

Welfare Economy

Chapter 3

The Statistics of the French Government

We present the French Government Budget,
revenues and expenditures

The French Government budget

Definition

The Government budget is the list of all its revenues and expenditures.

- ▶ Revenues come from dues and taxes, paid by citizens and firms.
- ▶ Expenditures is the money to finance public action : Police, Justice, Research, Education,...
- ▶ From more than 30 years, expenditures are greater than revenues, and so there is some deficit.

Magnitude of revenues and spendings (2013 statistics)

The following table gives an overview of the budget in 2013. Any number values each line in billions € (or in french « milliards d'euros »).

Many reference points in order to understand those numbers : the GDP (2.811 BE), the size of the population (66 Millions) , the debt (97% of GDP), all revenues (46,17% of GDP)

	Central Government	Social Security	Local & Regional Government	Quasi-governmental bodies	Total
Expenditures	487.7	562.9	252	81.3	1383.9
Revenues	419.8	552.8	242.8	82.6	1298.0
Surplus/Deficit	-67.9	-10.1	-9.2	1.3	-85.89

Then relative to each individual french people, in euros,

- the GDP : $2811 * 1000 / 66 = 42.590 \text{ €}$
- the revenue of the central government : $419,8 * 1000 / 66 = 6.360 \text{ €}$
- the social security expenditures : $562,9 * 1000 / 66 = 8.528 \text{ €}$
- the local & regional expenditure : $252 * 1000 / 66 = 3.818 \text{ €}$
- the quasi-gouvernemental bodies expenditure : $81,3 * 1000 / 66 = 1.231 \text{ €}$

Holding back an image of the budget



The previous table 's logic is accounting : in particular, when the deputy members decide about budget, they should give a precise budget for all the bodies of the government.

However, some central policies are replicated in the local and regional government. A synthesis to what money is used can help and fit better our analysis of the public sector. It is proposed in the next slide.

Public Spendings, *Ce que financent 1000 euros de dépenses publiques*

Spending	Under-spendings	For 1.000 € in France
Social security	Pensions	268 €
	Health Insurance	191 €
	Family	42 €
	Unemployment	35 €
	Housing assistance	17 €
	Solidarity (RSA)	22 €
	total social security	575 €
Expenditure by sector	Economic interventions (tax credit, innovations)	53 €
	Public transport	43 €
	Culture (museums)	22 €
	Environment (Water, Wastes)	16 €
	Infrastructure (public lighting)	9 €
	total expenditure by sectors	143 €
Education		96 €
Public administration		66 €
Public services	defense	31 €
	security	25 €
	justice	4 €
	total public services	60 €
Debt cost		37 €
Research		23 €

Vocabulary

All of those concepts should be reviewed (in textbooks or in wikipedia)

- Regional Government
- Public administration
- Social insurance
- Education, Research
- Central government
- Debt cost
- Expenditure by sector
- Public regalian services
- Quasi-governemental bodies

Map of the talk

1) Public finance

- ▣ Fundamentals of public finance
- ▣ Evolution of public finance

2) Good or bad use of public finance

- ▣ “Cour des comptes” ’s missions
- ▣ Discussion about local taxes

1a. Public finance

- Fundamentals of public finance



Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE
DE L'ACTION ET DES
COMPTES PUBLICS



**DIRECTION
DU BUDGET**

FORUM DE LA PERFORMANCE

LA DIRECTION DU
BUDGET

FINANCES
PUBLIQUES

BUDGET ET COMPTES
DE L'ÉTAT

PERFORMANCE ET
GESTION PUBLIQUES

CADRE DE LA GESTION
PUBLIQUE

Definition, sectors of Public finance

Public finance from an accounting point of view is almost one thousand accounts. Public finances cover the field of general government which includes :

- local public administrations (APUL), ie all local authorities but also various local government bodies, school boards, colleges and high schools, consular chambers ... ;
- social security funds (ASSO), which include hospitals and all social security schemes, supplementary pension schemes and unemployment insurance schemes (Pôle emploi) ;
- the State, central public administrations (APUC), for transactions identified in the general budget, the subsidiary budgets and the special accounts ;
- the various central government bodies (ODAC), financed mainly by State subsidies and / or by revenue appropriation voted in the budget law.

