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Perception and Reality—Economic Inequality as a Driver of Populism?

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Abstract: Can the rise of populism be explained by the growing chasm between rich and poor? With regard to Germany, such a causal relationship must be rejected. Income distribution in Germany has been very stable since 2005, and people’s knowledge on actual inequality and economic development is limited: inequality and unemployment are massively overestimated. At the same time, a persistently isolationist and xenophobic group with diverse concerns and preferences has emerged within the middle classes of society that riggers support for populist parties. This mood is based on welfare chauvinism against immigration rather than on a general criticism of distribution. Since the immigration of recent years will inevitably affect the relevant indicators concerning distribution, an open, cautious but less heated approach is needed in the debate on the future of the welfare state. In order to address and take the local concerns of citizens seriously, an increased exchange with public officials on the ground is needed.

Keywords: populism, democracy, welfare state, redistribution, inequality, justice, middle class, migration

1 Populism and the Search for Simple Answers

The rampant right-wing populism that has been on the rise for several years now and the associated functional challenges for Western democracies justify a deep sense of insecurity, because simple explanations are obviously futile and unproductive. The claim that “social inequalities are greater today than ever before in the history of the Federal Republic” and could therefore explain this political development as a reflex of “a hitherto unresolved epochal upheaval” (Koppetsch 2019, 11ff., own translation) is not convincing in view of the facts. At the same time, there is no global explanation for this global phenomenon, let alone a global set of political answers in the sense of ‘one answer fits all’. Economic globalisation may provide an explanation, for example through the feeling of a collective loss of control associated with remote influence, be it in home institutions or over

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one's own life (Koppetsch 2019, 65ff. and 175ff.). However, it cannot be deemed as the only comprehensive explanation for right-wing populism.

The motivation to embrace right-wing populist forces—be they parties or individuals—has very different reasons and contexts however, not only between the various Western democracies, but also within Germany, as a look at AfD strongholds in the west and east of the country shows.¹ It is also worth noting that the programmatic offers from this side often do not match the material interests of those who vote for them. Clearly, the motives that are beyond rational choice are the dominant ones.

At the same time, the problem of analysis is exacerbated because the concept of populism is multi-faceted and ambivalent. The definition of the term has been studied in social sciences for a long time. For further arguments, we can assume the following characteristics: Populism is characterised by the claim to exclusive representation of the people and sole legitimate representation, by disdain for elites, by the denial of legitimacy for established political forces, by contempt for the media and by the establishment of exclusive spaces for public discourse (see Müller 2016).

The democratic order is being put under pressure because populist forces, despite all their contempt for the often tedious, discursive, time-consuming parliamentary procedures, can skilfully use exactly these procedures. They thus gain influence on the style and content of the debate and thereby attract their followers. “What is characteristic of this movement is rather the extraordinary perfection of the means, in particular the use of propaganda in its broadest sense, combined with blindness, even abstruseness of the purposes pursued”, according to Adorno (2019, 23, own translation). This makes the rise and strengthening of populist forces so significant, and it requires classification and explanation.

A common hypothesis is that the losers of globalisation, but also of digital transformation, are insufficiently compensated and now vote for the political forces that seem to give them a voice for the first time. Depending on the argumentation, this applies to those who are personally affected as an expression of social positioning or generally to particularly affected regions—i.e. even where the corresponding effects are observable, without the group of people in favour of populism actually having to be affected: “a stratum which is rather secure but ob-

¹ An interesting example here is the city of Heilbronn, which has the highest disposable income per capita in Germany at €35,000, but it also reached a record high in support for AfD in West Germany during the 2017 federal election with 16.4 percent. The economic and social situation in Heilbronn is different to that in east German Görlitz, where disposable income has recently risen to €18,000 and the AfD received over 32 percent of the vote in 2017.

jectively can still lose something” (Minkenberg 2000, 187).² At an individual level, the perceived uncertainty that can arise from accelerated capital movements, intensified trade and increased migration is an important channel (Swank/Betz 2003, Guiso et al. 2018). In specific regions, the influence of a globalisation-induced trade shock as a result of the rise of China can be traced to rising approval rates for right-wing populist policies.³ The fact that difficult economic conditions and upheavals cause a degree of dissatisfaction and uncertainty that play into the hands of right-wing populists has been shown many times (Mudde 2007).⁴ Correspondingly, as a result of protracted and severe economic crises, significant gains have been made by right-wing parties (Funke/Schularick/Trebesch 2016; de Bromhead/Eichengreen/O’Rourke 2012).

The hypothesis that economic globalisation inevitably leads to inequality and distribution conflicts and is thus the main driver of right-wing populist mobilisation (Koppetsch 2019, 202f.; similarly, Fraser 2017) fails to recognise the differentiating effects of market liberalisation and global markets on the economies involved. This is because the comparative advantages stand out more and the specialisation patterns of the division of labour are stabilised—with a corresponding effect on economic robustness and susceptibility to crises. While the industrial services sector in Germany still accounts for one third of the gross domestic product, this share is around fifteen percent in France and the USA and ten percent in the United Kingdom. These supply-side differences explain the considerable divergences between the national economies in terms of employment structure as well as personal and regional income distribution (German Economic Institute 2015).

