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The FDP presents its demands: is this the end of Germany's coalition?

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On 31 October, Germany's Minister of Finance and leader of the FDP, Christian Lindner, presented a series of demands aimed at revitalising the German economy. The key demands listed in the unveiled document include: tax reductions for small and medium-sized companies, the postponement of Germany's climate neutrality deadline from 2045 to 2050, liberalisation of the job market, and measures to increase the retirement age (see Appendix).

A meeting of representatives from the current coalition, set to discuss various issues, including the FDP's proposals, has been scheduled for 6 November. This gathering may prove to be a 'last resort meeting' for the ruling coalition.

The document effectively serves as the liberals' electoral manifesto, with most of its demands in direct contrast to the provisions of the coalition agreement and undermining the platforms of the SPD and the Greens. If these two parties make significant concessions to the FDP, this could weaken their prospects in the Bundestag election, scheduled for 28 September 2025. Pressure from the liberals stems from their low polling numbers and their concern that they may be unable to surpass the electoral threshold. According to recent polls, the FDP's level of support is 4%, while the most popular parties are the CDU/CSU at 32%, followed by the AfD at 18%, the SPD at 15%, the Greens at 10%, and the BSW at 8%.

Commentary

- **The document's publication marks another phase in the ongoing coalition crisis, which has persisted for many months.** On 23 October, Vice-Chancellor Robert Habeck (Greens) presented his proposals on Germany's economic policy, adopting a more compromise-oriented approach. The FDP's demands are anticipated to intensify the pressure the party is exerting on its coalition partners amid the ongoing budget discussions (voting on these issues has been planned for the end of November). The FDP, for instance, advocates for greater savings in ministries overseen by the SPD and the Greens (see '*Germany: government reaches budget compromise for survival*').
- **If negotiations fail, a snap election cannot be ruled out.** If the liberals' demands are rejected, this could provide the FDP with a pretext to withdraw from discussions. Lindner's decision to publish the manifesto was aimed at maintaining party cohesion and preparing its platform for a potential snap election, which the FDP views as a chance to reverse its declining support.

- **The SPD and the Greens intend to sustain the coalition.** Their stance is primarily influenced by the greater similarity between their platforms, the unpreparedness of their party structures for an election, and Chancellor Olaf Scholz's strategic considerations. A premature dissolution of the coalition would be a personal failure for him and could jeopardise his re-election prospects. Scholz believes that, despite his unprecedentedly low level of support, he will be able to reverse unfavourable public sentiment in the coming months. Much will also depend on the outcome of the US presidential election. In the event of Donald Trump's victory, the likelihood of the German coalition's survival will increase. In this situation, the government will seek to demonstrate its commitment to sustaining the current coalition for the sake of the state's stability. However, if this coalition breaks up, the pressure on the chancellor may prove too strong for him to remain in power with a minority government.
- **The German constitution safeguards governmental stability, and the chancellor can only be replaced in two instances.** The first instance occurs when the head of the government requests a vote of confidence, which requires an absolute majority in favour to pass. If the chancellor fails to secure this majority, they are authorised to request the president to dissolve the Bundestag. The president may accept this request but is not obliged to do so. If they do accept, a new election must be held within 60 days. Historically, chancellors Helmut Kohl (in 1982) and Gerhard Schröder (in 2005) utilised this procedure. The second instance in which the chancellor can be replaced is through a constructive vote of no confidence. Currently, there is no majority in the Bundestag to support this motion. According to German media, a potential snap election could be held on 9 March, one week after the *Landtag* election in Hamburg. Polls indicate that 54% of Germans would welcome a snap election.

APPENDIX. The FDP's main demands

Taxes:

– corporate tax should be gradually lowered to 25%, with an initial reduction of 2 percentage points in 2025;

– the solidarity surcharge should be abolished– it should first be reduced by 2.5 percentage points in 2025 and cancelled entirely in 2027 (Germany introduced this tax in 1991; initially, it was intended to fund the costs of reunification and Germany's participation in the Gulf War. Although largely abolished it continues to apply to high-earning individuals and certain companies).

Reduction of bureaucracy:

– a three-year moratorium on new regulations should be introduced to reduce the bureaucratic burden on companies;

– reporting commitments arising from the EU's Green Deal should be minimised.

Climate policy:

– the deadline for Germany to achieve climate neutrality should be postponed from 2045 to 2050;

– Germany should abandon its national climate goals and align them with European climate goals;

– certain renewable energy subsidies should be cancelled, and plans for electricity grid expansion should be reconsidered.

Job market and social welfare reform:

– social welfare benefits available to certain refugees should be reduced;

– legislation on working hours should be more flexible, specifying a weekly (rather than daily) maximum working time.

Pension system and social insurance reform:

– a flexible retirement age should be introduced, allowing for both early and later retirement options;

– the increase in social insurance contributions should be minimised to prevent excessive burdens on younger generations.

Compiled from: *Wirtschaftswende Deutschland – Konzept für Wachstum und Generationengerechtigkeit* (*Germany's economic transition – A concept for growth and intergenerational justice*), Federal Ministry of Finance.