

The 35 billion euro man

By [Henri Sterdyniak](#)

Sarkozy has cost France 500 billion. This is the central point of the book *Un quinquennat de 500 milliards d'euros* [A 500 billion euro five-year term] by Melanie Delattre and Emmanuel Levy. According to the authors, out of the 632 billion euro rise in France's debt between late 2006 and late 2011, only 109 billion can be attributed to the crisis, while the remaining 523 billion are the price of the five-year reign of Nicolas Sarkozy. Of this total, 370 billion is said to be due to a failure to correct past mismanagement and 153 billion to wasteful decisions taken during his 5-year term in office. Should we take these figures seriously?

Let's start with an international comparison. From late 2006 to late 2011, the debt of France increased by 21.4 percentage points of GDP, that of the euro zone by 21.5 points, that of the United Kingdom by 40.6 points, and that of the United States by 29.2 points. There is no French specificity, no "Sarkozy effect". France's debt has increased in line with the average for the euro zone, that is to say, by 500 billion euros, representing 20 percent of GDP. Can it be argued that without Sarkozy the country's debt would have been stable as a percentage of GDP, even though it was increasing without him everywhere else?

In fact, according to the government's latest [economic report](#), from late 2006 to late 2012 French public debt will have increased by 620 billion euros. This increase can be broken down as follows: 275 billion from interest payments, 310 billion due to the economic crisis, 30 billion from the stimulus policies implemented in 2009-2010, and 60 billion in tax reduction policies; but on the other hand, policies restricting public spending (fewer officials, no automatic increase in their wages, rigorous management of social

benefits, etc.) has saved 55 billion euros. Sarkozy's responsibility is thus sharply reduced, to at most 35 billion.

The tricky part is measuring the impact of the crisis. To do this, we need to measure the gap between GDP as it has actually evolved and GDP as it would have evolved without the crisis. In our opinion, in the absence of the crisis, GDP would have continued to grow at an annual rate of about 2%. Using this estimate, the loss in output due to the crisis was 6.8% in 2009, which would have caused a tax loss of 4.4% of GDP. The authors use an [estimate by the Cour des comptes](#), which in turn comes from an assessment by the European Commission: the loss of output due to the crisis in 2009 was only 2.8% and the loss of tax revenues was only 1.4%. According to this calculation, the share of the deficit caused by the crisis is relatively low. But this assumes that in 2007-2009 structural GDP declined by 4% from its trend growth. Why? Is this really not linked to the crisis? According to the calculation by the Cour des comptes, the structural decline in GDP caused a significant increase in our structural deficit, which the authors blame on Nicolas Sarkozy. Is this legitimate? Following the Commission's logic, this 4% is lost forever; we must accept this and adjust by reducing the deficit. In our opinion, it would be better to recover this loss through the use of expansionary policies.

In 2006, the year before Nicolas Sarkozy came to power, the public deficit was 2.3%, which was entirely structural. This deficit was "normal" since it ensured debt was stable at 60% of GDP and it corresponded to the volume of public investment. In 2012, with a deficit of 4.5% of GDP, the cyclical deficit is 4.3% of GDP while the structural deficit is only 0.2% of GDP. Overall, from 2006 to 2012 Nicolas Sarkozy will have increased the level of compulsory taxation by 0.7 point (as the large increases in 2011-12 more than offset the declines in the earlier period) and decreased the share of public expenditure in potential GDP by 1.2 point.

Above all, throughout this entire period, France was in crisis, with a shortfall in demand. An expansionary fiscal policy was necessary to avoid economic collapse. Can we blame Nicolas Sarkozy for the 30 billion euro cost of the stimulus plan? Can we blame him for not having adopted a restrictive fiscal policy to “correct past mismanagement”? No, but what we can call into question are the tax cuts that do little for growth (inheritance tax, the *bouclier fiscal* tax cap, overtime) and the cuts in certain vitally needed public expenditures (downsizing staff levels in schools and hospitals, for example).