CHAPTER 9

A Fresh Start or More of the Same?

The Domestic Policy Agenda of the Center-Right Coalition

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The Legacies of the Grand Coalition

When new coalition governments define their policy preferences they have to take into account a number of factors: their election manifestos, the compromises made in the negotiations on a coalition treaty, and the legacy of the former government’s policy decisions. Election manifestos have gained importance, because German parties seem to have discovered—what has become the received wisdom of political campaigning elsewhere—that trust and strategic honesty can help parties win elections. To be precise, what matters is how (a few) electoral pledges are communicated and whether they can mobilize important sections of the electorate. In the 2009 electoral campaign the Liberals (Freie Demokratische Partei, FDP) as party in opposition successfully portrayed themselves as the only political party in Germany that favors lower taxes for hard-working citizens and supports ordinary taxpayers who foot the bill of the welfare state. There was a widely underestimated mood in parts of the German electorate that the role of the state in the economy, as well as the inroads the state had made into the sphere of civil liberties, had become problematic. And the voters trusted the Liberals to deliver political reforms. The Christian Democrats (CDU) were much more cautious in both respects and tended to defend the record of the Grand Coalition, whereas its Bavarian sister party, the Christian Social Union (CSU), in one of its populist tactical moves tried to take up the tax reform topic. The different approaches regarding
the scale and shape of change advocated by the CDU, the CSU and the FDP that formed the 2009 government found expression in compromises written into their coalition treaty, which will be discussed in greater detail below.

These and some other differences between the policy preferences of the new coalition partners were heavily influenced by at least five legacies of the Grand Coalition (Sturm 2010a; chapter 1). One legacy was the way the Grand Coalition had secured for itself financial room for maneuver when it came into office in 2005. Though the Social Democrats (SPD) had promised not to raise the Value Added Tax (VAT) and had attacked the plans of the Christian Democrats for a 2 percent higher VAT rate, they broke their electoral promise. VAT was raised by 3 percent. The political price the Social Democrats paid for their about-face was such that the 2009 coalition government was not willing to follow their example. It felt obliged to honor the pledge made in the election campaign not to raise taxes. This meant, however, that costly electoral promises needed to be funded by some other mechanism. Cuts in public expenditures could have been such a mechanism, but the coalition partners had shied away from announcing reductions in public expenditures—on the contrary, new expenditure programs for education and child support were promised during the election campaign.

A second legacy were the financial consequences of ambitious new programs the Grand Coalition had started, among them support for families and private households when they employ helping hands. In addition there are new programs to fund research and development, economic recovery, and the improvement of public transport infrastructure. The Grand Coalition started these programs with a 25 billion Euros budget (Sturm 2006). Only in periods of economic expansion the new government of CDU, CSU, and FDP could have hoped not to feel the immediate impact of these programs on budgetary choices. But the third legacy of the Grand Coalition dashed such expectations. The worldwide financial and economic crisis of 2008 overshadowed the second half of the Grand Coalition’s period in office. To fight its consequences the government had started new expenditure programs to stimulate the economy. Their aim was to keep up employment and to create new economic demand. These programs were financed by public borrowing and therefore contributed to the growth of public debt. Extra spending and the economic downturn limited, however, the amount of money available for social policies and caused additional deficits. When the center-right coalition came into office its budgetary options were therefore extremely limited and those available were unpopular. Neither