



To the point!

Cross-Asset- and Strategy-Research

The AfD poses an economical risk

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Elections in Thuringia and Saxony will mark a worrying rightward shift

This Sunday, the East German states of Saxony and Thuringia will hold their state elections. For months, opinion polls indicate a significant political shift to the right. The Alternative for Germany party (AfD), a party known for its pronounced far-right stance particularly in East Germany, is leading in the latest polls. As the total number of eligible voters in all Eastern states together is less than in Germany's largest state North Rhine-Westphalia alone, and roughly equal to Bavaria, one might be tempted to view these elections as a minor occurrence with little impact on national politics.

However, that would be a mistake: These state elections carry a significant signal. Not just in terms of socio-political issues and the debate over who is on firm constitutional grounds and who is a dangerous extremist. It's also about the economy. The AfD poses a clear and present danger to Germany's economy.

The Mittelstand stands up against the AfD

The AfD portrays itself as the defender of small, hard-working individuals and small and medium sized enterprises, Germany's fabled "Mittelstand". However, this very group does not seek the AfD's protection. Quite the opposite, they feel threatened by the right-wing party. An [analysis paper](#) by the association representing family-owned businesses, highlights point by point why the AfD in government would hurt Germany as a business location.

And it's not surprising that entrepreneurs are sounding the alarm. Talking about companies that are part of the campaign "Made in Germany – Made by Diversity," AfD hardliner [Björn Höcke](#), who is also his party's candidate for the premiership in Thuringia, said during a campaign event on Saturday: "I hope these companies

It's also about the economy

Companies reject the AfD

face severe, severe economic turbulence." In general, businesses should "just shut up" on political matters.

Why the AfD is bad for business

Earlier this year, [I discussed](#) why the AfD's intention to leave the EU and abandon the euro would be akin to economic suicide. According to the [German Economic Institute IW](#), such a move could lead to a loss of one-sixth of Germany's economic output.

Furthermore, the AfD's fiscal policies, which include tax cuts and generous pension plans without clear funding, would likely lead to substantial budget deficits, highlighting a lack of economic literacy within the party.

The party dismisses the skilled labor shortage as an unfounded claim by business associations and lobbyists. Should the AfD get its way, Germany's labor shortage would worsen. They propose reducing daycare and all-day school provisions to encourage parental childcare, a move that would undoubtedly complicate the work-life balance for young parents. Their call for retirement at 63, mandatory military service, and an additional year of community service would further reduce the workforce. Not to mention their hostile stance on immigration of all sorts.

There is already a significant shortage of skilled workers

Businesses in Eastern Germany are particularly vulnerable to an increase in AfD power, which would likely exacerbate the existing worker shortage. It's well understood in these regions that rabble-rousing rhetoric is insufficient to stimulate economic growth. The head of the association of family owned businesses in Thuringia noted with concern, "With this state election, Thuringia stands on the brink of economic disaster." I am afraid that she is probably right with her gloomy prediction.

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Germany withdrawing from the EU would be a disaster

An AfD government would exacerbate labor shortages
