

## Germany politics

## German coalition displays timid vision of the future

Everything but ambition in deal where all parties win a bit



Shakin' but not stirring: Angela Merkel and Martin Schulz put seal on a coalition agreement. © EPA

Guy Chazan in Berlin  
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There was a little something for everybody. But not enough of anything to amount to a vision of the future.

The [coalition deal](#) agreed between [Angela Merkel's](#) conservatives and the Social Democrats on Friday after five days of intensive talks was a detailed catalogue of incremental measures designed, they said, to make Germany fit for the future.

But that might not satisfy a populace that is disenchanted with its political class, [tired](#) of a chancellor who has governed them for 12 years and hungrier than ever for something new. It will certainly do little to assuage the one in five Germans who voted for [populists](#) of the left and right in September's election.

"There is this basic longing in German society for a vision of the future," said Werner Weidenfeld, a Munich-based political scientist. In contrast, he said, the coalition agreement felt like it had been written by an accountant. "The dream of a new era dawning looks somewhat different."

Rather than focusing on a few bold new policies, the CDU/CSU and SPD took a scattergun approach, doling out goodies to their core constituencies. All three parties could claim small victories.

The Social Democrats, for example, scored big wins on pensions, education and healthcare. The state pension, which is projected to fall to 47.6 per cent of average lifetime salaries by 2020, will be fixed at its current level of 48 per cent until 2025, and a new top-up "basic pension" will be introduced to prevent old people falling into poverty. Primary schools will be obliged to offer full daycare to schoolchildren. There will be a massive investment in nurseries, as well as schools and universities. Employers will have to contribute more to their workers' health insurance.

"The SPD really achieved a lot, especially in terms of social policy, considering they only got 20.5 per cent of the vote in the election," said Uwe Jun, a professor of political science at Trier University.

For Ms Merkel's Bavarian allies, the CSU, vocal critics of Ms Merkel's open-door refugee policy, there were some important trophies, including a pledge that Germany would take in no more than 180,000-220,000 refugees a year.

And for Ms Merkel's CDU there was also plenty of red meat. The party batted away the SPD's more expensive demands — such as an increase in the top rate of income tax. Indeed, it ensured there will be no tax increases at all, and Germany will continue to balance its budget. Spending promises amounted to €46bn in total over the next four-year parliament — less than half of the €100bn that featured at the start of talks. It will amount to a fiscal stimulus of about 1.2 per cent of German gross domestic product.

That restraint pleased businessmen. "You can't raise taxes when the exchequer is already full and there is international competition on tax," said Dieter Kempf, head of the BDI, the German employers' federation.

There was also a clutch of less controversial policies that all three parties quickly reached

system of care, as well as some warm words on strengthening the EU.

Some analysts thought the CDU, in its pursuit of a new grand coalition, had made too many concessions to the Social Democrats. Clemens Fuest, head of the Ifo Institute for Economic Research, said the coalition deal would lead to a “permanent expansion of the state’s share of economic output, that is, higher taxes and more public services. So to a great extent, the SPD got its way.”

The CDU’s central demand in its election manifesto had been to lower taxes for everyone, and “they didn’t achieve that”, Mr Fuest added. The coalition deal included €36bn of extra spending and only €10bn of tax relief.

But other economists were less worried by the lack of tax cuts than by the overall lack of ambition. “The deal continues the trend away from pro-growth reforms that was already clearly visible in Merkel’s previous term,” said Holger Schmieding, chief economist at Berenberg bank.

Carsten Brzeski, chief economist for Germany at ING Diba, described the agreement as “pretty timid” — a catalogue of “cautious steps forward, rather than any visionary experiments”.

That, said Werner Weidenfeld, was the main problem with the CDU/CSU and their Social Democrat partners. “People are saying their politicians lack a real sense of direction,” he told German radio. “They want to know where we’re actually going.”

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