

French Debt and deficits

Particularities and futur Macron's policy toward Europe



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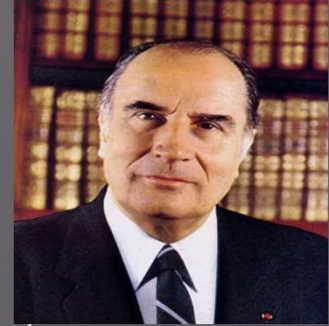
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SUMMARY

- 1 / The rules of 3% deficits
- 2/ The deficit's evolution since 1975
- 3// The particularity of french debt and debates
- 4/ Macron : a chance for France and Europe?
- 5/ Conclusion

1/ THE RULE OF 3% DEFICITS



This rule was created under Mitterrand mandate. In 1981, When he became President, he had inherited a deficit much bigger than all previous perspectives.

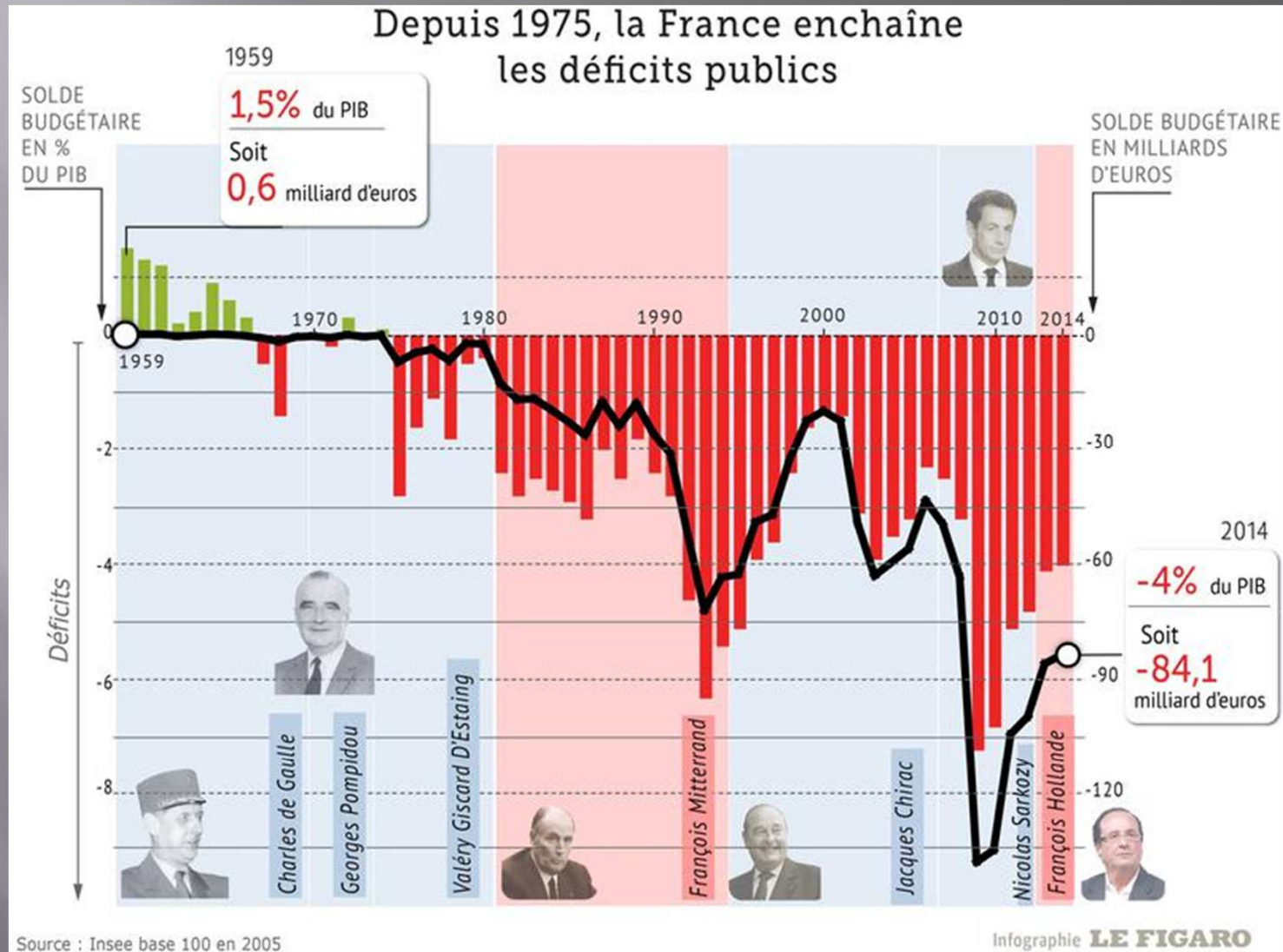
Also, Mitterrand had needed a mathematic rule to contain deficit and also to justify Budget's refusal to his minister.

