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**On the Horns of a Dilemma.  
The imperative of a grand coalition  
is risky – especially for the  
Social Democrats**

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The grand coalition earns broad approval in the polls. But it is unlikely to find sustainable solutions to the major problems it was formed to tackle. For the coalition partners are under pressure to burnish their escutcheons for the upcoming Bundestag election. Coalition compromises are a risky matter, particularly for the Social Democrats (SPD) in the present situation. As a result, coalition policy is reduced to the lowest common denominator.

Grand coalitions are the exception in Germany. Prior to 2005, the only instance was in West Germany, the old Federal Republic, between 1966 and 1969. The Free Democrats (FDP) had abandoned the coalition with the Christian Democratic Union/Christian Social Union (CDU/CSU), the labour market was hit by a crisis for the first time, and qualified parliamentary majorities were needed to pass emergency powers legislation. Having adopted this legislation, having implemented the "concerted action" and major financial reforms under then Minister of Finance Karl Schiller, and having prepared the ground for the first change of government in the history of the Federal Republic to bring a shift in political direction, the first grand coalition is usually considered to have been a success, although the commonalities appeared to have been

exhausted after three years. Can the second grand coalition hope for such success?

Parties have three important goals. They want to put their platforms into effect (policy seeking), gain the approval of the electorate (vote seeking), and occupy as many government positions as possible (office seeking). This poses particular problems for coalitions. Coalition parties must have a sufficiently large programmatic intersection in important policy questions. The political scientist George Tsebelis has described this intersection as a “winset”, a concept from rational choice theory. The governing parties must therefore give priority to putting through reforms they can all support (policy seeking).

Grand coalitions have the disadvantage of being formed by parties from different political camps. In coalitions composed of parties from the same camp, joint policies are easier to define, not least because the preferences of their constituencies are more likely to be compatible and any centrifugal competitive forces are not so strong.

In a grand coalition, the greatest hindrance to governing together is an unbridled urge for the constituent parties to enlarge their share of the vote. If competition between the most important parties obeys this rational urge, it continues without interruption as a zero-sum game in the governing coalition. What the one loses, the other gains. If coalition parties are unable to resist temptation, effective cooperative will hardly be possible.

The coalition agreement of 2005 identified five policy areas where reform was particularly urgent: family policy, federalism, public debt, the labour market, and health. How do the common reform goals of the coalition partners in these fields relate to the parties’ goals and implementation strategies? What intersections and compromise options are available? The table provides a simplified overview.

Table 1  
Reform Policy Options

| Reform project | Reform goal                                                                                       | Party positions (CDU/CSU vs. SPD)                                                                                                    | Winset (programmatic intersection)        |
|----------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Family policy  | Family-friendly society, reaction to demographic change, compatibility of family and work         | Child benefit vs. publicly developed child care; joint taxation of spouses vs. joint taxation only for married couples with children | Relatively large; compromises possible    |
| Federalism     | Political deconcentration, clearer division of competencies between federal and state governments | Strengthening of states vs. general competence of the federation                                                                     | Medium; compromises possible in principle |

|               |                                                                                                        |                                                                                                                                           |                                          |
|---------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Health        | Lowering nonwage labour costs, long-term financeability, adequate health services, distributive equity | Citizens' insurance vs. capitation fee; contribution vs. greater taxation financing; reduced health care vs. extension of financing basis | Small; compromises possible in principle |
| Public debt   | Reduction through cost cutting, reduction of bureaucracy and subsidies, spending cuts                  | Cutting spending vs. increasing income                                                                                                    | Medium sized; compromises possible       |
| Labour market | Reducing nonwage labour costs and youth unemployment, activating labour market policy                  | Further deregulation vs. govt. supported activation; relieving supply side vs. strengthening domestic demand                              | Small; compromises possible in principle |

If we look at general reform goals independently of the programmatic and strategic details of how to attain them, considerable agreement is apparent. However, agreement diminishes when these goals and especially the tools for their implementation are more clearly defined. Consensus and disagreement vary substantially from policy area to policy area.

