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THESIS

THE ECONOMICS OF DISCONTENT IN THE EUROPEAN UNION

by

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THE ECONOMICS OF DISCONTENT IN THE EUROPEAN UNION

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Submitted in partial fulfillment of the
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ABSTRACT

The European Union was established in order to create a more peaceful European continent through economic and social integration. To date, the EU has been successful; however, new challenges have begun to emerge. In particular, have the EU's economic policies and German immigration procedures influenced the rise of populism in Germany, as represented by the populist group Alternative für Deutschland (AfD)? This question is answered by evaluating EU economic performance and mobility factors, as well as recent immigration trends in relation to the AfD's formation and growing popularity. Furthermore, it appears that economic shortcomings and a declining workforce have created a demand for labor in Germany that has not been met by internal EU factors. As a result, over the past several years the German government has attempted to source its labor demand from outside the EU, namely through immigration from the Middle East and North Africa. However, many of the economic advantages often associated with immigration have yet to materialize. Over this same period, the AfD has experienced a significant increase of support within Germany. What is more, analysis indicates that the AfD's recent success is potentially related to challenges associated with EU economic performance and immigration. Although the AfD's recent success is troubling, the party likely does not pose a near-term threat to the EU, unless the EU or global economy experiences another severe economic downturn.

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LIST OF ACRONYMS AND ABBREVIATIONS

AfD	Alternative für Deutschland
CDU	Christian Democratic Union
ECB	European Central Bank
ECSC	European Coal and Steel Commission
EEC	European Economic Community
EFTA	European Free Trade Association
EMU	European Monetary Union
ERDF	European Regional Development Fund
EU	European Union
ME	Middle East
NA	North Africa
PEGIDA	Patriotic Europeans Against the Islamization of the Occident
SPD	Social Democratic Party of Germany

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I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

This thesis explores the relationship between the European Union's (EU) economic policies and German immigration policies, to determine their possible contribution to the populist ideology wave that has swept throughout Europe in recent years. Specifically, this thesis explores how the EU's economic policies and German immigration efforts have possibly influenced the rise of populism in Germany. Does the rise of populism throughout Europe threaten the sustainability of the European project?

B. SIGNIFICANCE OF THE RESEARCH QUESTION

The EU was formally established following the ratification of the Maastricht Treaty on November 1, 1993.¹ The establishment of the Union culminated a multi-decade attempt by European leaders to form a more cohesive and peaceful Europe following the catastrophic events of World War II. Following the end of hostilities, European elites sought to create a more democratic European continent. Their explicit aims included reducing the extremes of wealth inequality and poverty, as well as providing essential social services that prewar European powers had been incapable of providing. Through these processes, European leaders believed that they could avoid the mistakes of the past and provide a buffer against the anger and socio-economic frustrations that had led to World War II.²

To date, the economic policies that undergird the European Union have been successful in integrating several European states and have thus far prevented major armed conflict on the European continent. However, the very policies that enabled this relatively peaceful coexistence may now threaten the European Union's survival, with competing internal and external forces accelerating the rise of populist political parties.

¹ "The History of the European Union," Eurostat, accessed April 15, 2019, https://europa.eu/european-union/about-eu/history_en.

² Walter Laqueur, *After the Fall* (New York, St. Martin Press, 2011), 4.

In particular, European economic policies have not achieved the expected rates of return that were anticipated when the EU was established. Furthermore, declining birthrates in key states, like Germany, have accelerated this concern, as fewer workers are available to support economic expansion or social welfare programs. The lack of native workers has led to the creation of new immigration laws, aimed at boosting migrants from other geographic regions to resolve the demand for labor.³ However, it is possible that Angela Merkel's approved influx of immigrants from the Middle East and North Africa⁴ has potentially led to a rise of populist support—both due to the citizens' concerns associated with integration as well as to xenophobic tendencies among some populist supporters.

The growing popularity of populism in Germany and the broader European Union is very concerning. These populist groups often champion nationalist and Eurosceptic principles that sometimes include separation from the EU. An EU break-up would be catastrophic for European peace prospects and could lead nationalism to replace globalism and economic interdependence as the primary driver behind European national policies.

C. LITERATURE REVIEW

The reviewed literature identifies specific factors that have potentially led to the rise of populism in Europe. Much of this literature focuses specifically on the situation in Germany, which is the EU's largest and most influential state, both in population and economic might. What is more, actions taken by Germany, either internal or external, often have a profound impact on the other EU member states. Therefore, it is essential to evaluate German domestic policies, in addition to broader EU mandates, when determining the growth rates and impact of populist trends in Europe.

The two primary questions addressed in the literature review are associated with the economic policies of the EU, including a remarkably low labor mobility rate, as well

³ Kate Connolly, "Germany Passes Immigration Law to Lure Non-EU Skilled Workers," *Guardian*, December 19, 2018, <https://www.theguardian.com/world/2018/dec/19/germany-passes-immigration-law-to-lure-non-eu-skilled-workers>.

⁴ Michael Nienaber, "Merkel Takes a Gamble with New Immigration Law," *Reuters*, September 18, 2018, <https://www.reuters.com/article/us-germany-economy-immigration-law-analy/merkel-takes-a-gamble-with-new-immigration-law-idUSKCN1LY1E0>.

as Germany's recent immigration trends. Specifically, are the economic policies of the European Union delivering expected results, and are Germany's current immigration policies influencing the growth of populism? While each of these issues have been evaluated in depth, there has been no attempt to determine cause and effect between them. Furthermore, two of the more important aspects to consider when determining the appeal of populist groups in Europe are economic and immigration trends. These factors have probably had the largest influence on the recent growth of such groups and will likely remain a key driver behind populism's growth. Therefore, the literature review focuses heavily on economic and immigration trends and how they have possibly influenced the rise of the populist right.

The literature review begins with a close examination of the current economic conditions within Europe compared to proposed economic standards when the EU was established. The most prominent studies include explorations of ECB monetary policies and their impact on European economic prospects, as well as an exploration of labor mobility factors within the EU. The review then proceeds to evaluate how current policies have influenced demographic trends within the EU which have possibly led to a rise in populist rhetoric. Finally, the review examines possible mitigation policies that could be enacted to strengthen the EU and diminish the appeal of populist political parties.

1. Economics of the European Union

Central to the establishment of the EU were a series of economic and social beliefs that were intended to recreate the European landscape as a bastion of economic and cultural prosperity. These goals and values, as stated by the European Union, consisted of "sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection."⁵ In order to achieve this goal, the EU established a series of trade and monetary policies designed to encourage economic prosperity. These policies included establishing a common "euro" currency for many member countries and enhancing social and territorial

⁵ Eurostat, "Goals and Values of the EU," accessed April 15, 2019, https://europa.eu/european-union/about-eu/eu-in-brief_en.

cohesion among EU countries by offering “freedom, security and justice without internal borders.”⁶

Furthermore, as relayed in *The Economics of Great Powers: From Ancient Rome to Modern America*, a central component of the Maastricht criteria was to encourage members of the Eurozone to maintain sound fiscal policies. This included limiting total debt to no more than 60 percent of Gross Domestic Product (GDP) with annual deficits that should not exceed 3 percent.⁷ Additionally, the Maastricht criteria required inflation rates to be no higher than 1.5 percent above the average of three lowest eurozone members, with long-term interest rates for individual member states not to exceed two percentage points above the three lowest inflation states.

Although the goals behind the Union’s formation were admirable, the policies established to achieve the European Union’s objectives have attained only partial success. While the establishment of a single currency has streamlined financial transactions within Europe, major disadvantages have emerged. Specifically, as discussed by Johan Van Overtveldt in *The End of the Euro*, the “unprecedented institutional structure of the European Monetary Union (EMU), which combines a single monetary policy, managed by the European Central Bank (ECB), with multiple economic, budgetary, and regulatory policies, managed by the independent governments of member countries” can detract from efforts to mitigate hardships during periods of extreme economic stress.⁸ Because the EU is not an “optimal currency” area, ECB monetary policies impact differently, simultaneously helping some economies while hurting others.

Additionally, Kathleen R. McNamara details in *The Decline of the Euro* that “unlike every other successful single currency, the ECB stands by itself at the European level, without the broader societal and political institutions needed to give currencies a

⁶ Eurostat.

⁷ Glenn Hubbard and Tim Kane, *Balance: The Economics of Great Powers from Ancient Rome to Modern America* (New York: Simon & Schuster, 2013), 204.

⁸ Johan Van Overtveldt, *The End of the Euro* (New York: Agate Publishing, 2011), 73.

solid and durable foundation.”⁹ Furthermore, while strict limits on debt to GDP ratio were intended to ensure sound fiscal policies, they do little to mitigate hardships during extreme economic downturns. Specifically, as detailed by Richard Koo, the requirement for debt to not exceed 60 percent of GDP ignores “good” fiscal deficits.¹⁰ This can impact a country’s ability to escape financial crises by limiting the state’s ability to increase spending and stimulate growth through the further accumulation of debt. In effect, the euro and limits on fiscal policy have taken the economic levers from national policy makers—they can no longer control their economies using traditional macroeconomic stabilization measures.

Furthermore, as argued by Walter Laqueur in *After the Fall*, the European Union has failed to establish a common European identity among its population that supersedes the individual’s attachment to his home country. Nearly 90 percent of Europeans said they feel an attachment to the place where they were born more than to a nebulous institution involving a multitude of languages and differing ways of life.¹¹ This fact is evident when viewed through the lens of labor mobility. As stated by Cinzia Alcidi and Daniel Gros in “Intra-EU Labour Mobility,” “economists have long considered that labor mobility is too low in the EU,”¹² yet this factor is an essential element when building a supra-national identity. The reluctance of European citizens to characterize themselves as European over a specific national identity is not a new phenomenon, as a 1996 Eurobarometer survey revealed that only 51 percent of Europeans “felt European” and this number has not meaningfully increased.¹³

Recently, the European Commission dramatically lowered the economic growth forecasts for the Eurozone for the remainder of 2019 and 2020. The reason cited for the reduced forecast centered on increasing trade tensions and costs associated with growing

⁹ Kathleen R. McNamara, “The Euro in Decline.” *Foreign Affairs*, January 12, 2018, <https://www.foreignaffairs.com/articles/2018-01-12/euro-decline>.

¹⁰ Richard Koo, *The Escape from Balance Sheet Recession and the QE Trap* (Singapore: Wiley & Sons, 2015).

¹¹ Laqueur, *After the Fall*, 4.

¹² Cinzia Alcidi and Daniel Gros, “Intra-EU Labour Mobility: from Too Little to Too Much,” May 10, 2019, ECONPOL, https://www.econpol.eu/opinion_17.

¹³ Laqueur, *After the Fall*, 6.

public debt.¹⁴ While a cursory glance might dismiss slowing growth and mounting debt within the EU as an unfortunate byproduct of an otherwise stable economy, a deeper review reveals systemic problems associated with unsustainable fiscal policies.

What is more, data following the European Commission's meeting has signaled further deterioration. As argued by Dr. El-Agraa in *The European Union: Economics and Policies*, one of the major concerns of the world economy, particularly within the EU, is the level of protectionism.¹⁵ Heavy regulation, like that imposed on European car production, has contributed to a manufacturing and export-led slowdown. The slowdown in exports has spilled into the services sector of the economy¹⁶ and shows few signs of improving organically. This is highly distressing, as the ECB has kept interest rates at minus 0.4 percent since March 2016 and in December 2018 ended quantitative easing.¹⁷

These stimulus measures, introducing new money into the system while encouraging individuals to spend rather than save, have not delivered the growth the European central bankers had anticipated. This failure is detailed in the European Commission's current forecast as relayed in *Europe's Economic Outlook Goes from Bad to Worse*, which expects an economic expansion of only 1.3 percent in 2019 and 1.6 percent in 2020.¹⁸ These rates pale in comparison to the world's two largest economies, as detailed by the Congressional Budget Office, with the United States expected to grow at 2.5 in 2019 and 2 percent in 2020,¹⁹ and China expecting to grow at 6.3 percent in 2019 and 6.1 percent

¹⁴ Francesco Guarascio, "EU Cuts Euro Zone Growth Forecast," Reuters, February 7, 2019, <https://www.reuters.com/article/eurozone-forecasts-commission/eu-cuts-euro-zone-growth-forecast-inflation-to-slow-idUSB5N1XP00T>.

¹⁵ Ali M. El-Agraa, *The European Union: Economics and Policies* (New York, Cambridge University Press, 2011), 76.

¹⁶ Carolynn Look and Viktoria Dendrinou, "Europe's Economic Outlook Goes from Bad to Worse," February 7, 2019, Bloomberg, <https://www.bloomberg.com/news/articles/2019-02-07/europe-s-economic-outlook-seems-to-be-going-from-bad-to-worse>.

¹⁷ "Key ECB Interest Rates," European Central Bank, accessed April 15, 2019, https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html.

¹⁸ Look and Dendrinou, "Europe's Economic Outlook Goes from Bad to Worse."

¹⁹ Congressional Budget Office, *Budget and Economic Outlook 2019–2029* (Washington, DC: Congressional Budget Office, 2019), <https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf>.

in 2020.²⁰ Therefore, if the EU is incapable of posting moderate, let alone high, rates of growth while the global economy is improving, it will not have the tools necessary to survive another severe economic downturn.

While many European Union states struggle to maintain economic and social balance, there has been little enthusiasm by stronger states to continuously bail out their weaker European neighbors. Those with stronger economies, like Germany, point to the irresponsible spending and exceptionally generous retirement packages of weaker European states as the root cause of their economic distress. Prior to the financial crisis, Greek citizens could retire at 55, with public sector employees eligible for retirement at 52.²¹ Furthermore, failure by the Spanish government to carry out pension and labor reforms has dramatically increased the rate of unemployment within Spain. Over 20 percent of the population is unemployed, with an additional 30 percent reduced to working temporary, unstable jobs.²²

Crucially, Walter Laqueur notes in *The Last Days of Europe*, those within the most impacted states have increasingly directed their resentment towards Brussels, followed by their central governments.²³ European critics of the EU point out that while Brussels was demanding severe spending cuts from struggling European states, leadership within the European Union proceeded to enlarge its own budget by 5 percent.²⁴ Such critiques and the tendency of the most impacted European states' citizens to blame their plight on donor states has undermined an already strained European cohesiveness. Additionally, these criticisms have begun to manifest in voter demographics, with specific gains for populist parties often tied to frustrations over EU economic performance.

²⁰ "Economic Forecasts from the World's Leading Economists," *Focus Economics* (blog), January 27, 2020, <https://www.focus-economics.com/blog/the-largest-economies-in-the-world>.

²¹ Elena Becatoros, "They Stole My Money." Ekathimerini, May 19, 2017, <http://www.ekathimerini.com/218552/article/ekathimerini/community/they-stole-my-money-greek-dreams-of-retirement-turn-sour>.

²² "Taxing Spaniards," *Economist*, July 23, 2015, <https://www.economist.com/europe/2015/07/23/spain-thinks-its-workers-are-not-really-as-unemployed-as-they-say>.

²³ Laqueur, *After the Fall*, 19.

²⁴ Laqueur, 19.

Furthermore, as noted in *Opposing Europe in the European Parliament*, European “Citizens’ lack of knowledge (or interest in) European politics leads to a weak turnout at EU elections and a vote based on national rather than European issues.”²⁵ This is particularly distressing as it comes at a time with populist groups such as Germany’s Alternative für Deutschland (AfD) are growing in strength and popularity. This is important as it suggests European Union citizens could be more apt to support nationalistic policies over current European integrationist principles when economic issues are considered.

2. European Demographic Factors

In addition to economic strains, the EU’s immigration policies have possibly influenced European social and political tensions. Although discontinued in December 2018, the European Union had required all EU countries to accept some refugees during the migration crisis.²⁶ In addition to being altruistic, it is possible that some of the desire to accept immigrants was rooted in stemming the decline of the native work force in Germany. As European societies age, fewer workers are available to support the fiscal policies championed by Brussels which decreases the likelihood that they are achieved. This is of particular concern for many European countries, such as Germany, where the majority of citizens are expected to be over 50 by 2050.²⁷ Therefore, unless Europe experiences a sharp rise in population, the individual states will be unable to fulfill the fiscal policies enacted to support the population that currently resides in the Union.

However, the demand for quotas, as championed by German Chancellor Angela Merkel, did little to address real concerns lobbied by recipient countries. These concerns include a lack of facilities and resources to accommodate refugees or reasonable attempts

²⁵ Nathalie Brack, *Opposing Europe in the European Parliament* (London: Macmillan, 2018), 21.

²⁶ “Germany Drops Long-held EU Migrant Quota Demand,” *Financial Times*, December 9, 2018, <https://www.ft.com/content/18b9b194-fb98-11e8-aebf-99e208d3e521>.

²⁷ Rakesh Kochhar, “Projections For the Global Population in 2050,” Pew Research Center, February 3, 2014, <https://www.pewresearch.org/fact-tank/2014/02/03/10-projections-for-the-global-population-in-2050/>.

to mitigate or redress wrongdoings by asylum seekers.²⁸ Indeed, many of these concerns have begun to manifest in the growing strength of populist movements within Germany. In particular, it is possible that the large number of immigrants entering into Europe has strengthened the appeal of populist parties. This is detailed in *The Rise of Populist Parties in Europe* by Timo Lochocki, who argues that the populist right's political messaging on controversial issues like the EU integration and more importantly, immigration, are key to the movement's success.²⁹

Nevertheless, many European countries, to include Germany, could be challenged to meet their long-term social welfare obligations due to a decline in native European birth rates. Regardless of economic might or geographic location, nearly every European country is experiencing some percentage of native population decline. By 2050, the native population of Germany is expected to decline by nearly 8 percent. Furthermore, the fertility rate of European women is fairly low, with Germany averaging 1.4 percent between 2010–2015³⁰ and is showing only marginal signs of improvement. While Germany's low fertility rate is probability related to the nation's economic success,³¹ a declining population could challenge Germany's ability to meet future social security obligations. Therefore, it is likely that Germany will be unable to meet its labor demands without additional support from immigration.

