wealth in order to assess the seemingly strong disparities and rush then through the other dimensions. Finally, in the fourth and last section the dimensions are plugged in the overall picture with the specific features of the two capitalisms. Aggregation of all indicators to one grand indicator is not our main goal although we sum up rough valuations with only three grades for dimension. We dethrone GDP and GDP per capita as the decisive determinants of wellbeing, a substitute for the erstwhile utility in the utilitarian tradition of economics, although not meaningless, and point to the role of institutions and distribution of wealth and income.

2. A few general features of the U.S. and German economy

Regarding the period since the new millennium, the GDP growth trend between the two countries differed markedly (1.9 versus 1.1%), given a much higher level of GDP in the U.S. (if not mentioned otherwise, data in this section refer to Table 1). However, in terms of GDP per capita, growth rates differ by only 0.2 percentage points (pp), counted in purchasing power parity and current U.S. dollar. All along, American per capita incomes grew at a level which is 21% above the German in the year 2022 (note that DE is 17.3% below the U.S. what amounts to 21% of the U.S. being above DE), with strong fluctuations (Figure 1). A part of the fluctuations depended on the appreciation of the Euro (until 2008) and the subsequent devaluation and stabilisation. The higher level must be seen in this context: Gross National Income (GNI) of the U.S. is 3.0 percentage points (pp) lower than U.S. GDP, while GNI in Germany is 3.3 pp higher (the difference comprises net exports and net income from abroad, all data for 2022); net national income that can be distributed domestically is calculated by deducting depreciation on fixed capital (or called consumption of fixed capital), which is 20.5% of GDP in Germany and 16.8% in the U.S. (see AMECO, OECD.Stat and WDI).The share of fixed investment in GDP is almost the same (in 2022) in both countries. In other words, using net national income (GNI minus depreciation) rather than GDP reduces the difference in GDP per capita between both countries by 10.7 pp.

Figure 1

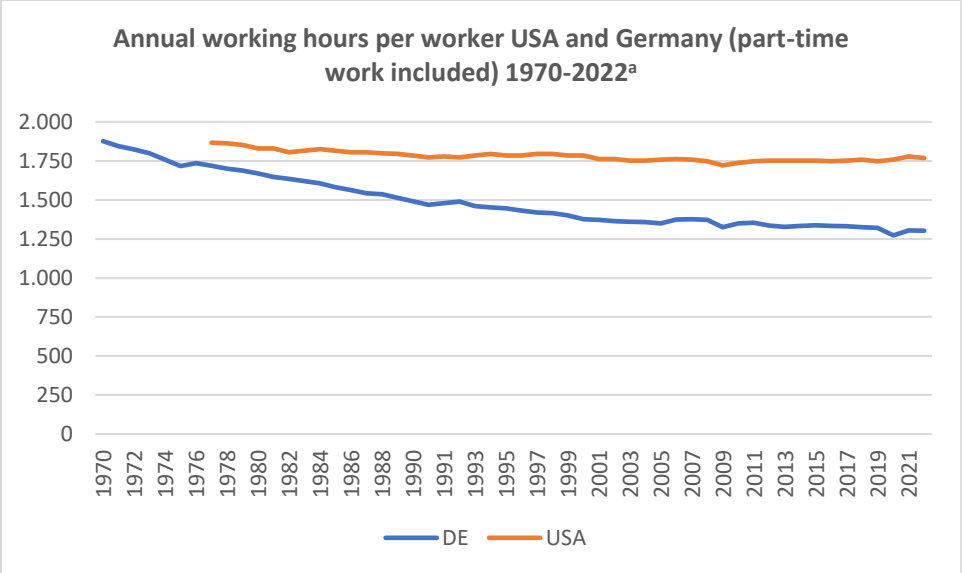


WDI 2023

It is self-evident that comparisons of living standards depend on per capita rates. Although the fertility rate and the net migration rate (in % of the population) do not differ much, the mean population growth rate in the U.S. in the period 2000-2022 is almost 0.7 pp higher than in Germany. While natural population growth is slightly negative in Germany (deaths > births), it is 0.43% in the U.S., given the considerable difference in the median age of the population. Americans are almost 10 years younger, on average, in 2022.

The size of private households in the U.S. is 2.6 persons, in Germany only 2.0 (2021). A key difference is the high share of single-person households in Germany – 41.0% compared to 27.6% in the U.S. This impacts household income per capita if the equalisation method is factored in. The OECD statistics use the category *equivalised household income per capita*, counting the first adult with 1.0, persons above 13 years 0.5 and children below 14 with a weight of only 0.3. Occasionally older equivalence definitions are still in use such as the square root of the household size.

Figure 2



[a] For the U.S., actual and paid production and non-supervisory employees who represent 80% of the workforce (CEA 2023, Table B30), for DE actual and paid working time of dependent employees (Destatis 2023, FS 18 1.5 table 1.13 based data from IAB; see also IAB 2020). For Germany, there is a break of data in 1991 due to the reunification.

An important feature of the German structure of society with strong economic impact is the low annual working time for employees – 1,341 rather than 1,811 hours in the U.S. (2022). Germans seem to appreciate leisure time much more relative to work. Yet it is not clear how free decisions on working times are, in both countries. There is no competitive market for working times. Most dependent workers have no choice or only full time versus part time. Germany has the lowest annual working time among all OECD countries, 35% less than the U.S. in 2022. This is based both on lower working times for full time workers and on a much higher share of part-time work (< 30 hours per week, as defined in Germany, < 35 hours in the U.S.). Almost half of female work is part-time in Germany, incentivised by an income tax tariff with preference for full-time work for men and part-time for their wives. Thus, it must be classified as fiscal patriarchy under the veil of *Ehegattensplitting* (parental split) in the tax law.

Inflation was slightly higher in the U.S., as was unemployment (measured with the ILO method) in Germany.

A key difference in living conditions comes to the fore if revenues from tax and social security contributions are compared (2019 for U.S. and 2020 for Germany), in the latter case exceptional due to the pandemic – 32.9% and 54.4% for total revenues. The space for redistribution and reallocation towards public goods, is much vaster in Germany. Total government spending amounts almost to half of GDP in 2022, and about 38% in the U.S. (in both countries elevated due to the aftermath of the COVID-pandemic). The U.S. welfare state differed ever since strongly from the European (see Esping-Anderson 1990) and did not change fundamentally over the last decades.

