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BATTLE FOR THE BUNDESTAG

THE GERMAN ELECTION OF 2009



FOREWORD	01
PRE-ELECTION ANALYSES	02
FOREIGN POLICY	03
ECONOMICS	14
CAMPAIGN STYLE	19
PARTY POLITICS	24
POST-ELECTION ANALYSES	40
ABOUT THE AUTHORS AND BLOGGERS	48

FOREWORD

On September 27, 2009 the German voters decided in favor of a change in the German government. After four years of a grand coalition between the CDU/CSU and SPD, the CDU/CSU will now form a center-right governing coalition with the FDP. The election brought not only a change in the governing coalition but has also signaled a change in the political system of Germany: the *Volksparteien* (the so-called catch all parties) CDU and SPD, dominant for many decades, can no longer count on loyal voters to provide conclusive majorities. With ever-increasing votes for the smaller parties (really the biggest winners of this election), the political system is now firmly a six-party system, aided by the volatile loyalties of voters. While many analysts considered the election campaign to be one with little substance and sometimes downright boring, the economic, social, and foreign policy issues that gained little traction during the election will still continue to reverberate in Germany in the next four years and beyond—and will have European and transatlantic implications.

In a series of online tools, publications, and conferences, AICGS followed the 2009 German federal election and provided analysis for American and German audiences. Essays in the *Transatlantic Perspectives* series touched on the foreign and domestic policy issues that emerged in the campaign and that will confront the new governing coalition. A series on the German political parties gave an overview of the origin of each party, its main political objectives in the election and beyond, its challenges, and its future

leaders. Bloggers from Germany and the United States provided short commentaries on the election campaign and its style, the main economic and foreign policy issues, and the view on the election from the U.S.; the texts were supplemented by a photo blog to include the visual components of the campaign.

This publication features the highlights of AICGS' analysis; a compilation of insights into Germany's foreign, domestic, and economic policies before, during, and after the election. We hope that this volume will become a handbook on the campaign and on issues that Germany and the transatlantic partnership will face in the next four years—and beyond.

The Institute's work on the election would have not been possible without the generous support of the German Marshall Fund of the United States, the Harry & Helen Gray Program on Culture and Politics, and the Draeger Foundation. Additionally, the Institute is grateful to the essayists and bloggers, who shared their insights and knowledge not only with AICGS but also with our constituencies. AICGS would furthermore like to thank Jessica Riester, AICGS Research Program/Publications Coordinator, Kirsten Verclas, AICGS Research Associate, and Matthew Wiggins, Editor "The AICGS Advisor"/Communications Coordinator, for their work on this election project.



JACK JANES
Executive Director, AICGS

PRE-ELECTION ANALYSES



FOREIGN POLICY

Germany's Eastern Policy on the Eve of the 2009 National Elections

BY IRIS KEMPE

Germany's historical background, its many linkages with Central and Eastern Europe, and its geographic proximity make it Europe's most important actor in Eastern Policy. This prominence also makes Germany vital for a solid transatlantic framework to support both the Obama administration's efforts to redesign relations with Russia and overall Euro-American engagement in the EU's neighborhood. The Bundestag elections in September will bring changes mostly at the margins of German foreign policy, as key aspects are examples of cross-party consensus. [...] Traditionally, Germany's Eastern Policy has been dominated by two issues: first, the view of Russia as a strategic partner that also poses challenges, in particular regarding its democratic development; second, concerns about the EU's neighboring countries and their attempts to gain a position on the European agenda.

RUSSIA POLICY A DIVIDING FACTOR

The CDU/CSU blames the Kremlin for Russia's democratic shortcomings. The conservative German parties observe developments in the neighboring countries carefully, but nevertheless remain cautious. They do not favor offering Ukraine and other neighboring countries strong prospects within the European Union. The SPD is still a hostage of its historical, personal, and economic proximity to Russia, a legacy that has both positive and problematic aspects. During the German EU presidency, Foreign Minister Frank-Walter Steinmeier tried to contribute a three-pronged approach of cooperation with Russia based on the principle of *Annäherung durch Verflechtung* (rapprochement through cooperation), combining far-reaching relations with Russia with a "European Neighborhood Policy Plus," and a strategy for Central Asia. Neither the SPD's nor the CDU/CSU's Eastern Policy approaches passed the reality check of the Russian-Georgian war in August 2008. [Indeed, the conflict raised] fundamental strategic questions about the most important player in Europe's Eastern Policy.

The Grand Coalition run by Chancellor Angela Merkel and Foreign Minister Steinmeier (both top candidates from their respective parties in the upcoming 2009 elections) made some revisions to the former "Russia first" approach [typical of chancellors prior to the 2008 Russia-Georgia conflict] as

a consequence of the Russian-Georgian conflict. On the eve of the conflict, both sides were united in supporting Georgia and criticizing Russia. For a short moment of time there were indicators that the conflict with Georgia might be a defining moment in Germany's relationship with Russia. The Caucasus crisis united German political leaders, who spoke with a single voice in favor of the neighboring countries. Germany's position seemed to change from "Russia first" to Russia-bashing.

THE RUSSIAN-GEORGIAN WAR: A WAKE-UP CALL

When it became obvious that the casualties of the Russian-Georgian war were more nuanced than originally thought and that Russia and Georgia were both to be blamed for missed opportunities for peace-building, the agenda changed again. In general terms, the SPD was the first to be careful of overstating the positive role of Georgia and of blaming Russia, while the CDU/CSU continued its approach of favoring democratic developments, highlighted by support for the neighboring countries. The other mainstream political parties are less influential in Eastern Policy. The Liberal Democrats (FDP) lack a driving force in Eastern Policy and are less outspoken in promoting new ideas. The Left (Die Linke) remains true to a Russian-friendly line by criticizing the Eastern Partnership as an approach that excludes Russia. The Greens have traditionally represented the interests of the human rights movements and dissidents in Eastern Europe, advocating for civil society movements in Eastern Europe, with partners such as the Russian Memorial or the Union of the Committees of Soldiers' Mothers of Russia. They have also favored environmentally safe energy policy. At the same time, however, interactions among civil society have not provided contacts for high-level international dialogue.

The Russian-Georgian war caused immediate reactions from the German foreign policy elite, but it also had a longer-lasting impact on Germany's Eastern Policy. During a quick visit to Tbilisi on 17 August Merkel went as far as announcing prospects for Georgia's rapid accession to NATO. On 3 March 2009, political parties submitted two petitions to the German Bundestag outlining Germany's strategy. One came from the government faction CDU/SPD, the other from the Greens. In general terms, the petitions reflected the decreasing cleavages in Germany's Eastern Policy in times of external crisis and international pressure. The petitions are similar in their support of development and peace-building in the Southern Caucasus and in their support of the OSCE's input in the Caucasus (despite the recent closing of the OSCE observation mission). The major difference between the two is related to Russia. While the Green Party's petition makes no mention of Russia, the CDU/SPD's petition refers to Russia as an actor who, jointly with Turkey and the U.S., contributes to peace and stability in the region. The Caucasus petitions are

a litmus test of German Eastern Policy. While overall the differences are rather negligible, the decisive factor is Russia. Although Russia is no longer perceived as the most important player in Eastern Europe, the CDU/SPD's attempts to combine Russia and the neighboring countries in a single policy are more pious hopes than a new strategy. [...]

TOWARD A EUROPEAN EASTERN POLICY

Combining the Russian and the neighborhood agenda [as pursued by the Polish-Swedish initiative and by the Czech EU presidency] reflects the challenges of Eastern policy. In particular, the ethno-territorial conflicts and the related consequences in Abkhazia, South Ossetia, Transnistria, and Nagorny Karabach cannot be solved without considering Russia. Even if decreasing prices on the world energy market are restricting the Kremlin's influence as an energy-based international power, recurring threats of cutting gas supplies to its European neighbors demonstrate Russia's influence from the worst-case perspective. Europe needs Russia as a partner for conflict prevention and solution, not only in its neighborhood, and for sustainable and reliable energy supply. Since March 2009 the Kremlin has commented on the Eastern Partnership as a European approach to creating spheres of influence. For instance, Foreign Minister Sergey Lavrov condemned the Union's effort to draw ex-Soviet countries closer to the West as meddling into other countries' internal affairs. At the same time, the neighboring countries are having similar reservations as the new EU member states about cooperation with Russia. Considering the Russian-Georgian war and recurring energy conflicts, Russia does not present itself as a partner that is interested in cooperation in equal and democratic terms. Both Eastern Policy agendas offer a reality check, showing that it is not enough to "simply" combine both agendas; rather, Eastern Policy must build linkages and sometimes set priorities. [...] ■

This analysis is excerpted from the Transatlantic Perspectives essay originally published on the AICGS website in June 2009.



Germany and Elections: Dodging the Afghanistan Bullet

BY GALE A. MATTOX

Both Chancellor Angela Merkel (CDU) and Foreign Minister Frank-Walter Steinmeier (SPD) have attempted to assure that some of the most potentially contentious issues are removed from the political discourse, particularly Afghanistan with its high public disapproval ratings. But this does not necessarily mean that debate over Afghanistan will not occur and that the coalition will be able to “dodge the Afghanistan bullet” which could prove potentially lethal. To date, the split in support between the elite and public for the German Afghanistan policy has not been bridged by a robust discussion of the policy where the case for German national interests “defended at the Hindu Kush” (as coined by former defense minister Peter Struck) has been laid out convincingly for a public still wary of the deployment. Whether there is a foreign policy debate this summer—and the election may not be the propitious time, certainly for the coalition—there is a need for a discussion on the broader outlines of future German security policy to occur.

THE AFGHANISTAN CHALLENGE

Chancellor Merkel has made clear that the German military force will remain in Afghanistan, but that none of the parliamentary-imposed caveats will be lifted at this time. Moreover, in an attempt to keep Afghanistan out of the election campaign debates, the Grand Coalition, i.e., Merkel and Steinmeier, has extended the usual length of the Afghanistan mandate to 13 December 2009.¹ This will give time to hold the September 27 election, allow for the formation of the government and the subsequent election of the chancellor, and permit the new government to form before the vote on the continued German presence in Afghanistan occurs.

