

## Analysis **The surge of Germany's Greens could change the country**

- *The Green party now has a charismatic new leader*
- *No longer extreme, the party has shown itself capable of governing cooperatively*
- *It has a wide-ranging policy platform; but will likely govern only as part of a coalition*
- *The final policy package will be decided only after lengthy negotiations with partners*

**The popularity of the Greens has risen considerably**

At last, Germany's often so-sober political landscape has a nice cover story again, in the form of Annalena Baerbock, who will be the first-time-ever candidate of the Greens (short for Bündnis90/DieGrünen) in the race for Chancellorship, and thereby for the succession of Angela Merkel. Indeed, recent polls suggest that the Greens might get even slightly more votes than Angela Merkel's leading party (a union of the Christian Democratic Union (CDU) and the Christian Social Party (CSU) in Bavaria).

**One strong reason is the personality of its leader**

One reason for the Greens' surge in popularity is Annalena Baerbock herself, a 40-year-old politician who studied political science and public international law at the University of Hamburg, and who graduated with a Masters degree from the London School of Economics. She ably masters a broad range of policy briefs, and presents herself in public debates as well-prepared and alert.

Although fast-shooting and quick in riposte, she comes across as down to earth and not elitist. Her promise to do things differently, and to bring a fresh approach to policymaking, resonates with many in the media, and has led them to hype her candidacy. The argument of her opponents that she has held neither executive office nor responsibility in public administration does not seem to be gaining much traction.

**The way in which the leadership issue was settled is also a plus**

Another reason for the Greens' surge in popularity is Annalena Baerbock's co-chair, Robert Habeck, a philosopher and author of children's books before he became a full-time politician. Many people have been impressed by the way in which these two, as co-chairs of the party, decided between the two of them who would be the top candidate of the party. They thereby avoided the bruising battles and infighting that the CDU/CSU went through before, finally, they nominated Armin Laschet as their leader. Thus the Greens presented themselves as a well-organised and disciplined party, and quite different from the radical grouping of the 1980s that protested on streets, wore sneakers in parliament, and despised the political establishment.

Indeed, the Greens of today bear little resemblance to the rather revolutionary, anti-nuclear, anti-missile grouping of the past. Today's Greens have proven capable of constructive compromise. Even in what is arguably the most important auto state of Germany, Baden-Württemberg, home to Porsche, Daimler, and the big auto parts maker Bosch, a green Prime Minister (Winfried Kretschmann) has been re-elected after a ten-year term, having proven capable of combining environmental objectives and economic interests.

**The Greens stand to be part of the next government**

There is of course no guarantee that the Greens' present popularity, and lead over the CDU/CSU in the polls, will persist in the run-up to the September 26 election. But even if it does not, it seems likely that the Greens will be part of the next government. It is therefore appropriate to look at some of the economic elements in the political program of the party.

### Policy platform

Obviously, the Greens have a bigger ambition in respect of climate policies than do other parties. But they have a wide-ranging policy platform in addition. On economic issues, they propose to:

1. **Phase out coal power** by 2030, not by 2038 as planned by the present government.
2. **Raise carbon taxes** so as to favour various forms of renewable energy – but not nuclear, which they are against.
3. **Prohibit internal combustion engines (ICE)** by 2030.
4. **Limit the speed on motorways** to 130 km/h, and no longer allow people to go as fast as their car will take them.
  - While this may seem highly sensible to many readers, and not really worthy of debate, it is an emotional issue in Germany. Many Germans feel deprived of personal liberties, and therefore fight to keep this right on motorways.

5. **Hike taxes.** The top rate would go to 45% (for single earners with incomes above 100,000 Euros) to 49% for single earners above 250,000 Euros. Some compensation would be given by higher personal exemptions.
  - On top of these rates, the solidarity surcharge (introduced in 1991 to pay for reunifying Eastern Germany) is payable by higher income earners; and church taxes are payable by members of the church.
  - These two taxes add up to around 14% of total income tax receipts.
6. **Further redistribute income and wealth,** by introducing a wealth tax (1 % above a threshold of 2 million Euros).
  - Wealth taxes were abolished in Germany in 1996, due to difficult valuation issues, risks for employment in extensively taxed family businesses, and generally low revenues for the government.
7. **Improve social policies.** Enhanced early retirement schemes for those below the age of 67, and a basic pension for everyone who has contributed to the ‘Pay as you go’ system for 30 years, irrespective of the amount of contributions (which are the determinant in today’s system.)
8. **Change the fiscal rules.** The Greens are critical of the debt break: they like big spending programs – as do most other parties for that matter – and are more open to risk sharing in the EU, for example via common Eurobonds. European integration is seen enthusiastically by most Greens.

### The outcome however will depend on the final coalition

The policies that are enacted will depend on the coalition

Some of these policy prescriptions of the Greens may raise concerns about the future of economic growth in Germany. But whether, or the extent to which, they become enacted will depend importantly on the coalition that forms the new government.

Should the Greens team up with the Social Democrats (SPD) plus the Left (Die Linke), this would almost certainly change the country fundamentally. The Social Democrats have a program similar to that of the Greens, also proposing tax hikes, large government spending, and various social policy reforms. The party on the left of the political spectrum wants radical change in terms of big-style redistribution, nationalisation of parts of the economy, and to leave NATO.

The willingness of The Greens to work with the Left seems quite limited, however, not least because it would put at risk the votes of more conservative green voters. Moreover, it is not clear that the Left will actually pass the 5 % threshold to enter parliament.

### Most likely outcome

All in all, the probability of a Green, red, red coalition as it is called in recognition of the parties’ colours, seems low. The best guess at present is that, after a probably quite controversial election campaign, there will be a coalition government of the Greens, the Christian Democrats (CDU/CSU) and the Liberals. (Given these parties’ colours, black, green and yellow, this is dubbed a ‘Jamaica’ coalition.)

Continuity with gradual change is the most likely outcome

Although it is too early to say, it seems likely that the CDU/CSU will regain the position as the strongest party. Under their leadership, a Jamaica Coalition would stand for gradual change and continuity, rather than for a radical new beginning.

### Watch for<sup>1</sup>

- Whether the Greens sustain their slight lead over the CDU/CSU in the forthcoming polls. (Averages of different polls can be found here: [www.bundestagswahl-2021.de](http://www.bundestagswahl-2021.de)).
- The state elections in Saxony-Anhalt on June 6, and whether the CDU sustains its lead over the right wing party AFD – the last big test before the federal elections.
- The manifesto of the CDU/CSU, which should finally come out in June. ■

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- <sup>1</sup> It should be incumbent on any analyst or forecaster to indicate what circumstances, were they to eventuate, would call into question the forecast or expectation, or, more fundamentally, the understanding on which these were made. Moreover, in deciding which data should be asked to bear the greatest weight, it is important to minimise the risk of Kahneman 'confirmation bias' – selecting the data that best support the case being made. In our 'Watch Fors' we make clear what data, were they to eventuate, would in our judgement invalidate our forecast or expectation.

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