Table 1: Basic data, U.S. and Germany

	USA	DE	date	Source
Growth rate of GDP (constant 2015 US$) 2000-2022	1.9	1.1	2000-2022	WDI
Growth rate of GDP per capita, PPP (constant 2017 international $)	1.2	1.0	2000-2024	WDI
Fertility rate, total (births per woman)	1.66	1.58	2021	WDI 2023
Annual net migration rate (% of population), mean	0.37	0.31	2000-2021	ditto
Population growth, mean rate p.a.	0.80	0.11	2000-2022	ditto
Natural population growth, % 2000-2022	0.43	-0.20		ditto
Age of population, median	38.5	47.8	2020	ditto
Size of households, persons	2.50	2.06	2022	US Census Bureau 2023, Destatis 2023[a]
Share of single-person households, %	27.6	41.0	2020 US, 2022 DE	US Census Bureau 2022, Destatis
Annual working time per person in paid work, hours (part-time work included)	1,811	1,341	2022	OECD 2023h
Mean unemployment rate, total (% of total labour force) (modelled ILO estimate)	5.9	6.4	2000-2021	WDI 2023
Inflation, consumer prices (annual %), mean	2.5	1.7	2000-2022	WDI 2023

Revenues from social security contributions, % of GDP	6.3	14.9	2021	OECD.Stat 2023
Tax revenues, % of GDP	26.6	39.5	2021	OECD.Stat 2023
Government expenditure, % of GDP	38.4	49.7	2022	AMECO 2023
Defense expenditure, % of GDP	3.45	1.39	2022	Statista 2023
Gini coefficient for household income, before and after taxation and transfers	0.52/0.375	0.51/0.296	2021 US, 2019 DE	Our World in Data 2023
Top 20% disposable income share over bottom 20% share	8.4	4.6	2019	OECD.Stat 2023

[a] Data on household size depend strongly on estimated data of the total population, including migrants and refugees.

The Gini coefficient wedge regarding household income before and after taxation (and transfers) is 28% in the U.S., in Germany 42% while the first Gini is almost the same in both countries. This contrast is also shown by the ratio of the top quintile's income relative to the bottom quintile which is around 80% higher in the U.S. This is mainly due to the high top-incomes in the U.S. and less to stronger pro-bottom redistribution in Germany.

The nature and impact of income inequality combined with wealth inequality tends to lead to pro-rich growth of GDP, meaning that the income of rich households grows faster than that of the median incomes. The logic is as follows. Think of a small "community nation" with 100 private households. We assume there are only two income classes, the top quintile with $400,000 annual household income and 80 households with $100,000 income p.a. average value. National income would be $16 million p.a., distributed at par between both classes which receive $8 million each. A 10% increase of GDP with constant income distribution leads to additional $40,000 annual income for the upper-class households and only $10,000 for the rest. The absolute wedge between the rich and the bottom people increases from $300,000 to $330,000. The rich benefit from the growth more than the bottom class, in absolute terms, though not in relative. If we now assume that the wealthier quintile has a higher propensity to save than the rest, capital incomes of the rich households will increase more than for the bottom households. Then incomes of the top quintile rise faster than those of the rest. Also, the wealth wedge will increase. Furthermore, prices on the biggest asset market, the market for real estate, rise faster than target inflation (asset inflation), rentals are under pressure to rise faster than target inflation. This likely aggravates income distribution and raises poverty, even more so if land for houses is scarce. This pattern is what we coin *pro-rich growth*. Growth trickles up, not down; maybe it does also trickle down to some extent, but it will trickle up more than down. In the long run this tends to divide an economy and its society; and likely lead to hard-to-tackle problems on many fronts with strong impact on living conditions for the majority of the population. Our little example is exaggerating the degree of inequality in the U.S. As is shown below, the income share of the top quintile is not 50%, but only 44% (2019). Germany is not totally different with a 38% share of the top quintile (see Figure 3).[1]

3. Eleven dimensions of living conditions

The eleven dimensions are interconnected. Each influences the others. The income issues have three parts (dealt with in 3.1), namely earnings, household income and poverty and are closely

[1] Luxembourg, the richest EU country in terms of GDP per capita and the one with the highest inequality of incomes develops in a distinct pro-rich growth pattern: poverty is high and rising.

related income and wealth inequality. The latter category is added in the summary (section 4) as a separate dimension for judgement on living conditions although it overlaps with the first three. Consumption is a direct consequence of incomes. The work-life-balance, centred on working- and leisure time, is interwoven with incomes and therefore also dealt with as a dimension for overall judgement separately in the summary section. Health, security, environment and education address essential spheres of living conditions. What we call social provisioning is an overarching dimension dealing with a special kind of public good necessary and basic for public welfare. With a focus on these 11 dimensions, we have neglected many other aspects of good life, such as individual rights, rule of law, democratic rules, gender issues, civil rights among ethnic groups and others. Our focus is on economic, basic social and environmental aspects, not looking at everything simultaneously. If one asks which of the eleven dimensions is the most important, the question has to remain unanswered in the same sense as the question which organs of the human body are the most important. All are most important.

3.1 Incomes

Now we delve into a much more granular comparison regarding incomes. However, data differ according different statistical bases, different definitions and depend strongly on the exchange rate chosen and must include the work-life balances, i.e. leisure time rather than actual working time and paid time. Here exchange rates are adjusted to Purchasing Power Parity (PPP). The exchange rate and its fluctuations are the greatest barriers for solid comparisons (see Table 1). Conversion factors are calculated for each country and currency by the World Bank. They correct market exchange rates to adjust for PPP. For 2022, the conversion factor for Germany is 0.767 (see WDI and OECD). Dividing the market exchange rate by the conversion factor, specific for each year, gives the PPP of current international US$. The second PPP conversion factor is related to constant 2017 prices. Since not all data are published in current PPP, we used both conversion factors. However, not the absolute values are important here, but the ratio US/Germany. We choose 2022 as the basic year of comparison. If data are not available, we used adjacent years.

3.1.1 GDP and wages

A simple GDP per capita difference, using current US$ of 2022, hence the current exchange rate, shows a 58% advantage for Americans (Table 2, line 2). This divergence melts to 21% if current int'l PPP exchange rates are used (line 3). Using PPP constant 2017 conversion rates, the GDP per person employed is 25% higher than in Germany. However, if we compare GDP per hour worked, Germany achieves a plus of 6.5% (line 5). Of course, this is about productivity, not income. Yet, the U.S. *mean* annual salary exceeds the German by 14.5%, but American hourly earnings of full-time workers, in terms of PPP, lie 3% below the German value (line 7). The *median* income per worker is 6% higher in Germany, and the median per hour income exceeds the U.S. one by even 21% (line 9) since the working time of full-time workers is 19% higher in the U.S. than in Germany. If all workers (dependent employees, including part-time workers) are taken, the annual actual working time in the U.S. exceeds the German by almost 39% (line 10). This is because of the high share of part-time jobs in Germany, mostly preferred or accepted involuntarily by women.

