

## Is public debt a right-wing or left-wing issue?

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*This blog discusses the relationship between the political leanings of governments and public debt.*

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What is the relationship between the political leanings of the government and the evolution of public debt?

This question allows us to move away from very short-term issues, which are often anxiety-provoking, and take a longer-term view of politics. It is also interesting because it calls for a clear answer: public debt increases more under right-wing governments, and this is true in most countries.

Before justifying this assertion<sup>1</sup>, three caveats are in order. The first is that the concepts of right and left are relative: the American left is different from the Swedish left. Second, within a given country, the left and the right evolve. The Socialist Party in 1981 was already different from the Socialist Party in 1984. Finally, the distinction between left and right is itself composite, with the existence of a right, a left, a far right, and a far left that may have different relationships to public finances. The second caveat is that a major cause of the increase in public debt is the occurrence of economic crises. It may be that right-wing governments have been more affected by crises than left-wing ones. Finally, the third caveat is that while the relationship between public deficit and political affiliation is robust, there are exceptions. An interesting exception, discussed in another blog post, is Britain in 1976, where a Labour government that came to power in 1974 increased the deficit before seeking IMF intervention in 1976.

With these caveats in mind, the above statement can be justified by anecdotes, chronicles, and international comparisons. There are numerous anecdotes. In Germany, the Scholz government (SPD, left) adopted a policy of debt reduction, while the Merz government (CDU, right) proposed a constitutional amendment to allow for a \$500 billion increase in debt over twelve years. In the United States, the increase in debt under Donald Trump was much greater than under Barack Obama and Joe Biden. In France, the rare period of public debt reduction took place under the government of Lionel Jospin. There are many other examples.

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<sup>1</sup>This blog post draws on elements from the chapter by X. Ragot "A misconception: debt increases because of the left," in *L'économie sans intoxic*, Françoise Benhamou, editor, 2025, Eyrolles.

The chronicle consists of following the budgetary history of a country. In the case of France, debt rose from 14.5 % of GDP in 1974 to 114 % in 2024. If we segment this period according to the political color of the prime minister—a more relevant criterion than that of the president of the Republic in a period of cohabitation—we see that right-wing governments contributed more to the increase in public debt. On average, it increased by 2.2 points of GDP per year during the 24 years when the right was in power, compared with 1.6 points per year under left-wing governments, which ruled for around 19 years. In this calculation, I consider Emmanuel Macron's presidency as a third category: public debt has increased by an average of 2.2 points of GDP per year.

This French chronicle shows the importance of crises: public debt rose sharply under Édouard Balladur, due to the 1993 crisis, and then under Nicolas Sarkozy because of the 2008 financial crisis. Emmanuel Macron's presidency has been marked by the Covid crisis and the energy crisis. The causes of the rise in debt are examined in another blog. Thus, after anecdotes and chronicles, a more systematic international comparison is needed to identify patterns. The work of Müller et al. (2016), covering OECD countries between 1950 and 2007, is of this nature. It shows that a political shift from left to right increases public debt by 0.6 %.

To be convinced by this statistical regularity, a solid explanation must be provided. Two hypotheses can be put forward. The first is that right-wing governments are acting strategically. They favor reducing the scope of government and want to cut both taxes and spending<sup>2</sup>. But then, why reduce revenue through tax cuts, at the risk of increasing the deficit, rather than directly reducing spending? The answer is that reducing taxes is politically much easier than cutting spending. Milton Friedman, with his sense of metaphor, summed it up as follows:

*« How can we ever cut government down to size? I believe there is one and only one way: the way parents control spendthrift children, cutting their allowance. For governments, this means cutting taxes. Resulting deficits will be an effective—I would go so far as to say, the only effective—restraint on the spending propensities of the executive branch and the legislature. The public reaction will make that restraint effective. »<sup>3</sup>*

A second explanation can be put forward, illustrated by the fiscal policy of Donald Trump and his short-lived supporter Elon Musk, but whose scope is more general: it may be a matter of economic and political inconsistency. Governments that want to reduce the state's involvement in the economy begin by cutting revenues, convinced that spending cuts will follow. But they systematically underestimate the political, social, and administrative difficulties involved and end up implementing only half of their program: the reduction in revenues. We could therefore formulate the alternative hypothesis of a cognitive bias of political overconfidence leading to economic imbalance. Let's leave the question open.

<sup>2</sup>The American conservatives who influence Donald Trump are now distancing themselves from Friedman's assertion. See, for example, William A. Niskanen, "Limiting Government: The failure of 'Starve the Beast'" (<https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2006/11/cj26n3-8.pdf>), in Cato Journal, vol. 26, no. 3, Fall 2006, or the 2023 Heritage Foundation report, which expresses alarm at the high level of US debt. Discussing the current situation in the US would take too long.

<sup>3</sup>Milton Friedman, « What Every American Wants », Wall Street Journal (15 January 2003). This first explanation is therefore based on presumed strategic behavior.

## Références

Müller, A., Storesletten, K., & Zilibotti, F. (2016). The political color of fiscal responsibility. *Journal of the European Economic Association*, 14(1), 252–302. <https://academic.oup.com/jeea/article-abstract/14/1/252/2319816?redirectedFrom=PDF>