At this time, no economical theories was founded about this. The « chargé de missions » finance minister, Guy Abeille, decided to create a ratio « Deficit/GDP » And ordered a rate limite.

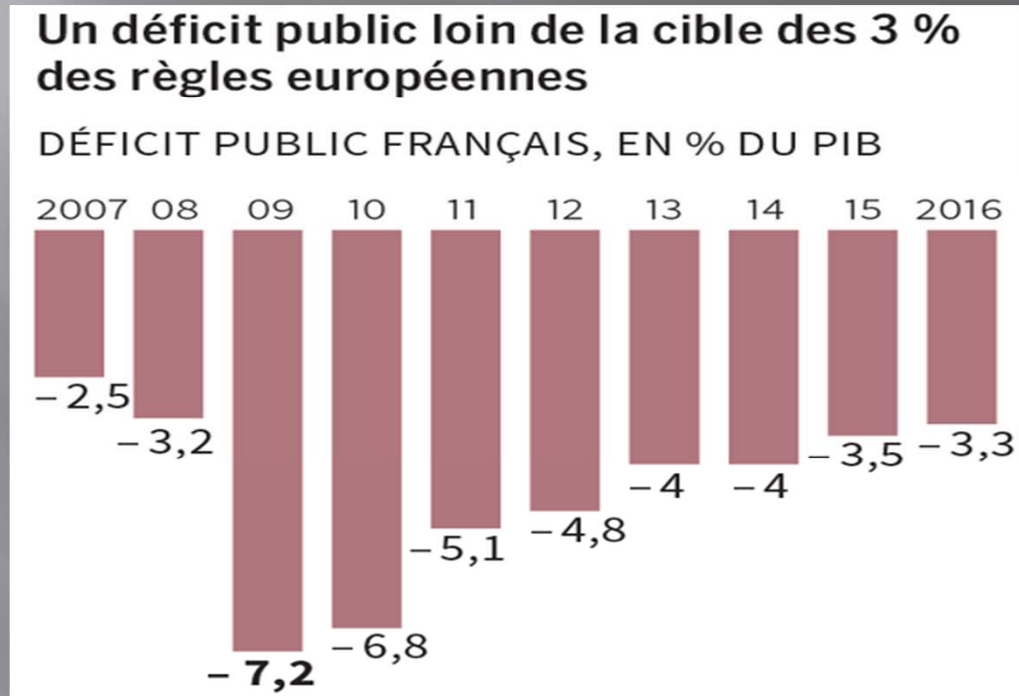
11 years after, european states had taken this rule. But today this rule seems to be no Logical when GDP growth is low and inflation close to 1%.

The 3% rules is not a visibility of the deficit structure. On this view, who can say if Deficit is causing by long-term investment or State's operating cost without statement revenue

