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After Merkel – The 2021 German Election and its Implications for European Union Politics

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Introduction

The succession of numerous crises – such as the Euro-crisis, the refugee crisis, Brexit, democratic backsliding in some Member States, the Covid pandemic, and, lately, military escalation at the EU eastern borders - has challenged European integration but also generated new calls for further integration (Foster & Frieden, 2017; Jones, 2012; Kriesi, 2018; Nicolaïdis, 2010; Schmidt, 2009; Truchlewski et al., 2021; Tsoukalis, 2011; Wolff & Ladi, 2020). Those calls increasingly envisage better decision-making structures, as well as the political and fiscal authority that increases Europeans' strategic sovereignty and that involves the capacity to act in response to challenging circumstances.

However, reforms require agreement and compromises among European institutions and Member States. One of the masters of finding pragmatic compromise was Angela Merkel, chancellor for 16 years of the most important economy of the Union. In a lineage with a series of Christian democratic leaders, Angela Merkel has been a convinced European and her approach has importantly shaped the European Union. But the impetus of the Christian Democratic impulse for Europe might have already witnessed a transition during Merkel's tenure. Merkel was unwilling to invest and buy into risks for Europe; unlike earlier Christian Democrats, she preferred a pragmatic intergovernmental approach. In 2017, Macron invited Merkel in three different speeches to implement far-reaching economic and fiscal reforms in the European Union. Merkel answered with silence. Merkel rarely put visions at the forefront of her approach, relying instead on a clear sense of the feasible. The European Union owes this approach a lot but at the same time, it might have hampered fundamental adjustments that many see unavoidable in light of the accumulation of challenges ahead of us.

In this article, I argue that the end of Angela Merkel and her replacement with a coalition including the Social Democratic Party (SPD), the Green Party (Greens) and the Liberal Party (FDP) in 2021 substantially changes the German role within the European Union.

To make the case, I describe the positions of major German parties in the run-up to the 2021 election and describe the preferences towards the European Union of the emerging coalition. I relate those positions to a three-dimensional portrayal of European conflicts. The first is about supranational integration versus national sovereignty in the decision-making processes, the second is about fiscal transfers versus fiscal discipline, and the third is about a Common European Security and Defence Policy (CSDP).

The results demonstrate that in the domain of the integration of decision-making processes as well as in the domain of CSDP, all major German parties see the necessity for deeper integration. In light of the new European momentum caused by Putin's invasion of Ukraine, a push for European integration would most likely also be supported by a hypothetical government participation of the CDU. The pro-integration consensus, however, does not extend to the fiscal dimension of Europe. On the one hand, the SPD and in particular the Greens signaled far-reaching support for significant steps towards a real transfer Union, including genuine European revenues and investments while lowering the priority for fiscal oversight and discipline. On the other hand, the FDP signaled the opposite and managed to place significant safeguards for fiscal discipline in the coalition contract. Nonetheless, without the CDU in government, the fiscal position of Germany within Europe has shifted from a strong commitment to fiscal discipline toward more ambiguous positions including a hesitant commitment to European taxes, investments and transfers. This re-orientation will weaken the coalition of the fiscal discipline camp within Europe and opens up new ways to complement the rising political authority of Europe with fiscal authority.

I. Locating German Parties and the New Government in the European Conflict Dimensions

Whatever describes Germany's role within Europe it is important to have a look at the genuine preferences of German parties and governments. The political science and political economy literature urge us to think of positions toward the European Union in at least three dimensions. The most basic division in EU politics is the conflict between advocates of more vs. less integration (Haas, 1958). There is widespread support for European Integration in general¹ but the conflict remains about national sovereignty vs. supranational governance. Today, key debates about supranational governance involve the role of the European Parliament, unanimity or majority voting in the European Council, and the enforcement of the rule of law. These issues recently gained traction within a broader debate on the European Union's capacity to respond to the war in Ukraine and the inflation of crises. In short, the objective is to prepare European institutions to act according to the idea of European strategic autonomy in the wake of a new confrontation of superpowers.

Strengthening Supranational Capacities for Decision-Making

A look at the manifestos for the run-up to the election in 2021 indicates widespread consensus about the general integration issues among the four major German parties with realistic chances to end up in the cabinet.² The Greens, the Liberal Party (FDP), the Christian Democratic Union of Germany (CDU) and the Social Democratic Party (SPD) all demand the empowerment of the European Parliament in at least three ways.

