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**German Election Limbo**

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Having won the German elections with five seats short from a majority in the Bundestag, the CDU/CSU needs to find a coalition partner. Negotiations are expected to take weeks if not months. At this time, it is expected that the CDU/CSU will enter a “Grand Coalition” with the SPD once again (as in 2005). Officials in Europe (whether in Brussels, Athens, or Madrid) have hopes for a grand coalition that would ease Merkel’s austerity stance.

The SPD and the CDU have different visions for Europe. Chancellor Angela Merkel favors less Brussels interference and more national sovereignty (not far from the views of British Prime Minister David Cameron); the SPD sees an increased role for officials of the European Union.

The SPD is advocating for more solidarity with the Southern countries and easing of the austerity measures. Peer Steinbrück has even called for a new Marshall Plan to rescue the troubled Club-Med countries. That is far-fetched for Merkel, who opposes a European banking union or the issuing of Eurobonds. She says this will lead to a “European debt Union, where the German taxpayer would need to take over almost all the debt of other countries.” Steinbrück agrees with some of that: “we never said Eurobonds with no conditionality. Nobody would simply hand over their credit cards without any demands. And the demands may be difficult for some countries – including Germany – because they imply more sovereignty transfers to Brussels.”
The *New York Times* reported that the election result is seen as a victory for austerity. Is this what the German citizens have voted for? Are they simply pleased with economic stability and a budget surplus (for the first time in decades) during times of economic struggle for others? Will continued austerity for the Southern countries be a consequence of the German vote? Alternatively, can the SPD change the approaches of Merkel and her finance minister, Wolfgang Schäuble? European officials have postponed discussions and decisions on any important legislation until after the German elections. Now that those are over, will there be a European banking union? And if so, will it lead to less political sovereignty and more EU oversight?

**EuroPoint:** The German election outcome for the European Union is unknown. The devil is in the details, and those details are subject to coalition negotiations.