This will not, however, assure that German participation in Afghanistan will not become an election issue, particularly if there are heightened fatalities or even a terrorist attack. Even as Foreign Minister Steinmeier visited the Bundeswehr this spring in Afghanistan, a German soldier was killed in an exchange of fire with insurgents and nine were wounded during two attacks. Additional fatalities could spark public and electoral debate, and there should be no doubt that the Taliban are well aware of the German election cycle and have in fact said so. Furthermore, the opposition parties are not blind to the government’s vulnerability on this issue with 86 percent of the German public opposed to a Bundeswehr combat mission in Afghanistan.² This is not a new phenomenon; there has

consistently not been support. In November 2001, 60 percent of Germans wanted the U.S. attacks in Afghanistan to end (even before German deployments), according to a CNN poll.³ While the Free Democrats (FDP) are eyeing a coalition with the CDU/CSU and supportive of the deployment, the Left Party (Die Linke) has gone on record opposed.

To date the coalition government has maintained an Afghanistan policy that attempts to balance the domestic expectations for the force with pressure from the NATO alliance to expand its involvement. This has often meant difficulty in satisfying both internal and external expectations, but the light footprint advocated by the Bush administration in the early days of the deployments and, in part, now discarded by the United States, particularly by the current administration, continues to describe the German involvement (based on NATO Resolution 1386 (2001) and UN Resolution 1833 (2008)). Although the third-largest allied force presence in the country, the emphasis has been and continues to be on civilian development and reconstruction.

NETWORKED SECURITY POLICY

The concept adopted by Chancellor Merkel for a “networked security policy” marries civilian and military approaches to the German presence in Afghanistan and specifically reconstruction, but the contours of the policy remain difficult to discern in its impact on the country’s overall security. Within the German Northern Command area of responsibility, the concept mirrors the “comprehensive approach” adopted by the alliance with a focus on the civilian side. The concept is similar in tone and nature to that of the Obama administration’s announced policy for a greater role for both civilian reconstruction and development assistance as well as force presence. This is not entirely new but is a different focus and different level of commitment for the United States. As in the case of the German official “networked security policy,” the critical element will be its implementation on the ground and in the field.

On the civilian side of German networked security, under Ministry of Foreign Affairs overall direction with joint civilian-military command, the Provincial Reconstruction Teams (PRTs) have had important successes in creating a region of security in the north, which has permitted the rebuilding of society in those regions. The contribution since 2002 for the civilian reconstruction has totaled over €1 billion⁴ with emphasis on a wide range of development projects to stabilize the country and build civil society, particularly in the north. One of the areas of high priority has been education in the region and nationally: ten times more young people now attend school than was the case under the Taliban.

A full half of the female children in 2005 were in school, cited often as a considerable success over the Taliban era, and a total of 6 million school-aged children now attend school. Over 3,500 schools have been constructed and 30,000+ teachers educated, a large number through German efforts.

However, the successes have had setbacks as well. A recent school visited by Chancellor Merkel and cited for its achievement in female education had to close when the girls were threatened by militant Islamists. This clearly put a high priority on the development and reconstruction issue—education and especially female education—at odds with military protection, both important facets of the German Afghanistan “networked security policy” strategy. In the Kunduz German theater of operations (the size of the state of Hesse), just under 700 soldiers struggle to maintain security. There are other civilian issues which have fallen short of expectations for a variety of reasons, including persistent government corruption, failure of efforts to introduce good governance, lack of mechanisms for rule of law, unsuccessful efforts to eradicate drugs production, and others. These all lead to difficulties in establishing a stable and functioning civil society, despite impressive funding for civilian projects which increased from €80 million in 2006 to €420 million in the period 2008-2012.

There is consensus from both the German and U.S./allied side that security must become “Afghan owned” which is possible only by moving ownership from ISAF to the Afghans themselves. Of highest priority for both is the training of the Afghan police and the Afghan National Army. Both are formidable tasks where the funding has not matched the good intentions and the efforts have fallen short of expectations. Germany has placed greater emphasis on the police over the past year and tripled its funding from €12 million in 2007 to €35.7 million in 2008; nevertheless, it remains in a catch-up mode.

A second part of the “networked security policy” adopted by the German government for Afghanistan is the boots on the ground numbering between 3,500-3,900 with a mandate for up to 4,500. Again, the experience has been a positive one for the region and the security provided by the German forces has permitted construction of a roads network and other projects with implications for trade and commercial activity. This in turn has encouraged the return of refugees who had fled the area during the Taliban regime and in the fighting beginning in fall 2001. There will be an increase of forces for the anticipated August elections to assure that the elections can occur peacefully, but the requirement for the force numbers not to exceed the ceiling will mean that deployments will need to allow for rotations so that the overall ceiling is not surpassed, although there are questions regarding this interpretation of the constraints imposed.

Germany has also assumed responsibility for the Quick Reaction Force with 250 troops in the north (previously Norwegian) and provides assistance for airlift, medical care, and some of the logistics for the fourteen national contingents in the region. While certainly to be seen as an achievement from the broader perspective of the ISAF mission, the Bundestag constraints mean difficulty in coordination with other commands and an inequity in fatalities considerably below those from national troops stationed in high combat areas in the south and east. The use of the German military is highly constrained, exemplified in the cautious use of Tornados solely for surveillance missions. This has prompted considerable pressure from the U.S. and other allies to share the burden more broadly by moving into contentious areas, particularly the south. Proscribed by caveats imposed by the Bundestag on what has become known as a “parliamentary army,” the Bundeswehr has often chafed under the parameters imposed, but it nevertheless takes pains to remain within those limits.

There appears to be no desire by the Grand Coalition in Berlin to seek a more expansive mandate—nor is there any indication of openness by the Bundestag to granting a broader mandate if requested. The chancellor is equally adamant and the likelihood of change in the caveats appears slight. [...]

CONCLUSION

While the days of the strictly “civilian paradigm” for German security policy are over, the evolution of the use of German forces has been cautious and still marked by its historical legacy despite the 12 July 1994 Constitutional Court decision determining that Germany could participate in conflict areas operating within multilateral agreements, i.e., “mutual collective security.” This can only be done with an explicit decision by the Bundestag and within the limits set by the legislative branch by simple majority vote for every deployment into combat zones (not humanitarian efforts). On the one hand, Germany has come a long way since the 1990/91 Gulf War where the Germans and Japanese paid for the incursion, but did not put boots on the ground to the 1999 Kosovo participation against genocide in a non-UN mandated conflict. On the other hand, it participated in the Lebanon crisis in 2006, particularly in the rescue of foreign nationals, and still has a sea patrol to prevent arms smuggling, but without any presence on the ground for fear of facing Israeli soldiers. Now in Afghanistan Germany has the third largest presence albeit with substantial caveats on that presence and has lost nearly forty *gefallen Soldaten* (fallen soldiers) who will be remembered with a memorial.

This evolution of the Bundeswehr since the German 1990 unification is impressive, but demonstrates a persistent pressure on the German government over the appropriate use of force. The ability of the

current CDU/CSU/SPD coalition government to dodge the Afghanistan bullet in the election is highly unlikely and could even prove to be a critical issue during the campaign, particularly if there is a terrorist attack or additional unusually high fatalities. Whether this turns out to be the case, it is clear that after the election there is a need for German policymakers to engage the public in a discussion that has not yet taken place in depth. What should be the role of the Bundeswehr in a country that aspires to be a truly international actor? Specifically, the conflict in Afghanistan must be understood not just by the political elites but presented to the public as a defense of its national interests against the threat of future terrorists and as a fully engaged alliance member. ■

This analysis is excerpted from the Transatlantic Perspectives essay originally published on the AICGS website in June 2009.

1 See Bundestag text 16/10437 on 16 October 2008.

2 Der Spiegel, 2 November 08.

3 CNN Polling, November 2001.

4 German Government, "Deutschland hilft in Afghanistan," 2008 (DHA): pg. 7.



What the bloggers had to say...

Struck's Inconvenient Truth

“Let me start with a small but significant piece of good news for German foreign policy. Peter Struck, former defense minister and currently the still-influential head of the Social Democrat's parliamentary group in the Bundestag, said in an interview for Berliner Zeitung today, that Germany's military engagement in Afghanistan could well last for another decade. While this is not ground-breaking news per se, the mere fact that he is saying this is important for several reasons.

First of all, the statement comes from a leading Social Democrat. It is thus one of the rare public reminders coming from this widely pacifistic party of German geopolitical interests and the price that needs to be paid to pursue them. Struck served as defense minister when Germany entered the Afghanistan theatre, and it was he who coined the now proverbial sentence that it is Germany's security that is at stake at the Hindu Kush. Struck has been harshly criticized for this smart and true sentence ever since, but in today's interview, Struck re-affirms its continued relevance. All this might sound small and trivial, but within the German context it is very welcome support for all those who argue for a more strategic debate in this country and for a more pro-active German foreign policy. Especially when it's coming from the left of the political spectrum. [...]

Finally, Struck's statement comes at a crucial time. Not only did he speak at the beginning of a federal election campaign. His words also come at a time when Germany is visibly concerned about its role in Afghanistan (with plans for increased post-election contributions being hedged at the chancellery), and at a time when in Brussels, experts are working on a first draft for NATO's new strategic concept. Both Germany's military contribution in Afghanistan and its intellectual contribution to the new strategic concept will have a major impact on the future of Germany foreign policy and thus its standing in the world. Struck's statement serves as a reminder that in both cases, Germany must prove that its current inward-looking approach to the world is neither realistic nor intellectually credible.

