

# The German election

The latest polls put Mrs Merkel's party on 39%. She has opened a good gap over her main rival, the SPD, but only because their vote has fallen away. The two main German parties sit on just 61% between them. On this basis Mrs Merkel is likely to lead the largest minority party, but will once again need to be in coalition to govern. She is currently in coalition with the SPD. In present polls the SPD who might like to try to form a coalition with the Greens and Die Linke, would not be able to do so. IT is not clear who would need to be willing to serve in a Merkel led coalition and what they might demand.

Germany has a less acute version of the pattern of the collapse of the combined vote of the two main traditional parties that we see in most Eurozone countries. Germany has prospered better than the others, by locking into the single currency at a competitive rate for her and then keeping wage growth and deficits down to retain competitiveness. IT is clear from the sharper decline in most of the other Eurozone countries by the old established parties that there remain unhappiness about what is happening on the economic front. In Germany the anti EU vote is still quite small at around 10%.

This situation contrasts with the last UK election where Mrs May's Conservatives got over 42% of the vote and the Labour opposition got 40% of the vote, making a total for the two main parties in excess of 82%. The Conservative vote was higher by a decent margin than at any time since the full impact of the European Exchange Rate mechanism policy became apparent in late 1992 with a nasty recession. That policy was recommended by the CBI, the Labour party and the Lib Dems, but the Conservatives understandably took the hit for actually implementing it. It took a the banking crash of 2008 to get the Conservatives back with a chance of winning with a better rating for economic competence.

The German election provides the background to the recent unfortunate comments by EU Commissioners and to the briefing to the German media about the UK's negotiating position and abilities over Brexit. Clearly the German audience wants to hear that the UK will make a larger financial contribution for longer, as Germany will have to pay more once the UK has left as the EU does not seem keen to cut spending.

Meanwhile the government has rejected claims that they have offered a substantial financial settlement to the EU as some have briefed the press to say write. Judging by the remarks of the Commission and some Germans in recent days the UK clearly has not offered to pay anything other than pour legal obligation to pay the running contribution up to the date of exit.