



Can Martin Schulz beat Angela Merkel?

by Christian Odendahl

As the cliché goes, Germans like their politicians boring but reliable. Angela Merkel has steered Germany through various crises over her 12 years in office, and was on course to add another four after the forthcoming elections in September 2017. But former European Parliament President Martin Schulz has now put such certainties in doubt. His party, the Social Democrats (SPD), has closed a whopping 15 point gap with Merkel's Christian Democrats (CDU/CSU) in a matter of weeks, with both major parties now polling in the low 30s. Moreover, Germans prefer Schulz to Merkel as chancellor by 50 to 34 per cent, according to a recent poll. A Schulz government could well be leading the country by the end of 2017.

To blame the decline of Merkel and her party on her response to the refugee crisis is too simplistic. There are two other, arguably more important reasons, for the recent upset in the polls. First, sometimes Germans do want change. Seventy-one per cent think that Merkel has done a good job as chancellor, and yet, most still want Schulz to replace her – despite giving him a lower competence rating than Merkel. A majority of 50 to 39 per cent want the next government to be led by the SPD, not the CDU/CSU, a sign that there is *wechselstimmung* (mood for change) in Germany. But a desire for change does not explain the dramatic shift in the polls.

The most important reason is Schulz himself. A battered SPD, polling in the low 20s, needed a fresh face. Having spent most of his political

career in Brussels, Schulz is considered an outsider in Germany. That allows him to behave as an opposition politician, despite his own party being in coalition with the CDU. He is not associated with Gerhard Schröder's 'Hartz' reforms of the labour market and welfare system, which continue to take a heavy toll on the SPD's popularity, and which Schulz vows to change. Schulz seems new in German politics, someone who can deliver change and challenge consensus thinking, without seeming populist or unserious.

Schulz has an impressive curriculum vitae too, stretching from unemployed alcoholic to president of the European Parliament. Unlike Merkel, he is an emotional politician who seems to empathise with the concerns and fears of the

average German – and he speaks German with a Rhineland accent, which makes him appear less elitist. That the German financial newspaper *Handelsblatt* repeatedly called him unfit for office because he did not do the *Abitur* (Germany's equivalent to A-levels) only helps to emphasise this point in the eyes of the public.

The poll surge of the SPD has come at the expense of all other parties, with the exception of the pro-business Free Democrats (FDP). But with just above 30 per cent in the polls, Schulz's SPD would need coalition partners to govern. This is where its headache starts. The SPD will no longer be able to rule out a coalition with Die Linke (the Left party). Merkel has been in government for 12 years, and SPD voters and members want change. And the Left has lost its monopoly over protest votes to the Alternative für Deutschland (AfD) making it more suitable for government. Any attempt by the SPD to rule out a coalition with the Left would not be considered credible: 68 per cent of the public believe that the SPD would form such a coalition if the number of seats allowed, but only 30 per cent approve of it. Luckily for Merkel, ruling out a coalition with the AfD is obvious and credible.

Of all the realistic coalition combinations, two would be led by a Chancellor Schulz. If the SPD comes out ahead of the CDU/CSU, both could again form a 'grand coalition', this time under Schulz's leadership as head of the stronger party (an outcome that neither side really wants). Or he could, for the first time on the federal level, form a coalition with the Greens, the SPD's natural partner, and Die Linke, if the numbers allow. At the time of writing, this red-red-green or 'R2G' coalition is polling just below 50 per cent.

What would a Chancellor Schulz mean for Europe? Should Europe brace for a Germany that pushes ahead with federalist policies and makes the Brexit negotiations harder still for the UK?

The European economy would get a mild boost from a Schulz government. The SPD made equity and social justice the key themes of his campaign. He himself pointed to the injustices of the Hartz reforms that made the German labour market more flexible and unemployment benefits less generous. A more redistributive economic agenda would provide a boost to consumption and wages, which in turn would reduce Germany's savings surplus and help to rebalance the eurozone economy.

A Schulz government would also place greater emphasis on public investment. Within the EU, only Cyprus, Portugal and Ireland invest less

in public infrastructure as a share of GDP than Germany. And Germany certainly has the fiscal space to invest more, given that it ran a budget surplus of €23.7 billion in 2016 alone – despite the costs of the refugee crisis. Ramping up investment quickly is difficult for a country that has spent so little over 15 years. But by the time a Schulz government came to power, Germany would be better able to increase investment, and the SPD would surely make use of that – something that a majority of Germans support, according to a recent poll.

But Schulz would still run into the same political constraints as Merkel when it comes to the future of the eurozone. Risk sharing between countries or mutualisation of public debt remain highly unpopular in Germany, and despite his favourable comments about eurobonds in the past, Germany will not embrace them any time soon. Schulz may agree to a common eurozone investment budget or faster integration of capital markets, but probably not to comprehensive European deposit insurance or a European unemployment insurance scheme. That would not be much, but more than another Merkel-led government would be willing to concede.

On Brexit, a Schulz government would not be much tougher than a Merkel one. Most of what informs the German approach to Brexit is based on an assessment of its long-term national interests. Preserving the unity and stability of the EU-27 is the core of that interest, and would be pursued by Schulz as much as Merkel. And Schulz, like Merkel, is aware that a pragmatic deal that leaves the UK weaker but still a partner of the EU-27 in foreign and security policy is in the best interest of Germany and the EU. Whether Schulz would command the same authority among EU leaders as Merkel in brokering a final deal is of course an open question.

Regardless of who wins the elections in September, the nomination of Martin Schulz has already reinvigorated a muted German political debate. Under Merkel, Germans were happy being managed by a calm and rational – if not exactly inspiring – politician. But too much has happened under her leadership for Germans to happily continue with such a sedated democracy. Europe should hope that the German election campaign turns into a broad debate on Germany's role in Europe and the world. The arrival of Schulz has increased the chances that it will.

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