

“It is the end of an era” – open any article on the German elections anywhere and this is what you will read. And it is true, for the better part of two decades Germany has been governed by Angela Merkel and her Christian Democratic Union (CDU). And for much of that time, she has done so in a Grand Coalition with the Social Democratic Party (SPD). Together, the two parties have represented every chancellor since the end of WWII (minus 9 days when Walter Scheel of the Free Democratic Party (FDP) briefly held the office). Bar a major upset on the homestretch, the next German government will depend on the ability of one of these parties to form a governing coalition.

Traditionally, only the candidates of the SPD and CDU were considered chancellor candidates and partook in the televised debates and overall election circus. This year for the first time, a third party, The Greens - who had been polling in second place behind the CDU for most of 2020 - has been included in this process. The last 9 months have seen a rollercoaster of polling numbers and each of the three candidates, Armin Laschet (CDU), Olaf Scholz (SPD), and Annalena Baerbock (Greens), have been leading at one point or another. But after various blunders from both Laschet and Baerbock, the SPD and the “Scholz-machine”, as the ever-measured and quiet Scholz is also known, seem to have solidified their 5-point lead.

But even if the SPD receives the highest percentage of votes, the final government will be defined by math and negotiations. As it stands, all three parties (SPD, CDU, Greens)

would need two other parties to form a majority government. While there are around 6 different formations that could mathematically be possible, most assume it will come down to the negotiations with the FDP and The Left and based on the concessions these minority partners would be willing to make. The FDP is Germany's leading classical-liberal party and the traditional junior partner of the CDU. The Greens would likely have to make painful concessions if they were to team up with the FDP. The Left is the most powerful socialist-left party in Germany. Due to their political allegiance with Russia, the CDU has verbally ruled out a coalition. For the Greens, The Left provides a lot more policy overlap than the FDP, but they too would require clear concessions that The Left may not be willing to make (embracing NATO for example). The SPD finds itself divided over the issue. The more left leaning party base would prefer The Left over the FDP. But Scholz, while not having ruled it out, has distanced himself from such a scenario leaving more room for an alliance with the FDP.

In summary, the outcome remains impossible to predict and we will likely have to wait quite some time for a definitive answer (the last government negotiations took 4 months). This report provides profiles on the three main candidates as well as an overview of key topics and what you may expect from the various parties should they make it into the government. We have chosen to exclude the Alternative for Germany (AfD), the leading right-extremist populist party, because they have been publicly ruled out as coalition partner by all other parties.

The chancellor candidates



OLAF SCHOLZ

Scholz is a former mayor of Hamburg and current Finance Minister and Vice Chancellor to Angela Merkel. He is known as a conservative within his own party. The SPD, known as a centre-left party, has its roots in the labour movement with core policies focused on increasing the minimum wage and improving social securities. Scholz does subscribe to these classical SPD philosophies but is comparatively fiscally conservative, which is best exemplified by his support for keeping the “black zero” or balanced national budget – a philosophy that is more typically rooted within the CDU. The choice to appoint Scholz is seen by most as a strategic move to win over Merkel-voters, an electorate that was judged as more likely to swing than the Greens' voters on the left of the SPD. He in many ways embodies the traits that Germans have long appreciated in Merkel; measured, unemotional, and analytical. While this is decried by the media as boring, it clearly hits a nerve with the German electorate. Where only a few months ago, the SPD was dismally trailing behind, it has since overtaken the CDU for the first time in years and established a steady lead near the 25 percent marker.



ARMIN LASCHET

The centre-right CDU also picked the candidate most representative of a continuation of Merkel politics. Armin Laschet, the current Minister President of North Rhine-Westphalia and chairman of the CDU, was long seen as the candidate to beat this election. He is a long-time party ally of Merkel and stands in most regards for a continuation of her political approach, promising no tax increases on businesses and the rich, and keeping the “black zero”. Laschet has been faced with the challenge of embodying a Merkel-esque leadership style and defending the past 16 years of CDU government, while also promising change to the voter and a conservative shift to the powerful conservative wing of the CDU known as the “Value Union” (Werteunion). Add to this a consistent string of public gaffes and you get a consistent drop in the polls to just around the 20 percent marker (even lower if you poll candidates instead of parties) that indicates he may have bitten off more than he can chew.



ANNALENA
BAERBOCK

Annalena Baerbock has positioned herself as the candidate for change. She has been an MP since 2013 and is the co-chair of the Greens. The Greens are a traditionally left of centre party with a focus on climate protections and socio-economic equity that is embedded throughout their party platform. Baerbock is seen as part of the “Realpolitik” wing of her party, which, in contrast to the pacifist wing, does acknowledge a selective need for military interventions. Her perceived inexperience is seen as her main weak spot and while she saw impressive polling numbers in the early stages of her campaign, a row of embarrassing faux pas (including errors in her CV and alleged plagiarism) took their toll on public perception. She has seen a recent point gain following convincing performances in TV debates, but her party continues to trail the big two, polling at around 17 percent.