It is doubtful whether Struck's contribution will usher in a more realistic German security and foreign policy debate. Germany still needs to cover substantial ground to reach that point. But given the circumstances and the timing, his are remarkable words. To be fair, it was surely easier for him to say these things now that his political career is drawing to a close. Struck won't return to the Bundestag after the elections and won't hold any significant office within the SPD after September. Unfortunately, one is tempted to say:” **Jan Techau, 5 August 2009**

A Small Miracle

“Last Friday’s incident [the air strikes in Kunduz, Afghanistan] has forced the government to take the initiative and to finally talk about the Afghanistan mission in truthful and realistic terms. Merkel and Steinmeier today laid the foundation for keeping the Afghanistan consensus alive after the elections. It’s a small miracle that this is possible in the midst of an election campaign. But it’s good for Germany, good for Afghanistan, good for the allies.” **Jan Techau, 8 September 2009**

Foreign Policy, Anyone?

“One question is being asked more frequently again: What does all this mean for German foreign policy? The quick answer would be: not much. There does exist a pretty stable cross-party consensus on fundamentals of Germany’s external relations: Firm embeddedness in the EU and NATO, good relations with Washington, pragmatic ones with Moscow, affectionate ones (if possible) with France. All that topped off with a good moral commitment to the United Nations. With the exception of Die Linke (which is still dreaming about dissolving NATO), there is no viable force in the country that wants to go elsewhere. So it really would not make much of a difference whether Guido Westerwelle or Steinmeier will be the next foreign minister. Consequently, the campaign remained silent on any foreign policy issue. The simple truth is that, with the exception of Die Linke, no party deemed foreign policy a worth-while battle ground to generate votes on. Some observers might find this boring predictability reassuring as it makes Germany a more reliable partner, and there is certainly a grain of truth in this.

But behind this big consensus lurks a substantial danger. The reason is that most people in government, practically all think tankers, a majority of the more level-headed journalists, and even a handful of members of the Bundestag realize that the current German foreign policy posture is not sustainable. All of them know that Germany’s new book-keepers approach to the EU, its disappointing lack of intellectual commitment to NATO, and its general disregard for its own size and the responsibilities that come with it won’t be sufficient for what lies ahead. With America being relatively weaker and with the demand for global stabilizing service increasing, Germany will soon be faced with more requests for money, troops, and leadership, none of which is in ample supply. It is understandable that foreign policy was left out of the campaign. The problem lies in the fact that no political leader and no party program is bold enough to confront the widespread German parochialism in order to prepare the people for the uncomfortable times ahead. But soon enough, reality will bite. The Afghanistan issue

was only postponed, the Iran problem is approaching decision time, a new strategic concept for NATO is under way, the EU will have to partially re-invent itself no matter whether the Lisbon treaty enters into force or not. Piracy won't disappear any time soon, and neither will fundamentalist terrorism. In most of these fields, Germany is being perceived as a follower, not as a leader. The German political elite will at some point have to explain all this to the people, not only because they owe it to the electorate but also because only the truth will buy them the political maneuvering space they will need at crunch time. If they remain silent, they should be reminded of Humphrey Bogart's famous advice for Ingrid Bergman in the end of *Casablanca*: 'You'll regret it. Maybe not today. Maybe not tomorrow, but soon and for the rest of your life.'" **Jan Techau, 23 September, 2009**



ECONOMICS

After the Election: Germany Will Continue to Obstruct Global Economic Rebalancing

BY SEBASTIAN DULLIEN

Over the past years, Germany has been one of the main causes for global imbalances and has not been very constructive in global economic cooperation. This obstructive stance will unfortunately not change.

Global imbalances have often been quoted as one of the underlying reasons for the current financial and economic crisis. [...] This imbalanced pattern of growth was reflected in large current account deficits in the U.S. and large current account surpluses in the countries with comparably weak domestic demand, such as Germany, Japan, and China. The U.S. had, in short, become the world's "consumer of last resort" which with its own demand kept the world economy ticking.

While China has featured heavily in the public debate on economic imbalances in the U.S., Germany has contributed almost as much to the global problem. Hitting a peak of \$250bn in 2007, Germany's aggregate current account surplus was not much smaller than China's. In the years from 2002 to 2008, Germany accumulated a total surplus of \$788bn while China accumulated a surplus of \$934bn and Japan a surplus of \$968bn. Those three countries (accounting between them for almost 22 percent of global GDP, roughly as much as the U.S.) have thus to be seen as the main culprits with weak domestic demand. [...]

In the German public debate, unemployment was for a long time almost exclusively explained by a lack of competitiveness even when the country was already running large external surpluses. Consequently, for much of the past decade, economic policy was aimed at improving price competitiveness. The "Hartz" labor market reforms of the second Schröder government increased the already existing downward pressure on wages by increasing the workers' fear of unemployment and thus further weakening the unions' bargaining position. In addition, by stepping up the work requirements for recipients of welfare payments, they increased the supply of low-wage workers, lowering wages at the low end of the pay scale. As there is no legal minimum wage in Germany, wages fell as low as €3 to 4 an hour in the east. Since the beginning of the decade, low public pay raises also contributed to a stagnation of wage incomes. Reforms in the social and tax systems were always discussed under the heading of "lowering excessive labor costs."

Although the Grand Coalition did not continue labor market reforms along Schröder's "Hartz" line, they continued the strategy of improving German cost competitiveness: When they increased the value added tax (VAT) in early 2007, they used parts of the revenue to lower employers' contributions to the unemployment insurance. This move lowered labor costs for exporting firms while it made imports more expensive, further improving German price competitiveness relative to its European partners and increasing Germany's surplus.

While some of the reforms might have had their merits in making markets work more smoothly, all these policies have contributed to weak domestic demand and soaring exports and thus have contributed to global imbalances. These policies lowered real disposable income of the vast majority of German households, thus weakening domestic demand and lowered production costs to German firms, thus increasing their sales abroad. Similar to the exchange rate policies of the years between the two world wars in the first half of the twentieth century, German economic policy over the past decade can thus only be described as a beggar-thy-neighbor policy.

Even in this current crisis, Germany proved for a long time rather uncooperative when it came to contributing its share to counteracting the downturn. While the fiscal and external position in 2008 put Germany in an excellent position to run a counter-cyclical, expansionary fiscal policy, the German government was for a long time outright hostile toward that idea. Even as late as September 2008, when European partners begged Germany to work together on a coordinated stimulus package, the German finance minister Peer Steinbrück discounted the crisis as "mainly a U.S. problem" and rebuked any demands for fiscal stimulus.

This strange stance has often also been reflected in Chancellor Angela Merkel's remarks on the crisis. She has repeatedly voiced criticism of the profligacy of the Anglo-Saxon economies and has resisted on the vices of a "Swabian housewife" who would not take on debt but would save first to possibly make purchases later, but at least to have a nest egg. At least until the whole impact of the crisis on the German economy became clear in late 2008, more than once the message was: The problems in the rest of Europe and in the rest of the world are that they have not behaved as prudently as the Germans, who have cut their wage costs and cut their public expenditure and now have these nice large surpluses as a cushion. [...]

Even if one takes into account German interests, the distaste for international policy coordination in the current crisis can only be called irrational, as coordination might have helped Germany to weather the storm better than it now did: The brutal German downturn is mainly due to the contraction of export demand. An internationally coordinated response to the crisis could have helped stabilize economic activity

abroad and could thus have helped to stabilize import demand abroad and consequently export sales for Germany. The advantage of a coordinated approach would have been that the protectionist measures now in some of the packages (like the “buy American” provision) could possibly have been avoided. Germany (along with Japan and China) as one of the world’s largest exporters would probably have profited from such an approach most.

If the Christian Union enters into a coalition with the Free Democrats, there probably will be more tax cuts, as tax cuts are the main campaign issue of the Free Democrats and the Christian Socialist Union has also pushed for tax cuts for a long time. However, the approach toward global macroeconomic imbalances and international coordination will not change. If this is possible, the Christian Democrats have absorbed the cost-cutting logic more than the Social Democrats and the Free Democrats will be happy if labor costs can be cut as small business are a part of their constituency. [...] Even the new tax cuts from a conservative/liberal coalition would most likely not lead to more domestic demand. Given the already large deficits and the ideological aversion of large parts of the Christian Union against increasing government debt, it is very likely that such a coalition would try to make cuts in public expenditure to at least partly offset the costs of new tax cuts. Depending on the magnitude and specific details of tax and expenditure cuts, the net effect on domestic demand might even be negative.

Beyond these ideological considerations, there is now one very important factor that will hinder the next government in using fiscal policy in a way to support global rebalancing and try to kick-start Germany’s underperforming domestic demand: the Bundestag just voted in late May to include a new budget rule into the Basic Law, the so-called “*Schuldenbremse*.” According to this rule, the German federal level will only be allowed to have a structural deficit of 0.35 percent of GDP from 2016 onward. The German Länder will not be allowed any structural deficit from 2020 onward.

German politicians have long lacked the understanding of the important issue of global imbalances. Now they have even given away some tools to support global rebalancing. The rest of the world needs to be prepared that the third (or fourth, depending on the estimation) largest economy will not be very cooperative for resolving pressing international macroeconomic issues over the next years. ■

This analysis is excerpted from the Transatlantic Perspectives essay originally published on the AICGS website in June 2009.

What the bloggers had to say...

Will the Lying Continue?

“This time around tax policy is again a major topic in the election campaign. And again the six (including the CSU) major parties differ substantially in their beliefs as to what is necessary for the following four years as well as in their approaches to the problem. Again the VAT and income taxation are the major issues under discussion. I would not be surprised if by the end of this year we will have déjà vu and find ourselves as voters again surprised with a revelation of tax plans that have little to do with what we are promised during the current campaign.” **Tim Stuchtey, 4 August 2009**

It's the Economy, Stupid.

