



COMMISSION OF THE EUROPEAN COMMUNITIES

STUDIES

*The Trend of Public Finance
in the Member States
of the Community
from 1966 to 1970*

This study on the trend of public finance in the Member States of the Community — in its original composition — from 1966 to 1970, presents budgetary data on national administrations on a comparable basis and clarifies, notably, the analogies and divergences between the structure of public finance in the Member States.

The introduction deals, in particular, with economic trends and budgetary policy decisions taken during the period under review.

PART A presents an analysis of the trend of revenue and expenditure for general government as a whole. From this it emerges that in 1970, expenditure varied between 35% (Luxembourg) and 40% (Belgium) of GNP, excepting the Netherlands (more than 50% of GNP) while revenue varied between 33% (Italy) and 39% (Luxembourg). In the Netherlands, revenue reached 47% of GNP.

In all the Member States, social services absorbed over one-third of general government expenditure. Next in importance came education and defence (with the exception of Luxembourg where transport predominated).

PART B deals with the economic accounts of the central government. Expenditure, on the whole, varied in 1970 between 21% (France) and 30% (Netherlands) of GNP; as regards revenue, this varied between 18% (Italy) and 28% (Netherlands).

With the exception of the Benelux countries, where central government transfers to local government play an important role, it appears that expenditure on personnel represents the most important category of expenditure.

PART C is concerned with revenue and expenditure of local government. These represented in 1970 between 5 and 8% of GNP (except the Netherlands: expenditure 20%; revenue 17% of GNP).

As regards **PART D**, this gives a general review of the social security subsector, expenditure on which ranged in 1970 between 12% (Germany) and 15% (Netherlands) of GNP.

Finally, a **STATISTICAL ANNEX**, summarising the economic accounts as well as the alternate economic and functional tables, on which the analysis is based, completes the study. Attached there also is a table on the transition from economic accounts to national accounts.

This present study follows on from the two previous works published in the collection "Etudes", série "Economie et finance" (No. 2 published in 1964 and No. 8 published in 1970).

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SYMBOLS

-	Nil
0	Negligible
.	Not available

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FOREWORD

This present study of the Working Party on the Comparison of Budgets on the trend of public finance in the six original Member States of the Community from 1966 to 1970 follows on from the study published in 1970 in the collection "Etudes" (série "Economie et Finances" - 1970 - N° 8) under the title: "l'évolution des finances publiques dans les Etats membres des Communautés européennes de 1957 à 1966". It is the last in the series of reports based on the definitions agreed by the Working Party when it was first set up in 1959.

In future, a new harmonized scheme will be used for presenting public revenue and expenditure. This will be based on the European System of Integrated Economic Accounts (ESA) and will cover the nine member countries of the Community. The first statistical series, covering the period 1970-1974, should be ready in 1976, and it is planned to update them annually.

The present study comprises an introduction, four parts and a statistical annex. The introduction deals in particular with problems of definition and with the Member States' budgetary policies, while parts A, B, C and D deal respectively with the trend of revenue and expenditure for general government as a whole and separately for central government, local authorities and social security. Parts B, C and D include a detailed examination of the various general government sub-sectors, and a certain amount of duplication and overlapping with part A has proved inevitable. If the reader desires an overall view of the trend of public finance during the period examined, he will find sufficient information in part A. If he is looking for greater detail he should refer to the other parts. The statistical annex provides useful reference material including, in particular, the economic accounts on which the present analysis is based.

As far as the methods used in drawing up the study are concerned, reference may be made to the appropriate references in the introduction to the first report published in 1974 (1). There, it was pointed out that official figures published by the national authorities cannot be used as they stand for comparing the budgets of the Member States. This is mainly because of the major differences from one country to another in the presentation and implementation of budgets, the different methods used in assessing and grouping the items and the accounting rules for recording the revenue and expenditure. In addition, almost every country has extra-budgetary accounts which must be taken into consideration to complete the public finance picture. Finally, a number of internal transactions between the various authorities, significant only from an accounting point of view, must be disregarded as must other financial transaction such as the building-up and running-down of reserves, completion of transactions commenced in an earlier year and national debt repayment. In order to arrive at meaningful comparisons, the Working Party based its work largely on methods used in the national accounts in drawing up its economic classification of budgetary transactions; but these methods were not used in every case, imputed transactions in particular being omitted. A methodological annex based on the example of Belgium should enable the reader to identify the main differences between these figures and the data contained in the national accounts.

(1) "Les recettes et les dépenses des administrations publiques dans les pays membres de la CEE" (série "Economie et Finances" - 1964 - N° 2).

The Working Party modelled the functional breakdown of expenditure on the joint scheme used by Belgium, Luxembourg and the Netherlands (Benelux classification) and adopted it to a large extent as a basis for comparison.

The similarities and differences of structure, the scale of responsibilities and their allocation amongst the various government sub-sectors in the six member countries were described in the two above mentioned studies (Nos 2 and 8 in the series "Economie et Finances") and any reader wishing detailed information should refer to them.

The differences are often very important, and a full comparison would be possible only in conjunction with a detailed examination of the policies pursued in the fields covered by the various functions, together with a detailed analysis of institutional characteristics.

In this study the Working Party and the expert responsible for drafting the report have confined themselves to a concise description of the main trends of general government revenue and expenditure over the period covered by this report.

The figures given in the economic and functional classifications cannot wholly reflect situations of so varied and complex a character, nor are they the sole criterion to assess the effectiveness of general government activity in the Member States. They nevertheless provide necessary and useful information, and thus help to a better understanding of the structure and role of public finance.

INTRODUCTION

INTRODUCTION

I. DEFINITIONS AND STATISTICAL/METHODOLOGICAL QUESTIONS

I.1. DEFINITION OF THE GENERAL GOVERNMENT AND ITS SUB-SECTORS

The statistics in this study are based on Member States' budget plans and budget accounts, the structure of which is determined by national rules and practice. For uniformity of presentation, these figures have been converted into comparable data by using definitions adopted for this study and in line with the rules for the national accounts. Even so the conversion problems have not been entirely solved.

In this study, general government is defined essentially in the same way as in the national accounts i.e. as comprising all public bodies whose main resources are not derived from the proceeds of sales on the market. Thus, the limits of general government are not fixed by legal criteria but exclusively by the economic nature of the activity concerned.