Four components of public finances

Structure of Public finance is more simple than the balance sheet of a firm. There is no Owner equities nor non current assets, only the ends of its financial year. Also, what is specific, there is the debt.

Balance sheet of a firm	Public finance
Owner equities	-
Non current assets	-
Current assets	Recipies
Liabilities	Expenses
----- Profit -----	----- Balance -----
-	Debt

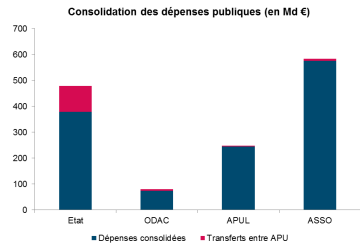
- ▶ The *balance* is the difference between *revenue* and *expenditure* (the term *deficit* is used equitably when the difference between expenditure and revenue generates a negative balance);
- ▶ The *debt* is the accumulation of current and past public deficits. The debt of the year is indeed equal to the debt of the previous year increased by the deficit of the year. *Deficit and Debt should not exceed 3% and 60% of GDP.*

Structure of Public Expenses, by sectors

National accounts distinguish three sub-sectors within the "public administrations" sphere, thus three levels of public expenditure :

- the central public administrations (APUC), which regroup the State and its deconcentrated services as well as the various organizations of central administration (ODAC, this last category gathering the agencies of the State endowed with the legal personality (for example : the CNC , Ademe, universities, employment center etc.) ;
- local public administrations (APUL), constituted by all local authorities (regions, departments, municipalities and their public institutions of inter-municipal co-operation) and various local government bodies (for example : schools, colleges and high schools, consular chambers ...) ;
- social security funds (ASSO), which include hospitals and all social security schemes (basic social security schemes and special schemes) as well as supplementary pension schemes and unemployment insurance.

The expenditures of the APUCs correspond to the expenditures of the State and those of the ODACs.



High french public spendings

French public spending is one of the highest in the European Union, its main problem being the 20-year gap between revenue and expenditure. For 20 years, debt has increased threefold ; it has increased significantly since 2008, particularly as a result of the economic and financial crisis. In this global context, the public authorities have opted for a public finance control strategy that favors the fall in the pace of all public spending.

Steering at the level of "all public administrations" materializes in the Public Finance Programming Act (PSSA) for the period 2018-2022. This marks the Government's desire to reduce by more than three percentage points the share of public expenditure in GDP over the entire legislature. This spending effort will restore the structural balance of public accounts by 2022 and thus honor France's European commitments. All sub-sectors are associated with respect for this trajectory. The PSSA 2018-2022 provides for a contractualization mechanism with local authorities to reduce their actual operating expenses. Similarly, social security funds are involved with setting a growth in the national health insurance expenditure target of + 2.3% per year between 2018 and 2020.

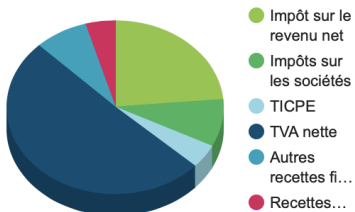
At the same time, the "Public Action 2022" transformation program must enable documentation of large-scale structural savings that will make it possible to secure respect for the reduction in the weight of public expenditure in GDP.