Table 2: GDP, wages, low pay and working poor

	Income	USA	DE	Ratio	Date	Source
1	**GDP and wages**					
2	GDP per capita, current US$	76,399	48,432	1.58	2022	WDI 2023
3	GDP per capita, PPP Current int'l US$	77,463	63,150	1.227	2022	WDI 2023
4	GDP per person employed, PPP constant 2017 int'l US$	130,203	104,280	1.249	2022	WDI 2023
5	GDP per hour worked (total workforce), PPP 2017 constant int'l US$	71.90	77.76	0.925	2022	WDI 2023, OECD.Stat
6	Mean annual wage/salary, full time workers, PPP current int'l US$	77,463	67,634	1.145	2022, DE Q2 2022	For U.S. OECD 2023h, for DE Destatis[2]
7	Mean gross hourly earnings, full-time workers, PPP current 2021 international US$	40.94	42.59	0.968	2022	Calculated from lines 6 and 10
8	Median gross earnings, full-time workers, PPP current int'l US$	54,496	58,028	0.939	2022, Q2	U.S. BLS 2023 for USA, for DE Destatis 2023b, 2023c
9	Median hourly wage/salary, full time workers, PPP current int'l US$	28.80	36.54	0.788	2022	Line 8 and 10[3]
10	Annual actual working time of full-time workers, hours[4] (all workers)	1,892 (1,811)	1,588 (1,341)	1,191 (1.388)	2022 (2022)	U.S. BLS OECD 2023a, DE Destatis 2023a based on IAB
11	Gender wage gap, % of median wage, full-time workers (mean earnings)	20.6 (16.0 2021))	9.8 (17.7)	1.24 (0.90)	2022	OECD 2022, Destatis 2022[5]
12	Share of part-time work, % of employees[6]	11.7	22.2	0.53	2023	OECD 2023h
13	Labour force participation rate, 25-64 years	78.1	84.2	0.93	2022	ditto
14	Minimum wages per hour, PPP current US$ (across states in USA, unweighted average), Kaitz-Index	12.00[7], 40.0%	16.48[8], 56.4%	0.73	2023	U.S. Department of Labor 2023
15	Low-pay sector (< 67% of median wage), % of full-time employment[9]	22.7	19.0	1.195	USA 2022, DE 2022	OECD 2022

Note: BLS is U.S. Bureau of Labor Statistics.

Despite higher mean U.S. wages, the low-pay sector is larger in the U.S. than in DE (line 15), measured at the margin 2/3 of the median wage. Also, poverty of employees – threshold < 50% of the mean – is larger in the U.S.. Germany has 17% of low-pay workers (2020), the U.S. 22.5% (2022). Although the average minimum wage in the USA – across the states – is much

[2] Destatis 2023b, Bruttomonatsverdienste ohne Sonderzahlungen, 2. Vierteljahr 2022.
[3] Based on the assumption that the German median wage for full-time employees was €21.29 in October 2022 according to Destatis 2023c, Pressemitteilung 211, June 1, 2023, based on Verdienststrukturerhebung in Destatis 2023c.
[4] Actual working hours, excluding vacations, public holidays, days absent. For Germany, in 2022 factual annual working hours of full-time workers was 1,588, paid hours were 1,987 (information of Destatis to author).
[5] In Germany the gender pay gap for the mean hourly wage was 18% in 2022 (Destatis, Pressemitteilung 30 January, 2023).
[6] Part-time means < 35 hours per week in the U.S., in Germany < 30 hours per week.
[7] The Federal minimum wage is $7,25.
[8] €12.00 since 1 October 2022.
[9] Part-time work is equivalised by adjusting to full-time equivalents. For Germany, the margin is applied to the hourly wage for all employees (Destatis 2022, Pressemitteilung 496, 25 November 2022.

lower than the German one if counted in PPP, the prevalence of jobs with the Federal Minimum Wage of $7.25 seems to be small.

The comparison of wages can be summarised as follows. Mean annual wages in the U.S. exceed the German ones, mainly because of higher annual working time. However, the German *median* annual wage exceeds the one in the U.S. despite much lower annual German working time. The median hourly wages are even much higher in Germany (of course all data in PPP US$). Germany is superior – regarding the median wages – in both money terms as well as in time for leisure. Adjust to the lower annual working time, also the mean annual salaries are superior in Germany to the U.S. Despite the extended low-pay sector in Germany after the reunification and the post-1998 labour market reforms, Germany is even in terms of the size of low-pay sector and the share of working poor in the strict sense better off then the U.S. It goes without saying that this is connected to stronger trade unions in Germany and the system of centralised bargaining, despite the slowly fading impact. In the U.S. there seems to be no lever or institutional instrument to regulate wages relative to leisure time. There is no market for leisure, and the labour market is mute in this respect.

3.1.2 Household incomes

For living conditions household incomes are more important than wages and salaries but the latter feed into them. U.S. household incomes are in general higher than in Germany (Table 3, lines 1,2,4,5). Unfortunately, data are only available for 2019 for both countries. So abnormal influence from COVID 19 can be avoided. The mean equivalised household disposal income is almost 35% above the German (line 1), the median household income 21% (2019) in PPP dollars – below the 35%-difference in annual working time. For households of elderlies, mean income is excessively higher in the U.S. (54%) but for the median income only 35%.

There are six main reasons for higher household incomes in the U.S.:

- The higher leisure time in Germany due to 35% less annual working time explains the lion's share of low median household incomes for people in working age. This cannot be fully compensated by higher wages. For the higher mean household incomes in the U.S., beyond the leisure difference, other factors play a role too.

- The prevalence of single-parent households (1 adult, 1 child plus another household with a single adult gives 2.3) compared to a family household with two adults and one child (1.8) leads statistically to smaller per-person incomes in the former, given the OECD equivalence methodology (see section 2).