In fact, the emergence of populist alternatives is leading to an increase in voter turnout in other countries and not just in Germany. While some right-wing populist parties are recruiting their voters from groups who traditionally would not vote, the achievements of right-wing parties in Western Europe are more by way of poaching voters from established parties. The increased turnout in many West European democracies is largely due to the counter mobilisation of high education groups (Immerzeel/Pickup 2015 as well as Huber/Ruth 2017). According to the explanations given for Germany, there is usually the argument that the development of income distribution—especially the hypothesis of increasing inequality—

² The support for the populist right is convincingly described in literature for the most affected societies. For France: Eribon 2009; Luis 2014; Mathieu 2019, for the United Kingdom: Goodhart 2017, for the USA: Hochschild 2017; Vance 2017. See also Rodriguez-Posé 2017.

³ For the USA: Autor et al. 2017, for France: Malgouyre 2017. For Germany: Dippel/Gold/Heblich 2016. For the United Kingdom: Becker/Fetzer/Novy 2017.

⁴ See also Essletzlichler/Dissbacher/Moser 2018.

is of importance for the mobilisation of the populist movement (Fratzscher 2017; Koppetsch 2019). In fact, media reports on recent surveys for Germany show that people living there today feel that fewer aspects of justice are complied with compared to previous decades.⁵

First of all, this is astonishing since the basic standards of justice for an economic system to meet the employment demands of society for reasonable wages are better met today in a reunified Germany than ever before - measured by the unemployment rate, the employment rate and the structure of employment (normal employment pattern as the dominant anchor). It is interesting to note that in Germany the creation of around 6 million new jobs since 2005 has generated decent wages, whereas in the United Kingdom the real median salary has fallen since the outbreak of the 2008 economic and financial crisis despite a similar overall development.⁶ In Germany, this has manifested itself in an increase in real annual tax revenue per inhabitant from 4,700 euros, stable for a long time until 2005, to a current 6,300 euros (Hüther 2019).⁷ This did not result in a reduction of right-wing populist tendencies. Put another way, the effects of globally networked economic structures on political trends vary in Western democracies.

On closer inspection of the latest survey,⁸ some interesting differentiations can be seen. Although remuneration is generally perceived to be unfair, it is surprising that at the same time those in employment rate their own remuneration as adequate. This is also in line with the finding that respondents in Germany state that only 45 percent of their fellow citizens are happy with their lives, whereas around 84 percent say they are happy themselves (Ipsos 2016). While most people consider that intergenerational equity has not been achieved, the opposite applies for educational equity.

The findings on this level of abstraction are diffuse and not very suitable to support the mentioned hypothesis that rising economic inequality and deprivation are drivers of the populist upswing. In contrast to the sound economic situation, the world is seen as an unjust place by 94 percent of people. The German philosopher Odo Marquard could answer: “The world is more non-crisis than cri-

⁵ See Frankfurter Allgemeine Zeitung: Representative ARD survey: Germans find their country increasingly unjust, 08.11.2018, <http://www.faz.net/aktuell/politik/inland/wie-gerechtschaetzen-deutsche-die-situation-in-ihrem-land-ein-15880793.html> (retrieved 11.11.18).

⁶ https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/759778/759778?listId=www_s311_b4_am_erw (retrieved 05.09.19); <https://stats.oecd.org/> (retrieved 11.09.19).

⁷ In prices from 1991.

⁸ See ARD survey on justice 2018, <https://www.ndr.de/themenwoche/gerechtigkeit/Umfrage-Pessimismus-in-Deutschland-ungleich-verteilt,umfrage1106.html> (retrieved 11.11.18).

sis: it is certainly not heaven on earth, nor is it hell on earth, rather it is earth on earth.” (Marquard 2007, 108, own translation) But this pragmatic-realistic point of view does not deliver any political gains. Politics must look more closely at concepts, developments and perceptions of justice in order to identify effective options for action.

2 Dimensions of Social Justice⁹

Socio-ethically, justice is a norm that does not address the individual first, but the formation of social and political systems. Operational and procedural rules based on a social agreement (‘social contract’) should clarify how fair conditions can be created for active participation in political discourse, as well as in social life and economic exchange. The distribution of scarce goods is just as important as the distribution of social privileges and substantiated claims to the community. Working together on a contractual basis requires the principle of reciprocity, symmetry and conditionality as a reflection of the primacy of personal responsibility in freedom, objectivity and impartiality.

