

What policies will the FDP insist on, should it form a coalition with the CDU?

Given the fragmentation of the German party system, can the FDP regain its role as “kingmaker”?

The Liberal Renaissance

By Christine Schniedermann

The Liberal Party in Germany, the Free Democratic Party (FDP), is experiencing an astonishing renaissance in the run-up to the elections on 27 September 2009—despite capitalism’s worst crisis since the 1930s. According to the public opinion polls, the party is going to win a double-digit result, probably outstripping the Green Party as well as the Left Party, and may even replace the Social Democratic Party (SPD) as the coalition partner of the Christian Democratic Union (CDU) in the next legislative period. Nonetheless, it remains to be seen whether the electorate—or later Angela Merkel—shy away from the FDP’s pro-market concept.

The liberal kingmaker of German politics...

Since its foundation in December 1948, the FDP is categorically supportive of private enterprise and skeptical of state interference, with a strictly secular and constitutional conviction. The FDP was once part of almost every postwar government and is still the party with the longest participation in government overall. As a result of the first federal election in 1949, the FDP became the natural partner of the CDU—mostly because of their common anti-socialist impetus and their civic origin. From 1949 to 1956 and 1961 to 1966, the liberal party served in a coalition with the CDU.

Following a phase of transformation during the first Grand Coalition of CDU and SPD from 1966 to 1969—when the FDP was the only opposition party in the German Bundestag—and a rapprochement toward the student movement culminating into the Freiburg theses, the FDP built a long-lasting governing coalition with the SPD by developing a program calling for a new, radical approach in liberal social policy and thereby signaling a shift away from the conservative party. The FDP’s coalition with the SPD lasted from 1969 to 1982.

In light of a galloping budget deficit and rising skepticism toward the SPD’s reliability in foreign policy, the traditional, pro-business fraction within the Liberal Party got the upper hand again and chose to abandon the alliance with the SPD in favor of a governing coalition with the CDU. This decision in 1982 led to an exodus of the left-leaning members, and is seen as the origin for the FDP’s lack of a whole generation up to this day. During the era of Helmut Kohl’s chancellorship from 1982 to 1998, the party further reinforced its image of a mere functional party. Since 1998, the FDP has been in opposition.

As a junior partner of either the CDU or the SPD, the FDP had the ability to make or break a coalition and therefore had a considerable influence in German politics for a long time. The Liberal Party was able to secure the post of the first Federal President of Germany, namely Theodor Heuss, and the Federal Foreign Office was held by the FDP for almost thirty years. The rise of the Green Party and the emergence of a leftist party after German reunification, however, set an endpoint to the familiar three-party system and the pivotal role of the FDP. The FDP’s history nevertheless shows the party’s ability to build a stable governing coalition with both CDU and SPD.

...wants its old role back.

The biggest surprise of the election campaign so far is how many people, irrespective of their background, seem to agree with the FDP’s pro-market concept—quite contrary to the dominant zeitgeist. Single polls even predict that the FDP will win its best-ever national vote. In the light of soaring debt, state aid for big business, and an unpopular

health-care reform, the Grand Coalition and the CDU in particular lost ground among the middle class and small business. Early after forming the Grand Coalition, the FDP began to establish itself as the pro-market conscience and sociopolitical corrective to the CDU, offering asylum for those voter blocks.

If it participates in a government with the CDU, the FDP would insist on a systematic tax reform, a more flexible labor market, as well as a fundamental reform of the social insurance system stressing individual provision and a moderate handling of privacy issues.

The FDP's main demand is a systematic reform of taxation with an extensive tax relief for individuals. Guido Westerwelle, the FDP's chairman, says he will not sign any coalition agreement that does not include a precise commitment to cut taxes for the coming term. A system with tax rates of 10, 25, and 35 percent should replace the current linear progressive income tax system with tax rates from 12 to 45 percent and its countless exemptions. Furthermore, the concept envisages the increase of the basic tax-free threshold to €8,004 per person, which would benefit the middle class in particular. The corporate tax shall amount up to 25 percent, unburdening the small and medium-sized businesses from bureaucratic regulation.