- The higher share of pensioners in Germany (22.6% of population > 64 compared to 17.1% in the U.S. 2022) reduces household incomes because of the reduced replacement rate for pensions. Germany is already in a later stage of the demographic transition towards aging than the U.S. In Germany, the negative side of high leisure with lower working time means less contributions to the pension system, especially for part-time workers and women with interruptions in their job career or single-parent households, hence lower pensions.

- Much higher capital incomes due to more financial wealth lifts U.S. household incomes, especially for pensioners. Capital-funded pensions which prevail in the U.S. enable better pensions for well-to-do-households.

- The mean household incomes benefit from the higher prevalence of rich and very rich persons in the U.S. in the top quintile of incomes mentioned above.

- In Germany, a relevant share of consumption is collective consumption in kind, such as free kindergartens, no tuition fees for university students, subsidisation of public transport and culture, toll-free highways, health care etc. Of course, this goes along with higher taxes and social security contributions. For instance, the European Commission's database AMECO shows for Germany public expenses for individual consumption in kind, valued here in PPP US$ as $8,800 per person as compared to $2,876 in the U.S. (2021) (see also below under the rubric 'consumption').

Table 3: Household income

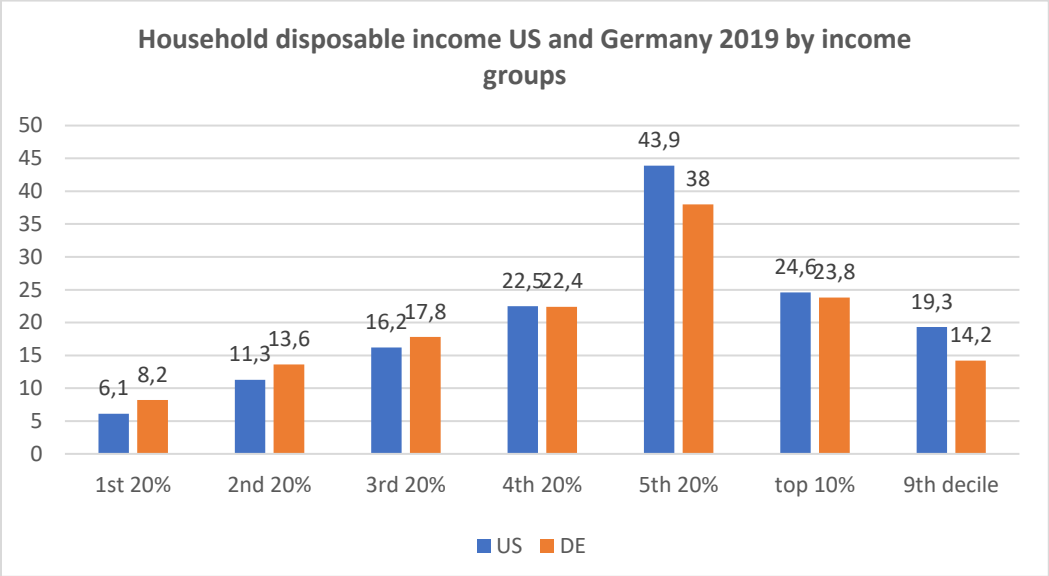
	Household income	U.S.	DE	Ratio		
1	Mean disposable income, equivalised[10], PPP current international US$	53,600	39,832	1.346	2019	OECD 2023b
2	Median disposable income, equivalised, PPP current international US$	42,800	35,296	1.213	2019	ditto
3	Mean disposable income, share of capital income, %	11.3	6.8	1.660	2019	ditto
4	Mean disposable income > 65 age households, equivalised, PPP current international US$	50,910	35,169	1,448	2019	ditto
5	Median disposable income > 65 age households, equivalised, PPP current international US$	38,920	30,640	1.270	2019	ditto
6	Poverty, disposable income, equivalised, % of total households, < 50% of median income	15.1	10.9	1.385	2021 USA, 2019 DE	ditto
7	Poverty gap, disposable income, % of threshold	34.1	25.3	1.348	USA 2021, DE 2019	ditto
8	Child poverty, share of poor children/all children < 18, margin < 50% of median household incomes	21.0	11.7	1.795	2019	ditto
9	Poverty of disposable income > 65 age, %, < 50% of median income	22.8	11.0	2.07	2019	ditto
10	Mean disposable income of > 65 age households, share of capital income, %	27.1	11.0	2.1	USA 2021, DE 2019	ditto
11	Pension net replacement ratio, average earner, %	50.5	52.9	0.955	2021	OECD 2021

[10] Again, see section 2 (first adult 1.0, persons above 14 years 0.5, children up to 14 years 0.3).

Therefore, the comparatively low household income in Germany reflects in part the specific type of welfare state with more public goods produced by governmental institutions and allocated for free or subsidised and only partly returned as monetary transfers to households. And again, higher leisure time in Germany is in a trade-off with incomes. Hence, comparing living standards by household incomes can be camouflaging other forms of income and wellbeing.

Key for understanding the differences between household incomes is the income distribution (see Figure 3).

Figure 3: Equivalised household disposable income per capita



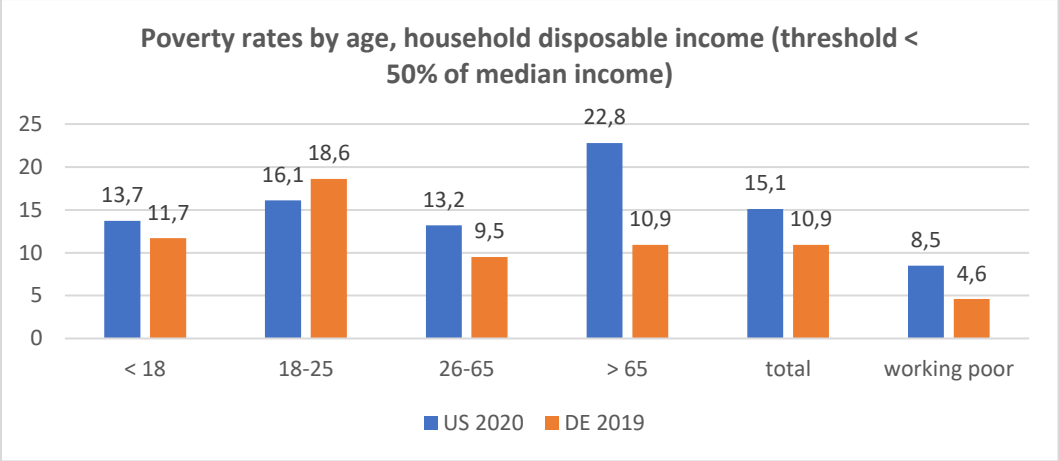
OECD 2023e, 1 June 2023

Income distribution (household disposable income) is conspicuously more unequal in the U.S., especially regarding the top quintile, while in Germany the share of the bottom decile and the third quintile are higher. The figure shows that the much higher share of incomes in the top quintile corresponds to the lower shares of income in the first three quintiles. While the share of the top 10% are similar in both countries, the 9th decile exceeds the German share markedly. So, the higher mean household income in the U.S. which cannot be explained by working time differences stems from the higher 9th decile. It is not the middle class which is much better off, it is the close-to-top incomes in the U.S.