Social justice considers the positioning of individuals in the social context. This can apply to different input factors as well as output factors. The principles of *symmetry*, *conditionality* and *impartiality* demand abstract, and therefore acceptable, standards. These can already be found in Aristotle’s distinction between distributive and retributive justice as well as in the theories on justice from the late twentieth century, especially that of John Rawls with the guarantee of fundamental freedoms and the idea of acceptable inequality (difference principle). For the purpose of further reflection, the conceptual characteristics of ‘social justice’ and the relevant frame of reference should be specified as follows:

(1) *Social justice* is basically understood here as justice in the social context, i.e. in relation to the relative position of the members of society. (2) The relevant comparison may refer to *personal characteristics* throughout society such as income, wealth, education, risk of poverty, employment or unemployment. These characteristics can be differentiated into requirements and conditions of individual lifestyles (*input orientation*) and results and consequences of individual lifestyles (*output orientation*). (3) The relevant comparison may also relate to the *regional* and not the personal *distribution* of such characteristics. Finally, focus can shift from the time dimension to the spatial dimension, and the *generational*

⁹ See in more detail: Hüther 2009; 2016.

comparison can be examined. These different approaches can be systematised as shown in *figure 1*.

Criteria Dimensions	Input orientation		Output orientation		
	Education	Employment	Income	Wealth	Risk of poverty
Individuals			A	B	
Regions		C			D
Generations	E				F

Fig. 1: Criteria and dimensions of social justice; source: own presentation

Various concepts can be derived based on this system of criteria and dimensions of social justice. The following concepts of social justice appear to be significant both in terms of mobilising consent or even supporting populist forces, as well as in terms of media discourse: (A) personal income distribution, (B) personal wealth distribution, (C) regional employment/unemployment distribution, (D) regional poverty distribution, (E) access to educational resources and (F) adult and child poverty. Hence, the generational justice dimensions (E and F) touch on the persistence of differences in input and output criteria between different social strata. Dealing with ‘inherited’ features of social justice, the generational component covers the non-regionally based questions around equality of opportunities.

We do not have a valid database for all definitions of justice, nor do we have clear normative concepts for all these definitions. Nevertheless, this system is useful because it clarifies the complexity of the discourse on justice and, when considering individual aspects, calls for adequate caution regarding simplistic hypotheses and generalisations.

3 Normative Clarification of Social Justice in the German Welfare State

Those who search for specific injustice must know the concrete socially accepted norms of social justice in terms of *symmetry*, *conditionality* and *impartiality*. Only the reference to it suggests what problems can arise in the economic and social reality, for example in the form of a decreasing acceptance for state institutions and

procedures or the renegeing of given welfare state promises. It is obvious that the economic discourse can only consider different forms of established social norms in a conventionalised manner without being able to evaluate their background or even their origin. Societal concepts of justice as institutions become economically and politically relevant conditions.

(1) If one considers the personal (usually on the equivalence-weighted household income or on the household wealth related) *concepts of justice* (A and B), then their standardisation can be derived from the existing social practice with regard to the question: what effect does the German tax and transfer system have on the distribution of disposable income? This can be operationalised with Gini coefficients realised over a longer period. The evaluation criterion for the current situation in the German social-media debate comes from historical findings—not from recent developments. The income distribution (equivalent-weighted net household incomes) stabilised since 2005, whereas previously it had become more unequal since 1997 and over the same period the market income distribution had deteriorated (table 1). Wealth is—as is typically the case in countries with a developed welfare state and a low home ownership rate—distributed very unequally, but recently this inequality has decreased slightly (Bundesbank 2019).

These indicators could be supplemented by a measure of the strength of the middle-income class (share of all households) as well as findings on income mobility over a longer period. Similarly, there is a wide range of poverty risk indicators¹⁰ to allow an empirical assessment of the related concept of justice (F). In public debate, it is sometimes difficult to distinguish between poverty and risk of poverty which is particularly important for the right corrective measures. The at-risk-of-poverty rate in Germany is 14 percent, indicating an effective social policy compared to international standards and over time (table 1).

With accepted and solidified norms, there is the notion that societies without explicit norm formulation follow a cultural-historical path dependence and are (should be) most closely oriented towards the achieved standard in the past. Resistance is therefore particularly evident when the status quo is changed or even called into question. An occurrence of abrupt changes, which traditionally encounter strong resistance, can be found, for example, in migratory movements or in the face of technological changes that are difficult to assess, such as digitisation. In this respect, the debate on distribution is based more on fears than actual findings.

¹⁰ See also Schröder's 2017 definitions.

