

# **Germany in the Election Year 2013**

by Ernst Hillebrand

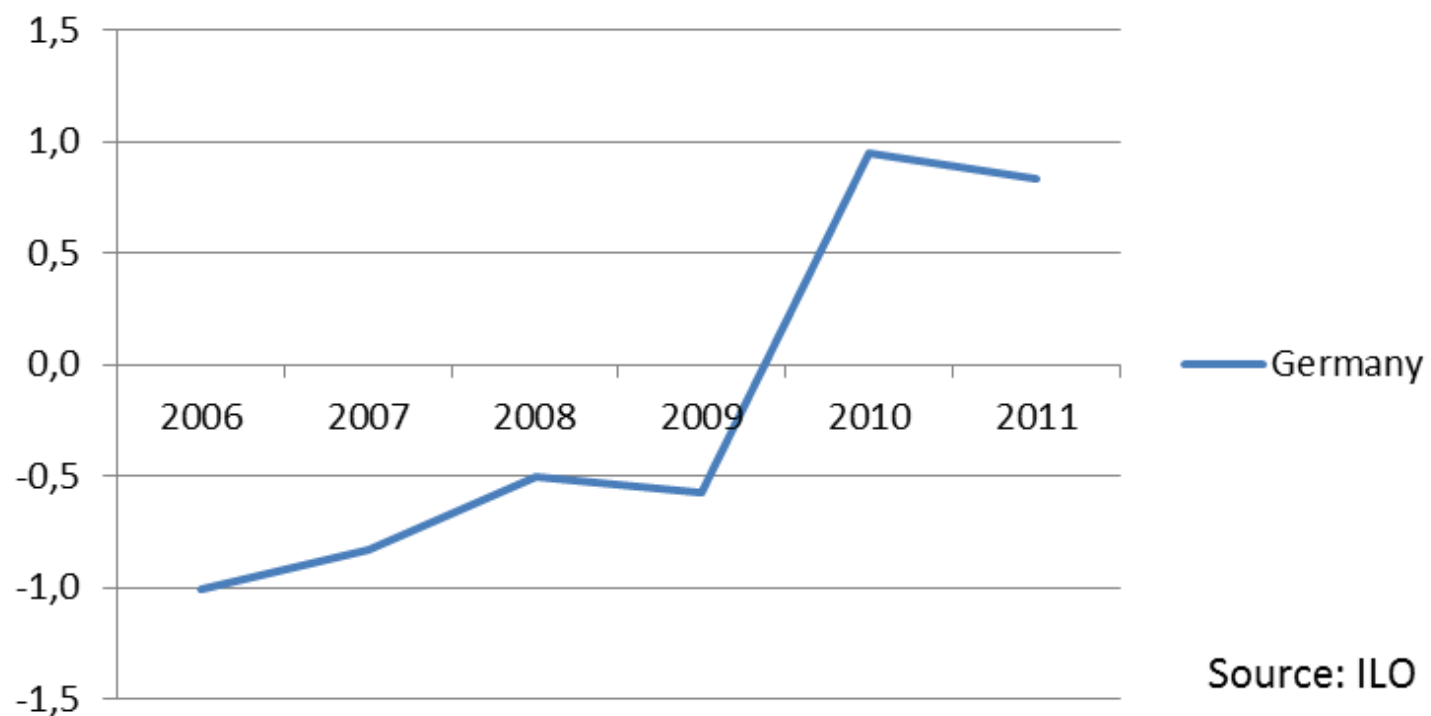
# The economic situation

- Crisis has affected Germany less than other countries
- High level of satisfaction with the personal economic situation

## **Factors:**

- Low growth, but growth  $\Leftrightarrow$  rest of Western Europe
- Falling unemployment
- Wage increases in the last years
- Stable position as leading export nation

## Real Wage Growth, 2006-2011



# Political situation

## Contradictory:

- Moderate satisfaction with performance of the current government
  - Very high personal approval rates for chancellor of Angela Merkel
- ⇔
- Widespread disregard for the ruling party coalition
  - Mainstream parties do cooperate at regional and local level in a wide array of coalition governments

