Why Immigration Is Good for Europe

Jacob Funk Kirkegaard says that over the long run, the influx of immigrants in Europe will lead to economic growth—and for Germany, the stimulus that many people have long advocated.

Steve Weisman: Just as the summer is ending, Europe is engulfed in a new crisis. This time, over hundreds of thousands of refugees and immigrants seeking a better life or political solace.

This is Steve Weisman at the Peterson Institute for International Economics with Jacob Kirkegaard of the Institute who studied immigration issues in Europe, especially, for many years. Jacob, first of all, where are these immigrants and refugees coming from?

Jacob Kirkegaard: Well, we're talking about of a mixture of mostly refugees from Syria, from Iraq, from Afghanistan; a number from various African countries. And then there is a significant number of more, should we say, economic migrants from really the sort of entire periphery of Europe, the Western Balkans, parts of the former Soviet Union and large parts of Northern Africa as well.

Steve Weisman: Why did this start this summer or why did it grow so dramatically this summer?

Jacob Kirkegaard: I think it's been brewing for a while, but what you have had in the last couple of years is really the collapse of several major states in the periphery of Europe—Syria, Libya in particular. And what that has meant is that you now have essentially a vacuum of governance. So all illegal migrants coming from most of Africa, for instance, now go through Libya.

They will pay human smugglers and others for the transport across the Mediterranean, but there is no government functioning there to regulate it. And in some ways the situation is the same on the Turkish-Syrian border where obviously you have millions of refugees that are coming from Syria that the Turks are often unwilling or in fact more than willing to let continue their travels on to the EU.

Steve Weisman: The Europeans have mixed feelings about this, welcoming this new influx. And, by the way, tell us how big of a situation this. But the Europeans have mixed feelings; the Germans are more welcoming than other countries, why is that?

Jacob Kirkegaard: Well, I think this is in many ways a good subject for Germany, if you like. Both for economic reasons, Germany is probably the country in Europe that has the most need for its own demographic reasons for attracting large numbers of immigrants. Germany is also a country that, for many years now, actually had been the destination for very large numbers of immigrants and the German economy is doing very well at the moment. They are at full employment, in which case there are no sort of concerns over new arrivals potentially taking jobs away from Germans.

So, this is really, in some ways, economically quite beneficial for the German Government and they can easily afford to pay the extra costs of housing these new arrivals. This is obviously much less the case in other European countries, notably Greece, but also Italy and elsewhere where the fiscal costs are higher and obviously the existing unemployment rates are also much higher. So, politically, it's much more tricky.

Steve Weisman: France as well?

Jacob Kirkegaard: France is less directly affected, but obviously because the levels of unemployment in France remains very high—it's about 11 percent—and economic growth there has been sluggish. And you obviously also have already the growth of the National Front there, which is a generally anti-immigrant party in France. So both politically and economically it's a bad issue, if you like, for France.

Steve Weisman: So, how many immigrants are likely to be able to stay in Europe when this episode or this phase is over?

Jacob Kirkegaard: Well, I think here is important to recognize just how big a destination for migration the EU has become. Not recently, but actually over the course of the last couple of decades. I mean, last year, and this wasn't in the headlines or anything, more than a million migrants arrived to the EU, levels that are comparable to that of the United States.

So, what we're likely to see now is a number significantly above that. I mean, recent estimates suggest that maybe 500,000 extras—most of those going to Germany—will arrive. So you could be looking at up to 1.5 million or more migrants arriving to the European Union, which is, as I said, considerably more than the 1 million that you saw in 2014. But it doesn't change the fact that inward migration into Europe has been very, very high throughout the last 15 years or so.

Steve Weisman: And on balance, do these newcomers contribute to economic growth or do they contribute to economic difficulties?

Jacob Kirkegaard: Well, I think in the short, immediately upon arrival, there are significant cost associated with they need to be housed, they need to have some sort of transitioning and learning, potentially learn the language or other things, housing. So, there are short-term fiscal costs. But in the long term, I don't think there's any doubt that more migration is a significant economic benefit for the European economy and particularly economies such as Germany, but also Italy that face substantial long term demographic decline otherwise.

The key issue here is whether or not they're employed or not. And traditionally there has been some concern that the difference in employment rates between the foreign-born migrant population and the native population, which in a number of countries in Europe is very significant. But at the same time, this has actually been improving quite a bit in the last sort of five, six, seven years.

So, if you take the two largest destination countries for migrants in the EU in recent years, namely the UK and Germany, it is actually the case that the employment rates for the foreign-born population, their migrants, in these two countries is higher than the employment rates for migrants in the United States.

Steve Weisman: Are they taking jobs that native-born citizens won't take as is the case sometimes said in the United States?

Jacob Kirkegaard: Yes. I don't think there's any doubt that that is the case very often also in these European countries. There may also be examples of where there is direct competition between native workers and recent arriving migrants, but having said all of that, I think in the aggregate, in terms of the functioning and the size of the overall economy, this is, in my opinion, unambiguous benefit.

Steve Weisman: And you would make somewhat the same case for immigration in the United States or am I…?

Jacob Kirkegaard: Yes. I by and large believe that is true in the United States too. And especially arguably in the United States because you have the situation in the United States, unlike in most European countries, that the employment rate of immigrants is the United States is actually higher or at least those of the foreign-born part of the US labor forces actually higher than the native-born.

That is not true in most of the EU, but I would certainly suggest that the economic benefits of migrants arguably in terms of their employment record at least is higher than the native-born population.

But there's also other issues that are affected by this and I think there are many people who, for a number of years, have been calling for extra fiscal stimulus from Germany to help a sort of broader Euro area rebalancing and things like that.

And if you look at what the costs of maybe housing up to half a million extra people might be, estimates suggests €3 billion, €4 billion or maybe €5 billion. That is easily 0.2% or 0.3% of German GDP which will probably wipe out the projected otherwise surpluses of the German Government budget.

And you add to that a potential fiscal multiplier, etcetera, then you actually get a meaningful fiscal stimulus in the next 12 to 18 months in Germany from this which many of the traditional critics of German economic policy should welcome.

Steve Weisman: Okay. Thank you very much, Jacob.

Jacob Kirkegaard: My pleasure.