Tab. 1: Important distribution figures by international comparison; source: OECD¹¹

Country	Indikator	2000	2005	2010	2015	2016
Germany	Gini before tax transfers*	0,47	NA	0,49	0,50	0,51
	Gini after tax and transfers*	0,26	0,30	0,29	0,29	0,29
	Real median income in Euro*	17240	16866**	17549	17561	17956
	Risk of poverty in percent*	12,5	15,3	15,3	14,5	14,3
France	Gini before tax transfers*	0,49	0,49	0,51	0,52	0,52
	Gini after tax and transfers*	0,29	0,29	0,30	0,30	0,29
	Real median income in Euro*	16012	16848	17665	17485	17692
	Risk of poverty in percent*	13,8	13,1	14,4	14,5	14,3
UK	Gini before tax transfers*	0,51	0,50	0,52	0,52	0,51
	Gini after tax and transfers*	0,35	0,34	0,34	0,36	0,35
	Real median income in Pound*	11648	13173	13220	12799	12981
	Risk of poverty in percent*	19,0	18,0	17,2	17,9	18,2
US	Gini before tax transfers*	0,48	0,49	0,50	0,51	0,51
	Gini after tax and transfers*	0,36	0,38	0,38	0,39	0,39
	Real median income in USD*	23950	23741	22785	23096	24538
	Risk of poverty in percent*	23,6	23,8	24,2	NA	NA

*changed Definition after 2012, ** value from 2004.

(2) The educational poverty and the unfair access to educational resources (*concept of justice E*) have no comparable long tradition like the examination of the income distribution, which is also due to the open assignment of relevant indicators. In addition, German society still looks back with an air of emotion on the educational expansion of the 1970s, which occurred in response to the dramatic findings of an ‘educational catastrophe’ (Picht 1964, own translation) with great political significance.

Educational justice becomes important if the determination of one’s own success through the social and family background is of great importance and is therefore placed in the succession of generations. In view of the intra-family responsibility and the division of labour, this will never be fully neutralised. Nevertheless, it contradicts the social sense of justice, if the distribution of opportunities is ‘inherited’ and already defined at birth. Therefore, concepts of individual development and the specific support of social risk situations are so important and

¹¹ <https://data.oecd.org/>.

accepted. Nevertheless, the justice debate on existential concerns primarily refers to the other concepts of justice. The familial determination of societal educational success is seen publicly as problematic, but in fact, the dependence of the PISA competences on the socio-economic background of the parents in Germany has clearly relaxed. For example, the explained variance of PISA scores by parental background for science skills dropped from 19.8 percent in 2006 to 15.8 percent in 2015, for reading skills from 22.7 percent in 2000 to 12.9 percent in 2015, and maths skills from 24.5 percent in 2003 to 14.6 percent in 2015 (OECD 2018).

(3) The derivation of standards is ostensibly easier for *regional concepts of justice* (C and D) because legislators in Germany also fundamentally backed this up by legislation based on a constitutional formulation over decades of existing regional policy. According to Article 72 (2) of the Basic Law, the Federal Government shall have legislative powers [within the meaning of Article 74 of the German constitutional Law] if and insofar as the creation of equal living conditions in the Federal territory or the safeguarding of the legal or business entity in the interest of the state as a whole requires federal legislation. In the Spatial Planning Law §2 para. 1, it is worded as follows: “In the entire area of the Federal Republic of Germany and in its sub-areas, balanced social, infrastructural, economic, ecological and cultural conditions are to be aimed for. [...] Efforts should be made to correct the spatial and structural imbalances between the regions.” (own translation)

At the same time despite legal requirements, it is not easy to find a concrete, guiding standard to help redress regional imbalances. Although the Federal Government set up a commission on “Equal Living Conditions” (2018, own translation) in October 2018, it was unable to formulate a general definition of goals in advance; that is what the commission itself should do (Bundestag Document No. 19/3438, 3, own translation). The final report states: “It is a central political goal to create equal living conditions in all regions of Germany. Therefore, the resources of the public sector should primarily be used in such a way as to offer equal conditions and development opportunities in all regions. As a result, this should safeguard social cohesion in our country.”¹² This still leaves operationalisation open, which is reflected in many indicators that bear the finding in the report “equal living conditions are not given”.

It is even more complex to explain which situation is *found* to be just in the respective regions for whatever reason, and to derive it again from special cultural-historical path dependencies. The different feelings of injustice in East and West

¹² <https://www.bmi.bund.de/SharedDocs/downloads/DE/veroeffentlichungen/themen/heimat-integration/gleichwertige-lebensverhaeltnisse/unser-plan-fuer-deutschland-langversion-kom-gl.pdf> (retrieved 30.08.19).