However, frustrations over poor fiscal prospects and changing demographics are compounded by perceptions that immigration is burdening an already weakened European economic state. It is possible that these beliefs may have led to a rise of extremist movements within Europe that seek to reverse the policies enacted by Brussels, sometimes through violent means. Furthermore, as chronicled in *Right-Wing Populism in Europe: Politics and Discourse*, European populist groups seek to simplify or detract from complex

²⁸ "Germany: Migrants May Have Fueled Violent Crime Rise," BBC, January 3, 2018, <https://www.bbc.com/news/world-europe-42557828>.

²⁹ Timo Lochocki, *The Rise of Populism in Western Europe* (Berlin: Springer, 2018).

³⁰ Joel Kotkin, "Death Spiral Demographics." *Forbes*, February 2, 2017, <https://www.forbes.com/sites/joelkotkin/2017/02/01/death-spiral-demographics-the-countries-shrinking-the-fastest/#7ceac06bb83c>.

³¹ Guillaume Vandenbroucke, "The Link Between Fertility and Income," 2016, The Federal Reserve Bank of St. Louis, <https://www.stlouisfed.org/on-the-economy/2016/december/link-fertility-income>.

economic issues by identifying a culprit, often foreigners, as the source of a specific country's problems.³²

Regardless of the actual impact that changing demographics might have in Germany or other EU states, the decline in native birth rates and the rise in immigration may possibly remain a determining factor in the appeal of populist groups. Therefore, as noted by Francis Trix in *Europe and the Refugee Crisis: Local Responses to Migrants*, unless European authorities develop better policies to integrate new arrivals and mitigate the concerns of native inhabitants, the political challenge posed by asylum seekers, both real and imagined,³³ will continue to erode the cohesive principles upon which the European Union was established.

There are those who argue that the concerns surrounding the Eurozone's growth rates and impact of extremist movements are overblown. Central to their theory is the notion that the slowdown observed in 2018 was related to natural moderations of economic growth or temporary event-driven factors.³⁴ While these concerns could explain a miss in growth expectations for a specific year, they do little to address the economic stagnation that has been persistent in Europe for the last decade. Furthermore, although some events, might be interpreted as one-off events, they may also indicate that some desires for change could potentially transcend economic frustrations against temporary economic conditions.

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

The primary issue that emerges from any analysis of the economic policies of the European Union is that there is no broad-based consensus about their impact. While the EU was established as a means to accelerate economic growth, and to promote security for member nations, it is impossible to calculate how the actual rate of growth would have compared had the Union never been formed. Specifically, while liberalization has

³² Brigitte Mral, Mjid KhosraviNik, and Ruth Wodak, *Right-Wing Populism in Europe: Politics and Discourse* (New York: Bloomsbury Academic, 2013), 5.

³³ Francis Trix, *Europe and the Refugee Crisis: Local Responses to Migrants* (New York: Bloomsbury Academic, 2019).

³⁴ "A New Political Phase for Europe," Economic Intelligence Unit, 2018, https://www.eiu.com/public/topical_report.aspx?campaignid=EuropeNewPhase2018.

encouraged trade between member states, external trade barriers from non-member states generally remain in place. As a result, the formation of the EU has led to both trade creation and trade diversion, through regional trade agreements.³⁵ Therefore, identifying the precise economic gain from the EU's formation and thus, determining whether its policies have enhanced or detracted from individual states' comparative advantage remain elusive objectives. Growth would have declined in each of the member states, but whether or not at higher or lower rates than with EU membership is problematic.

Another issue that remains difficult to accurately evaluate is the role that immigration has played in determining the EU's economic capacity. While multi-decade declines in European birth rates have resulted in unanticipated burdens on the EU's economic and social framework, it is unclear whether the sudden influx of working-age immigrants from the ME and NA is accelerating or reducing the economic burden of Germany. While some empirical studies suggest immigration is reducing the overall tax and labor burden on working age European citizens,³⁶ as well as providing positive increments to the labor force, a key element in sustaining economic growth, others suggest that cultural conflicts more than offset the gains from an increased labor force. In particular, Akerlof and Kranton argue that a worker's utility will likely increase if the individual self-identifies with a geographic region or culture in which they are employed. However, if an individual does not self-identify with a particular geographic region or culture, then their utility can potentially decrease.³⁷ Additionally, Akerlof and Kranton also note that "utility may increase or decrease, not only because of an individual's own choices but from the choices of others"³⁸ This suggests that an individual's economic productivity is tied not only to how they view themselves within a society, but also how that society views the individual. Furthermore, as suggested by Constant, Nottmeyer, and Zimmermann, although

³⁵ Mike Artis and Frederick Nixson, *The Economics of the European Union* (New York: Oxford University Press, 2007), 56.

³⁶ Ryan Murphy, *Immigration and Its Effect on Economic Freedom: An Empirical Approach*, *CATO Journal* 37 (2017): 532–536.

³⁷ George A. Akerlof and Rachel E. Kranton, *Identity Economics: How Our Identities Shape Our Work, Wages, and Wellbeing* (Princeton, NJ: Princeton University Press, 2010), 17–19.

³⁸ Akerlof and Kranton, 18.

some individuals possess the motivation and human capital needed to be notionally successful in a new economic environment, they might be unable to achieve this objective because of different behavioral norms as well as frustrated or confused self-identity factors.³⁹

Finally, while the rise of populism within European societies and political parties is troubling to those who support the EU, no clear catalyst has emerged to explain the ideology's increased appeal. Furthermore, while there is near unanimous agreement that right-wing extremist rhetoric has become more prominent in a variety of European societies and political parties, the nature of the impact remains ill-defined. Explanations for the rise of populist parties include everything from austerity measures and xenophobia to Russian subversion. Therefore, identifying a specific catalyst for the rise of populist parties within the European Union could be inconclusive.

Over the course of this thesis, each variable relating to the current construct of the EU will be evaluated. Although multiple factors have likely contributed to the rise of populism in Europe, economic principles will likely provide the strongest case for their populism's increased appeal. For one thing, populism rose largely after the international financial crisis of 2008–2009 and the subsequent decline in growth by historical standards. Furthermore, although the European Union's economic policies will likely provide a slight advantage for member states, the “net benefits are often small, just a fraction of a percent of GDP.”⁴⁰ Therefore, the economic advantage gained by member states from interacting in EU institutions might not be enough to offset the potential pitfalls associated with increased immigration and rising populist political parties.

E. RESEARCH DESIGN

The research design used to evaluate and support the analysis of this thesis will consist of historical studies, statistical analysis, and a comparative review of EU economic framework, German immigration policies, and the growth of the AfD in Germany.

³⁹ Amelie F. Constant, Olga Nottmeyer, Klaus F. Zimmermann, “Cultural Integration in Germany,” Institute for the Study of Labor, IZA Discussion Paper No. 4675, December 2009, 4.

⁴⁰ Artis and Nixon, *The Economics of the European Union*, 61.

This thesis will review the background of the EU's current economic policies and compare anticipated economic growth with actual rates of return. This will be accomplished by comparing projected growth rates developed by the ECB and leading financial institutions with trailing results. Furthermore, this thesis will evaluate labor mobility rates within the EU in order to determine the impact of mobility factors on the European economic outlook. Additionally, this thesis will analyze whether actual economic results are sufficient to support current policies, or if additional measures, to include immigration, are needed.

Furthermore, this thesis will explore immigration trends in Germany to include integration procedures currently in place. This will be accomplished by conducting a detailed review of Germany's new-arrival procedures, including how individuals are admitted, processed, and ultimately integrated into German society. The thesis will explore specific costs associated with the integration process as well as some of the social and cultural benefits and challenges associated with integrating large numbers of new arrivals.

Finally, this thesis will evaluate the rise of populist groups in Germany. Detailed analysis will be devoted to recent immigration trends in Germany and the possible link between increased immigration and populist voter trends. In particular, this thesis will explore the factors that define the populist AfD movement, as well as recent populist voter trends. In addition, this thesis will evaluate whether current European economic and immigration factors have possibly increased the appeal of populism in Germany.

The independent variables in this thesis are the economic policies pursued by the EU. The independent variables will include the methods utilized to advance the EU's economic agenda, including the development of a common currency and the European Central Bank. The dependent variables will include some of the social consequences of EU's economic policies, including an evolving demographic landscape and rise in populist political parties.

F. THESIS OVERVIEW AND CHAPTER OUTLINE

The examination of the European Union's fiscal policies and possible relation to the rise of populist political parties will be divided into five chapters:

- Introduction
- European Economic Policies
- Economic and Social Impact of Migrants and Refugees in Germany
- Rise of Populism in Germany
- Conclusion

This thesis will explore the foundations upon which the EU was established and assess some of the risks that relate to the EU's current construct. Following the introduction, the thesis will evaluate how historic monetary policies have influenced the current European economic landscape. The thesis will then explore the relationship between economic growth targets and demographic trends. Finally, the recent popularity of populism will be examined in relation to the ideology's possible appeal as an alternative to the ECB's fiscal policies and German immigration trends.

II. EUROPEAN ECONOMIC POLICIES

The European Union (EU) was established in an effort to prevent the frequent large-scale wars that had come to define the European Continent. The foundations upon which the EU was created were primarily economic, expanding on earlier regulatory agreements such as the European Coal and Steel Community (ECSC), to enlarge and expand the economic capacity of the European Union. However, as Jean Monnet, a founding father of the EU, once said, “I would have put emphasis on culture over the economy if I had to start all over.”⁴¹

While the EU exists as a collection of 28 individual nation-states, its most powerful and influential member is Germany. Germany’s economic and political might has consistently influenced the course of EU actions since the union was founded and has become increasingly important to the EU’s survival. As such, it is important to consider the policies and actions taken by the German government as a measure through which the broader economic and social performance of the EU can be determined. Germany’s fate and that of the EU are largely intertwined, with the success or failure of one largely dependent on the other. Therefore, evaluation of the economic and political actions taken by the German government as well as the EU are essential when determining measures of economic and social effectiveness for the broader European Union.

To be clear, economic factors are one of the most important aspects to consider when evaluating measures of effectiveness as well as policy decisions within the EU. However, economic growth in the EU has remained fairly stagnant for some time, which threatens the long-term ability of EU member states to meet social security obligations. In addition, the inability to meet economic targets potentially increases the impact of other negative growth trends, such as low fertility rates and labor mobility.

Moreover, while sustained economic growth has been an objective of the EU, many economic targets have remained elusive. While this factor is not significant enough to

⁴¹ Artis and Nixon, *The Economics of the European Union*, 5.

fundamentally alter the European political landscape, it does present a significant problem to EU member states, like Germany. Furthermore, the challenges associated with economic shortcomings can be greatly expanded if a state is also impacted by a declining population and very low labor mobility. Therefore, when combined with social factors, failure to meet economic objectives can promote radical changes in the political landscape of EU member states, especially when non-EU immigration is increased. To stave off populism governments must be able to make the case that non-EU immigration does not necessarily take jobs, but instead expands the workforce thus enabling higher rates of economic growth.

A. A UNIFIED SOCIO-ECONOMIC EUROPE

Central to the establishment of the EU were a series of economic and social beliefs that were intended to recreate the European landscape as a bastion of economic and cultural prosperity. These goals and values, as stated by the European Union, consisted of economic growth and development that was sustainable based on price stability and a highly competitive market economy; as well as employment at full capacity, including social progress, and environmental protection.⁴² Furthermore, the EU has sought to reduce the extremes of wealth inequality and poverty, as well as to provide essential social services that previously did not exist within individual member states. In order to achieve this goal, the EU established a series of trade and monetary policies specifically designed to encourage economic prosperity. These policies included establishing a common “euro” currency for many member countries and enhancing social and territorial cohesion among EU member states by offering individual freedom, increased security and justice without the need for internal borders.⁴³

However, while the EU has been effective in achieving its original goal of preventing large-scale conflict on the continent, new concerns have begun to emerge in relation to the Union’s economic policies. In particular, the economic growth rates that

⁴² Eurostat, “Goals and Values of the EU.”

⁴³ Eurostat.

were promised and used to develop spending plans within individual states have consistently failed to materialize. Heavy regulation and high levels of protectionism⁴⁴ have reduced productivity thus constraining trade and investment with economic blocs external to the EU and done little to address the double-digit unemployment rates found in many Southern European states, including Greece, Spain, and Italy.⁴⁵ Furthermore, stimulus measures designed to increase public spending, including the introduction of negative rates on deposits have failed to yield any real results, or increase spending. Also, many of these stimulus measures have been in place for some time. The ECB first introduced negative interest rates on June 11, 2014, lowering the deposit rate to negative 0.1 percent in an effort to stimulate economic activity and return the EU to growth.⁴⁶ However, growth within the EU has consistently lagged the world's other leading economies, including the United States and China, and is not expected to improve.⁴⁷

Furthermore, European Officials seem keen to maintain current policies, as indicated by the recent reduction in deposit rates from negative .4 to negative .5 percent.⁴⁸ However, such policies are highly risky, as explained by Yen Nee Lee, "negative interest rates have adverse consequences that are not fully understood."⁴⁹ Furthermore, while negative interest rates have not stimulated growth, they might actually curtail an economic expansion, as individuals could reduce spending and seek capital protection through investments in non-EU assets that are perceived as more stable, like the U.S. dollar or precious metals. Prolonged use of negative interest rates also reduces the monetary options available if and when another recession strikes the region. Furthermore, no alternative

⁴⁴ El-Agraa, *The European Union*, 122.

⁴⁵ "The Economy," Eurostat, accessed April 15, 2019, https://europa.eu/european-union/about-eu/figures/economy_en.

⁴⁶ Eurostat.

⁴⁷ Congressional Budget Office, *Budget and Economic Outlook, 2019–2029*.

⁴⁸ Julia Horowitz, "ECB Cuts Interest Rates and Relaunches its Bond-Buying Program," CNN, September 12, 2019, <https://www.cnn.com/2019/09/12/investing/ecb-interest-rate/index.html>.

⁴⁹ Yen Nee Lee, "Long-term Negative Interest Rates Have Adverse Consequences Not Fully Understood," CNBC, October 21, 2019, https://www.cnbc.com/2019/10/22/jamie-dimon-on-negative-interest-rates-economic-slowdown-recession.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail.

economic measures have been proposed to date, which could help assure the Union's long-term sustainability.

Although the goals behind the EU's formation were well-defined, the policies established to achieve the union's objectives have attained only partial success to date. One of the most influential actions taken by European authorities was the creation of the euro currency. However, while the establishment of a single currency has streamlined financial transactions within Europe, major disadvantages have emerged. Furthermore, as noted by Johan Van Overtveldt, "unprecedented institutional structure of the EMU, which combines a single monetary policy, managed by the European Central Bank (ECB), with multiple economic, budgetary, and regulatory policies, managed by the independent governments of member countries"⁵⁰ can detract from efforts to mitigate hardships during periods of extreme economic stress by reducing the policy tools available to national authorities.

Moreover, when individual EU member states transferred their right to print their own money to the ECB, their individual government bonds became denominated in a currency they no longer controlled.⁵¹ Furthermore, "unlike every other successful single currency, the ECB stands by itself at the European level, without the broader societal and political institutions needed to give currencies a solid and durable foundation."⁵² By losing control of their own currencies, member states run the risk of default, since they are borrowing in a foreign currency and no longer retain the ability to print money and service their debt during periods of severe economic fluctuations. Furthermore, while many nations around the world have experienced extended periods of economic stagnation and survived, the EU is not a nation; it is a voluntary and imperfect amalgamation of countries that may not be able to weather a long period of economic stagnation.⁵³

⁵⁰ Overtveldt, *The End of the Euro*, 73.

⁵¹ George Soros, *The Tragedy of the European Union: Disintegration or Revival* (New York: Public Affairs, 2014), 16.

⁵² McNamara, "The Euro in Decline."

⁵³ Soros, *The Tragedy of the European Union*, 20.

However, some of the risks associated with borrowing in a foreign currency can be offset by the nature of the EU. Specifically, a utilizing a shared group of foreign reserves can economize the assets use, which can add strength to an economic system.⁵⁴ This is accomplished by providing an additional economic safety barrier to the system because it is improbable that multiple member states will enter into a deficit at the same time, so the economic surplus of one member state can offset the fiscal deficit of another.⁵⁵ Furthermore, the EU's implementation of the euro has transformed the currency into one of the world's foremost economic mediums, equivalent to the U.S. Dollar and Chinese Yuan.⁵⁶ Additionally, transaction costs associated with currency exchange can be avoided while conducting trade and other operations within the single monetary union.

While the euro construct might mitigate the risk to individual states during periods of normal economic activity, it can significantly accelerate risk during periods of extreme economic distress. This is particularly true during periods of global economic unrest or financial crisis, where the majority of EU member states enter deficit simultaneously. Furthermore, this can be exceptionally impactful for the nations that retain high debt obligations associated with robust social welfare policies. While there is no such thing as an official European welfare state, the belief the social welfare should be provided and maintained by the state is seen as something thoroughly European in origin.⁵⁷ Therefore, continued adherence to specified social welfare policies is an essential element to maintaining the legitimacy of the EU.

While the abolishment of the euro is likely a non-starter for the EU, the creation of an optimal currency area could offset many of the risks associated with the current construct. This could include a tailored reduction in eurozone member states, with particular focus on economic hegemony. Crucially, many of the risks to the euro and the broader EU, could be mitigated if Germany chose to abandon the currency. In this way,

⁵⁴ El-Agraa, *The European Union*, 119.