**=> Country more or less at ease with itself**

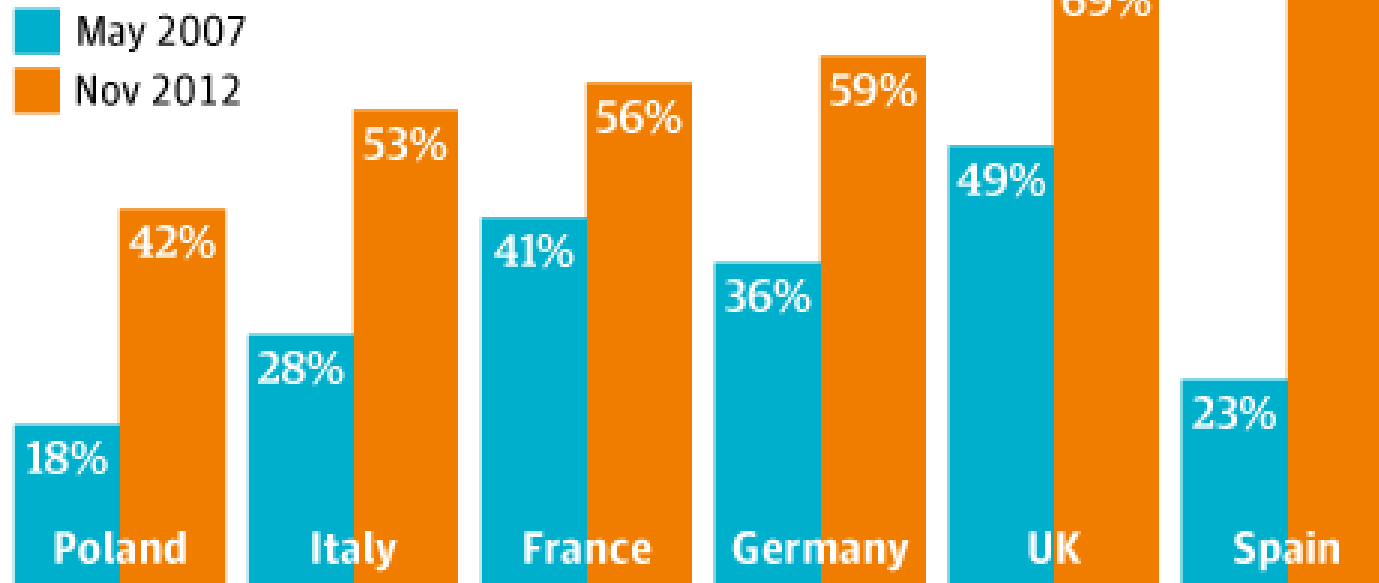
# Europe and European integration

- European integration for first time contested
- Mixed feelings within political elites and public opinion
  - Still positive overall mood towards European integration, but falling confidence towards EU
  - Business and financial elites strongly pro-integrationist
  - Left and liberal elites strongly pro-European
  - Within the wider public, no real “Deutschmark-nostalgia”, but growing concerns to be drawn into an Euro-Zone economic disaster

# Growing Euroskepticism also in Germany

## Lack of trust in the EU

Percentage of nationals who said they tended not to trust the EU, as an institution



SOURCE: EU, EUROBAROMETER

# Political landscape and the German Social Democrats

- SPD starts from very weak position: 2009 worst result since the end of the 19<sup>th</sup> century
- Since then: several positive results in regional elections
- Still polling on a relative weak level (< 30%); the dynamic partner are the Greens, polling at historically high level (ca. 15%);
- The conservative CDU has strong numbers, based on popularity of Chancellor Merkel; the weak element here are the Liberals, which fight for their political survival