3.1.3 Incomes and poverty

A comparison of the income poverty rates shows much higher poverty in the U.S (< 50% of the median), except among young adults who are mainly still in education. The highest poverty rate is among the elderly despite the much higher mean value of pensions in the U.S. compared to Germany. Many of those lacking wealth incomes tend to fall in poverty. It demonstrates the built-in inequality of the capital-funded pension systems relative to contribution-funding which prevails in Germany if incomes are too small to save and invest in asset markets.

Figure 4: Poverty rates



See Figure 3

Child poverty is much higher in the U.S. at the margin of < 50% of median incomes; if the margin were chosen at 67% of the median, the U.S. poverty rate would be extreme. Still, 20% are recorded in Germany below this margin is an ugly scar in the "social market economy" as the German type of capitalism and welfare state had been christened.

Our analysis of the at first glance much higher U.S. household incomes – in contrast to wages – has revealed that the main explanations lie in higher leisure welfare in Germany, i.e. in somewhat lower mean wages which feed into household incomes. Besides several other explanations, higher household incomes in the U.S. are connected with considerably more income inequality, especially poverty at the bottom and super incomes at the top of the pyramid.

Germany's weak points are poor incomes of one-person households, especially single-parent households aligned with child poverty and low pensions amongst many elderlies. Low annual working times, unevenly distributed across gender, procrastinate a patriarch income distribution and are at risk of triggering general labour scarcity in a demographic bout of aging toward a higher share of pensioners.

3.2 Wealth

In common opinion, the U.S is considered the richest large country in the world. This refers to net wealth (or worth) of private households, i.e. financial and real assets minus liabilities. If net wealth is measured in prices that correspond to financial statements, such as the balance sheet, it is called financial *worth*. This is not necessarily the same as valuation by market prices. For simplicity, we use the terms here interchangeably.

The mean U.S. wealth has reached in 2022 almost the 20fold value of the equivalised mean household income, in Germany the ratio is 7.9fold. By contrast, as shown in Table 4, the median wealth of U.S. households stands at $140,800, but is – surprisingly – in Germany (counted in PPP dollars) a bit higher, namely $146,362. The ratio of the mean to the median is 7.45 in the U.S. and 3.0 for Germany. The lowest decile of households has a negative wealth in the U.S. and a miniscule positive value in Germany. The wealth of the 90th percentile is (in PPP dollars) 1.4 million against 1 million in Germany.

Table 4: Net wealth per household, 1,00 US$

	U.S.	DE	ratio
mean (U.S. 2020, DE 2021), current US$ and €	$1,049,039	€316,500	
mean (U.S. 2020, DE 2021), current PPP US$	$1,049,039	434,600	241.4
median (U.S. 2020, DE 2021), current US$ and €	$140,800	€106,600	
median (U.S. 2020, DE 2021), current PPP US$	140,800	146,362	0.962
10th percentile (U.S. 2020, DE 2021), current PPP US$	-1,450	1,235.7	
90th percentile (U.S. 2020, DE 2021), current PPP US$	1,410,000	996,661	141.5
Gini coefficient household wealth	0.850	0.788	

For U.S. see FRED 2023, Hays/Sullivan 2020, for DE see Deutsche Bundesbank 2023, own calculations. Credit Suisse 2022, p. 32 for Gini coefficients). Note: FRED uses the net worth concept which may not be fully identical regarding definitions with Bundesbank's PHF Study.

The wealth of households is not necessarily an indicator for the standard of living or quality of life. If the distribution is highly skewed, it can have a negative impact on society as it signals potential injustice and a disruption between economic merits and financial wealth, furthermore a concentration of economic and political power which shields the wealthy against too high taxation and the evolution of a genuine welfare state. However, wealth for a large share of the population could, in principle, serve as an indicator for economic wellbeing as a cushion against risks or a provision for old-age income.

Hence, a judgement on household wealth in a country cannot be done without a judgement on wealth distribution and on the pension system. A capital-funded pension system needs a higher level of assets per household. By contrast, high wealth as a result of a high speed of asset prices can even be a sign of risky asset inflation. Therefore, high mean wealth is an ambiguous advantage for a country, a double-edged sword. In almost countries high mean wealth per capita is connected high income and wealth inequality.

3.3 Consumption

The ability of private households to consume is often considered as a measure for affordability of goods and services. It abstracts from working and leisure time as a "good" and ignores income distribution if measured by the mean value. As Table 4 shows, individual consumption per capita amounts to US$ 52,088 in 2022 which is nearly 61% higher than in Germany, measured in PPP current international US$.

Table 5: Consumption per capita

	U.S.	DE	ratio
Individual consumption per capita 2022 (PPP current international US$)	52,088	32,415	1.607
Social transfers in kind (2021)[a]	2,876	8,800	0.323
Total individual consumption per capita 2022 (est.)	54,964	41,215	1.333

CEA 2022, Destatis 2023a; assumption +2% in 2022 against previous year. [a] Line UCIG and population data in AMECO.

These data seem to show the supremacy of the U.S., but it is only the echo of higher U.S. household incomes which are due to the reasons mentioned above. To reiterate, it is mainly the 26% lower annual working time in Germany (i.e. 35% higher in the U.S.) with lower annual incomes and higher in-kind income, besides high consumption in the top quintile of income distribution. Furthermore, German households are used to save more relative to their income

(11.4% of disposable income 2022 compared to 3.7% in the U.S.[11]). Consumer credit is less common. Moreover, Germany has traditionally a net export surplus while the U.S. runs a net trade deficit all along; this is a signal of chronic repressed domestic demand whose largest share is private consumption compared to over-consumption in the U.S.

In brief, the working-time adjusted consumption per capita, also adjusted for in-kind consumption and higher saving rates, is in Germany similar to the U.S.