Public enterprises are, therefore, classified in principle in the "enterprise" sector and not as part of general government. This applies for example to railways and other nationalized industries, and more generally, to all public undertakings producing marketable goods and services (e.g. post and telecommunications, publicly-owned undertakings which are not recognized legal entities, etc.). This definition leads to problems, and in particular for publicly-owned undertakings (Bruttounternehmen)(1); the "Bruttounternehmen" and a certain number of communal establishments and bodies have rather the character of an enterprise but it was not possible to distinguish this separately, especially in Germany and Luxembourg. These are therefore included under the general government heading.

Similarly, for public hospitals there can be no uniformity of treatment. In their classification, it is necessary to distinguish as to whether these institutions have the characteristics of an enterprise which has, in principle, to try at least to cover its general costs by cost-related hospital charges; or whether (as in Germany), their management and maintenance is a matter for the public authorities or, finally, the attitude is that general government should bear part of the cost. These differences naturally make for differences in statistical classification.

In Germany all expenditure and revenue of public hospitals is included in general government accounts. This is also the case in Luxembourg, where the public hospitals play a less important role. On the other hand, in the other Member States only public subsidies to hospitals are included in the general government's accounts.

There are problems too, regarding private non-profit bodies who do not produce marketable services, financed mainly by the public sector and subject to state supervision. These institutions - as in the case of the European System of Integrated Economic Accounts - are included here under general government. The most important of these institutions is the private educational system. In all Member States in which this system plays a major role and provided its finance comes mainly from the public authorities it is treated as an integral part of general government.

(1) Publicly-owned undertakings whose operations are recorded gross in the general government budget.

The trend and structure of the revenue and expenditure of the general government as a whole are dealt with in part A of this study; the three subsequent parts deal with the three sub-sectors: central government, local government and social security funds which make up the general government sector.

For the purpose of this study the term "Government" means the central government account. This term also includes a number of bodies which do not feature in the central government budget, such as the national road building bodies in Italy, Belgium and Luxembourg and the semi-public motorway concession companies in France. In Germany, the competence of the Federal budget does not correspond to that of the central government function as elsewhere in the other Member States. For reasons of comparability, therefore, central government in Germany is treated as consisting not only of the Federal Government but also of the Länder (including West Berlin), the Equalization of Burdens Fund and the ERP Funds. All of these taken together have broadly the same competence as central government in the other Member States.

Local government primarily covers local authorities but also includes the other public bodies whose competence extends to only part of the national territory, such as the Bezirksverbände, the Kreise and the Gemeindeverbände in Germany, Departments in France, Provinces in Italy and Belgium and all other local or regional administrative units, e.g. the autonomous regions in Italy and the Polders and public-law professional bodies in the Netherlands and Belgium. Private schools (mainly denominational) and universities, where they belong to the general government sector, are also included under local government. In France, however, private educational establishments which have concluded an agreement with the State are included in the central government account since it is the central government which provides most of their finance. In Luxembourg the private educational system does not play a major role. The small subsidies it receives from the central government are included in the central government account.

Social security funds cover all social security bodies which are administered or supervised as public law bodies. For the most part these are the social security institutions, membership of which is compulsory by law or regulation. However, the decisive criterion is the type of body and not the fact that insurance is compulsory.

A comparison over time, particularly when 1957 is included, shows that amendments to basic laws have influenced the quality of the statistical data and the statistical recording of public expenditure and revenue has improved for various reasons. For example, in Italy, Law No. 62 of 1 March 1965, brought the budget year into line with the calendar year, specified that the central government budget was to be adopted in a single law and laid down new criteria for the classification of revenue and expenditure. In the Netherlands less important changes resulted from the fact that after 1966, local authorities' expenditure on general administration could be better calculated and no longer merely estimated (i.e. underestimated) (see also part C, Section II. 1.).

The accuracy of the statistics for central government is by and large satisfactory. The figures for local government and social security funds are not in all cases reliable, so that estimates have sometimes had to be used for certain countries.

I.2. RELATIONSHIP TO THE NATIONAL ACCOUNTS

The statistical material used for this study differs in many respects from that used in the national accounts. This is partly due to the different sources used (the figures given in this study are derived, as already stated, from the economic accounts of general government); and partly to fundamental differences in the treatment of figures, three of which are particularly important. The first is the exclusion of imputed transactions, which were included in calculations for the national accounts during the period under review. The second is the inclusion of sickness insurance benefits in kind; and the third is the concept of total expenditure and revenue.

To illustrate the discrepancies arising through differences of definition and classification, the Annex contains an example of how the figures used in this study were obtained from those in the national accounts in the case of the economic accounts for central government in Belgium. It would have required too much statistical work to give a similar description for the economic accounts of the public sector in all Member States.

I.2.1. Exclusion of imputed transactions; inclusion of sickness insurance benefits in kind

The general government's economic accounts on which the statistics in this study are based are the actual revenue and expenditure transactions. With a view to deviating as little as possible from the actual budget decisions approved by parliament and implemented by the executive, and because of the differences in, and uncertainties of the various methods of calculation, the Working Party decided not to include all the imputed items covered in the national accounts system for the period under review. The purpose here was to make the public and private sectors more directly comparable. Public consumption therefore includes neither imputed capital redemption nor imputed rents for publicly-owned buildings. Imputed payments to national pension funds for officials are not included, but only the actual pension payments to officials. Imputed bank charges have also been omitted.

Finally, an important difference is that in this study all social security benefits in kind are treated uniformly as income transfers to households, whereas in the national accounts of certain member countries they are imputed to public consumption. This classification of benefits in kind has considerably influenced the trend in the volume of transfers, given the very rapid growth in these benefits, especially in the case of sickness insurance.

I.2.2. Definition of total revenue and expenditure, budgetary balance and net borrowing requirement

In the economic accounts not all the various categories of expenditure and revenue which feature in budget accounts are treated as expenditure or revenue; instead, certain operations, particularly all those by which the public authorities grant credits and obtain or repay loans, are treated as financing transactions. A summary of expenditure and revenue as defined for the national accounts is given below:

Expenditure

- A.1. Purchases of goods and services
- A.2. Personnel expenditure
- A.3. Interest payments
- A.4. Income transfers

Revenue

- B.1. Tax revenue
 - (a) Direct taxes
 - (b) Indirect taxes
 - (c) Capital taxes

Expenditure

- A.5. Direct investment
- A.6. Capital transfers

Revenue

- B.2. Social security contributions
- B.3. Sales of goods and services (current and capital)
- B.4. Property and entrepreneurial income
- B.5. Other transfers received (current and capital).

The balance of these items of expenditure and revenue represents the budgetary balance.