**=> Any result is possible at the 22<sup>nd</sup> of September**

# The possible electoral majority of the left

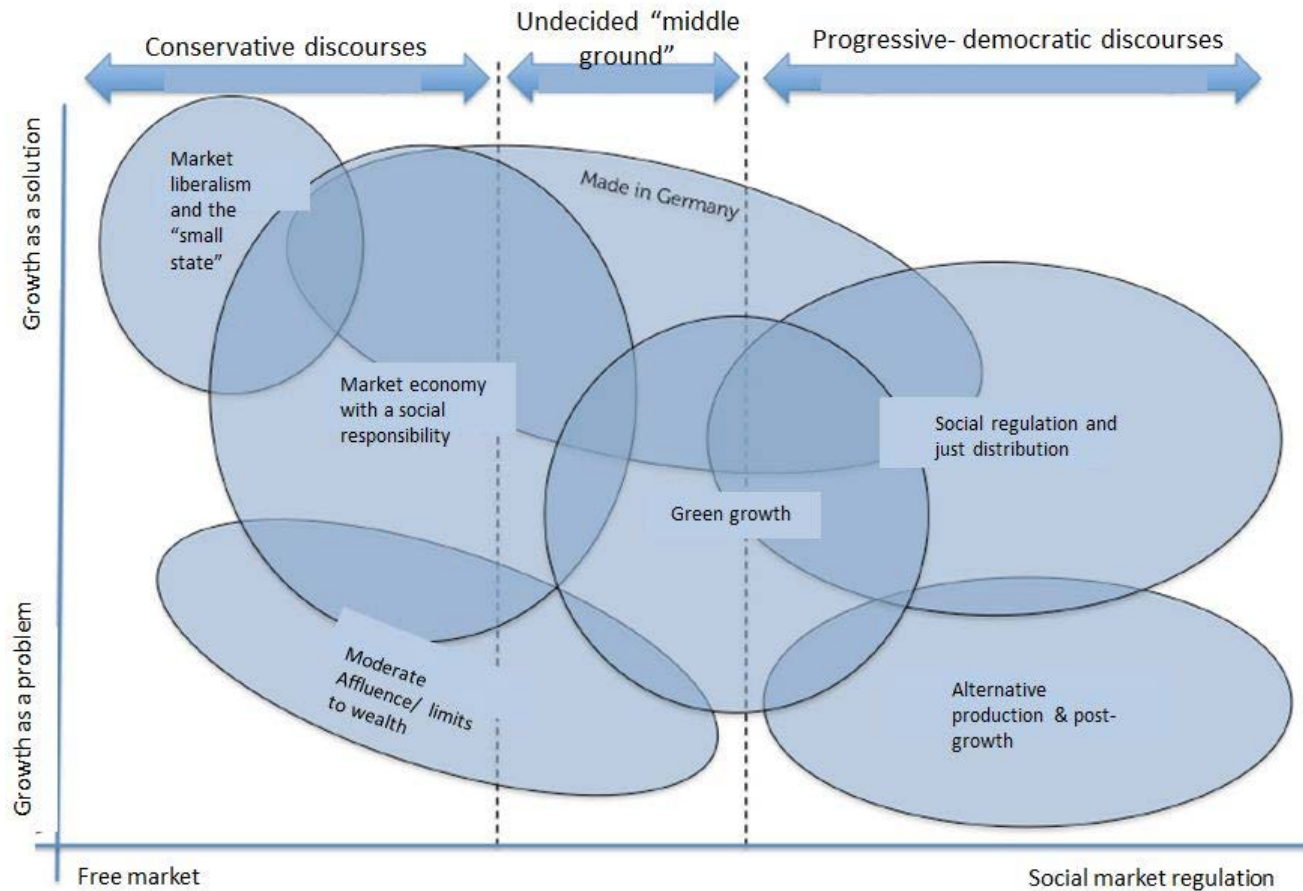
Red-green majority feasible: “Left” topics stand at the fore of citizen’s concerns

Most important topics for the electorate...	March	April
Euro-crisis/financial crisis	33%	27%
Unemployment	20%	23%
The social divide	15%	10%
Prices, costs, wages	12%	10%
Education/school	9%	10%
Pensions	9%	9%
Family/children	9%	9%
Immigration/Integration	7%	8%
Energy shift/Environment/Climate	7%	8%
Frustration w/ Politics/Politicians	6%	7%

Source: Politbarometer, April 2013



# The socio-economic ideological landscape



Source: Mikfeld et.al. [www.denkwerk-demokratie.de](http://www.denkwerk-demokratie.de)