Sources of Public funding

- Taxes : Taxes are levied on all taxpayers and constitute a compulsory and unrequited payment to the general government and the European institutions. They are used to finance public expenditure and help regulate economic activity. There are two types : direct taxes, which are paid for and borne by the same person, such as income tax, and indirect taxes, where the taxpayer is distinct from the taxpayer, such as VAT.
- social contributions : Mandatory contributions, the main source of funding for general government The compulsory levies are a concept of national accounts ; they refer to all payments made by natural or legal persons to the general government in order to finance their expenses.
- fiscal taxes : Other sources of government funding come mainly from non-tax revenue, competitive funds and borrowing.
 - Non-tax revenue consists of income from property such as income from the State domain, income from industrial and commercial activities, and remuneration for services rendered, such as audiovisual fees.
 - Contest funds are gifts or legacies paid to the State by public or private persons, to compete with it for certain expenses and in accordance with the intentions of the watershed. The LOLF provides that their amount is evaluative within the finance laws.
 - Borrowing is one of the major resources of the public administration.

Cumulative revenue (in 2018)

Cumul des recettes nettes à fin décembre 2018

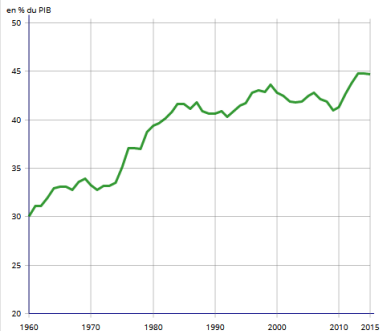


- TVA : 156,7 BE (50,7 %)
- Income tax : 73 BE (23,6 %)
- Income on Firms : 27,4 BE (8,9 %)
- Other taxes : 24,6 BE (8 %)
- Non tax income : 13,9 BE (4,5 %)
- TICPE : 13,7 BE (4,4 %)

The evolution of the tax rate

Since the 1970s, three distinct phases of growth have marked the evolution of compulsory taxes. In the 1970s and the first half of the 1980s, the tax rate rose sharply *from 34% to 42% of GDP*. It then stabilized at a rate close to 42% of GDP until the beginning of the 1990s when it resumed its growth until it reached 44.9% of GDP in 1999. Since the 2000s, it has generally fallen up to 42.1% in 2009, before experiencing a sharp rise due to the crisis and stimulus measures, *reaching 45.0% in 2015*.

Taux de prélèvements obligatoires de 1960 à 2015



Note : hors cotisations sociales imputées et crédits d'impôt.

Source : Insee, comptes nationaux - base 2010.

1b. Public finance

- Evolution of public finance

Public deficit

While at the end of the 1970s, our public finances were still among the most balanced in Europe, their situation gradually deteriorated, as evidenced by the continuing rise in the weight of the public debt in the gross domestic product (GDP) . For more than 30 years, French public finances have been structurally in deficit.

It is necessary to go back to 1974 to find the trace of a surplus of the public administrations. As a direct result of these recurrent deficits, the public debt has increased almost continuously over this period : barely reaching 20% of GDP at the end of the 70s, it crossed the threshold of 60% of GDP in 2002 and was close to 68% of GDP in 2008. In the context of the economic and financial crisis, public debt rose sharply to 92% of GDP in 2013 and 96% in 2016. As such, the government embarked on a the restoration of public accounts, which should allow, starting in 2020, a decrease in public debt.

In 2010, the Champsaur-Cotis report, on the state of public finances, underlined that France has tackled the crisis of 2008 with relatively fragile public finances since the periods of boom during the last thirty years have not been used to reduce the structural deficit.

Thus the episodes of strong growth in the late 1990s and 2004-2007 have not allowed public finances to return to a balanced public finances.

Sustainability of public finances

Definition

The notion of sustainability of public finances focuses on the ability of a state to remain solvent, that is to say, to retain sufficient budgetary room for maneuver to honor its commitments.

Sustainability is a concept that is not easy to define. In theory, public debt is unsustainable when the state becomes unable to finance its public debt, including raising new taxes. But, as the ability to raise taxes is part of the attributes of any modern state, strict sustainability is not a prospect that France faces in the foreseeable future.