The FDP, however, is accused of wooing voters with untenable election promises regarding the current budget deficit and the challenging economic environment in the next couple of years. The Liberals counter that argument with a comprehensive refunding plan starting with budget cuts until the return of 10 to 20 percent of illicit employment into legal economy. Furthermore, the likely coalition partner, the CDU, already constrains the possible range for tax cuts to €15 billion in the coming term, so that concessions seem very likely if Westerwelle has the opportunity to govern.

The strengthening of the financial and banking supervision on the national and, more important, on the international level is the FDP's response to the origin of the worst crisis since the 1930s. Currently, banking regulation in Germany is handled by both the *Bundesbank* and the Federal Financial Supervisory Authority (*BaFin*), lacking an indisputable and explicit state authority in the finance sector. The FDP wants to place that task solely under the *Bundesbank's* remit. Generally, the party opposes state aid for those companies that are too big to fail, but does not offer an answer of their own on what to do with struggling companies. A glance at the state level, where the FDP is governing six *Bundesländer*, reveals that those *Länder* with Liberal participation in government also supported state aid for big business, such as the European subsidiary of General Motors, Opel, or the bankrupt mail order company Quelle.

The FDP clearly prefers the individual initiative over public activism. The taxpayer has to provide his or her own pension or health care to a greater extent since the SPD and the Green Party introduced the *Riester-Rente* scheme. The deficits in the social security system will probably become worse when the current financial aid for short-time work expires and unemployment rises, and the FDP would probably continue the policy of private provision. At the same time, the party plans a flexible pension start date beginning at the age of 60—thereby terminating the recurrent debate about that issue. Furthermore, the party rejects a minimum wage for every worker, stating this action will cost jobs in an already highly regulated labor market. Nevertheless, the FDP strongly favors financial support of every indigent citizen. A citizens' payment shall assure basic living on any account, replacing a bunch of governmental transfer payments—welfare aid, housing allowance, and so forth—to eliminate bureaucracy. That payment only shrinks if someone refuses a reasonable job.

In foreign policy, the FDP will continue the moderate track that has been generally characteristic for any German government so far. The FDP is probably the most pro-

American German party, so the transatlantic dialogue could find a strong partner in Germany. For the German presence in Afghanistan, which has become a hot issue since the air raid commanded by a German colonel on 4 September 2009, the FDP explicitly plans no radical shift; rather, it supports intensified efforts to strengthen administrative, police, and civil structures. Nonetheless, an expansion of military personnel and operational area is also controversial among the FDP membership. Instead, Guido Westerwelle highlights another approach for an active role for Germany in international affairs: disarmament. He wants Germany to be free of nuclear weapons and plans to accelerate international efforts for nuclear disarmament.

In opposition to the policy of the former Minister of the Interior, Otto Schily, and his successor Wolfgang Schäuble, the FDP plans to call off many security measures which, in their view, are too invasive. The party highlights civil liberties, informational self-determination, and strict data privacy protection. The rejection concerns data retention and undercover computer surveillance, making the party an antagonist to the right wing of the CDU and Wolfgang Schäuble. With the FDP in government, a recurrence of the conservative plan to use the *Bundeswehr* within the national border has no reasonable chance.

The FDP and Guido Westerwelle in particular favor a center-right coalition with the CDU. "We want to end the Grand Coalition and avert a leftist government," Westerwelle reiterates. He already foreclosed a three-party coalition with the SPD and the Green Party, a formal party resolution shall follow in the run-up to the elections. With regard to a possible alliance of the CDU, the FDP, and the Green Party, the FDP's position is knowingly inexplicit.

"The liberal kingmaker of German politics wants its old role back," says *The Economist*, but the fragmentation of the German party system narrows the strategic importance of the FDP. There is a growing risk that any coalition other than an alliance of the CDU and SPD may become impossible, so that a historical exception could become the dominating form of government in Germany. Furthermore, less than one-third of German voters favor a partnership of the CDU and the FDP—though any other partnership is much less popular.