The issues

1

Economy

As we are slowly coming out of the COVID-19 pandemic much of the media has focused on plans to help Germany and its citizens back on their feet. The plans proposed by the parties to provide such relief are emblematic of their core values and identities.

**CDU/CSU**

Post-pandemic economic recovery is at the centre of the Union's election program. Although the Union does not follow a neo-liberal Friedman free-market philosophy, it is still best described as a business-friendly party that favours a trickle-down approach. Its recovery plan is centered around the idea of providing "relief" to businesses by cutting regulations for corporations and citizens and proposing a business tax reform. The Union propose a 5-point corporate tax cut (from 30 percent down to 25 percent) and further wants to relieve taxes for low and middle-income households, although no concrete numbers have been proposed and no details for the larger reform have been laid out. It also wants to make government bureaucracy more efficient by speeding up planning and approval procedures. The Union is a staunch proponent of the "black zero" of a balanced budget. This continued refusal to incur public debt at a time when many are calling for increased public spending to combat climate change and stimulate the pandemic-ridden economy is seen as a concession to the conservative wing of the Union.

GREENS

Similar to the SPD, the Greens subscribe to an equality-based economic policy, which for them is also inextricably linked to climate policy. They strive for a climate neutral economy, which they want to achieve through an "energy revolution" that renews the labour market with "Green Jobs" in emerging fields. Their equality policy has a significant overlap with the SPD, as both promote raising the minimum wage to 12 euros an hour, raising taxes for high-income households and reintroducing the wealth tax. The Greens want to use the funds accumulated through this wealth tax to be subsequently funneled into the educational system. Low and medium incomes would simultaneously receive tax relief. They want to further strengthen government abilities to limit tax evasion in Germany and in the EU and to address the high costs connected to their climate protection plans, the Greens want to increase the CO2 tax. They plan to reimburse citizens for those tax payments, while simultaneously using the collected taxes to finance climate change programs. Unlike the CDU and the SPD, the Greens want to break the "black zero" policy and even go so far as removing the "debt ceiling" from basic law. It is a goal that is unlikely to survive coalition negotiations with the SPD or CDU.

SPD

For the SPD, equality is at the core of their post-pandemic recovery program. In their opinion, those that have little have suffered most and those that have a lot should give the most to ensure everyone gets back on their feet. To accomplish this, the SPD proposes tax cuts for middle- and low-income earners and a 3-point increase for high-income earners, in addition to a reintroduction of the wealth tax. As the labour party, the SPD proposes multiple reforms to protect and strengthen workers' rights. These reforms include the elimination of unjustified fixed-term employment contracts, raising the hourly minimum wage to 12 euros (from the current 9.50 euros), and reforming the often-criticized long-term unemployment program Hartz IV. The chancellor candidate Scholz officially adheres to the "black zero" – i.e. a balanced public budget. In the party program, however, the SPD calls for a rejection of the "black zero" policy, and thus also clearly distances itself from the CDU/CSU. Which course the SPD will eventually veer to will likely depend on coalition negotiations.

FDP

For the FDP, this is undoubtedly the most important policy area. Chairman Christian Lindner has been campaigning with the ambition to become finance minister. For the FDP, economy comes first – it is seen as the prerequisite for social and ecological goals. The FDP's views are best illustrated as a juxtaposition with the Greens: The FDP wishes to lower taxes and refuses fresh debt-taking. It despises the idea of an unconditional basic income. The FDP also wants to cap social spending at 50 percent of the federal budget and seeks to reduce the tax burden on companies to around 25 percent, while completely abolishing the corporate tax. Overall, the FDP's election program stresses the need for significant investment to modernize education and digital infrastructure. However, the party remains unclear as to where the money for this should come from. Traditionally, FDP politicians put their hopes on economic growth and rising tax revenues through a free-market approach.

THE LEFT

The economic proposals of The Left are reflective of their socialist identity. Their entire economic program is aimed at redistributing wealth. Proposals include an increase in minimum wage to 13 euros an hour, an overall income increase for low- and medium income earners, strengthening unions and several more regulations to better protect all workers, especially temporary and part-time workers that have been particularly under-protected. They want to introduce a binding upper income limit for corporate managers and board members and a progressive wealth tax in addition to raising the income tax to 53 percent on annual incomes above 70k euros. Despite the well-intended nature of the proposed policies, the party's stance on labour and tax issues is considered unfeasible by all other parties.

