

The political fragmentation sweeping Europe reaches Germany

Introduction

Germany is the European Union's most indispensable country. For starters, it has both the EU's largest and the strongest economy. Germany's political landscape has also long stood out for its stability. The country is led by Chancellor Angela Merkel, the EU's longest-serving head of government.

Germany's strengths contrast sharply with the economic and political weaknesses of many of the other EU member states. Above all, Chancellor Merkel has distinguished herself as one of the very few European leaders to have maintained strong domestic approval ratings in the face of Europe's multiple challenges. It could be argued that, without Germany's strong economy and leadership, the EU/Euro zone would be in much worse shape than it is in today.

While Chancellor Merkel's alliance won the September 2017 election, the significant drop in support for Germany's two main parties suggests that the public backlash against the traditional governing elite has finally reached Germany as well. A major reason for this has been the migration crisis, which may ultimately prove to be the event that finally pierces Merkel's geopolitical armour.

Political fragmentation has made it much more difficult to form a government

The September 2017 election produced one of the most fragmented parliaments of the post-war era. While Merkel's Christian Democratic Union (CDU)/Christian Social Union (CSU) alliance won, it managed to garner only 33% of the vote. Support for Germany's other mainstream party, the Social Democratic Party (SDP), fell to only 20.5%. Taken together, the combined support for these two political groupings plummeted from 90% in the late 1970s to under 55% today.

They have lost support to a wide array of smaller parties, including the far-right Alternative for Germany (AfD), the centre-right and Eurosceptic Free Democratic Party (FDP), the environmentally focused Greens, and the far-left The Left (founded by members of the former East Germany's Communist Party).

Election Results

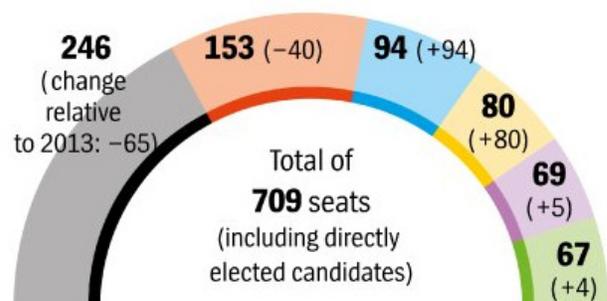
Preliminary certified results of 2017 Bundestag election

Party	In percent	gains / losses in percentage points
CDU/CSU	33.0	-8.5
SPD	20.5	-5.2
AfD	12.6	+7.9
FDP	10.7	+5.9
Left	9.2	+0.6
Greens	8.9	+0.5

5% hurdle

Distribution of Seats

in the new Bundestag



Source: Federal Returning Officer

Over 20% of the seats in the Bundestag, Germany's parliament, are now held by the two parties on the far right and left of the political spectrum: AFD and The Left. Both rode a wave of public discontent over migration and/or globalization.

Increased support for formerly marginal political forces has made it much harder for mainstream parties to form a governing coalition. An attempt to establish a three-way coalition between Merkel's conservative bloc, the Greens and the FDP failed primarily over the issue of immigration. The FDP wanted hard caps on asylum seekers, while the Greens were opposed to this.

Will Germany be forced to hold new elections?

There are three potential scenarios:

1. **The German president dissolves the Bundestag and calls new elections.** This would be the first time in the post-war era that an election would be held because negotiations over forming a new government failed. Some polls indicate that support for Germany's two mainstream parties would sink to even lower levels if another election were held.¹ This is no doubt one of the main reasons behind the German president's reluctance to go this route.
2. **The formation of a minority government.** Merkel's administration would require support from opposition parties on a case-by-case basis to pass legislation. However, Germany has never had a minority government before and Merkel does not support this option.
3. **Merkel's CDU/CSU alliance seeks another grand coalition with the SPD—the same formation that has ruled Germany for the past four years.** The SPD initially came out strongly against this option because it felt being part of the last government hurt its popularity. Despite this resistance, the SPD has recently entered into talks with the CDU/CSU. One reason for this is fear that another election could lead to a further erosion of support for the SPD.

The road to long-term political hell is paved with good intentions

We feel that the most likely outcome is the formation of another grand coalition between Germany's two main parties. While this could stabilize Germany's political landscape over the short term, the unintended long-term consequence of this strategy could be a further increase in support for formerly marginal political forces.

This is because the longer the two main political parties govern in a grand coalition, the greater the risk that Germans will view these two parties as being one and the same. This in turn increases the risk that Germans will support parties on the far right or left of the political spectrum, especially since they would constitute the only real alternative. **Indeed, if another grand coalition is formed, the main opposition party would be the far-right AFD.**

Whatever the outcome, Germany faces weeks, if not months, of inaction. The acting government is unlikely to make any major policy decisions at home or on the European front. As for Merkel's prospects, while she will probably lead the next government, it is increasingly likely that she will retire from the political scene within the next year or two.