The winset of common programmatic positions is much smaller in strategic questions than in general goal setting. This is by no means irrelevant for joint reform policy, because the question of what tools are suitable for implementing policy engages the programmatic and strategic interests of the two parties. Differing strategic interests make common solutions less probable than would be initially expected in view of the considerable intersections between goals. Nevertheless, far-reaching reforms are not to be excluded. But they depend on the coalition parties – at least for the time being – renouncing the democratic imperative of vote seeking. Can they do so? Are they willing to do so?

Although closely associated, vote seeking and office seeking should be kept distinct. In a grand coalition, the difference is that party competition (vote seeking) which shows no consideration for the coalition partner undermines mutual trust. Unpopular reforms, in particular, such as reorganisation of the welfare state, deregulation of the labour market, or specific measures to reduce public debt, require temporary detachment from voter preferences. The loss of votes by both parties that this may provoke can be accepted by the two only if one of them does not break formation to reap electoral capital unilaterally from an unpopular reform. This grand coalition has justified its existence on grounds of the need for important reforms. Both parties will therefore be judged by their success. Alternatives to the present coalition (CDU/CSU with the FDP or with the FDP and The Greens; SPD with The Left or with The Left and The Greens) are either not in sight, risky, or unpopular.

The lack of alternatives brought the grand coalition together and now condemns them to success. At least in the short run, unbridled vote seeking can endanger the coalition, provoke a new election, and thus lead to the loss of government positions. This rational motive of office keeping constrains the rationale of vote maximisation to which the parties could succumb, not least because of the frequent state assembly elections.

At the same time, however, the governing parties must prevent the three opposition parties from gaining too much electoral capital from government measures unpopular in the medium term. Differing rationales are therefore operating, both limiting and broadening the margin of action for the CDU/CSU and SPD.

The winset of joint reform plans is large only at the level of goal definition. It narrows considerably when it comes to party strategies and implementation plans. The rational temptation to win votes in state assembly elections at the cost of the coalition partner prevents confidence building and strengthens centrifugal trends in the government. However, the latter are kept in check by the desire to retain power. For whoever betrays the common responsibility prematurely could be punished by the voters and sent into opposition.

In view of party preferences, there is no serious alternative to the grand coalition, even though alternative majorities would be possible in purely arithmetical terms. In July 2007, the grand coalition had a 63 to 69 per cent share of the vote, depending on the polling institute. No other two-party constellation, except for CDU/CSU and The Left, passed the 50 per cent mark. There has been some volatility over time but basically, this is a very stable situation. However, with slight gains, coalitions between CDU/CSU and The Greens ("black-green") or the CDU/CSU and FDP ("black-yellow") could hope to gain parliamentary majorities. There are no genuine alternatives within political camps. "Black-yellow" currently leads over "red-green" by 10 to 15 per cent; "red-red-green" would be closer to "black-yellow", but at the federal level there is at present no option for either the SPD or The Greens.

However, public attitudes towards politics and the parties are shifting with increasing speed and intensity. In June 2007, for example, satisfaction with the government declined strongly only to rise again in early July 2007. In this connection there are two interesting, contrary developments. First, satisfaction with the

CDU/CSU in government has fallen more strongly than satisfaction with the SPD in government. Assessment of SPD ministers remained constant throughout. This was not the case for CDU/CSU members of government. On the other hand, preference for the SPD steadily declined from May of that year – despite relatively good scores for the government in general and the Social Democratic ministers in particular.

If the decline in party preference cannot be attributed to the government work of the SPD or the assessment of its ministers, it must have something to do with the situation of the party. Four aspects explain the disparity between satisfaction with government performance and government personnel on the one hand and the popularity of the SPD.

