

7. General government expenditures by type

Traditional tasks of government are defence, maintenance of public order and safety, and the construction and maintenance of infrastructure. The goods that the government provides in these areas are known as “collective goods”. Tasks of government that have come to the fore in connection with the development of the welfare state, such as health, education, social services and social benefits, are known as “individual goods” and have accounted for a larger share of spending since the 1950s in most OECD countries.

Cash transfers and goods and services in kind are another important split of government expenditures by type. For instance, in the sphere of individual goods of social assistance, governments can provide support by cash benefits (unemployment benefits, old age pensions, etc.) or by providing services in kind (e.g. health care services, homes for the elderly). The cash/in kind split also applies to collective goods, where cash transfers include interest payments and foreign aid.

Differences in the organisation of service provision among countries affects the overall size of general government expenditures and also its composition by type. For example, civil service pensions can be funded (increasing expenditures on cash collective goods) or pay-as-you-go. Health care can be provided predominately by government doctors and hospitals or by private ones. Support for housing and industry can be through tax expenditures (lower level of overall expenditures) or via subsidies and transfers. Furthermore, some countries rely more on markets than others in the provision of individual goods, or draw the line differently between citizens who are eligible for publicly provided services.

In OECD countries, government expenditures on individual goods are larger than those on collective goods. Expenditures on individual goods range from 16% of GDP (Korea) to 39% of GDP (Sweden) with an average of 30%. Expenditures on collective goods range from 9% of GDP (Luxembourg and Switzerland) to 27% of GDP (Iceland) with an average of 15%. Most collective goods (over 80%) are provided in kind. Only countries with large public debt (leading to high interest payments) may have somewhat larger cash shares in collective goods, but still lower than the in-kind shares (e.g. Belgium, Greece, Hungary and Italy). Countries vary to the extent that they provide individual goods in cash or in kind due to differences in the organisation of education and health care (e.g. the extent to which the private sector is involved) and the development of social security (mostly based on cash transfers).

Methodology and definitions

Expenditures data are derived from the OECD *National Accounts Statistics*, which are based on the *System of National Accounts (SNA)*, a set of internationally agreed concepts, definitions, classifications and rules for national accounting. The split between collective and individual goods is made by building on the existing split in the OECD *National Accounts* between individual and collective consumption expenditures. For consumption expenditures the split is identical to that of the OECD *National Accounts*. For other public expenditures (property income, capital and other current transfers, gross capital formation, etc.), the split is made either on the basis of the nature of the expenditures (for instance, property income in the COFOG group “General public services” is mostly interest and hence collective; gross capital formation in the COFOG group “Health” is mostly hospital construction and hence individual), or in a manner proportional to the split of consumption expenditures (for instance, output for own final use).

The cash/in-kind split is made on the basis of the nature of the expenditures [for instance other current transfers and capital transfers in the COFOG group “General public services” are mostly foreign aid and contributions to international organisations and hence considered as cash (collective) and social benefits other than social transfers in kind are considered as cash (individual)]. All other government expenditures are considered as in kind.

Further reading

OECD (2011), *National Accounts at a Glance 2010*, OECD Publishing, Paris.

Figure notes

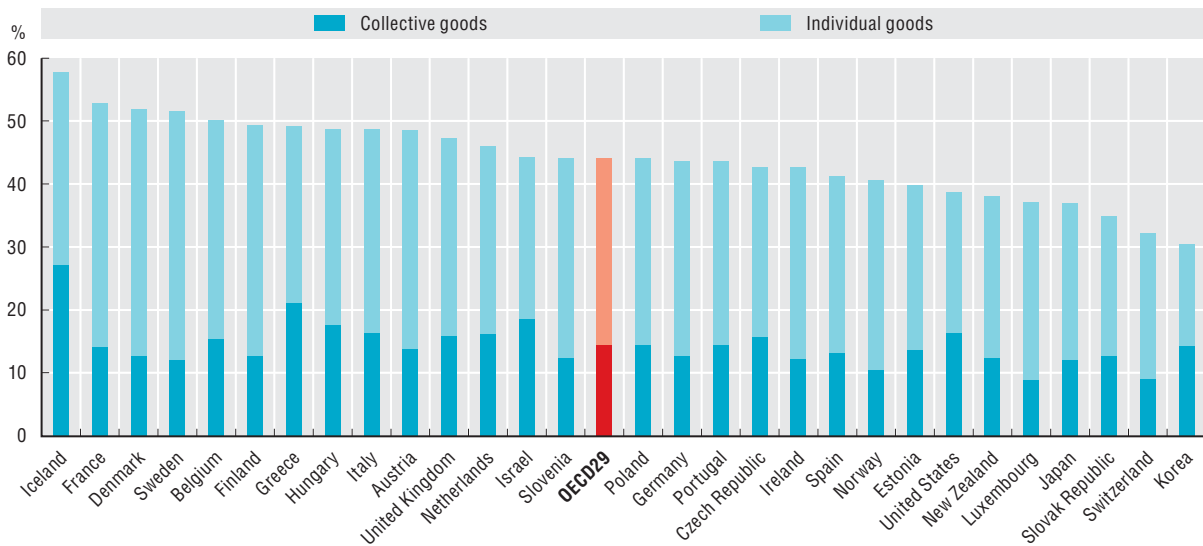
Data for Turkey are not available. Data for New Zealand are for 2005.

