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France's Valls Is No Clinton

By Steve H. Hanke

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President Francois Hollande has put in place a new French government led by Prime Minister Manuel Valls. This maneuver has all the hallmarks of shuffling the deck chairs on the Titanic. Yes, one has the chilling feel that accidents are waiting to happen.

President Hollande's new line up is loaded with contradictions. Not a good sign.

Just take Prime Minister Valls' assertion that, when it comes to economics, he is a clone of Bill Clinton. For anyone familiar with the facts, this claim is bizarre, if not delusional.

When it comes to France's fiscal stance, the Valls' government is fighting austerity tooth and nail. Indeed, the Socialist government is seeking greater leeway from the European Commission (read: Germany) over European targets for reducing France's stubborn budget deficit. With French government expenditures accounting for a whopping 56.6 percent of GDP, it's truly astounding that the government is reluctant to engage in a bit of belt tightening.

This brings us back to Valls' self-promotion -- namely, to compare himself to Bill Clinton. For a reality check, a review of the fiscal records of U.S. Presidents is most edifying. Let's take a look at Clinton.

Percentage Point Changes in U.S. Federal Expenditures, as a Percent of GDP

President	Years	% Point Change in Total EXP/GDP	% Point Change in Non-Defense EXP/GDP	% Point Change in Defense EXP/GDP
Eisenhower	1953-1960 (8 years)	-1.6	2.3	-3.9
Kennedy	1961-1963 (~3 years)	0.8	1.2	-0.4
Johnson	1964-1968 (~5 years)	1.9	1.4	0.5
Nixon	1969-1974 (~6 years)	-1.8	2.1	-3.9
Ford	1975-1976 (~2 years)	2.7	3.0	-0.3
Carter	1977-1980 (4 years)	0.3	0.6	-0.3
Reagan	1981-1988 (8 years)	-0.4	-1.3	0.9
G. Bush	1989-1992 (4 years)	0.8	1.9	-1.0
Clinton	1993-2000 (8 years)	-3.9	-2.2	-1.8
G.W. Bush	2001-2008 (8 years)	2.6	1.3	1.3
Obama	2009-Present (5 years)	0.6	1.0	-0.4

Sources: White House Office of Management and Budget and Author's Calculations.

Notes: The values in the table represent percentage point changes in U.S. government expenditures, as a percentage of GDP (in constant 2005 U.S. dollars), calculated from the last year of the preceding president's term, to the last year of each president's term. Green cells represent a decrease in expenditures. Red cells represent an increase in expenditures. Yellow cells represent the expenditure category that drives the change in total expenditures. The sum of the % point change in non-defense EXP/GDP and % point change in defense EXP/GDP may not add up to total % change in EXP/GDP due to rounding error.

The Clinton presidency was marked by the most dramatic decline in the federal government's share of the U.S. economy since 1952, Harry Truman's last full year in office. The Clinton administration reduced the relative size of government by 3.9 percentage points. Since 1952, no other president has even come close. At the end of his second term, President Clinton's big squeeze left the size of government, as a percent of GDP, at 18.2 percent.

What is noteworthy is that the squeeze was not only in defense spending, but also in non-defense expenditures. Indeed, the non-defense squeeze accounted for 2.2 percentage points of President Clinton's 3.9 total percentage point reduction in the relative size of the federal government. Since 1952, the only other President who has been able to reduce non-defense expenditures was Ronald Reagan.

During his presidency, Clinton squeezed and squeezed hard, and his rhetoric matched his actions. Recall that in his 1996 State of the Union address, he declared that "the era of big government is over."

When it comes to fiscal rhetoric and record, it's hard to imagine that Manuel Valls will be able -- even in his wildest dreams -- to match Bill Clinton, the King of the Fiscal Squeeze.

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