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A postcard from Austria

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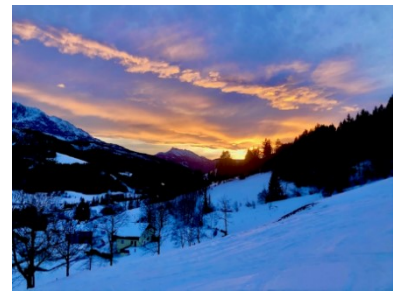
January 10, 2025

Austria's political debacle and its lessons for Germany

That's how it goes. I had been planning just a simple extended weekend to enjoy a few quiet hours skiing in Austria without thinking of anything unpleasant. Alas, suddenly there is only one dominant topic among friends and in the media: the complete and utter breakdown of coalition negotiations in Vienna.

What happened

At the end of September, Austria held its national parliamentary elections. The right-wing populist Freedom Party of Austria (FPÖ) emerged as the leading party for the first time, with nearly 29 percent of the vote. FPÖ chairman Herbert Kickl and Austrian People's Party (ÖVP) Chancellor Karl Nehammer are arch-enemies. Consequently, the second-placed ÖVP categorically ruled out a coalition with Kickl's FPÖ. Thus, the ÖVP, the Social Democratic Party of Austria (SPÖ), and the liberal NEOS party negotiated for months to form a coalition. Last week, the NEOS withdrew, having unsuccessfully pushed for a reform of the financially unsustainable pension system. ÖVP and SPÖ would still have had a one-seat majority in parliament, even without the liberals. However, their positions were so far apart that the day after the NEOS exit, they declared the negotiations to have finally failed altogether. Nehammer announced his resignation as chancellor and ÖVP leader. The "new ÖVP" immediately signaled less reluctance towards the self-proclaimed "People's Chancellor" Kickl (a term that another Austrian, Adolf Hitler, also used). 99 days after the elections, President Alexander Van der Bellen reluctantly tasked the FPÖ with forming a new government. Soon, Vienna could be governed by a pro-Russian and EU-skeptical chancellor in the mold of Viktor Orban. Oh my!



Picture: private

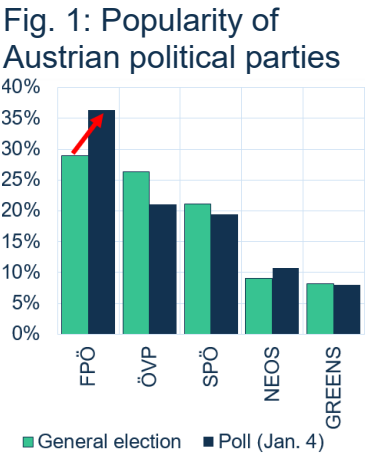
Kickl borrows from Hitler's vocabulary

Ultimately, the coalition negotiations failed due to the involved parties' inability to compromise on substantive issues. This programmatic intransigence was coupled with a dose of "exclusionitis": The Greens would also have been a potential coalition partner. However, after the recently ended ÖVP-Green coalition, the estrangement was apparently too great.

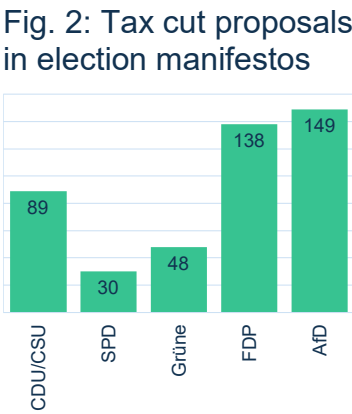
Lessons for Germany from the Austrian Debacle

Germany faces a pivotal federal election next month. The mistakes made in Vienna must not be repeated in Berlin. No party in Germany will achieve an absolute majority. Compromise will be essential. Meanwhile, many campaigners are relying on artificial polarization and framing the wrong competitors as radicals. This is toxic. For instance, parts of the conservative Union parties (CDU/CSU) categorically exclude a coalition with the Greens. That increases the risk of a Vienna-style crisis in Berlin. The only plausible constellation remaining would then be a coalition of conservatives and social democrats (SPD). This self-inflicted lack of alternatives complicates coalition negotiations. Both sides know that the other has no other option. But CDU/CSU and SPD share the same policy fault lines as ÖVP and SPÖ. Germany, with its struggling economy, urgently needs a fresh start. Months of negotiations and a collapse like in Austria only strengthen the radical fringes (see Fig. 1).

Unfortunately, the signs are discouraging. The campaign promises of Germany's mainstream parties are unachievable even without the necessary coalition compromises (see Fig. 2). German parties must draw the right conclusions from the Viennese fiasco. Otherwise, only political disillusionment will win. And a government participation by the [economically harmful Alternative for Germany](#) (AfD) will become increasingly difficult to avoid in the medium term. Berlin, listen up!



Source: Austria Press Agency (APA), LBBW Research



Source: German Economic Institute (IW), LBBW Research

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