In addition to the items mentioned above, the budgets also include:

- | | |
|---|--|
| A.7. Loans, advances and equity interests | B.6. Redemption of loans, advances and equity interests. |
|---|--|

Loans and advances, which are described in French as being "transactions of a temporary character", are grouped together in this study with equity interests (such as capital increases to public enterprises), which have a more permanent character, and included in the budget transactions, because the distinction between items A.6. and A.7. is sometimes arbitrary, and loans and advances are often subsequently converted into transfers.

In this study, "total revenue" means the sum of items B.1. - B.6., and "total expenditure" the sum of items A.1 - A.7. The balance of total expenditure and total revenue represents the net borrowing requirement.

In addition, most budget accounts also have under the expenditure heading "Redemption of the consolidated debt". From the economic viewpoint, however, redemptions are completely different from expenditure, in the above sense, since they represent neither final demand (like consumption or investment expenditure), nor a transfer to other sectors of the economy enabling these to develop demand. Indeed, on the contrary redemptions represent only a transaction on the financial market.

For the central government budget, redemptions also have a different character; they represent repayments of a loan raised to finance certain expenditure in previous budget years. Moreover their inclusion would make the statistics less meaningful. If, for example, the central government, succeeded in reducing its current expenditure and subsequently repaid its debts ahead of schedule inclusion of redemption payments with total expenditure would conceal this fact.

For the purpose of this study, therefore, total expenditure excludes debt redemption unless otherwise indicated.

I.3. ECONOMIC AND FUNCTIONAL CLASSIFICATION OF GENERAL GOVERNMENT EXPENDITURE

General government expenditure is classified in this study on the basis of two criteria: by economic category and by purpose (functional classification). The classification by economic category is also used in the national accounts. A distinction is made here between public consumption, broken down into purchases of goods and services and staff costs, interest payments, income and capital transfers which can also be broken down by group of beneficiaries and, finally, direct investment and loans, advances and the acquisition of equity interests. Public consumption, interest payments and income transfers represent current expenditure. The other three categories are referred to as capital expenditure.

The main contribution of this study to the analysis of general government expenditure is that it classifies expenditure by purpose, a classification not applied up to now in the national accounts. Classification by purpose, unlike the administrative breakdown of general government expenditure, does not lump together expenditure by department or agency but on the contrary allocates all items of expenditure to a relevant function (functional principle). As was shown in the study for the years 1957-66 systems of functional classification used in the Member States generally differ from one another. For the purposes of this study, therefore, the following breakdown based on the Benelux Nomenclature has been adopted:

I. General Expenditure

1. General administration
2. Administration of justice and police
3. Defence
4. Foreign affairs

II. Economic services

5. Transport and communications
6. Industry, commerce and crafts
7. Agriculture and food

III. Cultural and social services

8. Education, science and cultural services
9. Social services
10. Public health
11. Housing
12. Compensation for war damage and disasters.

In addition there is the category "non-classified expenditure", which includes, in particular, expenditure associated with the public debt and non-classifiable transfers between sub-sectors (mainly from the central government to the local authorities). In the sub-sector accounts, this category also covers transfers not earmarked for a specific purpose to other public authorities. Further details are given in the relevant sections of this study.

II. ECONOMIC IMPORTANCE OF THE PUBLIC SECTOR

The following two tables illustrate the importance of the role played by general government in modern industrial societies. They also highlight the differences in this respect between the Member States of the Community, whose economies show a fairly close similarity.

Table 0-1 gives the proportion of GNP taken by general government for its own use, and which is therefore not available for private use (consumption, investment or balance-of-payments surpluses). In 1970 this proportion ranged from 14.1% (Italy and Luxembourg) to 21.6% (Netherlands). Germany (19.4%), France (16.6%) and Belgium (16.8%) occupied an intermediate position. From 1957 onwards public consumption in most Member States followed an upward trend except in France and Luxembourg. Public direct investment increased its share in all Member States except Luxembourg but was much less important than public consumption.

Only in France and Belgium was there a marked upward trend in direct investment over the 1966/70 period, the figures for the other Member States showing no clear trend. In Luxembourg and Italy the share of public consumption tended to decrease between 1966 and 1970.

Table 0-1 also shows that in those Member States in which public investment was particularly high (i.e. the Netherlands and Germany), public consumption likewise accounted for a particularly large proportion of GNP. This is not merely a coincidence but is the result of the fact that nearly all public investment brings with it further expenditure (for example roads have to be managed and repaired) and that such investment is made in order to improve public services (for instance, more schools are built so that more teachers can provide the population with better educational services).

Table 0-1 shows the proportion of GNP absorbed by general government. The importance of general government for the economy does not stop there, however, since the public authorities also influence the economic process through other spending, particularly in the form of transfers (income and capital) interest payments, advances, loans and the acquisition of equity interests.

The total economic weight of general government can be gauged better from Table 0-2, which shows that this weight as a proportion of GNP changed little on balance between 1966 and 1970. This was true in France except in 1968 when special circumstances prevailed. In Luxembourg there was a slight decrease and in Italy, the Netherlands and Belgium a slight increase. The year-to-year fluctuations make it difficult to establish any trend. Compared with 1957, however, there was a marked increase in the importance of the public sector in Italy and the Benelux countries.

TABLE 0 - 1

Gross public consumption and direct public investment as a percentage of GNP

YEAR	Gross Public Consumption						Direct Public Investment					
	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	14.1	14.4	11.1	14.6	9.9	10.2	3.0	2.2	1.8	4.6	2.6	4.2
1966	15.0	13.0	12.8	15.8	12.7	11.4	4.7	3.2	2.4	5.5	3.6	4.6
1967	15.9	12.7	12.4	16.1	12.7	11.9	4.6	3.8	2.2	5.6	4.1	4.1
1968	14.8	13.0	12.4	15.7	12.5	11.4	4.3	3.8	2.3	6.0	4.5	4.8
1969	14.8	12.8	11.6	15.8	12.5	10.7	4.3	3.7	2.1	5.7	4.5	3.8
1970	14.7	12.8	11.9	16.1	12.3	10.2	4.7	3.8	2.2	5.5	4.5	3.9

TABLE 0 - 2

Total General Government expenditure as a percentage of GNP

YEAR	Total Expenditure ⁽¹⁾ as % of GNP						of which : transfers					
	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	37.9	38.2	29.3	39.4	28.9	30.5	16.6	17.4	13.4	12.5	12.6	14.4
1966	39.3	38.5	35.6	47.8	38.0	38.3	16.9	19.2	17.5	17.2	16.4	19.9
1967	42.0	39.2	34.9	50.0	38.6	39.8	18.4	19.6	17.2	18.4	16.9	21.1
1968	40.0	40.0	37.4	50.7	40.7	39.4	18.4	20.0	18.5	19.0	18.9	20.4
1969	39.4	39.2	35.4	49.8	40.1	36.1	17.9	19.7	18.3	19.7	18.3	19.2
1970	38.9	38.6	37.9	50.5	40.0	35.1	17.3	19.3	20.4	20.7	18.6	18.6

(1) Excluding debt redemption. Total expenditure consists of public consumption, interest payments, direct investment, transfers and loans, advances and acquisition of equity interests.

