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Public Debt and Democratic Accountability: Engaging the Voter Base for Sustainable Long-term Solutions

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Statutory Declaration:

I hereby declare that I have composed the present thesis autonomously and without use of any other than the cited sources or means. I have indicated parts that were taken out of published or unpublished work correctly and in a verifiable manner through a quotation. I further assure that I have not presented this thesis to any other institute or university for evaluation and that it has not been published before.

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Thesis Pitch:

https://youtu.be/ogy2Ts8uDxM

Abstract

Ever since the turn of the 21st century, repeated global economic crises and weakened growth have caused many democratic states to resort to heightened public spending in order to uphold their economies and maintain the provision of public goods. However, this has resulted in extremely high debt-to-GDP ratios. This phenomenon is problematic for two main reasons: firstly, it affects states' credibility towards loan repayment thus heightening the risk for a global public debt default. Secondly, the elevated debt-to-GDP ratios show no signs of slowing down, in fact they keep increasing year by year.

Many proposed macroeconomic solutions to increased public debt have long-term horizon scopes and effects, which are in contrast to both the public's and therefore the government's economic priorities. If these information biases were to be removed, it may be possible to realign citizens' will towards sustainable fiscal policy which would in turn shape how public debt is managed within a democratic context. Thus, as an attempt to find concrete solutions to the issue, this thesis will employ a comparative case study to test whether high levels of democratic accountability can help reduce public debt by prioritising long-term fiscal mechanisms instead of short-term solutions linked to the electoral cycle. The thesis concludes that a multi-sectoral effort to keep citizens informed on budgetary processes coupled with institutional mechanisms for these to keep the decision-makers in check can lead to sustainable, long-term public debt.

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1. Introduction

1.1 Research Question and Context

The relationship between democratic governance and fiscal sustainability is amongst the most pressing issues facing contemporary developed democracies. This thesis pursues the guiding research question:

What effects does democratic accountability in developed states have on public debt?

This question is motivated by a confounding observation that democratic nations exhibit significant variation in their fiscal performance despite having similar institutional foundations and stages of economic development. The topics' timeliness has only become more pronounced as mature democracies grapple with unprecedented levels of public debt accumulation. In the wake of the 2008 global financial crisis, public debt-to-GDP ratios in OECD countries increased precipitously as governments implemented expansionary fiscal policy initiatives to forestall economic recession. The European sovereign debt crisis that ensued revealed underlying flaws in fiscal governance institutions and posed existential questions about the viability of democratic decision-making processes in addressing long-term fiscal problems. More recently, the COVID-19 pandemic required a further round of enormous fiscal interventions, with most advanced countries increasing their debt-to-GDP ratios by 15-20 percentage points within a year (World Economic Forum, 2020).

These recent developments highlight and underlying tension in democratic governments: the inherent bias in favour of short-term benefits and against long-term costs that is a characteristic of electoral competition is often in conflict with the necessities of prudent fiscal management. Voters quite naturally want increased government spending on services and benefits and reduced taxation simultaneously, creating compelling incentives for elected officials to pursue fiscally stimulative policies regardless of long-term affordability concerns. This has led some prominent economists and political scientists to question whether democratic institutions are inherently well-equipped to handle fiscal discipline over time (Mudde, 2004; Somer & McCoy, 2019).

The relationship between accountability and debt is one of the most important areas of study since it addresses extremely fundamental questions about democratic government performance. Democratic accountability in a general sense encompasses those institutions through which citizens can monitor, evaluate, and ultimately control government behaviour through electoral and non-electoral means. When these mechanisms of accountability are in good working order, they should theoretically discipline government fiscal behaviour by rendering threats of electoral retribution for fiscal irresponsibility credible. However, the empirical evidence from this relation is mixed: while some democratic governments display exemplary fiscal discipline, others accumulate large debt burdens despite having seemingly robust democratic institutions (Fincke & Greiner, 2011).

The contrasting findings, under otherwise the same conditions, suggest that variations in the quality of democratic accountability can have an important explanatory effect. The main explanatory difference amongst these cases is in processes and structures of democratic accountability, ranging from open budget mechanisms, strong parliamentary control, sound audit institutions, strong civic engagement, and stable coalition governments enabling long-term policy planning. This study design applies a number of data sources and analysis methods in examining the accountability-debt outcome relationship. The main sources of information are academic sources, government budget documents, central bank publications, official national government and international institutions' statistics. Secondary data relies on the World Bank governance indicators, OECD databases and academic data sets that measure democratic quality and institutional performance. The time horizon spans the years 1990 to 2023 which include the pre-euro period, the adoption of the eurozone, global financial crisis, European debt crisis, and COVID-19 pandemic responses. The wide time horizon enables the analysis of how accountability-debt dynamics evolve in different economic and political contexts while controlling period-specific effects that may otherwise obfuscate underlying patterns.

1.2 Thesis Structure and Contribution

This thesis consists of seven chapters which progressively construct the theoretical argument, present empirical evidence, and provide findings which add to the existing literature. Chapter 2 follows this introduction and provides the theoretical framework with a thorough review of literature that identifies the lack of integration between public debt and democratic accountability research. Chapter 3 conceptualises the variables as they will be defined in the study and develops the hypotheses underpinning the empirical investigation. Chapter 4 introduces the research design and methodology, explaining the case selection logic and variable operationalisation. Chapter 5 includes in-depth case studies of Italy and Germany respectively, investigating how differing levels of democratic accountability have conditioned fiscal decision-making and debt outcomes in each country. Further, it employs a systematic comparative analysis, creating causal mechanisms and testing alternative explanations for observed differences. Chapter 6 tackles specific arguments proposing solutions towards more sustainable public debt. Lastly, chapter 7 concludes with a synthesis of the main findings and future directions for research.

This research has several significant contributions to offer in bridging the existing gap between democratic accountability literature and fiscal policy studies. Theoretically, it presents a model of the way democratic procedures influence long-term economic effects. Empirically, through the conclusions on the comparative case study, it provides rich evidence of the mechanisms through which accountability affects fiscal performance and for continuing the debate on the efficiency of democracy in addressing complex procedural problems. Policy-wise, the findings offer concrete solutions for democratic reform efforts and international institutions that wish to promote fiscal sustainability while maintaining democratic governance systems.

2. Theoretical Framework

For this chapter, I will discuss academic articles regarding the aspects of democratic accountability and public debt management. Therefore, the literature review will assess the research on both of these topics by dividing them into institutional, public debt and socio-political discourse. Next, a brief synthesis summarises the main findings from the literature's contents and attempts to build an argument for the position of the research question within its context. Further, a section discussing what gaps may be present within the literature justifies why the research question can be an addition to it.

2.1 Literature Review

Institutional Discourse

Beginning with an understanding of the importance of institutions on economic and fiscal development, Acemoglu and Robinson (2012) argue that inclusive political and economic institutions lead to prosperity, while extractive institutions foster poverty. They highlight historical case studies, illustrating how institutional arrangements shape long-term economic trajectories. Further, they argue that weak or extractive institutions lead to economic instability and higher borrowing costs. Similarly, North (1990) underscores the role of institutions in reducing transaction costs and enabling economic development. Lipset (1959) and Putnam, Leonardi & Nanetti (1993) reinforce this perspective, emphasizing that economic development enhances democracy, and that civic engagement strengthens institutional and fiscal effectiveness. Huntington's (1991) builds on these ideas by testing these on a reversed causality, exploring democratization patterns and how institutional transitions impact economic outcomes.

Regarding public revenue, Genschel, Lierse & Seelkopf (2016) examine tax competition, illustrating that other than country size, domestic institutions and the political climate also matter for tax competition amongst Western democracies. Additionally, they stress the importance of public revenue generation and Foreign Direct Investment towards influencing debt sustainability. Lastly, within the background of the 2008 financial crisis, Blyth (2013) explores shifts in economic policy paradigms post-crisis, emphasizing how political narratives influence economic decision-making, particularly during crises, affecting fiscal strategies. Likewise, Tesche (2019) examines the European Central Bank's unconventional accountability measures during the Eurozone crisis, highlighting tensions within European Monetary Union governance.

Public Debt Discourse

As for the dependent variable, public debt sustainability is a key theme in several studies. Barro's (1974) seminal work challenges the notion that public debt directly impacts national wealth, arguing that rational agents anticipate future taxation. Reinhart & Rogoff (2010) examine historical data to assess how excessive public debt impairs economic growth. They identify patterns of economic downturns triggered by excessive debt, demonstrating that countries with high political instability often experience greater debt accumulation due to inconsistent fiscal policies and an inability to implement necessary austerity measures. Melecky (2012) investigates public debt management strategies, identifying key drivers of fiscal stability. As for instability, he finds that the leading factor exacerbating debt mismanagement is corruption, which produces unsustainable fiscal policies. With a comparative analysis, Beqiraj, Fedeli & Forte (2018) explore public debt sustainability in OECD countries and Germany, respectively. By using empirical models to assess fiscal solvency, they show that these do not take long-term measures to counteract the increase in the debt-to-GDP ratio.

On a wider scope, the International Monetary Fund's (IMF) *Fiscal Monitor* (2024) and Shah, Afridi, Luo & Taşkin (2024) investigate global debt trends, emphasizing how regulatory policies impact fiscal resilience. The former further notes that political constraints often prevent necessary debt reduction measures, exacerbating fiscal imbalances. The latter also stresses how developing countries with weaker governance structures struggle with debt sustainability due to policy volatility. Bamba, Combes & Minea (2020) examine fiscal consolidations, analysing how austerity influences government spending composition. They conclude that well-targeted fiscal consolidations (rather than broad austerity) can improve debt sustainability without harming economic growth.

Socio-political Discourse

On a more civil level, the mechanism of how economic disparity undermines social cohesion and democracy relating to fiscal policy is examined by Stiglitz (2012). Further, he scrutinises how more unequal societies often rely on inefficient debt-financed redistribution rather than structural economic reforms. Esping-Andersen's (1990) classifies welfare states into liberal, conservative, and social democratic models, assessing their impact on inequality and economic mobility with their ability to deliver public goods. He shows that well-managed welfare systems can sustain high public spending without excessive debt accumulation. As a solution to the theoretical notion that growth must be present in order for public deficits to be kept in check, Juknys, Liobikienė, & Dagiliūtė (2018) propose economic deceleration as a sustainability strategy for developed nations, arguing that perpetual growth is environmentally and socially unsustainable.

