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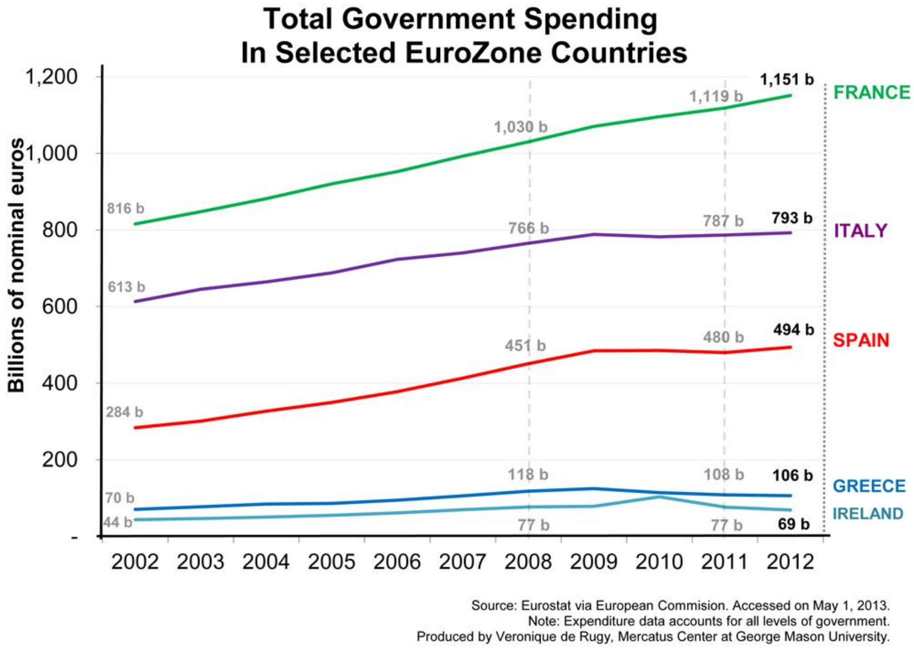

With the European Commission's recent calls to abandon austerity in favor of economic growth, IMF director Christine Lagarde urging easing of austerity in Europe, and Paul Krugman proclaiming austerity's failure, the debate surrounding austerity remains vital.

Exactly a year ago, Mercatus Center senior research fellow Veronique de Rugy published a chart series on the nature of spending among various European countries widely cited as adopting austerity measures.

Several of these charts have been updated with more recent data now available from Eurostat. The data show that austerity in Europe still did not take the form of massive spending cuts in most cases.

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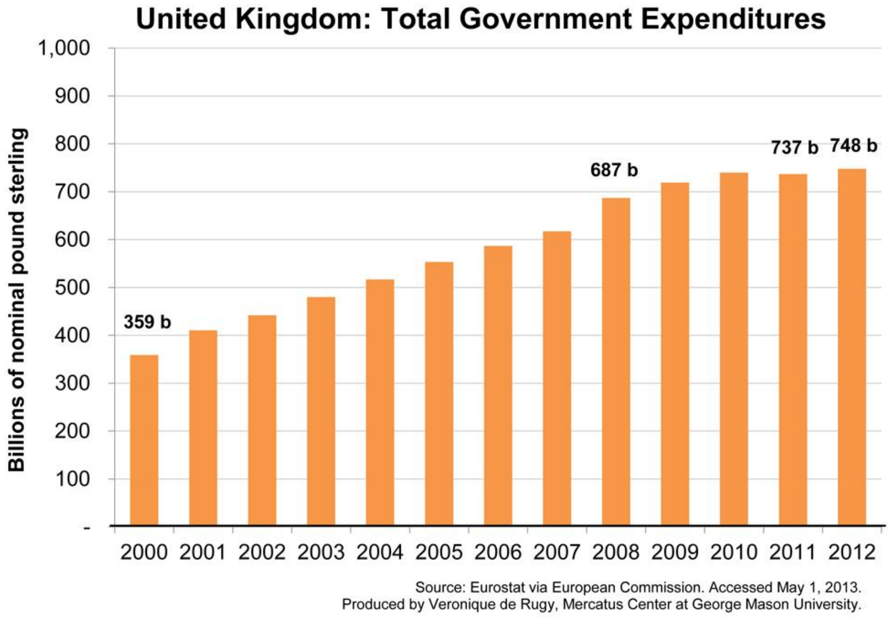


