

### III. GOVERNMENT EXPENDITURES

## 5. General government expenditure by function

Governments can choose to spend their money on a variety of goods and services, from providing child care to building bridges to subsidising alternative energy sources. For OECD member countries that are members of the European Union, common policy goals regarding economic growth, agriculture, energy, infrastructure, and research and development (among others) may also affect the structure of expenditures.

The variance among countries in expenditures as a share of GDP is mainly explained by political differences about the role of government in providing social protections (unemployment insurance, old age pensions and disability benefits). When government spending on social protection is excluded, expenditures range between 20% and 30% of GDP in all countries. Social protection is the largest category of expenses in all but three countries: Korea spends the most on economic affairs whereas the United States and Iceland spend more on health than any other government function.

Aside from social protection, OECD member countries spend the largest share of GDP on health, education and general public services (which includes public debt payments). Defence spending as a share of GDP is notably high in the United States, Korea, the United Kingdom and Greece compared to other OECD member countries. In general, OECD member countries spend the least amount of government financial resources on environmental protection and housing and community amenities.

The share of resources devoted to different activities has also shifted over the past decade. OECD member countries today spend a larger proportion of resources on social protection and health than in 1995. In most cases, the proportional increases in funds spent on social protection and health were balanced by proportional decreases in funds spent on general public services. In some countries, such as Italy, expenditures on general public services fell due to reductions in interest payments on debt. The large drops in spending on housing and community amenities in the Netherlands and on economic affairs in the Czech Republic and Germany between 1995 and 2006 are due to large, one-off capital expenditures in 1995.

#### Methodology and definitions

Data represent government expenditures in 2006, the latest data available for a majority of OECD member countries at the time of writing. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. 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.

#### Further reading

Structure of general government expenditures by function (1995 and 2006), available on line at: <http://dx.doi.org/10.1787/723501646741>

OECD (2007), *Health at a Glance 2007: OECD Indicators*, OECD, Paris.

OECD (2008), *Education at a Glance 2008: OECD Indicators*, OECD, Paris.

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

OECD (2009), *Society at a Glance 2009: OECD Social Indicators*, OECD, Paris.

#### Notes

Data for New Zealand, Norway and the United Kingdom are for 2005.

5.1: Data are not available for Australia, Mexico, Switzerland and Turkey. Slight differences among 4.1, 5.1, 7.1 and 7.2 in total expenditures as a percentage of GDP are due to the use of different data sources.

5.2: Time series data are not available for Australia, Hungary, Iceland, Japan, Mexico, New Zealand, Poland, the Slovak Republic, Switzerland and Turkey.

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#### 5. General government expenditure by function

##### 5.1 General government expenditures by function as a percentage of GDP (2006)

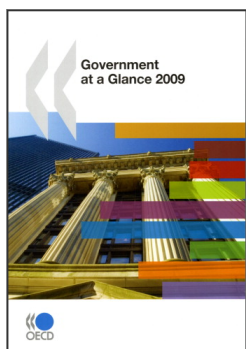
	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Sweden	7.7	1.7	1.3	4.8	0.4	0.7	6.8	1.1	7.1	22.7	54.3
France	6.9	1.8	1.3	2.9	0.8	1.9	7.2	1.5	6.0	22.3	52.7
Hungary	9.6	1.4	2.2	6.3	0.7	1.1	5.5	1.7	5.8	17.7	51.8
Denmark	6.0	1.6	1.0	3.5	0.5	0.5	7.0	1.6	7.7	21.8	51.2
Italy	8.7	1.4	1.9	5.9	0.8	0.7	7.0	0.8	4.5	18.2	49.9
Austria	6.7	0.9	1.5	4.6	0.4	0.6	7.2	1.0	5.9	20.6	49.3
Finland	6.5	1.5	1.5	4.5	0.3	0.3	6.8	1.1	5.8	20.4	48.9
Belgium	8.4	1.0	1.6	5.0	0.6	0.4	6.9	1.3	5.8	17.2	48.3
Portugal	6.9	1.3	1.9	3.8	0.5	0.6	7.2	1.0	7.1	16.0	46.3
Netherlands	7.3	1.5	1.7	4.7	0.8	1.0	5.9	1.4	5.1	16.4	45.6
Germany	6.0	1.1	1.6	3.3	0.5	0.9	6.2	0.6	4.0	21.2	45.4
United Kingdom	4.9	2.5	2.6	2.8	1.0	0.9	7.1	0.9	5.8	15.9	44.3
Czech Republic	4.9	1.2	2.2	7.0	1.2	1.2	7.2	1.3	4.9	12.7	43.8
Poland	5.9	1.2	1.8	4.4	0.6	1.2	4.7	1.1	6.0	16.9	43.8
Greece	8.2	2.3	1.1	4.5	0.6	0.4	4.7	0.3	2.3	18.0	42.4
Norway	3.9	1.5	1.0	3.7	0.6	0.6	7.2	1.1	5.8	16.2	41.7
Iceland	4.8	0.1	1.4	5.9	0.7	0.6	8.1	3.6	8.3	8.1	41.7
New Zealand	5.3	1.0	1.9	4.2	1.3	0.7	6.6	1.1	7.4	10.3	39.9
Canada	7.3	1.0	1.6	3.4	0.5	0.9	7.3	0.9	7.2	9.2	39.2
Luxembourg	4.0	0.2	0.9	4.5	1.0	0.6	4.6	1.7	4.5	16.4	38.6
Spain	4.6	1.1	1.8	5.0	0.9	0.9	5.6	1.5	4.3	12.8	38.5
Slovak Republic	5.1	1.8	2.2	4.2	0.7	0.9	5.4	0.9	4.2	12.4	37.7
United States	4.8	4.3	2.1	3.7	0.0	0.6	7.7	0.3	6.2	7.0	36.7
Japan	5.0	0.9	1.4	3.6	1.2	0.6	7.1	0.2	3.8	12.2	36.1
Ireland	3.5	0.5	1.4	4.5	0.6	1.3	7.7	0.6	4.1	9.6	33.7
Korea	4.0	2.8	1.4	6.4	1.0	1.2	4.1	0.9	4.7	3.7	30.2
<b>OECD26</b>	<b>6.0</b>	<b>1.4</b>	<b>1.6</b>	<b>4.5</b>	<b>0.7</b>	<b>0.8</b>	<b>6.5</b>	<b>1.1</b>	<b>5.6</b>	<b>15.2</b>	<b>43.5</b>