Germany could be explained partly so at least.¹³ To refer to Adorno again with regard to right-wing populism: “Regional continuities seem to him [Adorno] like the ghost of a ghost, and even today this revenant haunts some places.” (Weiß 2019, 70, own translation)

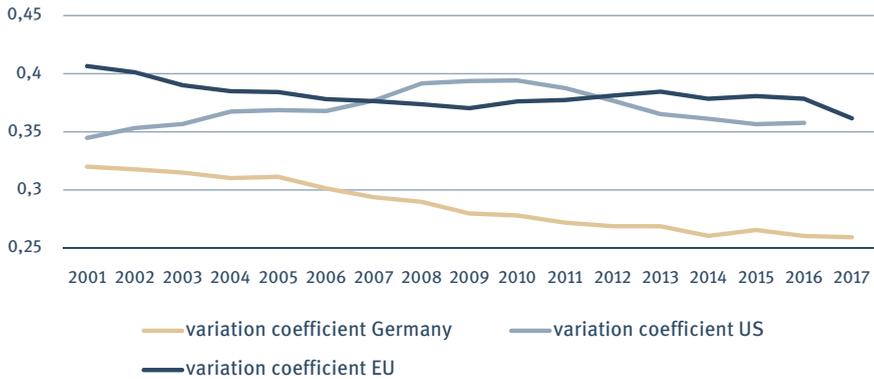


Fig. 2: Sigma-convergence: EU-US comparison, TL2 regions, in purchasing power parities; source: OECD, German Economic Institute

While in both the United States and the European Union, the variance of per capita incomes in this regional demarcation (sigma convergence, see *figure 2*) has increased slightly since the financial and economic crisis in 2009, and has since returned to its former level or rather stabilised, the scenario for Germany is completely different: This divergence has persistently and unwaveringly lessened since the beginning of the millennium, and convergence has increased (Braml/Felbermayr 2018, 36–49; Colonel/Kempermann/Schröder 2019). Further analyses also show that the income differences between urban and rural areas and between East and West are declining in Germany (Fuest/Immel 2019).

In any case, this indicator gives little reason for a regional policy debate on injustice with a view to the goal of ‘equal living conditions’. At the same time, however, 19 of the 96 regional planning regions in Germany show a clear need for action based on indicators for the economic situation, demographics and infrastructure in order to prevent the permanent drifting away of these re-

¹³ See ARD survey on justice 2018, <https://www.ndr.de/themenwoche/gerechtigkeit/Umfrage-Pessimismus-in-Deutschland-ungleich-verteilt,umfrage1106.html> (retrieved 11.11.18).

gions (Oberst/Kempermann/Schröder 2019). However, no West-East difference was identified, which could aggravate the gap.

Because of the differentiation of the regional data and its embedding into cultural and habitual aspects, which is necessary for this question, we are also focusing on the recognisable connections between distribution, a comparison of distribution and a threat to distribution from a personal perspective.

4 Decoupled Uncertainty in the Multi-dimensional Network of Causes

Equal living conditions can, in principle, develop out of migratory movements, assuming that the decision to migrate is based on income- and employment-related indicators. In fact, the economic logic in this sense basically falls short if cultural-historical arguments around the emotionally charged term ‘homeland’ are weighted less and not at all. Thus, the emotional anchoring in the home place, which undoubtedly belongs to a stable attitude to life, cannot necessarily affect life in the region of origin, acting as a negative push factor, because it binds people despite better living conditions elsewhere and prevents economically efficient migration. At the same time, a connection to the homeland among long-established populations means that they feel they should have a certain priority over newcomers in terms of welfare state benefits, and even regarding normal entitlement rules.

The corresponding relationship becomes clear from current research findings: It confirms the so-called ‘welfare magnet’ hypothesis (Borjas 1999), according to which a clearly redistributive welfare state has a strong incentive effect on the migration of people from low-income backgrounds (Corneo/Neidhöfer 2018). It is also possible to identify selective solidarity in the sense of weaker redistributive preferences in regions that have experienced large numbers of migrants, particularly from low-income groups and distant cultural areas (Alesina/Murad/Rapaport 2019). This is reinforced by the fact that the socio-economic status of migrants (level of education, level of income, probability of becoming unemployed or receiving other state transfers) is clearly underestimated (Alesina/Miao/Stantcheva 2018). Thus, a high level of redistribution attracts immigration from less well-off economies, which is excessively criticised and increasingly rejected among the natives, especially when they feel they have to pay taxes for foreigners or potentially compete with them (Manow 2018).

This puts highly redistributive welfare states in Northern and Western Europe in particular under latent pressure. Under the label of the ‘New Liberal Dilemma’,

the question of how to maintain a liberal migration regime in conjunction with the current level of the welfare state is under discussion (Newton 2007). Right-wing populist parties have long since endorsed popular criticism and demand a new welfare-chauvinistic approach: ‘Welfare for us not for them.’ (Alesina/Gläsner 2004)¹⁴ Welfare-chauvinistic policies are not only appealing to resentment-laden and nativist milieus, but are also advocated based on an alleged economic rationality: “‘Welfare chauvinism’ that is not necessarily rooted in cultural patterns of xenophobia and racism, but in a ‘rational’ consideration of alternative options to preserve social club goods in efficient ways.” (Kitschelt 1995, 262)¹⁵