The degree of how much public participation should be present in democracies is explored by Fung (2006), who categorizes this across three dimensions. Williams' (1999) strives to identify what factors encourage and sustain corruption in developed democracies and argues that higher transparency leads to better fiscal discipline and lower borrowing costs. Mihailidis (2018) and Norris (2001) discuss digital media's impact on civic engagement, highlighting both the potential for enhanced participation and risks of misinformation. Also looking at digital media, Sunstein (2017) examines how social media-s fragmentation in particular affects democratic discourse. Looking at political phenomena, Mudde (2004) explores how populist movements challenge economic orthodoxy, influencing and creating erratic fiscal and trade policies. Lastly, Somer & McCoy (2019) assess how political polarization threatens democratic stability worldwide.

2.2 Synthesis

The main takeaways from the literature review are that with institutional degradation, most functions of a democratic system are hindered by either having higher transaction costs or taking longer to function. In this case, these include economic development and integration, democratic transition, tax collection, transparency and public engagement. Due to these deficiencies, governments with poor institutional adequacy suffer from poor credit ratings when seeking investment from external sources. Thus, the problem of public debt is exacerbated as in order to fix the institutional shortfalls countries have to spend large amounts of money. However, if their sources of reliable income are reduced, it creates a vicious cycle.

Most of the literature tends to tackle these institutional issues individually, with sector-related solutions. These are useful to help understand the factors that make up democratic accountability and that link it up to public debt management. For the latter, the connection between the two variables' literature is important as much of the literature around public debt provides purely macroeconomic solutions which tend to sideline the vital aspect that good governance plays into the mechanism. In conclusion, the literature manages to pinpoint the various characteristics, challenges and solutions surrounding the research questions' variables but with little 'communication' between the two.

2.3 Gaps in the Literature

In regard to the gaps in the literature that this thesis would cover, its main purpose is to serve as a bridge between the bodies of literature concerning democratic accountability and public debt. The former has been discussed in relation to issues such as populism and political polarisation, democratic norm erosion, economic inequality and technological disruption. However, there is no evidence in the literature to suggest that democratic accountability's' effects have been analysed with regards to macroeconomic policy and oversight at the national level. What is observable from the democratic accountability literature is that as seen above it has been analysed under the context of its relationship with social issues that have recently become relevant for studying trends in the populations of developed, democratic societies.

On the other hand, the literature concerning public debt is concerned with a narrower set of topics involving macroeconomic management (economic growth, fiscal management, current account sustainability, monetary policy framework, inflation targeting, fiscal policy and fiscal balance, exchange rate exchange rate handling and crisis resilience). Because of this, these are all topics that are mostly discussed by economists, with their research contributing towards the macroeconomic literature as a whole.

What the research in the thesis attempts to do is to take this economic framework and apply it to more social issues and see if there is a high degree of correlation between the two variables which at first glance may not seem greatly connected. The short-term nature of democratic governments is in direct contrast with it having to come to a long-term solution for public debt, especially the fiscal element of the latter. Therefore, the elements that compose public debt management are harmed by poor levels of democratic accountability, something which is not as easily observable as income per capita, for example. Thus, the main overlapping themes of democratic accountability and public debt are that they both involve the economic stability of the given country, and that good governance is a crucial part of their successful management.

3. Conceptualisation

3.1 Democratic Accountability

Hence, with their place within the academic literature in mind, the variables can be defined and situated within the framework of this study. Beginning with democratic accountability, according to this thesis' theorization, it refers to: "The effect of two concomitant processes, concerning the quality of democracy and that of public management. Although the two processes have developed separately (and sometimes in opposite directions), they have had a cumulative effect on the uses of accountability" (Britannica). This definition is based on the general assumption that accountability is built around three pillars: transparency of actions of governance, the right of citizens to obtain and evaluate government performance information, and effective sanction systems to punish low-performance officials. Democratic accountability then captures both the vertical accountability (government-citizen) and horizontal accountability (institutional checks and balances) together constraining government activity and bringing it into line with citizen choice.

Democratic accountability is of very uneven quality in different political regimes as a function of a variety of institutional and cultural determinants (Acemoglu & Robinson, 2012; North, 1990). Institutional determinants include the effectiveness of parliamentary oversight mechanisms, independence and capacity of audit institutions, budget transparency, and the authority of judicial review. Cultural variables include civic participation levels, media freedom and effectiveness, and overall government political culture of inclusivity and responsiveness. These levels of accountability quality provide the analytical leverage needed to explore how democratic accountability influences fiscal consequences.

3.2 Public Debt

My dependent variable is defined as "Obligations of governments, particularly those evidenced by securities, to pay certain sums to the holders at some future time. Public debt is distinguished from private debt, which consists of the obligations of individuals, business firms, and nongovernmental organizations. (…) The debt owed by national governments is usually referred to as the national debt and is thus distinguished from the public debt of state and local government bodies (Britannica)."

This variable is viewed in the lens of how it is managed and what issues and consequent solutions can be encountered if it is managed wrongly. But this variable definition should not be confused with public deficit, because that, as close as it is, is the difference between government's revenues and expenses including capital revenues and capital expenses within a time frame (most commonly a fiscal year). So, continuous public deficit can lead to public debt.

A vital differentiation within the thesis' conceptualisation is the distinction between structural and cyclical deficit. Structural deficit is the part of the budget deficit which exists when the economy is at full employment or potential output, so regardless of economic performance. Alternatively, cyclical deficit is subject to economic performance, therefore for example the widespread worldwide public deficits that resulted from the COVID-19 recession, where expenditure had to be brought in to energise the stunted economy. Therefore, structural deficit is the main catalyst for the creation of unsustainable public debt, and this thesis will assess how the independent variable (democratic accountability) affects structural and not cyclical deficit, even if fiscal responses to cyclical shocks are still determinants in a country's macroeconomic performance.

Lastly, several counter arguments against the notion that public debt is regulated by democratic accountability need to be discussed. These are supported by evidence that public debt may have sources outside of the latter. The political system (democracy) itself could be the reason for the creation of unaffordable levels of government debt, and a more dirigiste economy is merely better suited to confront the issue. (Shah, Afridi, Luo & Taşkin, 2024). Furthermore, short-term public debt, as commonly seen throughout this thesis, can be justified as a crisis solution mechanism and as a liquidity management device. For the medium and long terms, while less secure, it can be used responsibly to invest in productive assets (education, R & D, infrastructure) or demographic changes (healthcare, pensions). Public debt sustainability is a complex macroeconomic concept that goes beyond simple debt-to-GDP ratios and encompasses the potential of the government to service its debt without requiring unsustainable fiscal effort or at the cost of essential public services. Sustainable debt management entails keeping borrowing costs within budgetary limits, maintaining market confidence in fiscal capacity of governments, and keeping debt dynamics aligned with long-term economic growth prospects. The political importance of debt sustainability is not to be understated, with it involving political choices on acceptable tax burdens, spending priorities, and intergenerational equity issues (Blyth, 2013; Genschel, Lierse & Seelkopf, 2016).

3.3 Causal Mechanism

The theoretical link between democracy and fiscal decision-making operates through a variety of different channels. First, electoral competition gives politicians an incentive to hear what citizens have to say and so can be in favour of consumption today versus saving for the future. Second, the channels of accountability and transparency in democratic countries can reinforce or undermine the development of stable fiscal policies that maintain market confidence. Third, quality of democratic institutions determines the government's capacity to implement long-term, state-run fiscal policies that are separate from specific electoral cycles (Huntington, 1991). Perhaps most critically, democracy is plagued with a built-in temporal mismatch between electoral cycles and fiscal sustainability requirements. Electoral accountability operates on relatively brief time horizons, typically two to six years, while fiscal sustainability requires consistent policy application over decades. This inconsistency overtime creates powerful incentives for political leaders to prefer policies that have short term, tangible benefits for constituents and backloaded, obscured costs. This pro cyclical fiscal policy bias (increasing spending when the economy is doing well and struggling to make necessary adjustments when times are bad) can undermine long term fiscal sustainability even when single policy decisions are rational in the short term from a political perspective (Lipset, 1959).

The framework developed here assumes that higher degrees of democratic accountability can overcome these temporal mismatches challenges in several ways. Higher transparency can make citizens wiser about budgetary trade-offs over the long run, potentially aligning electoral incentives with more sustainable policy. Stronger institutional controls can place more robust cheques on fiscal folly over and above electoral responsibility. Finally, stronger democratic processes can allow for the development of broad consensus over long term budget objectives that transcend partisan and election cycles.

Therefore, following the conceptualisation, the hypothesis and null hypothesis for this thesis' research can be developed:

H1: Higher levels of democratic accountability lead to lower long-term levels of public debt.

H0: Higher levels of democratic accountability do not lead to lower long-term levels of public debt.

4. Research Design

4.1 Methodology

In order for the research question to be answered and for the hypotheses to be tested, democratic accountabilities' effect on public debt will be assessed through a comparative case study. Thanks to the comparative element, a certain degree of contextualisation can be derived from it. The study employs a Most Similar Systems Design (MSSD) comparative case study to examine two cases as polar examples of democratic accountability and fiscal performance in similar institutional contexts. The MSSD approach is especially suited to this research question in that it allows for the identification of key explanatory variables by controlling for many potential confounding factors with careful case selection. Thus, by comparing these countries with basic similarities but with differences on the variables of interest, the method maximises analytical leverage while ensuring adequate contextual depth to grasp causal mechanisms (Halpirin & Heath, 2017).

4.2 Cases

The study will involve two cases, in order to obtain thorough understanding of these (Halperin & Heath, 2017). The goal is to attempt to minimise omitted variable bias, so a most similar design is used. Germany and Italy provide the most suitable pair for such a comparative analysis due to the vast similarities between them on various fronts that could otherwise be responsible for differences on fiscal performance. Both countries are founding members of the eurozone and the European Union and hence are subject to the same supranational fiscal rules as well as monetary policy constraints. They both have political arrangements with fiscal functions distributed over multiple tiers of government, which yield similar institutional barriers to fiscal coordination. Further, they have large, developed European economies facing similar demographic problems of ageing populations and the same external economic shocks. Finally, they both enjoy robust democratic institutions with competitive electoral processes, independent judiciaries, and active civil societies (Worlddata.info, 2025).

