Europe’s Gamble
Migrants could be the key to a stronger economy
By Rana Foroohar

America was born a nation of immigrants. Modern Europe, much less so. Its history—at least over the past few hundred years—is one of countries built on comparatively homogeneous national cultures. The creation of the European Union has been a marvel of beneficent globalization in the sense that it brought together 28 of those nations into an economic and political alliance. While the European debt crisis has challenged the future of that union, it hasn’t yet doomed it. Now, with the great migration, Europe faces a bigger crisis still—and it’s one with profound implications for its culture and its economy.

The challenges of Germany’s decision to take in hundreds of thousands of immigrants are enormous. But the benefits could be too. Economic growth is essentially productivity combined with workers—when numbers for both are rising steadily, countries prosper. Europe, which has been struggling to achieve even a percentage point of economic growth per year, is not doing well on either front. The continent has some of the lowest birthrates in the world. In Germany, the economic engine of Europe, the population is predicted to shrink from 81.3 million today to 70.8 million by 2060. If unchecked, that trend would devastate the country’s welfare state and future economic growth. Other nations, like France and Spain, are in similar quandaries. Given that women in rich countries tend to have fewer children, the only way to achieve better demographics is immigration.

And yet the idea that migrants could provide a long-term economic boon is hotly challenged by populist politicians across Europe trying to score with electorates that have become more nationalistic in the wake of financial crisis. Far-right-wing French politician Marine Le Pen, for instance, recently framed the challenge this way: “Germany probably thinks its population is moribund, and it is probably seeking to lower wages and continue to recruit slaves through mass immigration.”

But Germany’s troubled history is actually the key reason that it has one of the most liberal asylum policies in the world. “We have produced many migrants in the past,” says the German ambassador to the U.S., Peter Wittig, “and our laws are a legacy of that.” Indeed, the country’s leaders took the controversial step of suspending the Dublin Regulation, an E.U. law stipulating that asylum seekers must remain in the first European country they enter, allowing migrants to continue on from port-of-entry nations like Greece to Germany, where they are more likely to find work.

The Germans have been criticized for creating “moral hazard,” potentially incentivizing still more to join the migration, as well as for asking other nations to share the burden of housing, educating and training those who do. The latter also reflects Germany’s desire to make the migrant issue one shared E.U.-wide. “This is a huge litmus test for European solidarity,” says Wittig.

The challenge is getting other E.U. nations to accept that migrants, particularly those from non-European cultures, could be something other than a social and economic burden. Despite the overwhelming data that global migration is a net economic positive, immigration tends to be an emotional, rather than rational, issue—one where culture clashes, sometimes violently, with economic reality.

The picture painted by those against migration shows a horde of relatively unskilled refugees raising social-welfare costs and lowering wages by undercutting higher-paid nationals within the labor force. The first may be true in the short term; Germany has already had to hire an additional 3,000 police officers to deal with arriving migrants. It’s also setting aside $6.7 billion to care for the influx, including shelter, free language classes, education and job training for all migrants who stay—something that Wittig says experience with groups like the Turkish guest workers of the 1960s (who were not given such benefits) shows is essential for successful integration.

But there’s little if any evidence to suggest that migration causes an economic race to the bottom. There is scant research on the economic effects of migration to continental Europe, in fact, in large part because migrants have until recently made up only a small portion of the population of major European nations. But studies in the U.S. and U.K. show that migrants don’t undercut local labor because they tend to do jobs at the very bottom of the economic ladder. This allows natives to take on higher-level work. British immigrants tend to be better educated,
migrants to stew in detention camps for long periods of the mistakes of the past. These include leaving and culturally, even if the E.U. is able to avoid some grants will be much harder to integrate, economically. Of course, country of immigrants can be. "U.S. is the very best example of how dynamic a tune to America and other countries, " he notes. "The population of Sweden, Ireland and Italy emigrated frequently than natives and founded 40% of the enterprises in many countries, start businesses more frequently than natives and founded 40% of the start companies in Silicon Valley from 1995 to 2005 that had at least one immigrant founder. 

That’s why many experts say E.U. consensus around how to handle migrants—where they should go, which countries will house and feed them, how their documentation should be adjudicated—is vital. That would ensure efficient integration and allow people like Syrian asylum seekers (many of whom are unlikely to ever go home again, given the depth and breadth of conflict in the region) to become productive members of society. It’s an argument that makes sense from a global, as well as a regional, economic perspective. According to Goldin, if rich nations around the world were to admit enough migrants to expand their labor force by a mere 3%, the world would be $356 billion richer—not only because of the productivity gains in the rich countries but because migrants send so much money back home.

In Europe it could also be a way to recommit to the world’s most important experiment in benevolent globalization. To solve the migrant crisis, European nations will need to accept and integrate the outside world. But they’ll also need to come to terms with one another, finding agreement not only on migration policy but also on who can be a part of the European community, and on what terms. That is exactly the same core issue at stake in other major issues of the moment, like the European debt crisis.

The great economic experiment that is the European Union has always been a cultural one too. Germany, at least, appears willing to take on this challenge. If the current crisis can be a catalyst for Germany to take the leadership role in pan-European affairs that many have been hoping it would, and to convince its peer nations that immigration is a solution to the continent’s economic woes, the country—and the migrants themselves—will have played a vital role just by showing up.