



III. GOVERNMENT EXPENDITURES

4. General government expenditure
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Governments spend money producing and purchasing goods and services (e.g. defence, education and health care) and on redistribution programmes (e.g. pensions and unemployment insurance). This chapter compares the size of government expenditures across countries and analyses how much of public budgets are spent on various functions. It also disaggregates expenditures by level of government, permitting comparisons of how responsibilities for providing goods and services vary across countries. For example, in some countries, education is mainly the responsibility of central governments, whereas in others, local governments play a larger role. Tracking these variables over time can illustrate how priorities change in response to the challenges facing governments.

The data in this chapter are from the OECD National Accounts. The data are based on the 1993 System of National Accounts (SNA) or on the 1995 European System of National Accounts (ESA), so that all countries use a common set of definitions. The comparability of the data can be affected in two ways. First, despite the efforts of international organisations to ensure international consistency, national differences in implementing SNA/ESA definitions may affect the comparability of government expenditures across countries. Second, changes in implementing SNA/ESA definitions can affect the comparability of data within a country over time. Consequently, metadata should be consulted when making comparisons.

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4. General government expenditure

Government expenditures as a share of GDP and expenditures per capita indicate the size of the government and reflect historical and current political decisions about its role in providing services and in redistributing income. However, a large part of the variation in these ratios across countries display the different approaches to delivering goods and services and giving social support, rather than true differences in resources spent. For instance, if support is given via tax breaks rather than direct expenditure, expenditure/GDP ratios will naturally be lower. In addition, for OECD member countries that are members of the European Union, the Maastricht criteria include targets for the amount that expenditures can exceed revenues in any given year. Finally, it is important to note that the size of expenditures does not reflect government efficiency or productivity.

Since 1995, the spread in the size of government spending relative to GDP has narrowed in OECD member countries. Whereas government expenditures ranged from about 20% and 65% of GDP in 1995, today spending comprises between 30% and 55% of GDP in OECD member countries. Government expenditures as a share of GDP declined in all but two countries between 1995 and 2006. This decline can be attributed to an increase in GDP rather than a contraction in general government spending in an absolute sense. In comparison, government expenditures as a share of GDP rose slightly in Portugal and by a larger margin in Korea during this period. Despite the major increase in government expenditures as share of GDP in Korea since 1995, expenditures relative to GDP in 2006 remained low in Korea when compared to other countries. Continuing to track these variables over time will permit analysis of the medium- and long-term effects of recent increases in expenditures made by OECD member countries to stimulate their economies in response to the global financial crisis.

The range in government expenditures per capita is large; Luxembourg spent over ten times more per capita than Mexico on public services and goods. Expenditures per capita have risen in all OECD member countries since 2000, but have grown the fastest in Korea and the Central European countries of Hungary, the Czech Republic and Poland.

Methodology and definitions

Data are derived from the 2006 OECD National Accounts statistics, the latest data available for the majority of OECD member countries at the time of writing. OECD National Accounts Statistics are based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. In SNA terminology, general government consists of central, state and local governments and social security funds. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Government expenditures per capita were calculated by converting total public expenditures to USD 2006 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing by population. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. The annual real percentage change was calculated using a deflator for GDP and a base year of USD 2000.

Further reading

OECD, *Benefits and Wages*, www.oecd.org/els/social/work-incentives.

OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

Notes

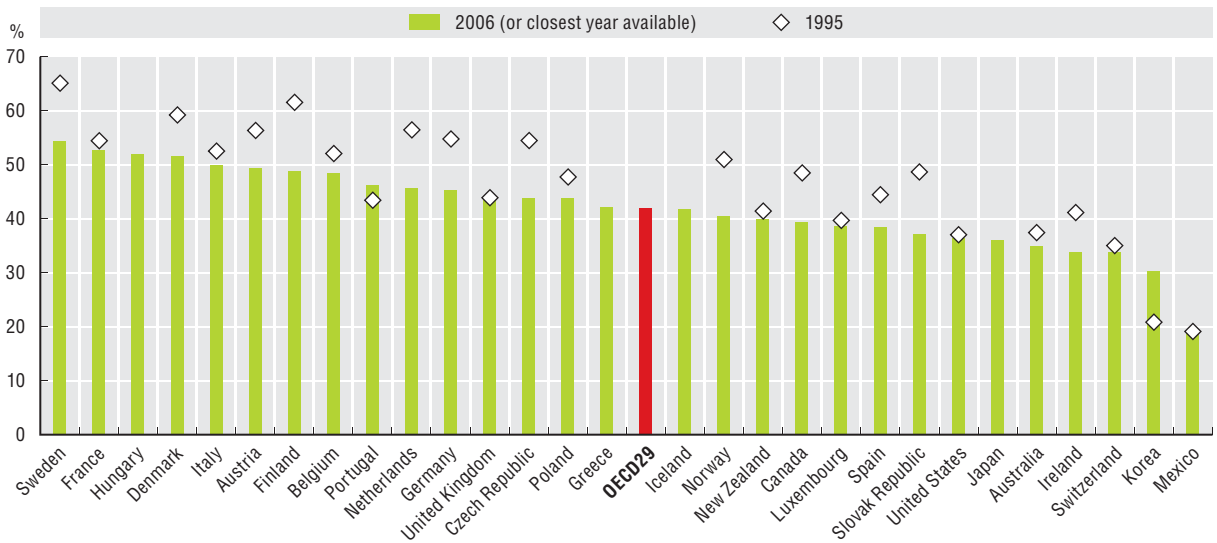
Data for New Zealand are for 2005 and data for Mexico are for 2004. Data are not available for Turkey.

4.1: Data for 1995 are not available for Greece, Hungary, Iceland and Japan.

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4. General government expenditure

4.1 General government expenditures as a percentage of GDP (2006)

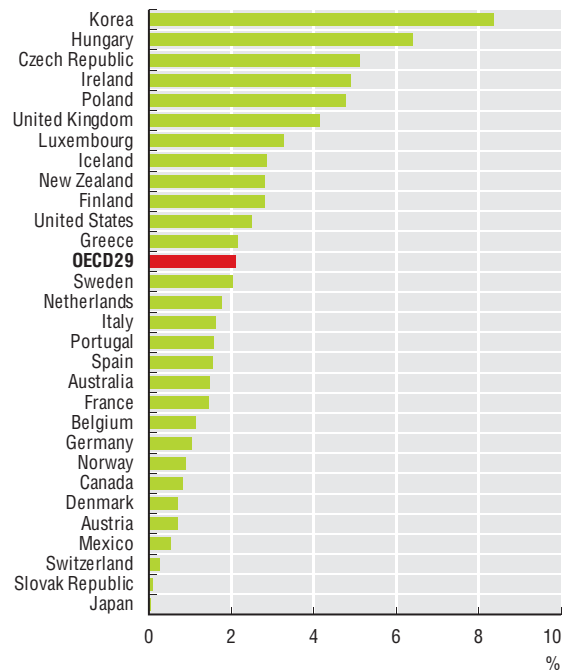


Source: OECD National Account Statistics.

4.2 Government expenditures per capita (2006)

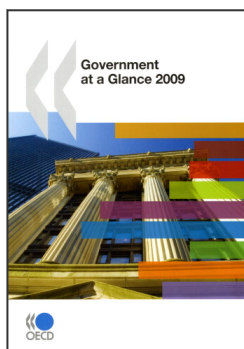


4.3 Annual real percentage change of government expenditures per capita (from 2000 to 2006)



Source: OECD National Account Statistics and OECD Population Statistics.

StatLink <http://dx.doi.org/10.1787/723433536816>



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