⁵⁵ El-Agraa, 122.

⁵⁶ El-Agraa, 150.

⁵⁷ Kees Van Kersbergen, *The Search for Europe: Contrasting Approaches* (Florence: European University Institute, 2016), 3.

Germany could allow the rest of EU member states, specifically the high-debt countries, to assume possession of the euro.⁵⁸ Such action would lead to a significant devaluation of the euro and allow debt loads of debtor countries to become much more manageable. However, this is highly unlikely to happen since Germany has been a major beneficiary of the euro since it was created, and would likely not benefit economically from a return to the Deutschmark. Therefore, the establishment of the euro and its continued propagation could eventually subject individual member states to unnecessary hardships and challenge their ability to service their debt obligations during periods of severe economic turmoil.

Beyond the establishment of a single currency, one of the primary goals of the European Union has been to encourage balanced income and economic growth standards among EU countries.⁵⁹ This goal led the EU to introduce multiple measures designed to improve the Union's regional and economic cohesion policy. In 1975, the European Regional Development Fund (ERDF) was introduced as one of the EU's primary policies. The ERDF was succeeded by the creation of the Single Market Program in 1986 which enabled the formation of a singular regional policy which became the Single European Act (SEA).⁶⁰

Shortly after the creation of the SEA, EU regional economic policy was expanded in an effort to help weaker EU member states to remain within the boundaries of the Maastricht convergence criteria, as well as to ensure economic development and growth targets remained on track.⁶¹ The essential argument for the creation of a broad EU regional policy was the existence of large economic disparities between EU member states and the belief that a more stable economic environment was required for successful economic and political integration across the Union. Therefore, economic success for all member states is an essential requirement for the EU to remain relevant.

⁵⁸ Soros, *The Tragedy of the European Union*, 21.

⁵⁹ Artis and Nixon, *The Economics of the European Union*, 171.

⁶⁰ Artis and Nixon, 171

⁶¹ Artis and Nixon, 171.

One of the main focuses for the EU has been the amount of public borrowing and the overall size of budget deficit. These are two of the five principles associated with Maastricht criteria for EMU membership as well as a constraint of the Growth and Stability Pact.⁶² A central component of the Maastricht criteria was to encourage members of the Eurozone to maintain sound fiscal policies. This included limiting total debt to no more than 60 percent of GDP with annual deficits that should not exceed 3 percent.⁶³ Additionally, the Maastricht criteria required inflation rates to be no higher than 1.5 percent above the average of the three lowest Eurozone members, with long-term interest rates for individual states not to exceed two percentage points above the three lowest inflation states. States found to be in violation can face sanctions or fines of up to 0.5 percent of their GDP.⁶⁴ Therefore, as stated by Ali El-Agraa, “the structure of the ‘economic’ side of the macroeconomic policy-making thus involves constraints from following policies that could harm the system as a whole,”⁶⁵ not necessarily those that benefit the individual member state.

Although a number of member states, including France, Greece, Portugal and Spain, have broken one or more of the Maastricht criteria over the past several years, no real action has been taken by the EU to punish violators. However, while no formal action has been taken to fine those states that are in violation of the agreement, consistent failure to meet the established criteria by several member states has led many individuals within the EU to question the viability of the monetary union.⁶⁶

Furthermore, while strict limits on debt to GDP ratio were intended to ensure sound fiscal policies, they do little to mitigate hardships during extreme economic downturns. Specifically, the requirement for debt to not exceed 60 percent of GDP or the 3 percent

⁶² El-Agraa, *The European Union*, 74.

⁶³ Hubbard and Kane, *Balance*, 204.

⁶⁴ Viktoria Dendrinou, “How Countries Keep Testing the EU’s Fiscal Rules,” Bloomberg, January 20, 2019, <https://www.bloomberg.com/news/articles/2019-01-20/why-eu-s-budget-rules-invite-members-to-test-limits-quicktake>.

⁶⁵ El-Agraa, *The European Union*, 186.

⁶⁶ Matthew Karnitschnig, “How the AfD Could Save the EU,” January 15, 2019, Politico, [Politico.eu](https://www.politico.eu/article/how-the-afd-could-save-the-eu/)

deficit ratio ignores “good” fiscal deficits, such as infrastructure improvements.⁶⁷ This is particularly harmful during times of economic distress. Regardless of the benefit to the state, if either of these requirements are exceeded then the member state in violation would need to take immediate contractionary fiscal action and further constrain the economy, which can be negatively influential economy is already performing weakly.⁶⁸ This can create unnecessary hardships for individual states as strict debt-control measures can significantly hinder the state’s ability to limit the extent of economic hardships. Additionally, austerity measures can impact a country’s ability to escape financial crises by limiting the state’s ability to increase spending and stimulate growth through the further accumulation of debt.

While there are some economic advantages to EU integration as established by the Maastricht criteria, the vast majority the current structures governing economic integration within the EU, were either suggested or designed for political reasons; however, many of the arguments in support of their continued enforcement are often expressed in terms of economic gains.⁶⁹ However, in many cases these economic gains have yet to materialize, or worse yet, the policies put forth by Brussels have possibly contributed to economic failures, such as those that impacted Greece and Portugal in 2010.⁷⁰ Furthermore, the reluctance or unwillingness of EU officials to acknowledge this fact has contributed to the growth of populist sentiment as individuals seek an alternative voice to politically motivated economic policies.

Beyond the challenges posed by a single currency or austere fiscal policies, a major concern for multiple member states within the EU is the sharp increase of the old-age dependency rate. Dependency rates normally provide a measure of the ratio of the total number of individuals who are not working because of age or disability in relation to the number of individuals currently employed. There are multiple problems that can arise from

⁶⁷ Koo, *The Escape from Balance Sheet Recession*, 23.

⁶⁸ El-Agraa, *The European Union*, 187

⁶⁹ El-Agraa, 83

⁷⁰ “Explaining Greece’s Debt Crisis,” *New York Times*, June 17, 2016, <https://www.nytimes.com/interactive/2016/business/international/greece-debt-crisis-euro.html>.

high dependency rates in the long-term, including an erosion of social benefits. These issues can be exacerbated if the high rate is not matched by a sharp increase in the capacity and desire of those employed to support those who are not working.⁷¹

By 2050, nearly every single EU member state is expected to have a dependency rate at or above 40 percent. Others, including Germany, Italy, Greece and Spain, are expected to approach 60 percent. Additionally, as described in *The Economics of the European Union*, “This so-called ‘demographic time-bomb’ has implications for how pensions are paid. The current ‘pay as you go’ system must imply higher rates of tax on those working, higher participation rates, burgeoning debt, or a combination of these in the absence of acceleration of productivity growth.”⁷² Therefore, many political figures throughout Europe, in particular Germany, have begun express concerns regarding who will support the growing population of retirees and elderly.⁷³ These fears center on the notion that, absent significant change, there will be far fewer young productive workers entering into the economy in the future. Without additional labor, economic health of the country cannot be supported. This will negatively impact the ability of the state to continue to support pensions for the elderly as well as secure additional resources to ensure the continuation of health and other services.⁷⁴

Beyond the impact to pensions, an accelerating dependency rate and declining labor force threatens to negatively impact the state’s ability to provide for its citizens through state-funded healthcare, schooling, food subsidies, and other welfare programs. This is highly distressing to those in favor of a stable EU, as the establishment and commitment to social welfare programs has been a key objective of the EU since the union was founded. However, without an increase in the labor force, it is highly likely that a reduction in some benefits will be required in order to maintain a basic level of state support as dependency rates continue to rise within many EU states.

⁷¹ Artis and Nixon, *The Economics of the European Union*, 37.

⁷² Artis and Nixon, 37.

⁷³ “Merkel Warns German Labor Shortage Could Spark Business Exodus,” DW, December 14, 2019, <https://www.dw.com/en/merkel-warns-german-labor-shortage-could-spark-business-exodus/a-51676100>.

⁷⁴ Laqueur, *After the Fall*, 178.

While some member states have tried to alleviate this problem internally, others have turned to alternative methods, as a means to reduce their dependency rates, including the promotion of policies designed to increase immigration. This is particularly true in Germany, where recent efforts to increase the nation's population, as well as to provide a humanitarian solution to the Refugee Crisis, has led to a dramatic increase in asylum seekers. Since the start of the refugee crisis in 2014, more than 1.6 million individuals from the Middle East and North Africa have sought asylum in Germany.⁷⁵

However, policies designed to increase immigration have largely been dedicated to addressing factors external to the EU, with particular focus given to encouraging those fleeing from the Middle East and North Africa to relocate to the European Union. Although many of those who support such programs argue that the new arrivals should be considered a welcome source of labor and a possible solution to pending economic woes, little has been done to encourage migration from other weaker European economic states.⁷⁶ In particular, few programs exist to provide similar incentives to those relocating from economically challenged states in Eastern or Southern Europe. The unemployment rate in Greece is nearly 20 percent, while Spain and Italy are approaching 15 percent and 11 percent unemployment, respectively.⁷⁷

While multiple eastern and southern European states struggle with high levels of unemployment, Germany is contending with unnaturally low unemployment rates. Specifically, Germany's current unemployment rate of 3.3 percent is a major concern as the nation cannot achieve its full economic potential and will have trouble meeting its future welfare and pension obligations without an increase in labor. However, the low unemployment rate in Germany is not indicative of a booming economy, but rather, reflective of the negative impacts created by a declining labor force. Simply put,

⁷⁵ John Charley-Kai, "Number of Migrants in Germany Reaches Record High," Reuters, April 12 2018, <https://uk.reuters.com/article/uk-germany-immigration/number-of-migrants-in-germany-hits-record-high-idUKKBN1HJ2BQ>.

⁷⁶ Kenneth Rapoza, "Here's Why Europe Really Does Need More Immigrants," *Forbes*, August 15, 2017, <https://www.forbes.com/sites/kenrapoza/2017/08/15/heres-why-europe-really-needs-more-immigrants/#5cd63a6c4917>.

⁷⁷ Eurostat, "The Economy."

Germany's unemployment rate of 3.3 percent exists due to an overall lack of individuals capable of entering into the workforce, not because of an influx of jobs or improving economic outlook.

Furthermore, rather than curtailing social benefits, Germany has expressed a desire to increase immigration as a means to boost its economic potential and provide for future obligations.⁷⁸ But, instead of looking to its southern European neighbors for labor, Germany has encouraged immigration from the Middle East and North Africa. However, aside from political considerations, there is little to be gained by encouraging immigration from these geographic regions of the world, especially at a time when the unemployment rates are extremely high in many southern European countries⁷⁹ Therefore, although an altruistic argument can be made that prioritizes humanity over economic gain as the primary driver behind Germany's immigration preferences, any economic advantage would likely be significantly limited.

B. ECONOMIC GROWTH AND LABOR MOBILITY

Labor mobility has long been a key component behind the economic growth of a state and these factors have increased in importance as a consequence of the EU's formation. However, nearly all European states are burdened by extremely low mobility rates, particularly Germany. Furthermore, low mobility factors are exacerbated when combined with prolonged declines in skilled labor and innovation deficits.⁸⁰ Additionally, aging populations and low fertility rates throughout the EU have emerged as real challenges to the long-term sustainability current social security systems.

In the long-term, the absence of skilled labor can act as a constraint on economic expansion. This is particularly true for developed nations where human capital provides one of the primary economic drivers within a knowledge-based society.⁸¹ Furthermore,

⁷⁸ Nienaber, "Merkel Takes a Gamble."

⁷⁹ Walter Laqueur, *Last Days of Europe* (New York, St. Martin Press, 2007), 177.

⁸⁰ Ewald Nowotny, Peter Mooslechner, and Doris Ritzberger-Grunwald, *The Integration of European Labour Markets* (Northampton, Edward Elgar Publishing, 2009), 9.

⁸¹ Nowotny, Mooslechner, and Ritzberger-Grunwald, 10.

mobility factors are uniquely influential to growth prospects within the EU due to the union's organization. In particular, foreign trade policy and exchange rates have lost their importance as mechanisms of economic elasticity as a consequence of the European integration and the creation of the eurozone.⁸² Therefore, mobility factors are potentially more economically consequential within the eurozone, due to the absence of more traditional economic growth mediums.

To be clear, labor migration tends to lead to better deployment of economic resources and typically increases production. However, the effects of immigration on the economy of the receiving country largely depend on the structure and skill composition of the migrants.⁸³ Specifically, if new arrivals possess skills that are not in demand or readily present in a host country, then economic gains associated with their influx can be significantly muted. Therefore, while increased labor mobility can potentially influence the economic capacity of a host nation, these factors can only be realized if the composition of the new arrivals is complementary to the established industries or labor demands of the receiving state.

While some of Germany's economic woes could be solved through the increase in working-age individuals from the Middle East and North Africa, they do little to advance the broader economic landscape of the EU. Specifically, the German government's prioritization of immigration from geographic regions outside of the EU does little to alleviate the plights of economically challenged European states. In particular, increased immigration between EU member states could potentially benefit both the sending and receiving states equally. Additionally, increased mobility within the EU could strengthen the broader European Union, through the expansion of social and territorial cohesion, which has long been a goal of the EU.

Furthermore, while the influx of individuals from the Middle East and North Africa could potentially offset some concerns associated with an increased need for EU labor, integration issues have emerged that could significantly impact any real economic

⁸² Nowotny, Mooslechner, and Ritzberger-Grunwald, 11.

⁸³ Nowotny, Mooslechner, and Ritzberger-Grunwald, 13

benefit.⁸⁴ Additionally, the costs associated with integrating refugees and economic migrants from the Middle East and Africa tend to be higher. Many of those arriving from outside Europe are not capable of entering into the workforce right away and are required to attend language and cultural integration courses before they can pursue employment.⁸⁵ Conversely, it is possible that some of these challenges could potentially be avoided if more individuals were to migrate from states internal to the EU.

However, labor markets within the EU typically reflect relatively low levels of regional mobility; on average, EU citizens maintain about half the mobility rate of U.S. citizens. Nearly 38 percent of individuals within the EU changed residence over the past decade; However, the majority of those individuals (nearly 70 percent) relocated to a new home within the same town or village. In total, less than 4.5 percent moved across national borders⁸⁶ to another member state within the EU. Furthermore, it has been estimated that annual migration between member states within the EU is less than 0.4 percent of all resident EU nationals. However, within the USA, these numbers are significantly higher, with the average American moving 11 times in his/her lifetime.⁸⁷

While EU labor mobility percentages are extremely low, the quality and productivity of those relocating is fairly strong. The majority of EU citizens chose to move to another country due to better employment opportunities in the receiving country. Many of these individuals chose to relocate as a means to improve their situation in the labor market, secure better employment conditions, or increasing their overall income.⁸⁸ Furthermore, the vast majority of movers within the EU are currently employed when they

⁸⁴ Hosam Al-Jablawi, "Syrian Refugees' Struggle with Temporary Status in Germany," *Atlantic Council* (blog), February 26, 2019, <https://www.atlanticcouncil.org/blogs/syriasource/syrian-refugees-struggle-with-temporary-status-in-germany>.

⁸⁵ Informationsverbund Asyl und Migration, "Regular Procedure," Asylum in Europe, accessed October 26, 2019, <https://www.asylumineurope.org/reports/country/germany/asylum-procedure/procedures/regular-procedure>.

⁸⁶ El-Agraa, *The European Union*, 121.

⁸⁷ Adam Chandler, "Why Do Americans Move So Much More Than Europeans?" *The Atlantic*, October 2016, <https://www.theatlantic.com/business/archive/2016/10/us-geographic-mobility/504968/>.

⁸⁸ Elena Fries-Tersch, Tugce Tugran, Agnieszka Markowska, and Matthew Jones, *2018 Annual Report on Intra-EU Labour Mobility*, December 2018, European Commission (Luxembourg: Publications Office of the European Union, 2019), 60.

choose to relocate. Through 2017, Individuals who chose to move in the EU movers had an average employment rate of nearly 80 percent.⁸⁹ The high rate of employment is extremely beneficial to new host countries as individuals can immediately contribute to the productivity of a host nation, without the need for social welfare or work-placement programs. Additionally, as detailed in the 2018 annual report on Intra-Eu Labour Mobility, “for countries of origin, mobility also has some positive effects. Mobility tends to create sizeable benefits for movers and their families...and mobility of low and medium-skilled workers may also alleviate labor market difficulties in countries of origin.”⁹⁰

Interestingly, a regional difference does exist amongst high-skilled professions, with the majority of movers more frequently found in the European Free Trade Association (EFTA) countries than in EU-15 countries like Spain, Greece, and Italy. This suggests that more needs to be done to encourage individuals from lower-mobility and high unemployment states to relocate. Individuals from these southern European states tend to work in high, low, and semi-skilled occupations at about the same rate, although the majority of high-skilled workers tend to relocate to Switzerland and Luxembourg.⁹¹ This trend does little to alleviate Germany’s concerns, the EU’s largest and most influential economic body. Specifically, the German economy lacks specialists, and demographic change is expected to increase the shortage. Currently there are around 1.2 million job openings that are unfilled in Germany,⁹² a trend that could create considerable hardships for the nation and the EU if not rectified in a timely manner.

Simply put, European citizens choose to relocate to different geographic regions at extremely low rates. While this is great for maintaining national identity and local customs, the lack of European mobility creates a barrier to EU integration and economic potential. Unless the EU, and particularly Germany, develop new incentives to spur increased labor

⁸⁹ Fries-Tersch, Tugran, Markowska, and Jones, 60.

⁹⁰ Fries-Tersch, Tugran, Markowska, and Jones, 81.