¹Within government parties the general approval towards European integration is very high. On a scale from 1 to 7 of the Chapel Hill Expert Survey (Bakker et al., 2020) the average for government parties is roughly 6. I calculated cabinet seat weighted averages of government parties for the following item: 'overall orientation of the party leadership towards European integration' (1 = strongly oppose to 7 = strongly in favour). Thus, general approval to European integration does not tell us much about the precise priorities of mainstream parties.

²All quotes related to the manifestos are based on the following documents (CDU, 2021; FDP, 2021; Grüne, 2021; SPD, 2021). The coalition contract is referred to as Koalitionsvertrag (2021).

A common European electoral system (including European lists), the right to initiate laws, and the right to elect and de-select the head of the European Commission (constructive vote of no confidence). Furthermore, all four major parties demand the extension of qualified majority decision-making instead of unanimity in the European Council. Finally, all four parties agree to strengthen the mechanism of the rule of law including the possibility of severe sanctions in case of misbehaviour.³ From this baseline consensus, the FDP and in particular the Greens set a tone of further impulses for deeper supranational integration. Both parties highlight the Conference on the Future of Europe as the starting point for a constitutional convention, aiming at a European Constitution as a foundation for a federal Union (FDP) or even a Federal Republic of Europe (Greens). The Greens even demand European Citizenship including the right for European residents in Germany to vote at all levels. Greens effectively envisage a supranational Europe that is organized around a federal parliamentary system with a second chamber.

Strengthening European Fiscal Authority

Besides traditional conflict over supranational integration, the political economy literature suggests adding a divide between advocates of fiscal transfers and fiscal discipline (Armingeon & Cranmer, 2017; Beramendi & Stegmueller, 2017; Frieden & Walter, 2017; Johnston et al., 2014; Lehner & Wasserfallen, 2019). This divide is independent of the integration as well as the left and right divide. Advocates of fiscal discipline argue that the violations of debt rules destabilize the EMU. Accordingly, they call for the strengthening of fiscal oversight with strict deficit and debt rules (De Grauwe, 2013; White, 2015). Supporters of fiscal transfers, however, point to economic imbalances within the monetary union as the underlying cause of the crisis, calling for permanent and comprehensive fiscal equalization within the monetary union in the form of a fiscal transfer system, a common budget based on European taxes, and a common unemployment scheme (Brunnermeier et al., 2016). They argue that economically stronger countries have to financially support the weaker Member States, which lost in the monetary union the option of devaluation as an instrument to regain economic competitiveness (Thomson et al., 2004; Zimmer et al., 2005). In EMU politics, this distributional dimension of conflict has an additional structural and economic rationale (Lehner & Wasserfallen, 2019). Within the Eurozone, countries with a high share of exports support fiscal discipline measures, whereas importing countries argue for fiscal transfers. This divide further intensifies as differences in competitiveness and balance-of-payments increase and accumulate (Copelovitch et al., 2016; Frieden & Walter, 2017).⁴

³Beyond a semantical consensus about the rule of law mechanism, the four parties signal different degrees of precision and engagement concerning the implementation. The Greens foresee a European Charta of Fundamental Rights that should be enforceable by individuals within their Member States. Furthermore, the Greens support the immediate non-payment of European grants in case of violations whereas the other parties prefer a priori settlement of the issue by the European Court of Justice (EUCJ). Finally, the Greens demand to reform Article 7 in a way that member-states are forced to be accountable to the European Public Prosecutor in case they want to receive new European grants. The FDP equally demands a reform of Article 7 as well as conditionality of the payment of structural funds on the non-violations of the rule of law. SPD and CDU generally support the strengthening of the rule of law mechanism without stating much detail.

⁴We could also think of the fiscal transfers and discipline divide as a two-dimensional model, where political actors can in principle locate themselves against/pro transfers and discipline. Empirically, the advocacy of transfers and the refusal of discipline and vice versa coalesces into a single dimension (Lehner & Wasserfallen, 2019).

From a perspective of multi-level governance, the question is not only about the stability of the EMU. It is also about whether the European Union should strengthen fiscal authority to back-up its political authority with discretion over resources that might address structural differences, but at the expense of intergovernmental consent and national governments' authority. In other words, should the EU remain fiscally imbalanced?⁵

Predominantly three structural conditions (net-payer, export dominance, balance of payments surplus) are seen to undermine the support of European fiscal authority by individual member states. In the case of Germany, all three conditions are given and have traditionally been used to explain the German objection to fiscal transfers.