“One mantra in U.S. politics is that electoral outcomes are greatly conditioned by the state of the economy (the Carvillian “it's the economy, stupid”). I don't think that German elections are as closely coupled to the economy as in America—in the “grand coalition state” it is more difficult to disaggregate responsibility than in a presidential system with single party control of the executive branch—but the state of the economy and the federal government's management thereof certainly will affect voters' choices. This is especially true in 2009 in the midst of the worst financial and economic crisis in living memory. How will the Merkel government's economic management affect the outcome of the Bundestag election on September 27th?” **Tim Stuchtey, 10 August 2009**

Plan D, or How Germany Will Return to Full-Employment (According to Frank-Walter Steinmeier)

“It seems that Germans have lost confidence in themselves and their political and business leaders, as well as in the idea that full employment combined with high social standards is still possible in times of globalization. Unemployment is the price they seem to believe one has to pay when having a tamed market economy in this world of capitalism and managed economies.” **Tim Stuchtey, 13 August 2009**

World Champion or only No. 1 in Europe?

“There is little talk about economic issues during the election campaign that so far has not been about much else than coalition options and the misuse of chauffeur services. But within the ministries, the think tanks, lobbying groups, and in academia, the pros and cons of Germany's export dependency is being hotly debated. And it is probably no surprise that the Germans cannot easily let go of a trophy

that many envied them for in the past. To me the question whether and how this export-dependency should be tackled should be thought through thoroughly before the country walks down this path. [...]

The current debate about Germany's export-driven economy is unlikely to lead to any political consequences and cause a shift toward the production of more goods and services that are being sold domestically. The virtues of a higher degree of the international division of labor should not be traded in for a balanced current account. If anything the debate will put forward different policy options that try to strengthen domestic demand and therefore increase imports (instead of reducing exports)."

Tim Stuchtey, 9 September 2009



CAMPAIGN STYLE

What the bloggers had to say...

Leadership Makes a Difference, Especially in Times of Crisis

“Merkel has achieved a reputation as a strong leader, at least in the view of the broader public. This development is quite interesting, if one remembers the fact that public opinion was rather skeptical of her abilities to lead when she came into office. Moreover, she had to defend herself against criticism on her leadership style throughout her chancellorship. Prominent figures from her own ranks repeatedly doubted her ability and competence to lead the government. And what might be even more important: The parliamentary party as well as the party on the ground felt more and more uncomfortable with her adaptive leadership style.” **Manuela Glaab, 7 August 2009**

Campaign Posters are Back!

“German political campaigns don’t have the same slick, overly produced, (show) business vibe as in the U.S. But, they have their own charms—to this observer at least. First, I think it is wonderful that the parties actually issue formal electoral platforms and statements and that the media and voters actually mull these over and partially base their choices on these documents. American politics have not had this kind of old-school gravitas for quite some time.” **Eric Langenbacher, 11 August 2009**

Atmosphere Instead of Issues

“If you are looking for an issue that dominates the campaign for the German Bundestag 2009, you are searching in vain. There is not a single one, but many different ones. Families wish for a more family-friendly environment, farmers hope for better prices of their produce, senior citizens complain about the low level of pensions, young people hope for an improvement of conditions at universities and more apprenticeship training positions, and so on. Everybody desires something and everybody expects politicians to fulfill their desire. A strange, almost schizophrenic atmosphere is manifest: On the one hand there is the belief that the German government needs new ideas; on the other hand there is the desire for stability and reliable policy without experiments in times of a worldwide financial crisis.

This situation entails a real challenge, especially for campaigners of the bigger catch-all parties. When there is a polarizing issue, the mobilization of partisans and supporters is easy. However, in the current

case everything matters—as well as nothing. It's not the candidate with the best arguments who will win the election in the end, but the candidate people are most confident in. However, faith can hardly be created in a short campaign. [...] That this campaign of the CDU focused on members of the Cabinet at the expense of issues is not inventive. However, it is evidence for self-confidence, firmness, and competence in content and people. It is the campaign of a leader, not of a challenger. It fulfils people's desire for stability to a greater extent than the campaign of the SPD does." **Michael Weigl, 21 August 2009**

A Boring Campaign?

"The consensus among pundits and journalists is that the 2009 Bundestag campaign is one of the most boring and inconsequential ever. [...] Yet, why on earth would we want a dramatic campaign with major policy disputes and differences? Isn't it a mark of the stability and success of the Federal Republic shortly after the 60th anniversary of its founding that things are so damn boring? Doesn't it speak to the ideological maturity and pragmatism of the German parties that there is such a degree of consensus on most of the policy issues? I can't help but think of the (apocryphal) Chinese curse: 'may you live in interesting times.'" **Eric Langenbacher, 11 September 2009**

After the Debate: Total Synchronicity

"Polls conducted immediately after the duel have produced contradictory results. While a ZDF poll saw Steinmeier as the winner (albeit by a narrow margin), a survey by Stern magazine gave the victory to the chancellor (by an equally narrow margin). In both polls, viewers said that Steinmeier surprised them by having performed better than they had expected. Also, both polls indicate that undecided voters favored Steinmeier's performance over that of the chancellor. Overall, this was a debate by two candidates who, over the years, have so thoroughly synchronized their political agendas and policies that very little room for a real fight was left. The only real moment of tension came when Merkel offered doubts about the SPD's firmness of conviction concerning the party's strict no to a coalition with Die Linke. [...]. While he generally looks like chancellor material, at this moment it was absolutely clear who was the chancellor and who was just serving in her cabinet. The parties offering a real alternative to Grand Coalition policies, the FDP with its pro-business reform platform, and Die Linke with its social welfare populism, were not part of the debate. The debate's hosts had invited only those two people who have a credible chance of becoming chancellor. As understandable as this might be, it makes little sense in Germany's parliamentary system where party constellations are at least as important as the

candidates themselves. This was not Steinmeier's equivalent to the Schröder moment in 2005. [...] Tonight, Merkel's was a Teflon-coated performance." **Jan Techau, 13 September 2009**

An Out-dated Format: The TV Debate and Its Alternatives

"Almost a week has passed since the German TV debate. Newspapers wrote about self-centered interrogators, a shy chancellor, and a surprisingly persuasive but altogether still too weak vice chancellor. Many called the debate boring, others even useless. Particularly, it has been criticized that the debate was of no value due to the absence of the opposition leaders. Some pundits did not identify a clear winner but two losers. [...] So who benefited from the debate? Additionally, journalists as well as pundits expressed normative doubts: Is it reasonable to exclude the whole opposition? Are there better ways to inform people and to mobilize sympathizers? [...] Finally, the actual debate's format seems out-dated. Maybe the era of German "duels" is over. Considering a political system that involves six important parties, there are two options for the next Bundestag election: Either replacing the debate by interviews—or allowing controversy by inviting the Liberals, the Greens, and the Left Party as well." **Oskar Fischer, 18 September 2009**

Internet Campaigning 2009: Leap Forward in Quality, Running in Place in User Statistics

"Notwithstanding the great leap forward in quality of online communication, the current efforts will not make history as the first German "Internet election" as the response of voters is only marginal: None of the six parties has attracted more than 25,000 supporters on external social networks, no party-owned platform counts more than 35,000 volunteers. Only 20 percent of politically interested German users are planning to visit the homepage of a party or politician before Election Day. Compared to an electorate of roughly 60 million and an audience of 14 million for the chancellor candidates' TV debate, the online campaigns won't carry too much weight for the election's outcome. In fact, the Internet comes in second as a medium for political information. However, German users do not stop with campaign spots, they still rely on websites of newspapers and TV stations or chat politics with their friends in social networks. In short, German parties cannot do without online campaigning in 2009, but users on the Internet can do without the parties." **Kathi Wimmer, 22 September 2009**

New Media in German and U.S. Campaigns

"Conventional wisdom is that Americans have started to exploit fully the potential of Internet connectivity and the Germans—as in so many other areas—are woefully behind the curve. Despite the high overall

number of Germans using the Internet, the number using it for political purposes is quite low. (Although I don't understand why all new media attention is focused on the Internet and no one ever mentions the much greater use of cell phones in Germany and Europe compared to the United States.) Moreover, when Germans do go on-line they are overwhelmingly getting information from the mainstream media or the parties' own sites. Only very few are using social network applications to disseminate information or their own opinions. [...] Thus, we ought to treat "Internet Manifestos" with a hefty dose of skepticism. At the least, we ought to subject assertions—that the Internet was the secret to Obama's success and that the anachronistic Germans should get with it—to real scrutiny. Perhaps the Internet is not the re-democratizing panacea that its acolytes have made it seem. Maybe there are advantages to a more old-school media approach and campaign style that the German parties still embody." **Eric Langenbacher, 22 September 2009**

Where to Win the Race—Electoral Incentive Systems in the U.S. and in Germany

"Among other reasons, the U.S. majority system leads to different campaign styles than the German proportional representation. A U.S. presidential campaign is strongly focused on battleground/swing states, because a majority in a state usually brings all electoral votes. So it makes sense to invest huge amounts of money to gain the few crucial percentage points in e.g., Florida to win the majority there—although the same two percentage points would have been much cheaper in a New England state, for example. But in the latter the majority would not have been affected. In Germany, due to its parliamentary representation, there is no need to invest in a majority in a certain state (except for the CSU, which is campaigning only in one state). So in Germany there are no battleground states. However, this year we had something that comes at least close to battleground states. Prior to the Bundestagswahl there were elections in several states. The electoral outcome itself is not interesting for the Bundestag election campaigns, as the results do not affect the allocation of the seats in the Bundestag directly, but a winner there may gain crucial momentum for the campaign. It works rather like the Iowa caucus. Another part of the German electoral system is "majoritarian," however: the district vote. Roughly half of the members of the Bundestag get elected through a majority in a district. The incentives here are the same as in the U.S.: the majority wins and thus investment in the last few percentage points is well worth it—at least for the candidates. But parties usually do not really care about who is directly elected because the number of seats a party gains is determined by proportional representation (with the exception of the surplus seats). While there is not only a local, but also a federal, interest in district races in the U.S., as those races affect the majority in Congress, in Germany the focus is on the share of the proportional vote, not in the district outcome. Yet, it would be a problem if German parties focused only on the proportional

vote. A district candidate can be a standard bearer for a party. And as personalization is very effective, there is a high chance that a candidate, who scores a good result for himself, may also boost the electoral outcome for his party. Thus national parties should invest in district campaigning even without a clear electoral incentive," **Matthias Kuhn, 25 September 2009**



PARTY POLITICS

The CDU: Still a Party for the Future?