⁹¹ Fries-Tersch, Tugran, Markowska, and Jones, 67.

⁹² Tanja Zech, *Skilled Personnel Welcome: A New Law Is Intended to Facilitate the Migration Of Skilled Workers to Germany*, Deutschland, January 27, 2020, <https://www.deutschland.de/en/topic/business/the-skilled-labour-immigration-act-working-in-germany>.

mobility, it is unlikely that mobility rates will increase naturally. Furthermore, as European societies continue to age, it is likely that mobility rates will continue to decline, which will create further barriers to societal and territorial cohesion. This can be particularly impactful to the economic productivity of member states, as individuals with in-demand skills will likely remain hesitant to relocate to regions that could benefit from their trade.

Furthermore, the unwillingness of Europeans to permanently relocate to a new state does little to advance a more integrationist European identity. Importantly, the reluctance of European citizens to characterize themselves as European over a specific national identity is not a new phenomenon; a 1996 Eurobarometer survey revealed that only 51 percent of Europeans “felt European” and this number has not increased.⁹³ Although there are significant disadvantages to low mobility rates, little has been done by the EU, to improve the rate at which European citizens relocate with the union.

Of course, these relatively low labor mobility figures reflect cultural and institutional preferences in the EU, but they are also be due to a more systematic failure in the functioning of the factor markets. In particular, it has been argued that the lack of meaningful wage improvements in response to regional labor demand fluctuations could potentially hindered the functioning and economic capacity of national labor markets.⁹⁴ Furthermore, one of the primary concerns that has consistently been raised within the EU has been the multitude of trade barriers that continue to exist, which have kept labor mobility within the broader union at a very-low level. Simply put, over regulation has created unnecessary barriers that have negatively impacted the economic potential of EU member states by hindering labor mobility of individuals between individual countries.

However, as stated by El-Agraa, “given the political commitment to enhance EU competitiveness and growth in the global economy by establishing a knowledge-based economy, the EU has taken a look at the impediments on mobility of skills and labor.”⁹⁵ Potential barriers to the mobility of the labor force within the EU can be split into both

⁹³ Laqueur, *Last Days of Europe*, 6.

⁹⁴ El-Agraa, *The European Union*, 121.

⁹⁵ El-Agraa, 122.

man-made as well as natural barriers. Man-made barriers consist of unpredictable labor market organizations, problems with the transferability of pensions and other social-welfare benefits, and lack of reciprocal acknowledgment of credentials or proficiency between member states.⁹⁶ Natural barriers include more universal impediments to individual relocation. These include language barriers, social and cultural difference, and age. Furthermore, as European populations continue to age, it is likely that the mobility factors will not experience any real improvements and could deteriorate further, as older people tend to move less than younger people. These factors need to be improved as increased labor mobility could significantly improve economic conditions within member states while mitigating the cultural and social risk posed by current policies.

With the exception of inconsistent labor market conditions and an aging population, the EU can reduce or eliminate potential barriers to labor mobility by introducing new policies specifically designed to increase labor mobility. These can include offering commensurate pension plans for new arrivals and recognition of qualifications or work experience from other EU member states. Additionally, countries such as Germany could expand language and cultural immersion courses. Although many of the courses in Germany are only available for refugees and economic migrants, they could be expanded to provide the same benefit for all new arrivals. Furthermore, by introducing new and more inclusive labor mobility measures, the EU could increase the overall productivity of the economic union by encouraging those with in-demand skill sets to move more frequently within the economic bloc.

While there are many factors that could negatively impact sustained growth within the eurozone, there are several that are simply too complex to address. The establishment of the euro and the various regulations and agreements that govern monetary and fiscal policies of individual member states are defining elements of the economic union and difficult to alter without a major re-working of the European Union. Furthermore, while the EU's goal of creating equal economic standards and performance between all member

⁹⁶ El-Agraa, 122.

states and regions is highly unlikely, it is a central argument for the EU's creation and will likely remain.

However, more needs to be done to increase the rates of mobility among EU citizens. There is a high demand for labor in Germany and a clear need for jobs in many southern European states. Additionally, an aging German population and declining productivity will challenge the nation's ability to meet its welfare and pension obligations unless an additional source of labor can be found. Furthermore, increased labor mobility rates would not only benefit receiving countries, but also aid in the economic recovery of sending countries by alleviating undue labor market conditions. Finally, increasing the frequency that Europeans permanently relocate could increase the rates by which European citizens characterize themselves as European over a specific national identity,⁹⁷ which could strengthen the social cohesion of the European Union.

The health of a nation's labor force is directly tied to the overall economic performance of a state. Additionally, the strength of the labor market is often related to the mobility rates within a geographic region.⁹⁸ Furthermore, EU member states that maintain higher rates of internal labor mobility have typically experienced fewer regional economic challenges than those that retain low rates.⁹⁹ This suggests that increased labor mobility within geographic areas could help to reduce the impact of regional imbalances on economic markets within the EU. However, many of the positive effects of immigration are difficult to achieve without the development of additional measures designed to increase labor mobility among low mobility states. Finally, the economic gains commonly found with increased mobility factors tend to be significantly higher when the workforce composition of the migrants is primarily comprised of semi-skilled or highly skilled, as opposed to low-skilled workers.¹⁰⁰

⁹⁷ Marieke Sloomman, *Ethnic Identity, Social mobility, and the Role of Soulmates* (Amsterdam, Vrije University Press, 2018).

⁹⁸ Nowotny, Mooslechner, and Ritzberger-Grunwald, *The Integration of European Labour Markets*, 22.

⁹⁹ Nowotny, Mooslechner, and Ritzberger-Grunwald, 16.

¹⁰⁰ Nowotny, Mooslechner, and Ritzberger-Grunwald, 18.

To be clear, the lack of sustained economic growth is not significant enough to radically alter the European political landscape. However, the challenges associated with economic shortcomings are greatly expanded when combined with a declining European fertility rate and very low labor mobility factors. Therefore, when amplified by social trends, failure to meet economic growth targets can significantly influence changes in the political landscape of EU member states, like Germany, particularly when these factors lead to increases in low-skilled immigration.

III. ECONOMIC AND SOCIAL IMPACTS OF REFUGEES AND MIGRANTS IN GERMANY

The dramatic increase of refugees, economic migrants, and asylum seekers arriving into Europe over the past decade, many with Germany as their ultimate destination, has led many German political figures, including Angela Merkel, to prioritize efforts to encourage integration of new arrivals.¹⁰¹ A primary question for German politicians and public figures has been identifying the best methods to integrate the millions of newcomers into German culture and society as well as the broader labor market. Furthermore, increasing skills deficiencies and a maturing population have persuaded some individuals in Germany to view the refugee crisis as an economic opportunity, and consider the new arrivals as a source of labor that can be utilized to solve the country's pending economic woes.¹⁰² However, while the influx of new arrivals might be capable of offsetting some of problems associated with Germany's economic policies, integration challenges have emerged which threaten to mitigate some of the potential economic gain.

Many of Germany's economic concerns are exacerbated due to a decline in the German birth rate over the past half-century. Beginning in the early 1970s the fertility rate amongst German women fell below 2.1, a crucial number for maintaining a nation's population. The declines accelerated over the next several decades, reaching as low as 1.25 in 1995 and never exceeded 1.5, until after the refugee crisis in 2015.¹⁰³ The low number of German births have impacted the nation's productivity, as fewer workers are available to support the nation's various industries and welfare programs. Specifically, concerns regarding Germany's demographics have raised fears that the nation will be unable to meet

¹⁰¹ Nienaber, "Merkel Takes a Gamble."

¹⁰² Victoria Rietig, *Moving Beyond Crisis: Germany's New Approaches to Integrating Refugees into the Labor Market* (Washington, DC: Migration Policy Institute, October 2016), 1 <https://www.migrationpolicy.org/research/moving-beyond-crisis-germany-new-approaches-integrating-refugees-labor-market>.

¹⁰³ "Fertility Rate, Total (Births Per Woman)—Germany," World Bank, accessed August 14, 2019, <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=DE>.

future obligations, as over 50 percent of the total population is over 40 years of age.¹⁰⁴ As stated by German chancellor Angela Merkel, “It is a fact that, if I single out Germany, our rate of GDP growth is too low.”¹⁰⁵ Furthermore, Germany’s GDP growth has recently fallen behind that of the broader European Union, growing at only 1.4 percent, compared to 2.0 percent for the EU.¹⁰⁶ Therefore, many within Germany have argued that the only solution to nation’s slowing economic growth and declining population rests firmly within policies that are designed to promote immigration into the country.¹⁰⁷

However, integration has proven to be a much more complex process than planners had anticipated. While difficulties surrounding cultural and religious differences have largely dominated the political landscape, other more complex issues, including mental health and economic integration, have been largely ignored. Many of these concerns have led to divisions within the German government and civilian population. What is more, the political challenge posed by refugees, both real and imagined by populist groups, will likely continue to undermine some of the economic benefits received.

A. MIDDLE EAST AND NORTH AFRICAN IMMIGRATION

Although there has been a steady flow of refugees into Europe from the Middle East and North Africa over the past several decades, the numbers had been relatively small prior to the start of the Arab Spring. However, following tumultuous events in Libya, Egypt, and Syria, large numbers of refugees began to seek a more peaceful environment in Europe. In 2015 alone, over 1 million refugees arrived in Europe, with many fleeing from war-torn Syria.¹⁰⁸ Although the majority of refugees arrived in Europe through Italy or

¹⁰⁴ “Population of Germany as of December 31, 2018, by Age Group,” Statista, November 6, 2019, <https://www.statista.com/statistics/454349/population-by-age-group-germany/>.

¹⁰⁵ Bertrand Benoit and Andrew Gowers, “Transcript of Angela Merkel Interview,” *Financial Times*, July 20, 2005, <https://www.ft.com/content/45773c4c-f945-11d9-81f3-00000e2511c8>.

¹⁰⁶ “Germany GDP,” World Bank, accessed August 14, 2019, <https://data.worldbank.org/country/germany?view=chart>.

¹⁰⁷ Dmytro Kaniewski, “Germany Needs Immigrants to Stay Competitive: Economists” DW, July 11, 2019, <https://www.dw.com/en/germany-needs-immigrants-to-stay-competitive-economist/a-51158216>.

¹⁰⁸ Jonathan Clayton and Hereward Holland, “Over One Million Sea Arrivals Reach Europe in 2015,” UNHCR, December 2015, <https://www.unhcr.org/en-us/news/latest/2015/12/5683d0b56/million-, sea-arrivals-reach-europe-2015.html>.

Greece, primarily via boat across the Mediterranean, the ultimate destination for most was Germany.

The rapid influx of refugees into Germany coincided with notable changes in the nation's political landscape. Approximately 890,000 individuals were granted asylum in Germany in 2015, over four times the number that were accepted in 2014, and nearly eight times that of 2013.¹⁰⁹ Although the total number of asylum applications has declined following 2015, Germany has still accepted large numbers of individuals year after year. The German Interior Ministry has stated that approximately 280,000 refugees arrived in 2016,¹¹⁰ almost 187,000 in 2017, and nearly 185,000 in 2018. In total, the German government has admitted roughly 1,500,000 refugees into the country.

The vast majority of refugees entering into Germany have come from Syria. It is estimated that nearly 800,000 Syrians have arrived in Germany since the start of the Syrian civil war, the majority of whom will likely never return. In addition, the acceptance rate for those seeking asylum in Germany from Syria is nearly guaranteed, with only 0.2 percent of applicants being rejected.¹¹¹ The number of Syrians accepted into Germany has greatly exceeded any other nationality, including those from other war-torn states. Nearly 54 percent of those fleeing from Iraq are rejected, while 34 percent of Somali refugees are also turned away.¹¹² The average rejection rate for all refugees in Germany in 2018 was nearly 50 percent, roughly in line with previous years refusals.

The majority of refugees arriving in Germany from the Middle East and North Africa are men. Almost 60 percent of individuals who were allowed to enter Germany in 2018 were men, down from nearly 70 percent in 2015, but still comprising the majority of

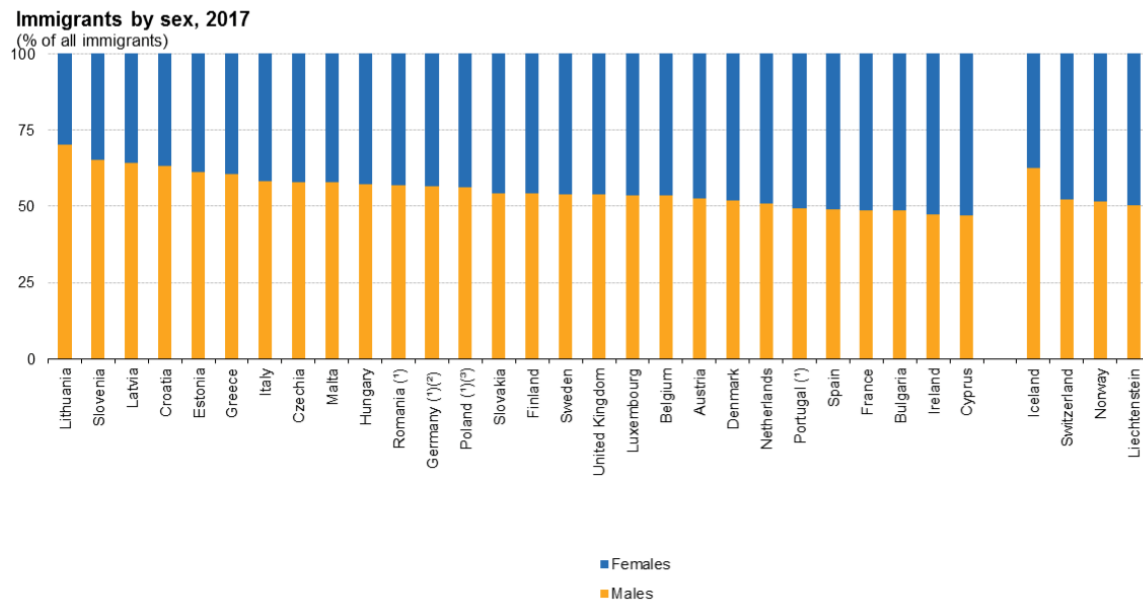
¹⁰⁹ Rietig, *Moving Beyond Crisis*, 3.

¹¹⁰ Lizzie Dearden, "Refugee Crisis: Number of Asylum Seekers Arriving in Germany Drops by 600,000 in 2016," *the Independent*, January 11, 2017, <https://www.independent.co.uk/news/world/europe/refugee-crisis-germany-asylum-seekers-numbers-drop-600000-in-2016-angela-merkel-syria-middle-east-a7521191.html>.

¹¹¹ Informationsverbund Asyl und Migration, "Statistics," Asylum in Europe, accessed August 16, 2019, <https://www.asylumineurope.org/reports/country/germany/statistics>.

¹¹² Informationsverbund Asyl und Migration.

all refugees.¹¹³ The propensity of male refugees to seek shelter in Germany is reflective of broader social and economic factors of the home countries that many of these individuals are fleeing. Within many Middle East and African communities, male family members are the only wage-earning economic force within the household. Males are often not saddled with raising children or tending to the affairs at home and are typically more likely to find compensated work when they arrive at their new host country. Additionally, although all migration routes from the Middle East and Africa are dangerous, they are considerably less perilous for men than women, as men face significantly less risk of being trafficked or sexually assaulted.



(*) Estimate.
(*) Break in series.
(*) Provisional.

Source: Eurostat (online data code: migr_imm2ctz)

eurostat

Figure 1. Immigrants by gender¹¹⁴

¹¹³ Informationsverbund Asyl und Migration, “Regular Procedures.”

¹¹⁴ Source: “Migration and Migrant Population Statistics,” Eurostat, March 2019, <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/1275.pdf>.

While refugee families might prefer to send their male representatives, their reception by many Germans has been mixed. Although initial reception to those entering into Germany was largely positive, the volume and composition of individuals seeking refuge in Germany has complicated integration efforts. Over 70 percent of those arriving in Germany during 2015 were under 30, and nearly one-third of those were under 18.¹¹⁵ Additionally, a recent study by Zurich University titled “Teenagers as Perpetrators and Victims” concluded that, while crime in Germany increased by 10 percent in 2016, the majority of the increase was attributed to young male migrants not refugees.¹¹⁶ Furthermore, the study identified that those most likely to commit violent crime were migrant males between the ages of 14 to 30, but not refugees from Syria.¹¹⁷ This suggests that integration of Syrian nationals is largely successful, but that additional efforts are possibly needed to integrate economic migrants.

B. INTEGRATION PROCESS AND CHALLENGES FOR MIGRANTS AND REFUGEES ARRIVING IN GERMANY

The overall authority for decision-making regarding asylum procedures within Germany is the Federal Office for Migration and Refugees (BAMF). The primary function of the BAMF is to coordinate integration courses for newly arrived individuals, as well as to conduct research on general migration issues. Additionally, BAMF also functions as the national administration office for European funds in all areas related to the integration and return of refugees in Germany.¹¹⁸ Although BAMF has been dedicated to creating an efficient process, integration of refugees into German society has proven to be complex. Besides language and cultural differences, many of the refugees arriving in Germany have

¹¹⁵ Sertan Sanderson, *Young Male Refugees Struggle with Disappointment and Mental Health Issues*, Infomigrants, January 11, 2019, <https://www.infomigrants.net/en/post/14219/young-male-refugees-struggle-with-disappointment-and-mental-health-issues>.

¹¹⁶ Josephine Neulen, “A Dangerous Method: Zurich University Study Exemplifies Double-Edged Sword of Migration Policy in Europe,” *Rise to Peace* (blog), January 22, 2018, <https://www.risetopeace.org/2018/01/22/eurpe/>.