Germany is the latest sign of Europe's growing political fragmentation

Germany marks the continuation of a trend that has led to a drop in support for mainstream political parties across Europe. This more fragmented political landscape makes it harder to form stable governing coalitions.

- In October 2016, Spain's Popular Party formed a minority government after ten months of political deadlock and two elections.
- The Netherlands has seen the combined support for its three traditional mainstream parties—Labour, Christian Democrats, and Freedom and Democracy—plunge from 86% in 1986 to 36% in the latest election (April 2017). It took over seven months of negotiations for four parties to recently agree on a fragile coalition with only a one-vote majority in the parliament.
- As for Europe as a whole, the share of the vote received by the winning party has decreased from an average of 37% in the early 1980s to only 31% today.²

¹ "FDP legt zu - Union unter 30 Prozent," Spiegel, November 21, 2017

² "Europeans are splitting their votes among ever more parties," The Economist, January 12, 2017

A leaderless Europe

A Germany that is more preoccupied by its internal political situation, including the rise of the far right and the migrant crisis, could be forced to pull back from its traditional leadership role in the EU. This means less effort spent on tackling the EU's many challenges. This risk is further amplified by the widespread feeling among Germans that they have unjustly been forced to bear most of the burden for accepting migrants in Europe. This in turn will make Germany even more reluctant to support financially hard-pressed EU countries in the future.

Germany's political challenges have, in particular, thrown roadblocks in front of French President Emmanuel Macron's ambitious agenda. Macron supports, among other things, the creation of a Eurozone finance ministry in order to provide much greater financial assistance to struggling member states.

Convincing Germany that it should be even more financially liable for the spending decisions of other countries would have been very difficult under the best of circumstances. Under Germany's current domestic political situation, it is near impossible. The Netherlands, Finland and Austria are also strongly opposed to providing greater financial support to other countries. Macron's positions have led the German press to refer to him as a "teurer freund", which is German for "expensive friend."



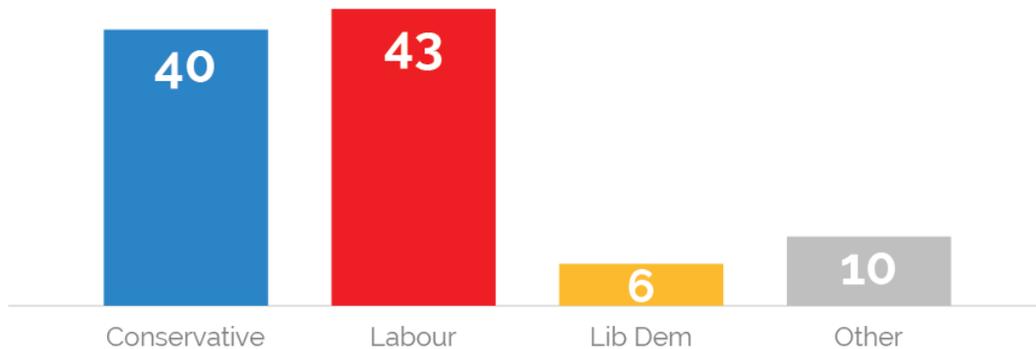
Germany's domestic troubles could impact Brexit

Germany's uncertain political state of affairs could also delay important EU decisions regarding Brexit. This could make it more difficult to negotiate a new trade deal by the EU's self-imposed March 2019 deadline.

A hard Brexit would increase the risk of seeing the UK minority conservative government collapse and new elections being held. The Labour Party, led by far-left Jeremy Corbyn, is currently ahead in the polls. Among other things, Corbyn is in favour of nationalizing utilities, railway companies and the postal service as well as significantly raising taxes.

Westminster voting intention

If there were a general election held tomorrow, which party would you vote for? %



YouGov | yougov.com

November 7-8, 2017

Conclusion

Germany is the latest country to witness a decline in support for its traditional mainstream political parties. This not only complicates Germany's internal political landscape, it adds to the challenges facing Europe. **Regardless of the outcome of current negotiations to form a new government, a Germany preoccupied by its increasingly fragmented political landscape has less political capital to dedicate to solving Europe's challenges.**

The fact that no other EU member state can step in to fully take over Germany's traditional leadership role further complicates matters. Despite France's best efforts to claim this mantle, Macron is dealing with the challenge of converting his economic reforms into stronger growth and is already facing a drop in popularity. Italy is struggling with an economy that has barely grown since it joined the Eurozone in 1999 and Spain is more than preoccupied with Catalonia.

All of this has made the challenge of further EU integration even more daunting. Many experts feel that the Eurozone will not be able to function properly over the long term without a fiscal union or a lender of last resort. However, this line of thinking is at odds with the growing sentiment within the European electorate that integration has already gone too far. If the EU's governing elites attempt to push for further integration without democratic consent, they risk a major political backlash.

Finally, it is important to note that despite Europe's recent return to modest economic growth, support for parties on the far right and left of the political spectrum has continued to grow in recent elections (e.g., France, Germany, Austria, and Czech Republic). The challenge of containing these forces would be even more difficult if Europe entered an economic downturn.

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