BY WOLFGANG STOCK

During most of the last sixty years, the Christian Democratic Union (CDU) used to be “the” German party: five out of eight German chancellors have been CDU leaders, forty out of sixty years of the Federal Republic of Germany have seen federal governments with Christian Democratic (and Christian Social, not to forget the Bavarian sister party) ministers. As a “Volkspartei” with election results of often 45 percent or more in a multi-party system, the CDU has been a cornerstone of German politics. Of the great decisions setting the course of German politics, most of them can be found in chapters of history dealing with CDU leaders: Konrad Adenauer anchoring postwar Germany in the West and freeing the German prisoners of war from the Soviet Union (1959); the introduction of “social market economy” as the way to prosperity for all social groups (Ludwig Erhard); first contacts to the communist East (Kurt Georg Kiesinger); introduction of the European single currency and German unification (Helmut Kohl); and the first woman and East German in the highest office (Angela Merkel). But the last four years in a Grand Coalition with the Social Democrats (SPD) have weakened the party. Or is it because of Angela Merkel, the CDU’s leader since 2000? Angela Merkel is not only the first woman in office and first from former eastern Germany, but also the first chairperson with both distinct Protestant and scientific background.

Today, the “grand old” party is in a crisis. Judged from the perspective a week before Election Day, the party meanders around 35 percent in the polls—and is likely to drop down to the painful 35.2 percent Angela Merkel scored in 2005. She came into office with a very narrow margin—indeed, the same poor showing that sent Helmut Kohl out of office (35.1 percent in 1998). Not since 1953 has the CDU had such a modest result. And while Merkel as chancellor has seen excellent popularity ratings, her party has not been able to utilize this popularity. Critics say that Merkel was popular as a chancellor because she appeals to the left political spectrum, too—but, on the other hand, this has been a burden to her party, unable to formulate a clear party message. Critics have been proven right by Merkel’s campaign strategy. Together with Ronald Pofalla, her soft-footed party secretary general, she believes that “loyal voters have to choose us anyway.” Therefore, the CDU’s 2009 campaign is

the most “low profile” campaign ever, lacking controversial aims—in fact anything that could annoy “Wechselwähler” (swing voters) from the Social Democrats. True, the Social Democrats have not been happy with their recent results either. But their weaknesses and losses can be explained by the growth of the Left Party, a coalition partner of the SPD in several eastern states at the state and local level in past and present. The CDU, conversely, has a very limited choice: only a future coalition with the FDP is in the cards. Neither other party, be it the Greens or the Left Party, would be a possible coalition partner for her on the federal level (only once, and quite recently, a shaky CDU-Green coalition started in the city state of Hamburg).

Party grassroots criticize Merkel for her soft approach and the complete lack of any arguments with the political opponents. Indeed, nearly all observers agreed after the much advertised television debate between Merkel and Steinmeier, two weeks before Election Day, that the two candidates had few differences, more “singing in duet” rather than arguing with each other. Merkel has developed a presidential style of leadership, cultivated an image as a caring figure, a “mother of the nation.” She is often portrayed as having steered Germany through the recession (which hit the export champion much harder than the U.S.). But many voters, including a huge number in her own camp, know that many problems have only been delayed until after Election Day. This includes the officially-praised “Opel” deal with General Motors, in which Germany in effect offers a €4.5 billion stimulus for a Canadian-Russian consortium to take over the German subsidiary of GM in the vain hope that not too many jobs will be shed. However, the hopes are so slim that Merkel’s economics minister once offered his resignation and the governments’ trustees have not approved the deal. Many of the CDU’s electorate see this deal, authored jointly by Merkel and Steinmeier, as a betrayal of the CDU’s old market economy roots. Merkel campaigned on exactly this pro-market ticket only four years ago. Back then, she promoted tough reforms to streamline the German social market economy. To her, the lesson learned is: to stay in power, she and the CDU must pursue a soft and “social democratic” or populist style.

Today, the CDU is Merkel, and Merkel is the CDU. But the CDU used to be much more than just one chairperson. Merkel has been very successful in outmaneuvering her rivals. The difference between Merkel’s reign and those of the former chairmen is stark: Even under Helmut Kohl, who was a strong CDU leader for twenty years (the latter sixteen years of which as chancellor) there were always intellectual and charismatic highflyers in his team, among them Heiner Geissler and Kurt Biedenkopf. After

nine years of Merkel as a CDU leader, there is no one of that kind. The last intellectual to leave the arena is Friedrich Merz, a very talented financial expert with brilliant rhetoric. Even worse for the party base is the lack of “values” within the party and its program. Prior to Angela Merkel, all CDU leaders have been strong Christian believers and Catholic (if we may exclude the very brief appearance of Merkel’s predecessor, Wolfgang Schäuble). Merkel is Protestant and her election as party chairwoman in 2000 was thus a shock to a large part of the party establishment. Although she is the daughter of a Protestant minister, Merkel has, to date, never shown any interest in publicly demonstrating the importance of her religious beliefs. Combined with a “pro choice” stance on abortion and a very progressive course in the field of embryonic research, she has alienated many of the traditional CDU voters since. Furthermore, earlier this year, she attacked the Pope in an overtly populist (and wrong footed) move, thus alienating not only Catholic but also Protestant believers who saw this as an unacceptable political attack on a religious leader to please liberal critics. Merkel’s attack led some 6,000 party members to leave the party—arguably many of the most active members. It has been noted that Merkel has made no visible attempt to win them back.

Many of the outspoken market economy proponents find an alternative in voting for the Free Democrats, who are set to jump from 9.8 percent in 2004 to 14 percent or more. Under Guido Westerwelle, the FDP has appealed to traditional conservative voters disillusioned with Merkel’s shift over the past four years. Her compromises with the SPD, agreeing to a minimum wage in many sectors, and announcing the fiscal stimulus plans, have helped the FDP to propose a neo-liberal agenda, pledging tax cuts and health and labor market reforms. This opposition course is in stark contrast to the decisions of Merkel’s Grand Coalition to introduce multi-billion euro bank nationalizations and two fiscal stimulus packages, including another overtly populist measure—the €5 billion car scrapping bonus (“cash for clunkers”), which was offered to people to trade in their old cars for new ones. While there is an alternative for market-oriented conservatives, those voters with a Christian value-based background are left without alternative. The FDP does not at all appeal to them, and other prominent “value” promoters do not exist in German politics. The result is a steady drop in voter turnout in recent years. This time, CDU supporters are those that feel least inclined to go to the polling stations on 27 September, as has already been demonstrated in Thuringia, Saxony, and Saarland. According to some polls, up to one-third of the electorate will make up their minds only very shortly before Election Day. It may well be that they, and especially traditional CDU voters, decide to abstain. This lack of any enthusiasm among conservative grassroots is felt massively throughout the party in these election weeks, too.

Very few party organizations are engaged in campaigning on the local level; hardly any prominent endorsements can be associated to Merkel's campaign.

The CDU appears to be headed for what happened to its European sister parties some twenty years ago: they fragmented into smaller, more focused parties. In Germany, the general election of 2009 will prove the end of the concept of the "Volkspartei," a party able to integrate all strands of society. This applies to both formerly big "Volksparteien": the SPD would be happy to reach 25 percent in this year's vote (its best result was 45.8 in 1972 with Willy Brandt as chancellor). Likewise, the CDU/CSU dream of the 48.6 percent they won in 1983 with Helmut Kohl at the helm, while still polling only some 36 percent now (and polling that high thanks only to the still much stronger CSU boosting the CDU in Bavaria—which alone has less than 30 percent outside of Bavaria). Indeed, the future of the CDU is bleak: If Merkel wins the election she will buy some time but is unlikely to stop the trend of losing her best and brightest party members and voters. And once the CDU loses power—be it now or next year—Merkel will be ousted. Her most likely successor is Christian Wulff, Prime Minister of Lower Saxony, and a lightweight. He will not be able to re-integrate the brains and voters lost. The CDU could eventually break up and make way for a number of smaller parties focused on those strands of thought that the former "Volkspartei" is no longer able to attract: Atlanticist, Christian values, and market economy fundamentals. ■

This analysis is excerpted from the Transatlantic Perspectives essay originally published on the AICGS website in September 2009.



The Liberal Renaissance

BY CHRISTINE SCHNIEDERMANN

The Liberal Party in Germany, the Free Democratic Party (FDP), is experiencing an astonishing renaissance—despite capitalism's worst crisis since the 1930s. Nonetheless, it remains to be seen whether Angela Merkel will 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. 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 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.

...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.

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 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. 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 LIBERAL PERSONNEL

The FDP and Guido Westerwelle 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 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, never took on an administrative position on state or federal level so far. He is now leading the FDP into 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 federal level. ■

This analysis is excerpted from the Transatlantic Perspectives essay originally published on the AICGS website in September 2009.

What the bloggers had to say...

Look at Hamburg for the Future

“Much has been made of the decline of Germany’s major *Volksparteien* (catch-all parties) in recent years. This week’s Economist is reporting on what has been the subject of much debate in Germany for quite a while: what is the future for the German party system (and thus for the entire political system) with the CDU (Conservatives) and SPD (Social Democrats) in steady, though somewhat unevenly distributed, decline. It seems inevitable that in times of less stratified societies, less pronounced identities, and less entrenched ideologies the *Volksparteien* might be downgraded to “normal” party status. Strategists in both major parties have long been pondering how to reposition their organizations to avoid being marginalized, and maybe even to make use of new emerging political constellations that were once deemed impossible. Currently, it looks as if the CDU is closer to a solution than the SPD.

