Patterns of Public Budgeting in the French Fifth Republic

From Hierarchical Control to Multi-Level Governance

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Abstract

We review the growth and development of public spending and taxing since 1959. Evidence clearly demonstrates the increasing complexity of government spending and fiscal policy. Public authorities, of course, have grown dramatically since 1959, with public spending as a proportion of GDP being roughly double today what it was at the beginning of the Fifth Republic. At the same time as spending has increased, central state autonomy has declined. This is because of the creation of a more complex structure of multi-level governance, which we demonstrate here by looking at the share of public expenditure controlled by the central state, local government authorities, and the social security system. These last two sources of spending, once relatively minor players in the system, now constitute a majority of all public spending in France, with the state itself only a minority player.

Data come from INSEE reports and include overall spending and receipts, GDP growth, deficit and debt, the repartition of taxes and spending across central, local, and social security funds, categories of central state spending, and categories of public tax receipts over time. All data cover the period of 1959 to 2006.

We conclude with discussions of the important shifts towards entropy, the reasons for these changes, their implications, and why these trends have been unaffected by constitutional procedures or political leadership. They are long-term reactions to the increased complexity of the functions of the state, pressures which have affected France just as they have all other western countries over the past 50 years.

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The evolution of public finances during the Fifth Republic offer significant opportunities for analysis. First, budgets are one of the best measures of the choices made by policy makers. Consequently, budget changes describe fundamental aspects of the evolution of the French political process. Second, budget patterns can be depicted for the three pieces of the French public administration (central state, local state and social security). That enables to highlight strong interactions between the three administrative levels of the public policy implemented during fifty years. These trends show the decreased autonomy of the French state over time.

We review the growth and development of public spending and taxing since 1959. Evidence clearly demonstrates the increasing complexity of government sources of fiscal policy. Public authorities, of course, have grown dramatically since 1959, with public spending as a proportion of GDP being roughly double today what it was at the beginning of the Fifth Republic. At the same time as spending has increased, central state autonomy has declined. This is because of the creation of a more complex structure of multi-level governance, which we demonstrate here by looking at the share of public expenditure controlled by the central state, local government authorities, and the social security system. These last two sources of spending, once relatively minor players in the system, now constitute a majority of all public spending in France, with the state itself only a minority player.

We demonstrate a number of important shifts over time and show the substantially different operation of French fiscal policies in the early decades of the Fifth Republic compared to the period since the late 1970s. Deficit spending has increased, transfer payments to individuals have become the single largest type of public expenditure, capital and infrastructure projects have declined dramatically, and power has been systematically fragmented. None of these trends appears to be affected by traditional partisan or ideological differences, as we see little to no effect of systematic relationships between these trends and the partisan composition of the government of the day. Rather, trends towards entropy (that is, fragmentation of authority) are consistent, inexorable, and long-standing. The result is a huge shift in political authority away from the hierarchical control of a single set of leaders at the top of the French state and towards the creation of a multi-level governance structure with multiple sources of power. The state is now bigger than at previous times in French political life. But it operates within a network of political institutions sharing power rather than at the center of a system where all eyes look to the state for leadership. These powerful shifts have occurred despite relative continuity in constitutional structures, suggesting that we need to understand much more than only the internal structures of the central state in order to understand its role in the economy.

Our analysis suggests that France has dramatically broken with its dirigiste past and now features a much more decentralized, socially embedded form of economic regulation. Jonah Levy (1999) called this strategy "associational liberalism" because it combines a liberal aversion to the dirigiste state with a countervailling faith in the coordinating capacities of societal and local associations. Therefore, what Tocqueville decried almost two centuries ago---the all-importance of the central state---has now been replaced with a more complex institutional form of multi-level governance with a correspondingly less anesthesizing central state, but also one with less autonomy over the state of the economy. Over the terms of the Fifth Republic, the structure of state spending has indeed been transformed.

Taxing and Spending Over Time

Figure 1 shows the evolution of overall taxing and spending rates over the period of the Fifth Republic. Tax receipts in 1959 were 142 billion Euros (all figures in this paper are adjusted for inflation and reported in constant 2000 Euros); spending was 123 billion Euros. As a percentage of Gross Domestic Product, spending was 34 percent, and net tax receipts (e.g., *prélèvements obligatoires*, a more accurate assessment of the overall tax burden, subtracting out fees for service and internal state income transfers) were 31 percent of GDP.[1] In 2006, tax receipts had increased to 912 billion Euros, spending was 922 billion, spending represented 58 percent of GDP, and net tax receipts were up to 44 percent of GDP. Of course, the growth in the size of the state was partly due to population growth and partly due to growth in the size of the economy, but the figure makes clear what comes as no surprise: The French state grew dramatically even as a proportion of a rapidly growing economy. Similar trends occurred in all OECD countries, of course. Net tax receipts in France have consistently been about 10 points higher in France than the OECD average (these numbers increased from 25.6 percent in 1965 to 35.9 percent in 2004, the most recent year available).

(Insert Figure 1 about here)

State spending in 2006 was 6.5 times greater than in 1959, after adjusting for inflation. Largely, this was made possible by a dramatic increase in the size of the French economy. As a percent of the economy, spending increased by a factor of 0.7, a significant amount to be sure but the growth of the state was made possible mostly by the huge increase in economic activity, not by devoting an increasing share of the economy to taxes.

The Logic of State Intervention

Of course, public spending is largely tied to the state of the economy. In Figure 2 we show how state spending can be partly explained as a reaction to the rate of economic growth.

[1] The difference between state spending and net tax receipts is that net tax receipts exclude fees for state provided services. In France, such fees include tolls on autoroutes, public television licenses, and local trash collection fees. The total level of state spending therefore reflects the overall size of the state in the economy, but the net tax receipts better reflects the individual tax burden and is comparable with similar figures in other countries where private actors rather than public entities may provide certain services, similarly for a fee.

(Insert Figure 2 about here)

The figure displays the annual rate of change of GDP and the annual percentage change in public spending. We observe the reaction of the state to economic shocks. Standard economic theory since Keynes has suggested that in times of economic decline, increased state spending can stimulate the economy. These mechanisms may be so-called “automatic stabilizers” (such as unemployment compensation, which naturally increase when economic activity declines), or they may be discretionary policy actions determined by governments in response to economic conditions. Whether the stabilizing activity is automatic or discretionary, we can expect to see an increase in spending (even in times of deficits) when economic growth is weak or negative, and indeed the figure makes clear that much of the growth, especially the sharpest spikes in state spending, can be explained by such reactions to economic crises. The huge spikes in 1974 and 1978 are easily explained by the effects of oil crisis, for example. The budget automatically reacted strongly in these circumstances and the government also followed a counter-cyclical budget policy to offset the consequences of international shocks on its domestic market. The conservative government at the time (lead either by Prime Ministers Raymond Barre or Jacques Chirac) did not follow an ideological attitude (reducing taxes by cutting public spending), but rather followed standard economic theories widely shared on both the left and the right. Conversely, the later governments of Chirac (1986-88), Balladur (1993-1995) and Juppé (1995-97) are characterized by large cuts in public spending during periods when GDP was not increasing. Since 1994, the size of the state has increased almost at the same rhythm than the growth of the domestic economy; it has neither grown as economic growth has made this possible nor has it reacted counter-cyclically to declines in the economy. Its hands have been tied.

