

## 4. General government expenditures

Governments spend money to provide goods and services and redistribute income. Like government revenues, government expenditures reflect historical and current political decisions but are also highly sensitive to economic developments. General government spending as a share of GDP and per person provide an indication of the size of the government across countries. However, the large variation in these ratios highlights different approaches to delivering public goods and services and providing social protection, not necessarily differences in resources spent. For instance, if support is given via tax breaks rather than direct expenditures, expenditure/GDP ratios will naturally be lower. In addition, it is important to note that the size of expenditures does not reflect government efficiency or productivity.

Government expenditures represented 46% of GDP across OECD member countries in 2009. In general, OECD-EU member countries have a higher ratio than other OECD member countries. Denmark, Finland and France spend the most as a share of GDP, with government expenditures equal to or above 56%, whereas Mexico, Chile, Korea and Switzerland spend the least, with shares between 24% and 34% of GDP.

Since 2000, the size of government spending increased in the majority of OECD member countries by an average of 4.3 percentage points of GDP. Most of this increase occurred since the start of the financial and economic crisis. Between 2000 and 2007, OECD member countries decreased their share of government spending on average by 0.6 percentage points of GDP. After the start of crisis, the share of government spending increased by 4.9 percentage points across the OECD during 2007-09. Only part of this increase reflects declining GDP; part also reflects increased government expenditures precipitated by the need to ensure the stability of the financial system and to stimulate the economy in response to the crisis. During 2007-09, the largest increases in government expenditures as a share of GDP occurred in Ireland (+12.1 percentage points) and Estonia (+10.8 percentage points), whereas Israel was the only OECD member country that recorded a decrease in the ratio (-0.7 percentage points).

The difference in government expenditures per person is very large between OECD member countries. Luxembourg spends almost eleven times more per person than Mexico, although expenditures per person in Mexico have been increasing at an above average pace. Though government expenditures per person rose in all OECD member countries except Israel since 2000, there have been significant

differences between countries. Between 2000 and 2009, the largest increases in government expenditures per person were recorded in Korea, Estonia and Ireland (over 6%) while in Austria, Italy, Japan and Switzerland the increases were equal to or below 1%; and in Israel there was no change.

### Methodology and definitions

Government 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. 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 person were calculated by converting total government expenditures to USD 2009 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing by population (for the countries whose source is the IMF *Economic Outlook* an implied PPP conversion rate was used). PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

### Further reading

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

### Figure notes

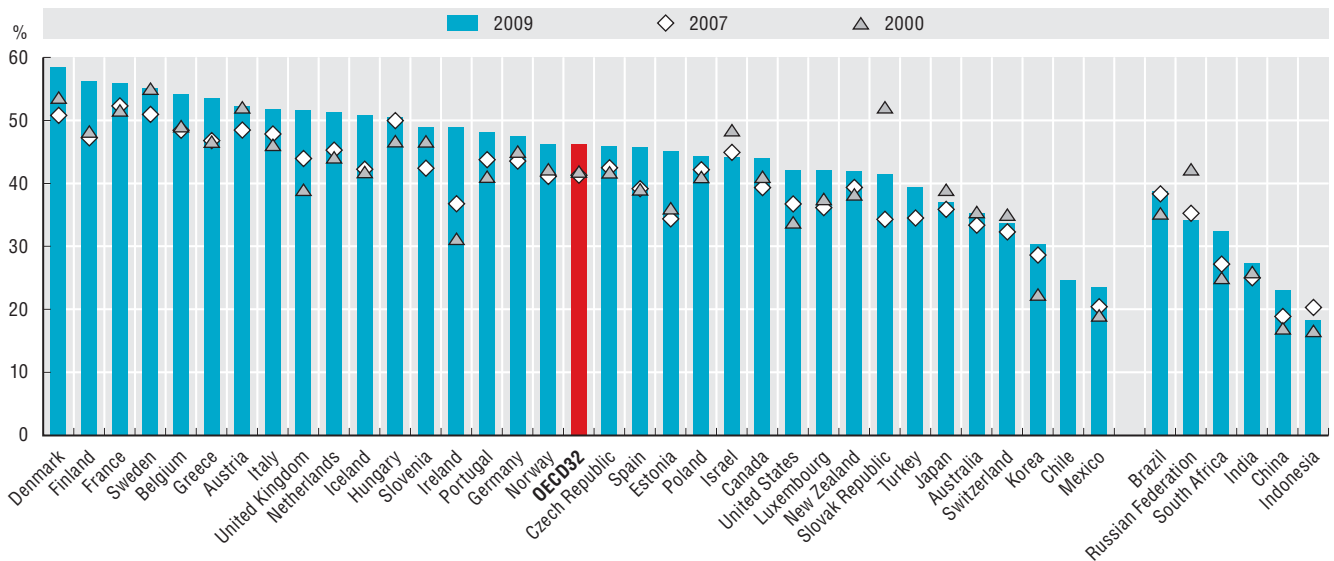
Data for Australia, Japan, Korea, New Zealand and the Russian Federation are for 2008 rather than 2009. Data for Mexico are for 2003 rather than 2000. Data for the Russian Federation are for 2002 rather than 2000.