An emotional debate about rising costs and possible competition also developed in Germany, especially during the refugee migration in 2015 and 2016. Right-wing populist movements stylised a conflict over distribution culminating, for example, in the demand for a pension bonus for Germans (Alternative für Deutschland party in the state parliament of Thuringia 2018). Similar discriminatory proposals are certainly attracting interest. Nearly half of the advocates of an unconditional basic income claim that immigrants should only receive the corresponding entitlements “after working and paying taxes for at least one year” (European Social Survey 2018). Right-wing populist forces use such differentiating solidarity attitudes through discriminatory distributional concepts in order to address conflicts over tight state resources and competitive situations in the labour market. In fact, immigration and social cohesion have been increasingly polarising in Germany over the past few years. There is also criticism and disagreement irrespective of right-wing populist tendencies, which reflects a whole range of attitudes: the basically positive, but over-demanding, thematic attitude towards migration; the demand for constitutional reliability for all parties; the strict distinction between labour migration and refugeeism. The ability to mobilise these positions for right-wing populist forces naturally increases as the state gives the impression that it does not have autonomy and control (anymore).

Figure 2 clearly shows that, on the one hand, concerns about the general economic situation, its own economic situation and its own workplace, in accordance with the long-lasting excellent situation of the German economy, are at a historic low, while, on the other hand, concerns about immigration and social cohesion have increased dramatically. Such a development is by no means exclusively attributable to low-income groups, but rather the increase has recently been seen especially in the upper middle class and even among the relatively wealthy.

¹⁴ See Otjes et al. 2018; Lefkofridi/Michel 2017 as well as Schumacher/van Kersbergen 2016.

¹⁵ See Senik et al. 2009.

In the middle class in the strict sense, a split is becoming increasingly evident, in which about one third has concerns on many levels, feeling their lives are being determined by outside forces and stating that they have not achieved what they think they deserve, and would like more ‘peace and order’ (Niehues/Orth 2018, own translation). Right-wing populists can embrace such an agitated mood by showing understanding to those concerned, by declaring immigrants and ‘the elite’ guilty, and by taking centre stage as the only true representatives of the people. It is already clear here that it is less the actual but rather the assumed distribution situation, considered realistic on an individual basis, that impacts the evaluations. In fact, the difference between real and perceived inequality, as well as between the perception of problems for oneself and for others is particularly significant among Germans. On the one hand, the income distribution situation in Germany is much more equal than often assumed (Niehues 2014). On the other hand, Germans subjectively rank themselves in the middle class, even though their incomes are either above or below what is set out in the definition of middle class (Niehues/Stockhausen 2019).

However, similar perceived bitterness was also identified in the international context as a key driver of the rejection of migration and the shift to right-wing parties (Poutvaara/Steinhardt 2018). In Germany, there is a particularly high concentration of concerned citizens in the new Länder and in rural areas, which cannot exclude real economic factors. But socio-economic factors are barely decisive in determining whether a person in the middle class belongs to the concerned or self-reliant group. In addition, the swing towards right-wing populist tendencies in Germany runs through all sections of the population and does not stop at the flourishing industrial regions in southern Germany around Heilbronn and Ingolstadt as well as the rural regions of Eastern Bavaria. In western Germany, the economically weak regions in the Ruhr area attracted attention and gave the impression that support for right-wing populists would come especially from the economically deprived (Fricke 2017). In fact, only 70,000 people (of one million registered voters) in the four AfD strongholds of the Ruhr area have voted for right-wing populists. The comparison with the 4.1 million valid votes for the AfD in West Germany alone shows that the simple reference to the structurally weak regions is not enough to offer a full explanation (Bergmann/Diermeier/Niehues 2018). The prevailing explanation for the electoral successes of right-wing populists in Germany is based less on actual economic deprivation and more on a concern for the preservation of status combined with a deep-seated feeling of being at the mercy of others (Manow 2018; Bergmann/Diermeier/Niehues 2017). Thus, the similarities among those who vote for AfD seem to be limited, and even in an international comparison, hardly any other similarities among populist party voters in different countries can be found (Roodujin 2018).

