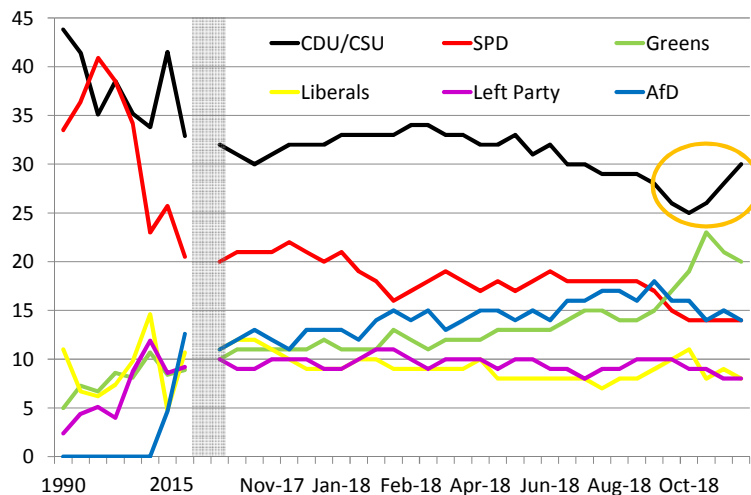


7 December 2018

## German politics: change is in the air

CDU rebound? German elections and opinion polls, support for political parties in %



Election results 1990-2017; monthly opinion polls thereafter. Sources: www.wahlrecht.de, ARD

- Change is in the air:** 1,001 delegates from Germany’s centre-right CDU convene today to elect the successor of Angela Merkel as leader of the party. Whoever wins the race will be in the pole position to follow Merkel as German chancellor at the end of her regular term in late 2021, or possibly much earlier.
- A choice that matters:** Of the two top candidates, the centrist Annegret Kramp-Karrenbauer (aka “AKK”) and the more conservative Friedrich Merz, opinion polls give AKK the edge among CDU party members. However, the race looks close. Delegates may well be swayed by the candidate who performs best on the stage today. Merz has charisma. AKK is perceived as standing for continuity in Germany. For a country that, despite signs of a cyclical downturn, is still enjoying golden years of full employment, low inflation and a fiscal surplus, a “Merkel without Merkel” is appealing. Merz is seen more as standing for change – and the risks and opportunities that come with it.
- Merkeldämmerung?** Both AKK and Merz have vowed that, if elected, they would work loyally with Merkel as chancellor. Merkel herself has declared that she wants to stay on until the end of her term but not run for re-election again. Still, the fate of Merkel as a lame duck chancellor will likely be decided by others rather than herself unless she eventually chooses to step down voluntarily. This seems unlikely for 2019 and, probably, for 2020.
- Two ways to bring down Merkel:** Energised by a new leader, the CDU itself may ask Merkel to step aside early. Alternatively, Merkel’s coalition partner, the badly battered centre-left SPD, may walk out of the coalition and force the downfall of the government and Merkel. Both options would be more likely if the more abrasive Merz becomes the new CDU leader than if AKK prevails. Still, the hurdle to bring down Merkel would remain high. First, since her decision not to run again, her popularity has recovered amid a little dose of “Merkel nostalgia”. Second, whoever dethrones “Mutti” could face the wrath not just of her supporters but of many voters who value stability.
- What if?** If AKK wins, we would rate the chances that Merkel would still be chancellor at the end of 2019 at above 50%. If Merz makes it, her chances to stay on for another year or longer would fall well below 50%, largely because Merz would raise the risk that the SPD leaves the coalition upon or before the scheduled mid-term policy review in the autumn of 2019. If Merkel falls, new elections would be an option. But with the possible exception of the Greens, none of the mainstream parties has a major interest in a new vote. More likely, the new leader of the centre-right would team up with the Greens and the Liberals for a black-green-yellow “Jamaica” coalition.
- Change for Europe?** German politics works largely by consensus, partially because a government usually needs the support of parts of the opposition to push major change through the upper house of parliament, the *Bundesrat*. At home the net effect of a switch from a Merkel-led CDU/CSU-SPD coalition to Merz-led Jamaica could be a modest income tax cut (early abolition of the “solidarity surcharge”) and an earlier exit from coal to please the Greens. On the European scene, Merz may make a little difference if he wanted to. Precisely because he is seen as more conservative, he could find it easier than AKK to persuade the sceptics in the CDU/CSU to go along with more risk-sharing in a Europe that has still not adequately responded to Emmanuel Macron’s reform proposals.

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