III. RELATIVE IMPORTANCE OF THE THREE SUB-SECTORS

(Central government, local government, social security funds)

There are two ways of assessing the importance of the three sub-sectors. Firstly, one can show the share of each of the sub-sectors in public expenditure irrespective of whether the expenditure is financed from their own resources or from another sub-sector (executive principle). Secondly, one can measure the importance of each of the three sub-sectors on the basis of the share of public expenditure financed by them (charge principle). The relevant shares will then show the direct or indirect influence of each sub-sector on the level and allocation of public expenditure.

From the executive principle, Table 0-3 shows the central government as the most important sub-sector in all Member States except the Netherlands, effecting almost half of public expenditure, although there was a slight tendency for this proportion to decrease everywhere. Only in the Netherlands was the largest proportion (40%) accounted for by local government with the remaining 60% split about equally between the central government and social security funds.

In the period 1966-1970, the proportion accounted for by the central government in Italy and Belgium remained constant. In Belgium there were also no changes with regard to the other two sub-sectors, while in Italy local government was losing ground to social security funds. Generally speaking, the growth in the importance of social security funds was much more marked than that of local government, which was less important than the former (as a proportion of public expenditure) in all Member States except in the Netherlands.

In the Netherlands, local government accounted for the largest proportion of general government expenditure particularly because of the size of the private educational system but also because of the promotion of housebuilding by local authority loans financed from the central government budget.

As will be explained in part C, which deals with local government budgets, Table 0-3 overstates the financial importance of the local authorities and understates that of the central government; in fact, the central government finances a considerable proportion of the expenditure of the other two sub-sectors. Table 0-4 setting out the proportion of general government expenditure financed by the central government, shows the primacy of the central government in all Member States, including the Netherlands.

TABLE 0 - 3

Proportion of general government expenditure accounted for by central government,
local government and social security funds (1)

(%)

Country and sub-sector	1957	1966	1967	1968	1969	1970
GERMANY						
central government	54	50	51	49	49	49
local government	18	20	19	19	19	20
social security funds	28	30	30	32	32	31
FRANCE						
central government	59	50	49	50	48	47
local government	14	16	16	15	16	16
social security funds	27	34	35	35	36	37
ITALY						
central government	52	45	45	46	44	45
local government	18	18	17	17	17	16
social security funds	30	37	38	37	39	39
NETHERLANDS						
central government	42	30	29	29	29	29
local government	41	43	44	42	40	40
social security funds	17	27	27	29	31	31
BELGIUM						
central government	51	46	46	46	46	47
local government	20	20	20	20	20	20
social security funds	29	34	34	34	34	33
LUXEMBOURG						
central government	51	49	47	48	45	46
local government	18	15	15	15	15	15
social security funds	31	36	38	37	40	39

(1) Excluding transfers of funds between public authorities and redemption of debt.

TABLE 0 - 4

Proportion of general government expenditure financed by central government

(%)

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
A - Excluding share of central government taxes and grants-in-aid to local authorities						
1957	62	66	54	53	64	58
1966	59	58	53	52	62	61
1970	56	54	55	51	63	58
B - Including share of central government tax revenue and grants-in-aid to local authorities						
1957	63.5	66	57	63	68.5	63
1966	62	58	57	59	66	67
1970	59	54	59	59	66	64

Given the complexity of the financial links between central and local government, this Table comprises two sets of figures. There are two reasons for this. In certain Member States local government tax receipts come from not only communal taxes but also from surcharges or a fixed share of taxes imposed by the central government for its own purposes. The second reason is that the central government allocates to the communes and other local authorities general and non-specific grants-in-aid, calculated on the basis of certain distributive shares (tax yield, population, road network, etc.) with the general intention of strengthening local government finances. These tax shares and grants-in-aid are quite different in nature from grants through which central government can and does influence the pattern of local government expenditure. They are in reality general funds raised, which because of the peculiarities of the taxation system, do not take the form of communal taxes so that the central government virtually acts as tax collector for the local authorities rather than provider of their finance. To take account of this situation, the shares of tax receipts and grants-in-aid are not included in the top half (A) of Table 0-4 but are included in the bottom half (B). Table 0-4 shows that, even leaving aside shares of tax receipts and general grants-in-aid, the central government still financed more than half public expenditure in all countries, the highest proportion being in Belgium. With the tax shares and grants-in-aid included - which makes the largest difference in the Netherlands and an almost negligible one in France, the proportion provided by the central government was even higher, ranging in 1970 from 54% in France to 66% in Belgium, with a general tendency to diminish except in Italy and Luxembourg.

IV. BUDGETARY POLICY IN THE MEMBER STATES

This section reviews economic developments and budgetary policy decisions in the Member States between 1966 and 1970.

IV.1. GERMANY

Once the reconstruction phase was over and full employment had been achieved in Germany, attention focused increasingly on the requirements of economic management. The productive system had become less flexible and domestic reserves of labour depleted. Supply shortages and strains on the labour market, and hence increasing pressure on costs and prices, had a growing impact during business upswings. The associated shift in the main emphasis of economic policy made new demands on the system of public finance for which the existing statutory framework was inadequate. The period covered by this study saw the completion of wide-ranging reforms aimed at radically altering that system while taking particular account of the changed political, social and economic circumstances and the requirements of short-term economic policy.

The adoption of the VAT Act in the spring of 1967, after ten years preparatory work, marked the transition from the multi-stage cumulative turnover tax to the taxation of value added, a decisive step in the modernization of the taxation system.