Overall, the figure shows that the growth of the state follows a similar trend to that of the economy as a whole but that these patterns were clearer in the early decades than in more recent ones. The Fifth Republic has been characterized by strong economic variations to which public authorities have reacted differently at different times. During the first fifteen years, both the economy and the state grow dramatically. Thus, Wagner's Law, which holds that increased economic wealth leads to greater public demand for state services (e.g., education, roads, and hospital services), is largely confirmed. Of course, we see evidence of Keynesian economics in play as well, though that evidence is mixed. Certainly in the 1970s state reaction to the oil crisis was very strong. Similarly in the 1980s we see increased state spending during periods of economic decline. Only in the 1990s do we see periods of serious economic decline (e.g., declining or even negative growth in GDP from 1989 to 1994) without a countervailing reaction by state authorities. In sum, we can see that the growth of the state was strongly related to the growth of the economy, as we suggested in discussing Figure 1, and that there is mixed evidence in France for the use of Keynesian economic stimulation policies. Whereas these were once standard and immediate, in the last 15 years they have become anything but automatic. One reason for this may be increased concern with the size of the deficit and the accumulated debt.

Surplus Spending, Deficit Spending, and the Debt

State spending in the early years of the Fifth Republic was often less than tax receipts; from 1959 to 1974 the state ran a surplus in all but two years (1967 and 1968). Such a situation has never recurred in France since the oil shock. Governments of each type have consistently run annual budgetary deficits in each year since 1974. Figure 3 shows the growth of the deficit and the related accumulated debt.

(Insert Figure 3 about here)

Consistent deficit spending in the 1980s and 1990s (reaching -5.9 percent in 1993) led to an accumulated public debt that surpassed 50 percent of GDP in 1995 and which now is equal to approximately 65 percent of annual GDP. Since 1999, of course, European Monetary Union requirements put strong pressure on the French government to limit the deficit to less than 3 percent of GDP and the overall public debt to less than 60 percent. During the mid to late 1990s serious efforts were made to reduce the size of the deficit (and the figure shows that the debt declined slightly in the late 1990s). However, the figure makes clear that systematic public deficits have become the norm. France is consistently at the margin of conformance with EU monetary standards (often beyond the stated norms), and with its public debt now over 60 percent of GDP it may well face economic sanctions from its European partners.[2] We will see below (see Figure 8) that interest payments on the accumulated debt are consistently over 10 percent of total public spending in recent years; substantially more than capital investments, inverting the ratio between these types of spending that was established in the early years of the Fifth Republic.

Public finance has changed dramatically in the period since 1959. The economic crises after the 1970s caused massive adjustments to French spending patterns, with deficits replacing surpluses as the norm. Even more important transformations have taken place when we look not at the total levels of spending, but at the sources and structure of this spending as we do in the next section. France has moved from a situation of relative clarity and state autonomy in the early period to one of decentralization, greater autonomy of local actors, and a huge transformation of state spending driven by the growth of social security spending and social

[2] The European Stability and Growth Pact that coordinates the fiscal policy of the monetary union contains a fixed norm of public budget deficit but does not an explicit standard on the accumulated public debt standard.

transfer payments. It is no exaggeration to say that this has led to a dramatic decline in the autonomy of the central state.

The Decline of the Central State

The structure of public spending has changed dramatically over the Fifth Republic. In Figures 4 through 6 we show spending by three sources: The central state, local government authorities (regional, departmental, and municipal governments), and the social security administration. Figure 4 shows total spending by the three sources as a percent of GDP; Figures 5 and 6 show the percentage of total state spending and receipts respectively for the same three sources.

(Insert Figures 4, 5 and 6 about here)

Figure 4 makes clear that while the central state grew dramatically over the Fifth Republic, growth was in fact much faster in local government and social security sectors. Figure 5 shows the percents of total state spending. Central state spending (that is, the Parisian ministries and services controlled directly by them) declined from about 60 to 40 percent of total state expenditures. Local governments increased steadily in their importance, now representing roughly 20 percent of the total, and social security spending increased to be roughly equal to the size of the central state. Spending, like receipts (see Figure 6) now represent a 40 / 40 / 20 split between the three sources; in 1959 the partition was more on the order of 60 / 25 / 15.

Sources of Debt and Deficit

Considering the rapid growth in spending by local governments and the social security system, one could think that the large structural deficits that have characterized the French state in recent decades might be due to imbalances in these spending accounts, especially social security. Figure 7 addresses this question.

(Insert Figure 7 about here)

Figure 7 shows that the public debt is largely a creation of the central state. Neither the social security accounts nor local governments accounts for more than a small proportion of the annual deficit. Local government administrations routinely accounted for a deficit on the order of 10 billion euros during the period before the decentralization reforms of the early 1980s. Since then, new financial resources (local taxes and vertical transfers from the state) and new legal constraints (which have progressively limited the allowed levels of annual deficits for local communities) have improved their collective financial situation substantially and they have slowly drifted between net surplus and deficit until 2006. In any case, local governments in France have consistently operated within a narrow range around balanced budgets as the figure shows. The social security system generated regular surpluses during the 1960s and 1970s before declining substantially towards deficits on the order of 12 billion euros by the mid 1990s. Demographic trends, medical technologies, and other factors have put tremendous pressure on the system, but several reforms (e.g., the Balladur reform in 1993 and the *plan Juppé* in 1995 increasing taxes and tightening conditions of eligibility for retirement) have reversed the trend towards increased deficits that were apparent during the 1980s and early 1990s. Since a constitutional revision of 22 February 1996, the French Parliament has general authority over the state of social security accounts and is authorized to discuss and modify the content of social security accounts by the creation of social security finance laws. Neither social security nor local government administration is responsible for a significant proportion of the French budget deficit. The figure makes clear that this is solely due to the budget of the central administration.

From Services to Transfer Payments

Another aspect of the decline of the French state during the Fifth Republic is the growth, in relative terms, of direct transfer payments to individuals. Rather than being used to employ officials in centralized state administrations, an increasing share of the budget is directly transferred to individuals. Figure 8 shows spending across four categories: operating expenses, transfer payments, capital, and interest.

(Insert Figure 8 about here)

Huge shifts occurred in the structure of state spending in 1978, and these effects continue today. Before that period, state spending was largely focused on direct operating expenditures, with capital investments (e.g., building new university campuses, highway construction, and other large infrastructure projects) reaching as high as 10 percent of the budget in the mid-1960s. Since 1978, direct expenditures have declined and capital spending has plummeted; spending on the debt has increased sharply and social transfer payments have become the largest single element in the budget.