But we can talk about unsustainability in a less strict way when the cost of financing the public debt increases significantly with the rise in debt : because the risk premiums demanded by the markets start to increase with the debt (c is what happened in 2010 in Greece or Ireland); because the cost in terms of growth of raising new taxes becomes sensitive; because the social costs or in terms of growth of cuts in spending become significant.

Public deficit

The following graph measures the public deficit in terms of percentage of GDP



Evolution of Public deficit, by sector

Definition

In national accounts, the public deficit, published by the National Institute of Statistics and Economic Studies, is broken down into several sub-sectors :

For the general government, the deficit was 61.4 billion euros in 2017 :

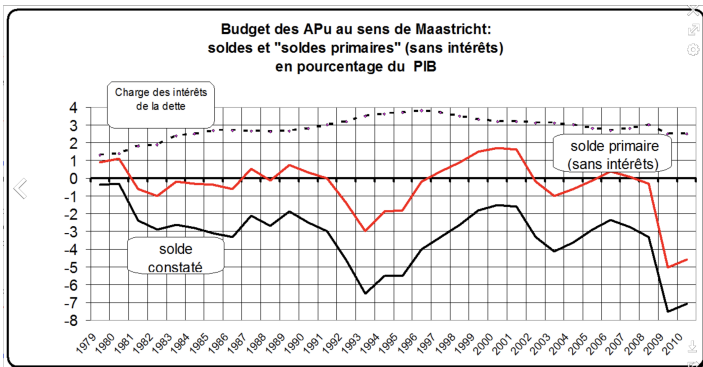
- central public administration :
 - ▣ the state (- 65.3 billion euros in 2017),
 - ▣ the various central administration bodies (- € 3.1 billion in 2017);
- social security administrations (+ € 6.3 billion in 2017);
- local public administrations (+ 0.8 billion euros in 2017).

Primary balance of public finances

There is a measure that gives an image of public finance, independently of the payment of interest on the already existing debt weighs on the general government budget.

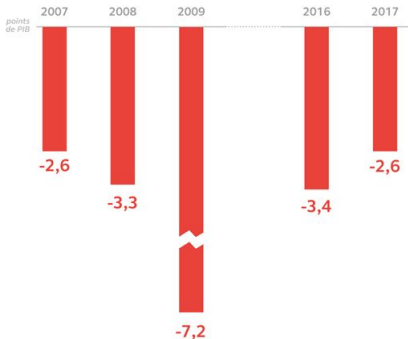
Definition

the "primary balance of public finances", which is equal to the budgetary balance of public finances before deducting the value of interest ("primary deficit"). The primary balance is defined as the public deficit excluding interest on the debt.



Debt in the short term

La situation et les perspectives des finances publiques
Juin 2018



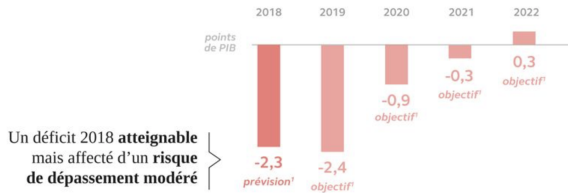
Le déficit public 2017 est revenu à un **niveau proche de celui de 2007**, mais avec un taux de prélèvements obligatoires de 3 points plus élevé qu'il y a dix ans



As can be understood, there are high public deficit variations

A good perspective

La situation et les perspectives des finances publiques
Juin 2018

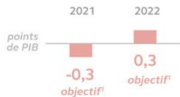


¹programme de stabilité d'avril 2018

- Those expectations are published by Cour des Comptes

Context for an improvement

La situation et les perspectives des finances publiques Juin 2018



programme de stabilité d'avril 2018

Le retour à un excédent des finances publiques en 2022 repose sur des **hypothèses fragiles**



des prévisions de croissance optimistes



une maîtrise des dépenses peu documentée



un transfert de recettes de la sécurité sociale vers l'État complexe à mettre en oeuvre



des excédents croissants des collectivités territoriales non garantis

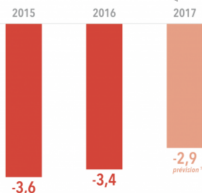
► One cannot make anticipations without making economic assumptions