Almost at the same time, in June 1967, the Act to promote economic stability and growth (Stabilitätsgesetz) was adopted. It requires the financial policy measures of the Federal Government and the Länder to be channelled towards the overriding economic policy objectives, i.e. price stability, full employment, external equilibrium and appropriate economic growth. It encourages the framing of budget and taxation policy in line with the requirements of the economic situation and make it possible to limit government borrowing. It also requires financial planning for several years ahead, and the submission of a regular report on subsidies. For the purpose of coordinating the budgetary policies of the Federal Government, Länder and local authorities, a Council on Economic Trends (Konjunkturrat) was set up to cover the short-term economic policy field, and a Financial Planning Council (Finanzplanungsrat) to deal with the medium-term and long-term coordination of budget programmes.

The principles governing public budget management laid down in the Stability Act meant that the financial links between central, regional and local government had to be reorganized and the outdated budget law brought up to date. After preparations lasting several years the basic amendments to the financial system were adopted in May 1969. The various legislative changes forming the Financial Reform package changed the rules governing the apportionment of burdens between the Federal Government and the Länder, introduced the concept of joint tasks, expanded the tax pool and financial equalization between the Länder, and laid the foundations for the comprehensive reform of local-government finance which came into force in September 1969. The Budget Reform Act was the basis for the reorganization and standardization of the budget law of the Federal Government and the Länder, embodied in the new Federal Budget Regulations and Budget Principles Act of January 1970.

Economic trends in the years under review were marked by major domestic and external upheavals, resulting in wide swings of the business cycle. Since monetary and credit policy was no longer an effective instrument of cyclical management under a system of fixed exchange rates + mainly because of external trade and

TABLE 0-5

Major variables in Germany 1966-70
- at current prices -

Year	Year-to-year change (%)					Balances (DM million)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General government (2)	Central government (2)		General government (2)	Central government (2)
1966	2.9	6.6	2.8	6.6	4.9	+ 740	- 5 428	- 5 482
1967	- 0.2	1.0	- 13.0	7.9	8.5	+ 10 020	- 14 724	- 12 155
1968	7.3	9.0	+ 22.2	3.8	1.2	+ 10 670	- 7 349	- 4 917
1969	8.2	12.1	+ 20.0	10.2	9.1	+ 6 660	+ 2 869	+ 1 892
1970	5.8	13.3	+ 20.2	11.8	10.2	+ 2 170	- 2 415	- 3 495

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments (surplus = +; deficit = -).

payments influences - budgetary and financial policy came under particularly heavy strain and the new instruments were put to the test. With economic activity generally flagging 1966 was still dominated by the fight to control price increases caused by the previous boom, and attempts to curb the volume of expenditure in public budgets which had gone into deficit. Under the Budgetary Safeguards Act of December 1965 the expansion of Federal Government expenditure in particular was severely curbed. The economic downturn accelerated appreciably in the second half of the year and unemployment rose rapidly. There was a noticeable flattening of the price curve. In the second half of 1967 industrial production was 0.6% lower than in the same period of the previous year. The outstanding success in the battle against rising prices, together with the conclusion of wage agreements compatible with stability, made it possible to switch budget and financial policy rapidly to the active promotion of growth. In January 1967 a supplementary investment budget totalling DM 2 500 million was adopted. This was followed by an easing of the rules on depreciation and the bringing forward of certain expenditure under the regular budget. The turning point in the cycle came fairly quickly. By the second half of 1967 the expansionary factors had gained the upper hand and foreign trade surpluses rose sharply. In August 1967 the Government adopted a second reflationary programme totalling DM 5 300 million, which laid the foundations for the sharply accelerated growth in 1968. In 1969 there was evidence of overheating, which it was difficult to control because the deflationary effects of the restrictive budgetary policy were rapidly reduced by external economic factors. It also became apparent that the longer the economy was overheated and wage and price increases were showing their effect, particularly on the government budgets, the more difficult it would be to maintain a restrictive spending policy, particularly at regional and local government level.

Over the period 1968-70 most of the attempts to curb excess demand by budgetary and financial policy proved unsuccessful as the external trade and payments flank was largely unprotected and monetary and credit policy therefore could not provide the necessary support. In addition there was an increasing conflict in budget management between the requirements of short-term economic policy and the growing responsibilities of government for meeting collective needs. Just how isolated financial policy was is clear from the attempt to protect the external flank by the External Trade and Payments Safeguards Act of November 1968. The pressure was only taken off financial policy when the Mark was revalued in October 1969.

In the budgetary and financial policy measures adopted over the period 1968-70, attempts to restore a lasting budgetary equilibrium partly clashed with the requirements of stabilization policy. Expenditure in the 1968 Federal budget was substantially cut, a 3% surcharge was added to income tax and corporation tax, and the value added tax was put up from 10 to 11% or 5 to 5.5%, mainly to raise more revenue. In 1969 a financial policy programme to maintain price stability was introduced. Budget appropriations of DM 1 800 million were frozen, tax prepayments adjusted and the Federal Government and the Länder required to freeze extra tax receipts in a counter-cyclical reserve. The programme was intensified in 1970 by the freezing of further appropriations and more cuts in expenditure. The Federal Government and Länder were required to build up a counter-cyclical reserve of DM 2 500 million. The Council on Economic Trends and the Financial Planning Council were brought in to associate the Länder and local authorities more closely with the Federal Government's restrictive budgetary policy. Regressive depreciation on capital assets (estates, buildings but excluding housing) was suspended and a 10% counter-cyclical surcharge levied on income tax and corporation tax, to be frozen with the Bundesbank and paid by the end of 1973.

IV.2. FRANCE

From the period 1967 to 1970 the general government budget was used extensively as an instrument of short-term stabilization policy. With sustained economic growth - real GNP rose in these four years by 4.9%, 4.6%, 7.3% and 5.8% respectively - the role played by the budget is illustrated by the fact in the first two years there was a substantial deficit equivalent to 1.2% and 2% of GNP while the last two years the budget was broadly in balance.

In 1967 the French economy went through two quite different phases. In the autumn of 1966 it was forecast that 1967 would be a year of continued expansion and a balanced budget was presented to Parliament. During the first half of 1967, however, there was a fall in the rate of growth though its extent was only gradually recognized. It had in fact been under way since the summer of 1966, and was due to a simultaneous set back in export demand and consumer demand. The Government reacted by stepping up public consumption of goods and services, adopting measures to increase the number of housing starts and above all to stimulate consumption. The measures taken in June and September involved bringing forward by one month on each occasion wage and salary increases in the public service, increasing the guaranteed minimum wage, cutting FF 100 off the remaining income tax liability (provided this did not exceed FF 1 000) and relaxing restrictive terms of hire purchase contracts. The economy was mainly boosted, however, by a faster rise in exports, as a result of which the growth in production was back to normal in the second half of the year. Supplementary budgets were presented to Parliament in June and December covering the additional expenditure. It should be noted in this context that the social security funds received an advance of FF 3 000 million from the Treasury, and this was subsequently converted into a grant as part of the general reform of the social security system. Overall, the budget closed with a deficit of FF 6 500 million, the highest since 1963; Government expenditure rose by 9.9% compared with 4.2% in 1965 and 7.2% in 1966.