Germany and Italy differ principally on the dependent variable, with the former having low (and thus positive) levels of public debt, while the latter suffers from high (and thus negative) levels. This difference is especially relevant in the wider context of reduced growth for European states and with these financial discrepancies preventing further fiscal integration within the European Union. Further, they also diverge on certain aspects affecting the independent variable, namely the institutional makeup of the states, with Germany being federalist and Italy unitary. A comparison between the two is motivated by their symbolic status as being the ‘good’ and conversely ‘bad’ European examples of how to manage public debt.

Seeing as their institutions and markets are being compared, general data concerning the countries is needed for the comparison. Germany boasts the larger landmass (357,580 km^2 compared to 301,340 km^2) and the larger population (83,280,000 to 58,993,000), meaning the amount of capital flows entering and exiting the former are higher. Once the data is adjusted to capita, the German average income is $54,800 and the Italian is $37,920, albeit with Germany’s cost of living being slightly more expensive, but not enough to cover the large gap in income. For quality of life, Italy has an older (48.4 to 46.8) but longer living population (male life expectancy 82 to 78 and female life expectancy 86 to 83). Infrastructure sees a stark difference as Germany has nearly quadruple the length of roadways (830,000km to 228,863km) which is of course subject to its larger landmass and to geological factors. The overall trend in the cases’ comparison points to Germany being the slightly more developed state on any parametric, but not at a level significant enough to rule out the plausibility of a comparison of each’s public debt. Difference in fiscal and institutional design will be amply discussed in the cases’ chapters, as these involve the research questions’ causal mechanism directly. The timeline of comparison will be from 1990 until 2024. Therefore, from when the German unitary state was restored until there is reliable financial data for the cases. This allows for a significant amount of historical data to be analysed from the two cases’ public debt performance.

Thus, despite these underlying commonalities, Italy and Germany have taken dramatically different fiscal courses of action over the past 30 years. Germany successfully reduced its debt-to-GDP ratio from over 80% in the mid-2000s to below 60% before the COVID-19 pandemic, while maintaining consistently low borrowing costs and strong credit ratings. Italy, conversely, has maintained debt levels exceeding 100% of GDP since the 1990s, experienced several sovereign debt crises, and faces persistent market scepticism about its fiscal sustainability (Macrotrends, 2022).

5. Analysis

5.1 Institutional Framework

Germany

Politically, Germany can be classified as a parliamentary democracy, which means that its government is often comprised of party coalitions. These, while complex, demonstrate exemplary stability through institutionalised power-sharing arrangements as well as strong party discipline. Data-wise, Worldwide Governance Indicators show that Germany has percentile rankings over 90 across all areas (World Bank, 2023). Germany's federal structure provides democratic accountability with a solid foundation in the guise of several governance levels and mechanisms for control, including veto points that, in turn, contribute to stability by requiring widespread consensus in big fiscal decisions. The Basic Law (Grundgesetz) establishes a federal structure with the division of fiscal powers between the federal state (Bund), the sixteen states (Länder), and municipalities (Gemeinden). Multi-level governance constructs inherent checks and balances favouring accountability in the fiscal decision-making process. The federal system ensures that fiscal policy undergoes scrutiny at more than one tier. With the Bundesrat serving as the second chamber to act as the voice of the states' interest in federal legislation, particularly on matters involving state finance and responsibilities. This federalised and thus decentralised feature of the German state is a key to the success of fiscal management within Germany.

German fiscal federalism operates through a complex formula of revenue allocation and expenditure allocation involving high coordination and accountability between different tiers of government. More specifically, the federal government handles defence, foreign affairs, and social security while states take charge of education, policing, and cultural affairs. The division of clear responsibilities facilitates accountability mechanisms as each level has to explain its expenditure decisions to its respective constituents.

The Financial Planning Council (Finanzplanungstrat) is an intermediary body that brings together federal and state finance ministers to discuss medium-term planning of the finances, in order to ensure coherent fiscal policy at all levels of government. The Bundestag possesses advanced control mechanisms which ensure that the fiscal policies of the government are scrutinized by the legislature. The Budget Committee (Haushaltsausschuss) is the principal parliamentary committee that scrutinizes the federal budget in detail, undertaking line-by-line analysis of budget proposals for expenditure and revenue. Budget proposals can be amended by the committee and explanations sought from ministry representatives on some budget lines.

The Federal Court of Audit (Bundesrechnungshof) provides further protection by conducting independent federal government finance audits and annual reporting to Parliament. The reports address the efficiency, effectiveness, and legality of government spending and provide Parliament with objective analyses of the management of public finances. Independent institutions are central to ensuring that public finances remain on course and that democratic accountability is maintained. The Bundesbank, having passed monetary policy over to the European Central Bank, is still charged with detached analysis of fiscal policy and sustainability of debt.

The German Council of Economic Experts (Sachverständigenrat) provides annual reports assessing government economic policy, including budgetary policy, so that objective expertise can be made available to inform public debate and parliamentary discussion. The Federal Court of Audit enjoys constitutional independence, keeping its audit functions out of reach of political influence. These institutions collectively create a system of independent scrutiny, restraining the discretionary power of government over fiscal policy while providing unembellished facts for informing democratic accountability.

Lastly, the Federal Finance Agency (Finanzagentur) is the professional department of debt management responsible for implementing the borrowing plan of Germany in a framework determined by democratic institutions. Creating a separate agency of the Finance Ministry in 2001, the Finance Agency coordinates the access of the federal government to the markets and guarantees openness and accountability towards Parliament. The remit of the agency is to reduce the cost of borrowing while guaranteeing access to markets in all economic conditions, objectives that align with broader democratic objectives on fiscal sustainability and efficiency. Regular reporting to Parliament ensures debt management polices democratic transparency with proper respect for the operating independence necessary for effective market operation, its success is reflected by low borrowing costs.

Italy

On the other hand, Italy is a textbook case of how democratic accountability deficits can create a self-reinforcing downward spiral of fiscal deterioration, political instability, and reduces state capacity for good governance. The country’s party system fragmentation has the tendency to result in tokenistic scrutiny since coalition members avoid sabotaging government initiatives that might compromise coalition commitments. Italy's government instability (69 governments since the end of World War II in 1945, at the rate of one every 1.11 years) has thwarted the development of coherent long-term fiscal policies, while transparency deficiencies have further drained public trust and institutional performance. Italy performs poorly compared to its European peers in the vertical accountability category, reflecting broader system-wide challenges in delivering responsive and accountable governments (Sustainable Governance Indicators, 2024). Further, it only tends to range from around the 60th to 75th percentiles in the Worldwide Governance Indicators (World Bank, 2023). These accountability deficits have been exacerbated by political fragmentation with the rise of populist forces having further obscured fiscal policy coordination and implementation.

Italy's governmental instability is due to a number of interrelated causes, including the aforementioned fragmented nature of the Italian party system. Further, weak constitutional provisions for government stability, and deeply rooted political cultural forces that prioritise short-term coalition management over strategic government are also influencing factors. The pattern of governmental alternation has been particularly acute since the collapse of the First Republic in the early 1990s. The 1994 elections saw a huge turnover in the new legislature, with 452 out of 630 deputies and 213 out of 315 senators being newly elected, a fundamental break in political continuity. But rather than establishing a more stable democratic regime, the subsequent decades have been characterized by ongoing governmental weakness. In 2022, outgoing Prime Minister Mario Draghi's wide-ranging coalition government collapsed after disagreements over Italy's economic stimulus decree led three of the governing parties to abstain in a confidence vote, highlighting the persistent vulnerability of Italian governments to coalition pressures. The brief duration of most Italian governments has created strong incentives for short-term policy making and undermined the development institutional memory and expertise within the executive. This instability has been particularly damaging to its control mechanisms of fiscal policy, which must be planned in the long term and implemented wit consistency in order to achieve desirable outcomes.

Regional governance concerns have also complicated Italy's system of democratic accountability. While it is classified as a unitary state, there are five regions in Italy that have special charters granting them varying degrees of autonomy, which has introduced levels of complexity to fiscal monitoring and coordination. The most indebted Italian region in terms of gross public debt is Lazio (28.3 billion euros), followed by Campania (15.6). On the other hand, Friuli Venezia Giulia, Emilia-Romagna and Sardinia stand out for having taken steps to consolidate their public finances (Rome Business School, 2024). This regional spread reflects broader challenges in promoting coordinated fiscal governance across levels of government.

5.2 Transparency and Civic Engagement

Germany

Germany scores higher than average on jobs, work-life balance, education, environmental quality, safety, civic engagement and life satisfaction, according to the OECD Better Life Index. Germany's budget process features high levels of transparency in the form of wide-ranging public disclosure requirements and standardized reporting procedures. Budget documents are released in their entirety with details of revenues, expenditures, and assumptions behind them. The medium-term fiscal planning framework requires the government to publish four-year fiscal forecasts, which enable Parliament and the public to scrutinize the long-run implications of current fiscal policies. Transparency is further extended to the state and local governments where similar disclosure obligations subject final decisions to public examination. Civil society groups also play an active role in monitoring the fiscal authorities through various mechanisms that enhance democratic accountability. Organisations such as the Taxpayers' Association (Bund der Steuerzahler) monitor government spending and publish analyses of fiscal policy, contributing to public discussion of fiscal priorities. Universities and think tanks conduct fiscal policy studies on a regular basis, contributing independent analysis to public debate. Lastly, Germany positions itself amongst the top performers (15^{th}) in Transparency International's Corruption Perceptions Index, suggesting that it is at the very least at manageable levels.