Shifting Tax Sources

Figure 9 shows the changing structure of the French tax system across the Fifth Republic. Data show the five largest sources of tax receipts: Income tax, the Value-Added Tax (e.g., *la TVA*, implemented in 1954), other taxes on products (e.g., excise taxes not included in the TVA), social security contributions by employers and employees (shown separately here because they follow different patterns over time), with all other miscellaneous tax sources combined into a sixth residual category. (This last category includes all taxes which individually never made up more than seven percent of the total; it includes property, payroll, capital, and import taxes as well as production receipts and miscellaneous social contributions.)

(Insert Figure 9 about here)

The structure of the French tax system has never been simple, as the state has never relied only on a single form of taxation. The figure shows how various taxes have risen and fallen, sometimes substantially, over time as a share of the total tax burden. Income taxes, which consistently represented less than 15 percent of the total during the first decade of the Fifth Republic, increased slowly in importance until the late 1990s when they moved substantially; today they are close to 25 percent of total receipts. Social security payments by employers increased dramatically during the *trente glorieuses*, riding a wave of economic growth and were the single largest source of tax revenues by the mid 1970s. Since then they have declined in relative terms. These shifts reflect the outcome of policies designed to combat rising unemployment levels, implemented since the 1980s. These policies have reduced the "private" labor cost by transferring social security payments from the employers to the central state. In contrast to the earlier period, today the social security system is increasingly financed by the central state using direct taxes on income such as the CSG (*Contribution Sociale Généralisée*) or the CRDS (*Contribution au Remboursement de la Dette Sociale*).

Payments by employees increased when payments by employers were reduced, but these payments declined sharply at the same period as income taxes increased in the late 1990s. Sales and product taxes beyond the TVA were substantial in the first ten years of the Fifth Republic but have declined significantly since the mid 1960s. The TVA itself, which represented over 20 percent of total receipts in the late 1960s, has steadily if slowly eroded in relative importance but remains at nearly 15 percent of the total in 2006. Note that the figures we discuss here are aggregate receipts, not tax rates. Income tax receipts increased dramatically in the 1990s, for example, not because of a change in individual tax rates but because of a sharp decline in unemployment. With more people working, income tax receipts rose. The overall mix of tax revenues by source is an important indicator of fiscal policy, however, and Figure 9 shows how its large structures have evolved over time.

Conclusion

Huge transformations have taken place in patterns of taxing and spending over the period of the Fifth Republic. When the new constitutional regime came into place and for the first decades of its operation, state spending grew dramatically as the economy expanded and the population grew. Governments regularly operated with a small annual surplus, the economy grew at an annual rate of more than five percent, and the state grew fast enough during this period that its share of GDP rose dramatically. The state became bigger as spending increased by a factor of more than six and the public sector expanded from approximately 30 percent of GDP to almost 60 percent. It also retained substantial autonomy. During periods of economic downturn, political leaders of the Right like those of the Left did not hesitate to spend in a counter-cyclical manner.

All this changed in the 1970s. We can point to three trends that have conspired to reduce the autonomy of the central state in France, producing a situation that might not be recognizable to those who governed France in the 1950s and 1960s. Further, none of these transformations that have reduced the autonomy of the state have any constitutional foundations. That is, the constitutional regime that Michel Debré and others has functioned as intended. Other trends, completely unrelated to constitutional design, have conspired, however, to reduce the power of the state. These are: 1) the rise of local authorities; 2) Europeanization; and 3) the functioning of the mature welfare state.

We saw in Figure 5 the declining proportion of public expenditures controlled by the central state. Spending by local authorities increased dramatically as a proportion of total public spending, as did social transfer payments through the social security program. Central state spending, once 60 percent of total public spending, was reduced to an equal footing with the social security program, about 40 percent of the total. Europeanization has strongly affected state economic planning as well, as EMU norms inhibit France from operating large annual budget deficits. While operating within a norm of public budget deficits no larger than 3 percent of GDP leaves considerable room for economic maneuver to French governments, in fact France had consistently been operating with this or higher levels of deficit spending for years, so in effect the European norms reduce the lee-way and the options of French economic planners. This may be a good thing or a bad one, and leaders of the French state may find it sometimes in their advantage to point to the European strictures against certain fiscal policies. But, for good or ill, increased European oversight of domestic fiscal policies inevitably means reduced state autonomy. Some options are off the table. This was not the case back in 1968: in that year GDP declined to "only" 4.3 percent and the government responded with the largest deficit spending up to that point, -1.3 percent. In the following year GDP had grown to 8 percent and the deficit was replaced by a small surplus.

With a much greater proportion of public funds controlled by local authorities or in the social security system, and with reduced freedom to follow fiscal policies for fear of violating European norms, French leaders today operate with considerably less room for economic maneuver. While they may affect direct public spending by the state, they have little control over local government spending or the social security system. Further, since the largest share of public spending is direct transfers to individuals rather than operating expenses in government ministries, these programs are politically more difficult to revise. These changes are largely structural, have affected the system over the long term, and are relatively unrelated to questions of political ideology. That is, the arrival of a new government is rarely related to a structural break in the data series we have presented, including during those times when a government of the Left is replaced by one of the Right. Rather than responding to short term political considerations, or to the decisions of autonomous state leaders, fiscal policy has evolved in the long term towards greater fragmentation of authority, with no turning back. Decentralization of political power was a major reform of the Mitterrand administration in the early 1980s and was given constitutional authority under the leadership of Prime Minister Raffarin in March 2003. Looking at the data presented in Figure 4 however, which show the amount of public spending by level of government, it is clear that fiscal decentralization has been a long term commitment of French governments since the beginning of the Fifth Republic, and has progressed steadily. Similarly, the growth of the social security system is a symptom of a mature welfare state. Transfer payments have surpassed public operating expenses to become the largest form of expenditure for public authorities of all kinds, as we saw in Figure 8.

The result of the changes we have documented here is that the French state has lost considerable autonomy. Rather than being the single most important actor, by far, and regularly intervening forcefully in the economy, central authorities are now one of several important players. Others are local political leaders, European officials, and the administrators (and Members of Parliament) who oversee the social security system. Further, and perhaps more importantly, those funds that the state does spend are more likely to be transferred directly to individuals in the forms of pensions, unemployment payments, housing subsidies and other direct payments than they are to support the functioning of public agencies under the direct control of the government of the day. Michel Debré may be turning in his grave. And yet these transformations have little to do with the constitutional design he put in place. Rather, they provide powerful testimony to the idea that institutional design is only part of the picture. For fiscal policy, the Fifth Republic has seen huge transformations that have little if anything to do with the constitutional structure.

What long-run trends led the state to devolve power to a greater number of authorities? The key is government complexity and an accompanying trend towards entropy. Entropy is the idea that power will be spread increasingly among a greater range of relatively autonomous actors, and in France the evidence we have presented shows clearly these trends. In response to greater social demands and the ever-increasing complexity of social problems, autonomy for response to these questions is devolved to specialized agencies, or to local governments thought to be better able to respond to the particular nature of the issue in their own communities. We have looked at a macro-level in this paper, focusing just on three sets of public actors: the central state, local governments, and social security. But we can see similar trends in the creation of specialized bodies (of which there are approximately 800 now at the central level, with more related to local governments, and still others attached to the social security system); all these things point in the same direction, the creation of a network structure rather than a single authority at the top. These trends have been consistent over 48 years of French fiscal history.