A synthesis



La situation d'ensemble des finances publiques Fin janvier 2018

En 2017, un possible retour du déficit en dessous de 3 points de PIB, principalement grâce à l'amélioration de la conjoncture



En 2018, une prévision de déficit public en très faible réduction



D'ici 2022, un redressement du déficit tardif et s'appuyant sur des instruments fragiles*

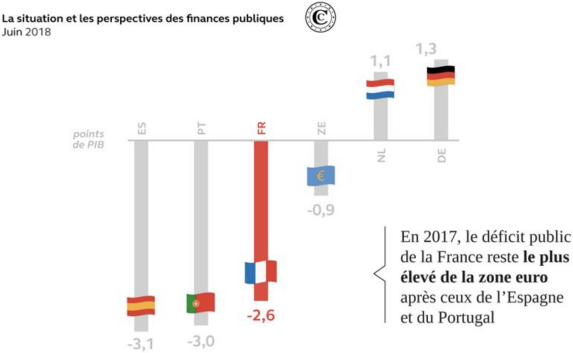


- *
- une hypothèse de croissance soutenue, supérieure à la croissance potentielle
 - le pari d'excédents importants des administrations publiques locales et de sécurité sociale
 - un objectif de ralentissement de la croissance de la dépense ambitieux, mais qui ne permettrait pas de réduire suffisamment le déficit structurel pour respecter les engagements européens
 - des réformes de l'État et de la sécurité sociale restant à définir

En 2017, le déficit public de la France reste le plus élevé de la zone euro



Comparison intra europeans nations



► Public finance in Italy is quite bad

2a. Good or bad use of public finance

- “Cour des comptes” ’s missions

Court of Auditors

Definition

The main task of the *Court of Auditors* is to ensure the proper use of public money and to inform citizens. An independent court, it is located at the equi-distance of Parliament and the Government

The four task of the court of Auditors are :

- ❑ To judge : The Court judges the accounts of public accountants. Its competence is exercised on about a thousand accounts. Historically, this is one of the first tasks of the jurisdiction. It can lead to the personal and pecuniary liability of a public accountant (or a de facto accountant, ie a person who manipulates public money without having the right to do so) if deficit or default have been recognized, if a receipt has not been recovered or if an expense has been improperly paid.
- ❑ To control : In practice, wherever public money is committed, the Court ensures the regularity, efficiency and effectiveness of management. To do this, it controls the State and its operators, social security organizations, public enterprises, organizations receiving donations as well as medical social institutions and services (ESMS) and private clinics. Its observations are communicated to the audited institutions and bodies, as well as to their supervisory authorities.
- ❑ To certify
- ❑ To evaluate : The Court assists Parliament and the Government in the evaluation of public policies.

An example of judgment



Des contrôles insuffisants, à étendre et intensifier



REDRESSEMENTS 2016
1,18 Md€

Une logique d'assurance sociale

près de **400 Md€** de cotisations sociales prélevées par an qui financent plus de **61%** de la protection sociale



11/14 : La lutte contre la fraude aux cotisations sociales

► The court of Auditors propose some solutions

2b. Good or bad use of public finance

- Discussion about local taxes

A study about local taxes

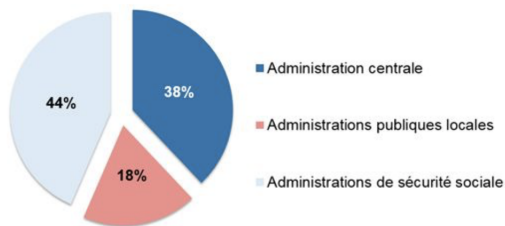


The Court of Auditors publishes its sixth annual report on the financial situation and the management of local authorities and their public establishments, fruit of joint work with the regional audit chambers.