A look at the manifestos for the election in 2021 indicates that there is widespread dissent about the willingness to grant transfers as well as impose fiscal discipline. The divide manifests itself between the 'centre-right' parties of the FDP/CDU and the 'centre-left' parties Greens/SPD. Albeit, CDU and FDP both defend the investment during the Corona pandemic, including the deficit in the European Budget as well as the investments related to Next Generation EU (also called recovery fund), both parties stress this consent to be a historical exception and attach an unmistakable warning to its potential continuation. Both parties univocally refuse common European debt and refer to the genuine responsibility of Member States for fiscal and budgetary policies. In their view, Europe should rather increase fiscal oversight. The CDU wants to reactivate the stability and growth mechanism (which was put on halt during the pandemic). The FDP envisages redesigning the European Stability Mechanism (ESM) into a European Monetary Fund, a fund that should take responsibility for the oversight of macro-economic adjustments, and budgetary and economic policy of lender countries. Such a fund is argued to depoliticize the oversight of the stabilization funds.

In contrast, the Greens and the SPD both support the expansion of fiscal competencies of the European Union and stress the importance of investments in contrast to fiscal discipline. Both parties welcome the recovery fund, not as a unique exception but as the starting point for more European investments. Both parties want to adapt the stability and growth pact into a sustainability pact, ready to accelerate investments instead of encouraging retrenchment. The Greens want to put the recovery fund under the control of the European Parliament. Both the SPD and the Greens support a true fiscal, economic and social union. Genuine European revenue components should be taxes on digital corporations, CO2-Border tax as well as revenues from the emission trade (Greens furthermore support a plastic tax⁶ and the financial transaction tax). Both parties support qualified majority voting on fiscal matters to reduce tax competition and imply minimum taxation standards. Finally, the Greens want to set up a European Investment Fund that should invest in European public goods such as climate-related investments, research,

⁵Vertical fiscal imbalance refers to a concept in the literature of multi-level governance where political authority is established but fiscal authority is located at another level of territoriality (Kleider et al., 2018; Rodden & Wibbels, 2002). In such a case, exercising political authority is permanently hampered by budget constraint and creates a problematic structure of accountability because expectations on policy delivery based on the political authority exceed the real possibility of policy delivery due to budget constraints.

⁶A plastic tax has been ratified by the EP already. Since January 2001, it has to be implemented by the member-states. The FDP does not support the tax but disagreement is also widespread about its precise implementation.

digital infrastructure, railways, and education – more generally, a fund for countercyclical investments. Like the FDP, the Greens want to redesign the ESM into a European Monetary Fund. However, the Greens envisage unconditional short-term credits instead of strong conditionality and discipline enforcement. In short, there is a strong divide between the four major parties on the question of fiscal transfers versus fiscal discipline. Whereas the Greens and the SPD are supporting far-reaching investment and transfers – a position Greens have been consistently showing on lower levels of territoriality across Europe (see for example Röth & Schwander, 2021) – the FDP and CDU strongly encourage fiscal discipline and object to the idea of a ‘transfer union’.

Strengthening the Common Security and Defence Policy (CSDP)

The third dimension involves the Common Security and Defence Policy (CSDP). CSDP is traditionally anchored in the intergovernmental mode of decision-making (Rosato, 2011). Although differences in terms of security objectives within the Member States have increased due to the enlargement processes (Baun, 2005; Biava et al., 2011; Howorth, 2001), CSDP has recently been increasingly subject to politicization. Some see a particularly conducive actor-constellation for an integration push in the CSDP (Angelucci and Isernia, 2020). In particular, because CSDP is a cross-cutting issue for the radical left and radical right parties, CSDP could potentially be used to mobilize radical voters by Europhile mainstream parties (Angelucci & Isernia, 2020).