3.4 Health

Health is naturally one of the most important determinants of living conditions and quality of life, and refers to all or the majority of people. Neither mean nor median data are sufficient for assessment. Therefore, we use a number indicators, some are comprehensive and incorporate many sub-indicators. What we see in all but one indicators is a stark superiority of Germany. While in Germany health insurance is compulsory, there are still many uninsured in the U.S. despite improvements. The average U.S. health, especially life expectancy at birth (based on assumptions about the future), tell an unambiguous story. The lower value in the U.S. existed also before the COVID pandemic. It is the amazing that the U.S. spends 30% more than Germany on health, relative to GDP, but the outcome is inferior. This finding is mirrored by two Bloomberg indices: in the Global Health Index, a synthetical aggregate index, the U.S. ranks at #35 in global comparison, Germany at rank #23. On Bloomberg's Health Security Index the U.S. is the global number 1, German at rank 8. This index measures health facilities, research and development etc., hence seems to correlate with health expenditure (private and public). This feeds the doubt that the U.S. system is more pro-rich than in Germany.

Table 6: Health conditions

	U.S.	DE	Ratio U.S./DE	year	source
Life expectancy at birth, age	76	81	0.94	2021	WDI 2023
Health care expenditure, % of GDP	16.6	12.7	1.31	2022	OECD.Stat 2023
Hospital beds per 1,000 population	2.77	7.76	0.36	2021	ditto
Physicians per 1,000 population	2.67	4.53	0.59	2021	ditto
Health-uninsured population, %	12.2 of working age pop.[a]	0.1 of pop.[a]	n.a.	2022	NCHS 2022, Kurz 2022
Obesity, % of adult population	37.3	25.7	1.45	2016	Our World in Data 2023
COVID19, deaths per 100,000 population (per observed cases)	341	203	1.680	2023	Johns Hopkins University 2023
Bloomberg Global Health Index	75 (rank 35)	83.1 (rank 23)	90.3	2019	Bloomberg 2023
Bloomberg Health Security Index (global ranking)	75.9 (1)	65.5 (8)	1.159	2021	Bloomberg 2023a

[a] Health insurance is compulsory for all in Germany, since 2014 for the majority of the population in the U.S. For DE and U.S. official data, but there may be underreporting of uninsured in Germany, especially among self-employed, foreigners and homeless people.

[11] Data from CEA 2022, Table B17.

It should be mentioned that Germany's health quality is imperfect in many areas, compared to the top European countries. While the U.S. system is mainly private, it is strongly regulated in Germany, with transfers, state-own institutions, direct controls of incomes of medical doctors, a high degree of bureaucracy etc. and far off a pure market economy.

A global comparison of countries' health quality and income/wealth inequality shows a strong correlation. The causality is complex but it seems to run from inequality to poor health conditions and also a high level of social problems in general (see Wilkinson/Pickett 2010).

3.5 Environment

We use here six sub-indicators which might be representative to some extent. The last two are taken from the OECD Better Life index, where they are used as the only environmental indicators. The first two are representative for the counties' contribution to the global greenhouse effect and show a disastrous situation in the U.S., both absolutely and relative to Germany. Regarding CO2 emissions, we use the production based approach which counts emission generated in the country, and the consumption based effect which is caused by the consumption of goods and services, no matter where produced. In advanced countries the consumption-based emissions lie above the production-based effect, with the reverse order in emerging and a few developing countries. Germany shows a clear superiority vis à vis the U.S. but is not much better than a country like Poland regarding per capita CO2 emissions. It should be mentioned that both countries are in flux having reached their CO2 peak years ago.

Table 7: Environmental burdens and achievements

	U.S.	DE	ratio	
Greenhouse gas emissions per capita, 2021 in tons	17.6	8.9	1.98	2021
CO2 emissions per capita in tons, production and consumption based	14.9-16.0	8.1-9.7	1.84-1.649	2021 and 2020 (consumption based)
Footprint minus biocapacity = net footprint per capita (global hectares)	8.04-3.45 = 4.59	4.7 – 1.54 = 3.16	1.44	estimation for 2021
Share of renewables in energy production, %	22.2	44.4	0.5	2022
Air pollution: microgramms per cubic metre[a]	7.7	12.0	1.558	2017-2019
Water quality[b]	88	91		2020

[a] OECD Better Life Index. [b] Subjective evaluation of local water quality of interviewees (Gallop), used by OECD Better Life Index

Our World in Data, Enerdate, OECD Better Life Index Dataset, Global Footprint Network 2023.

The net-footprint measure is meant as a comprehensive metric including all environmental damages compared to what is called the "biocapacity" of each country. The metric uses "global hectares" as the unit of measurement which are calculated with a huge amount of data to which complex weights are allocated. The biocapacity depends heavily on the population density (population per unit of geographic area). The aggregated footprint correlates strongly with greenhouse gases while the biocapacity can alleviate the impact of the footprint. The footprint metric has become popular but involves many questionable assumptions and is in the end rather intransparent. Since there are hardly any aggregate environmental indicators available, we use this metric despite the downsides. The OECD approach in the Better Life Index with only two

(very special) indicators is inacceptable and everything but representative. It renders the Better Life Index as a whole unusable, given the impact of the environment for the well-being of people and mankind in general.

3.6 Security

The state of security in both countries is extremely different. The contrasts are stronger than in any other dimension which we analyse here. The frequency of intentional homicides is more than sixfold, the incarceration rate is more than 8fold, traffic death rate is threefold, etc. The Global Crime Index might be a rough synthetic measure, but all sub-indicators including perceived corruption point in the direction of systematic and strong differences between the countries. The indicators are certainly strongly influenced drug-related crimes, especially the incarceration rate, but also by loose regulations regarding permissions of weapons.

Table 8: Security

	U.S.	DE	Ratio U.S./DE	Year	Source
Homicides (intentional) per 100,000 population	5.68	0.89	6.38	mean 2017-2021	WDI 2023
Incarceration rate (per 100,000 population)	655	78	8.40	2018	Our World in Data 2023
Estimated traffic death rate, per 100,000	12.7	3.8	3.342	2021	World Health Organisation 2023
Global Crime Index	49.2	38.0	1.295	2023	Numbeo 2023, online
Corruption perception index (% of best country)	76.6	87.8	0.872	2022	Transparency International, online

All data accessed online September 3, 2023.

In comparison, Germany looks like a peaceful country - although this is not the case.