Meanwhile, the SPD is stuck with the dilemma of not knowing what to do with its defectors on the left. Theoretically, the only way for the SPD to ever return to a position of structural majority, the party must either re-unite with Die Linke or at least join forces with them on a more or less permanent basis. This seems impossible as long as ex-SPD chairman Oskar Lafontaine, hated as he is in his old party, runs Die Linke and as long as the SPD is still committed to the welfare reforms of the Agenda 2010. Both can change, of course. The battle within the SPD is already on over the post-election course of the party. But (at least) two questions remain: Would the conservative wing of the SPD accept a new left-leaning course for the SPD? One of their most prominent representatives, Wolfgang Clement, formerly the Prime Minister of Germany’s biggest state of North-Rhine Westphalia, has already left the party in protest. And second, how attractive would a new united left be for the gentrified Green Party?” **Jan Techau, 12 August 2009**

SPD—From Dream Team to Nightmare

“Earlier this year, the SPD’s leading pack looked like a dream team: Steinmeier, the uncharismatic but competent and modern third-way Social Democrat as the candidate for the chancellery. Given the Germans’ knack for uncharismatic leadership, not such a bad choice, you would think. Then, as his most important companion: Franz Müntefering, the party’s rather rustic, old-style, plain-speaking chairman, perfectly suited to court traditional workers and party loyalists. Grouped around Steinmeier and Müntefering you would find not only respected and battle-tested cabinet ministers such as Peer Steinbrück and Ulla Schmidt,

but also a bunch of younger, more left-leaning heavy-weights, among them Andrea Nahles, labor minister Olaf Scholz, and Berlin mayor Klaus Wowereit. And, best of all, they would all play in concert, forgoing for the time being the Social Democrats' favorite pastime, infighting. Add to this some fresh faces from state cabinets and the back benches of parliament, and Steinmeier's posse looks like a formidable team. More than that, it looked like an ideal team, tying all relevant wings of the party together, covering all important issues. But instead of slowly working the poll data up, this team has managed to drive the figures down for the SPD.

First of all, Steinmeier was unable so far to (a) create an image of someone who really wants to be chancellor, (b) create an urge in voters to replace Merkel with him, (c) energize his own folks, (d) translate his popularity as foreign minister into any kind of political clout, and (e) at least convince people that he would be the better problem solver. Second, Franz Müntefering has all but disappeared from the political stage. Third, the SPD's cabinet ministers don't work well for Steinmeier. [...] Merkel has also managed to neutralize finance minister Steinbrück by making him her trusted aide during the financial crisis. And finally, the SPD's young guns have decided to wait for their own turn four years down the road.

It looks increasingly unlikely that this team will be able to create the momentum to change the SPD's fortune so late in the game. And it becomes more and more likely that the post-election SPD will look very different from the pre-election one—no matter whether the party will be in or outside government.”

Jan Techau, 19 August 2009

Underestimating the SPD and the Overconfident FDP

“This issue of the “undecided” reminds me of the discussion in U.S. politics about “independents” and how recent research has found that most self-identified independents consistently lean toward one of the two parties, so that the proportion of true “independents” or swing voters is much, much smaller than polls indicate (Miller-Mccune.com). In any case, there is even more reason to be skeptical toward the Sonntagsfragen results—and perhaps more reason to think that a continuation of the Grand Coalition is not that far-fetched.” **Eric Langenbacher, 24 August 2009**

A New Star in the Ministry of Economics

“After the disappearance of Friedrich Merz the CDU/CSU left a market-oriented approach to economic policy completely up to the FDP. The business wing of the CDU/CSU was frustrated with the policy of the

Grand Coalition and with the leadership of their party leader, Chancellor Merkel. Consequently many of this important and influential part of the conservative party immigrated to the camp of the FDP. The chancellor was the only person with which the public associated the CDU and after the retirement of Edmund Stoiber also with the CSU. Then came zu Guttenberg.

Zu Guttenberg became a huge asset for this election campaign. So much so that the CDU put him on its campaign poster even though zu Guttenberg is not a CDU member. A visitor to Germany is able to see the smiling face of the new star all over Germany now, with the logo of the CDU and only a small footnote that states his actual party affiliation with the CSU." **Tim Stuchtey, 24 August 2009**

At the Crossroads: The State of the FDP

"In current polls, the alleged "small" Free Democratic Party (FDP) is estimated to get up to 16 percent of the votes in the upcoming elections (Infratest dimap). Being a rather middle-class party, the FDP naturally benefits from the CDU/CSU's weakness by attracting disappointed conservative voters. However, the success of an economic liberal party in times of a financial crisis—many call it surprising, some even cynical—raises new issues: Is the strength of the FDP still caused by the weakness of the CDU/CSU or do the Liberals owe their success to their own societal ideas? What might indicate the FDP reaching a new level of importance?

First, the Liberals have received an increased share of the vote in the federal state parliamentary elections in 2008 and 2009, especially in Bavaria and Hesse, rising from 2.6 percent (2003) to 8.0 percent (2008) and from 7.9 percent (2003) to 16.2 percent (2009), respectively. Thus, they participate in the governments of these states, and, more important, they have become essential for statutes requiring the assent of the Bundesrat [...]. Second, the FDP has been strengthened internally, too: Unlike the "big parties" CDU/CSU and SPD, the FDP has not lost but gained new party members. Finally, not only the political and societal influence of the Liberals but also the society itself is in flux, in particular Germany's attitude toward liberal values like freedom, individualism, and achievement DeutschlandTrend August (tagesschau.de) still indicates that voters to give preference to "solidarity" (a classically social democratic value) over "achievement" (a liberal one). However, the voters' understanding of solidarity seems to differ from the one of the SPD: For example, when zu Guttenberg (Minister for Economic Affairs, CSU) was—unlike the SPD—against rescuing Opel and therefore estimated economical efficiency higher than solidarity, many voters agreed with him. Aside from economical considerations, the fact that zu

Guttenberg's opinion was well received indicates a liberal attitude: Solidarity shall not be practiced as an end in itself. Thus, do not help those whose survival won't help you.

Summing up, the Liberals may expect an increase of votes in the upcoming election. But what do their new voters expect from the Liberals? A campaign slogan of the FDP says: "Deutschland kann es besser." ("Germany can do better.") "Better" means: Better than the Grand Coalition. According to DeutschlandTrend August, 94 percent of the potential Liberal voters prefer a CDU/CSU-FDP coalition to the Grand Coalition. For many of them voting for the FDP is the only option to ensure that Merkel—who is very popular—remains chancellor without continuing the alliance with the SPD.

In case of "Schwarz-Gelb" (CDU/CSU-FDP coalition), the Liberals will have to make their mark in politics over the next four years. Because if they don't take advantage of their situation, the success of the FDP might go down as a cyclical fluctuation." **Oskar Fischer, 25 August 2009**

A Surging Left?

"I cannot help but to be alarmed at how well the Left Party did in all states—27.4 percent in Thuringia, 20.6 percent in Saxony (although 3 percent less than 2004), and a whopping 21.3 percent in the Saarland—which was more than 5 percent more than the last public opinion polls indicated. I am thus increasingly skeptical of the accuracy of the national polls that have estimated Left Party support to hover around 9 percent for months now. It should also be pointed out that the party is experiencing a marked uptick in popularity in states such as Lower Saxony." **Eric Langenbacher, 1 September 2009**

Daring More Democracy

"There has been a lot of fretting about the evolution of the German party system—mainly by publications like the influential Economist newsmagazine and academics. Many articles have been published about the decline of the catch-all Volksparteien. In fact, the share of the vote commanded by the SPD and CDU/CSU has fallen back to the level of 1949 with less than 70 percent of the total vote in 2005. Current polls put these parties' combined strength at a mere 60 percent. These levels of support are down from a peak of 90 percent in 1972. Some pundits express only a little concern revolving around challenges in forming and maintaining more complicated (three-party) coalitions. But underneath the surface there are diffuse fears that another "Weimar-esque" situation may be developing, including extreme partisan fragmentation, unwieldy coalitions, instability, and legislative gridlock.

So, why are so many so scared of the decline of the two big parties and the rise of smaller ones? Perhaps the easiest explanation is a basic risk and change aversion among many Germans. There was something soothing and predictable about one of the two big parties dominating any coalition government, the long tenures in power (the country only had its first complete partisan alternation in 1998), and the “consensus” politics that often resulted. But maybe consensus is over-rated. Maybe it is no longer possible—resource constraints make it impossible to buy off all relevant interests (something recent German governments have also learned at the EU level). And maybe such hyper-stability is no longer necessary in a deeply democratic and stable polity like Germany's.

Perhaps an even simpler explanation is that the current situation is caused or exacerbated by the Grand Coalition government. Political scientists have long noted that any such over-sized coalition will lead to declining support for the parties in government and an empowerment of any oppositional forces. Certainly, this is the conventional wisdom from the first grand coalition of 1966-1969, that facilitated a 4.3 percent result for the right-radical NPD in 1969 (the closest a right radical party has ever come to gaining representation in the Bundestag).

This time it is the left that is exposed. Clearly, the SPD's time in power (1998-present) has led it to the center (right), leaving its left flank extremely vulnerable. This hole in the political spectrum has now been filled by the Left Party, which is currently polling 11 percent (the same as the Greens). One could also point out that the Greens are also partially responsible for this situation, given their widely documented move to the middle. In any case, this is the second time in several decades that the SPD has been unable to thwart or co-opt new leftist challenges—earlier with the Green Party. Perhaps all of the criticism and the poor poll results that SPD has gained are deserved—and maybe they do not go deep enough—given these two epochal political failures.