Entropy in the structure of government spending in France fits into a larger theme of Europeanization and the growth of multi-level governance. Increasingly, scholars throughout Europe have focused attention on the growth of complex relations among local governments, regional authorities, national governments and the European Union. While we have approached the question in a different way, focusing just on the French case, our findings fit nicely into this larger perspective. Policymaking and government leadership within a structure of multi-level governance is about networks of communication, shifting responses, and the evolution and dynamics of power structures. Leadership within Michel Debré's vision of the operation of the Fifth Republic was more related to constitutional authority and included both hierarchical control within the state as well as economic *dirigisme* more broadly. This is particularly ironic as the size of the French state is actually larger now than at previous times in history. Why would the autonomy of the state decline even while its size increases? The answer is the entropy associated with the creation of new specialized bodies, Europeanization, and decentralization, all important factors of the new French political system and all constantly changing even while the constitutional structure of the Fifth Republic has remained the same.

Sources:

Data reported in this paper come from the French Census (*Institut National de la Statistique et des Etudes Economiques*, INSEE). INSEE has compiled time-series for national accounts between 1959 and 2006. Data were initially expressed in current euros. We have used a consumer price deflator for the same period to present all data in constant 2000 euros. Data are available from the INSEE web site at: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/finances_publiques/depenses_recettes.htm.

We used two different files: detailed public accounts (following the 1995 European System of Accounts presentation) and summarized accounts of spending and receipts. We have focused on three categories of public administration: Central public administration (state + related bodies), local public administration (local authorities + local bodies), social security administration (Social Security + related bodies). Related bodies are organizations with separate legal identities created by a public authority for a specific purpose. Examples of bodies related to the state at the central level are such things as the national libraries, the National Scientific Research Center (CNRS), National Geographic Institute, National Agency for Employment, public hospitals, nursery schools, regional committees of agriculture, regional committees of economic affairs, and high schools. Overall, there are some 800 organizations related to the central state.[3]

The first INSEE series yields simplified public accounts for the 1978-2006 period for the three levels of government as indicated above. As we investigated the evolution of both public

[3] The comprehensive list of such bodies is available at these urls: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/ex/ODAC_simple.pdf , and http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/ex/ASSO_simple.pdf

spending and revenue during the Fifth Republic, we had to calculate the amounts of some categories of spending, and we did so by respecting the following equalities:

Revenue = Production revenue (including subsidies for production) + Property revenue (including interest) + Tax and social security contributions (including Tax on production and importations + Tax on income and property + Social security contributions of employees and employers) + Transfers.

Expenditures = Operating Expenditures (including intermediate consumption + Payroll + Tax on production) + Interest + Transfers (including social transfers + in-kind social transfers + subsidies + transfers between public administrations) + Gross Formation of Fixed Capital.

This method allowed us to establish comprehensive series for the entire period, except for two kinds of information. First, we do not have the level of current received transfers between public administrations for the period of 1959 to 1977 because these data were reported in a consolidated manner for the entire period. As a consequence, we underestimate the level of receipts from 1959 to 1977 by relatively small (but unknown) amounts. Second, we have estimated the balance of these transfer payments (that is, the difference between transfer payments received and transfer payments paid out) by interpolating backward in time from values available for 1978 to 2006. These missing values for transfers all concern only those transfers between the three main entities of interest: central state (and related bodies), local administrations (and related bodies), and social security (and related bodies). Neither of these adjustments should have a substantial impact on the trends we have reported.

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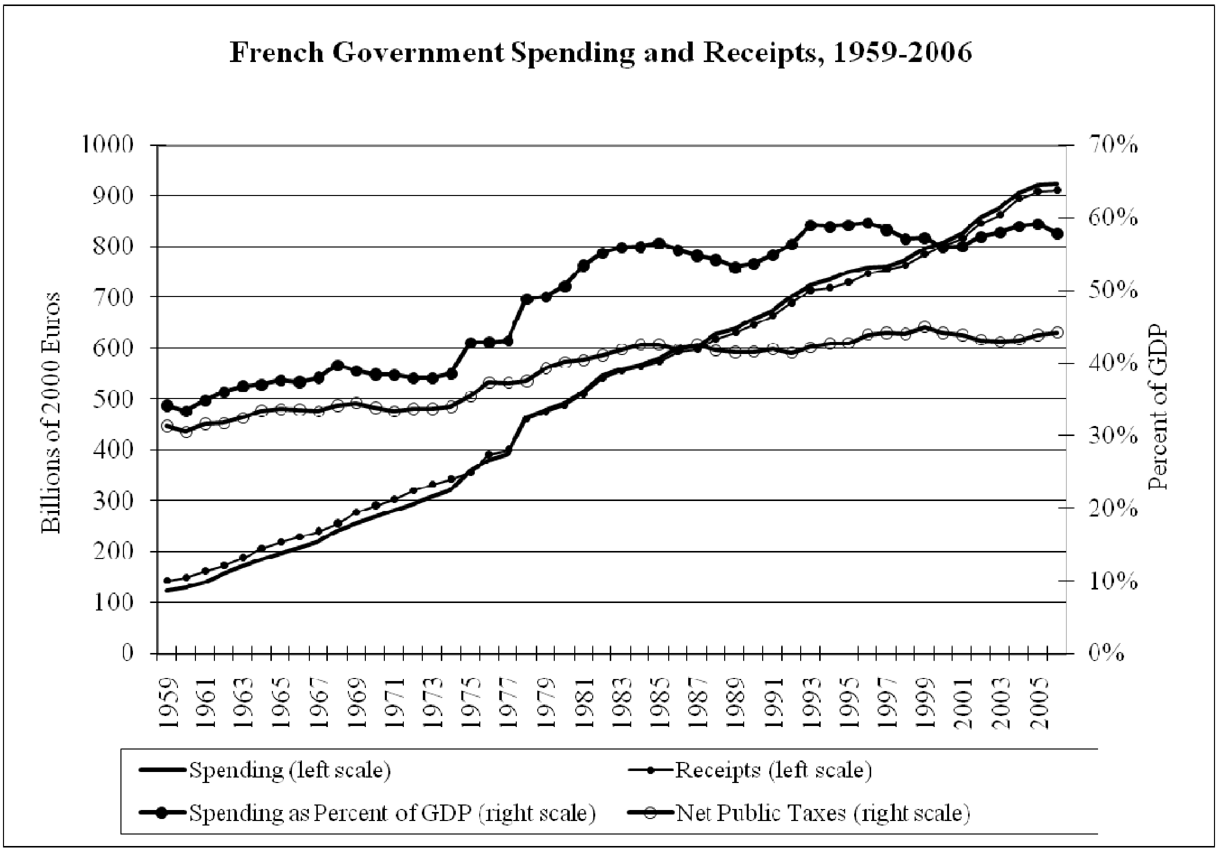

Figure 1. French Government Spending and Receipts, 1959-2006.