It proposes an unprecedented assessment of the impact of the decrease in over the period 2014-2017 : although mitigated by the dynamism of taxation, the decline in the overall operating allocation has had the expected effect by stopping the growth of local spending. Although 2017 was marked by a lower control of their spending, local authorities have, for the third year in a row, achieved a financing capacity, confirming the overall improvement in their financial situation.



LES ADMINISTRATIONS PUBLIQUES LOCALES : UNE PART SIGNIFICATIVE DE LA DÉPENSE PUBLIQUE



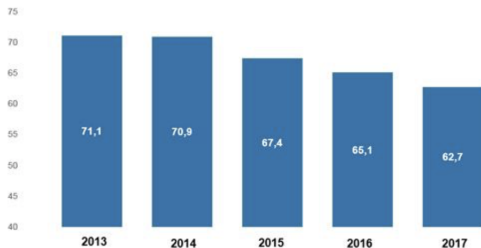
(Données 2017)

Source : Cour des comptes



UNE BAISSÉ DES CONCOURS FINANCIERS DE L'ÉTAT...

Transferts financiers hors fiscalité transférée (en Md€)

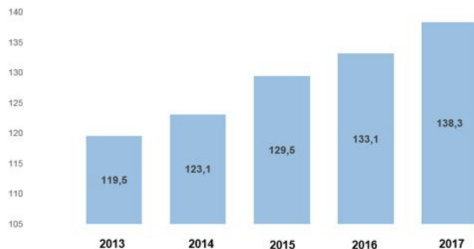


Source : Cour des comptes d'après DGFIP et direction du budget



... ATTÉNUÉE PAR LE DYNAMISME DE LA FISCALITÉ

Produits annuels de la fiscalité locale, directe et indirecte (en Md€)



Source : Cour des comptes d'après DGFiP et direction du budget



DES EFFORTS DE GESTION SUPÉRIEURS AU RALENTISSEMENT DES RECETTES

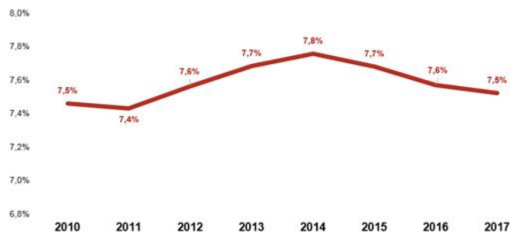
Évolution des dépenses et recettes de fonctionnement (en Md€)





UNE BAISSÉ DEPUIS 2014 DU POIDS DANS LE PIB DES DÉPENSES DE FONCTIONNEMENT DES COLLECTIVITÉS

Part des dépenses de fonctionnement dans le PIB

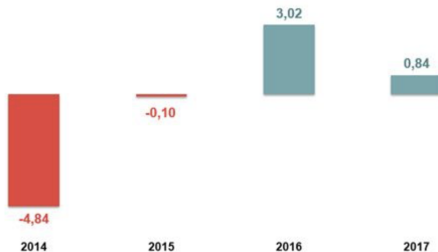


Source : Cour des comptes d'après DGFiP



LES ADMINISTRATIONS PUBLIQUES LOCALES : UN SOLDE POSITIF DEPUIS 2016

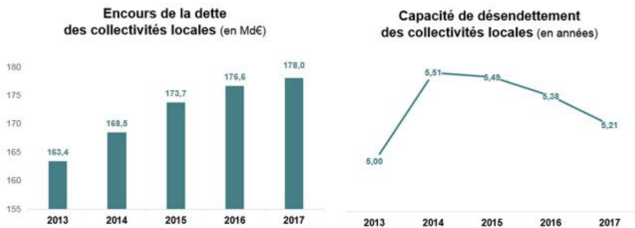
Capacité ou besoin de financement des administrations publiques locales (en Md€)