In line with that argument, a look at the manifestos for the run-up to the election of 2021 indicates an overall consensus about the necessity to strengthen European defence and foreign policy capacities. All four major parties support a strengthening of the CSDP by supporting majority voting on issues of foreign policy in the Council of Europe. The high representative of European foreign and defence policy should be developed into a minister of foreign affairs and all parties welcome a common European army under the control of the European Parliament. Furthermore, all parties highlight the necessity to ensure compatibility between European and NATO structures. There are additional issues where the FDP and Greens can be seen as demanding more integration in the realm of CSDP as well as dissent about the conflict between Russia and Ukraine. The Greens support a value-based European Foreign policy. Human rights are at the forefront of the Greens’ foreign policy doctrine that includes using the economic weight of Europe to put pressure on countries that do not comply with human rights standards. The Greens have a defined perspective on the conflict between authoritarian systems and democracies and support the UN concept of ‘Responsibility to Prepare, Protect and Rebuild’. That includes a commitment to military interventions as a measure of last resort to prevent genocide. The Greens also clearly address Russia with a warning to comply with the Minsk accord and demand the abandonment of Nordstream II, because it is seen as a strategic project to weaken Europe (the FDP supports that view too but prefers to put the decision of Nordstream II to the European level). There are more hesitant demands for concrete implementations of CSDP in the manifestos of the old coalition parties of CDU and SPD. Both parties do not mention Nordstream II and the SPD strongly urges to integrate Russia into questions of the CSDP.

Overall, all major parties in Germany in 2021 signaled a commitment to a deepening of CSDP, including majority voting, parliamentary control, and genuine European

military capacities. However, SPD, FDP, and CDU integrate these demands in the framing of economic advantages as well as necessary capacities to give Europe the ability to act and increase sovereignty. Overall, the FDP, CDU, and SPD remain vague on the foreign and security political profile that should guide the new European capacities. In contrast, the Greens frame their support for CSDP integration as necessary means to support human rights in a worldwide conflict between authoritarian rulers and democracies.

II. The New Coalition – What Remains from the Campaign Pledges?

Three of the four major parties made it into office after coalition negotiations in October 2021. The CDU was excluded from the cabinet for the first time in 16 years and the Greens, FDP and SPD rushed to a coalition agreement.

Comparative research on how individual issues from manifestos are translated into coalition contracts is still scarce but the few existing approaches provide clear expectations. If we think of the three selected conflict dimensions of European integration (institutional integration of decision-making procedures, fiscal transfers versus discipline, and supranational versus intergovernmental CSDP) we need to consider if coalition parties are in principle open to log-rolling across issues to spare bargaining costs (Falcó-Gimeno, 2014; Klüver & Bäck, 2019). In such a situation, parties sacrifice their stance on an issue of low importance to obtain concessions in a domain of vital interest. As salience is a proxy for vital interest, it is more likely that parties give up their position on issues with low salience, whereas disagreement in high salience domains causes the necessity to formulate priorities, red-lines, safeguards, and even potential conflict resolution procedures (Indridason & Kristinsson, 2013; Klüver & Bäck, 2019). In short, the most attention is expected to be given to high salience issues with disagreement across coalition partners. Accordingly, we would expect low salience but clear statements in the domain of institutional integration and CSDP as all coalition parties have a high level of agreement and we would expect high salience and a lot of ambiguity including safeguards and qualifications in the fiscal dimension.

Indeed, high levels of agreement across parties in the domain of supranational decision-making as well as CSDP translate into clear positions of the coalition. In the domain of supranational institutionalization, the small differences across the three parties allowed a univocal commitment to a so-called ‘European Federal State’ based on a constitutional convention initiated by the Conference of the Future of Europe. Accordingly, the strengthening of the European Parliament, expansion of majority voting, and a strong commitment to the enforcement of the rule of law within the European Union reiterates what parties have brought forward as individual campaign pledges. Although the coalition’s contract predominantly reiterates the partisan pledges of its constituents, it should still be mentioned that it carries a strong message for a deeper European political integration.

Similar observations can be made from the domain of CSDP. The similarity of partisan priorities allowed a simple adoption of partisan stances in the coalition contract. The coalition contract defines a stronger CSDP as necessary to strengthen European sovereignty. A cornerstone for the capacity to act is to introduce qualified majority voting in the Council of the European Union in matters of CSDP as well as to upgrade the role of the high representative into a European Minister of Foreign Affairs. The coalition contract

refers to a stronger integration of the military capacities of the member states including the establishment of European Headquarters. The interoperability of CSDP with NATO structures is envisaged. Finally, the EP should be integrated into CSDP with control rights.

Within the fiscal dimension, partisan stances have been very polarized and for all parties this issue is of vital interest, leaving little space for log-rolling. The Greens and the SPD have demanded a continuation of the recovery fund, flexible handling of the ESM controlled by the EP, genuine European tax revenues, and significant investments in the European infrastructure. The FDP demanded to reactivate the ESM debt criteria, to expire the recovery fund, they abstained from demanding European tax revenues and they have been vague in terms of a commitment to European investments.