# A potential red-green majority

Progressive “red-green” coalition formed by three discourses:

- Trade Union-side of “Made in Germany”
- Social justice
- Post-Growth

# Perspectives for the electoral campaign

## 1. CDU: Continuity at the helm

- Campaign centred on popularity of “Teflon-Merkel”
- Asymmetric mobilisation,

**Core message:** Merkel will steer Germany safely through the troubles of the Euro-Crisis

## 2. Greens: We are the new centre of society

- Broad topical offer, not only environmental and energy policy
- Aiming also at social democratic lower middle class support

## 3. The “Left”: Back to East German regionalism

- Still strong in former RDA; support in West fades away
- Euro-scepticism as temptation esp. for more sectarian western “branch”

## 4. Liberals: Fighting for survival

# Campaign strategy of SPD

- Issues-centred campaign: Merkel too popular
- Clear commitment to coalition with the Green Party
- Strategy aiming at mobilization of core electorate, parts of which have been lost in the recent decade
- **Core issues of campaign:**
  - Social justice and upward mobility
  - Personal freedom and self-realisation in a modern society for all
  - A strong economy and solid growth
  - Social protection through solid welfare systems

**=> SPD as party of social justice, solidly grounded in the realities of today's society**

# Campaign strategy of SPD

## **Problems:**

- No real mood for change; country at ease with itself
- The ambivalence of the heritage of the reform policies of Chancellor Schröder
- Low personal approval rates for Peer Steinbrück, the candidate for chancellorship

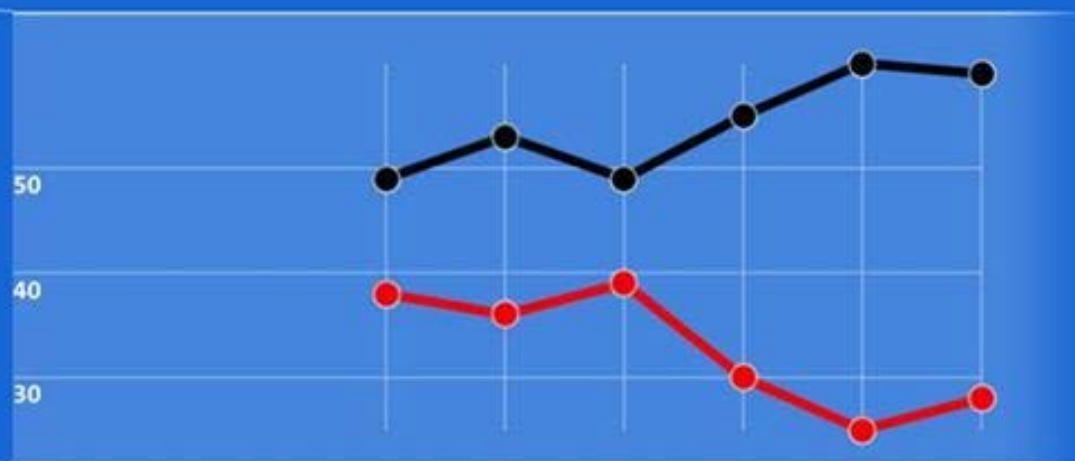
## **Chances:**

- High unpopularity of Liberals and their leading figures
- Demobilization of more conservative parts of CDU electoral base
- Major troubles in Euro-crisis countries might delegitimize Merkel's strategy of austerity and budget consolidation
- Potential rise of populist "anti-Euro-party " in Germany

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### Merkel vs. Steinbrück



	10/12	11/12	12/12	01/13	04/13	05/13
Merkel	49	53	49	55	60	59
Steinbrück	38	36	39	30	25	28

in %

Infratest dimap

# Implications of change of government

## **Domestic policies:**

- Few changes, fine-tuning of existing structures
- Moderate tax increases for upper middle class
- Some attempt to reform health insurance system
- Continuity in budget and fiscal discipline agenda
- No offensive socio-cultural modernization agenda

## **Europe:**

- Stronger willingness for transfer of sovereignty to EU, more controlling and directing powers for Brussels administration (“European governance”)

