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Collapse by numbers

Financial issues have brought down Germany's ruling coalition, leading to early elections. What does this mean for the country and its aid to Ukraine?

Almost three years ago on 7 December 2021, representatives of the Social Democratic Party of Germany (SPD), Alliance 90/The Greens and the Free Democratic Party of Germany (FDP) signed an agreement on the establishment of a majority government. This made Germany the first country in history to be governed by a three-party coalition at the federal level — dubbed the 'traffic light' coalition after the three parties' traditional colours. Thirty-five months later, on 7 November 2024, it was announced that the coalition had collapsed. Chancellor Olaf Scholz had dismissed Finance Minister Christian Lindner, and the remaining FDP ministers, with one exception, had submitted their resignations to German President Frank-Walter Steinmeier.

And that was the end of one of the most novel political experiments in the country.

There had previously been traffic light coalitions at the federal state and municipal level, but none of them had been particularly successful, with some lasting only a short time. Due to tensions between the Social Democrats and the Greens, on the one hand, and the liberal FDP, on the other, this format was considered unviable and certainly undesirable for a national government, which shoulders far more responsibility than a federal state or municipality. Three years ago, however, the circumstances meant this was the only possible constellation. The result was a coalition agreement full of compromises.

The document contained a number of progressive proposals, including, for instance, the construction of 400 000 new flats, citizenship and welfare reform, all of which were implemented in practice, and a package of measures focused on accelerated digitalisation.

A difference in approaches

The main problem that the coalition members could not have foreseen when hashing out their agreement in more peaceful times was how to tackle the economic fall-out of the pandemic. Two and a half months after the coalition agreement had been signed, Russia launched its full-scale attack on Ukraine, which radically changed not only the geopolitical map of Europe but also directly impacted Germany's budget. The country had to abruptly abandon Russian energy sources, launch a major aid programme to Ukraine and spend hundreds of billions of euros on mitigating the consequences of the crisis for the German population and industry. It was also during this period that the coalition made its first big mistake: despite the extraordinary circumstances, the ruling parties did not decide to amend the points in the agreement that were no longer in keeping with the times.

The main stumbling block in the work of the coalition became financial and budgetary issues. In fact, there was a collision of two fundamentally different approaches: centre-left and neoliberal. The situation was exacerbated by the fact that two major historical events, the pandemic and a large-scale European war, occurred in rapid succession.

The coalition members were in agreement on the most obvious point: budget funds had to be redistributed. What they were divided on was the 'how'. The FDP's *idée fixe* became austerity. In 2023/2024, Germany saw unprecedented budget cuts in many different areas, which, together with the categorical refusal of the Ministry of Finance to abandon the practice of using a 'debt brake' (debts were not to exceed 0.35 per cent of GDP), led to a multibillion euro 'hole'. As a result, a number of projects had to be implemented on the basis of a provisional budget.

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Lindner was a particularly harsh critic of the Greens' environmental plans, believing that new economic restrictions for the purpose of climate protection would further reduce Germany's competitiveness on the global market — something he felt had already been undermined. The centre-left coalition partners were not about to give up their ambitious environmental projects, which they saw as an investment in the future. To the liberals, however, these ideas were simply alien.

In November 2023, a ruling by the German Constitutional Court declared an attempt by the traffic light coalition to reinvest the remaining

funds initially dedicated to tackling the effects of the pandemic into environmental projects as unconstitutional, seeing it as an attempt to circumvent the 'debt brake'. Observers called the court verdict a 'slap in the face' for the coalition, but for the liberals it was confirmation of their austerity policy.

The degree of internal government conflict had been steadily growing. It had reached the point that coalition members were presenting not joint but separate investment plans and were even holding separate high-level meetings. In autumn 2024, Lindner effectively gave his colleagues an ultimatum: either the coalition follows his plans or the FDP leaves its ranks.

It is worth pointing out here that over the last three years, the government has, in fact, achieved a lot: it successfully rid itself of half a century of dependence on Russian energy, implemented a long overdue reform of citizenship, raised the minimum wage and increased student grants, introduced a new low-cost travel ticket valid for the whole country and dismantled certain bureaucratic barriers. But the coalition was deeply unpopular among the German people. The SPD and its chancellor were accused of being 'weak and indecisive' in domestic and foreign policy alike, the Greens had a reputation for being 'prohibitionists', and the liberals were seen as 'being austere even when it came to the bare necessities'. As a result, while the parties' total vote share in the 2021 election was 52 per cent, by the time the coalition collapsed, their combined vote stood at just 31 per cent — less than the German conservatives.

Snap elections

Germany is currently being ruled by a minority government. A total of 325 members of the Bundestag remained in the ruling coalition, with 408 in opposition. After the redistribution of ministerial posts, the cabinet remains functional, but Scholz now has to look for allies outside the coalition if he wants support for any legislative initiatives.

Faced with these new realities, the Social Democrats have to follow the path of pragmatism. Recognising that it makes no sense to count on all their bills being approved, they proposed a list of priorities in which, along with the domestic political agenda (providing social security and pensions, protecting jobs, reducing energy costs and attracting investment) increasing assistance to Ukraine also features. It is precisely in this area that Scholz has the greatest chance of winning over members of the *Bundestag* from other parliamentary groups. Lindner, too, became noticeably more pro-Ukrainian after his dismissal, and the leader of the

opposition and the conservative CDU, Friedrich Merz, is far more decisive than the chancellor when it comes to providing military assistance to Kyiv and implementing restrictive measures against Moscow.

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Ukraine was referred to as a priority at least three times, including at the highest level: in a speech by Scholz, a statement published on behalf of the SDP leadership and in a conversation between the acting chancellor and opposition leader Merz. Democratic German politicians are doing everything possible to provide uninterrupted assistance to Ukraine, but it must be understood that any allocation of funds, especially under such an 'irregular' budget item as support of a foreign state, is going to be subject to certain procedures. In the *Bundestag* there is a broad consensus and desire to find a solution, but in the absence of a budget it is difficult to predict exactly when and how much.

It has already been announced that snap elections will be held in Germany on 23 February 2025. At the moment, the conservative parties are firmly in the lead, but if we remember the last election campaign when the SPD moved ahead on the final stretch, surprises cannot be ruled out. If Scholz does not manage to remain chancellor, the country must expect significant changes. The CDU, for example, has openly expressed its dissatisfaction with the model of financial support for the unemployed introduced by the traffic light coalition.

However, regardless of who the next chancellor is, there will not be any significant changes in Germany's foreign policy path. Admittedly, the parties opposing continued support for Ukraine – the Alternative for Germany (AfD) and the Sahra Wagenknecht Alliance (BSW) – will not only secure seats in the next *Bundestag* but are in fact likely to increase their presence. However, there is not a single parliamentary force willing to enter a coalition with these parties. With their parliamentary mandates, extensive team of assistants, media attention and financial means, they will undoubtedly influence public opinion, but they will not be part of the key group of decision-makers. And the question of support for Ukraine may well remain one of the few issues on which the unity of the democratic camp will be preserved.



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