



To the point!

Cross-Asset- and Strategy-Research

Alice in Wonderland

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The right-wing party AfD wants Germany to leave the EU

"We demand an orderly end to the EURO experiment." This is a direct quote from the program of Germany's right-wing party AfD, which would be the second strongest force in the federal parliament if elections were held today. Alice Weidel, the AfD's co-leader recently reiterated the desirability of Germany withdrawing from the EU ("Dexit") in an interview with the Financial Times. The example of Brexit is worth copying, she claims. As a Ph.D. economist, she should know better. Demanding to leave the EU and the euro is highly dangerous. But playing with fire is part of the AfD's trade. Just like in Lewis Carroll's classic "Alice in Wonderland", logic and reality are deliberately ignored in Weidelland. Even the majority of AfD supporters are against leaving.

Please repeat slowly: Brexit was NOT a success

The promise that Britain, freed from the shackles of the EU, would rejuvenate and enjoy new economic dynamism has turned out to be a hollow one. This is also how the British people themselves see it: from today's perspective, a large and [stable majority](#) consider Brexit to have been a mistake. [Only a tenth](#) of respondents believe that their personal economic situation has improved as a result of leaving the European Union. A minority may be inebriated by the regained "sovereignty" and take pride in the new blue passports. But economically Brexit has been a failure.

During the decade before the referendum, the UK outgrew the euro area by on average 0.5 percentage points per year. Since 2017, the UK's economic growth lags the euro area by a similar amount. Depending on the [estimate](#), the British economy is already 2% to 6% smaller than it would have been without Brexit. And according to the calculations, the country will fall even further behind.

A highly dangerous demand

Brexit has cost the UK prosperity

Dexit would be much worse than Brexit

If Brexit was a failure, then a Dexit would be a disaster. For two reasons. Firstly, the UK has only left the EU. But Germany would also have to leave the euro. That is a much more complex challenge. What will happen to all the euro-denominated contracts and citizens' savings? Will the foreseeable appreciation of a future (Af)D-Mark undermine Germany's competitiveness? What about financial stability? A high-risk gamble.

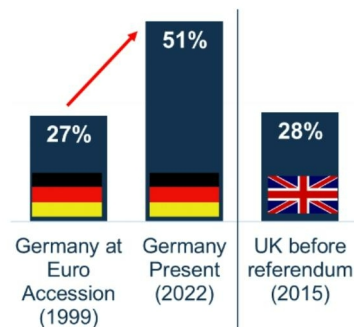
Secondly, and maybe even more seriously, Germany is much more trade-dependent than the UK ever was before Brexit. The euro has fueled Germany's unprecedented export boom (see figure). The EU is by far Germany's most important export destination. In addition, Germany would be excluded from all free trade agreements concluded by the EU. The economic consequences for growth and employment would be devastating. Only the hubris and arrogance of a nationalist party in a small country that contributes less than 3% to global production can come up with such presumptuous ideas. Alice, come out of the rabbit hole!

Even on immigration, Brexit is a flop

Curbing immigration was a motivation for many Brexiteers. Some may have thought that if Brexit could close the borders, then the economic harm would be a price worth paying. But it turned out quite differently. Immigration from EU countries has indeed fallen by over 60%. More EU-citizens are leaving the UK than arriving.

But overall, immigration has increased by 80 %. The number of migrants from non-EU countries has tripled because the labor shortage has forced a rapid increase in work visas. Hardly an outcome the xenophobic AfD would like to emulate.

Trade dependency:
Exports of goods and services (% of GDP)



Source: [OECD](#), LBBW Research

**Brexit shows:
Isolationism
does not survive
contact with
reality**

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