Merkel at risk? German political scenarios

German election results and opinion polls, support for political parties in %

- **Another bad Sunday:** After a major drubbing in Bavaria on 14 October, the parties backing Chancellor Angela Merkel’s coalition in Berlin look set to suffer heavy losses again at the Hesse state election this Sunday. Regional opinion polls project that Merkel’s centre-right CDU may lose 12 points to end up at 26.5% while the centre-left SPD may fall by 10 points to 21%. Such losses would go well beyond the usual mid-term blues for a ruling coalition.

- **Deserting the big tents:** Losses in Hesse would again show voter revulsion at the serious infighting that has gripped Merkel’s government since June. However, they are also part of a much bigger trend (see chart). As society changes and old allegiances (such as workers vote SPD, rural regions vote CDU/CSU) weaken, the traditional big-tent “Volksparteien” (people’s parties) have lost their erstwhile dominance. Over the past 30 years, the centre-left Greens and the leftist Left Party have chipped away at support for the SPD. Since the refugee crisis of 2015, the right-wing AfD has made heavy inroads into the voter base of the CDU/CSU and also the SPD. In an ongoing polarisation of politics, the rise of the AfD has contributed to the surge in mostly urban support for the Greens who present themselves as a responsible opposition with views diametrically opposed to those of the AfD.

- **A bad result in Hesse would raise two big risks for Merkel:** First, if the CDU’s state prime minister and Merkel ally Volker Bouffier loses office in Hesse, a shell-shocked CDU may rebel against Merkel and eject her as CDU chairwoman at the party’s convention on 7-8 December as a prelude to replacing her as Chancellor as well. Second, a desperate SPD may conclude that it needs to renew itself in opposition and desert Merkel in Berlin.

- **The fear that binds:** Our base case remains that neither of these two big risks will materialise. Replacing Merkel (CDU/CSU) or leaving the coalition (SPD) would trigger serious uncertainty that could potentially lead to new elections. As both CDU/CSU and SPD would have to lose a lot from new elections, according to opinion polls (see chart), they will probably shy away from steps that could lead to such an outcome soon. But the risk is significant.

- **Political scenarios:** If the SPD leaves the government, the CDU/CSU would probably try to form a new coalition with the willing Greens and the liberal FDP. However, the small FDP would likely insist that Merkel be replaced as Chancellor with another CDU politician. That process may not be smooth, though. If the CDU ejects Merkel or asks her to plan an orderly transition, with Merkel perhaps running for European Commission president in 2019, the SPD may take the opportunity to walk out of the government, possibly leading to a CDU/CSU-Green-FDP alliance.

- **Big headlines, few policy changes:** Even if Merkel were to be replaced and/or if a new government were to take power in Berlin, with or without new elections, it would not make a major difference once the dust has settled. Any conceivable coalition in Berlin would still be dominated by the mainstream parties CDU/CSU, SPD, Greens and the smaller Liberals. Their similar views on key issues such as NATO, EU and euro reflect a national consensus. While individual sectors may be affected, for example with the Greens insisting on a faster exit from coal, the outlook for small-scale reforms in Europe and for dealing with Italy and Brexit would not change dramatically.
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