##### 5.2 Change in general government expenditures by function as a percentage of GDP (1995 and 2006)

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Sweden	-3.0	-0.7	-0.1	-1.2	0.2	-2.0	0.5	-0.8	0.0	-3.8	-10.8
France	-1.2	-0.7	0.0	-0.9	0.3	0.3	0.7	0.4	-0.6	0.0	-1.7
Denmark	-4.3	-0.2	0.0	-0.8	0.0	-0.2	0.1	-0.1	0.2	-2.7	-8.0
Italy	-5.4	0.2	-0.1	1.4	0.1	-0.1	1.7	0.0	-0.2	-0.1	-2.6
Austria	-2.0	-0.1	-0.1	-0.9	-0.9	-0.5	-0.5	-0.1	-0.3	-1.6	-7.0
Finland	-1.3	-0.5	0.0	-4.4	0.0	-0.5	0.6	-0.1	-1.1	-5.4	-12.7
Belgium	-3.8	-0.5	0.2	0.0	-0.1	0.1	0.8	0.4	-0.1	-0.8	-3.7
Portugal	-2.0	-0.4	0.3	-1.5	0.0	-0.1	1.6	0.2	0.9	3.9	2.9
Netherlands	-3.2	-0.5	0.3	-0.1	-0.1	-5.3	2.1	0.2	-0.2	-4.0	-10.8
Germany	-0.7	-0.3	-0.1	-7.8	-0.5	0.1	-0.1	-0.2	-0.3	0.5	-9.3
United Kingdom	-1.0	-0.6	0.4	-0.6	0.5	-0.1	1.5	0.0	1.1	-1.5	-0.3
Czech Republic	0.5	-0.6	-0.5	-13.2	0.1	0.2	1.3	0.2	0.6	0.8	-10.6
Greece	-7.6	0.6	0.5	-0.2	0.1	0.0	0.9	0.1	-0.3	2.7	-3.1
Norway	-2.2	-1.0	0.0	-3.2	-0.4	-0.3	0.3	-0.2	-0.7	-1.8	-9.5
Canada	-5.1	-0.4	-0.3	-0.8	-0.1	-0.1	1.2	-0.1	-1.5	-2.0	-9.3
Luxembourg	0.0	-0.3	0.2	-0.2	-0.3	-0.4	-0.3	0.2	0.1	-0.1	-1.0
Spain	-2.9	-0.3	-0.2	-0.7	0.1	-0.2	0.3	0.1	-0.3	-1.9	-5.9
United States	-1.8	0.3	0.2	0.1	0.0	-0.1	1.0	0.0	0.3	-0.4	-0.3
Ireland	-4.0	-0.5	-0.4	-0.9	0.1	0.5	1.6	0.2	-0.9	-3.0	-7.5
Korea	1.5	0.0	0.2	1.2	0.3	0.3	2.8	0.5	1.0	1.8	9.4

Source: OECD National Account Statistics.

StatLink  <http://dx.doi.org/10.1787/723501646741>



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