A further aspect is the distribution of power in the Bundesrat, the representation of the sixteen *Bundesländer* on the federal level. Currently, a black-yellow coalition has no majority in the federal council, though could win the required seats in the elections of the state parliaments in Brandenburg and Schleswig-Holstein on 27 September 2009. In the upcoming year, there will be only one election on the state level, albeit in the most populous state North Rhine-Westphalia. Therefore, a coalition of the CDU and FDP could potentially govern—at least for two years—with a majority in the Bundestag as well as in the Bundesrat.

The Liberal Personnel

The FDP and Guido Westerwelle have avoided any speculation about the distribution of cabinet positions in the run-up to the elections. In case of an election victory of the CDU and FDP, the Liberal Party would head at least three or even four ministries, depending on the actual election result. Should this happen, they would like to choose from the respective subject areas economics and finance, domestic policy and justice, as well as international affairs and development policy, a member of the party's board said.

In contrast to the considerable time the FDP itself spent in government, the current personnel show a striking lack of government experience. Only Sabine Leutheusser-Schnarrenberger, 58, a potential but improbable aspirant for the Federal Ministry of Justice or the Federal Ministry of the Interior, has held a position in a federal cabinet

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during the Kohl era. A candidate for the Federal Ministry of Economics, Rainer Brüderle, 64, has at least been in charge of the equivalent ministry in Rhineland-Palatinate for many years.

Guido Westerwelle, 47, the FDP's chairman since 2001 and chairman of the Liberal parliamentary group since 2006, has never had an administrative position on the state or federal level (so far). He is now leading the FDP in a federal election for the third time, going through a remarkable metamorphosis. At the beginning of his political storybook career, as president of the Liberal youth organization, in his following role as secretary-general, and finally as the FDP's first candidate for chancellor in 2002, he was trying to push the party in a provocative, even belligerent, but sometimes meaningless and opportunistic way. The party was at risk of becoming a single-issue party focusing only on cutting taxes. After the disappointing 2002 election campaign, Westerwelle eventually got more authenticity, grew into a more serious politician, and broadened the programmatic scope of the party toward civil liberties or social policy again. By now, his not very well-hidden ambition to continue the party's tradition of running the Federal Foreign Office has a substantial chance of success.

Behind him, the old-school generation hopes for what is probably their last chance to get into office, focusing on holding the same ministries that it has traditionally held in former coalitions with the CDU. Hermann Otto Solms, 68, currently Vice President of the German Bundestag and spokesperson for budgetary policy in the parliamentary group, is a likely candidate for the Federal Ministry of Finance. Rainer Brüderle, spokesperson for economic policy in the parliamentary group, has prepared himself for the Federal Ministry of Economics and Technology since 1998. However, the current office holder, the popular and charismatic Karl-Theodor zu Guttenberg, is a hard act to follow. Sabine Leutheusser-Schnarrenberger, chairman of the Bavarian FDP and spokesperson for legal policy in the parliamentary group, had a remarkable comeback after she successfully led the Bavarian FDP back into the Bavarian parliament and even brought the party into the government as junior partner of the CSU for the first time since 1962. As minister in the Federal Ministry of Justice or the Federal Ministry of the Interior, she could possibly demonstrate the importance of civil liberties for the FDP.

A new, ambitious generation could cause some surprise if the FDP would be tapped for a ministry it has not ever headed before. First and foremost, Daniel Bahr, 32, spokesperson of health policy in the parliamentary group and Member of Parliament since 2002, is repeatedly mentioned as a possible candidate for the Ministry of Health, though it remains very unlikely that he could get into office at this age. Otto Fricke, 43, an expert in fiscal policy and chairman of the budget committee of the German Bundestag, could certainly become a candidate for the Federal Ministry of Finance in 2013. On the state level, Philipp Rösler, 36, already heads the Ministry of Economics in Lower Saxony, but has denied any ambition for a cabinet position in Berlin so far. In case of a clear success in the federal elections, talents like Christian Lindner, 30, secretary general of the FDP in North Rhine-Westphalia and second man in the local parliamentary group, as well as Johannes Vogel, 27, chairman of the youth organization and member in the federal board of the FDP, will be beneficial for the FDP on the federal level.

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