The tradition of the federal government contracting out independent analysis of major spending programs creates additional avenues for civil society engagement in fiscal monitoring. These institutions capitalise on Germany's strong institutional framework supporting freedom of information to acquire access to government documents and data in order for fiscal policies to be examined more closely. Germany's current relatively high ranking of 83.85/100 with respect to the World Press Freedom Index ranks it 11^{th} in the world. Media attention to government finances assists significantly in fostering fiscal accountability. The German news media retains specialised financial and economic policy coverage and journalists possessing the experience to examine sophisticated budget reports and debt management plans. The publicly funded television network, financed by license fees rather than government appropriations, has editorial independence that provides for critical analysis of fiscal policies. Print media, including newspapers such as Frankfurter Allegemeine Zeitung and Süddeutsche Zeitung, provide comprehensive coverage of fiscal plans and fiscal policy decisions, allowing for widespread public attention and scrutiny.

Italy

Italy's democratic accountability has been further compromised by chronic transparency and corruption problems, which have depleted public trust and institutional performance. The budgetary process has been characterised by opacity, both a design failure of institutions and a reflection of political incentives to maintain discretionary control over public resources. As for civil society, minimal participation reduces the scope for democratic oversight and creates an environment where fiscal irresponsibility can flourish. These transparency deficiencies have been particularly problematic given Italy's complex institutional setup, worsened by the coordination demands across several government tiers. Italy's complex budgetary procedures, combined with the technical character of many fiscal decisions, has limited meaningful parliamentary and public scrutiny of government spending priorities. This opaqueness has been compounded by the frequent use of emergency decrees and confidence votes to push budget legislation through, reducing the possibilities for deliberative scrutiny and debate.

Corruption scandals have had profound implications for Italian fiscal governance and public finances. In the 1990s, the Italian party system imploded under the strain of such scandals that engulfed all of the major parties, prompting the so-called "Clean Hands" (Mani Pulite) investigations. The scandals not only disrupted political continuity but also revealed huge networks of corruption that had warped public resource allocation and sapped fiscal discipline. The economic price of corruption has been steep, both in the immediate terms of losses through diverted funds and in the broader terms of institutional capacity and public trust. Its 52nd world-ranking in Transparency International's Corruption Perception Index (2024), behind Oman and Saudi Arabia, speaks volumes. This problematic has direct influences on fiscal governance along several channels: increased public procurement transaction costs, decreased tax collection efficiency, and diminished public confidence in fiscal institutions.

The politicisation of the judicial process has placed additional burdens on democratic accountability. Italy scores 69/100 on Worldostats' Judicial Independence Index (2025), which is quite low for a democracy. This reversal, with the judiciary becoming an independent power that intervenes in politics and in the economy, has created a fraught dynamic whereby judicial interventions have on occasion substituted for mechanisms of political accountability. While judicial intervention has been important in exposing corruption, it has also ignited political instability and not provided enduring solutions to more profound governance problems. Further, public disconnect has been compounded by media coverage that is often focused on political personalities and conflicts rather than substantive policy examination, limiting public understanding of fiscal challenges and policy alternatives. Nevertheless, civil society in Italy is active in a few policy areas but it is fragmented and under-resourced, thereby limiting it from effective ongoing fiscal monitoring.

Lastly, aside from civic engagement relating to political and budgetary processes, the overall well-being of Italian citizens performs well on a range of indicators relative to other countries in the OECD's Better Life Index. Italy is ranked above average in health, work-life balance and civic engagement. However, it is below average in income, employment, education, environmental quality, social connections and life satisfaction. Thus, the stalling economy has created many economic problems for its citizens that have bled into their voting choices. If there are negative or uncertain times, governments tend to fall, which would partly explain why this has happened so much in Italy.

5.3 Political Stability and Consensus

Germany

Germany's coalition governments offer institutional incentives to construct fiscal consensus that fortifies democratic accountability. The proportionate representation electoral system tends to create coalition governments that must negotiate over expenditure policies between a number of parties with varying constituencies and agendas. Such coalition politics create extensive consultation and compromise in the making of fiscal policy, which results in transparency within the policy process as coalition partners must justify their position publicly. The coalition agreement (Koalitionsvertrag) sets out the policy agenda of each government including specific fiscal commitments which serve as public marks of government performance. The need to keep the coalition united on this, however, limits the options for fiscal policy but creates instruments of accountability since partners are monitoring each other's fidelity to fiscal levels agreed upon. Further, like many other Western democracies, the country has seen heightened levels of political polarisation. This phenomenon is especially true within the confines of the old German Democratic Republic, making its political performance increasingly less smooth and more divided, including for its public debt management. Nonetheless, overall, Germany's party system is one marked by positive long-term planning performance via institutionally based mechanisms across electoral cycles.

The multi-year budget framework requires governments to provide medium-term budgetary estimates that consider beyond the term of the current legislature, hence committing to long-term fiscal responsibility. The autonomy of the most significant institutions like the Federal Court of Audit and the Bundesbank prevents interference from the government and ensures continuity in fiscal oversight regardless of the change in government. The federal system offers additional stability in the provision of alternative fiscal control and experience from the states, which can be controlled by parties different from the ones holding power in the federal government. It facilitates long-term fiscal planning above short-term politics. Consequently, hardly surprisingly, it has a high score of 0.84/1 in Our World In Data's index of democracy, which labels it as an outright democracy. For its political stability rating, also thanks to its parliamentary system, it stands just barely above average with a score of 0.59 on a scale of -1 to 1 at the 66^{th} percentile rank (World Population Review, 2025).

Its constitutional debt brake (Schuldenbremse), which it implemented in 2009 and the full usage of which was from 2016, is the height of Germany's endeavours towards institutionalising fiscal responsibility by way of democratic accountability mechanisms. The debt brake limits the structural federal budget deficit to 0.46 percent of GDP, with exceptional circumstances allowing for temporary deviations subject to repayment over the business cycle. This constitutional principle was the outcome of extended democratic discussion, including parliamentary debates and public debate on fiscal sustainability. Further, it includes specific accountability mechanisms, requiring the government to present annual reports on compliance and establish automatic correction mechanisms when deviations occur. The constitutional status of the debt brake ensures that changes require supermajorities in both houses of Parliament, creating democratic legitimacy while constraining future fiscal discretion.

Italy

The fragmentation of the Italian party system has necessitated complex coalition governments that are inherently prone to internal disagreement and external pressure. This polarisation has been intensified by the rise of populist parties and anti-establishment parties that have further changed the political landscape and challenged traditional modes of fiscal management. However, Italy is 0.8/1 in Our World in Data's democracy index, which is a bit worse than that of its Western European peers, but not dramatically so. After 20 years of relatively unstable centre-right and centre-left government coalitions, and stints of a 'grand coalition' after the 2011 crisis, the political environment has somewhat stabilised since 2022, with Giorgia Meloni's Brothers of Italy (Fratelli d'Italia) leading a right-leaning coalition.

Said instability has had particularly negative consequences for fiscal policy continuity and implementation. The need to keep coalition partners on board has consistently prevented governments from implementing necessary but politically difficult fiscal reforms, inducing policy drift and accumulating fiscal tensions. The constant threat of coalition collapse has created strong incentives for shortsighted policymaking and has undermined the credibility of long-term fiscal commitments. Due to such chronic instability, but also thanks to a recent upturn, Italy has a 0.58 Political Stability rating and a rank in the 65th percentile (World Population review, 2025).

Like many other states, the global economic crisis in the late first decade of the 2000s accelerated the destabilisation the Italian political landscape, aiding the emergence of populist parties. Their rise introduced additional dynamics into the debate around fiscal policy, as these movements have generally espoused increased spending on social programs, while, simultaneously, resisting European fiscal restraint and restrictions. For example, during their shared term in power, The Five Star Movement's advocacy for policies such as universal basic income, combined with the League's fiscal nationalism and anti-immigrant policies, created challenging coalition dynamics that have complicated efforts to coordinate fiscal policy.

EU-Italy tensions over budget rules have added an external element to domestic political fragmentation, placing additional hindrance on fiscal policy autonomy while also providing domestic political actors with the ability to deflect responsibility for unpopular fiscal decisions. The outcome of the constraints placed on the Italian economy and finances following its effective 'policing' by the European Union (EU) in 2011 has created a complex dynamic whereby European institutions serve both as external constraints on fiscal policy and as convenient scapegoats for domestic political blame, namely by Italy's right. Such tensions have been particularly sharp during periods of widespread economic difficulty, such as the European Sovereign Debt Crisis, or the COVID-19 recession, when the latter ultimately produced the 'Next Generation EU' fund.

5.4 Public Debt Trajectory and Management

Germany

Germany's fiscal path after reunification demonstrates the role democratic accountability processes have played in shaping fiscal policy responses to large-scale economic problems. Reunification in 1990 added unprecedented fiscal costs to the German state since it required massive infrastructure expenditures, social transfers, and economic restructuring. The debt-to-GDP ratio increased from a level of about 40% in 1990 to over 60% by mid-decade, reflecting the scale of reunification spending. This debt build-up took place within a democratic regime that insisted on transparency regarding reunification costs and benefits, with broad parliamentary debate on financing instruments and their distributional effects. Most significantly, the choice to integrate East Germany into West Germany's already existing federalist structure.

The Maastricht criteria for accession to the European Monetary Union established external accountability institutions that complemented domestic fiscal discipline. Germany's pledge to meet the 60 percent debt-to-GDP threshold imposed relentless fiscal consolidation efforts during the 1990s and early 2000s. The European Monetary Union (EMU) accession was democratic in the sense that there was extensive parliamentary discussion about the trade-offs involved between European integration and fiscal sovereignty. Independent assessment of fiscal policies by the Bundesbank provided objective scrutiny of Germany's fulfilment of Maastricht, while parliamentary oversight provided democratic supervision of consolidation steps. The successive smooth compliance of the Maastricht criteria by 1997 demonstrated the potential of democratic institutions to present fiscal responsibility amid actual rules and independent checks. The 2008 financial crisis subjected Germany's fiscal mechanisms and democratic accountability under extreme economic distress. The initial response consisted of considerable fiscal stimulus measures, with the debt-to-GDP proportion increasing from 65% in 2007 to over 80% in 2010 (Statista).