In the original budget for 1968, presented to Parliament at the end of 1967 provision was made for an increase in expenditure of 5.5% and an approximate balance of final transactions, giving a slight deficit of around FF 2 000 million. Most of the increased expenditure was earmarked for investment in infrastructure projects, particularly roads, railways, post, research and town planning.

At the beginning of 1968 economic developments were greatly influenced by the consequences of extending VAT to the distribution and service trades. Though this reform, which had been planned for a number of years, was expected to produce positive results, it initially proved disruptive. At the beginning of the year stocks were very low (a favourable factor for an upswing), but the rise in retail prices in January was 1%, which was admittedly within the limits set by the Government. The disposable income of households was affected by the increase in the portion of health treatment costs to be borne by the insured, and by the bringing forward of the date for income tax payments.

With exports continuing to rise briskly in the favourable world economic conditions, it was felt necessary to stimulate domestic demand. At the end of January, the Government therefore adopted a package of measures to boost growth including speedier implementation of public investment programmes, especially housing projects and action to encourage consumption. Old age pensions and family allowances were raised with effect from 1 February, and the first third of the advance payment against income tax liability reduced by 15%. These measures together widened the deficit to FF 5 500 million.

The months of May and June were dominated by the social crisis and the general strike. Economic growth came to a temporary halt, substantial wage and salary increases were granted, thus creating liquidity problems for firms and reducing

TABLE 0-6

Major variables in France 1966-70
- at current prices -

Year	Year-to-year change (%)					Balances (FF million)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General government (2)	Central Government (2)		General Government (2)	Central Government (2)
1966	5.6	8.7	15.0	10.2	9.1	- 4 196	- 6 981	- 3 952
1967	4.9	7.9	6.1	9.9	14.4	- 4 295	- 8 614	- 7 244
1968	4.6	9.6	10.1	11.8	6.4	- 6 685	- 12 584	- 9 646
1969	7.3	14.8	29.4	16.7	10.3	- 12 266	- 14 966	- 2 858
1970	5.8	11.8	10.7	6.3	8.2	- 3 868	- 3 945	- 1 047

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments :
(Surplus = +, deficit = -)

the rate of growth in investment. Under these circumstances, the main concern of the public authorities was to help industry as much as possible. A number of domestic monetary and credit policy measures were therefore taken to postpone maturity dates and make borrowing much easier. On the external front, a series of temporary measures were introduced to promote exports and restrict certain imports. In October 1968 two laws came into force granting tax reliefs to promote investment: a tax deduction of 10% for capital expenditure after 1 May and abolition in two stages, at 15% (Law of 9 October 1968) then at 100% (Law of 29 November 1968), of the payroll tax for all enterprises covered by the TVA system. These measures helped to get the economy back to normal and recover most of the production lost during the May disturbances. For the year as a whole real GNP grew by 4.6% as against 4.9% in 1967, while total gross fixed asset formation rose, as in 1967, by 6.9% in real terms.

The cost, estimated at FF 7 500 million, of the collective wage agreements (referred to as the "Accord de Grenelle") and of the economic policy pursued by the Government (more staff and increased remuneration, bigger subsidies and loans to public enterprises) inevitably increased the budget deficit. In an attempt to limit the shortfall a number of tax measures were put before Parliament aimed at raising an extra FF 2 500 million in revenue: various indirect taxes (tobacco, alcohol and motor vehicle tax) were raised and income tax in the highest tax brackets was increased by between 10 and 25%. In the end, the budget closed with a deficit of FF 11 500 million. Boosted notably by the substantial wage and salary increases in the public sector, public consumption in 1968 rose by 13% in money terms and 4.6% in real terms compared with an average increase in real terms of about 3.1% in the four previous years.

At the end of 1968 and the beginning of 1969 economic policy was again concentrated mainly on curbing the inflationary price trend. When the second phase of the programme to increase wages and salaries came into effect in October 1968 domestic demand, especially household spending, picked up sharply. The draft Finance Act presented in September 1968 nevertheless envisaged a substantial deficit of over FF 11 000 million. The tax cuts were to some extent only a continuation of the temporary measures adopted in the summer of the previous year. Even so the effects of the progressive personal income tax strengthened further. The measures to promote investment were maintained in force and the admissible VAT deductions on capital expenditure extended. However, at the end of November 1968, before the budget was adopted by Parliament the international monetary crisis prompted the Government to present an economic and financial rehabilitation programme to combat heavy speculation against the Franc and the increased inflationary pressures. The deficit was reduced drastically by more than FF 5 000 million leaving a total of FF 6 300 million. To this end the system of value added tax was changed and rates increased, but the payroll tax was indeed abolished. The result was extra revenue of over FF 2 000 million. At the same time departmental spending programmes were cut by a total of more than FF 3 000 million. Government subsidies were reduced by raising rates and tariffs in various public enterprises (railways, gas, electricity).

Despite these strongly deflationary measures and a correspondingly strict monetary and credit policy, the economy continued expanding under the influence of the rapid growth of all the components of demand, particularly private consumption and business investment, the latter under the stimulus of inadequate production capacity and a shortage of skilled labour. In the first six months prices rose at an annual rate of some 6%. Despite the exceptionally vigorous growth in exports, the balance of trade continued to deteriorate seriously. In May and June monetary and credit policy was tightened further. In July and in August the Government made expenditure cuts. A ban was placed on the recruitment of officials till the end of the year; the funds available for purchases of equipment and purchases of new vehicles stopped. In addition, a counter-cyclical equalization fund was set up. Three-quarters of the programme authorizations available on 1st July for equipment were required to be paid into this fund, with the exception of appropriations for education, housing and telecommunications. This involved the freezing of public orders, worth more than FF 5 000 million.

After the Franc was devalued by 11% on August 1969 an economic rehabilitation package was introduced, involving the reduction of public demand and taxation measures. The advance payment requirement for corporation tax was sharpened; the surcharge on motor vehicle taxes was prolonged and a special levy was imposed on bank profits; credit was further tightened to curb demand from business borrowers and various measures were taken to check the excessive rise in investment; a price freeze was declared and measures adopted to promote savings. In December VAT rates were substantially cut with effect from 1 January 1970 to combat inflation.