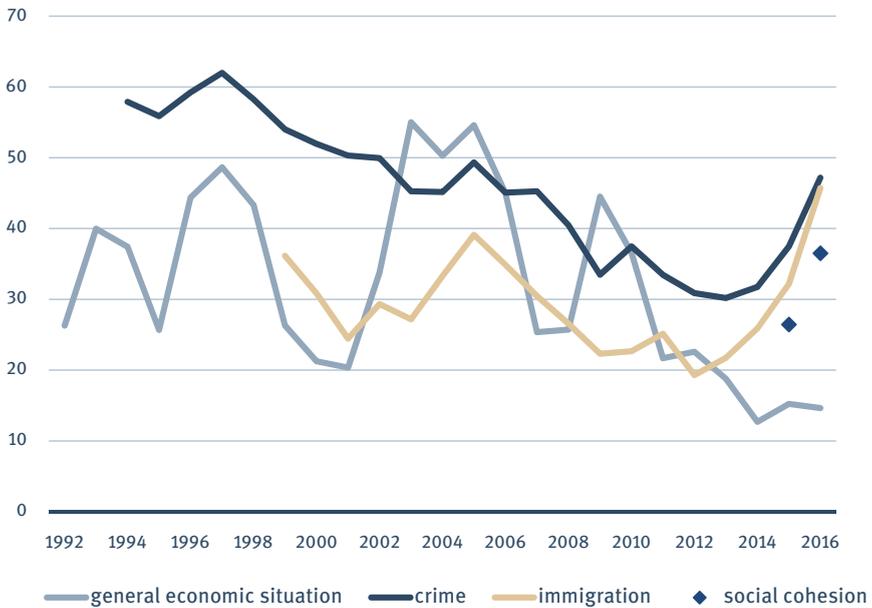


Fig. 3: Development of (major) concerns in German society in percent of all respondents; source: SOEP v33, German Economic Institute

The reasons why so many people in Germany are concerned about social cohesion and consider the country increasingly unfair remain unclear. In any case, the emotional state can hardly be overcome with the criteria and dimensions of social justice previously discussed, as well as the associated findings. Thus, since 2005, the halving of unemployment has been driven by the continued development of employment that is subject to compulsory social insurance and accompanied by a stable development of most distribution indicators and an economically robust middle class (Niehues 2017). Even by international comparison, Germany performs well with its high-levelling, effective welfare state: the tax, transfer and pension system significantly reduces the inequality of market incomes by more than 40 percent. Although there is a relatively high level of wealth inequality in Germany, this can be explained by the secure social safety net with correspondingly low incentives for private wealth creation, as well as the comparatively low home ownership rate in this country. The situation is similar for the exemplary role models in terms of welfare state and social mobility, i.e. the Scandinavian countries (Niehues 2018). Although wealth inequality in Germany has even decreased slightly in recent times (Bundesbank 2019), populists still provide a target

for attack, like the notion of ‘the common people’ below, who have nothing, and ‘the corrupt elite’ on top, who share all the wealth among themselves.

This clearly shows that even a positive development can be reinterpreted as potentially scandalous with a high potential for generating fears and concerns. What is remarkable in the context of the public debate on the German welfare state is that the well-received success stories of the distribution situation—fundamentally a stable distribution situation, the integration of 6.5 million people into employment and a labour market participation of people aged 25 to 64 of almost 80 percent—are not getting through: even supposedly clear findings such as the historically low unemployment rate is barely noticed. In 2016, Germany’s unemployment rate was overestimated on average by a factor of four—by as much as 13.6 percentage points. Although the positive labour market development of recent years has been registered, it has been underestimated, with the result that perception and reality are also growing further apart regarding the unemployment rate. Both in 2008 and 2016, 40 percent of Germans thought the unemployment rate was at least 20 percent. Once again, the negatively perceived reality plays into the hands of right-wing populists, because—as an international comparison shows—the overestimation of the unemployment rate goes hand in hand with a mistrust of the political system, its institutions and representatives, as well as increased support for right-wing populist parties (Diermeier/Niehues 2019).

One possible cause of the divergence between perception and reality regarding distribution can be found in the reporting of inequality. This may apply less for reports on the labour market, but media reports on inequality have almost always negative connotations and the number of reports has doubled over the past 15 years. The fact that respondents feel insecure, at least in the short term, after a phase of intensive reporting on inequality (Diermeier et al. 2017) is particularly significant, since perceived inequality has become almost completely detached from reality (Niehues 2016). Furthermore, since ‘perceived realities’ strongly influence people’s behaviour, the perceived concerns and fears (of social decline) in the context of the welfare state are also reflected in the ballot box (Gimpelson/Treisman 2018).

The alarming nature of the reporting also carries the risk of escalating the conflict on distribution, in which even discriminatory policy concepts are made acceptable and accepted by citizens. Particularly when reporting on the distribution situation, special caution, sound judgement and a very balanced approach should be exercised. Different groups are imminently at risk of being played off against each other here. For example, when looking at the at-risk-of-poverty rates in West Germany, the high rates for families with a migrant background stand out. When looking at East Germany, one observes a sharp increase in the at-risk-

of-poverty rate among unemployed persons aged between 18 and 34. The sources of the problems in the two groups are quite different and can rarely be overcome by the same measures. This simple example makes one thing clear: instead of stigmatising population groups and feigning conflicts, differentiated concepts to solve the problems of the respective vulnerable groups should be developed. And yet the simplistic and factually inadequate approach is very popular now. Even in the German Bundestag, the inequality debate has escalated recently: Never has the word 'inequality' been used more often in the German Parliament than after 2015.¹⁶

5 More Questions than Answers

Interpreting economic inequality as an expression of distribution-related problems and a driver of distribution-related conflicts as a cause of the current growing level of populism comes more from stereotypes than from comprehensible findings. At any rate, the economic situation of a country cannot be regarded as the fundamental driver for the current level of populism and, in any event, plays a role in tandem with other dominant factors such as migration and the assessment of the loss of state control. Thus, it is not easy to reconcile the mobilisation of populist movements in Germany with the different distribution-related findings, as they have been systematised here. Simple answers to such complex questions are fundamentally hard to find. After all, there is scope for understanding when the essential findings are provided.

