Abstract

As a result of the rapidly rising debt in recent years, the Federal Republic of Germany has decided to stop this unfavourable trend. The approval and acceptance of the so-called debt brake (Schuldenbremse) into the Basic Law in 2009 was also supported by the fact that the amount of public debt significantly exceeded the defined limit by the convergence criteria. With the financial crisis and the associated debt crisis within the eurozone, it turned out that the rules set out in the Stability and Growth Pact are being handled by a few states, and therefore some states have, due to their irresponsible fiscal policy, faced serious problems which are characterized by the inability to repay their obligations. Consequently, austerity measures had to be taken and at the same time, other EU countries have been invited to adjust their public finances to contribute to the consolidation of Economic and Monetary Union. As a result, debt brakes or other measures were then embedded in national legislation to prevent further crises. The German debt brake is a set of seven constitutional laws, where the main assumption is the annual setting of balanced budgets, or balanced income and expenditure, both at federal and state level, in order to prevent new further indebtedness. It was stipulated that the state budget must meet this condition as early as 2016 and a deficit of up to 0.35% of gross domestic product free of financial transactions and the effects of the economy is allowed. For all federal countries, this regulation only applies from 2020, except that no deficit is admitted. Within the debt brake, exceptions are also set - extraordinary situations in which this rule can be violated, such as natural disasters or economic crises.