¹¹⁷ Riham Alkousaa, “Violent Crime Rises in Germany and is Attributed to Refugees,” January 3, 2018, Reuters, <https://www.reuters.com/article/us-europe-migrants-germany-crime/violent-crime-rises-in-germany-and-is-attributed-to-refugees-idUSKBN1ES16J>

¹¹⁸ “About,” BAMF, accessed August 11, 2019, https://www.bamf.de/EN/Startseite/startseite_node.html.

experienced severe trauma and possess skills that might not be directly applicable to the German work force.¹¹⁹ Prior to the outbreak of the Syrian Civil war, the majority of the Syrian economy was centered on agricultural production, mining, and petroleum products.¹²⁰ These skillsets are not in high demand in Germany and complicate new arrivals' efforts to find commensurate work to that of their home country. The same is true for refugees from many other states around the Middle East and Africa, with new arrivals from Somalia, Iraq, and Afghanistan often possessing skills that are not immediately applicable within German society.

In order to address some of these concerns, German authorities have sought to overhaul the arrival and integration process in order to make it more effective. As part of this reorganization, refugees have been divided into two groups. "The first were refugees seeking asylum. They received full protection status for three years and travel documents as foreigners in Germany. They are also allowed to submit asylum applications for their families. The second group of Syrian refugees were only granted one-year temporary residency with extensions each year."¹²¹ Nearly 70 percent of all new arrivals have only been granted temporary status. Furthermore, as described by Hosam Al-Jablawi, "German law only allows those asylum recipients to apply for family reunification for spouses, children who are minors, and the parents of minors who arrived in Germany without their guardians."¹²² Those allowed to stay in Germany as temporary residents are not afforded the same privileges.

Regardless of whether refugees are granted asylum or temporary status, all those seeking a new home in Germany are required to report to a state organization upon arrival in Germany. These include security authorities, such as local police stations, immigration

¹¹⁹ Ekaterini Georgiadou, Ali Zbidat, and Yesim Erim, *Prevalence of Mental Distress Among Syrian Refugees with Residence Permission in Germany: A Registry-Bases Study* (Washington, DC: National Institutes of Health, 2018), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6121182/>.

¹²⁰ "Syrian Arab Republic 2014," Atlas of Economic Complexity, accessed August 11, 2019, <http://atlas.cid.harvard.edu/explore/?year=2014&country=212&redirected=true>.

¹²¹ Al-Jablawi, *Syrian Refugees' Struggle with Temporary Status in Germany*.

¹²² Al-Jablawi.

authorities, reception facilities or arrival centers.¹²³ Personal data is collected at these facilities, including photographs of individuals and fingerprints for anyone over 14 years of age. Individuals are then given proof of arrival documents which entitle new arrivals to legally reside in Germany, as well as to draw state benefits, such as living accommodations, basic subsistence, and medical treatments.

Once an individual has arrived and been registered in Germany, they will be assigned to a reception facility. The reception facility is responsible for temporary as well as longer-term accommodations and are capable of housing asylum-seekers for up to six months.¹²⁴ Although refugees can enter Germany through a variety of entry points, all registered new comers will be allocated to specific reception facilities based on the Initial distribution of Asylum-Seekers (EASY) quota system. As described by the European council for Refugees and Exodus, the “EASY quota system is calculated on an annual basis by the Federation-Länder Commission, and determines what share of asylum-seekers are received by each Federal Land. This ensures suitable, fair distribution among the Federal Länder.”¹²⁵

The asylum process is heavily regulated and designed to ensure all applicants receive the same screening and benefits in order to increase the probability of successful integration. The initial reception process is heavily scripted and those seeking asylum do not retain the right to choose their desired place of residence. According to the Asylum Act, “Foreigners seeking asylum shall be permitted to remain in the federal territory while the asylum procedure is pending, once they have been issued an arrival certificate. They shall not be entitled to reside in a specific land or a specific place.”¹²⁶ Furthermore,

¹²³ “Arrival and Registration,” BAMF, accessed August 17, 2019, <http://www.bamf.de/EN/Fluechtlingsschutz/AblaufAsylv/AnkunftUndRegistrierung/ankunft-und-registrierung-node.html>.

¹²⁴ “Initial Distribution of Asylum Seekers,” BAMF, accessed August 17, 2019, http://www.bamf.de/EN/Fluechtlingsschutz/AblaufAsylv/Erstverteilung/erstverteilung-node.html;jsessionid=46657C647A0D5538C6FC5CD8C0945A76.1_cid368.

¹²⁵ Informationsverbund Asyl und Migration, “Freedom of Movement,” Asylum in Europe, accessed August 17, 2019, <https://www.asylumineurope.org/reports/country/germany/reception-conditions/access-and-forms-reception-conditions/freedom-movement>.

¹²⁶ “Asylum Act,” Section 55(1), BMJV, accessed August 15, 2019, https://www.gesetze-im-internet.de/englisch_asylvfg/englisch_asylvfg.html.

permission to remain in Germany while the asylum decision is pending is typically restricted to the district where the new arrival's reception center is located.¹²⁷ Individuals can request permission to temporarily depart a designated area, but only if compelling reasons exist.

Following their initial stay in the reception center, asylum seekers are bound by significantly fewer restrictions. As detailed by the German Federal Ministry, "the geographic restriction shall expire when the foreigner has resided in the federal territory for three months without interruption by virtue of his deportation having been suspended, by holding a temporary residence or permanent settlement permit or by being permitted to remain in the federal territory pending the asylum decision."¹²⁸

According to the German Federal Ministry of Justice and Consumer Protection, once the initial three-month requirement to reside in a reception center has ended, asylum seekers, migrants, and refugees can be assigned to a collective accommodation center.¹²⁹ New arrivals who have finalized their request for asylum and are not required to remain within an initial reception center, are typically assigned new housing in a collective accommodation center. In this way, the German government explains that "both the public interest and the foreigner's interests shall be taken into account."¹³⁰ However, although the asylum act instructs asylum seekers to relocate to collective accommodation centers in order to benefit both the German public and new arrivals, the directive has proven to be somewhat ineffective in practice.

For many municipalities, the development or maintenance of collective accommodation has proven inefficient, particularly as the number of asylum seekers decreased from the mid-1990s to 2007. Consequently, multiple collective accommodation

¹²⁷ "Asylum Act," Section 56(1), BMJV, accessed August 15, 2019, https://www.gesetze-im-internet.de/englisch_asylvfg/englisch_asylvfg.html.

¹²⁸ "Asylum Act," Section 58(1), BMJV, accessed August 15, 2019, https://www.gesetze-im-internet.de/englisch_asylvfg/englisch_asylvfg.html.

¹²⁹ "Asylum Act," Section 53, BMJV, accessed March 3, 2020, https://www.gesetze-im-internet.de/englisch_asylvfg/englisch_asylvfg.html.

¹³⁰ BMJV.

centers have been defunded or closed as municipalities gradually turned to integrating asylum seekers in apartments within the local community.¹³¹Crucially, those assigned to collective accommodations under the asylum act are “not only asylum seekers, but also to people with a ‘tolerated stay’ and even certain groups of people who have been granted a temporary residence permit.”¹³² These groups include migrants and other individuals not granted traditional benefits associated with asylum.

There are three advantages associated with maintaining collective accommodation centers. However, many of the advantages of collective accommodation centers are best realized when the prospective individuals are not refugees. Many of the facilities are in isolated or remote locations throughout Germany, which provide individuals with fewer opportunities to integrate into the local society.¹³³ Therefore, the advantages presented by these centers can only be fully realized when they are utilized to house individuals who will likely depart Germany or present an increased risk to the broader public.

The economic benefit centers primarily on cost and provides the state with the most affordable long-term solution. The majority of collective accommodation centers are comprised of old army barracks, unrented apartment blocks, or housing containers and the costs associated with housing individuals within these facilities are considerably less than on the open market. Secondly, collective accommodation centers are ideal for providing individuals who are likely to leave Germany with acceptable housing and living standards while they await a final decision from BAMF.

There is no timeframe for BAMF to render a decision on an application, and approval times can vary wildly depending on the origin of an individual’s claim. Applications from Syria are typically decided within five months or less, while those from

¹³¹ Informationsverbund Asyl und Migration, “Reception Conditions,” Asylum in Europe, accessed August 14, 2019, <https://www.asylumineurope.org/reports/country/germany/reception-conditions/housing/types-accommodation>.

¹³² Informationsverbund Asyl und Migration, “Types of Accommodations,” Asylum in Europe, accessed August 14, 2019, <https://www.asylumineurope.org/reports/country/germany/reception-conditions/housing/types-accommodation>.

¹³³ *A Life Without Privacy? Collective Housing May Not Become Permanent*, Pro Asyl, October 1, 2017, <https://www.proasyl.de/news/ein-leben-ohne-privatsphaere-sammelunterbringung-darf-nicht-zum-dauerzustand-werden/>.

Afghanistan or Russia can exceed 15 months.¹³⁴ Furthermore, with the exception of those seeking refuge from Syria or Eritrea, the majority of asylum applications are denied. Nearly 50 percent of applicants from Afghanistan and over 80 percent of those from Russia are ultimately denied asylum in Germany.¹³⁵ As such, collective accommodation centers would provide the best possible housing for individuals destined to leave Germany for the least amount of cost.

Finally, collective accommodation centers are best suited to mitigate the risks associated with young male migrants. Although multiple studies have found that refugees have not increased the amount of violent crime in German society, the same is not necessarily true for young male migrants.¹³⁶ Furthermore, while increases in crime are often attributed to young males, regardless of ethnicity,¹³⁷ it is possible that some increases in sexual assault and other violent crime against German citizens as well as refugees and immigrants can be attributed to young male migrants.¹³⁸ In many facilities, situations of overcrowding and lack of privacy have led to decreased security, particularly for women and children.¹³⁹ Therefore, limiting collective accommodations to only those who will remain in Germany temporarily or social groups that possibly have an increased propensity towards violence would potentially increase the effectiveness of Germany's immigration policies.

Unlike collective accommodation centers, decentralized housing has proven to be much more effective at integrating new arrivals into German society. As detailed in *Cities and Refugees: The German Experience*, "Analyses from the German Association of Cities and the Robert Bosch Foundation found that creating decentralized pockets of accommodation across the city is an important first step toward local integration of

¹³⁴ Informationsverbund Asyl und Migration, "Asylum Procedure."

¹³⁵ Informationsverbund Asyl und Migration, "Denied Asylum Applications."

¹³⁶ BBC.

¹³⁷ Jeffery Ulmer and Darrell Steffensmeier, *The Age and Crime Relationship: Social Variation, Social Explanations* (London: Sage, 2015), 377.

¹³⁸ Neulen, "A Dangerous Method."

¹³⁹ Pro Asyl, "A Life Without Privacy?"

refugees and migrants into German society.”¹⁴⁰ However, this can be difficult and could create a sense of isolation among new arrivals. Additionally, as in any society, an individual may understand his or her own identity through association with language, generation, gender, place of birth, or other social group.¹⁴¹ While these factors are very important in maintaining an individual’s sense of belonging and identity, they can become barriers to integration if the individual is not exposed to new cultural variables. Decentralized housing affords better opportunities to integrate for those seeking to become part of German society. By living among local nationals, new arrivals can experience cultural and social norms more fully than in an accommodation center.

Furthermore, integration is likely a key component to ensuring an individual’s success within a given society. In particular, it has been suggested that an individual’s utility can potentially increase if that worker self-identifies with a geographic region or culture in which they are employed. Conversely, if an individual does not self-identify with a particular geographic region or culture, then their utility can potentially decrease.¹⁴² Therefore, providing new arrivals with accommodations that encourage the formation or sustainment of an identity that incorporates some German customs and traditions can possibly benefit both Germany and new arrivals. Additionally, as suggested by Constant, Nottmeyer, and Zimmermann, “while some individuals have the drive and human capital to integrate and succeed in the labor market they may not reach their goal because of behavioral norms and unfulfilled or confused self-identity images.”¹⁴³ These behavioral norms could include cultural customs or traditions that differ from those within Germany which could possibly complicated efforts to find work. However, improved accommodation procedures which included the expanded use of decentralized housing for refugees and families, could potentially decrease divergent behavioral or confused self-

¹⁴⁰ Bruce Katz, Luise Noring, and Nantke Garrelts, “Cities and Refugees: The German Experience,” Brookings Institute, September 18, 2016, <https://www.brookings.edu/research/cities-and-refugees-the-german-experience/>.

¹⁴¹ Katy Long, *The Point of No Return: Refugees, Rights, and Repatriation* (Oxford: Oxford University Press, 2013), 183.

¹⁴² Akerlof and Kranton, *Identity Economics*, 17–19.

¹⁴³ Constant, Nottmeyer, and Zimmermann, “Cultural Integration in Germany.”

identity norms, which would possibly improve integration percentages of immigrants as well as the economic potential of Germany.

An added benefit of decentralized housing is that it typically encourages interactions between local nationals and new arrivals. Increasing the frequency of interactions between locals and newcomers could greatly improve the overall effectiveness of integration efforts in Germany. By encouraging individuals to intermingle, some negative stereotypes associated with immigration can possibly be eliminated.¹⁴⁴ Furthermore, a generally accepted theory proposes that continuous and meaningful interaction with immigrants can have a liberalizing impact on the attitudes of native inhabitants towards migration.¹⁴⁵ Therefore, it is possible that anxieties regarding perceived differences between migrant and local customs could be reduced if German citizens are given additional opportunity to engage with new arrivals.¹⁴⁶ Finally, increased opportunities to live and interact with the local economy can improve the rate by which new arrivals learn to effectively speak German.

Although all new arrivals are required to attend integration courses which prioritize learning the German language, along with German customs and traditions, immersion within the local community can possibly increase retention rates by newcomers. This, in turn, can dramatically improve the quality of life for those who are ultimately granted asylum in Germany, primarily through employment. The main way to secure employment, even a low-skilled job, has been tied to speaking good German. This factor could explain why less than 20 percent of new arrivals from war-torn states, like Syria, Eritrea or Afghanistan had jobs in 2017.¹⁴⁷ Furthermore, German employers have indicated that difficulties speaking and comprehending German have been the primary discriminator

¹⁴⁴ S. E. Ha, "The Consequences of Multiracial Contexts In Public Attitudes Towards Immigration," *Public Research Quarterly*, no. 63, 2010.

¹⁴⁵ J. C. Dixon, "The Ties that Bind and Those that Don't: Reconciling Group Threat and Contact Theory of Prejudice," *Social Forces*, no. 84, 2006.

¹⁴⁶ Teresa Talo, "Public Attitudes to Immigration in the Aftermath of the Migrant Crisis," *European Migration Institute*, no. 23, September 2017.

¹⁴⁷ Valentina Romei, Billy Ehrenberg-Shannon, Guy Chazan, "How Well Have Germany's Refugees Integrated?," *Financial Times*, September 19, 2017, <https://www.ft.com/content/e1c069e0-872f-11e7-bf50-e1c239b45787>.

when declining a prospective applicant, with nearly 65 percent identifying inadequate knowledge of German as the primary reason an individual did not receive a job.¹⁴⁸ This is highly distressing as refugees and immigrants are often not able to leverage their human capital without comprehending German. As a result, new arrivals are sometimes unable to support the economic capacity of Germany with proficiencies and knowledge they obtained in their countries of origin, because they deprived of work. By improving the rates of language proficiency, Germany could capitalize on the skills possessed by new arrivals and benefit German society, while also improving rates of integration.

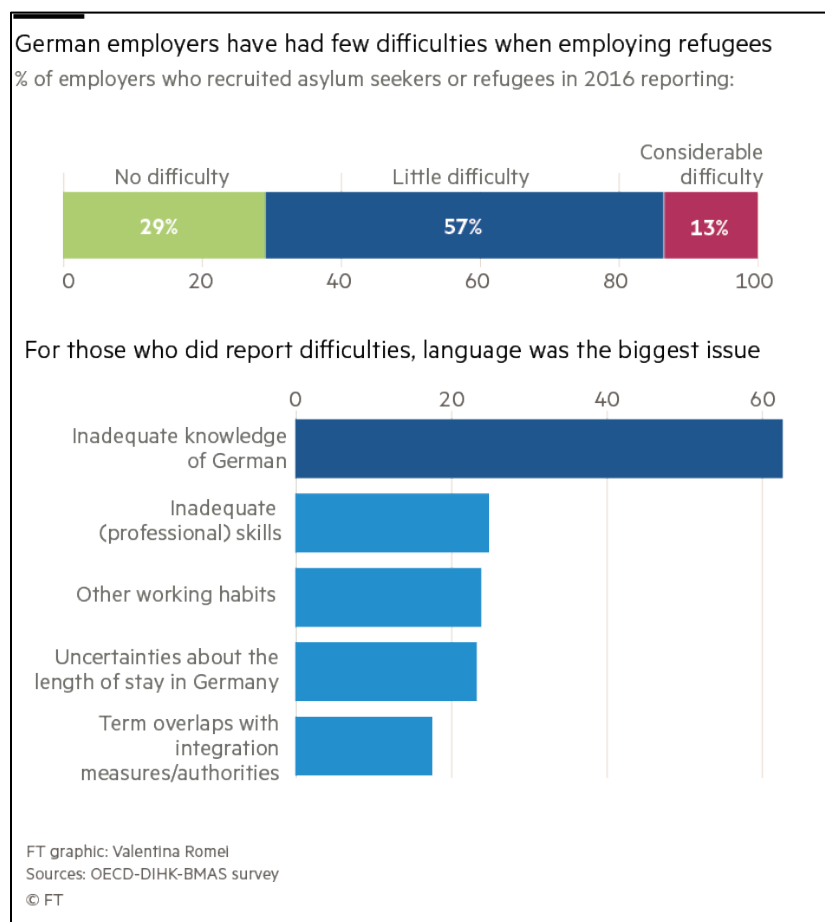


Figure 2. German language fluency rates and jobs¹⁴⁹

¹⁴⁸ Romei, Ehrenberg-Shannon, and Chazan.

