

The End of Germany as We Know It? - Itır Aykut



The 11-year-old anti-immigrant AfD party (Alternative for Germany), with its far-right stance, has won in the eastern German state of Thuringia and secured the second place in Saxony. It is expected to win over 30% of the vote in both states. Additionally, the left-wing yet socially conservative Reason and Justice Alliance Party/Bündnis Sahra Wagenknecht (BSW) formed only eight months ago, also came in third in both states, reaching double digits. Sahra Wagenknecht, its leader and founder, a prominent figure in the country's hard-left politics under the former Communist Party, has recently attracted attention for increasingly aligning with far-right views. The result is significant as it marks the first time a hardline revisionist nationalist party has achieved such historic success since the Second World War. It is therefore likely to produce shockwaves not only in Germany but across the EU and the broader European political landscape. Many fear history may be repeating itself. Thuringia is particularly symbolic since it was in 1930 that the Nazis first came to power in a German state government in the post-depression, crisis-hit Weimer Republic. Berlin followed only three years later. The alarming similarity with the election of the Thuringian parliament in

1930 lies with, Hitler's NSDAP (National Socialist German Workers Party) tripling its votes and changing the balance of power in a region before scaling up on the national level, leading to a legal takeover of Reich's leadership. While AfD is not a Nazi party, in Thuringia, its leader Björn Höcke, is not shy of using Nazi slogans. The results are surely clear proof of the growing discontent with the ruling mainstream parties. The centre-left federal government, led by Chancellor Olaf Scholz, should brace for impact as Germany prepares for its next general election in Autumn 2025. This shift has been anticipated for some time and could be described as a crossroads. Many in the eastern part of Germany still feel like second-class citizens. Western Germany continues to maintain a stronger industrial base, while the gap in wages and pensions persists, dividing the country even after more than three decades of unification. This disparity endures despite the two trillion Euros spent trying to boost East Germany over the last 34 years.

The results appear to support policies such as increased taxation on the wealthy and curbing immigration. There is also a growing sentiment against Western sanctions, favouring diplomacy with Russia and ending military support for Ukraine, as many believe Germany is being dragged into a conflict with Russia by the West. Given that Germany is currently the second-largest provider of military aid to Ukraine, there may be increased opposition to the recent decision to deploy long-range US missiles in Germany. Additionally, discontented voters from east Germany seem to embrace the rejection of ambitious green policies, while state interference, reminiscent of the Stasi era, such as during Covid, fuels their discontent.

The AfD's victory does not necessarily mean, however, that the AfD will come to power. The existing bloc against the far right is expected to curb such enthusiasm. Nevertheless, with a 74% voter turnout, the public has made it clear that they demand change. Ongoing high inflation, coupled with economic stagnation, appears to be having serious consequences. Additionally, Germany's immigration and refugee policies over the last decade have positioned the country as the third largest host in the world, accommodating over 2.5 million refugees. This has contributed to an ongoing crisis that heightens its vulnerability to domestic challenges. An unexpected influx of immigration, combined with long-

term economic failures seem to be threatening Germany's democracy, giving rise to extremist parties. Ironically, the problem largely lies within the very German model that once brought the country its success. This time, however, the issues appear more structural and cyclical, and Germany needs more than a facelift to emerge from this downturn. Clinging to traditional models like precision engineering and advanced manufacturing will not suffice. The country is in a technological recession and appears to be lagging in digitalization.

Germany has experienced the slowest growth among its fellow G7 countries, averaging a mere annual growth of 0.4% since 2018. The existential threat from low-cost Chinese electric cars looms large over the global automotive industry, particularly affecting Germany's automotive sector. Consumer spending, investment, foreign trade, and construction all continued to weaken in the second quarter of 2024. The Consumer Climate Index fell by 3.4 points to -22.0 in September, signalling a crisis in consumer confidence and fears regarding job security. Even the European Football Championship did not seem to boost the economy. While the German economy shrank by 0.2%, Spain achieved 0.8% real growth, with France gaining 0.3% and Italy rising by 0.2%. Meanwhile, the US marked a 2.8% growth, making Germany's loss appear even more significant. There are surely lessons to be learned.

These figures suggest that it is no surprise Germany has again been called "The sick man of Europe," a label first used by the economist Holger Schmieding in 1998 and coined also by the Economist in 1999 as well as in 2023. After Merkel's 16 years in power, Germany is now in distress due to its economic mismanagement, and her allies in the West are deeply concerned, fearing for the future of its democracy. The two are surely interconnected. A structural change in the German economy is most imminent, for the sake of both Germany and the European Union.



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