- It is striking that the standing of former party chairman Kurt Beck had steadily eroded. In July 2007 a mere 35 per cent were satisfied with his performance, whereas CDU chairwoman Angela Merkel had a score of 75 per cent. 51 per cent were dissatisfied with his work; only 31 per cent described him as a good candidate for the chancellorship. In his own party, only 38 per cent saw him as a good candidate for head of government. Beck thus trailed far behind foreign minister Steinmeier, who finally became Chancellor Candidate, and finance minister Steinbrück. However, the new party leader, Franz Müntefering, performs with more credibility and public support than Beck.
- Kurt Beck was not a member of the federal government and thus had less opportunity to demonstrate his qualities of political leadership at the federal level.
- The SPD has failed to address its inherent topic of “social equity” in such a way as to make it a credible political proposition. With reference to almost all aspects of social equity (pay, pensions, taxes, generations, etc.), 80 per cent and more of the

population are of the opinion that inequity is rife in Germany. In its efforts to introduce a minimum wage, regarded as a key social issue, the SPD failed to impose its will although it could have relied on the support of the public. Two-thirds are in favour of a statutory minimum wage.

- With the merger between the PDS and the WASG to form a party that has taken the name "The Left", there is now a political force on the market that wishes to make its mark to the left of the SPD in core areas of Social Democratic policy.

This shows the strategic dilemma in which the partners of a grand coalition find themselves, and in this case especially the "minor" partner, the SPD. While the two parties are adversaries at the state level and will in all likelihood oppose one another in the next Bundestag election, governing in coalition requires the two competing parties to make compromises that push the SPD, in particular, to the very limits of its political identity. The winset of joint reform plans in the grand coalition is small when compared with that in coalitions composed of parties from the same political family. Moreover, if the public has the impression that the Union is the stronger force in the coalition and manages to impose its will more frequently in government, which was the view taken by 57 per cent of the population in June 2007, SPD supporters are particularly likely to turn their backs on the party because they see no guarantee for either its political identity or its assertive power. This interpretation is confirmed by the differences in how party supporters judge the work of their respective parties in government. Whereas 65 per cent of CDU/CSU supporters gave the federal government good marks, almost as many (57 per cent) SPD supporters took a contrary view. This pattern proves to be very stable. The fact that the SPD has no realistic leeway in the grand coalition beyond rhetoric for countering competitive pressure from The Left exacerbates the strategic dilemma of the party.

This circumstance also goes a long way towards explaining why a not inconsiderable section of the SPD membership, especially younger people, could be considering leaving the SPD to join The Left. Attempts by former party chairman Kurt Beck to distance the SPD from the coalition partner by accusing them of neo-liberalism are constrained by the work of the government while provoking the CDU/CDU to question the fitness of the SPD to govern and to denounce them for putting the grand coalition at risk for transparently tactical party reasons. The option of liberating itself from the political constraints of the grand coalition in order to position itself better from a strategic point of view in political competition involves a major risk for the SPD.

In the first grand coalition, the SPD was able for the first time to demonstrate its fitness to govern at the federal level. It was regarded as the stronger force in the coalition, which enabled it to oust the CDU/CSU from government in the general election of 1969. At present, the grand coalition appears to be changing the competitive conditions to the advantage of the Union. However, observations halfway through the legislative period can say little about the situation when it comes to the next Bundestag election. All too frequently in the past, mobilisation effects in the electoral campaign have confounded forecasts even in election year (as in 1994, 2002, and 2005).

But this relativisation holds true only for the predictive value of any current polls, not for the basic fact of the strategic dilemma facing parties in grand coalitions. The ability often attributed to such coalitions to carry through necessary reforms comes to fruition only when the problems to be solved exert extreme pressure. Favourable economic developments and the easing of the labour market reduce this pressure and thus any commitment to obeying the rationale of coalition. It is therefore more likely that the political identity of the adversaries will determine the political scope for action and the smallest common denominator

imposed by the rationale of coalition will determine the decisions of the grand coalition – at least as long as the financial crisis will not spill over into a severe economic crisis. A competitive dilemma with marginal capacity for political innovation – this is the normal situation in grand coalitions. Grand coalitions arise in Germany only when there is an arithmetical problem to be resolved in forming a government. Their primary purpose is not political content. It would be asking too much of a grand coalition to expect it to produce sustainable reforms requiring the constituent parties to abandon their strategic electoral calculations.