



Rhetorical tricks in the financial policy discussion

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It's a news topic that never gets old: The debt brake (Schuldenbremse). Therefore please forgive me that this column once again picks up on the current debate. Because it is important that the falsehoods that are spread as part of this discussion are revealed. The protagonists pushing these clearly political objectives do not shy away from using rhetorical tricks, false attributions, twisted words and even worse. According to Wikipedia, the neo-Kantian philosopher Wilhelm Windelband from Heidelberg talked about the later sophists and the smug rabulistics of their advocates. Here, we focus on the financial policy advocates.

Their goal is clear: The protagonists who advocate for easing the debt brake want more debt leeway for the federal and state governments. This leeway is supposed to be used to finance "unavoidable expenditure requirements" (or tax reductions). In principle, there is no such thing as unavoidable expenditure requirements. Every expenditure project must be weighed against the conflicting objectives of other expenditure requirements. There is little doubt that wonderful ideas for new expenditures can be found in every area of government action. But are they worthy of implementation? The same applies to tax reductions. If the tax burden is supposed to be reduced, the reduction must be financed with fewer expenditures or the removal of tax breaks.

Given the threat posed by Russian aggression, (almost) everyone now agrees that Germany needs higher defence expenditures to secure its defensive capability. Moreover, national defence is a prime example of a public good. But of course, defence expenditures compete with expenditures for social programmes. Otherwise it would be hard to explain why, after the fall of the Iron Curtain, a peace dividend was realised in order to expand the expenditures for social policies. If the current threat is taken seriously, the decisions concerning these conflicting objectives would have to be taken in another direction, or tax financing would need to be implemented. Warnings that defence should not be played off against social programmes are nothing more than a rhetorical trick to allow for the continued expansion (or non-reduction) of social expenditures.

Higher indebtedness is a step towards a decidedly "have your cake and eat it too" situation: The conflicting objectives between expenditure areas, and between expenditures and taxes, can be resolved by spending more in each area. This course of action is opposed by the debt brake.

There is also the allegation that more debt is needed to address future responsibilities. It is obvious that we must invest in the future. Every company does the same, they say. Comparing the government to a company is an interesting twist in this context. But in any case, this is not

about debt-financed investments that promise a positive return on investment because of future sales revenues and profits. At most, these are government investments that represent a significant advance payment for private investors. If we look closer, the supposed future investments mostly consist of subsidies for the German economy to manage the transformation towards climate neutrality. Which shows that once again, higher transfers are the real hope of the protagonists who favour a loosened debt brake. If we were talking about government investments, we would have to admit that most of these are made at the municipal level, where it is possible to take on debt equal to the amount of the investment. So far, the debt brake has not hindered public investments. There is nothing obvious about the necessity for debt-financed future investments.

Then there is the assertion that this is a purely German debate. It is alleged that nobody else in the world has fiscal rules. That is simply wrong. Many countries have fiscal rules; the member states of the EU also have them due to the existence of the stability, growth and fiscal pacts. It is said that these were agreed on Germany's request. However, Germany was joined by the smaller EU states in order to protect monetary policy from the demands of excessively indebted countries. The US has fiscal rules at the federal, state and municipal level. Brazil has some of the strictest rules anywhere, and so do Switzerland and Israel. In Germany, the constitution of 1871, the Weimar Constitution and the Basic Law all included fiscal rules.

The reference to recommendations by international organisations also does not support the argument against the debt brake. In its examination of the impact of the debt brake on government investments, the IWF uses clever data section methods, while the OECD even conjures up the economically contraindicated impact of expenditure reductions that do not even exist.

Conclusion: Rabulistics is used to support lobbying for additional expenditures or tax reductions without considering the need to solve the existing conflicting objectives. But that is exactly what the debt brake discussion is about: It is about finding political solutions for the conflicting objectives of today, not about shifting them onto future generations.

Sincerely yours

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