**Problems:** Limits of existing German constitution; economic problems of Southern European countries,

# The Euro conundrum

- Major crisis of EU since its creation
- Citizens increasingly sceptical
- Germans are willing to help, but within in limits
- Euro as currency area is core of the problem



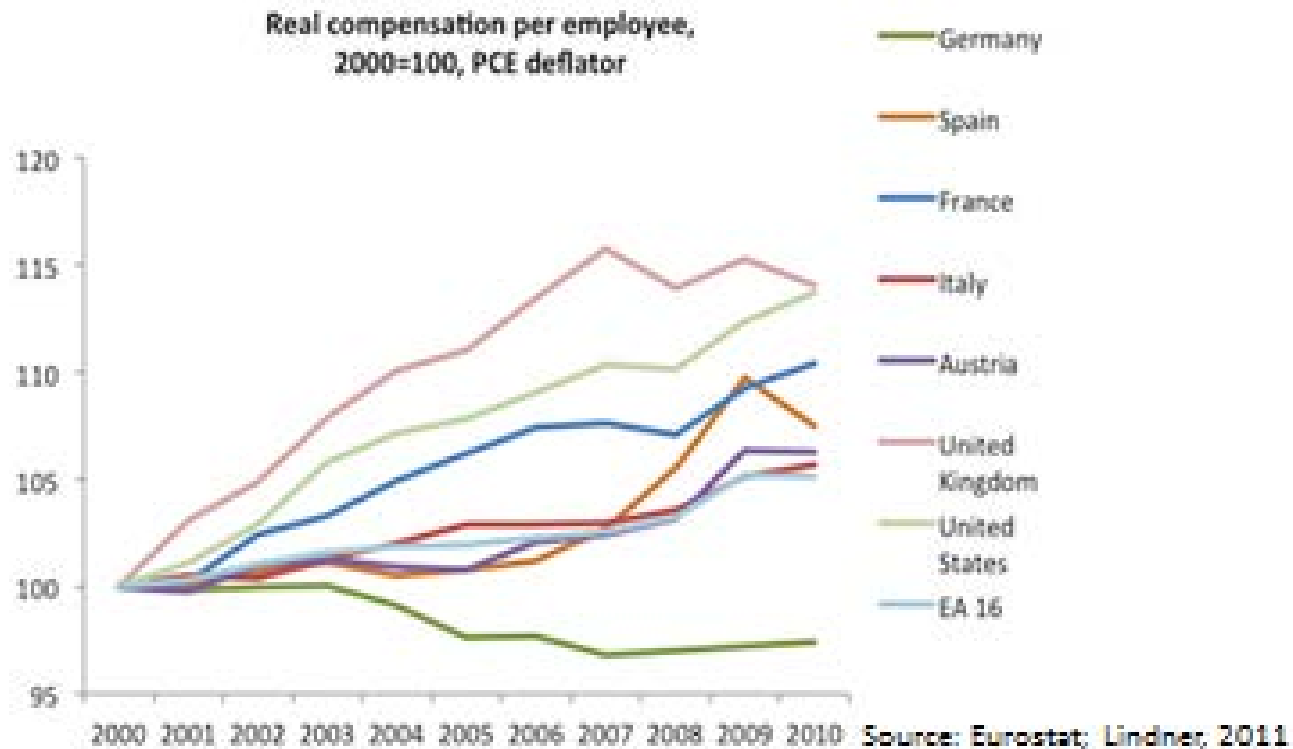
# The Euro-Conundrum:

## Germany is rich, Germans aren't

- General mood in population is still pro-European
- But feels at the same time that it has paid a hefty price for the consolidation of the German economic situation