The figure shows spending and receipts in billions of constant 2000 Euros (left scale) and spending and net public taxes as a percentage of Gross Domestic Product (right scale). Data include central public administration, local government, and social security. Net public taxes are tax receipts minus transfer payments among public authorities and are the best indicator of the overall tax burden.

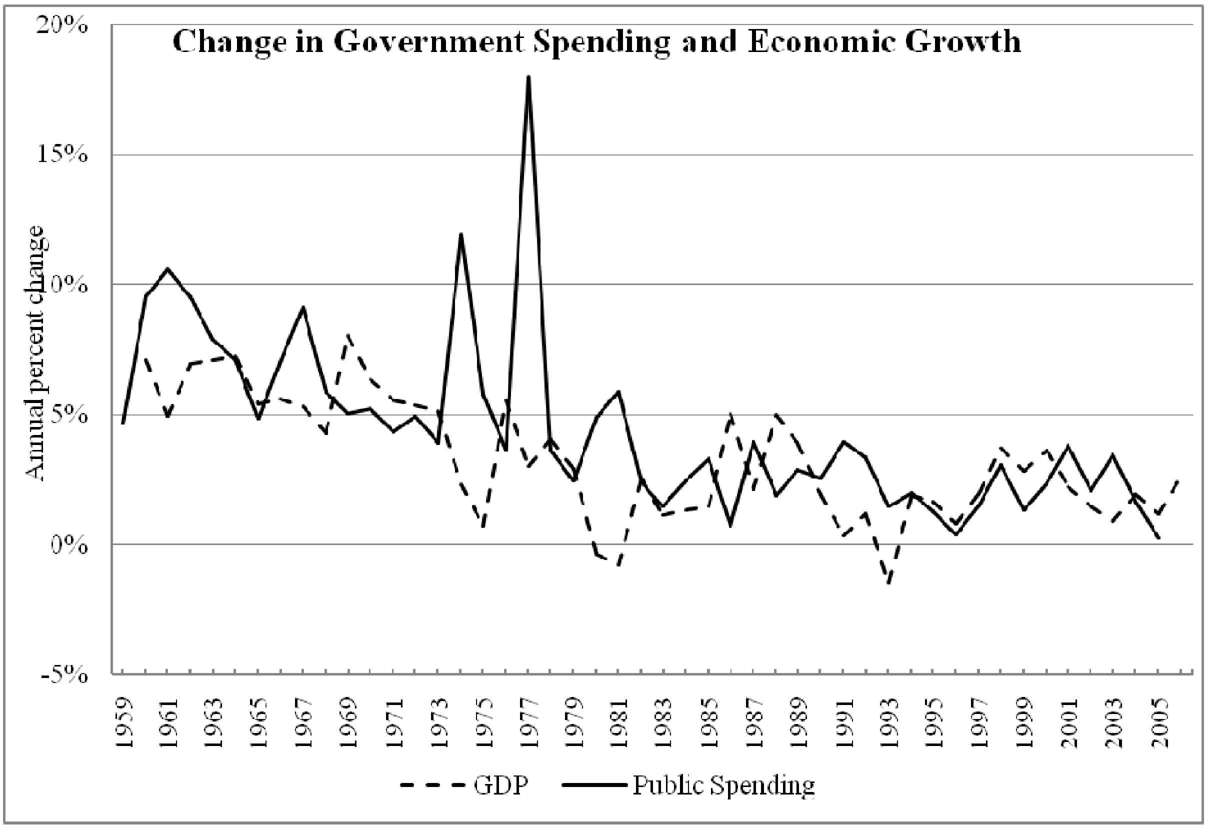

Figure 2. Annual Rate of Change in Government Spending and GDP, 1959-2006

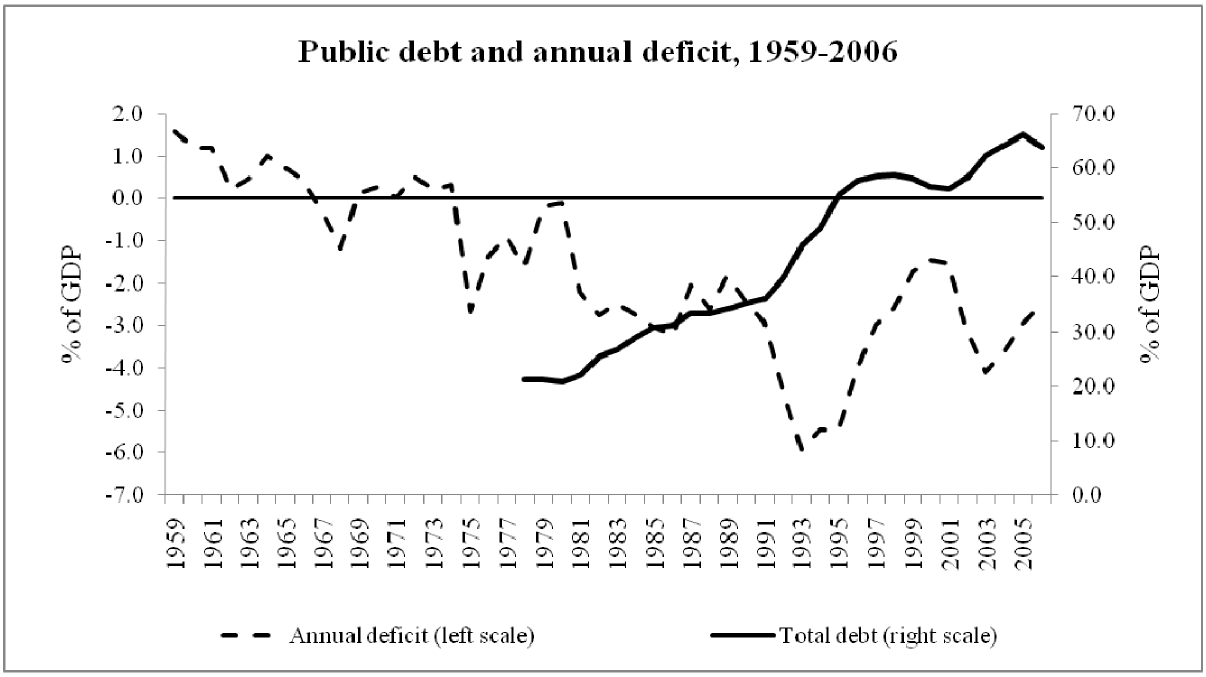

Figure 3. The Annual Public Deficit and Total Debt, 1959-2006

The figure shows the annual deficit (left scale) with the total accumulated debt (right scale; data not available before 1978). Figures are expressed as percentages of GDP.