¹⁴⁹ Romei, Ehrenberg-Shannon, and Chazan, “How Well Have Germany’s Refugees Integrated?”

Modifying the eligibility requirements for decentralized housing and prioritizing those who are most likely to remain in Germany would probably improve integration efforts for those most in need. The ability to learn German would potentially be accelerated and the burden on other state-run language programs could possibly be mitigated. However, Germany currently does not offer enough language courses, at either the basic or professional level.¹⁵⁰ Although Germany has invested heavily over the past several years to bolster the quantity of courses offered, the number of classes available are still significantly behind demand. A lack of language education opportunities outside of formal education could be one reason why so many migrants fail German language and integration courses. This factor has led many to criticize the BAMF over the quality of the language courses offered, since almost 45 percent of individuals enrolled in language and cultural assimilation classes in Germany fail to graduate.¹⁵¹ While formal classes will still be needed, the effectiveness of these courses could be significantly improved if the individuals taking them were allowed to live in the local community and continue their use of German outside the classroom.

While decentralized housing provides the best opportunity for refugees to learn the local language and cultural traditions, and become integrated in German society, it is also the costliest. This is particularly true for larger urban centers where the majority of refugees tend to relocate. Furthermore, population density within major cities and a lack of available housing in addition to high housing expenses exacerbate the practice of providing accommodations for a significant number of new arrivals into German society.¹⁵²

However, German cities must be capable of providing housing for those destined to leave Germany and in need of temporary accommodations, as well as inexpensive

¹⁵⁰ Rietig, *Moving Beyond Crisis*.

¹⁵¹ Rietig.

¹⁵² Katz, Noring, and Garretts, *Cities and Refugees*.

housing options for those who likely remain permanently, like refugees.¹⁵³ One possible solution that could mitigate the costs associated with settling new arrivals in local communities has been developed by the city of Hamburg. Hamburg has created a plan to develop housing that is specifically dedicated for use by refugees and the new housing development will not become available for public use for 15 years.¹⁵⁴ While these solutions can be effective in the near term, efforts could be made by municipalities to avoid the creation segregated communities of immigrants that has the potential to be counterproductive to long-term integration.¹⁵⁵

The clustering of individuals within migrant neighborhoods is a concern and might partially offset any advantage new arrivals have gained by living within local communities. Often, when migrants settle, one of the most prevailing factors in their choice is the where other migrants of similar origin reside. Conversely, the proximity to educational facilities or financial incentives were not typically a major factor in determining where migrants' chose to settle.¹⁵⁶ Although many refugees often seek to join relatives or communities already established within German society, large groupings can potentially have a negative impact, both on integration efforts and on the general perception of migrants by local nationals. Large groupings of individuals within a specific community can easily eliminate the need to speak German, as residents can simply revert to their native tongue to perform daily tasks. Additionally, German customs and traditions are often set aside in favor of more familiar cultural norms. In time, separate societies can begin to emerge, as detailed in *Cities and Refugees: The German Experience*.

¹⁵³ OECD, *How Are Refugees Faring On the Labour Market In Europe?* (Paris: OECD, 2016), <https://op.europa.eu/en/publication-detail/-/publication/87a8f92d-9aa8-11e6-868c-01aa75ed71a1>; "Labour Market Integration of Refugees – Strategies and Good Practices," European Parliament Directorate General, 2016, [https://www.europarl.europa.eu/RegData/etudes/STUD/2016/578956/IPOL_STU\(2016\)578956_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2016/578956/IPOL_STU(2016)578956_EN.pdf)

¹⁵⁴ Katz, Noring, and Garretts, *Cities and Refugees*.

¹⁵⁵ OECD, *How Are Refugees Faring On the Labour Market In Europe* European Parliament Directorate General, "Labour Market Integration of Refugees."

¹⁵⁶ Katz, Noring, and Garretts, *Cities and Refugees*.

One of the main concerns for policymakers with regard to long-term accommodation and integration of refugees is the potential formation of parallel societies within increasingly segregated urban neighborhoods. An analysis from 2010 by the German Federal Ministry for Traffic, Building, and Urban Development confirms that there were 1,500 boroughs in 550 municipalities hosting a disproportional share of migrants, with more than half of these boroughs being located in major cities. As migrants move into segregated urban neighborhoods, problems with education, language, and social capital can accumulate. The inhabitants of these urban neighborhoods are segregated both spatially and in terms of educational and economic possibilities.¹⁵⁷

As some migrant community's form, irrational fears can emerge within German communities as to the true intentions of new arrivals due to a perceived lack of transparency within immigrant communities, a situation which can accelerate anti-immigrant sentiment. While few communities are transparent, ME and NA immigrant communities could be uniquely susceptible to this claim due to perceived language and cultural differences that possibly exist within these migrant neighborhoods. However, as the Federal Agency for Immigration and Refugees stated in a recent interview, "refugees want to go to places where they are among themselves: Pakistanis want to go to the Rhine-Main area, Afghans move to Hamburg, Syrians to Berlin. But in dense areas, housing space is scarce and rents are high. Ghettos evolve quickly."¹⁵⁸

To be sure, the influx of migrants and refugees from the ME and NA can probably offset some of the concerns associated with Germany's labor needs. In particular, low European mobility factors and German fertility rates will likely threaten Germany's ability to meet future social security obligations. Yet, without improved mobility or fertility factors, Germany will likely not be able to meet these demands by only sourcing labor from the EU. As a result, migration from the ME and NA likely represent the only clear solution to German domestic needs. However, without improved integration efforts, it is possible that the skillsets of many of these new arrivals will be underutilized. If these individuals are unable to support the economic expansion of Germany, their presence could become a

¹⁵⁷ Katz, Noring, and Garretts, *Cities and Refugees*.

¹⁵⁸ Katz, Noring, and Garretts.

source of resentment by local nationals. In time, frustrations over refugee and migrant integration could lead to increased anti-immigrant sentiment which could increase the political strength of populism in Germany. Although it is also possible that anti-immigrant sentiment could increase without the addition of new migrants.

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IV. THE RISE OF POPULISM IN GERMANY

Over the past decade, populist movements in Germany have seen a steady rise in membership and political support. These groups claim to provide an alternative political outlet for Germans who feel neglected or overlooked by more traditional political parties. Populist groups seek to portray themselves as a worthy avenue to address perceived inequities within the established economic and social system. In particular, the Alternative für Deutschland (AfD) has sought to leverage frustrations over poor economic prospects and changing demographics as a means to secure voter support. While the AfD has attempted to utilize perceived concerns to gain political power within Germany, the party's political and economic solutions could pose a real threat to the future of the European Union.

However, it is possible that the majority of support for populism in Germany is derived from a perceived lack of political alternatives on specific issues, like immigration or economic reform. Additionally, it is possible that the AfD could view some immigration concerns as a target of opportunity and attempt to leverage the concern of some voters to increase the party's support base. Therefore, if German leaders were to identify and address the root causes of rising populist support, it is possible that some of the risks associated with populism could be prevented. However, by addressing some perceived populist concerns, German leaders could potentially alienate members of their own party, which could possibly weaken political support for some mainstream parties within Germany.

Populist parties have become an intoxicating force in many democracies throughout the European Union, particularly Germany. This is an alarming trend to those who support the European Project, since populist parties typically reject existing power structures. Furthermore, their recent rise has ignited concerns around the public's confidence in the established political order of mainstream parties.¹⁵⁹ Additionally, it has been argued by many that populism's growth warns of a potential backlash against the liberal democratic

¹⁵⁹ Winston Chou, Rafaela Dancygier, Naoki Egami, and Amaney Jamal, *The Illusion of Radical Right Partisan Stability: How Party Positioning Affects Radical Right Voting in Germany*, SSRN, December 4, 2018, 1, <http://doi.org/10.2139/ssrn.3411075>.

order; a theory which has possibly been supported by recent examples of democratic backsliding following a number of radical right victories in Eastern Europe.¹⁶⁰

A. ALTERNATIVE FÜR DEUTSCHLAND (AFD)

Although a variety of populist parties and social movements exist throughout the European Union, the political parties that potentially pose one of the largest threats to the survivability of the European Union reside in Germany. This is largely due to the strength of the German economy and the size of the German population. Germany is by far the most populous country among all other member states in the EU. Additionally, Germany operates the fourth-largest economy in the world and as a result maintains a large economic and political impact within the EU. As a result, Germany can largely command political and economic policy in the Eurozone.¹⁶¹ Simply put, as goes Germany, so goes the EU.

Furthermore, the EU's dependence on Germany is what makes the rise of populist parties within the nation so alarming. If populist political parties within Germany assume the mantle as the predominant political parties and achieve a position to dictate policy, a more radical reorganization of German foreign policy and EU structure, including membership, could be expected. Therefore, the fate of the European Union could ultimately be decided by German domestic affairs, including how mainstream parties such as the Christian Democratic Union of Germany (CDU) and Social Democratic Party of Germany (SDP) respond to the growing appeal of populism. Although many populist groups exist within Germany, the AfD has emerged as one of the most prominent and powerful, and it is likely best positioned to illuminate the growing populist trend.

The AfD was founded in 2013 and was mostly dedicated to addressing perceived economic issues and concerns related to German fiscal independence. At its core, the AfD was established as a free-market, soft-Eurosceptic party, that was against economic bailouts of southern European states and was openly hostile to the continued use of the

¹⁶⁰ Chou, Dancygier, Egami, and Jamal, 1.

¹⁶¹ "Does Germany Have Too Much Power in the EU, or Too Little?," *Debating Europe*, October 7, 2017, <https://www.debatingeurope.eu/2017/07/10/germany-much-power-eu-little/#.XYPPl2ZOu4>.

euro by Germany.¹⁶² However, when examining factors that have led to the rise of the AfD in Germany, it is important to note what identifiers are not necessarily reflective of the average AfD voter. Specifically, the majority of AfD voters do not naturally subscribe to Eurosceptic views, but are willing to tolerate a degree of such rhetoric as long as their major concerns are seemingly addressed.¹⁶³ Importantly, many of these concerns, including immigration and fiscal reform have not been fully addressed by Germany's mainstream political parties. However, there is good reason for this, especially regarding immigrants. Foremost, both the SPD and CDU risk alienating their own voters if either party were to adopt some of the radical policies of the AfD. This is demonstrated by a recent Pew Research Center poll which revealed that only 13 percent of CDU supporters felt immigration was a burden on the economy.¹⁶⁴ Therefore, while the threat posed by the AfD's is significant, it is possible that mainstream parties could face a greater threat if they were to attempt to appease some of the AfD's voter block.

Crucially, both the SPD and CDU offer very similar positions on immigration policies. The CDU, which was led by Chancellor Angela Merkel from 2000 to 2018 and the SPD both oppose any upper limit on refugees or asylum seekers allowed to enter Germany.¹⁶⁵ Furthermore, Angela Merkel and the CDU have maintained that their position on immigration is appropriate and necessary. When discussing the 2015 humanitarian crisis Chancellor Merkel stated "It was an extraordinary situation and I made my decision based on what I thought was right from a political and humanitarian standpoint. I'd make all the important decisions from 2015 in the same way

¹⁶² Jeffery Gedmin, "Right-wing Populism in Germany: Muslims and Minorities After the 2015 Refugee Crisis," Brookings, July 24, 2019, <https://www.brookings.edu/research/right-wing-populism-in-germany-muslims-and-minorities-after-the-2015-refugee-crisis/>.

¹⁶³ Chou, Dancygier, Egami, and Jamal, *The Illusion of Radical Right Partisan Stability*, 8.

¹⁶⁴ Bruce Stokes, "Differing Views On Immigration Pose A Test For Germany's Coalition Government," Pew Research Center, June 21, 2018, <https://www.pewresearch.org/fact-tank/2018/06/21/differing-views-of-immigrants-pose-a-test-for-germanys-coalition-government/>.

¹⁶⁵ Mara Bierbach, "AfD, CDU, SPD: Where Do German Parties Stand on Refugees, Asylum Seekers, and Immigration?" DW, September 24, 2017, <https://www.dw.com/en/afd-cdu-spd-where-do-german-parties-stand-on-refugees-asylum-and-immigration/a-40610988>.

again.”¹⁶⁶ Additionally, the SPD’s commitment to supporting immigration was made clear by the party’s chairman, Martin Schultz, in a speech from June, 2017. When discussing immigration, Mr. Schultz stated that Germany should remain “a confident, open, optimistic country to whom the future brings not threats but promise. A country that is prepared to try new approaches and opt for a fresh start.”¹⁶⁷

Additionally, both parties support immigration by skilled individuals and a more even distribution of migrants across the EU.¹⁶⁸ Furthermore, the SPD and CDU support family reunification for individuals who have been granted asylum in Germany.¹⁶⁹ However, while both parties maintain similar positions on many immigration policies they do differ on deportations. In particular, while the CDU would like to increase the rate of deportations for individuals rejected for asylum, the SPD “wants to enable rejected asylum applicants who have been law-abiding residents in Germany...to stay in the country legally.”¹⁷⁰ However, the SPD has stated that they would like to increase the voluntary returns of those individuals who have been rejected for asylum.¹⁷¹ Therefore, although the SPD and CDU do maintain positions on immigration, they are fairly similar. Additionally, it is possible that additional messaging from the SPD and CDU could be needed, as the AfD has claimed to offer the only choice for German voters who are concerned about current immigration policies. Additionally, it is possible that the AfD’s messaging has worked, as some AfD voters have expressed the opinion that mainstream parties do not acknowledge their concerns on immigration.¹⁷²

¹⁶⁶ Maia De La Baume, “Angela Merkel Defends Open Border Migration Policy,” Politico, August 28, 2017, <https://www.politico.eu/article/angela-merkel-defends-open-border-migration-refugee-policy-germany/>.

¹⁶⁷ Martin Schultz, “SPD Party Speech” (Speech, Party Conference, Dortmund, 25 June 2017).

¹⁶⁸ “These Are the Various Party Positions,” Deutschland, September 21, 2017, <https://www.deutschland.de/en/topic/politics/these-are-the-various-parties-positions>.

¹⁶⁹ Deutschland.

¹⁷⁰ Bierbach, “AfD, CDU, SPD.”

¹⁷¹ Bierbach.

¹⁷² Anton Troianovski, “Anti-Immigrant AfD Party Draws in More Germans as Vote Nears,” *Wall Street Journal*, September 21, 2017, <https://www.wsj.com/articles/anti-immigrant-afd-party-draws-in-more-germans-as-vote-nears-1505986206>.

However, while there are some concerns associated with how Germany is integrating new arrivals, many of the AfD's objections center on the ethnic or religious composition of new arrivals, rather than integration shortcomings. In particular, many of the AfD's solutions do not address procedural inequities regarding integration, but rather focus of rejection of individuals from German society, often for religious or ethnic reasons. Nevertheless, while the AfD offers few solutions on integration, it is possible that the lack of mainstream options has led some individuals to tacitly support the party.

While the majority of AfD voters hold some degree of anti-immigration views, their opinion of the broader European Union is decidedly more nuanced.¹⁷³ Although some party members have called for more drastic anti-EU measures, including a return to the Deutschmark, the party's official European position is not completely anti-system. According to the party's 2015 manifesto, the AfD blames the governments of EU member states for breaking treaties and insists that the European Parliament initiate a transparent investigation into the specifics of member state bailouts.¹⁷⁴ Furthermore, the AfD has suggested that Germany should have a much larger influence within European Institutions.¹⁷⁵ The final point suggests that AfD members and leaders possibly seek to reform, not abolish, the relationship between Germany and the rest of the European Union. However, it is possible that claims to work within the system to achieve reform are not accurate and could be replaced by stronger Eurosceptic demands over time, which could significantly weaken the cohesion of the EU.

Additionally, the AfD claims that the party's push for structural reforms within the EU would strengthen the economic competitiveness of EU member states. Furthermore, AfD leadership has argued that European politics can be characterized by a creeping loss of democracy. In particular, the AfD has stated that they believe the "EU has become an undemocratic entity, whose policies are determined by bureaucrats who have no

¹⁷³ Chou, Dancygier, Egami, and Jamal, *The Illusion of Radical Right Partisan Stability*, 8–14.

¹⁷⁴ Kai Arzheimer, "The AfD: Finally a Successful Right-Wing Populist Eurosceptic Party for Germany?," *West European Politics* (January 28, 2015): 545. <https://www.tandfonline.com/doi/full/10.1080/01402382.2015.1004230>.

¹⁷⁵ Arzheimer, 545.

democratic accountability.”¹⁷⁶ Moreover, the AfD and some supporters of the party believe that fundamental reform of the EU is necessary.¹⁷⁷ Therefore, the economic catalysts that have led to the formation of the AfD can possibly be more narrowly defined as system bound and issue based.

However, while the AfD has outwardly expressed a desire to reform the EU while remaining within the framework of the union, the party’s position on the euro is more drastic. Foremost, the party has called for the abandonment of the euro, with an methodical termination of the currency and a return to the Deutschmark.¹⁷⁸ The party’s desire to return to the Deutschmark is based, in part on the idea that better economic growth can be achieved if Germany were to remove itself from the euro. However, this is probably not true. If Germany were to abandon the euro, the Deutschmark would likely meaningfully appreciate, which would probably decrease the economic competitiveness of Germany and negatively impact GDP.