2

Climate and Energy

All parties, except for the AfD, believe that the climate crisis will be a defining topic of next administration. But as a study of the German Institute for Economic Research notes none of the proposed plans would enable Germany to meet the goals set out by the government's "climate protection program 2030". The defining differences can be found in their approaches to protect both the climate and the economy. Where the Greens and Left proposed major reforms and industry prohibitions, the SPD, CDU and FDP have various differing ideas on how to entice German industry to embrace the shift on their own rather than forcing it upon them.



CDU/CSU

The Union remains committed to its goal for climate neutrality by 2045 and strictly opposes prohibitions or bans. The conservatives are traditionally protective of Germany's big business interests and have close ties for example to the German car lobby. Thus, instead of pursuing speed limits on the Autobahn or bans on combustion engines, they put their money, literally, on innovation and investment in new climate and energy technologies. The goal is for Germany to become the "hydrogen country n°1". While the Union has no formal position on CO2 pricing, they do call for an immediate dismantling of the EEG surcharge. The Union positions itself in opposition to the Greens, whom they decry as a "prohibition party". But their climate plans have found little enthusiasm among climate experts, who describe them as lackluster and "too little too late". Their candidate Armin Laschet has similarly done little to inspire more faith. He often touts North Rhine-Westphalia, where he serves as minister president, as a national example for renewable energy, a claim that has been widely debunked by fact checkers.

GREENS

Climate policy is at the core of the Greens' identity. It is therefore unsurprising that their program is seen as the most well rounded of all the party programs. The Greens see climate protection as an overarching topic that influences all other policy areas, or rather all policy needs to be formulated with the climate in mind. Various measures can therefore be found throughout their program, including the proposal of "Green Jobs" in their labour policies. In addition, the Greens propose an "Immediate Climate Protection Program" to counter the "climate catastrophe". These measures include raising the CO2 price (from 25 euros to 60 euros per ton), ending coal energy, minimising all emissions by 70 percent by 2030, and creating of a Ministry for Climate Protection. The Greens want to install solar panels on all roofs and invest 100 billion euros in the German train network. It is well known that Germans love their cars and so the most hotly debated measure proposed is the prohibition of new registrations for combustion engines by 2030 along with their support for a speed limit of 130 km/h on the Autobahn. While climate experts judge the Greens' program as the most holistic plan to address the climate crisis, the implementation of most of the measures seems unlikely at this point in time. The Greens would need to come to an agreement with the Union or SPD, both of whom have already expressed a clear opposition to a number of the more ambitious ideas.

SPD

The SPD also reinforced the 2045 goal for climate neutrality, focusing its efforts on investments in infrastructure and innovation to further the German energy revolution. They envision a long-term industrial strategy that protects the stability of the economy while creating jobs through emerging climate-neutral specialties. They further want to promote e-mobility and, in contrast to the CDU/CSU, the SPD demands a speed limit of 130 km/h on highways. By 2040 all electricity is supposed to come from renewable resources, a goal they want to reach through widespread installation of solar panels on roofs and by making Germany a global leader in hydropower. The EEG surcharge should be dismantled by 2025. Like the Union's program, the SPD's plans have been described as underwhelming. Especially the party's base voters are unimpressed by the lack of ambition. But the approach may have succeeded in attracting those Merkel-voters ready for a change but cautious of veering too far off course.

FDP

The FDP puts the self-regulating mechanisms of the free market at the centre of its climate policy. Unlike the other parties, the FDP advocates for a climate protection plan that "counts back" from the maximum amount of CO2 that can be emitted and seeks to inject the remaining amount into the market via emission certificates. Companies across all sectors would then have to buy these certificates, and the market itself would regulate the price. Because of the over-simplicity of the approach, this seems to be one of the most ambitious, but also unrealistic concepts among the various election programs. In line with this, the FDP's program prioritises technological innovation including electronic cars and synthetic fuels and how to make those inventions profitable for mass-production. To open the market up to new energy and mobility solutions, the FDP wants to drive up the price for CO2 certificates and return CO2 revenues to the people through decreased electricity taxes and abolishing the EEG surcharge. Similar economic measures are aimed at increasing hydrogen production.