These differences are not resolved in the coalition contract. The coalition contract entails hesitant commitments to European investments but hardly any supranational means to finance them. Investments should include infrastructure, research, education, renewable energy and railways. However, resources for such expenses have to be flexibly organized in the intergovernmental mode of governance as European revenues are not envisaged. The ESM is just stated to have shown its flexibility, the continuation of the recovery fund is not mentioned, and there is no reference to European taxes. Instead, there are demands to strengthen and reactivate fiscal oversight mechanisms such as the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO). In short, the FDP was rather successful in the placement of their safeguards for fiscal discipline, whereas the investment enthusiasm of the Green manifesto was transformed in the coalition negotiations into hesitant and vague letters of intent. The strongest departure from the Green and also the SPD manifesto is marked by the absence of supranational fiscal capacities, whether these might be related to transfers financed via European debt or European revenues from taxes.

It will be interesting to observe how such a position is practically communicated. The Greens received the chair of the Committee on Europe (Anton Hofreiter) and thus have agenda-setting power within the Council of the European Union. In cases of far-reaching fiscal proposals, the Greens might signal consent and the FDP might be forced in a situation to use a veto. Such a veto would be seen as a renewed call for austerity by a German junior coalition partner. Historical institutionalists' have highlighted the high reputation costs attached to such a position. In short, we most likely will see a gamble between the Green party pushing for fiscal integration and European investments, thus putting the FDP in a difficult position.

III. The New Coalition within Europe

There has been much discussion and research about Germany's role in Europe. Generally, Germany is seen to have played a dominant role in the development of the European Union (Bulmer & Paterson, 1989; Crawford, 2007). But Germany concedes to supranational demands only in situations where supranational capacities appear unavoidable. State-like capacities are combined with intergovernmental control and, if possible, these concessions are temporal (Fabbrini & Puetter, 2016; Freudlsperger & Jachtenfuchs, 2021). Others have stressed the ideological tradition of ordoliberalism (Matthijs, 2016; Nedergaard & Snaith, 2015; Schäfer, 2016; Young, 2014). For Merkel's legacy, both descriptions have some merit. However, a view on partisan preferences and also the

coalition contract demonstrates that these structural arguments explain only parts of the new German government's position on Europe. The Greens and SPD's priorities to not follow an ordoliberal ideology and their demand for a continuation of transfers and European revenues contradict the idea of integration as an unavoidable concession. With the diminishing role of the centre-right parties in the new coalition, the German government gives its role model a face-lift in the direction of a progressive driver for supranational integration. Accordingly, we can assume that Germany plays a supportive role for European integration in the domain of decision-making procedures and CSDP.

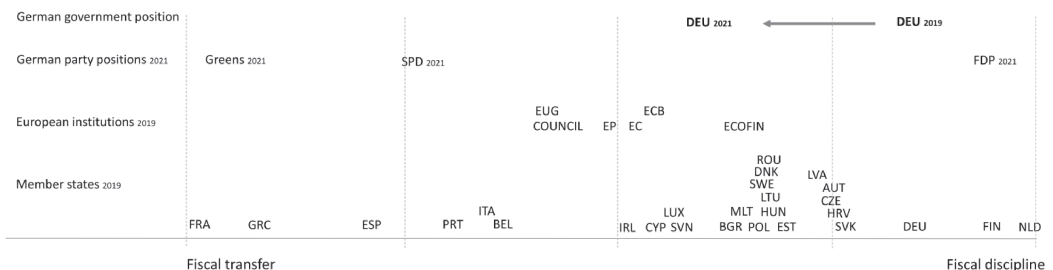
Because of the differences in the fiscal dimension, I shed more light on the changing position of the German government in this dimension. Lehner and Wasserfallen (2019, 54) have analysed the conflict over fiscal policy. Figure 1 depicts a slightly adapted and updated version of the Member States' ideal points on European fiscal policy.

Lehner and Wasserfallen (2019) have linked these positions to the negotiation outcomes on the same scale. The result is consistent with the analysis of bargaining success by Lundgren et al. (2019), which shows that Member States holding centrist positions were the most successful in terms of achieving outcomes.

The patterns only in parts confirm the structural divisions along with current account and trade deficits/surpluses as well as net contributions to European budgets. For example, the result that France is the country with the strongest support for fiscal transfers seems to contradict its status as the second most important net contributor to European budgets but is in line with the more important and ongoing current account and trade deficits. In contrast, Germany has an ongoing current account and substantial trade surpluses and is the single most important contributor to European budgets.