While the AfD’s formation rests firmly in economic frustrations, the group has begun to espouse more nationalist rhetoric, including support for the belief that immigration is burdening an already weakened European economic performance. While the AfD remains in the minority within the German Parliament, its rise cannot be dismissed nor can some of its concerns be easily addressed. Furthermore, the AfD’s membership rates have risen steadily since 2013 and recently surpassed 35,500 active members.¹⁷⁹ Additionally, the AfD currently holds 94 seats in the Bundestag and has been one of the fastest growing political parties within Germany. Therefore, unless the German government addresses some of the political and economic issues that have led to the rise of the AfD, it is likely that the group will remain.

¹⁷⁶ “Manifesto for Germany: The Political Programme for the Alternative for Germany,” Alternative for Deutschland, 2017, https://www.afd.de/wp-content/uploads/sites/111/2017/04/2017-04-12_afd-grundsatzprogramm-englisch_web.pdf.

¹⁷⁷ Alternative for Germany.

¹⁷⁸ Alternative for Germany.

¹⁷⁹ “CDU and SPD Lose Numbers, Greens Increase Significantly,” Zeit, January 16, 2010, <https://www.zeit.de/news/2020-01/16/cdu-und-spd-verlieren-mitglieder>.

Furthermore, some AfD voters are possibly best characterized as frustrated issue voters, rather than anti-system voters, as they are sometimes portrayed. Specifically, as detailed in *The Illusion of Radical Right Partisan Stability*, although “AfD voters are extremely dissatisfied with the political system and remarkably stable in their partisan support, they are better characterized as frustrated issue publics than antisystem voters”¹⁸⁰ These characteristics are also described by Kai Arzheimer, “although AfD voters are extremely dissatisfied with the political system and remarkably stable in their partisan support, many are better characterized as frustrated issue publics rather than as antisystem voters. Their support for the AfD in part remains stable because other parties fail to meet their preferences on their most prioritized issue, such as immigration, not because they mistrust the entire political system.”¹⁸¹ This characterization is crucial as it shows a willingness of some AfD voters to work within the system to achieve change. However, willingness to work within the system can quickly change if ideals central to the AfD’s voter block are not addressed in a manner that satisfies the issue voter.

Furthermore, it is unlikely that AfD voters are simply casting non-strategic protest votes against mainstream parties, as some have argued.¹⁸² Instead, voters appear to support the AfD due to specific issues that have been highlighted by the populist party, specifically immigration. German voter concerns about immigration are potentially highlighted by a June 2018 poll, which found that 62 percent of respondents were in favor of refusing undocumented migrants at the border and 86 percent supported faster deportations of rejected asylum seekers.¹⁸³ While these concerns are far from the anti-Islamist rhetoric espoused by many within the AfD, they do possibly explain why some voters have begun to support the party. In addition, voter profiles appear to remain fairly consistent, as demonstrated through the recent elections in the German states of Brandenburg and

¹⁸⁰ Chou, Dancygier, Egami, and Jamal, *The Illusion of Radical Right Partisan Stability*, 3.

¹⁸¹ Arzheimer, “The AfD,” 545.

¹⁸² Michael R. Alvarez, Roderick Kiewiet, and Lucas Nunez, “A Taxonomy of Protest Voting,” *Annual Review of Political Science* (2018): 21.

¹⁸³ “Most Germans Back Rebel Minister on Migrants: Poll,” *The Local*, June 16, 2016, <https://www.thelocal.de/20180616/poll-shows-mosts-germans-back-rebel-minister-on-migrants>.

Saxony. The AfD secured 25 percent of the vote in both states, with nearly 60 percent of voters indicating that their vote choice was mostly based on the AfD's position on immigration or the EU.¹⁸⁴ Therefore, it is possible that the AfD could pose a threat to the system if the party continues to grow its voter base.

It is important to note, while the AfD's formation rests on an economic basis, the party has struggled to gain support on economic issues alone. In 2013, the AfD accounted for only 4.7 percent of votes in the federal election, missed the 5 percent threshold to enter the Bundestag and possessed zero seats at the federal level.¹⁸⁵ However, prior to the 2013 election, the AfD's focus was primarily centered on economic reform within the EU as well as efforts to abolish use of the euro. Nevertheless, while immigration reform was not a focal point of the AfD prior to the 2013 election, the topic became the party's primary platform in the runup to the 2017 federal election, as demonstrated by the party's slogan "We will get our country back"¹⁸⁶ and the AfD achieved electoral success.¹⁸⁷

Additionally, as demographics in Germany changed, the AfD adapted and began to portray itself as the only political party capable of addressing concerns often associated with immigration. This was detailed by the Wall Street Journal through various interviews with AfD supporters who revealed a common theme to their vote choice; namely, that mainstream politicians refuse to acknowledge their immigration concerns.¹⁸⁸ Furthermore, it is possible that support for populist parties, like the AfD, could potentially be related to attitudes towards immigration or how the mainstream parties are integrating new arrivals. In particular, Betz argues that "the ascendancy of these parties is generated primarily by a

¹⁸⁴ Paul J. J. Welfens, "The Economics of AfD Expansion," American Institute for Contemporary German Studies, John Hopkins University, October 7, 2019, <https://www.aicgs.org/2019/10/the-economics-of-afd-expansion/>.

¹⁸⁵ Federal Returning Officer, "Official Provisional Result of the 2013 Bundestag Election," press release no. 32/2013, September 23, 2013, <https://www.bundeswahlleiter.de/en/info/presse/mitteilungen/bundestagswahl-2013/2013-09-23-vorlaeufiges-amtliches-ergebnis-der-bundestagswahl-2013.html>.

¹⁸⁶ Alkis Henri Otto and Max Friedrich Steinhardt, "The Relationship between Immigration and the Success of Far-Right Political Parties in Germany," April 2017, ifo, <https://www.ifo.de/DocDL/dice-report-2017-4-otto-steinhardt-december.pdf>.

¹⁸⁷ Thomas Saalfeld, *Germany After the 2013 Elections: Breaking the Mold of Post-Unification Politics?* (Bamberg, Germany: University of Bamberg, 2015), 90.

¹⁸⁸ Troianovski, "Anti-Immigrant AfD Party Draws in More Germans as Vote Nears."

public backlash directed against rising numbers of immigrants and asylum-seekers, and the failure of mainstream governing parties to curb these numbers and protect national identities.”¹⁸⁹ While Betz made these observations in the early 1990s, they likely still remain valid. This is supported by a recent study which concluded that immigration was cited by 45 percent of respondents as their most important issue.¹⁹⁰ Additionally, while 69 percent of Germans feel refugees have a right to seek refuge in other countries, including Germany, 46 percent lack confidence that they will integrate successfully into German society.¹⁹¹

This possibly explains the AfD’s success in the 2017 federal election, in which the AfD became the third largest political party in Germany, won 94 seats in the Bundestag, and secured 12.6 percent of the vote.¹⁹² Additionally, it is possible that the AfD’s political strength came at the expense of mainstream parties. Following the election, the CDU lost 55 seats and the SPD lost 40 seats, respectively, suggesting that some of the AfD’s growth came from individuals defecting from these parties.

Notably, the AfD was unable to breach the 5 percent threshold to enter the Bundestag or secure large numbers of voters prior to the party’s shift to immigration. However, after the party began to prioritize anti-immigration policies over economic reform the AfD experienced an increase in its voter base.¹⁹³ This suggests that there could be a link between the AfD’s increasing political strength and Germany’s current immigration policies. Specifically, as the number of immigrants entering into Germany increased from less than 110,000 in 2013 to nearly 900,000 in 2015,¹⁹⁴ the AfD expanded

¹⁸⁹ Hans-Georg Betz, *Radical Rightwing Populism in Western Europe* (New York, St. Martin Press, 1994), 15

¹⁹⁰ Marc Helbling et al., “Attitudes Towards National Identity, Immigration, and Refugees in Germany,” July 2017, <https://static1.squarespace.com/static/5a70a7c3010027736a22740f/t/5aec61741ae6cff5ed8d8bb3/1525440898162/More+in+Common+Germany+Report+English.pdf>

¹⁹¹ Helbling et al.

¹⁹² “Bundestag Election 2017,” The Returning Federal Officer, 2017, <https://www.bundeswahlleiter.de/en/bundestagswahlen/2017/ergebnisse/bund-99.html>

¹⁹³ Gedmin, “Right Wing Populism in Germany.”

¹⁹⁴ Rietig, *Moving Beyond Crisis*, 3.

its campaign of anti-immigration policies over previous economic concerns,¹⁹⁵ probably in an effort to enlarge its support base.

Furthermore, salience on immigration seems to have accelerated the appeal of the AfD among some voters in Germany. Prior to 2013, Germans were less likely than other Europeans to mention immigration as main concern of their country.¹⁹⁶ However, concerns about immigration have steadily risen since 2013, and currently represent one of the most important issues in Germany.¹⁹⁷ Immigration concerns peaked in 2015, the same year that Germany admitted its highest number of refugees, and coincided with a sharp decline in perceived economic issues.¹⁹⁸ Additionally, the possibility that immigration could be a large factor in individual voter choice is supported by a 2015 EURACTIV pool which revealed that only 29 percent of Germans had a favorable opinion of immigrants from countries outside the EU.¹⁹⁹ During this same period, the AfD increased its use of anti-immigration rhetoric and promoted itself as the only party that offered a solution to mainstream immigration policies. This strategy can possibly explain some of the AfD's success, as the party experienced increased electoral support following their shift to anti-immigration policies.

To be clear, opposition to high levels of immigration and rejection of refugees and migrants have steadily replaced calls for economic reform as the primary goal of the AfD. While the pivot away from economic concerns towards social concerns has probably accelerated party growth, the party's alignment with racist and radical right-wing parties like the Patriotic Europeans Against the Islamization of the Occident (PEGIDA) is even more troubling. Beyond the advancement of racist principles through a national platform, the AfD's association with right-wing radical groups threatens to bury the economic

¹⁹⁵ Otto and Steinhardt, "The Relationship between Immigration and the Success of Far-Right Political Parties in Germany."

¹⁹⁶ Talo, "Public Attitudes to Immigration," 4.

¹⁹⁷ Talo, 4.

¹⁹⁸ Talo, 4.

¹⁹⁹ Daniel Tost, "Majority of Germans Reject Immigration from Outside the EU: Poll," Euractiv, February 23, 2015, <https://www.euractiv.com/section/justice-home-affairs/news/poll-majority-of-germans-reject-immigration-from-outside-the-eu/>.

concerns that led to the party's formation. Moreover, as the party continues to shift further right, it is increasingly unlikely that the group's economic concerns will be addressed. In time, it is possible that the AfD could shift further to the right and advance anti-EU and xenophobic measures, which would have a profoundly negative impact on Germany and the EU.

While the AfD has maintained an anti-immigrant position for the past several years, the party has done little to address Germany's need for labor. However, this need has not been lost on Germany's other political parties, including the CDU and SPD. A crucial issue for mainstream German political figures has been identifying a method to better incorporate the large numbers of new arrivals into German society, including into the labor market.²⁰⁰ This is of particular importance, especially since internal skills deficiencies and a maturing populace will likely challenge Germany's ability to meet future social obligations.

However, some AfD supporters have pointed out the discrepancy between German political objectives and southern European economic concerns. Foremost, while Germany's decision to admit large numbers of migrants and refugees into the country on economic grounds could potentially benefit Germany, it does little to alleviate the economic concerns of the broader European economic landscape. While these claims are not entirely incorrect, the influx of migrants from the ME and NA can improve Germany's economic position over time. In particular, those in favor of Germany's immigration policies have suggested that regardless of the social challenges new arrivals from the ME and NA might bring with them, they offer a supply of young, inexpensive workers who are desperately needed to rejuvenate the continent's stagnating economy and replenish its declining labor force, which is likely true.²⁰¹ Therefore, the demand for increased labor has possibly led the German government to boost the number of non-European migrants allowed to enter the country. While the influx of migrants and refugees does mitigate many

²⁰⁰ Rietig, *Moving Beyond Crisis*, 1.

²⁰¹ James Kirchick, *The End of Europe* (New Haven, CT: Yale University Press, 2017), 115.

of the concerns associated with low employment rates, there are could be some risks associated with the German policy.

1. Middle East and North African Immigrants

Populist concerns regarding German immigration policies primarily center on the demographics of those entering German society. Specifically, some AfD supporters claim that they are concerned that new arrivals are young, uneducated, single men and that these individuals could come from societies where attitudes and conduct toward women is completely different from European notions of gender equality.²⁰² While this is not true, the AfD has utilized this claim to possibly expand its voter base. While uncommon, infamous incidents like the mass sexual assaults of German women in Cologne on New Year's Eve 2015 potentially further the appeal of such unfounded beliefs.

To be sure, the vast majority of immigrants from the Middle East and North Africa try to integrate into German society; however, education and language difficulties have mitigated some of the economic gain for Germany that these individuals could offer in the near-term. This has possibly increased the appeal of populist parties like the AfD, as the group claims to offer the only clear option for those seeking immigration reform. However, many of the AfD's proposed solutions amount to little more than a rejection of individuals from the ME and NA and do not offer meaningful improvements to the current integration process or address Germany's need for labor.

Nevertheless, many of the AfD's policies on immigration and asylum are portrayed by the party as fairly conciliatory, a fact that has possibly helped to bolster its ranks. The AfD has claimed that they support the basic principles of free movement and individual choice of residence for all European Union citizens.²⁰³ Additionally, the party has stated that they support a points-based immigration system for non-EU citizens with less than 200,00 new arrivals per year. Finally, the AfD has claimed that they support a "humane" asylum system, which could advocate for additional financial and logistic support for the

²⁰² Kirchick, 113.

²⁰³ Alternative for Germany, "Manifesto for Germany."

member states in the south, including standardizing accommodations.²⁰⁴ However, while the AfD claims to be receptive to a reduced number of immigrants, their official position on Muslim immigrants contradicts this claim. In particular, according to the party's manifesto the AfD has stated that Islam has no place in Germany, rejects any public body status for Islamic organizations, and insists that German cultural traditions are promoted over multiculturalism.²⁰⁵ Therefore, while the AfD might claim to be accommodative of a more measured immigration policy, the party's anti-Islamic policies are clearly prejudicial.

To be clear, AfD's position on Muslim immigration is discriminatory; Nevertheless, the massive influx of refugees prior to the 2017 Bundestag elections thrust the topic of immigration into the forefront of the political discussion. When asked what policy issues would ultimately decide their vote choice, many voters frequently cited immigration as well as substantial dissatisfaction with the political dominance of established parties.²⁰⁶ Importantly, the majority of those voting for the AfD have stated that concerns surrounding current immigration policies has determined their vote choice, and that Germany should accept fewer refugees and immigrants moving forward.²⁰⁷ As a result, it is possible that some AfD voters are willing to overlook or dismiss the party's xenophobic rhetoric as long as their perceived concerns regarding immigration are addressed.

However, support for the AfD is not necessarily reflective of approval, but could be a symptom of nonexistent alternatives. In particular, recent studies have shown that support for the AfD among voters remains steady because other political parties refuse to address their concerns on immigration; however, if other parties were to adopt more restrictive immigration policies, up to half of the AfD's voter base would desert the party for more established mainstream parties.²⁰⁸

²⁰⁴ Arzheimer, "The AfD," 546.

²⁰⁵ Alternative for Germany, "Manifesto for Germany."

²⁰⁶ Chou, Dancygier, Egami, and Jamal, *The Illusion of Radical Right Partisan Stability*, 13

²⁰⁷ Chou, Dancygier, Egami, and Jamal, 17

²⁰⁸ Chou, Dancygier, Egami, and Jamal, 4

Yet, many of the established parties in Germany fail to address such issues in a manner that satisfies AfD voters. However, there is good reason for this, namely that mainstream parties risk losing their own supporters if they attempt to woo AfD voters. Yet, perceived inaction by the SPD or CDU could possibly explain why the AfD has recently grown in political strength. Additionally, while racist elements are clearly present within the AfD, it is unlikely that the party could have risen to such prominence without some degree moderate support. Furthermore, it is possible that some of the concerns associated with the AfD's voter base could be explained by the Cultural Backlash theory. This theory suggests that populism could be explained as a retro reaction to perceived cultural value changes within a society.²⁰⁹ Therefore, it is possible that failure to address some of the concerns of the AfD's voter base by political parties like the CDU and SPD has potentially strengthened the AfD. The growing political strength of the AfD possibly risks a further deterioration of long-established parties, and will likely remain unless additional integration efforts or immigration reform measures are developed by the mainstream political establishment of Germany.

2. EU Economic Reform

While immigration remains the primary issue for the majority of AfD voters, party members also seek European economic reforms that would increase German prospects. Prior to its abolishment, the German Mark had served as a symbol of wealth and stability, and as a watchdog against inflation and reckless monetary policy. German fears over careless monetary policies were supported by the 2009 Eurozone crisis, which exposed the potentially unsustainable nature of many Eurozone members' fiscal policies.²¹⁰ Furthermore, the bailouts of several weak EU member states, including Greece and

²⁰⁹ Ronald F. Inglehart and Pippa Norris, "Trumps, Brexit, and the Rise Of Populism: Economic Have-Nots And Cultural Backlash" (faculty Research Working Paper Series, Harvard Kennedy School, August 2016).

²¹⁰ Nicholas Kulish, "Germans Approach Bailouts with Reluctance" *New York Times*, October 3, 2008, <https://www.nytimes.com/2008/10/04/world/europe/04germany.html>.

