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Who decides on the future:

Why are debt rules a matter of democracy?

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1. Introduction

In Germany, the debate over sovereign debt is usually conducted as a dispute about economic expediency. Yet public debt is always also a question of democratic rule. It constrains the room for manoeuvre of future generations before they themselves can take part in the decision, and, absent credible rules, it becomes antidemocratic in a precise sense. It allows the present to spend resources whose cost only the future will bear.

For Germany, this question carries particular urgency in 2026. The campaign for the French presidential election in April 2027 likewise shows how central it has become. Opinions diverge widely on who should bear which burdens. New borrowing, the use of off-budget special funds, and European oversight of German fiscal policy show that far more than a theoretical debate is at stake here — it is a fundamental political question.

Should democratic self-government mean that future majorities are bound so tightly, fiscally, that their room for choice is curtailed?

The ordoliberal school of thought offers a demanding approach here, for the ordoliberals understood freedom as an order of free decisions under general and reliable rules that apply to everyone. A debt rule thus becomes an instrument of democratic self-binding, meant to prevent short-term political incentives from operating at the expense of later generations.

The thesis of this essay is that high public debt, incurred with little regard for rules, is problematic from a democratic standpoint, because it blurs accountability, shifts burdens, and devalues future electoral choices. Sound debt rules protect democracy from fiscal self-overreach, and this holds with particular force in Europe, where national borrowing always has consequences for the shared currency, and thus for other democracies.

2. The Ordoliberal Core Idea

Ordoliberalism emerged from a twofold experience: without sound rules, markets remain no more free than democracies remain stable without institutional self-limitation. The Freiburg School therefore treated economic order as a constitutional matter. In its view, reliable frameworks of rules should limit power, safeguard competition, and assign accountability, rather than leave room for spontaneous political intervention.

From this follows a certain reluctance toward discretionary fiscal policy. When governments can take on new debt at any time, incentives arise to resolve political conflicts by shifting them into the future rather than by setting priorities. Budget deficits become a convenient means of satisfying present-day demands without disclosing their full cost to today's voters.

This point is central to democratic theory, for democracy lives as much from majority decisions as from chains of accountability. Whoever distributes political benefits today should not be able to push the associated costs invisibly into the future. Ordoliberal rules are therefore not sceptical of democracy — they frame political rule so that it remains both free and answerable.

Ordoliberalism is no simple ideology of austerity: Eucken, after all, demanded neither unlimited austerity nor consolidation at any cost. What matters above all is the principle of liability: decisions have consequences, and this is precisely what is missing in the case of persistent sovereign debt, since the present settles its bills with the future's means.

3. The Democratic Problem

Debt can be economically reasonable — in times of severe crisis, war, or natural disaster, for instance, where zero borrowing would be unreasonable. Investment in innovation, education, or infrastructure can likewise justify debt, provided it contributes to future growth and tax revenue. Debt becomes problematic, however, once it turns into the ordinary technique for avoiding political conflict, rather than remaining an exception or a genuine investment in the future.

In doing so, debt alters the political time horizon. Loans, interest, and repayment obligations decided today narrow the priorities of future budgets and constitute a substantial financial burden. They represent a pre-decision about future policy that later voters can no longer fully undo. Whoever takes on debt thus also decides on behalf of people who are not yet entitled to vote.

A transparency problem compounds this, since deficit financing allows governments to raise spending without immediately making visible the offsetting cost — whether through taxes or cuts. Theories of *deficit bias* describe precisely these structural incentives within democratic politics to defer burdens and reward short-term gains. This logic is antidemocratic, because the majority that bears the costs is not the same as the one that decides.

The German dispute over the debt brake illustrates the problem well. Critics point to negative net investment, ageing infrastructure, and an investment backlog. Defenders counter that political prioritisation, high consumptive spending, regulation, and planning bottlenecks — not the debt brake itself — explain the investment shortfall. Both diagnoses may hold true, for the core democratic question is not whether debt is *bad*, but whether its use is institutionally bound in a way that preserves accountability, transparency, and fairness between generations.

The economist Marcel Fratzscher makes the counter-argument sharply: a debt rule that is fair across generations must also account for implicit obligations and protect investment in the future. This objection is well founded, for a policy that passes on the depletion of public capital, social costs, and climate costs to the future carries democratic risks. Above all, a borrowing practice that grants advantages to the present while turning the future into a silent payer is antidemocratic.

