LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

LUISS University - Rome

A Sustainable Leviathan? Democratic Control and Macroeconomic Credibility

October 17, LSE

Workshop Program

October 17, LSE CBG 4.17

10:30 Arrival, Coffee & Pastries

10:45 – 11:00 AM: Welcome & Introduction

- Stefano Merlo (LSE) & Cristina Fasone (LUISS)

11:00 AM - 12:30 AM: Session 1: The Construction, Management and Accounting of Public Debt

- Discussant: Joachim Wehner (LSE)
- Presenters: Mike Seiferling (UCL), Charlotte Rommerskirchen (Edimburgh), Szofia Barta (Sciences Po)
- Chair: Christian Cervellera (LSE)

12:30 AM - 13:30 PM: Lunch Break

1:30 PM - 3 PM: Session 2: Technocratic Governance at the National- and Supranational-level

- Discussant: David Woodruff (LSE)
- Presenters: Diane Fromage (Salzburg) and Cristina Fasone (LUISS), Menelaos Markakis (Rotterdam), Stefano Merlo (LSE)

3 - 3:20 PM: Coffee & Tea Break

3:20 - 5:00 PM: Session 3: The Politics of Method: Models, Myopia, and the Construction of Authority

- Discussant: Jonathan White (LSE)
- Presenters: Ben Clift (Warwick), Trym Nohr Fjørtoft (Oslo), Thomas Poole (LSE), Steven Klein (KCL)
- Chair: Yusuf Kahn (LSE)

5:00 - 5:30 PM: Coffee & Tea Break

5:30 - 7 PM: CBG.1.04 A Sustainable Leviathan? UK Finances in a Changing World

- Chair: Elisa Wirsching (LSE)
- Panelists:

  Sir Robert Chote: President of Trinity College, Oxford and former Chair of the Office for Budget Responsibility (2010-2020) and UK Statistics Authority (2022-2025). Current Chair of the Northern Ireland Fiscal Council

  Sir Charles Bean: Emeritus Professor of Economics at LSE and Former Deputy Governor for Monetary Policy at the Bank of England and a member of the Budget Responsibility Committee at the OBR (2016-2021).

  Ben Zaranko: Associate Director of the Institute For Fiscal Studies

7:00 - 8 PM: Evening Reception

Workshop Participants

Elise Antoine (LSE)	Thomas Aubrey (LSE)
Lucy Barnes (UCL)	Yusuf Khan (LSE)
Vincent Harting (LSE)	Elisa Wirshing (LSE)
Eleanor Woodhouse (UCL)	Akis Psygkas (LSE)
Max Emmet (UCL)	Robert Chote (Irish Fiscal Council)

Workshop and Special Issue

As a permanent institution serving its citizens across generations, the state requires a funding structure capable of supporting its long-term democratic duties. This quest to become a 'sustainable Leviathan', however, has placed the state under immense pressure to prove its reliability to different audiences: financial markets, its own electorate and, increasingly, future generations. Drawing from the experience of central banks in the fight against inflation, the proposal has been to create some forms of 'credible commitments' through insulation (Wyplosz, 2005).

The strategy, in essence, is to engineer fiscal responsibility by hiving off fiscal functions from the central Treasury to expert bodies—an attempt to enhance macroeconomic credibility by depoliticising these tasks and treating them as technical problems.

This technical reframing, however, belies the profound macro-financial role of public debt. In modern capitalist economies, government bonds are not simply a tool for state funding; they are the foundational safe asset, the ultimate collateral that anchors the entire private financial system. The management of this debt, therefore, is intrinsically linked to the distribution and control of societal savings and the critical challenge of funding long-term projects, most pressingly the green investments required for a sustainable future. This elevates the stakes of fiscal credibility far beyond government balance sheets, placing the state in a perpetual, high-stakes negotiation with the powerful market actors often described as the 'bond vigilantes'.