Portugal, reinforced the belief by some that the EU's fiscal policies and Germany's continued support for them, need to be changed.²¹¹

Additionally, the European Commission recently dramatically lowered the economic growth forecasts for the Eurozone for the remainder of 2019 and 2020. The reason cited for the reduced economic forecast centered on increasing trade tensions with external trade partners as well as the costs associated with growing public debt.²¹² The reduction of economic growth forecasts has possibly increased support and consolidated strength within the AfD as many members could view mainstream political parties as fiscally irresponsible as well as culpable of furthering systemic problems associated with unsustainable economic policies.²¹³

Many of these policies include measures aimed at bolstering the strength of the European Union, by providing additional funds to member states that have historically underperformed in relation to their German counterparts. However, while some of these economic moves were prudent and necessary to support the economic strength of the European Union, many populist voters view the bail outs as unnecessary burdens on the German people.²¹⁴ In particular, many AfD members point to the irresponsible spending and exceptionally generous retirement packages of economically weaker southern European states as the root cause of their economic distress.²¹⁵ While there is a degree of truth to this claim, the strongest impact to economic growth is often related to the labor force,²¹⁶ which could be improved through increased immigration.

²¹¹ Robert Grimm, "The Rise of the German Eurosceptic Party Alternative For Deutschland, Between Ordoliberal Critique and Popular Anxiety," *International Political Science Review* 36 (2015): 269–273.

²¹² Guarascio, "EU Cuts Euro Zone Growth Forecast."

²¹³ Heather Conley, "The German Paradox: Strong Economy-Angry Politics," Center for Strategic and International Studies, April 12, 2018, <https://www.csis.org/analysis/german-paradox-strong-economy-angry-politics>.

²¹⁴ Grimm, "The Rise of the German Eurosceptic Party," 270.

²¹⁵ Grimm, 269.

²¹⁶ Yii Chien, "What Drives Long Run Economic Growth," Federal Reserve Bank of St. Louis, June 2015, <https://www.stlouisfed.org/on-the-economy/2015/june/what-drives-long-run-economic-growth>.

However, the belief that burden sharing is unfairly impacting the German economy and people is a concern shared by many of Germany's retirees. Additionally, some of these pensioners have recently begun to voice their opposition to current German economic policies. Following the 2017 national election, over 10 percent of voters aged 60–69 abandoned the CDU/CSU alliance in favor of the more radical AfD.²¹⁷ Pensioner fears that current fiscal policies are detrimental to the German people have likely expanded, as the number of retirees living below the poverty line has increased to nearly 20 percent in 2019 from 16 percent in 2017.²¹⁸ This fact has not been lost on the AfD, and the party has sought to exploit the plight of some pensioners through the use of propaganda that include posters and flyers that read “Money for pensioners, not for illegal migrants.”²¹⁹ As a result, the AfD's targeting of Germany's pensioner demographic could possibly explain why some of these individuals have abandoned mainstream parties in favor of the AfD.

To be clear, Germany's struggle to meet pensioner social security obligations is not only related to current fiscal policies or economic support for migrants. An additional factor that is contributing to Germany's inability to meet social security obligations is a steadily declining labor force. Although many of Germany's social security commitments were developed when Germany averaged over four workers per pensioner, that number has significantly decreased, and is expected to shrink to less than two workers per pensioner by 2035.²²⁰ This statistic probably explains why Germany has sought to increase immigration into the country, as Germany will be unable to meet social security obligations without an increase of labor. Nevertheless, the decline of pensioner purchasing power has placed undue economic hardship on the traditionally conservative group and possibly

²¹⁷ Thomas Escritt and Stoyan Nenov, “Germany's Other Migration Wave: Pensioner Exodus,” Reuters, January 16, 2020, <https://www.reuters.com/article/us-germany-pensioners/germanys-other-migration-wave-the-pensioner-exodus-idUSKBN1ZF1B0>.

²¹⁸ Escritt and Nenov.

²¹⁹ Joseph Nasr, “Far Right Surge in Eastern German Regions Threatens Merkel's Coalition,” Reuters, August 20, 2019, <https://www.reuters.com/article/us-germany-election-saxony/far-right-party-surge-in-eastern-german-regions-threatens-merkels-coalition-idUSKCN1VA1KX>.

²²⁰ Andreas Kluth, “Germany's Economic Miracle is Ending,” Bloomberg, January 15, 2020, <https://www.bloomberg.com/opinion/articles/2020-01-15/germany-s-second-economic-miracle-is-ending>.

encouraged some to abandon mainstream parties in favor of those that suggest more radical economic reforms, like the AfD.

In this regard, moderate members' support for the party is potentially related to the AfD's opposition to fiscal policies enacted by mainstream political parties in coalitions led by Angela Merkel. However, as described by Wolfgang Munchau, neither the SPD nor CDU have acknowledged some of the economic concerns voiced by moderate voters or attempted to meaningfully adjust current economic policies.²²¹ Addressing some of the economic concerns of AfD members by mainstream political parties like the CDU and SPD could potentially undercut the appeal of the AfD among moderate members.

Nearly 34 percent of individuals who support the AfD are in the top 20 percent income bracket, while less than 15 percent were in the bottom 20 percent.²²² Although one-third of the AfD's base are in the top 20 percent income bracket, many have seen their purchasing power remain fairly stagnant over the past decade and have expressed concerns regarding the future growth prospects of Germany and the EU.²²³ Therefore, if mainstream political parties were to address some of the economic concerns associated with current EU fiscal policies, it is possible that a sizable number of AfD voters would defect from the party. Furthermore, if the AfD were to lose a large number of high earners, it is possible that the party would not be able to survive, as the voters most capable of providing financial support to the party would no longer be present.

The soft-Eurosceptic belief led to the rise of the AfD, as the party sought to address some of the concerns surrounding the formation and policies of the EU. However, the concerns that led to the formation of the party are no longer the priority concern of the AfD. In particular, as demographics changed within Germany, the concerns that were once the driver behind the party's formation have become less important. Furthermore, the

²²¹ Wolfgang Munchau, "Europe Must Rethink Fiscal Rules to Combat Populism," *Financial Times*, May 5, 2019, <https://www.ft.com/content/6b834848-6daf-11e9-a9a5-351eeaef6d84>.

²²² Juho Kim, "The Radical Market-Oriented Policies Of the Alternative For Germany (Afd) And Support from Non-Beneficiary Groups – Discrepancies Between the Party's Policies And Its Supporters," May 21, 2018, *Asian Journal of German and European Studies*, <https://link.springer.com/article/10.1186/s40856-018-0028-7>.

²²³ Kim.

party's association with far-right groups and some nationalist principles threatens the Eurozone, of which Germany has been a prime benefactor and beneficiary. Therefore, while the AfD's formation was initially predicated on economic reform, the party's recent success is probably related to immigration challenges and the unwillingness of mainstream parties to address some of the concerns of AfD voters. As a result, many of the policies currently championed by the AfD are driven by xenophobic beliefs and unfounded fears associated with Germany's immigration policies and procedures.

V. CONCLUSION

To date, the European Union has been effective at achieving its original goal of preventing large-scale war on the European continent. However, economic challenges are accelerating, possibly driven in part by current fiscal policies and compounded by low fertility and labor mobility factors. These economic and social factors have created a need for labor that has primarily been sourced from the Middle East and North Africa. These immigration measures are aimed at decreasing the negative impacts of a declining European population and slowing economy, by bolstering the economic capacity of Germany through expanded labor force. While an expanded labor force will likely improve Germany's economic potential over the long-term, it is probable that the current political strength of the AfD is related to increased immigration in Germany. However, without improved economic, labor mobility, or fertility factors, it is unlikely that EU member states, particularly Germany, will alter their current immigration focus. Therefore, the appeal and strength of the AfD will probably remain, which will continue to challenge EU integration and could threaten the sustainability of the union.

The constraints imposed by a stagnating European economy have potentially laid the groundwork for the European Union's populist concerns. This is especially true for Germany, as the AfD's roots and party formation rest in perceived economic concerns. Additionally, without economic shortcomings, the impact from low mobility and fertility rates within the EU and Germany would likely be significantly muted. However, without significant improvements to mobility or fertility rates within the EU, it is unlikely that Germany will be able to meet its labor demands internally. As a result, immigration from the ME and NA will likely offer the best possible solution to Germany's current labor needs.

To be sure, there are many factors that have stymied the economic potential of the EU, as well as increased the appeal of populist political parties; However, there are specific steps European leaders can take to address both concerns simultaneously. Specifically, if

European leaders want to decrease the appeal of radical political parties, they could begin by reconsidering current economic policies as the first of many steps.²²⁴

Another solution would be for Germany to accept its dominant position in the European Union and assume all of the accountabilities and obligations that go along with it. Another, more radical, option would be for Germany to separate from the euro and return to the Deutschmark. By leaving the euro, and assuming that other countries will remain, Germany could allow the rest of Europe, specifically the debtor countries, to take possession over the common currency.²²⁵ As described by Soros, “absent Germany, the euro would meaningfully depreciate, debtor countries would regain their competitiveness, and their debt would diminish in real terms as trade improved.”²²⁶ The resultant fiscal benefit to the EU would more than offset potential pitfalls associated with declining birthrates while simultaneously negating one of the primary arguments for right-wing extremist political parties, namely declining economic prospects. Therefore, only the German government can end the contagion that afflicts the European Union, because only Germany is capable of introducing any substantial changes to the current economic policy.²²⁷ Of course, there is always the possibility with Germany leaving the euro, other countries might follow.

Additionally, while a return to the Deutschmark could possibly benefit other EU countries, it would likely not benefit Germany. Furthermore, the likely appreciation of the German Mark might set off a recession in that country. For these reasons such moves within Germany and the broader EU construct are unlikely to take place. Additionally, such a move would probably decrease Germany’s economic footprint and competitiveness within the EU. As a result, it is highly unlikely that German economic or political officials could garner enough support to pursue the endeavor.

²²⁴ Munchau, “Europe Must Rethink Fiscal Rules to Combat Populism.”

²²⁵ Soros, *The Tragedy of the European Union*, 21.

²²⁶ Soros, 21.

²²⁷ Soros, 23.

Furthermore, if Germany's removal proved to be an economic boon for weak European states, additional calls to expel strong economic states from the currency could begin to emerge. However, unless European leaders adopt a new set of policies that prioritize the union over individual member states, it is unlikely that economic conditions will improve. Additionally, if European leaders continue to deflect responsibility, reject reforms to the eurozone and blame outside variables for elections that return unfavorable results,²²⁸ then no meaningful challenge to political extremism can take place. Therefore, absent an improved economic outlook for the EU, it is likely that the appeal of populist political parties will remain, which could possibly continue to threaten the sustainability of the EU.

Although there are many challenges associated with improving the EU's economic outlook, labor mobility factors should not be one. Increasing the frequency by which individuals move within the European Union could be achieved fairly quickly by increasing the acceptance rate of national qualifications and credentials between member states within the EU. Furthermore, increased mobility rates could significantly improve the economic outlook of the EU's most troubled states by encouraging individuals with in-demand skillsets to relocate to new geographic regions.²²⁹ In particular, increased mobility rates could potentially encourage individuals impacted by high rates of unemployment to seek job opportunities outside of their member state.²³⁰

Moreover, an integral component of the European Union's formation was the belief that increased economic and social interactions would slowly encourage individuals to abandon national identities in favor of a more unifying European identity. This belief was supported, in part by the idea that promoting a European identity over a national one could dissuade the appeal of nationalist political parties and ideologies; which would potentially improve the long-term peace potential on the European continent. However, the abandonment of national identity in favor of a supra-national identity is likely not possible

²²⁸ Munchau, "Europe Must Rethink Fiscal Rules to Combat Populism."

²²⁹ Alcidi and Gros, "Intra-EU Labor Mobility."

²³⁰ Nowotny, Mooslechner, and Ritzberger-Grunwald, *The Integration of European Labour Markets*, 13.

if mobility factors do not meaningfully improve within the EU. Therefore, the EU as well Germany, could prioritize policies that promote increased mobility among EU citizens, which would possibly improve productivity and further the EU's goal of creating freedom, justice and security without internal borders.²³¹

Simply put, improved EU mobility factors will likely improve the economic capacity and social cohesion of the European Union. However, improvements are also needed to address the immigration policy within Germany. While the influx of workers from the ME and NA can offset some of the concerns associated a declining labor force, the procedure though which Germany is currently integrating individuals into the country needs considerable work. Foremost, the seemingly haphazard method guiding the placement individuals in apartments or collective accommodation centers could be meaningfully improved.

Additionally, individuals who are least likely to remain in the Germany or pose the greatest risk to public safety should probably not be assigned to apartments within city-centers. Instead, they could be assigned to collective accommodation centers where costs associated with housing can be more easily controlled. In particular, collective accommodation centers could be utilized to house unaccompanied young males or individuals from states that are typically denied asylum, like Iraq, Afghanistan, or Somalia.²³² Contrasting this, those who are most likely to remain in the country, including refugees, families, and those with young children, could be assigned to decentralized housing more frequently, which would possibly improve the integration rates. Additionally, the appeal of populist rhetoric could possibly be mitigated as immigrants and native inhabitants interact more frequently, which would probably improve relations between the two groups. Through this process, Germany could address some of the concerns of AfD voters, without overtly doing so. In this way, Germany could reduce some of the political strength of the AfD without risking the support base of mainstream parties. Therefore, additional efforts could be made by the German government to ensure those

²³¹ Eurostat, "Goals and Values."

²³² Informationsverbund Asyl und Migration, "Statistics."

most likely to remain in the country and least likely to threaten public safety are given accommodations that promote integration.

However, in addition to improving the process through which individuals are assigned housing accommodations in Germany, additional focus could be placed on the composition of immigrants entering into the country. In particular, German authorities could prioritize efforts to accept and integrate skill-based economic migrants who can have a positive impact on GDP more quickly. This would not only improve the economic prospects of Germany, but could also mitigate some anti-immigrant concerns, as the negative economic impact from new arrivals will be muted. In time, as the economic potential of high-skilled new arrivals is realized and anti-immigrant fears are dissuaded, Germany could expand its immigration efforts to include more semi-skill and low skilled workers. While these workers might not add to the near-term GDP of Germany, they would probably increase the long-term economic potential of Germany, if they are given to opportunity to learn new skills in an environment that is more supportive of their economic needs.

Finally, the growth of populism is a real concern for the European Union. Although populist criticisms of the EU vary wildly from simple critiques of current economic policies to outright abolishment of the union, all populist groups typically espouse some degree of nationalist rhetoric. The lack of a common European identity has potentially increased the appeal of populist groups, as many Europeans continue to favor their own national interests over those of the EU. Although some degree of residual national identity is to be expected, the failure of the EU to achieve its goal of creating a more supranational, European identity, is troubling. This is especially worrisome as it has the potential to provide nationalist groups with a broader base to recruit from. However, the lack of a common European identity is not sufficient to radically alter the European landscape by itself; although, it can increase the appeal of populist groups during times of extreme economic or social unrest.

While there are many populist groups and political parties throughout the EU, the AfD is possibly the most influential, due primarily the party's potential impact within the German government. Although the AfD has not officially called for the European Union to be dissolved, many of the policies the group champions would significantly weaken the

cohesion of the union. For example, the party's opposition to immigration policies and xenophobic rhetoric have aligned the group with radical and racist groups, like PEGIDA, within Germany. This undue relationship is detrimental as the AfD's association with right-wing radical groups threatens to advance the interests of extreme elements in Germany, including those that promote racist ideals or advocate for the EU's abolishment.

Beyond the advancement of xenophobic ideals, the AfD's association with extreme elements threatens to bury the economic concerns that led to the party's formation, including those that could possibly strengthen Germany and the EU. Moreover, as the party continues to swing further right, it is increasingly improbable that the group's economic concerns will be addressed. In time, it is possible that the AfD could further trend to the right and advance xenophobic and anti-EU policies, which could meaningfully reshape the European landscape.

However, the outward representation of political strength belies a fairly fragile political party. Although the group has been one of the fastest growing political parties in Germany over the past decade, much of the party's success has been dependent on the appearance of inaction by mainstream alternatives. In particular, perceived reluctance by the CDU and SPD to address concerns regarding immigrant quotas into Germany might have led some to defect from the mainstream parties in favor of the AfD. Consequently, while both mainstream parties do offer positions on immigration, it is possible that additional messaging on CDU and SPD policies could be needed to change this perception. Additionally, although the AfD has portrayed perceived inaction on immigration by the CDU and SPD as a strength, it is in actuality a key weakness that mainstream and moderate parties could exploit. Foremost, nearly one-third of the AfD's members would probably defect if mainstream parties addressed some of the concerns typically associated with the AfD's voter base. Therefore, the overall strength of the AfD is severely tied to the actions, or inactions, of mainstream political parties. While this statistic is favorable to the political moderates in Germany in the near term, it is possible that political inactivity could potentially solidify the AfD's fickle base over a more prolonged period of inaction.

A significant weakening of the EU, to include the union's possible dissolution would be extremely detrimental to future European peace prospects. However, while it is unlikely that a dramatic reshaping of the EU unfolds in the near term, the threats posed by increasing populist sentiment and a stagnating economy increase this dangerous possibility. Furthermore, the factors that could challenge the EU's cohesion would likely be significantly amplified if the EU or global economy were to experience another severe economic downturn before the appeal of populism can be repulsed. As a result, populist groups could potentially become more powerful during another economic crisis, as mainstream policies and political parties could possibly be blamed for any such downturn.

Absent a significant economic downturn, the AfD likely does not pose a near-term threat to the EU. However, if another economic challenge were to impact the union before populism is repelled, it is possible that a dramatic reworking or dissolution of the EU could unfold. Lacking the benefits of economic interdependence, individual European states could potentially begin to distance themselves from the cohesion provided by the EU. Without the collective benefits received through membership in EU, some individual states could begin to pursue more confrontational policies in an attempt to maximize individual state power through integral nationalism.

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