Debt Composition

Germany's debt composition is as follows: its overall debt structure by government level sees the Federal Government own 65%, the States 20% (with the largest debtor being North-Rhine-Westphalia: €128 billion), the Municipalities 8% and Social Securities the remaining 7% (German Federal Statistical Office (Destatis), 2024). Positively, its federal debt instruments are 85% long-term and medium-term securities. These being: Federal Bonds (10–30-year maturity), 40% of the overall debt, 15%, Inflation-linked Federal Securities (10–30-year maturity), 5%, Federal Notes (5-year maturity), 25% and Federal Treasury Notes (2-year maturity). The short-term securities comprise 10% of the federal debt and include Federal Treasury Bills of up to 1-year maturity Federal Treasury Financing Papers on the very short-term (days to weeks). The remaining 5 % is classified as ‘other debt’, or direct borrowing from institutions and legacy debt instruments (German Finance Agency, 2024).

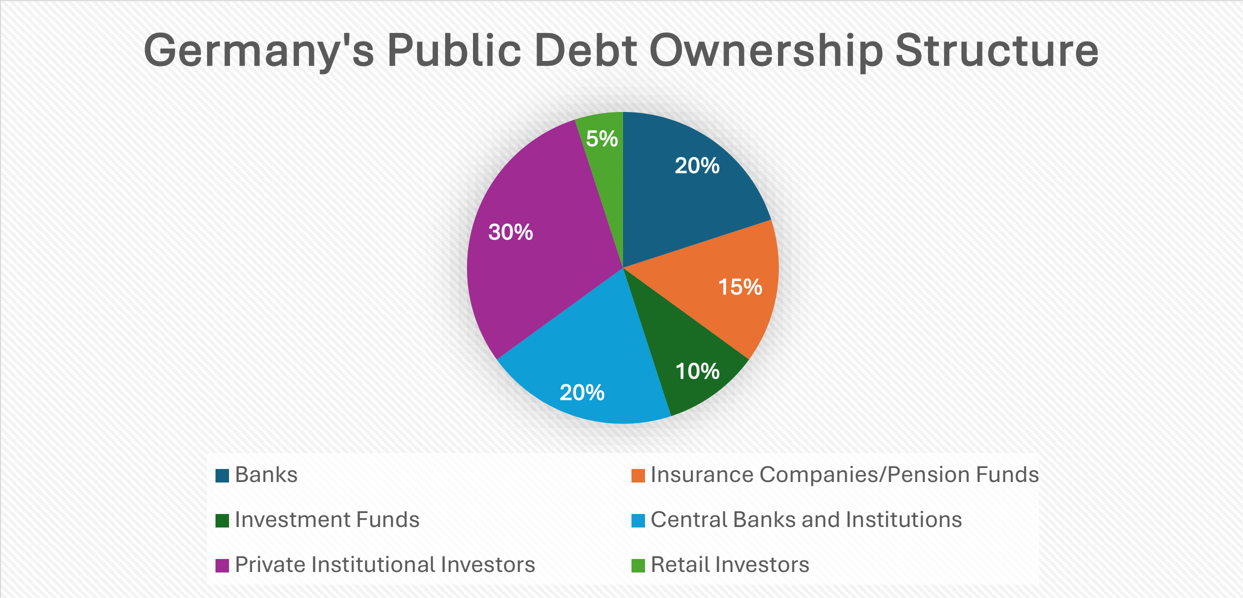
Maturity Structure (Central Government Securities, 2023)

Maturity	**Share**	**Amount (€ billion)**
<1 year	~15%	~210
1-3 years	~20%	~280
3-5 years	~15%	~210
5-10 years	~30%	~420
>10 years	~20%	~280

Average Maturity: Approximately 6.5 years

Source: German Finance Agency, Debt Management Annual Report 2023

Almost all of Germany’s debt is in euros (>99%) with only less than 1% being held in foreign currencies, mostly dollars. Its interest rate structure is approximately 90% fixed-rate, 5% floating-rate and 5% inflation-linked (German Finance Agency, 2024). Further, Germany’s current average weighted interest rate is between 2.1-2.3% (German Finance Agency, 2024). As of 2023, approximately 45% of Germany’s debt is held by domestic institutional investors (Banks ~20%, Insurance Companies/Pension Funds ~15%, Investment Funds ~10%), 50% by foreign investors (Central Banks and official institutions ~20%, Private Institutional Investors, ~30%) and the remaining 5% by Retail Investors (Deutsche Bundesbank, 2024).



Source: Deutsche Bundesbank, Monthly Report, March 2024

Crisis Management

The democratic mechanism for coping with crisis management involved protracted parliamentary debate over the appropriate size and mix of fiscal measures. The Federal Constitutional Court ruling on the constitutionality of European bailout schemes institutionalised domestic accountability by requiring parliamentary approval for massive fiscal endeavours to European partners. Openness of crisis interventions, including unreserved disclosure on bank bailouts and stimulus spending, maintained popular support for required but costly fiscal measures.

The 2008 financial crisis provided a natural experiment for studying the efficacy of fiscal reaction under varying accountability regimes. Germany's response, despite initial controversy, showed intentional implementation by existing institutional channels. The 2009 introduction of the debt brake, codifying fiscal rules in the constitution, showed Germany's ability to translate crisis lessons into lasting institutional adjustments. Stimulus policy was discussed openly, implemented economically, and subsequently undone as economic conditions permitted.

The COVID-19 pandemic imposed another important test of German fiscal institutions. It demonstrated the ability for swift deployments, precise allocation procedures, and good parliamentary oversight in the state of emergency. The Kurzarbeit scheme relaunch and support systems for enterprises were implemented through established institutional channels with transparent accountability procedures. Post-crisis, Germany's reversion to fiscal balance prior to the pandemic was a function of institutionalised debt reduction dedication underpinned by extensive political agreement and good implementation frameworks.

Thus, the response by the government entailed historically unprecedented fiscal measures, with debt brake suspension facilitating mass-scale deficit financing to fund public health measures and economic stimulus. In sum, this reaction demonstrated the flexibility of Germany's fiscal structures along with accountability in terms of parliamentary scrutiny. The transitory character of the debt brake suspension, with default return to fiscal rules when the economic situation normalises, shows how democratic institutions can manage crisis response in harmony with long-term fiscal sustainability. The continued parliamentary scrutiny of pandemic spending ensures that emergency measures continue to stay under democratic control.

Credit Ratings

German government bonds (Bunds) invariably have premium yields over most other European states due to market confidence in Germany's fiscal institutions and democratic stability. The spread between German and the majority of other European government bond yields widened extensively during the European debt crisis, which has mostly held since, illustrating how market participants value institutional quality and democratic accountability in fiscal policy. Germany's credit rating goes in hand with this, as it has enjoyed top ratings (AAA) from the principal rating agencies (Moody's, S & P, Fitch) since reunification, even through the financial crisis and COVID-19 pandemic.

Rating agencies particularly state Germany's aforementioned strong institutional framework, including democratic control mechanisms and independent institutions, as reasons for such top credit ratings. The stability of the ratings across various economic cycles shows that the market trusts states with high levels of democratic accountability to be fiscally sustainable in the long run. This is in contrast with other European states (France, Austria, Portugal, etc.) that suffered from rating downgrades in crisis periods. The fiscal consolidation steps of the early 2000s, undertaken in the framework of the Schröder government's Agenda 2010 reform package, involved broad public debate and parliamentary sanction of structural reforms of the labour market, benefits, and fiscal policy. Their democratic legitimation, even if initially politically costly, allowed them to be enacted and to be maintained by subsequent regime transitions. It will be interesting to see how the framework reacts to heightened public spending in the wake of the political will towards German rearmament.

Openness mechanisms have played a direct part in decreasing costs of borrowing by establishing greater market confidence in fiscal institutions and policies in Germany. The exhaustive disclosure requirements for budget reports, as well as independent auditing in the Federal Court of Audit, provide market agents with reliable information about fiscal situations and prospects. The balance of constraint and flexibility is key to this consent-based process, which is of course crucial to the entire system being credible. The sophisticated consultation processes before sweeping fiscal policy reforms ensure these are founded on widespread social consensus rather than narrow partisan agendas. The federal system requires coordination between government levels, allowing fiscal policies to address diverse regional views.

Summary

In essence, Germany is a model developed economy that was successful in establishing external confidence in its debt to the public by successfully employing a decentralised federalist structure to its advantage. Some key features include transparency, credible commitments, democratic legitimacy and crisis response programs. Credit default swap spreads, rates of participation by foreign investors, and bid-to-cover ratios during government bond auctions all reflect elevated market confidence in the fiscal sustainability of Germany. While its debt-to-GDP ratio is increasing, it is reasonable to conclude that is has undergone sustainable policies (Fincke & Greiner, 2012, p. 3722).

Italy

The Italian public debt crisis represents one of the most prolonged and severe instances of fiscal unsustainability within the advanced democracies, with debt accumulation patterns fuelled by both external shocks and long/term domestic governance vulnerabilities. The trajectory of Italian public debt has been characterised by periods of increasing growth followed by unsuccessful consolidation efforts, creating a chronic burden that has constrained policy options and undermined economic growth expectations. The 1980s were the decisive decade of debt explosion that set the stage for Italy's present fiscal predicament. In the 1990s, Italy had experienced a runaway accumulation of debt driven by the interaction of expansionary fiscal policy, high interest rates, and weak institutional constraints on deficit spending.

European Monetary Union membership presented both challenges and opportunities for Italian fiscal consolidation. The membership criteria for the EMU created external pressure for fiscal adjustment and disciplined Italian fiscal policy during the 1990s. However, the adjustment achieved in this decade was mostly temporary and was reversed once EMU membership had been attained. The loss of exchange flexibility that accompanied euro membership also reduced Italy's potential for adjustment to economic shocks through current devaluation, placing greater pressure on fiscal policy to respond to economic downturns. The launch of the Euro in 2002 did not necessarily exclude Italy's economy from full recovery. But its coincidence with slow growth and a dramatic worsening of Italy's current account balance in the 2000s began to negatively impact Italians' views on the Euro and EU. The removal of seigniorage revenues and the discipline of European fiscal rules limited Italy's fiscal flexibility without addressing underlying structural determinants of low growth and fiscal pressures.