Because of the extra tax receipts and the public expenditure cuts, the deficit for the fiscal year amounted to only FF 1 500 million. Over the year as a whole real GNP rose by 7.3% and public consumption by 4.8% in real terms. However, the implicit price deflator for public consumption rose more rapidly than GNP, because of the substantial increases in public sector wages and salaries granted under the agreements concluded in previous years.

The general economic policy of the Summer of 1969 was naturally reflected in the draft of the 1970 Finance Act which featured a balanced budget and a reduced burden of taxation. This was made possible by the modest rise planned in expenditure, which, at a growth rate in money terms of 6.2% was almost one third less than the expected growth in GNP. All current and capital expenditure was substantially cut and about FF 2 milliards in "optional" programme authorizations was added to the FF 5 milliards saved in the 1969 programmes : the counter-cyclical fund thus benefited by more than FF 7 milliards, a sum which was only to be used in the event of a downturn in economic activity.

As a result the balance of payments improved rapidly in the first quarter of 1970. Domestic demand continued expanding steadily helped by an exceptionally sharp increase in exports, and the combination provoked serious inflationary strains. In the second quarter, however, growth was slower, industrial production fell and there were many more job-seekers. This was partly due to the very restrictive policies affecting money, credit and the public finances; and there was a marked check in the growth of private consumption, which was rising less explosively than in 1968/69. The cause was the heavy anticipatory buying of consumer durables in the earlier years, and the resulting sensitivity to credit restrictions and measures to encourage saving.

In July 1970, FF 1 100 million of programme authorizations and FF 950 million in expenditure appropriations from the counter-cyclical fund were released, some social security benefits were increased and the guaranteed minimum wage was raised. In August interest rates were cut. In the third quarter industrial production again turned upwards and had, by the end of the year, reverted to its growth trend of between 6 and 7%. Once recovery was established the business trend had prompted the Government to change its economic policy. The reduction of the burden of taxation in the second half of the year, and especially the lifting of credit restrictions, stimulated domestic consumption, which now replaced exports as the main expansionary factor. Towards the end of the year the continuing brisk rise in prices was again the main preoccupation. Although public expenditure rose by almost FF 5 milliards in the supplementary autumn budget, it was possible to maintain budgetary equilibrium through the extra receipts from company taxation and other sources. For the first time the budget was closed with a surplus, which amounted to about FF 500 million. In view of the economic situation at the end of 1970 it was hardly surprising that the Government wanted to present Parliament with another balanced budget for 1971; the increase in expenditure was again slightly below the expected 9% growth in GNP in current prices.

IV. 3. ITALY

At the beginning of 1966, the recession of the previous three years was coming to an end and domestic prices and the balance of payments were back in equilibrium. The Italian economy was nevertheless in an unfavourable position - structurally because of an aggravation of existing imbalances, and cyclically because of very weak demand for private and public investment. With unemployment high and large amounts of production capacity lying idle, this demand deficiency was partly the result of the exceptional earlier increase in current expenditure, which had been designed to boost declining overall demand at home.

It was against this background that the first five-year economic development programme was prepared. Its aim was to remove regional, sectoral and social imbalances step by step, and thus to give the economy a powerful and sustained stimulus. The main impetus to all public spending was to come from the central government budget and especially central government expenditure.

Mainly because of the close interdependence of cyclical and structural problems central government expenditure was assigned the role of a strategic variable not only for development, through extensive, and carefully planned use of revenue for social purposes, but also as a counter-cyclical influence, necessarily concentrated at that stage on producing a rapid upswing in productive investment.

To meet the requirements of the programme and of the economic situation, central government expenditure in 1966 and 1967 was gradually - at least at decision making level - directed towards boosting private and public investment and spending a greater proportion of national income for social purposes.

To attain the first of these objectives the funds available for public-sector investment were suitably increased; and for the private sector there was an extension of the 1964 arrangement enabling firms, especially small ones, to deduct their social security contributions for taxation purposes. Existing credit facilities were increased and new ones created e.g. by setting up funds with the IMI and the financial institutions for Southern Italy (ISVEIMER, IRFIS, CIS).

The second objective was to be achieved mainly through multi-annual spending programmes earmarked for specific sectors or regions. The sector programmes were scheduled for education (extension of the school system, construction of schools and universities), housing (housing slum clearance, construction of dwellings for workers), transport (extension and modernization of the railway, road and motorway network, construction of ports and airports), agriculture (second Green Plan, land allocation, soil conservation). The regional approach included programmes for the development of Southern Italy, the backward areas of Northern and Central Italy and Calabria. Assistance to Southern Italy through those plans was the most direct and logical way of promoting economic growth and full employment in the country as a whole.

In the second half of 1968 there was a marked decline in the rate of expansion. This was because implementation of these programmes was held up by unduly cumbersome administrative machinery and unduly complex procedures.

The economic slowdown in the first few months of 1968 was quickly checked by timely counter-cyclical Government spending. The main emphasis in the public sector was on increased investment in railways and urban transport; and in the private sector on the creation of more favourable conditions for investment.

TABLE 0-7

Major variables in Italy 1966-70
- at current prices -

Year	Year-to-year change (%)					Balances (Lir. millions)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General government (2)	Central government (2)		General government (2)	Central government (2)
1966	5.9	8.2	6.0	8.6	9.2	+ 1 352	- 1 893.3	- 933.4
1967	6.8	10.0	16.6	7.8	0.7	+ 1 036	- 1 071.5	- 92.0
1968	6.4	7.9	5.2	15.7	23.3	+ 1 671	- 2 105.5	-1 364.1
1969	5.7	10.2	20.3	4.2	- 3.8	+ 1 501	- 1 410.4	- 656.0
1970	4.9	11.8	18.2	19.7	35.4	+ 501	- 2 979.8	-2 524.8

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments
(Surplus = +, deficit = -)

In Southern Italy the Government took over the employer's liability for social security contributions, credit restrictions were eased further, and new tax concessions were introduced. Other features were the promotion of advanced technology projects, assistance for the retraining of textile workers and concessions for the building industry.

Despite this check the Italian economy was enjoying, up to the middle of 1969, its longest period of continuous post-war growth.