Updated Findings:

- Following years of large spending expansion, France, Italy, Spain, and the United Kingdom haven't significantly reduced spending since "austerity" supposedly started in 2008. Each of these countries increased spending levels in 2011–12. Between 2011 and 2012, France and the United Kingdom increased spending by €32 billion and £11 billion, respectively.

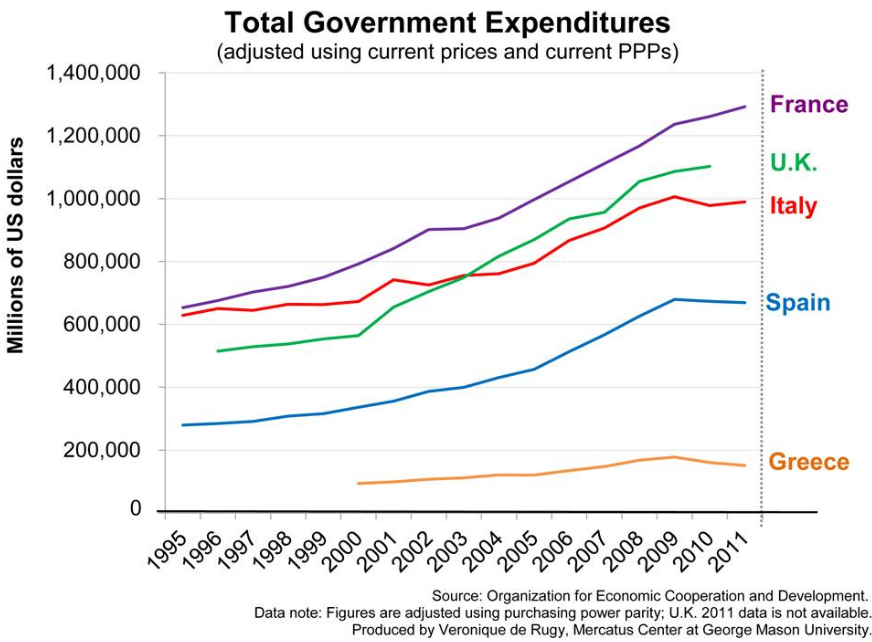
- When government spending was actually reduced, as was the case between 2009–2011 in Greece, Italy, and Spain, the cuts were relatively small compared to the size of these countries' bloated budgets.

- While Italy reduced spending between 2009–2010, it also increased spending in the following year by an amount larger than the previous reduction. Spending at the end of 2012 was higher than in 2009 by €4 billion.

- Spending in Ireland went down between 2010 and 2011 by €27 billion, after going up by €25 billion the year before– a €2 billion drop from 2009 to 2011. Ireland has since decreased spending by €8, which means spending has decreased by €10 billion since 2009.

- Most importantly, meaningful structural reforms were seldom implemented. Whenever spending cuts took place, they were overwhelmed with large, counterproductive tax increases.

After examining the spending patterns of France, Italy, the United Kingdom, Spain, Ireland, and Greece in the past decade, it is appropriate to ask, where are the massive spending cuts?



The claims that austerity has failed in Europe are symptomatic of the lack of clarity that has obscured most of the debate so far. The important question about austerity has less to do with the size of the austerity package than what type of austerity measures are implemented.
In a recent paper with Harvard economist Alberto Alesina, de Rugy confirms that the general consensus in the academic literature is that fiscal-adjustment packages largely composed of spending cuts are more likely to lead to lasting debt reduction than those composed of tax increases.

Veronique de Rugy testifies on fiscal adjustments and economic growth before the Senate Budget Committee.

To contact Dr. de Rugy or Dr. Hall, call 202.550.9246 or email rlandaue@gmu.edu