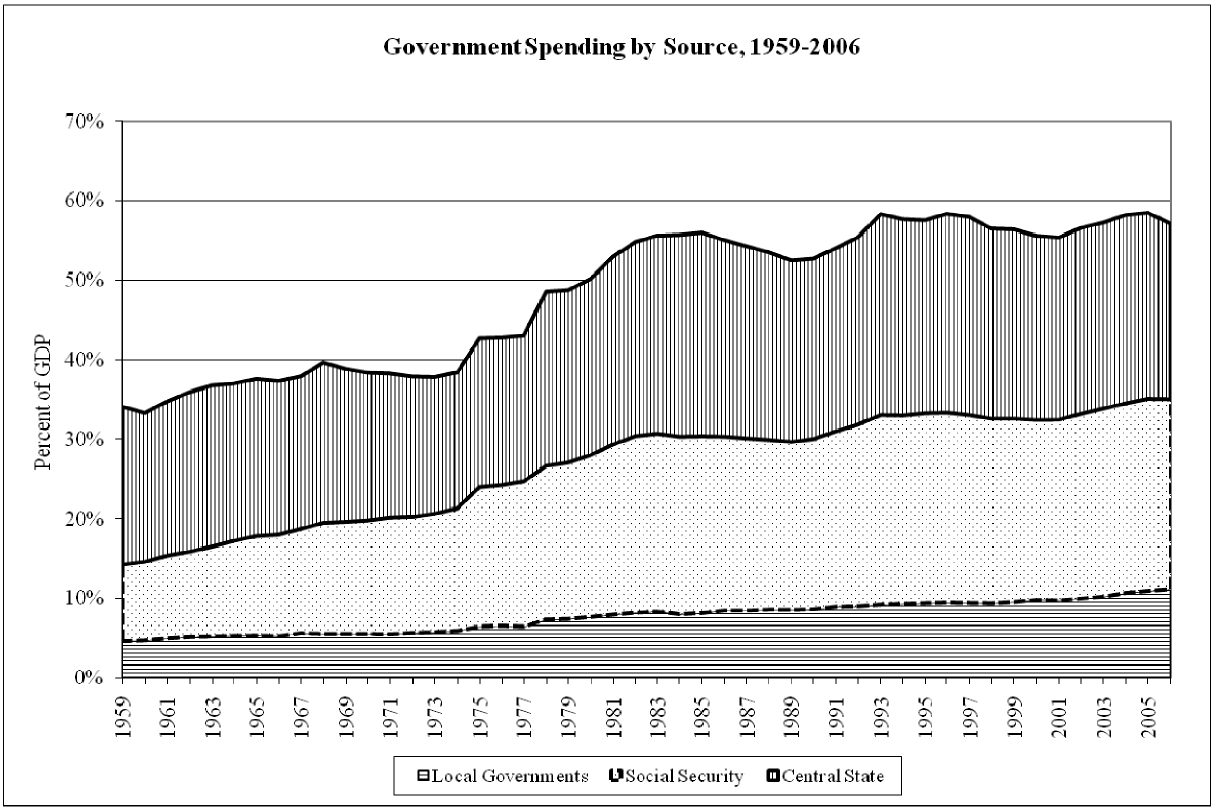

Figure 4. Government Spending as Percentage of GDP, 1959-2006.

The figure shows levels of spending by local governments, social security, and the central state as percentages of Gross Domestic Product.[4]

[4] Total spending differs from the sum of the three subtotals (shown here) by small amounts (average: -1.7%, minimum: -5.4%, maximum: 2.5% because of transfers and changes in budgetary accounting rules; the numbers were slightly positive before 1978 and slightly negative after that date when budgetary accounting rules changed.

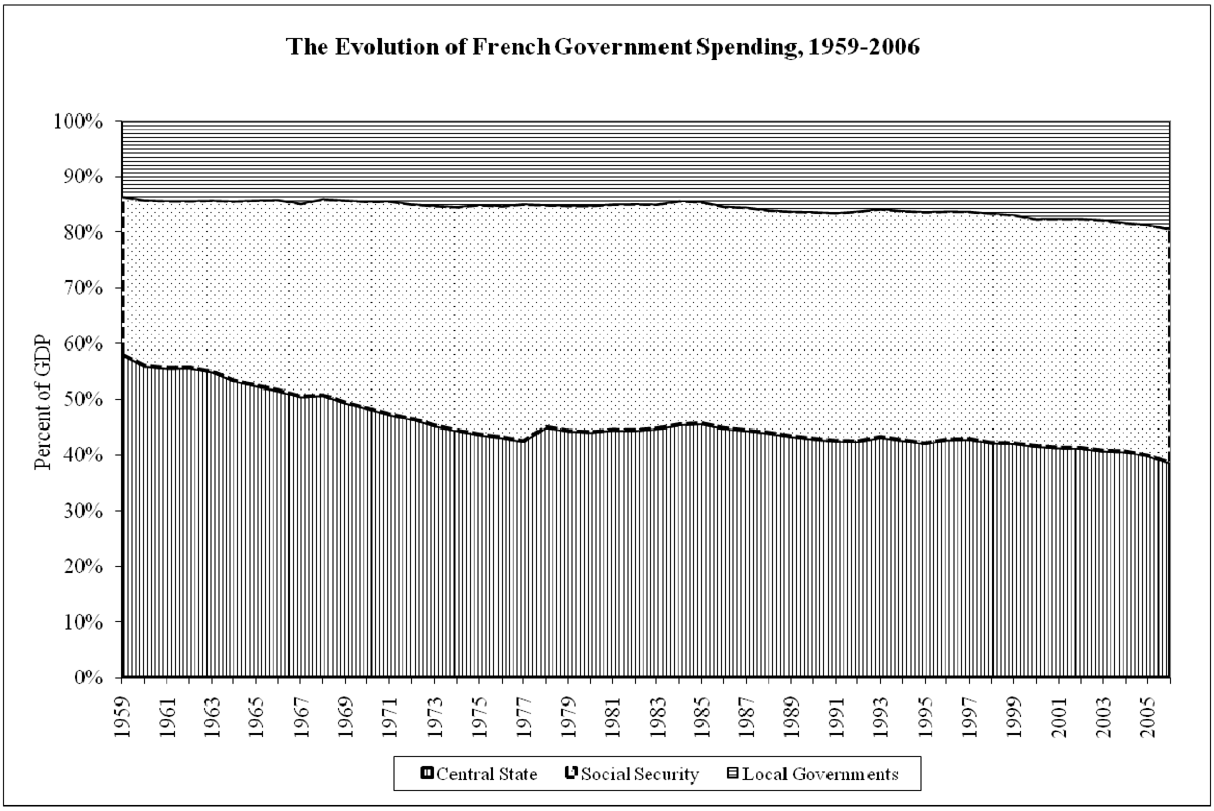

Figure 5. The Declining Role of the State.

The figure shows the percentage of total government spending by the central state, local governments, and social security.

