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Editors: Sławomir Dębski ● Bartosz Wiśniewski ● Rafał Tarnogórski

Karolina Borońska-Hryniewiecka ● Anna Maria Dyer ● Aleksandra Gawlikowska-Fyk  
Sebastian Płóciennik ● Patrycja Sasnal ● Justyna Szczudlik ● Marcin Terlikowski ● Tomasz Żornaczuk

## SPD's Elections Strategy: Gain Support from Social Promises

Sebastian Płóciennik

*Germany's Social Democrats have launched their federal election campaign with a series of welfare promises. Its goals are to regain the support of left-wing voters and reconquer terrain in the political centre from the Christian Democrats. If the SPD's strategy succeeds, German economic policy would shift to the left. For Poland, this may mean better conditions for exports but also the challenge of faster integration of the euro area.*

Following the rise of new chairman Martin Schulz in the polls, the Social Democratic Party of Germany (SPD) sees a chance of winning the autumn Bundestag elections. It is relying on a left-leaning socio-economic programme. The Social Democrats promote, for example, extending the period of unemployment benefits, increasing social security benefits for the elderly, introducing free crèches and the right of parents to “recover” their job after a period of caring for their children. They also want to reduce the wage gap between men and women and control top-management pay. In line with the left-wing canon, the party does not propose reductions in income taxes because the beneficiaries would be primarily high earners. Instead, the state is expected to increase spending on infrastructure and education.

The aggressive programme suggests the party's authorities have resolved an important dilemma regarding the direction of the campaign. The party could have chosen “continuation,” that is, defending the economic policy achievements of SPD ministers of the economy in Merkel's grand coalition government. This would, however, condemn the party to remain a smaller coalition partner in the next cabinet, which most probably will be run by the CDU/CSU. Instead, the Social Democrats have opted for a “change” programme that has allowed them to think about recovering the dominant position on the German political scene they lost over a decade ago.

**Struggle for Voters.** Schulz's generous social proposals are aimed first at increasing the party's polls among the less well off, who have seen fewer benefits of prosperity in recent years. According to the “Report on poverty and wealth,” prepared by the government, under-paid employees have experienced a real slump in wages since the mid-1990s. The wellbeing of many of them has also worsened because full-time job contracts have been replaced by irregular employment requiring frequent qualification changes. Studies show that these people are less likely to take part in the election than the wealthier part of society. Activating them then could significantly increase the SPD vote, assuming, there is an offer attractive enough for them.

The second aim is to regain voters who have moved to vote for the post-communist Die Linke, a party that sharply criticised Gerhard Schröder's Agenda 2010 program in 2003–2005, which undercut some welfare programmes and deregulated the labour market. With his arguments to improve matters in this area, Schulz intends to regain lost ground and push Die Linke to the extreme left-wing of the political scene, leaving the party with a radical, anti-capitalist electorate. Even if Die Linke achieves good results in the election, the SPD may still win. Die Linke has an inability to enter a coalition with other parties; its only

chance to get to power is cooperation with SPD. It is possible that another side effect of the SPD strategy may be the weakening of the far-right Alternative für Deutschland (AfD). That party's "angry" voters, often motivated by dissatisfaction with Germany's social situation, may shift support in favour of Schulz's party.

The SPD programme, however, is not directed exclusively to the left-wing electorate, but also to the middle class. The Social Democrats want to convince it of the need to redesign the economic system. The party argues capitalism needs reforms to prevent financial crises like the ones that started in 2008 and the rise of inequality, which increases the popularity of extreme parties. An unavoidable reaction would be the rising role of the state, aimed at more redistribution, increasing public service expenditure and spending for infrastructure. Doing so, the Social Democrats argue, would reverse or stem the impact of a disturbing weakness in the German economy: the low level of investment. These views are supported by many recognised economists and helps the SPD legitimise its programme to centrist voters.

With its arguments, the Social Democrats want to challenge not only the ideologically closer Greens (Die Grünen) but also the CDU/CSU, which in recent years has effectively begun to get rid of its image as a party less interested in social affairs than its competitors. The SPD's social promises and declaration of capitalist reforms aim to polarise the main political scene and force the Christian Democrats to formulate a more conservative, market-oriented programme, including its traditional adherence to rigid budgetary policy (austerity). If the Social Democrats manage to do this, they will see two opportunities. First, they can try to take over the social achievements of the grand coalition, such as the introduction of a minimum wage or early retirement, through which Merkel has also gained support beyond her party's traditional electorate. Second, SPD would place the Christian Democrats in the position of defenders of the "old order" of the economy, compromised by numerous crises and endangering political stability.