- A first indication is the larger discrepancy, generally in Germany, between actual measured and perceived inequality (Niehues 2014).
- The findings also present a second indication that in the middle classes a liberal-minded, undaunted group as well as an isolationist, xenophobic group can be identified (Niehues and Orth 2018).
- A third indication stems from the manifold results on the preferences and concerns of AfD voters (Bergmann/Diermeier/Niehues 2017; Bergmann/Diermeier/Niehues 2018).

The analysis clearly showed that the successful German economy with its generous welfare state is basically very appealing for potential migrants from all over

¹⁶ See analyses of Zeit Online, <https://www.zeit.de/politik/deutschland/2019-09/bundestag-jubilaum-70-jahre-parlament-reden-woerter-sprache-wandel#s=ungleichheit> (retrieved 11.09.2019).

the world. The high refugee migration of recent years, combined with populist agitation in this context has aroused manifold concerns and fears throughout all layers of the population about financial overload, a conflict on distribution and an increasing loss of control by state institutions. Such a mood can only be fully understood in a regional-cultural-historical context. Although it can be argued that the state must be able to manage and control immigration, there are many more people who feel that there is currently a lot at stake for them than there are people who can really report such a disadvantage. Under certain circumstances, such divergence can be explained by the agenda reforms of the German welfare state, which resulted in a stronger focus on basic social security and less prioritisation of status preservation. ‘Labour market insiders’, such as employees in industry, have potentially much to lose due to the comparatively high standard of living in Germany (Manow 2018, own translation).

Finally, it must also be considered that even an economy as successful as the German one generates economic losers and that the dreams of some people to advance will not be fulfilled. Although the low-wage sector has not risen in relation to total employment since 2005, it has increased in absolute numbers. This indicates that in Germany, the integration of people into the regular labour market has been more successful in the past decade or more compared to before that. But it fails to the same extent in allowing people to advance. This may also have something to do with the fact that, considering the technological change of the digital transformation, there is a greater polarisation of employment into simpler and higher to highly skilled work (Stettes 2016). Often, concerns about remote influence and the loss of state control due to migration merge with those about digitisation.

Considering these assessments, the welfare state should be constantly evaluated, for example to improve social mobility through qualifications, to better connect regions undergoing structural change or to integrate disadvantaged groups of the population. However, in the struggle for future redistribution mechanisms, balance and not confrontation should be prioritised and the most differentiated and not the loudest voice should be heard. Such an agitated public debate on inequality like there was in the past could turn out to fatal. Because it is already clear today that it will take time for refugees who have found protection in Germany in recent years to integrate into the labour market, even if it seems to be faster and better this time. Increasing at-risk-of-poverty rates and a tense distribution situation will be obstacles along the way. However, this is not a reason to panic nor to ignore worries about status preservation, or of other disadvantaged groups. In short, one should not allow the debate on distribution policy to be dictated by emotions but should follow the findings. Only in this way can the appropriate results be obtained.

‘The political elite’ in Berlin and Brussels are often used as a scapegoat for region-specific problems and concerns. The reason why European, federal or regional politicians find it so difficult to address the needs of citizens locally may be explained, at least in part, by the recorded gap between perception and reality. In many cases, there is quite simply a lack of knowledge about local discussion spaces and the prevailing narrative. This is quite understandable given the discrepancy between a perceived overload and the positive bare figures, but the communication process often fails to convey this to citizens. The direct exchange between public officials and citizens could be made easier if established politicians would actually try to address regional issues locally.

Neither the blanket references to disconnected rural regions nor the simplistic stamping of old industrial centres such as the Ruhr area can help here. People in Germany live in completely different perceived and actual environments. Regional democratic and civic institutions have the task of permeating and understanding these living environments. If regional policy is effectively regionalised, then it can fulfil this role. Of course, this requires effective and relevant local self-government and a corresponding loosening of the ‘golden fiscal stance’, with which the higher echelons often try to control the use of funds locally. With a decentralised public service and an adequate financial margin, the local concerns and demands, which are often difficult for bodies further away to understand and appropriately address, could be dealt with locally. State competence would become tangible again for people in their concrete living environment.

Issues regarding economic inequality would no doubt require a more rational and less agitated debate. Especially if the increasing rift between reality and perception and the encouragement of populist forces is to be prevented. On the other hand, however, there also needs to be some understanding that economically rational arguments do not necessarily coincide with the perceived reality of life on the ground. This gives the sustainable development of municipal authorities a chance to improve regional responsiveness and thus demonstrate the ability of the established political forces to act.

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