THE LEFT

The Left wants to drastically speed-up climate protection, with the goal of Germany achieving climate neutrality by 2035 with an 80 percent reduction of all emissions by 2030. The Left is opposed to emission-trading as a climate protection tool and instead proposes a nationalisation of all energy companies, and an exit from coal energy by 2030. The Left is also opposed to nuclear and fossil fuel energy. In order to help the energy industry in undergoing this transition, the party proposes the creation of a climate transformation fund that would be equipped with 20 billion euros annually. As even the coal exit remains a point of debate, these are highly unlikely to gain traction. Even their proposal to minimise energy costs for the individual by lowering the energy tax seems unconvincing to most. The Left is the only other party next to the Greens that promotes a stop to combustion engine registrations by 2030. It also supports the introduction of a speed limit on the Autobahn and stricter speed limits overall. The Left's mobility policy is overall focused on enabling German citizens to become car-less as soon as possible by improving public transportation networks, including the wider use of new models such as "citizen buses" and group taxis.

3

Digitisation

Germany's progress in digitisation has been slow, especially for the country that likes to boast itself as a "nation of engineers". Weak internet, even in larger cities, zero-coverage spots all throughout the country, in trains and on the Autobahn, and public authorities that still use fax machines, have long become a running joke. In short, the next government has its work cut out if Germany wants to remain the largest economy in Europe and keep up with rising economies elsewhere.



CDU/CSU

The CDU/CSU wants to steer Germany into "a decade of modernisation" which is a reaction to the media criticism leveled at their own Angela Merkel for failing to modernise and digitise the country. The Union wants to create a nationwide 5G network by 2025 and establish a new centralised body that coordinates digital policy, a Ministry for Digital Innovation and Transformation. This ministry would oversee various projects including the development of an "app store" for administrative services. To make public service accessible to citizens online, they want to introduce an "e-ID" that combines the social security number and tax ID. For the health sector, the CDU has proposed the development of an "e-health roadmap 2030". Most of these proposals would only meet voters' minimum expectations, and Laschet has struggled to convincingly explain why these plans would now be more successful than in the previous 16 years of Union leadership.

GREENS

For the Greens, digitisation is a central tool to minimise energy and resource consumption. Technological innovation, including the use of AI and IT for more efficient industry and agriculture processes, is seen as equally important in achieving their energy goals, as inventions to improve clean mobility (i.e. hydrogen cars). To ensure a "green digitisation", all federal computers, servers, and data centers should be powered by renewable energy. In alignment with the SPD, the Greens view access to fast and stable internet as a right of every citizen. For the Greens, this not only includes the promise of a stable internet connection in every household, but also nationwide mobile network coverage. Although recognising the importance of 5G, the party underscores the need for European sovereignty and human rights – an implicit reference to China and Huawei. The Greens also propose plans to digitise public administration and health services, including the development of a "digital identity" equal to the German ID card, but accessible by smartphone. The Greens can expect support among governing partners for the general approach, exemplified by their overlap in ideas with the SPD program.

SPD

The SPD proposes a digital transformation that keeps social equality in mind. Their goal is to improve Germany's digital infrastructure to "world class level" by 2030. The SPD views access to internet at home and at school as a right for all citizens. They want all households to be provided with an internet speed of one gigabit per second and all schools to be equipped with Wi-Fi. A "social tariff" should be introduced to cover network costs for students and low-income earners. Staying true to its values of social equality, the SPD is concerned about the global power of digital platform monopolies. However, it sees the EU, more so than Germany, as the key player to address these concerns. On a national level, the SPD wants to expand the Network Enforcement Act (NetzDG) and promote net neutrality. Most of these policies are probable to find support among possible coalition partners, the Network Enforcement Act being the likeliest topic of debate.

FDP

Digitisation is at the heart of the FDP's identity as the main driver of social progress. Similar to the Union, the FDP wants to establish a "Ministry for Digital Transformation". This idea has been widely criticised for being out of touch with the reality that digitisation is not an insular issue, but a mega-trend pervading all policy areas. Data protection is a key concern for the FDP as the party views data processing as inextricably linked to personal freedom. Following this line, the FDP advocates in favor of a right to encryption and a right to anonymity in the digital public space. The FDP also wants to abolish the NetzDG, which would significantly deregulate platform providers. In addition, the FDP wants to make 5G available nationwide by 2025 and drive the expansion of high-speed fiber networks. In this expansion of critical infrastructure, the FDP seeks to exclude companies that are under the perceived influence of authoritarian regimes.

THE LEFT

The Left has arguably the least developed digital program. Its focus is on universal access to the internet and data privacy. The Left believes in equity across the national network infrastructure and wants to nationalise the sector to accomplish this goal, including the introduction of one national public provider for all mobile network coverage. These proposals are widely seen as unrealistic as no potentially governing party would support this. The Left defines access to the internet as a basic service that should be provided to all citizens. Costs for installation, device procurement and running fees should be covered by all social service and unemployment programs. Highly critical of major digital platforms like Facebook or Google, The Left wants to promote platform cooperatives and platforms operated under public law. The Left is unlikely to find support for its digital policy goals, because they are largely seen as too extreme.

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