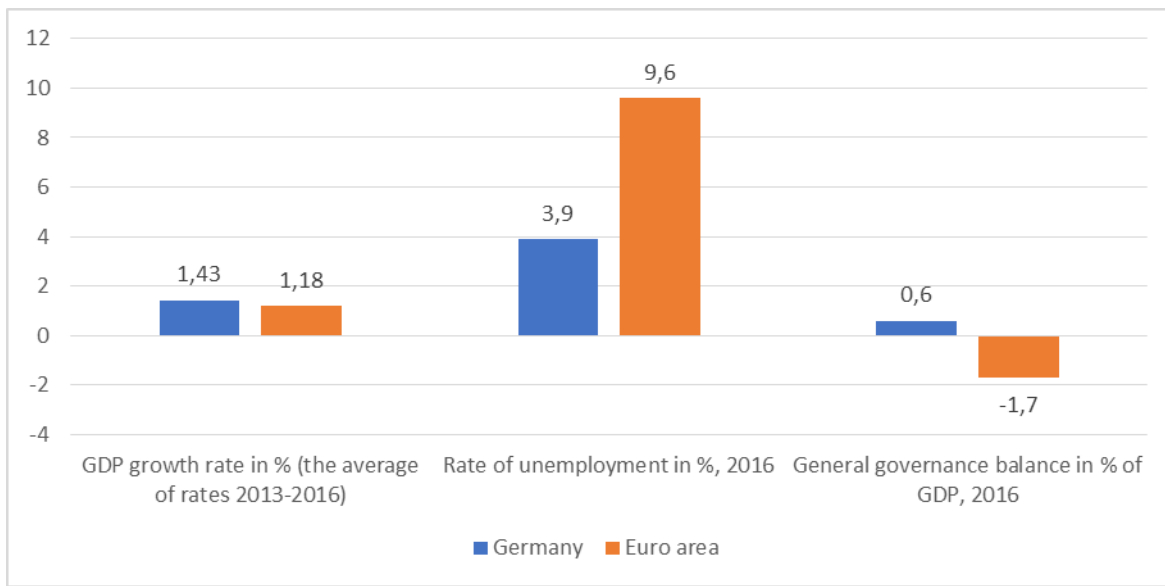
**The Effects of Changing Economic Policy.** By pushing a social agenda, the SPD must accept some risks. German voters now assess the current economic situation as satisfactory (see figure below) and may be afraid of changes to economic policy. The "Schulz effect" is also weakening. The party's disappointing result in the Saar regional elections at the end of March 2017, where it only reached 29.6% against 40.7% for CDU, should be treated as a warning. However, the chances of the Social Democrats winning at the federal level remain significant. The Christian Democrats' lead remains minimal (less than 5%, according to data from mid-April) and many months remain until the end of the election campaign. Moreover, even a defeat does not exclude the SPD's chances of participating in the government. For the CDU/CSU, the Social Democrats remain an attractive coalition partner, especially since voters prefer the continuation of governmental cooperation between the two parties. This means that the SPD's postulates have a chance of being adopted even if they lose. Thus, the likelihood is that after the election German economic policy will shift to the left, that is, to greater social protection, increasing wages and more expansive budgetary policy. The effects of this change will be felt outside Germany.

The first effect results from higher demand and translates into increased imports. This would also benefit the Polish economy, in which exports to the Germany market amount to a third of the total. It is also likely that there will be a significant increase in labour costs in Germany, which may increase Poland's attractiveness as an investment destination for German industry. However, expectations should not be overly high since one alternative to relocating expensive jobs to cheaper locations will be the wider use of robotic production lines.

Second, strengthening the social accent in economic policy could be significant for both Polish companies and employees present in Germany. Entrepreneurs who have succeeded in their market position with the advantage of lower wages will have to face increasing cost constraints. Workers' situations should improve, not only their salaries but also the probability that generous social benefits will remain, if not rise. The SPD has already blocked a reduction in child support (Kindergeld) for foreigners from the EU in the country and probably will not change its decision after the election. These changes—assuming unemployment in Germany remains at a record low—may increase labour migration from Poland.

Third, changes to economic policy in Germany may accelerate integration in the euro area. The SPD's criticism of the austerity course will make it easier to work with France on a common eurozone budget, new investment programmes, or even the introduction of a common "finance minister" for the euro. This is especially the case if Emmanuel Macron wins the French presidential election because he unambiguously supports deeper integration. For countries outside the euro area, including Poland, the new dynamics in European policy will increase the risk to it of a "multi-speed" EU.

Figure. Economic situation in Germany and the euro area



Source: Eurostat, European Commission.