The 2010-2012 sovereign debt crisis was a watershed in Italy's fiscal history, bringing the country to the brink of bankruptcy and demanding dramatic policy reactions. In 2011, Deutsche Bank dumped huge quantities of Italian government bonds on the world's markets, unleashing a persistent public debt crisis. The crisis demonstrated the vulnerable countries' exposure to sudden market mood swings and showed the constraints of national fiscal sovereignty in the European monetary system. The crisis led to the resignation of then Prime Minister Silvio Berlusconi and the establishment of a technocratic government led by Mario Monti, a far cry from democratic norms. Like previous iterations of Italian technocratic regimes in times of crisis, their limited democratic legitimacy has raised questions about the sustainability of their reform programs. Without electoral mandates or Party backing, these governments have not been able to put in place the political consensus necessary for sustained implementation of fiscal reforms. Their reliance on exogenous pressure and crisis conditions for political support has meant their attempts at reform have been rolled back or bewildered when short-term crisis pressures have diminished (Bickerton & Accetti, 2017; Kim, 2023). Berlusconi's loss of power did not occur through any vote of no confidence in his government but through concerted French and German pressure. This intervention highlighted the extent to which Italian fiscal sovereignty had been curtailed by external pressures and demonstrated the costs of prolonged fiscal unsustainability (Reuters, 2014).

At present, the IMF estimates that Italy's public debt is be equivalent to about 137.3% of GDP, while predicting it to remain relatively stable at 137.8% of GDP by 2029 (IMF, 2025). The treasury is targeting this year's budget deficit at 3.8% of national output, reduced from the 4.3%

forecast in April, but even these gains may not suffice to put debt on a sustainable downward trajectory. Further, Italy's population is projected to decrease by 8 million from now until 2050 (Statista, 2025). These demographic and structural pressures will require long-term fiscal adjustment spanning a period of decades to achieve debt sustainability.

There is constant political resistance to austerity policies by all social and political forces, and it has become challenging for governments to undertake the necessary fiscal adjustments. Protests against globalisation and austerity were present everywhere in Europe, and Italy was no exception to the general rule, although Italian protests were characterised by fragmentation and inefficacy compared to other European countries. The political costs of austerity have been particularly high in Italy due to the country's economic stagnation and high levels of unemployment. Italy's unemployment rate had consistently fallen since the late 1990s, to reach 6.1% in 2007, on the threshold of the crisis; in 2014 it peaked at 12,7% which has since fallen to 6.78% in 2024.

Debt Composition

Unsurprisingly, the composition of Italy's public debt has some notable differences compared to Germany's. By government, the central government holds 93%, while local governments (regions, provinces, municipalities) hold only 4%, the remaining 3% is under social security funds (Bank of Italy, 2023). Here we can see the fiscal operationalisation of the previously mentioned federal versus central government system divide between Germany and Italy. As for the instruments and maturity of Italy's public debt, like Germany, ~85% of Italy's debt is in medium and long-term securities. This includes 3–50-year bonds, ~55%, floating-rate bonds, ~8%, inflation-linked bonds, ~12%, retail inflation-linked bonds, ~3% and retail fixed-rate bonds, 2%. Italy's short-term securities make up around 10% of its total debt, which is made up of treasury bills (3-12 months). The remaining debt (~5%) includes postal savings bonds and direct loans and other liabilities.

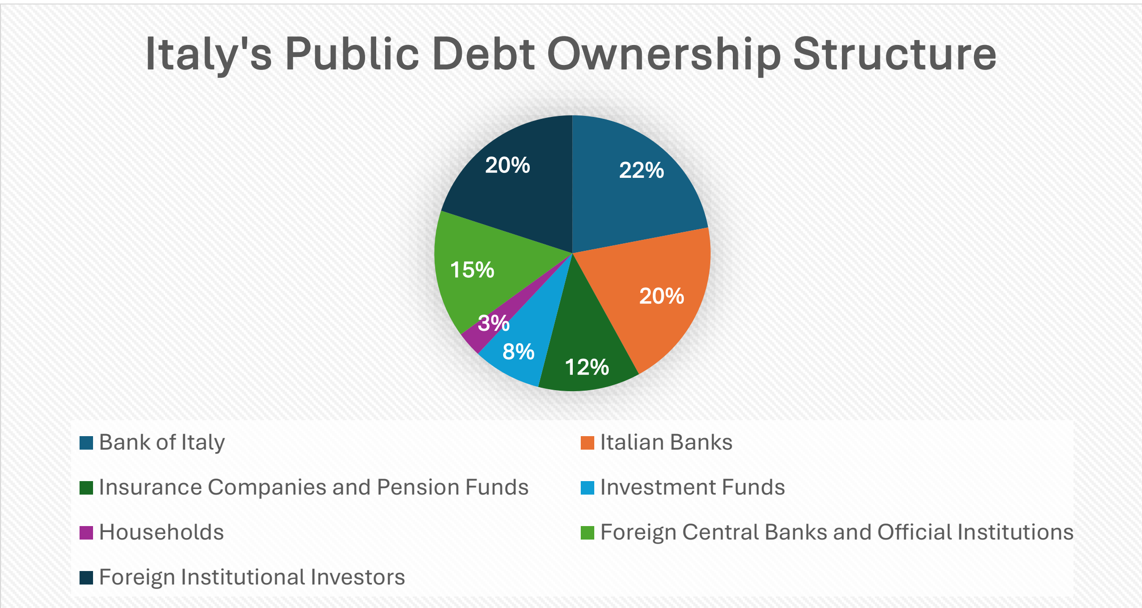
Maturity Structure (Central Government Securities, 2023)

Maturity	Share	Amount (€ billion)
<1 year	~11%	~290
1-3 years	~18%	~470
3-5 years	~16%	~420
5-10 years	~30%	~785
>10 years	~25%	~655

Average maturity: Approximately 7.2 years as of December 2023

Source: Italian Treasury, Debt Management Annual Report 2023

Like Germany, almost all of Italy's debt is denominated in Euros (~98.5%), while the rest (~1.5%) is mainly in USD and JPY legacy bonds. Three quarters of the interest rate structure is made up of fixed-rate securities, ~13% is in floating-rate securities and ~12% is in inflation-linked securities (Bank of Italy, n.d.). At present, the weighted average interest rate of domestic government securities is 3.53% (Treasury Department, 2024). Regarding the ownership structure of Italy's debt in the third quarter of 2023, domestic investors hold around 65% (Bank of Italy, ~22%, Italian banks ~20%, Insurance companies and pension funds, ~12%, Investment funds, 8%, Households, ~3%. Finally, the remaining ~35% is in foreign hands (Foreign central banks and official institutions, ~15%, Foreign institutional investors, ~20%).



Crisis Management

Pro-cyclical fiscal policies have contributed to the challenges of sustainable consolidation by amplifying economic downturns and reducing the political feasibility of fiscal adjustment programs. The dynamics of imposing fiscal consolidation during economic recessions have created feedback loops that have undermined both economic recovery and fiscal sustainability. This pro-cyclical bias has reflected both domestic political constraints hindering counter-cyclical fiscal policy and external pressure from European institutions.

Italy's reaction to the financial crisis revealed accountability weaknesses through implementation delays, incessant policy U-turns, and failure to deliver political consensus on the necessary reforms. As pointed out before, it took various technical governments to implement politically uncomfortable measures, revealing the standard political system's inability to build sufficient consensus for fiscal adjustment. The fiscal policy responses to the COVID-19 recession also highlighted institutional diversity. Italy's response, although significant in size, was marked by implementation difficulties, regional coordination problems, and problems of transparency in the allocation of funds. The use of the European Recovery Fund has necessitated the involvement of external monitoring institutions to complement national accountability mechanisms. Furthermore, Once the crisis was over, Italy's recurring primary surpluses, however spectacular, were not enough to bring down debt ratios owing to the weight of high interest costs and moderate but insufficient growth.

Specifically, the experience with the Superbonus housing renovation incentive is a textbook example of the challenge of maintaining fiscal discipline in the face of political pressure to implement expansionary policies. The incentives revived a dormant construction sector and underpinned a growth rebound after the pandemic but have been costly to the public purse. Economy Minister Giancarlo Giorgetti was quick to blame them for last year's big deficit overshoot, illustrating how popular spending programs can hijack fiscal consolidation efforts. In sum, the failed consolidation attempts have demonstrated the difficulty of persistent fiscal adjustment in the face of political instability, limited democratic accountability, and contending pressures from both domestic and European peers. The failure to maintain growth-friendly reforms underscores how accountability shortfalls complicate long-term fiscal sustainability even if adjustment is achieved in the short term.

Credit Ratings

For raising new funds, instability has significantly increased borrowing costs through multiple channels, creating direct fiscal consequences. Although it has contributed to recovery, expansionary fiscal policy has also kept the deficit and public debt very high, driving Italy's risk premium up and hindering private sector investment. Consequentially, rating agencies (Moody's, S & P, Fitch; Baa3, BBB+, BBB, respectively), similarly to the evidence presented above, have consistently cited governance and institutional considerations as being significant in their assessment of Italian sovereign risk. These causes of lack of transparency forced investors to pay an information risk premium.

The combination of political instability, institutional weakness, and chronic fiscal challenges has led to successive downgrades of the Italian sovereign credit rating, which has further increased borrowing costs and reduced the room for fiscal policy manoeuvring. Loss of credibility with foreign markets has been both a cause and a consequence of Italy's accountability deficits. However, Moody's and Fitch have both assigned a positive outlook to Italy's credit rating, reflecting some optimism toward its external financing that may turn around the decade-long negative trends.

Summary

Italian debt will begin to fall from 2027, in line with new EU rules mandating a decrease of, on average, 1 percentage point of GDP following the closing of the excessive deficit procedure, a sign that external pressure continues to be instrumental in Italian fiscal policy. However, the lastingness of these anticipated gains will depend vitally on addressing the underlying accountability shortcomings that have contributed to Italy's chronic fiscal problems and on building domestic institutional capacity for maintaining fiscal discipline without persistent external monitoring.

5.5 Alternative Explanations

Although democratic accountability accounts for most of the debt divergence, other variables must be taken into consideration to avoid mono-causality. Structural contrasts between Germany's industrial export-based economy and Italy's domestic-based service economy generate alternative fiscal dynamics. Germany's trade surpluses generate automatic fiscal space from higher tax revenues and reduced social spending needs. Italy's structural current account deficits and lower productivity growth restrain fiscal revenues while increasing adjustment costs (Compareeconomy.com). But these economic imbalances themselves partly reflect institutional quality imbalances that affect business climate, innovation capacity, and market adaptability.