3.7 Housing

In the U.S., houses are on average more spacious and to a higher degree owned by the households. This has to be seen against the backdrop of lower geographic population density in the U.S. Germany density is 6.9 times the U.S. value. Gross rents (or equivalent costs for owners) including utilities are a bit less expensive than in Germany, but house prices rise faster. Unfortunately, there are no comparable data for median households.

Table 9: Housing in the U.S. and Germany

	U.S.	DE	ratio
Share of owner-occupied houses (2021)	64.6	35.0	1.846
Number of rooms per household member (2020)	3.2	2.8	1.143
Size, m^2 per capita (U.S. 2017, DE 2020)	61.5	46.0	1.337
Homeless persons/population (U.S. 2020, DE 2018)	0.18	0.41	0.439
House price index, 2015=100 (quarter 1 2023)	186	154	120.7

OECD 2023f

Due to geographic differences and different quality standards comparisons should be considered with caution. Especially poor insulation of houses in the U.S. makes them energy consuming.

3.8 Education

The U.S. spends more on education than Germany, taken private and public spending together. However, the data for Germany do not fully include vocational training in the dual training which is Germany's traditional peculiarity. Roughly 41% of tertiary system students (equivalent to the share of graduates from high-school) participate in the vocational training system (2023) which is part of secondary education.

The main difference in total spending as percentage of GDP is due to spending for the tertiary education. The latter is larger in the U.S. due to a missing (or small) vocational training system similar to the German one. The higher U.S. share of public spending for education/total public spending could also be misleading since total public spending, the denominator, is much larger in Germany. Yet, total expenditure in absolute numbers per student is considerably higher in the U.S., again, mainly caused by higher spending in the tertiary sector.

Table 10: Education

	U.S.	DE	Ratio
Total expenditure on education, % of GDP, 2019	6.0	4.4	1.364
Total expenditure per full-time student, PPP US$, 2019	64,664	44,620	1.44
Public expenditure on education/total public expenditure	11.7	9.2	1.272
Expenditure on research & development, % of GDP	3.45	3.14	1.099
Share of private expenditure on educational institutions	32.0	13.0	2.46
Annual tuition fees charged by public institutions[a]	10,692	74	-
Average duration of education, years[b]	17.3	18.2	95.1
PISA score[b]	495	500	0.99
Share of persons who finish secondary education[b], %	92.0	86.0	1.07

OECD 2023g, OECD 2023 [a] National students, simple mean of BA and MA including PhD. [b] Around 2020, no precise date given in OECD Better Life Index.

Expenditure for R&D is roughly 10% higher in the U.S., as a share of GDP. Tuition fees at public universities are around 10,000 US$ (average of Bachelor, Master and PhD programmes), similar to an implicit per head tax, outside the system of progressive taxation while free in Germany.

The duration of high school education is a year shorter than in Germany, whereas the PISA score as an indicator for quality of degrees is similar.

Comparing the educational systems of both countries is not easy due to the different institutional setting. It seems that the U.S. system performs – especially in the elite sector of private universities – better than the German one, also in R&D, however with extreme tuition fees which trigger higher salaries after university. A general superiority of the U.S. system is hard to detect as long as the German dual system of in-firm training and vocational in-school education is not properly assessed.

3.9 Social security provisioning

The U.S. has similar social security insurances as in Germany, but at a lower level, e.g. a compulsory social security which includes pensions, health insurance (Medicaid), unemployment insurance (federal guidelines but under the authority of the States), casualty insurance for workers etc. Yet, the basic philosophy is self-responsibility of citizen – meaning private social security – with targeted state support of people in need at a low level. Workers' rights are quite limited compared to Germany, especially regarding dismissal protection, and protection of renters against eviction. Sick leave regulations exist but are mainly defined by the States and de facto capped at 40 days sick leave per year. There is no parental leave legislation or governmental care insurance for elderly (except Medicare as a health insurance for pensioners and Medicaid for the poor). There is no federal nationwide minimum wage (except $7.25) and no federal regulation for minimum vacation for employees, and a federal sick leave regulation exists only for unpaid leave (Family and Medical Leave Act [FMLA]). Paid leave regulations are instituted in 14 States (Williamson 2023).

Here is not the place to report the details about the disparity of social security regulations between the U.S. and Germany. It is clear that German citizens have plenty more social entitlements, often not only for needy persons but for all, like a general child benefit. The American analogue is a child tax credit, an allowance for families. The differential impact of the U.S. and German welfare state can be assessed roughly by the strongly reduced Gini coefficient after taxation and transfers in Germany, in relative terms (see Table 1 above).
Again, it should be reiterated that the role of the welfare state is not only about social insurances, but also about public goods, with no price or subsidised prices or fees. It is worth mentioning that most transfers and benefits for the poor or those at risk of poverty are precisely conditioned with often low margins while many other transfers and benefits are untargeted so that also middle-income households and wealthy people are beneficiaries.

We conclude that the German system of the welfare state with a broad but hard to quantify impact is on all counts superior – despite many shortcomings – to the U.S. and a key pillar of the German type of capitalism with less income and wealth inequality than in the U.S..

3.10 Happiness and related indicators

The most prominent happiness reports are those from a group of researchers promoted by the United Nations (Helliwell et al. 2023), established in 2012 and called "World Happiness Report" and the OECD "Better Life Index". The first focuses on the polls asking in representative samples for many countries about the feeling of life satisfaction on the individual level. In addition, it is held that this implies that people are "pro-social" (meaning beneficent), prosperous and healthy. The interviews, arranged by Gallop, use 14 dimensions with a focus on individual views for 150 countries. In the country ranking, the U.S. stands at place 15, Germany with a slightly lower score on rank 16.

OECD started in 2011 as a response to the Stiglitz report (Stiglitz et al. 2010) with a report with 11 dimensions, mostly objective ones, but also including one subjective life satisfaction dimension. Each dimension is based on up to four sub-indicators. All dimensions are given the same weight, but every user may use his or her own weight online. Both reports shall serve a "beyond growth" approach. In the better-life ranking, unweighted, Germany has a slightly better rank than the U.S.

We do not follow the almost purely subjective methodology of the World Happiness Report nor the mix in the Better Life Report. Both focus too much on averages, not on median values, so that the miseries and downsides of life are all too often levelled out by using averages. Furthermore, the indicators and sub-indicators are far too rough and blunt to allow meaningful and empirically rich view on each country. At times, they are even grossly misleading.[12] In Table 11 we complement the happiness and better life scores with a misery indicator, the number of suicides. The latter are 30% higher in the U.S. than in Germany. This indicator is both subjective and objective.