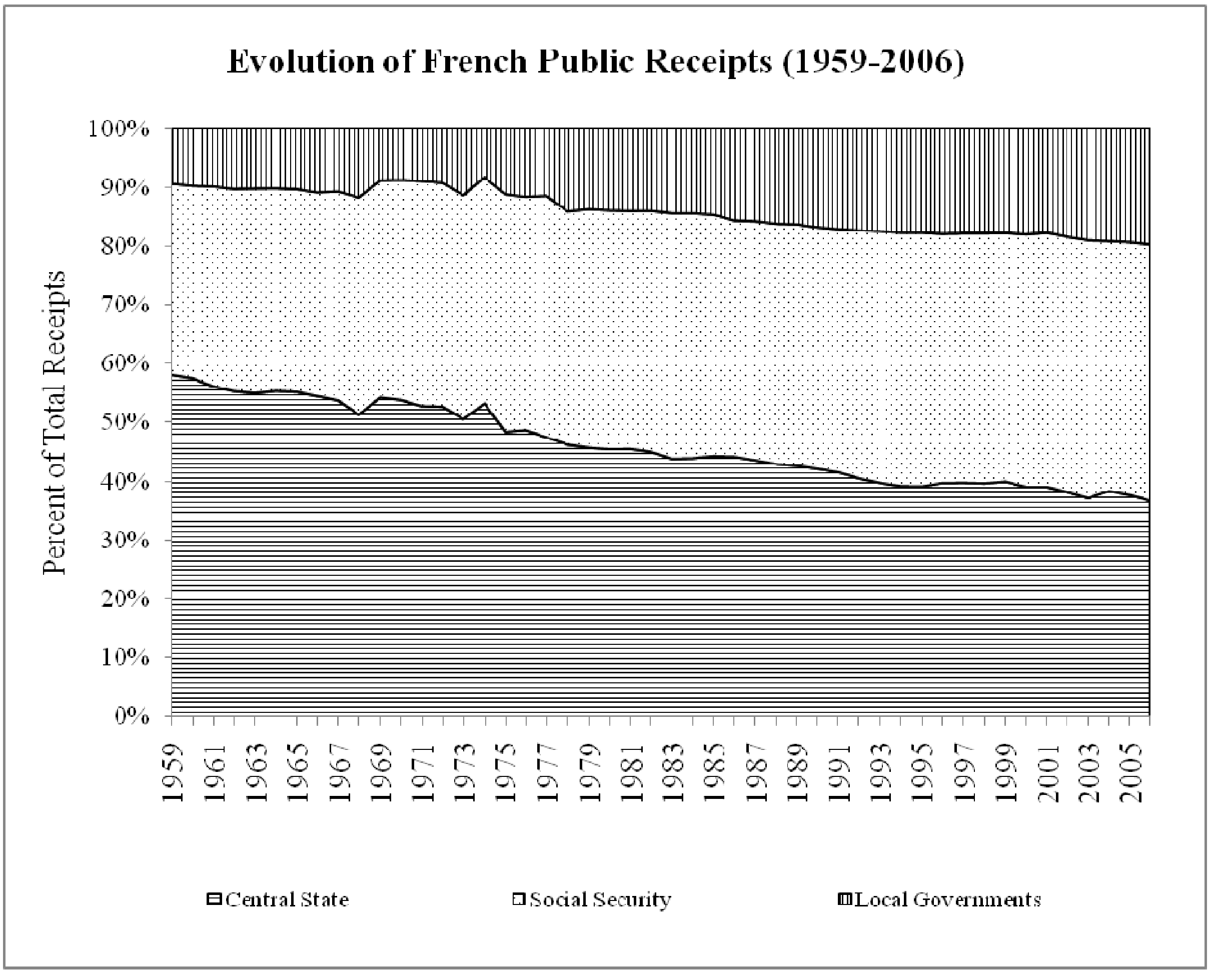

Figure 6. Tax Receipts by Source, 1959-2006.

The figure shows the percentage of total government receipts by the central state, local governments, and social security.

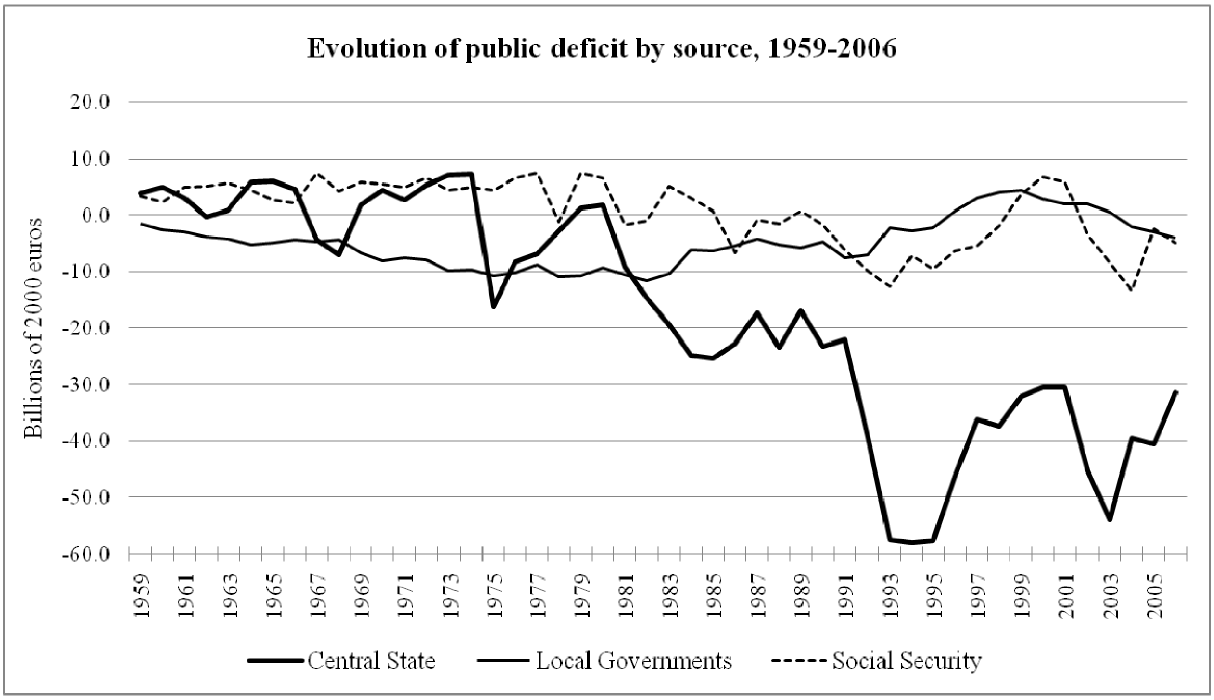

Figure 7. Annual Surplus or Deficit by Source of Public Spending, 1959-2006.