Fiscal decision-making and institutional efficiency are also shaped by historical and cultural factors. The trajectory of Germany's history with hyperinflation set fundamental preferences for fiscal integrity that cross party lines. The ordoliberal tradition focuses on rule-based governance and fiscal discipline as prerequisites of economic order. Italy's history of high inflation and devaluations resulted in other adaptations like inflation-led debt reduction and political coalitions based on distributive politics. These cultural influences shape the design and functioning of institutions but not outcomes, as evidenced by Italy's successful disinflation under European Monetary Union constraints.

Additionally, external constraints in the form of European Union fiscal rules affect both countries but with varying effectiveness across domestic accountability structures. Germany's alignment with EU norms is a convergence between home country preferences and foreign requirements, facilitated by strong domestic institutions that allow for implementation. Italy's experience with EU budgetary constraints shows how external boundaries interact with domestic accountability. Without domestic enforcement mechanisms, external pressure for budgetary realignment is necessary, but such pressure often lacks domestic legitimacy, creating resistance to implementation and evasive compliance, undermining effectiveness. The European Semester process illustrates how similar exogenous circumstances yield disparate outcomes based on domestic institutional quality (European Council, 2025).

The interaction with democratic accountability of these competing explanations suggests the presence of complementary rather than rival effects. Economic structure, historical legacies, and external pressures influence the context in which accountability mechanisms operate, but without undermining their independent causal role in debt outcomes. The comparative approach demonstrates how democratic accountability is a crucial mediating variable that reveals how countries respond to economic crisis, historical legacies, and external pressure to the sustainability of public debt management.

6. Case-specific Public Debt Solutions and Implications

6.1 Policy Implications

Cross-country comparison of Italy and Germany reveals underlining differences in the effect of democratic accountability systems on the performance of public debt management. The findings have significant policy implications in two critical domains: debt management strategies and democratic reform initiatives. The diverging experiences of the European states provide policymakers with valuable lessons regarding support for sustainable fiscal regimes while providing democratic accountability.

Debt Management

Firstly, countries seeking to improve their debt sustainability have to acknowledge the importance of institutional design and must give priority to far-reaching institutional change. This involves establishing explicit hierarchical relationships amongst levels of government, imposing firm checks and balances on the fiscal decision-making process, and putting in place institution-building mechanisms that can resist political reversals.

Secondly, in order to build market confidence towards sovereign debt, there has to be the establishment of strong transparency mechanisms that stretch beyond financial disclosure into specific terms. For example, the medium and long-term fiscal strategy, the commitment to periodic publication of debt sustainability analyses, and publicly accessible reporting tools that enable citizens to monitor.

Thirdly, well-designed constitutional fiscal rules can be strong tools of democratic governance of the ineluctable trade-off between responsibility and responsiveness. However, these rules have to be sufficiently flexible to respond to economic shocks while credible long-term restraints are operational. This requires balanced tuning of escape mechanisms, open enforcement devices, and broad political consensus on fiscal philosophy.

Fourthly, during crises, preparedness arrangements are necessary to define roles and responsibilities, establish pre-negotiated emergency procedures, and maintain fiscal buffers for crisis management. These arrangements must balance the need for rapid response capability with the retention of democratic accountability and prudence in public finance.

For Democratic Reform

The first half of these reforms centre around oversight mechanisms, these require formal and informal change. Formal change requires establishing independent fiscal councils, enhancing parliamentary budget offices, and ensuring robust audit mechanisms. Informal change requires constructing professional norms, establishing clear procedures and ensuring adequate resources for oversight. Strategies for fostering civic participation are also needed. These involve increasing the fiscal literacy of citizens, making budget participation instruments open to the public, and opening channels for citizen feedback on fiscal performance. The difficulty comes with making complex fiscal questions open to broader publics without undermining the technical quality of policymaking.

The other half are institutional reforms aimed at reducing political fragmentation which may involve strengthening party discipline arrangements, creating incentives for inter-party consensus on finances, and building institutional buffers that protect fundamental fiscal decisions from political pressures in the short run. Further, purposeful institutional and political leadership builds consensus on long-term planning. Provisions for such may include formal cross-party consultation on fundamental decisions and autonomous institutions offering non-party fiscal analysis.

6.2 Financing Solutions

Public debt is a complex and multi-faceted issue, and in order for it to be diminished, austerity policies cannot be the only response to it. Firstly, because while they are clearly successful in cutting spending, the reduction of essential public goods caused by the state would lead to a less prosperous society, so these need to be used with extreme care (i.e. in moderation, with a specific mandate and timespan). Secondly, because as underlined as a recurring theme within the literature and this thesis, they are political suicide, something which makes them extremely unattractive to politicians' short-term goals dictated by the election cycle. Thus, creating the central problematic for why public debt has grown uncontrollably within democratic states in the past decades.

Therefore, states need to attract new investment and financing, which would in turn spur growth. An economically growing and fiscally responsible state is the perfect recipe for curbing public debt for democracies. On the European level, public investment has rebounded since the

Global Financial Crisis to pre-2008 levels. At present, in the post-COVID recession landscape, it faces delays in the Recovery and Resilience Facility's instrumentalization (RRF), the centrepiece of the NextGenerationEU project, where the European Commission raises funds on capital markets. These issues mainly hamper infrastructure projects that strain the EU's capacity with recent inflation driving up costs.

Returning to our cases, Germany's next decade regarding foreign investment looks bleak. Investment backlogs of up to €600-800 billion (1.6-2.1% of yearly GDP) are blocked by constitutional court rulings and complex financing plans, heightening investment risk. The apparently rock-solid political system has been shaken by extremist movements and a previously unthinkable newfound desire to increase public spending towards national defence. For Italy, its National Recovery and Resilience Plan (NRRP) has unlocked massive funds (€235 billion) that were mostly used for infrastructure, but the growth achieved from these in the past few years is conditional to the plan's end in 2026. If Italy can take advantage of a rare stable government and use the NRRP's boost the near future might reverse historical trends of it being the negative example of fiscal awareness. However, its citizen engagement is still at record lows, with the establishment seemingly uninterested to revive it.

The need to rapidly mobilise resources in times of crisis is crucial for investor confidence, so both Italy and Germany should work towards strengthening banking structures. For this purpose, the European Investment Bank is a (EIB) is the institution that has grown rapidly in the recent years, and its continued expansion needs to be backed. Further, while elsewhere green financing has been cut back, the European Central Bank (ECB) needs to hold fast on ongoing and planned measures such as green collateral frameworks, refinancing operations and asset purchases alongside financial regulation measures like climate-adjusted capital requirements and credit controls to continue to support climate investment financing.

On the fiscal side, progressivity can be achieved through EU-wide wealth taxes, capital gains taxation, and increased corporate minimum tax rates, potentially generating 1.9-2.9% of EU GDP annually to fund the green transition. These long-term measures will not only help to consolidate the financial climate of the EU but also produce tangible results regarding climate change. Finally, the long-term goal of setting up a permanent EU sovereign fund seems to have been subtly put in place with the achievement of the NextGenEU. However, large obstacles to the move still persist, with the Frugal Four staunchly opposing such a move to void potential credit downgrades. Nonetheless, if the EU project wants to continue, it needs to continue its integration, and a unitary credit system would create long term benefits for all of its members: including macroeconomic stabilisation by smoothing over interest rate discrepancies, positive spillover effects, avoiding procyclical investment cuts and compatibility with fiscal discipline, as grants financed with EU bonds would not pass through to the public debt ratio (Watt, Saraceno & Cerniglia, 2023).

6.3 Reframing the Issue

Over the years, an important branch of the academic literature regarding public debt management has concerned itself with its precise effect on economies. Ball and Mankiw (1995) attempted to quantify it by imagining that it would be converted one-to-one in physical capital. However, it does not take into account long term output, only immediate production from when the data is captured (Engen & Hubbard, 2005). In 2004, Gale and Orszag would introduce the 'flow approach' which would essentially calculate the burden of the debt according to the budget deficit and how much it would crowd out investment. Lastly, the 'stock' approach developed by Dedak and Dombi in 2018 would build on the 'flow approach' by adding population growth to the crowding out function, with it being country-specific seeing as it depends on autonomous private saving rates. The results are striking:

"a high (autonomous) private saving rate paired with a low population growth rate results not only in high steady-state output but also in a low burden of public debt. The intuitive explanation is simple. With a higher private saving rate, the budget deficit related decreases the aggregate saving rate to a lesser extent in percentage terms, and, hence, leads to a smaller decline in steady-state output. Furthermore, with a higher population growth rate, the deficit-to-GDP ratio will also be higher for a given steady-state debt-to-GDP ratio, and thereby the aggregate saving rate and the long-run output will be lower" (Dedák & Dombi, 2018, p. 92).

The broader implications of this function are that high levels of public debt are a much more dangerous phenomenon for developing economies than they are for developed ones. This provides for an important counter argument against the urgency of the issue. Nonetheless, when the debt is there, it still is a tangible warning sign for investors, and that cannot be denied. But perhaps its damaging long term economic effects, seeing as these are unknown on such a large scale (most OECD economies), may have been overstated.

7. Conclusions

7.1 Summary of Findings

The foregoing comparative analysis of Italy and Germany has provided robust proof that democratic accountability mechanisms matter in shaping public debt outcomes in mature democracies. The research question "What effects does democratic accountability in developed states have on public debt?" has been addressed through an examination of two European Union member states sharing similar institutional foundations but starkly divergent fiscal paths. Empirical evidence strongly supports the hypothesis (H1) that heightened democratic accountability aids lowering of systematic levels of public debt. Thus, conversely, the null hypothesis (H0) stating that democratic accountability does not aid in lowering systematic levels of public debt can be rejected. There is some indication that the case with higher historical levels of democratic accountability and lower levels of public debt (Germany) may see a reversal in both, but that is due to the former worsening. Thus, the cause-and-effect mechanism would still hold even if the states' parameters would change in the near future.