However, the fact that major German parties such as the Greens and the SPD support positions in line with significant fiscal transfers might suggest that there is, besides the structural economic explanation, an additional ideational determinant of Member States'

Figure 1: Ideal Points of German Governments, German Coalition Parties, EU Institutions, and Member States.



Notes: The ideal points are taken from Lehner and Wasserfallen (2019) and complemented by a qualitative assessment of the positions of German parties and government in 2021, based on the analysis above. European Commission (EC), European Union Council (Council), European Parliament (EP), Economic and Financial Affairs Council (ECOFIN), European Central bank (ECB), and Euro Group (EUG).

positions (see for example Brunnermeier et al., 2016). Ordoliberalism is predominantly, not exclusively, a view of the German ‘centre-right’ and not the left and centre-left. The Green perspective of economic success for Germany and Europe is based on a strong preference for a substantial increase of investments, that are, different from other centre-left parties, only to a limited degree thought as compensations or equalization transfers. They follow the idea of infrastructure investments in a new economic model that is necessary to preserve wealth within changing ecological circumstances. Furthermore, the structural economic conditions for Germany have recently changed dramatically. As a consequence of the pandemic, widespread sanctions on Russia and the repercussions of war in Ukraine, German trade surpluses have been considerably diminished and current account surpluses will be things of the past. In the recent political and economic climate, it might also be a traditional economic rationale to focus and invest in the economic viability of the entire European Union as the most important market for German exports. The complete picture is an articulated German stance combining a new readiness for substantial and permanent investments in Europe while watching fiscal discipline of the member states at the same time.

The consequences of such a refined and articulated German stance hinge on its collaboration with France. France and Germany together have exercised strong leadership via agenda-setting power in the past (Degner & Leuffen, 2019). Both have been situated at the opposing ends of the fiscal conflict space and given their power in EU decision-making, they have been the *de facto* leaders of the two opposing coalitions. This provides an ideal setting for joint German–French proposals, which should, in this broader conflict structure, gain political support among all EU Member States. A moderated German position, pushed by the Greens, will shift the overlap for agreement towards more transfers and particular towards European investments.

Conclusion

The article elaborates on the run-up to the German federal election in 2021, the coalition contract as well as the likely implications for European politics as a consequence of the new German government coalition. I discuss manifestos and coalition promises in three conflict dimensions about the future of the European Union. These are the decision-making procedures, European fiscal capacities, and the Common Security and Defence Policy (CSDP). The analysis demonstrates that the coalition parties (Greens, SPD and the FDP) share widespread agreement on the necessity for deeper integration of decision-making procedures as well as CSDP. These agreements translate into salient and clear positions in the coalition contract.

In contrast, substantial differences characterize the divide in the fiscal dimension of Europe. Greens/SPD and the FDP/CDU can be located almost on opposite poles of the divide between supports of fiscal transfers and those of fiscal discipline. As expected, the coalition contract entails many statements about the European fiscal policy that seek to combine commitments to investments with safeguard clauses for fiscal discipline. However, in comparison to former German government positions, this is a considerable move towards fiscal transfers and will allow for solutions closer to the fiscal transfer side of the political spectrum than ever before. In particular with the re-election of Emanuel Macron, a visible and powerful advocate for a transfer union.

In sum, the new coalition government signals an unprecedented willingness for deeper European integration. Nonetheless, it would be mistaken to attribute the new commitment to Europe entirely to the reshuffling of incumbents. External developments, and in particular the looming struggle of the US with Putin's Russia and Xi Jinping's China, have made it clear to almost every politician that Europe needs refined institutional structures to preserve its capacity to act in a changing world. A counterfactual government including the CDU would have pushed for many of the described integration steps too. However, within the new government, there are three different poles present. The SPD stands for the continuation of pragmatism and the FDP as the guardian of fiscal discipline, two well-known ingredients of German governments within Europe. It is predominantly the Greens setting a new tone that transcends both the pragmatism of the old coalition of CDU and SPD as well as the old calls for fiscal rigour. The Greens present an agenda that include ambitious elements of European integration and demands to align European policies strictly on the values of humanitarianism and sustainability. If the Greens prove to be somewhat influential in the new German government with their approach, the German role within Europe will be substantially altered.

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