7.1: Data for Australia, Canada, Chile and Mexico are not available.

7.2: Australia, Canada, Chile and Mexico are not included in the average (OECD29) because data on government expenditures in kind and on collective goods in cash are not available for these countries.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

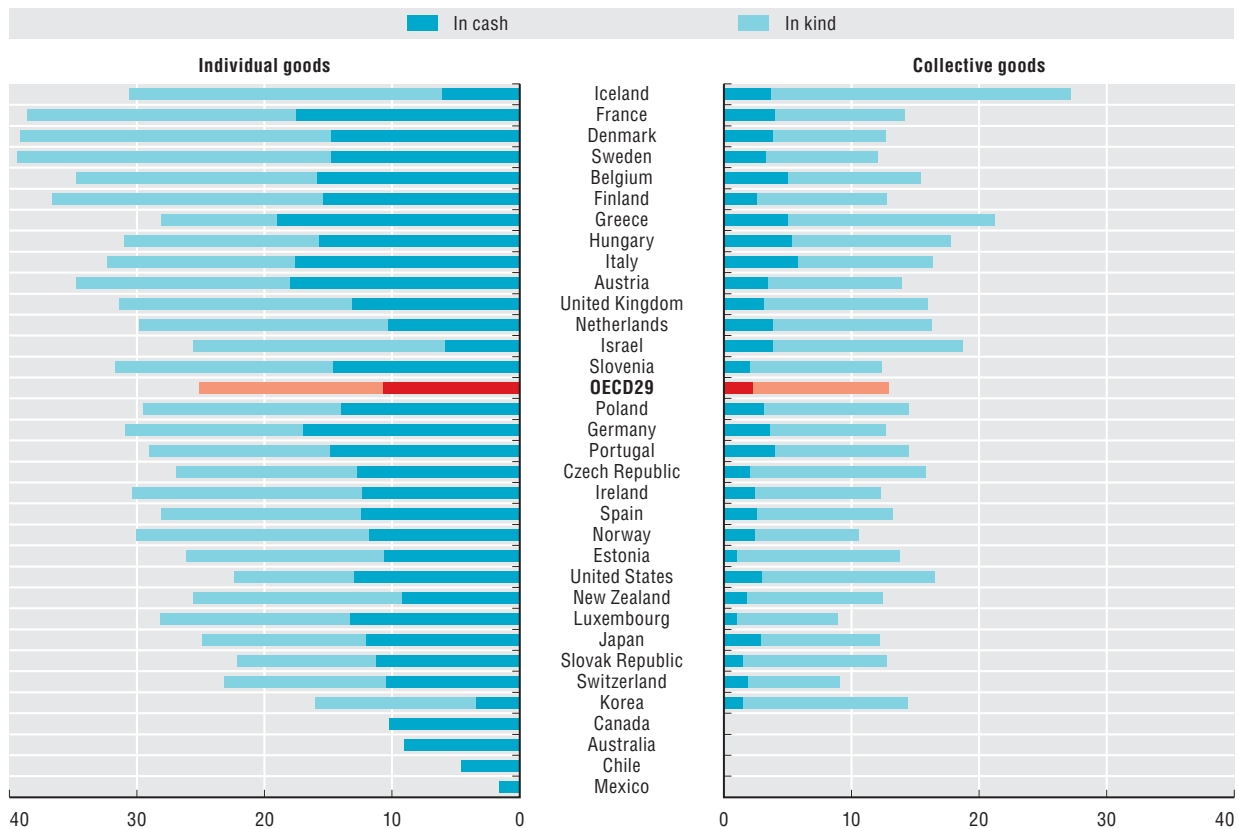
7.1 General government expenditures on individual and collective goods as percentage of GDP (2008)



Source: OECD National Accounts Statistics.

StatLink <http://dx.doi.org/10.1787/888932389968>

7.2 General government expenditures on individual and collective goods in cash transfers and in kind as percentage of GDP (2008)



Source: OECD National Accounts Statistics.

StatLink <http://dx.doi.org/10.1787/888932389987>



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