German politics experiences another disappointing 24 hours

Developments over the last 24 hours suggest the risk has increased that CDU/CSU and SPD will not get a 2/3 majority for their draft law to implement a fiscal stimulus package

Germany's Chancellor-to-be, Friedrich Merz

Since I wrote this piece on political developments in Germany on Sunday evening, the situation has worsened. As The Beatles famously sang, it seems that in German politics, "money can't buy you love."

Greens' opposition against fiscal package is now official

It seems the Greens' opposition to the current draft law to implement a €500bn infrastructure fund and changes to the debt brake has only grown. Yesterday, the party official announced it wouldn't support the draft law. However, to get the necessary 2/3 majority in parliament, CDU/CSU and SPD need the votes of the Greens at next week's final decision.

In addition to significant concerns, such as the lack of climate investments and the general absence of controls in the infrastructure spending package, there are also considerable interpersonal tensions. These include the CSU's public criticism of the Greens last week and the CDU/CSU's attacks during the election campaign, targeting the Greens' proposals to amend the debt brake and establish a Germany investment fund. CDU/CSU and SPD also supposedly never consulted the Greens during their own negotiations and took the Greens' support simply for granted.

And there's more. There also seem to be personal irritations in the SPD's leadership team regarding some CDU/CSU politicians, and there appear to be lots of frustrations on all sides about the draft outline paper for potential coalition talks. A paper which lacks a clear strategy and vision and runs the risk of leading to further debt increases.

With all these developments over the last 24 hours, the risk that CDU/CSU and SPD will not get a 2/3 majority for their fiscal plans has increased.

There is another complicating factor: the next German parliament will have significantly fewer seats than the current parliament. This means that there will be many MPs from the SPD, Greens and CDU/CSU who will not return to the next parliament. It is far from being guaranteed that these 'leavers' will show up at the vote next week or stick to 'party discipline'. This is important as there will also be MPs of both SPD and CDU/CSU who will not fully be supportive of either the fiscal package or the draft coalition agreement.

So what's next?

The risk of failure has increased. It is also clear that if the vote in parliament fails, the informal coalition talks of the last few weeks will have been pointless. Therefore, expect very intensive negotiations behind the scenes over the next days. There are many possible options for how this could play out. The first one is the 'much ado about nothing option', with CDU/CSU and SPD explicitly including climate investments in the draft law, increasing the threshold at which defence spending will be excluded from the debt brake and the Greens eventually still agreeing to the package.

Another one would be to drop the infrastructure fund proposal for now and only change the debt brake to counter for defence spending. An option the Greens seem to sympathise with but at the same time an option that would make it harder for the SPD to agree on a coalition with the CDU/CSU. Failure, however, is almost not an option as it would not only potentially end the current coalition talks between CDU/CSU and SPD but could eventually even push Germany into a political crisis. What a change compared with less than a week ago.

All in all, the German version of 'House of Cards' will continue. The last few days have reminded me of someone borrowing lots of money to buy a highly sophisticated sports car, getting into the car, starting the engine with a vroom, but then killing the engine seconds later. A cringey moment indeed, but the sports car could still be re-started and speed away.

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