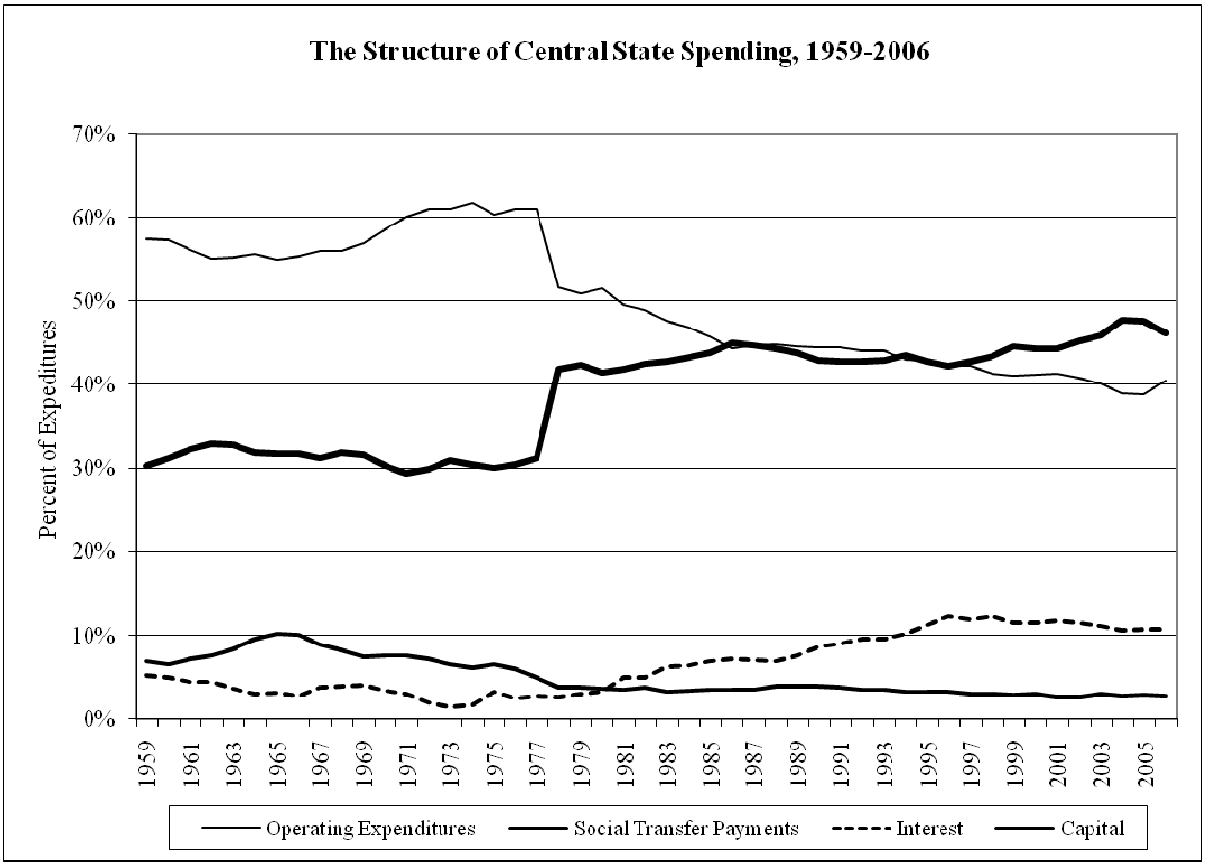

Figure 8. Central State Spending, 1959-2006.

The figure shows four categories of central state spending ; capital purchases (buildings, infrastructure…), interest payments, social transfer payments, and direct operating expenses (salaries of civil servants, operating expenses of administrative agencies…).

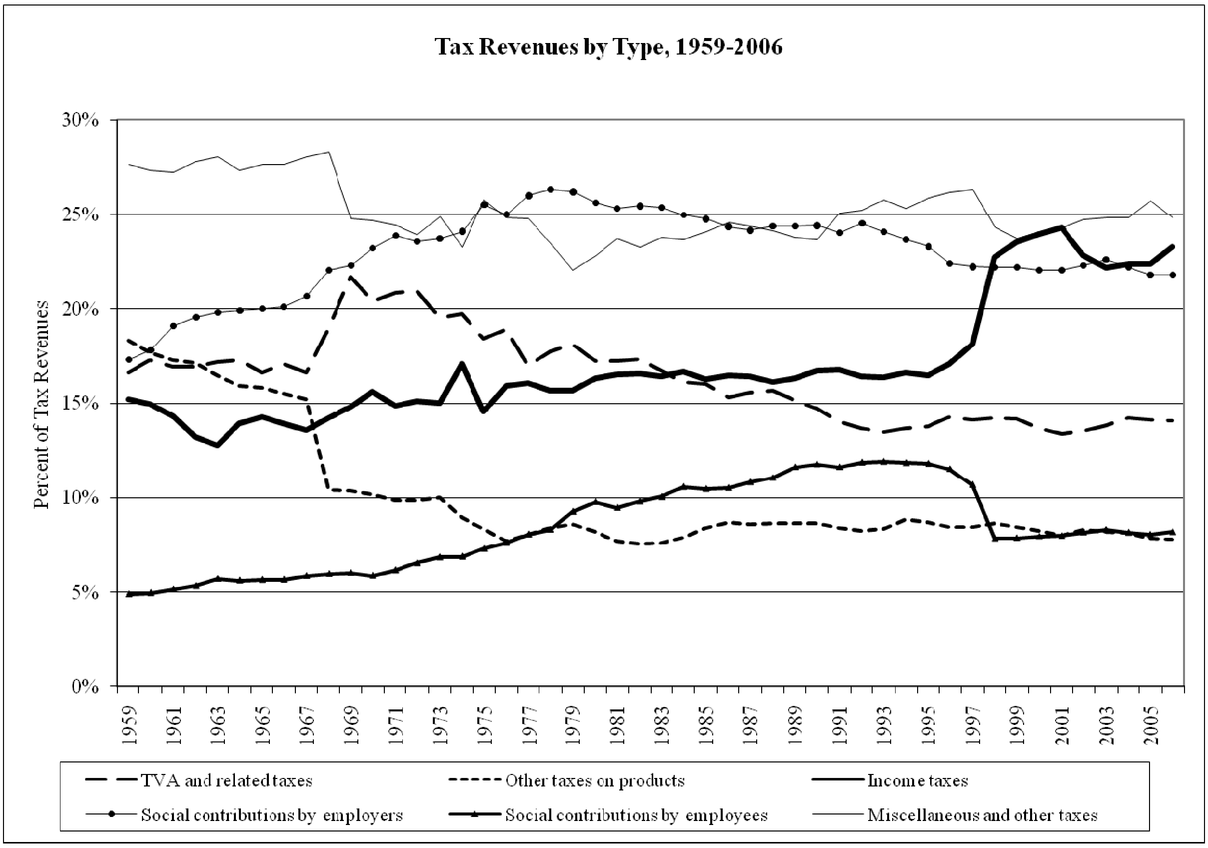

Figure 9. Tax Revenues by Type, 1959-2006.

The figure shows the percentage of total annual tax revenues for all French public administrations (central state, social security administration, and local governments) by source. For clarity of presentation, sources that never generated more than seven percent of total tax receipts in any year have been combined into a single category called miscellaneous and other. The series sum to 100 percent in each year.