This special issue examines this institutional landscape from an interdisciplinary perspective by focusing on what can be called the 'institutions of fiscal credibility', namely: Independent Fiscal Institutions (IFIs) and Debt Management Offices (DMOs). Are these institutions equipped to steward the state (Oliver, 2017), as a "long-term asset" for its people, toward the sustainable funding structure it requires? One that is both adequate to its democratic duties and is shielded from the whims of fickle markets and the myopia of electoral incentives? To address this question is to, not only to explain the workings and institutional embedding of these agencies, but also to enter the core debate on the role of expertise in modern democracy. It requires 'reconciling the independence requirement of reliable expertise with the responsiveness requirement of democratic governance' (Krick and Holst, 2019)—a fundamental 'democratic-epistemic divide'.

IFIs and DMOs can each be seen as designed to build a specific form of credibility. IFIs are intended to foster *epistemic credibility* and enhance democratic accountability (Calmfors and Wren-Lewis, 2011). By providing non-partisan analysis and transparent forecasting, they aim to arm legislatures and the public with the necessary tools to scrutinize government policy, creating the conditions for a more informed and rational democratic debate (Viney and Poole, 2018). In this sense, they are presented from the perspective of political theory, as instruments of a more transparent and informed democratic discussion (Merlo, 2023; Merlo and Fasone, 2021; Fasone, 2022). This view, however, is complicated by the inherent 'politics of economic method'(Clift, 2025; Clift, 2023). The forecasting models central to their authority are not neutral; they are built on specific economic assumptions that can significantly shape and constrain policy options. This connects to a general challenge for the goal of transparency in government: the underlying assumptions in forecasting models can shape policy outcomes just as profoundly as questionable accounting choices by executives can alter the perceived health of a government's balance sheet (Alt, Lassen and Wehner, 2014; Seiferling and Tareq, 2023).

Concurrently, DMOs are tasked with securing *market credibility*, a process that marks a profound financialisation of the state (Schwan, Trampusch and Fastenrath 2021). This reframes the political challenge of public funding as a technical exercise in portfolio management, where success is measured by the state's continuous, affordable access to capital. Operating at the complex intersection of the state and global finance, their mandate is to manage public debt according to the principles of cost-risk optimisation, often moving crucial decisions away from traditional parliamentary oversight (Trampusch and Gross, 2021). This credibility is actively constructed through a complex relational contract with financial markets, involving strategic signalling to build trust and navigate information asymmetries (Sadeh and Porath, 2020).

Furthermore, these agencies do not act alone; they are key nodes in a deep infrastructural entanglement with central banks and private finance (Pape and Rommerskirchen, 2024) a co-dependent relationship where crucial coordination occurs within a general realm of ‘quiet politics’ (Rommerskirchen and Van Der Heide, 2023)) far from public view. However, this intense focus on a narrow mandate can breed a distinct form of ‘technocratic myopia’ (White, 2024; Vauchez and White, 2025). The reliance on output legitimacy, measured by quantifiable targets like bond yields, may systematically blind these institutions to wider public concerns, such as the social impact of different debt structures. The danger, then, is that the very design meant to provide long-term stability might itself be structurally short-sighted.

This special issue asks: in which sense does the work of these institutions genuinely contribute to a *sustainable* state, and at what cost to democratic control? The project investigates the potential tensions between the two forms of credibility these institutions pursue. Does the logic of market credibility, embodied by DMOs, ultimately constrain the democratic space that IFIs are meant to enrich? Or, conversely, do the workings of these two bodies reinforce one another in an attempt to limit fiscal profligacy? When the technical requirements of debt management conflict with the political preferences revealed through democratic debate, which logic prevails?

By placing IFIs and DMOs within a single analytic frame, this issue moves beyond assessing their effectiveness on their own terms. Instead, it examines the political consequences of a system where fiscal credibility is increasingly defined and managed by technocrats. We ask: is the emerging Sustainable Leviathan one that is empowered by a more robust and informed democracy, or one that is increasingly insulated from it, accountable more to financial markets than to its own citizens?