=> Low inclination for additional transfers to crisis countries

# Wages in Germany have been stagnating for a long period

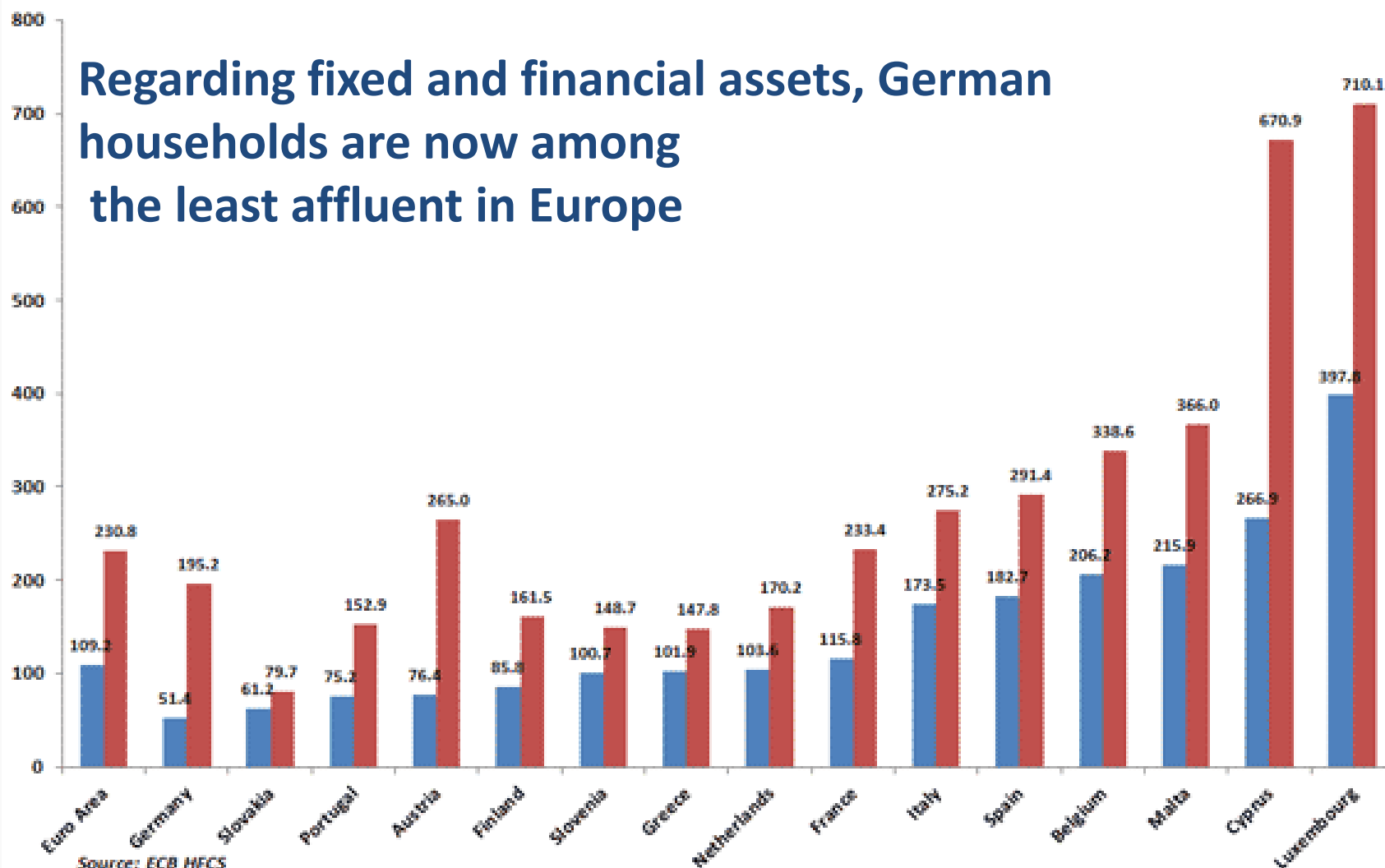


# Development of real term wages 2000 - 2006



Figure 1 Household net wealth, euro thousands

■ Median ■ Mean



Source: ECB HFCS

 Click to enlarge

# **Euro conundrum:**

## **No good solutions available**

### **Alternatives:**

- Real term adjustment in GIPSI + France through sustained, long-term austerity policies
- Creeping de-industrialization of Southern Europe, compensated by intra-European transfer mechanisms financed by northern countries
- Controlled dissolution of Eurozone, return to a system of controlled floats of currencies