Or maybe Germany is just becoming more “normal.” I know, I know—“normalization” is a bad word in the German context—verboten. Yet, I have always thought that there is nothing wrong with wanting to become more like others—when the others are stable, relatively tolerant liberal democracies. Several political scientists have made exactly this point—noting that the more typical continental European pattern is to have left and right blocs with multiple and changing parties inhabiting the partisan spectrum. How often have French or Italian center-right parties changed their names in recent years?

And what's wrong with this situation? I think this is preferable over most alternatives. Presidential systems have real flaws and two-party systems à la Britain or the U.S. also have major drawbacks—mainly because there are multiple, hard-to-control factions politicking and making deals behind closed doors, instead of ideologically cohesive and transparent parties. Moreover, heterogeneous groups must coexist—think of libertarians and social conservatives in the U.S. Republican Party. It is better to negotiate inevitable differences of opinion in the light of day.

Thus, the emergent multi-party system in Germany should be welcomed as a twenty-first century way to 'dare more democracy.'" **Eric Langenbacher, 3 September 2009**

The Green Luxury

"When Renate Künast proclaimed that "the middle-class in Germany was Green" she referred to the fact that the Green electorate is no longer restricted to the alternative, post-materialistic milieu but comes from the urban middle-class of the well-educated, better income establishment. At the same time it is worth noting that the Greens even gain some ground within the more conservative rural population. According to a most recent opinion poll at least 29 percent of the electorate would appreciate a coalition of CDU, FDP, and the Green party (which is actually the second best rank at the moment).

At a closer look, however, the situation of the Greens is not so luxurious. Party strategists who tried to promote new coalition scenarios had to realize that the Green Party is not yet ready for a coalition with the Christian Democrats and/or the Liberal Democrats. Instead, there are still some substantial conflicts with the liberal-conservative camp, above all the issue of nuclear energy. As a consequence the Green party convention in May rejected a "Jamaica-coalition" (CDU, FDP, and Greens) and avoided any commitment for a "traffic light-coalition" (SPD, FDP, and Greens) as well. A coalition with the Left on the national level was repeatedly denied. The preferred revival of the red-green coalition does not seem realistic, yet. In other words: The Green Party is in a quite stable up wind but lacks a clear strategic option to come back into power." **Manuela Glaab, 6 September 2009**

Disharmony Among Prospective Partners

"Although Chancellor Merkel [...] has declared the alliance with the FDP the only source of governmental stability for the next few years, the parties involved haven't yet behaved like partners but have

quarreled about their reliability and competencies on an almost daily basis. Especially the CSU, the Bavarian sibling of the much larger CDU, hasn't missed many opportunities over the last weeks to complain more or less overtly about the Liberals, some of their policy proposals, or the personal competencies of the party's chief staff. These days, the major theme of their dispute is whether they can trust each other on whether the envisaged coalition is the only option to form the next government. From the point of view of CDU/CSU and FDP [they have] good reasons [...] to attack each other and try to gain additional support in the election. However, too much discussion and disagreement between potential partners certainly does not attract many voters who will eventually question the parties' ability and willingness to form a stable government. So, it might be wiser for them to quit their dispute and seek the confrontation with their common opponents. And by the way, the latest polls published yesterday showed that CDU/CSU and FDP have lost support over the last days. They can expect 48 or 49 percent of the vote at the moment, maybe enough to build a government, but one cannot be sure. It will be interesting to see how they react now." **Jörg Siegmund, 10 September 2009**

"Campaign for Connoisseurs"?

"The election for the Bundestag is no longer a determining factor on the direction of Germany as it used to be. Meanwhile, there are almost no differences between the parties regarding their essential goals. The only thing that is disputed is how to reach these goals. [...] The real winner of the TV debate was the opposition that was not invited to this "duel." [...] For them the duel confirmed the criticism of the opposition that it will be nothing more than a less exciting discussion between the chancellor and the vice chancellor who have a lot in common. For the opposition parties it makes nearly no difference if Merkel or Steinmeier will be chancellor. [...] A campaign "light" without clear positions is not good for democracy. It is a campaign for the elite, not for the masses. Nobody expected a highly emotional campaign for the Bundestag—but it should at least be more than a 'campaign for connoisseurs!'" **Michael Weigl, 15 September 2009**

Manager Merkel

"I think that Merkel's tenure as chancellor thus far has proven her abilities—managing a fissiparous Grand Coalition, steering the country through the worst economic crisis in decades, pushing through needed reforms in family policy, strengthening foreign partnerships, and continuing efforts to deepen the European Union. She has proven a brilliant manager, but not quite the leader that I saw several years ago. There has been no real vision or unifying theme to her chancellorship. Of course, she was burned in 2005 by having too sharp a profile, has had to manage an ideologically diverse government, and, like any politician,

must always think about re-election (in the context of a risk-averse electorate).[...] But [...] there are major costs to such a timid persona and campaign strategy. Naturally, like every election some have tried to dramatize the moment as a major crossroads and caesura. Maybe 2009 is not one of these existential moments, but there certainly are a variety of pressing policy issues that need more than mere management. In foreign policy, for instance, the Afghanistan deployment needs to be addressed. No longer is the *Lebenslüge*—that the Bundeswehr is not involved in combat—tenable. Prescient commentators noted years ago that actual combat was going to happen sooner or later and that the armed forces (and general public) would have to prepare themselves for this eventuality. The current situation—deteriorating security, questionable decisions generated by an unwillingness to engage in combat—is doing more harm than good. German leaders are at a decision point—withdraw or commit fully. Unfortunately, none of the parties or their leaders has prepared the German public (or allied governments) for either of these policy shifts. Instead we get grandstanding from the likes of Schröder and Steinmeier—and faux populism from the Left Party. The list of other similar policy challenges is rather long: the demographic time bomb, bureaucratic red tape, education, export dependency, or energy policy. [...] I fear that with Merkel's timid, dispositional conservative demeanor (as chancellor and campaigner), she will lose her opportunity to rise from a great manager to a real leader." **Eric Langenbacher, 15 September 2009**

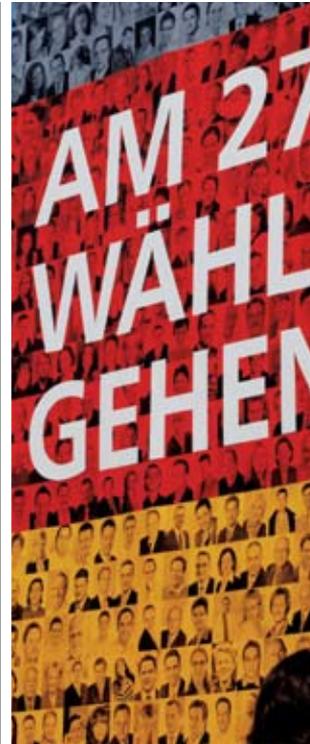
Well Roared, Bavarian Lion?

"The CSU repeatedly provoked with independent positions, culminating in the presentation of a crash program for growth and employment just a week before the election. [...] Above all, the CSU fights for its status as a strong regional party that plays a major role on the national level. [...] Nevertheless Seehofer's strategy is risky: Possible CSU gains in Bavaria might go at the expense of the CDU in other regions. After all, the competing parties welcome the opportunity to point at the rivalries within the liberal-conservative camp." **Manuela Glaab, 24 September 2009**

A Nail Biter

"The incidence of vote splitting—voters choosing one party for the territorial representative and another for the all-important party vote—has continued to increase, to 27 percent this year (22 percent in 2005). Richard Hilmer from Infratest dimap thinks that vote splitting, particularly CDU voters giving their second vote to the FDP, was responsible for the unexpected outcome in 2005. This situation may reoccur this year. [...] Never has there been such a volatile electorate, with an unprecedented level of readiness to vote across ideological divides. [...] Only 25 percent of the German electorate are still *Stammwähler*, meaning that 3/4 are floating voters." **Eric Langenbacher, 25 September 2009**

POST-ELECTION ANALYSES



Merkel and Westerwelle: Germany's Next Chapter

BY JACKSON JANES

Following the September 27 elections, analysts scrambled to assess the outcome and the parties began their coalition negotiations. Still, it will be a while before we really know what the new coalition will be able to accomplish. Angela Merkel and Guido Westerwelle are confronted by a number of problems and forging responses is going to be as difficult as it was in the former coalition, perhaps even more difficult.

THE FDP'S SUCCESS—AND REWARDS

While the CDU/CSU and the FDP have shared in governing Germany more than any other coalition since 1949, every chapter has had different parameters—and this newest chapter will be no exception. The FDP's success was generated by widespread ticket-splitting, with many voters giving their second vote to the Liberals as a way of ending the prospect of a continued CDU-SPD coalition. How many of those votes were expressly cast for an FDP program is not clear. Still, the FDP will get four ministries and push for five. That list would likely include the Foreign, Justice, Finance, Science and Education, and maybe Interior ministries. But the coalition negotiations have just begun.

The FDP will try to argue for implementation of their main campaign promises—lowering taxes, reforming the taxation scales, and cutting government spending—but it will be difficult to get a consensus on these issues with Merkel's team. She spent a good deal of her campaign stressing the value of Germany's social market model, with emphasis on both of those words: social and market. Finding ways to cut the social end of that equation will be difficult for her, especially since both the CDU and the CSU need to regain the voter support that they lost on Sunday. Of course, some of that loss came from conservative criticism of Merkel that she had drifted too far to the left in the coalition with the SPD. But among her core supporters are those worried about their jobs, pensions, and their future in general. She and Westerwelle must find ways of sequencing reforms so that they are digestible for a nervous public.

Merkel will bring some of her agenda from the old coalition into the new one. She is unique in that she is the first chancellor to govern in two different coalitions. But this time she will be pressed to say clearly what her priorities are; she is in a stronger position than she was with the SPD. Given the fact that Merkel's campaign was not based on specifics as much as it was shaped around Merkel herself, the next few weeks will unveil more of what this team is prepared to do than we have seen thus far.