Nonetheless, historically, Germany's intensive system of accountability, with powerful institutional oversight, constitutional boundaries on fiscal policy, and effective transparency arrangements, has enabled sustainable levels of debt to be below the 70% level of GDP over much of the time covered. By contrast, Italy's accountability deficits (manifest as persistent government instability, non-transparency, and fragmented political authority) have coincided with high and long-standing debt levels of over 130% of GDP.

Several significant mechanisms have been demonstrated through which democratic accountability influences debt outcomes. Firstly, Institutional stability permits long-term fiscal planning free from electoral cycles. Germany's intricate coalition governments have proven stable in implementing prolonged policy through institutionalised consensus mechanisms. Italy's mean government term of 1.11 years has excluded sensible long-term fiscal policy and created strong incentives for populist short-termism. Secondly, transparency mechanisms have a direct influence on market confidence and cost of borrowing. German federal budgeting with intensive parliamentary examination and independent audit surveillance has yielded lower risk premiums in all cases in comparison with Italian government debt. The persistent 150-200 basis point spread between German and Italian ten-year government bonds is a capitalisation of institutional differential quality by the market. Thirdly, constitutional fiscal constraints, when embedded in solid democratic systems, make credible commitment devices that induce fiscal responsibility. Germany's debt brake (Schuldenbremse), established via wide democratic discussion and constitutional change procedures, has instituted fiscal responsibility while upholding democratic legitimacy. Italy's reliance on external European Union restraints has been less successful due to weak domestic ownership and enforcement authority.

The analysis of crisis response also verifies these mechanisms. During both the 2008 financial crisis and the COVID-19 pandemic, Germany's system of accountability allowed for rapid but transparent crisis responses with follow-up restoration of fiscal normalcy. Italy's crisis measures, although large in magnitude, were characterised by delay in execution, coordination failures, and low transparency, necessitating external intervention and technocratic governance mechanisms that circumvented traditional democratic procedures. The findings confirm that democratic accountability is not only effective as a constraint to fiscal policy but also as an institution that enables fiscal sustainability and democratic legitimacy. The mismatched horizons of electoral cycles and fiscal sustainability, a central problem outlined in the theoretical framework, can be addressed in practice by appropriately designed accountability institutions that create incentives to policy consistency over long horizons.

7.2 Theoretical Contribution

This research makes significant theoretical contributions by bridging two previously unconnected bodies of literature: democratic accountability studies and public debt management scholarship. The existing literature has predominantly addressed the two areas in relative isolation, with accountability research focusing on good governance, corruption, and citizen engagement issues, and public debt research still entrenched in macroeconomic theory focused on fiscal discipline, monetary policy, and growth theory. This thesis proves that bringing together these views is essential for gaining valuable insights into the political economy of fiscal sustainability. The main addition of this study is formulating an inclusive framework explaining how democratic accountability mechanisms facilitate the relationship between political incentives and fiscal outcomes.

Previous work, characterised by volumes such as Acemoglu and Robinson (2012) and North (1990), have established the institution quality factor in driving economic growth but have not explicitly addressed the mechanisms through which democratic processes influence debt sustainability. This research fills this gap by acknowledging transparency, institutional stability, and crisis responsiveness as key mediating factors that matter in determining whether democratic governance encourages or discourages fiscal discipline. The results contradict conventional wisdom regarding the necessary trade-off between democratic responsiveness and fiscal responsibility. While authors such as Mudde (2004) and Somer & McCoy (2019) have illustrated ways in which democratic pressures can create fiscally unsustainable policies, this work proves that carefully designed accountability mechanisms are capable of reconciling electoral incentives with long-run fiscal sustainability. The German experience illustrates how constitutional fiscal rules, when part of robust democratic frameworks, can address the temporal difference between electoral cycles and fiscal planning horizons.

Furthermore, the research adds new insights to the interface of democratic accountability and market confidence. The current research on sovereign debt sustainability, including Reinhart & Rogoff (2010) and Beqiraj, Fedeli & Forte (2018), has established institutional variables as determinants of fiscal performance but has not so far examined the impact of specific democratic accountability measures on market sentiment and borrowing costs. The comparative study reveals that controls established by institutions and mechanisms of transparency have immediate effects on market confidence.

The model developed here additionally assists in comprehending how external limits influence domestic accountability structures. While EU budget discipline regulation is applied uniformly over all members, their effectiveness varies greatly by the strength of domestic institutions. This is a result with implications beyond international efforts toward fiscal prudence through external conditionality programmes. The research provides a foundation for subsequent investigation of the political economy of budgetary management. The theoretical model identifying transparency, stability, and crisis responsiveness as significant mediating variables is potentially applicable to broader comparative studies of fiscal performance across different democratic environments. Additionally, the emphasis on mechanism identification relative to simple correlation analysis provides a methodological template for subsequent investigation seeking to explore causal relationships between governance quality and economic outcomes.

7.3 Policy Implications

The findings provide several important policy implications to different kinds of stakeholders, which are designed to enhance fiscal sustainability and support democratic governance. These implications address the institutional design issues that have arisen from the cross-country analysis and provide practical guidance on how the reforms' enhancing accountability can be operationalised. For heavily indebted democracies, the evidence suggests that debt reduction in a sustainable manner relies on comprehensive institutional reform, rather than technical fiscal adjustment. Countries that are concerned with debt sustainability must provide top priority to the establishment of powerful parliamentary budgetary control systems, including specialised budget committees with adequate technical support and impartial analytical capacity. Germany's case demonstrates that powerful parliamentary scrutiny is not only guaranteed by formal control powers but also by institutional backing by independent audit offices and fiscal councils which provide unattached analysis for democratic discussion.

Transparency reforms are also a critical priority of indebted democracies. Implementing comprehensive requirements for total budget disclosure, including medium-term fiscal projections and debt sustainability analysis, can enhance market confidence as well as inform effective democratic oversight. These reforms must extend beyond technical compliance to incorporate useful public reporting arrangements that facilitate civic engagement with fiscal policy debates. The case of Italy illustrates how lack of transparency in budget planning destroys both market confidence and democratic accountability. Constitutional budgetary rules, when designed well and democratically legitimised, can offer credible commitment devices for fiscal prudence. Such rules, though, need to marry flexibility with credibility, including clearly stated escape clauses in the event of economic emergencies while preserving automatic correction mechanisms.

For global institutions, the research places great emphasis on being supportive of domestic capacity for accountability rather than simply relying on conditionality. The EU experience of fiscal control demonstrates that external constraints achieve partial success without concurrent domestic institutional capacity. Global support should focus on technical cooperation for parliamentary budget offices, audit institutions, and civic society organisations engaged in fiscal monitoring. International institutions can also include democratic accountability tests in their fiscal sustainability analysis. Conventional analysis frameworks overwhelmingly focus on macroeconomic variables and leave out determinants of governance quality that directly influence the effectiveness of the fiscal policy. Regular examination of mechanisms for openness, institutional capacity for control, and political stability can add additional predictive accuracy to debt sustainability analyses.

To democratic reform agendas, the research underscores interdependence between quality fiscal governance and fiscal performance. Democratic reform initiatives need to address fiscal governance capacity head on through institutional support mechanisms. These include strengthening independent media capacity to report fiscal policy, civic education programs to increase public exposure to budget processes and enhancing transparency requirements that enable legitimate democratic engagement. Reform efforts should also target how political disunity undermines long-term policy consistency. These can provide incentives for cross-party consensus on core fiscal policy frameworks, but they cannot inhibit political competition from existing. The German example with coalition governments demonstrates how institutional design can channel political competition into directions that consolidate rather than drain policy stability. Emergency preparedness is another important sector of democratic reform. The analysis reveals that the structures of accountability must be robust enough to secure democratic guidance in times of crisis while permitting rapid policy action. This is done through planned emergency procedures which preserve democratic legitimacy without accelerating action in the event of fiscal emergencies.

7.4 Limitations and Future Research

This research, although providing effective information on the relationship between democratic accountability and public debt impacts, has several methodological as well as theoretical limitations which limit its generalisability and suggest avenues for future research. Case study methodology, while useful for uncovering mechanisms, is incapable of yielding hard evidence regarding the relative importance of different dimensions of accountability or their interactions. The qualitative character of much of the evidence limits the degree of accuracy with which causal claims can be examined and excludes systematic testing of alternative hypothesis for observed patterns. The MSSD design is appropriate for small *n* causal discovery mechanisms, but is limiting when it comes to the external validity of the analysis. The focus on Italy and Germany, despite their similarity in terms of level of economic development and institutional context, does not necessarily cover the full range of variation across democratic accountability systems or their effect upon fiscal outcomes. Further, the distinctive aspects of EU membership, including common monetary policy and fiscal monitoring regimes, can condition the accountability-debt dynamic in ways that other democratic contexts do not.

The time span of the analysis, from 1990 to 2023, encompasses the sequence of significant institutional change and external shocks that could influence the observed associations. While the analysis attempts to keep such factors constant, the depth of the causal environment makes it difficult to isolate the independent effect of democratic accountability mechanisms from alternative potential explanatory variables such as economic structure, cultural determinants, or pressure from international forces.

Subsequent research will have to address these limitations through a combination of strategies. Large-N quantitative analyses with larger samples of democratic countries may explore the mechanisms' generalisability across various institutional and economic contexts. These may employ panel data methods to examine the connection between changes in accountability measures with differences in debt trajectories while controlling for country and time effects. Comparative analyses of other country pairs or small-n comparative cases might also verify the theoretical model by examining the workings of alternative types of democratic accountability mechanisms in varying contexts. Analysis of developing or non-European democracies would particularly be helpful in establishing whether the identified patterns are transferable outside the specific instance of European integration and common fiscal supervision regimes.

Quantitative analysis can also provide more precise measures of the relative weights of different accountability dimensions and their interactions. Building overall accountability indices covering transparency measures, institutional capacity for oversight, and political stability indicators can facilitate systematic cross-country comparison and more robust hypotheses testing of the debt-accountability relationship. Moreover, future research will need to analyse the dynamic character of accountability-debt relationships and identify threshold effects or non-linear relationships that potentially qualify the efficacy of said mechanisms for different contexts.

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