Table 11: Happiness and misery

	U.S.	DE	Ratio	Year	Source
Suicide rates per 100,000 population[a]	14.5	9.0	1.61	2019	Destatis 2023e
Index Happiness	6.894 (15)	6.892 (16)	1.00	2023	Helliwell et al. 2023
Life satisfaction	7.2	8.1	0.89	2020 (?)	OECD 2023

[a] Destatis data are based on World Health Organisation (WHO). For Germany, national data show a slightly higher number for 2019 (9,200) which amounts to 9.0 per 100,000 compared to 8.3 by WHO.

In our paper, we do not seek for a comprehensive single-number reduction of complexity, but attempt to compare our indicators one by one by an ordinal judgement.

4. Summary and conclusions

Now we summarise our analysis and synthesise all ten dimensions, but rearrange them somewhat. Since quantification of the scores, indicators and sub-indicators is difficult, we simply compare all dimensions without giving weights. In the first two columns we qualify the superiorities of the respective country with three degrees 1,2 and 3 for small, strong and very strong. In the 3rd and 4th columns we refrain from valuing the strength of superiority and use only one star for the better country in each dimension. The summary line aggregates, but giving each dimension the same weight might be inappropriate since apples and pears should not be added, even they are called points. Here it is more important that Germany appears in the majority of dimensions stronger, in some much stronger, but not in all.

Table 12: Comparison of living conditions U.S. and Germany 2022

		Degree of advantage 1-3		Advantage w/o degree	
		U.S.	DE	U.S.	DE
1	Wages, median		1		*
2	Houshold income, median	2		*	

[12] To mention a few extremes: in the "Better Life Index" the dimension environment is mis-specified by ignoring climate change issues (focus on subjective valuation of local water quality and on air pollution in urban centres (fine dust emissions), and in health indicators health spending and facilities are valued highly making the U.S. the top country in health conditions. Wealth and income inequality are not addressed.

3	Poverty (child, working-age)		2		*
4	Old-age income, median	0	0	-	-
5	Work-life-balance		3		*
6	Wealth, median		1		*
7	Consumption p.c.	2		*	
8	Environment		3		*
9	Health		3		*
10	Security		3		*
11	Housing	1		*	
12	Education	1		*	
13	Social security network		2		*
14	Inequality of incomes and wealth		2		*
15	Summary	6	18	4*	9*
16	(Happiness)	(1)	(1)	-	-

The ranking follows the methodology explained in the beginning. The median values are more important than the means since they address the majority of the population. It can be assumed that the quintile value above the median is close to the median, at least the lower strata of the 3rd quintile. For most dimensions there is however no median value available, so that means or simple aggregates have to suffice. Furthermore, for a number of dimensions the relative mean vis à vis the other country is the correct measure, say in health, security and the environment and some others, especially if it can be assumed that mean and median might not differ much.

The first four lines pertain to the income rubrics above, and the work-life balance is close to it since it impacts incomes. Here Germany stands in stark contrast to the U.S.. The higher median income for the elderly in the U.S. (line 4) is not considered here as a plus since it must be weighed against the high poverty rate among older people in the U.S.. Hence both countries are more or less at par in this dimension. The median wealth (line 6) shows Germany slightly ahead, whereas the extreme high wealth p.c. is considered as negative (line 16). It benefits a minority of the population and causes likely social disintegration. Health conditions are strongly better in Germany on all counts, except the Bloomberg Health Security Index. Health facilities are without doubt excellent in the U.S., but this obviously does not dissipate to the health of the majority of the population. In housing and education we see a small advantage of the U.S., although the quality of houses (energy efficiency) seems to be poor in many cases and German education would look better if dual vocational training were properly evaluated.

The entire net of social security in Germany with all its complexity attempts to provide broad provisioning, but has many shortcomings. Yet, it contrasts the U.S. thoroughly.

The higher degree of combined income and wealth inequality is not considered conducive to well-being of the majority of the American population. It is rather one of the reasons of relative poverty and related social issues. Trickle-down effects are more than offset by trickle-up effects. Wealth fires more wealth and more power, and is a bulwark against higher taxes and more social welfare. Excessive wealth tends to disintegrate the society and to grow faster than GDP and median incomes. As mentioned in the beginning, it fosters pro-rich growth. High incomes and high wealth grow in tandem. A higher share of income in the fourth and fifth quintile is enabled by either a lower share of the middle quintile or the bottom quintiles. The most likely ally is to the detriment of the bottom strata. Then higher inequality is the counterpart and driving force of higher relative poverty. In the U.S, the two top quintiles seem to be the winners of the system

and the two low quintiles the losers. This trend is deeply anchored in the roots of society. In Germany the trend is similar but less extreme.

In our approach to living conditions in comparative perspective, subjective and mostly vague valuations are not helpful and can contrast objective data. Happiness is not an economic category. Interviewees have seldom solid knowledge about another country, and sticking to their home country is often an attitude related to the identity of the population. A question like "Are you happy with the water quality in your region?" (one of the two environment indicators in the "Better Life Index" of the OECD) might be an index of ignorance; furthermore, a combination of such data with objective ones could be misleading. Therefore, we did not use the overall happiness index of the two reports mentioned which give Germany a tiny disadvantage and a clear advantage, respectively.

In the aggregation, Germany reaches nine stars and the U.S. four. If the *degree* of superiority is added, Germany outperforms the U.S. amazingly by 18:6. The comparison would change, if certain the dimensions were not weighted equally. Anyway, the comparison, to the great surprise of the author, is not about head-on-head of competing systems but rather a smashing and unambiguous result.

It goes without saying that our comparison is not more than a snapshot for the years +/- 2022. The methodology (like all others) depends strongly on the assumption of a stable PPP-adjusted exchange rate. A real depreciation in PPP terms would lower German incomes valued in US$. Germany's strength – low annual working time – could fade if labour scarcity intensifies or if pensions slide downwards in the course of aging, if inflation pops up due to aging or geopolitical conflicts, let alone failures in climate change policy or further external shocks as rising energy prices. In both countries, challenges ahead abound. It is more likely than not that both types of capitalism are not really stable or sustainable. Key is the ability to change.

The biggest challenges for Germany are to stabilise and reinvigorate the system of shared prosperity. Downsides at the bottom quintile, dealing with single-parent households, child poverty and too many working poor, tackling the pending aging problems when baby boomers leave the labour market are key issues, let alone the green transition. It is cold comfort that other countries stand in the same line.

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