4.1: Data for 2000 for Turkey and for 2000 and 2007 for Chile are not available and these countries are not included in the average (OECD32).

4.3: Data for Chile and Turkey are not available.

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

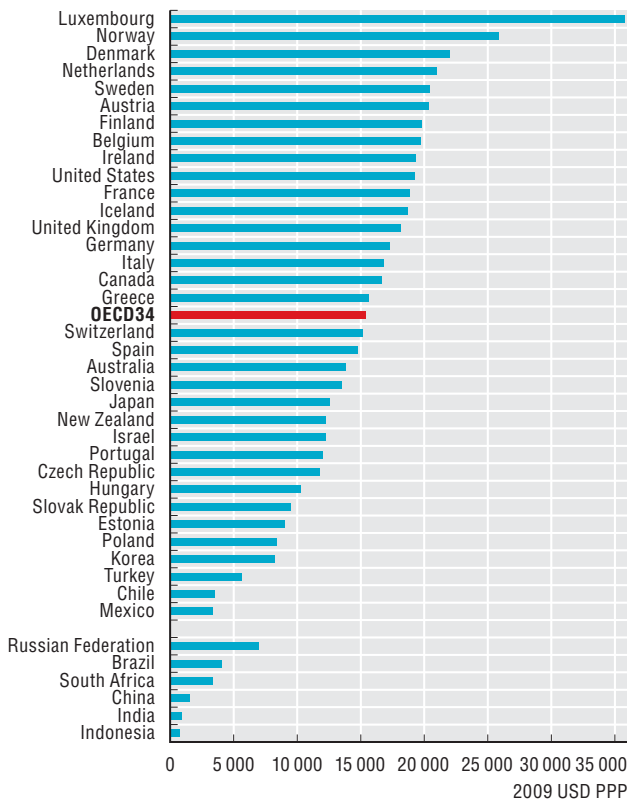
4.1 General government expenditures as a percentage of GDP (2000, 2007 and 2009)



Source: For OECD countries: OECD National Accounts Statistics. For the other major economies (excluding the Russian Federation): International Monetary Fund (2010), Economic Outlook, April 2011, IMF, Washington DC.

StatLink <http://dx.doi.org/10.1787/888932389873>

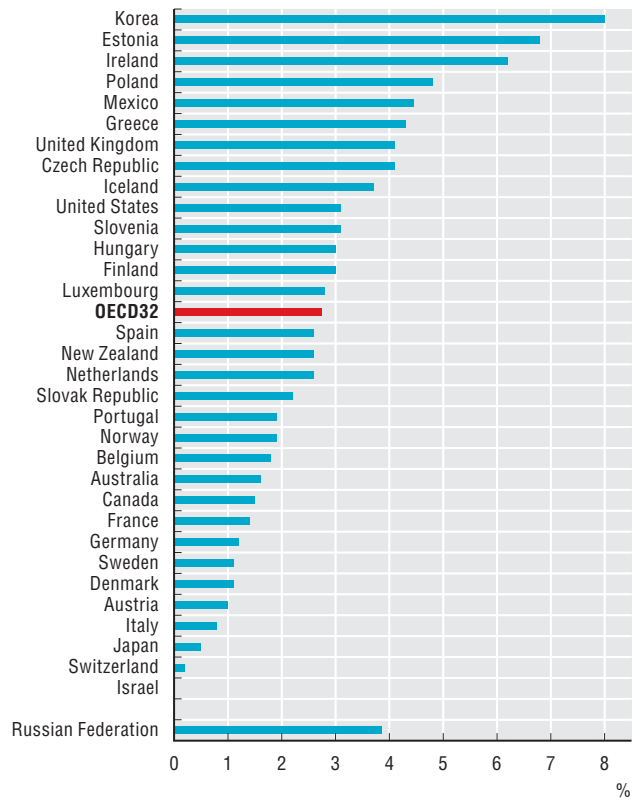
4.2 General government expenditures per person (2009)



Source: For OECD countries: OECD National Accounts Statistics. For the other major economies (excluding the Russian Federation): International Monetary Fund (2010), Economic Outlook, April 2011, IMF, Washington DC.

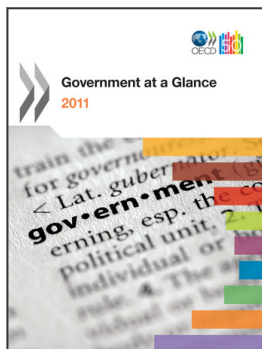
StatLink <http://dx.doi.org/10.1787/888932389892>

4.3 Annual real percentage change of general government expenditures per person (2000 to 2009)



Source: OECD National Accounts Statistics.

StatLink <http://dx.doi.org/10.1787/888932389911>



**From:**  
**Government at a Glance 2011**

**Access the complete publication at:**  
[https://doi.org/10.1787/gov\\_glance-2011-en](https://doi.org/10.1787/gov_glance-2011-en)

**Please cite this chapter as:**

OECD (2011), "General government expenditures", in *Government at a Glance 2011*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/gov\\_glance-2011-10-en](https://doi.org/10.1787/gov_glance-2011-10-en)

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