DELICATE FORMATION OF FOREIGN POLICY

Because foreign policy issues were largely absent from the campaign, that area of the coalition's agenda will need to be worked out carefully. Westerwelle's desire to be foreign minister will require that he and the chancellor maintain synergy when it comes to dealing with tough issues like Afghanistan, Iran, and other areas of uncertainty. Merkel will maintain control over the priorities, and the two will need to act in concert, which seemed to work well between Merkel and Steinmeier, for the most part, over the past four years. Westerwelle's positions on foreign policy issues are not as well known as are Merkel's, and it would appear that he will rely on former foreign minister Hans-Dietrich Genscher for advice. We can expect that foreign policy experts in the FDP will also be drafted into the foreign office, such as Werner Hoyer or Alexander Graf Lambsdorff. Merkel will presumably keep her foreign policy advisors in the Chancellery.

There is no reason to think that a major shift in German foreign policy will occur. Westerwelle has expressed his interest in pursuing efforts at arms reductions and non-proliferation of nuclear weapons. That should match up with Obama's focus on getting the START treaty renewed with Russia.

There will be no moves to reduce Germany's presence in Afghanistan—but then again, no moves to increase it either. Germany will be pressed by Washington to increase aid and police training resources. Existing constraints on what Germany can and will do in that region will continue.

The next step in sanctions on Iran is expected in the coming months but Merkel has made it clear that if Tehran does not respond to calls for more cooperation, she will support tougher sanctions. If Karl Theodor zu Guttenberg remains economics minister, he will also be in support of tougher sanctions as he had been focused on Iran in the past few years when he served on the Foreign Relations Committee. That is important given the fact that the business community will be less enthusiastic about constraints put on them in dealing with Iran.

WORKING WITH WASHINGTON

With regard to relations with Washington, the new coalition will be dealing with a president who is under increasing pressure at home to show progress on several fronts and who could need help from Berlin. Some critics argue that Obama's charm offensive in Europe has not brought him significant results; that judgment depends on one's expectations. To repeat, significant increases in troop strength in Afghanistan have not been forthcoming from Germany or anywhere else in Europe largely due to

domestic political constraints and that will not change much. However, one opportunity for Obama to get some help is at the December Copenhagen meeting, which might assist in getting a climate bill through the Senate.

Another area of potential worth exploring is finding some common approaches to Russia, be it on missile defense, climate change, Afghanistan, and/or Iran. Germany's relations with Moscow have expanded over the last two decades and Moscow's policies toward Europe are in large measure influenced by Berlin. The gas and oil supply and demand issue remains sensitive on all sides but it does offer both opportunities as well as pitfalls in dealing with Russia. How either will play out depends on the leadership in Moscow.

FINANCIAL INTERDEPENDENCE AND STABILITY

Germany's next finance minister—regardless of who it will be—will join the debate on how to deal with regulatory regimes. This will continue to be an area of friction with the U.S., given both the system and the differing attitudes centering on financial policies, which have as much to do with history as with the pressure of current events. How we reached our respective situations as well as the tools we have used to steer through them are somewhat different. But at the same time, there is a degree of interdependence binding the largest economy in Europe not only with its European partners but also with the largest economy in the world (the U.S.), and we have a shared stake in stability.

THE OPPOSITION

As the new team takes shape, it will face three opposition parties that are now all trying to figure out what their roles will be for the next four years. The SPD will go through some significant and difficult restructuring and will try to deal with the greatest electoral loss in its long history. Relations with the Left Party will remain uneasy while the changing of the SPD guard evolves. The Left Party will also be trying to understand its role beyond populist antagonism—a role that will be tested if they are in government at the state levels. The Greens appeared happy with their electoral results and yet the party is still facing its years in opposition in the Bundestag with questions about how it can position itself within the battle for the next elections in 2013 as far as alliances are concerned. That might lead to enhanced competition for those votes that the FDP just picked up. There were arguments up until Election Day that the days of a two party coalition government in Berlin are over. Given the fact that we now have a two party (three, including the CSU) coalition, the question for those in opposition will be with whom they build bridges to the future.

CHANCELLOR MERKEL, ACT TWO

Despite an election outcome that saw the CDU and the CSU garner less support than they had four years ago, the chancellor has been reelected and is forming a coalition of her choice, not one forced on her as in 2005—a strong indication that she will be a self-confident player at home and abroad. No doubt the vice chancellor, Mr. Westerwelle, will match that self-confident stride. One always needs to remember that there are actually three parties in this new coalition but the CSU is not as strong as the other two and will be caught up in some of its own internal wrangling over leadership. That will not be the case with the FDP where Westerwelle firmly holds the reins. And Chancellor Merkel will also maintain control of her party; we will now have a better opportunity to see what she is made of in this second act as chancellor. Together, it remains to be seen what they will write for Germany's next chapter. ■

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What the bloggers had to say...

Elections? Look at What's Coming Afterward!

"Now that the pre-election period is drawing to a close, let's take a glimpse at what to expect after the big day. Post-election Germany will be a much bigger source of political drama than it is now. So what will keep the country and the next government occupied?"

The Budget Squeeze

A handful of leading politicians (among them Finance Minister Steinbrück and Economics Minister zu Guttenberg) have alluded to it, analysts are saying it all the time, but it still has not permeated the public: Austerity will be the governing principle in the years to come. There will be severe cuts in the government's budget after the elections, and the pains coming from that will be substantial. The trouble shooting during the financial crisis has cost a fortune and the government will be forced to lend money at an unprecedented rate. As roughly one-third of the federal budget is in one way or another earmarked for social transfers, this will be the quarry from which most of the drastic savings must come. Other parts of the budget will shrink, too. Interest groups, trade unions, retired people and students will be up in arms, and the big debate about neo-liberal cold-heartedness and brutality which is supposedly undermining social cohesion will be headline news for some time to come. [...]

Party Re-Alignment

After these elections, Germany will most likely undergo the most profound re-alignment of its party system in recent history. Much of it will happen silently and over a protracted period of time, but some of it will make noise. It is the SPD that has the biggest problem. Agenda 2010 and the unloved Grand Coalition have melted down the ideological core of the party. Unlike the British Labour Party under Tony Blair, the SPD has never fully embraced a third way, and then-chancellor Schröder never put much effort into firmly anchoring the new course in the party. Consequently, real left-wingers branched off and embraced Die Linke or stayed at home and did not vote. After the elections, the SPD will have to pull off the almost impossible: somehow reconciling itself with its left wing and with Die Linke without alienating too many middle-of-the-ground voters. This will make for great political drama, including the inevitable change of personnel. The Greens have a different task to manage: Can the successful fusion of its left-wing, alternative, pacifist core with its not so left-wing, BMW-driving urban professional constituency last?

If so, the party has great prospects as the potential king-maker in future coalitions and might even be able to score election results substantially over 15 per cent. The Greens have used their time in the parliamentary opposition over the last four years brilliantly to position themselves well. The next big question will be whether coalitions with the center-right parties are a model for the future. If it is the Greens have turned themselves into a small *Volkspartei*. If they can complete their travel from eco-movement to "bürgerlich" without risking internal strife Germany is in for some very interesting new political options.

Crunch Time in Foreign Policy

Huge tasks will be on the plate for the new government. But the German people are fundamentally unaware of the dramatic changes in the international system and the consequences this has for Germany. More will be asked of the country very soon, with Afghanistan and Iran being only the hottest issues. The future of the EU and NATO will be as much part of the package as increased terrorist risks and increasing demands for German assets in the world—all that in a country that is openly lobbying for a permanent seat in the UN Security Council but finds it difficult to lead on any of these issues.

To sum it all up: the combined force of these upcoming fundamental conflicts will change the country. The lame campaign of 2009 almost looks as if the political players a desperately clinging to the old order of things. They, and everybody else who is now musing about the "miracle of dullness," might be in for a big surprise. Germany will be one of the most interesting political phenomena to watch in the years to come." **Jan Techau, 25 September 2009**

Live from Berlin

CDU/CSU 33.8%: This is less than most surveys were predicting (around 35%), but not bad at all, about 1% less than 2005. One major reason was another drop in the CSU vote in Bavaria.

SPD 23.1%: This result (although long predicted) is the worst result for any party since 1949. The party lost 17% of the vote (compared to 2005) in the less than 30 age group; 12% in the 30-44 cohort, but only 5% in the over 60.

FDP 14.5%: One the best results in a long time and a clear victory for this party, which will join the government for the first time since 1998 (its longest stint in the opposition since the Federal Republic was founded). Clearly, many Germans split their votes, giving their *Zweitstimme* to the Liberals. In

Baden-Württemberg, the party gained about 18% of the second votes. This strong result will empower the party to play hardball in the coalition negotiations and to demand even more cabinet posts.

Left Party 12.1%: This is a real victory for this party—slightly higher than most of the last polls were predicting. Even though many analysts think the party will have major challenges retaining unity, this result will be a major motivator to stay together. This result is also an indication that there are still many unhappy folks in the country—especially in the east where they appear entrenched.

Greens 10.5%: Clearly, this is a disappointment for the party, even though this is about 2% more than 2005. But, they have lost about 3-4% of what they were polling several weeks ago. I think they had a real problem defining their profile in this political environment.

Others 5.9%: Apparently, the media darling, “Pirate Party” garnered as much as 2% of the vote. Political scientists will have to mull over what this rather high result for other parties indicates. [...]

Now the real fun begins with coalition negotiations, a new governmental program (hopefully addressing the policy backlog that the Grand Coalition necessarily ignored), the internal party bloodletting (in the SPD, Greens, and probably the CSU), and, of course, the analyses by pollsters and political scientists. Certainly, there are many concepts that need to be up-dated and addressed—The death of the catch-all Volkspartei, reform to the arcane electoral system, and the deep structural reforms that the country needs.”

Eric Langenbacher, 27 September 2009



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CREATIVE: DESIGN ARMY
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