Source : Cour des comptes



UN RALENTISSEMENT DE L'ENDETTEMENT DES COLLECTIVITÉS LOCALES



Source : Cour des comptes d'après DGFiP



DES DÉPENSES DES COLLECTIVITÉS À NOUVEAU À LA HAUSSE EN 2017

Dépenses des collectivités locales (en Md€)

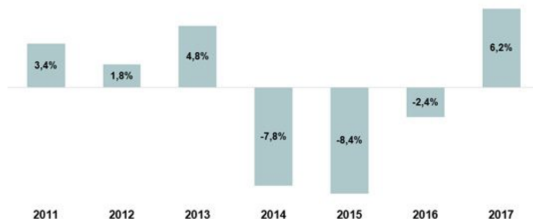


Source : Cour des comptes d'après DGFiP



DES DÉPENSES D'INVESTISSEMENT À LA HAUSSE EN 2017 APRÈS UNE BAISSÉ IMPORTANTE

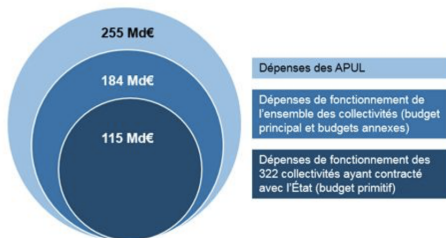
Évolution des dépenses d'investissement des collectivités locales (en pourcentage)



Source : Cour des comptes d'après DGFIP



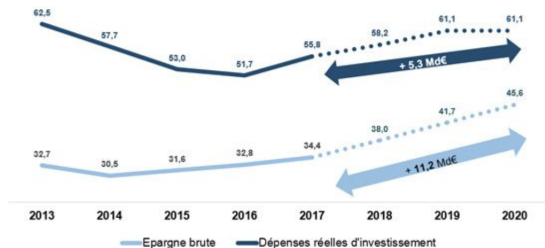
UNE CONTRACTUALISATION PROPOSÉE ENTRE L'ÉTAT ET 322 COLLECTIVITÉS ET GROUPEMENTS





UNE UTILISATION INCERTAINE DU SURCROÎT D'ÉPARGNE BRUTE

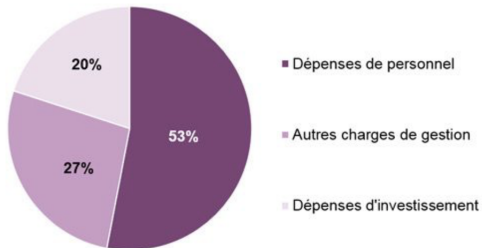
Trajectoire de l'épargne brute et des dépenses d'investissement (en Md€)



Source : Cour des comptes d'après DGFiP



DES DÉPENSES SCOLAIRES COMMUNALES MAJORITAIREMENT CONSACRÉES AU PERSONNEL



Source : Cour des comptes d'après ministère de l'éducation nationale



UN IMPACT FINANCIER NON NÉGLIGEABLE DE LA RÉFORME DES RYTHMES SCOLAIRES DE 2013

Un coût annuel brut entre 840 et 940 M€ financé par :

- des recettes de fonds d'amorçage État : 380 M€
- des recettes CAF : 250 M€

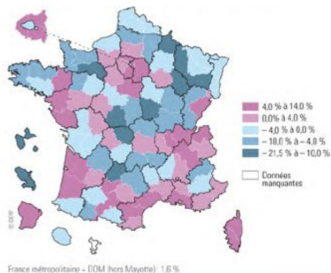


**Un coût annuel net restant à la charge
des communes et des familles entre 210 et 310 M€**



UNE ÉVOLUTION CONTRASTÉE DES EFFECTIFS SCOLAIRES

Variation des effectifs du premier degré entre 2006 et 2016 (secteurs public et privé)



Source : Cour des comptes d'après DEEP