2/ THE DEFICIT'S EVOLUTION SINCE 1975



2/ The deficit's evolution since 1975



Projection 2017 : 2,9%

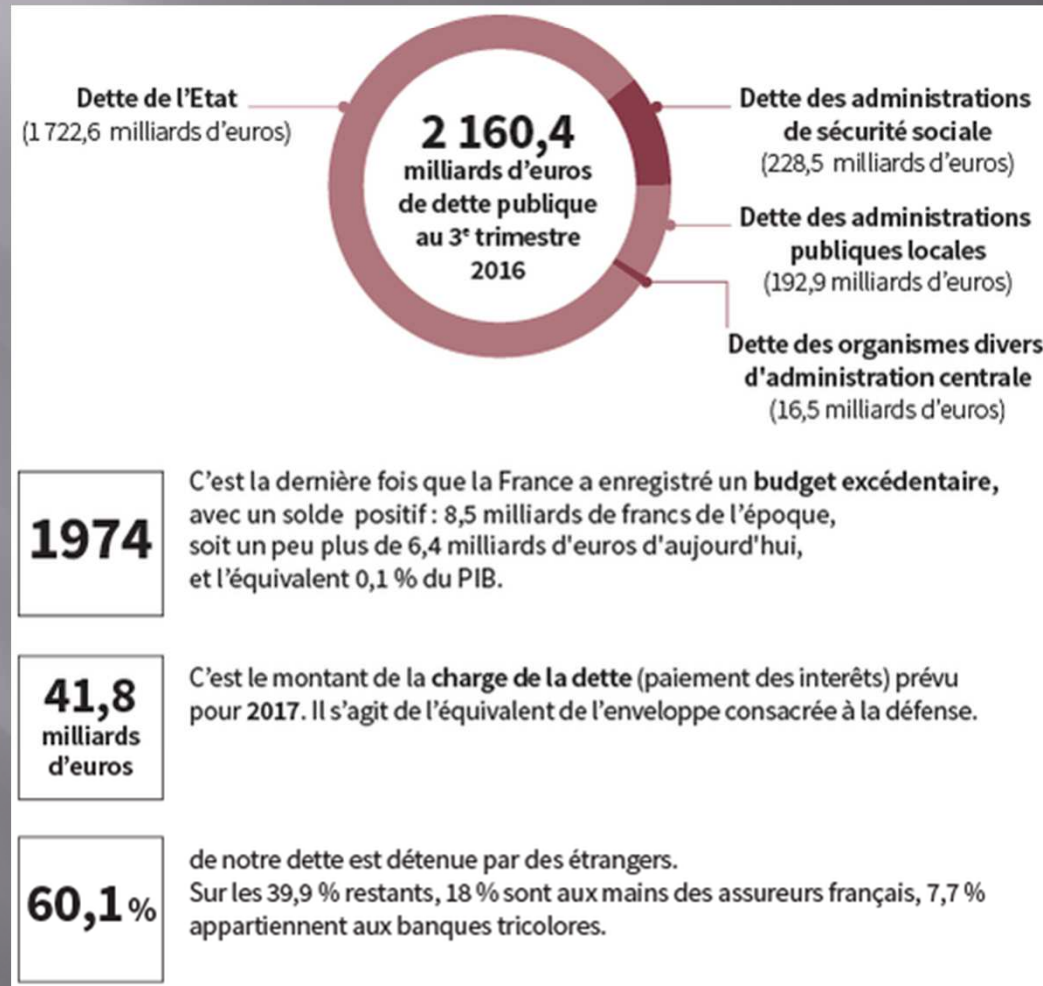
Projection 2018 : 2,6 %

Does it goes slowly but surely?

2/ The deficit's evolution since 1975

- ▣ The recent reduction of deficit is more due to an excellent economic context : (Weakness of Euro currency, low rates, oil prices.
- ▣ The french structural deficit is still problematic
- ▣ The competitiveness of France is in danger

3/ The particularity of french debt and debates



3/ The particularity of french debt and debates

- ❑ Each year, Government spending (State, public administrations, social security administrations) are larger than our revenue. To maintain our way of life, we loan on market and it increased our debt.
- ❑ 33% of the increasing between 1978 and 2008 was due to the evolution of rates since 1980.
- ❑ All governments never made effort during strong growth periode for reducing deficit.
- ❑ Social protection spending represents 47% of public spending but the social debt represents just 10% of public administration debt.

4/ Macron : a chance for France and Europe?

- ▣ Macron wants to restaure the french credibilty
- ▣ Macron is a king of new « Napoleon « and wants to conquiert Europe as a new and equal partners with Merkel.
- ▣ Macron wants to save Europe.

5/ Conclusion

- ▣ France has the duty to stay under the 3% rules of deficits but has to keep its social model.
- ▣ France has also the duty to protect and get closer to Greece, Italy, Spain... as a new leader for a social Europe
- ▣ Macron must not fail and disappoint Europe and French population.
- ▣ Never sacrifice investment for the future despite the crisis