4. Three Models and a Counter-example

Germany's debt brake is attractive from the standpoint of ordoliberal economic policy, for it is firmly anchored in the constitution and clearly limits the federal government's structural fiscal balance. Its strength lies in credibility: precisely in good years, it forces prioritisation and the build-up of crisis buffers. Its weakness becomes apparent when politics circumvents its binding force through off-budget special funds and exceptional constructions. In that case, however, the problem lies not in the rule itself but in its political circumvention.

Switzerland shows that debt rules can be designed to be politically more robust. The Swiss federal debt brake is transparent, simple, and constitutionally entrenched. In 2001, 85 percent of voters approved it. It thus carries a democratic legitimacy that goes beyond mere expert reasoning. It also transforms the budget process itself, turning a conflict-prone *bottom-up* procedure into a *top-down* process with a clear expenditure ceiling.

The Swiss model is also instructive with regard to its effects. Studies show that the rule reduces *deficit bias* and *procyclicality*, preserves room for manoeuvre during downturns, and makes surpluses more likely in good years. Herein lies precisely its democratic value, for it prevents the present from consuming, during expansion, the reserves that could cushion a future crisis.

France illustrates the counter-model, and at the same time how quickly the line between *good* and *bad* debt blurs. While debt for innovation, research, or infrastructure enables future returns, this is not the case for debt financing ongoing consumption spending. Without a constitutionally entrenched rule, this distinction is left to the mercy of day-to-day politics. France's debt ratio has grown for decades in a predominantly consumptive fashion. The economist Jacques Delpla therefore proposes a French debt rule modelled on the Swiss and German examples, one that should be constitutionally anchored and subject to independent oversight. Other economists reach a similar conclusion: fiscal rules only work if they are credibly enforced and are not up for renegotiation at every change of government. The French case thus confirms the German and Swiss experience.

The new European fiscal framework, which took effect in 2024, relies on medium-term structural fiscal plans, country-specific adjustment paths, and the linking of debt reduction to reforms. This increases flexibility and can make economic sense. Democratically, however, the framework remains ambivalent: the more heavily rules are shifted toward negotiation and executive discretion, the greater the distance grows between fiscal steering and public accountability. A monetary union needs shared oversight, and it is precisely for this reason that solid national self-binding remains indispensable, for Germany as for France.

5. A Possible Compromise

Comparing the three models counsels differentiation rather than dogmatism. A good debt rule disciplines political time preferences without strangling investment in the future. The right compromise lies neither in abolishing the debt brake nor in defending it symbolically, but in a more precise distinction between consumptive spending, genuine investment, and extraordinary crisis situations.

First, circumvention through off-budget special funds must be made significantly harder, for whoever takes democratic self-binding seriously cannot outsource fiscal burdens to side budgets that obscure political accountability.

Second, much speaks in favour of a narrowly defined investment component within strict rules, tied to verifiable net investment.

Third, the democratic quality of the fiscal order must not be measured by the level of explicit debt alone, for implicit obligations arising from demographics, the welfare state, defence, and climate change must also be taken into account. A policy that limits formal debt today while simultaneously building up growing hidden burdens is not fair across generations. Additional borrowing, moreover, is no substitute for prioritisation or administrative reform.

Fourth, the monetary union needs national fiscal rules that prevent *moral hazard* as the Union simultaneously takes on more shared responsibility. Mario Draghi and Enrico Letta call for precisely this: a closer capital markets union, a completed single market, and joint investment projects, partly financed through common European debt. This in no way contradicts national self-binding — rather, it is one of its preconditions. For whoever wishes to take on joint debt for common goods must at the same time prevent individual states from borrowing at the expense of others. Whoever wants to shape the future must therefore say what is being invested in, who bears the cost, and what burdens may reasonably be imposed on others.

6. Conclusion

Debt is rule over time. Whoever makes generous promises today lets tomorrow pay — by people who were not yet allowed to vote — and it is precisely this, not the size of a figure, that is the real democratic question.

The debt brake is therefore not a vote of no confidence in politics, but its promise to itself to resist the temptations of the moment. Switzerland shows that a people can bind itself; France, what it lacks when it fails to do so; Europe, that no single nation ever decides alone the fate of a shared currency.

Whoever loves democracy does not mortgage its future for the peace of today. A free order needs an effective debt rule. It expresses no distrust of democracy. It is a sign of respect for those who come after us and could not vote.

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