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## Merkel's safe pair of hands now carry a heavy burden

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Angela Merkel has emerged as the undisputed winner of the German elections, an achievement not to be underrated. Her alliance between the CDU (Christian Democratic Union) and the CSU (Bavaria's Social Christian Union) has gained the best election results since 1990, when a large number of Germans thanked Helmut Kohl via the ballot box for his efforts to unify the country. Merkel's victory has been so overwhelming that she was close to an absolute majority, something the German public had not seen since Konrad Adenauer's landslide victory in 1957. Thus, with results such as these in her third elections Merkel is on the way to joining both Kohl and Adenauer as one of the greatest chancellors in post-war German history.

Despite being subjected to intense criticism from abroad, the results show the enormous support for Merkel's leadership style in managing the Eurozone crisis. Many Germans identify with her frugal, cautious and pragmatic approach. Her election campaign has been a success. In a context of uncertainty and crisis, most Germans have decided to put their faith in Merkel's safe pair of hands. For the first time they see a German leader fighting fiercely for German interests without coming across as hostile and arrogant. This hard-won trust should give Merkel ample elbow room to achieve her political objective, which is none other than to consolidate Germany's role as the anchor of economic and political stability in the heart of Europe.

However, what seems at first glance a propitious environment might turn out to be a daunting task. The truth is that the German electorate has dropped a heavy burden in Angela Merkel's hands. For a start, she will have to find a coalition partner, which will not be easy. The SPD (Social Democratic Party) was severely mauled after having been the CDU/CSU's junior partner in the Grand Coalition of 2005-09 and will therefore try to obtain major concessions before it agrees to repeating the experience. Demands are likely to range from the introduction of a minimum wage to ask for the removal of the heavy-weight Wolfgang Schäuble as Minister of Finance.

It also remains to be seen how Merkel will deal with the absence of a liberal party in the Bundestag for the first time in the Federal Republic's history. Indeed, apart from the CDU/CSU, all the other parties have a more left-leaning programme, which is certain to have an impact on the Bundestag's agenda and debates. This leaves Merkel with a greater exposure to possible blackmailing strategies by the SPD, vexing her party's more conservative elements.



To avoid this, she could go it alone with a minority government, relying on ad hoc coalitions. However, it is unlikely for two reasons: (1) it goes against the German tradition of creating stable coalitions; and (2) there is still the possibility of the SPD, Greens and *Die Linke* ganging-up against her at certain moments. The SPD and the Greens have both clearly said that they will not become partners with *Die Linke*, but this does not mean that they cannot join forces on particular policies. The chance at some point to finally erode Merkel's power might just be too tempting.

Furthermore, even if Merkel were to find ad hoc support from the Greens, it would be insufficient because the SPD has a majority in the upper house, the Bundesrat. For the same reason, it is highly unlikely for Merkel to opt for a permanent coalition with the Greens. In other words, her only option is a Grand Coalition with the SPD, for which she will have to pay a heavy price.

She will also have to confront other obstacles that will come her way. She is now at the zenith of her popularity, but is unlikely to maintain such levels of support throughout her third mandate. As with other long-lasting leaders –Kohl and Thatcher, for instance–, at some point the Germans will want to see a new hand at the helm. There are also doubts about whether the German economy can continue riding on the growth generated by the emerging markets. The latter's growth levels, especially China's, might decline and thereby harm the German export industry.

And then, of course, there is the complex and endless task of solving the Eurozone crisis. Considering that Greece, Ireland and Portugal are not yet out of the woods, over the next four years it is very likely for the German taxpayer to see the first bills coming his way, in the guise of public sector involvement in debt restructuring. This is sure to be picked up by the Euro-sceptic AFD (*Alternative für Deutschland*), which has not made it into the Bundestag but which is crammed with Economics professors who will be keen to explain these technical operations to the German public in simple terms.

In conclusion, Merkel is likely to have some difficult years ahead and she will have a heavy burden to carry. But, nevertheless, it would be a mistake to underestimate her capacity to overcome obstacles. Even her fiercest critics now recognise her political cunning. She could be prepared to pay a high price to have the SPD as a junior partner and then slowly, as she

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has done before, take up some of the SPD's programme and weaken it without pushing it completely out of the coalition.

Now that the FDP is gone, and with it the active advocacy of liberal economic policies, Merkel will probably be willing to accept more social policies at home and a softer fiscal consolidation in the Eurozone periphery so as to be better protected from a possible drop in demand from the emerging markets. There is an increasing trend in the CDU to believe that the three years of austerity were necessary to streamline public spending and increase competitiveness in the south, but that it is now the moment to underpin the current recovery with targeted fiscal stimuli. It would therefore be no surprise for Merkel to come under pressure from the SPD, with the support of the French socialists, to be more flexible regarding growth-enhancing policies and to then come out with François Hollande in favour of the same policies, selling them to the German public as a necessary compromise between France and Germany.

Merkel could even be bolder. Now that she has the trust of the German voters, she could use the overwhelming support to devote her efforts over the next four years to build the banking, fiscal and political union that are needed to consolidate the single currency. If she builds a solid coalition with the SPD she would even have the two-thirds majority needed in the Bundestag to change the German Constitution. Hence, if she were to be bold enough, she could follow in the footsteps of her mentor Helmut Kohl and go down in history as one of the great leaders of European integration. However, the option is unlikely and the other Eurozone member states would do well not to raise their expectations too high. The most probable outcome is for Merkel to err on the side of caution and confront each obstacle as it arises, with a cool head and in a piecemeal fashion. This is indeed what most Germans have voted for.