This expansion, which took place against the background of persistent internal and external financial disequilibria and an unexpectedly sharp increase in national income and overall demand, was nevertheless not entirely satisfactory. The balance of current payments remained in surplus and there were still large reserves of labour and unused production capacity; but the undesirable regional, sectoral and social imbalance had yet to be eliminated.

At the beginning of 1969, when investment picked up again after a short pause in 1968 and the various multi-annual expenditure programmes had not yet become fully effective, it was decided - also in view of the urgent social problems and still within the framework of the programmes - to concentrate further reflationary measures on consumption so as to bring growth more into line with the capacity and requirements of the economy.

Central Government expenditure was once again to be the instrument. This time it was the turn of current expenditure, which was used to implement two of the reforms provided in the Plan. These were (a) the reform of the general pension system, which was the basis for a far-reaching redistribution of income and a comprehensive system of social security; and (b) the reform of the public service pay structure, regarded as a necessary step for the restructuring of the functions of the public authorities.

From the second half of 1969 onwards the world economy began to show signs of inflationary strains and interest rates climbed everywhere, leading in Italy to price increases on the home market and capital outflows. This resulted in a sudden deterioration both of the internal and the external financial balance.

While demand was boosted by expectations of further price increases and higher disposable incomes there was widespread industrial action during the "hot autumn" which by the end of the year resulted in shortfalls in the supply of goods.

In the early months of 1970 production, particularly industrial production, after a short spurt settled down - mainly as a result of the continuing labour disputes - to a rate of growth which was clearly insufficient to meet the increased demand and offset the rise in production costs by corresponding increases in productivity. The higher costs could not be passed on in prices, which rose relatively slowly owing to the credit restrictions introduced to combat inflation.

At the same time the gap between supply and demand widened further but there was initially no increase in the unemployment rate. This led to an exceptionally sharp rise in imports, and a deficit on current account at the end of the first half of 1970.

Over the same period the money and capital markets were adversely affected not only by these internal factors but also by a drop in the level of personal saving and a simultaneous rise in the borrowing needs of the public sector as a whole.

At the beginning of the second half of 1970 the Government adopted the following economic policy measures to boost activity and tackle the main structural changes demanded (especially reform of the public health service) by the trade unions:

- (a) Arrangements to increase tax receipts. The additional revenue was to be used primarily to improve the financial position of health insurance funds and to start the reform of the public health service. This amounted to transferring to general government part of the real resources previously used for private consumption, thereby helping to reduce the pressure of demand on supply without changing the level of demand;
- (b) Reduction of the pressure on the capital markets exerted by the general government borrowing requirement. This helped to initiate the planned reform of public finance and release funds for the financing of productive investment;
- (c) Easier credit terms and tax concessions. The former were intended to encourage investment by small and medium-sized firms, the distributive trades and small craft industries. The tax concessions were aimed at stimulating investment by large firms by making it easier for them to issue shares and loans abroad.

Basically, the whole operation consisted therefore of two parallel schemes : a restrictive fiscal one and an expansionist one on the monetary and credit side. Simultaneity was essential to their effectiveness since otherwise they would have caused a substantial reduction in supply and demand, which was what unfortunately happened as they were introduced with too great a delay.

The end of 1970 consequently saw a change-over from a period in which supply had failed to keep pace with rapidly expanding demand, to a period in which demand for consumer and investment goods gradually tailed off.

Because of the sharp drop in profit margins and in the capacity for self-financing, production, especially in industry, began to stagnate. It had but little stimulus from exports and, with small increases in imports, there was a narrowing of the trade deficit and hence of the current account deficit.

Despite severe strains wholesale prices rose only moderately and consumer prices remained steady.

Turning to central government spending, there were sharp rises in capital expenditure (long term) and current expenditure (short term). The rise in capital expenditure was partly attributable to the heavy cost of granting easier credit terms but was even more due to the strong boost given to social services investment by the multi-annual programmes at the beginning of the five-year period. Current expenditure, which was already high at the beginning of the five-year period, mainly as a result of the demand support policy adopted in 1965, rose still further largely because of new counter-cyclical measures to support the level of demand and because of the pensions, pay structure and public health reforms.

IV. 4. NETHERLANDS

Economic trends

The long period of boom business conditions, which had resulted inter alia in excessive pressure on the economy and the labour market, came to an end in the second half of 1966. The change of trend, which was partly due to a fall in export demand, brought with it a sharp rise in unemployment. This was not, however, a general recession but rather a certain levelling-out of economic activity which showed up a number of structural defects and led to unemployment being mainly concentrated in specific sectors and regions.

TABLE 0-8

Major variables in the Netherlands 1966-70
- at current prices -

Year	Year-to-year change (%)					Balances (Fl million)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General government (2)	Central government (2)		General government (2)	Central government (2)
1966	2.6	8.7	10.8	15.5	14.6	- 711	- 4 009	- 2 025
1967	5.8	10.1	7.5	15.1	13.1	- 253	- 3 793	- 1 413
1968	6.6	10.5	10.4	12.1	13.3	+ 266	- 5 027	- 2 823
1969	7.0	13.2	12.6	11.3	11.0	+ 146	- 3 819	- 1 735
1970	6.8	12.5	17.1	13.9	15.7	- 1 560	- 4 045	- 2 313

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments :
(surplus = +, deficit = -).

In the first half of 1967 production growth was still marking time but in the second half of the year the economy recovered rapidly. The real GNP rose by 6% in the year, compared with 2.5% in 1966. This growth rate was achieved despite rising unemployment, thus reflecting an appreciable improvement in the productivity of labour.

In 1968 full utilization of the economy's productive potential was rapidly attained as a result of the speedy recovery of export demand, Government efforts to promote employment and a greater propensity to invest on the part of firms. Production capacities and the volume of production rose sharply. The labour market situation improved, and price and wage increases were moderate.

The upswing continued in 1969 with the growth of domestic demand staying within reasonable limits. This led to a marked improvement in the current items of the balance of payments. Unemployment fell rapidly and the labour market began to show signs of increasing strain.

One of the undesirable aspects of this process was the sharp upward price movement resulting from the introduction of a new system of turnover tax (VAT) and the tightness in the capital market. Wages and salaries also rose substantially because of pressures on the labour market. Consequently 1969, in contrast with 1967 and 1968, saw a renewed bout of wage and price inflation.

In 1970 there were clear symptoms of overheating resulting in a sizeable current account deficit. This was attributable in part to a sharp rise in fixed business investment and private consumption. The current account deficit did not however trigger a natural process of adjustment because of the strong influx of foreign capital. This frustrated the restrictive credit policy. The signs of strain were reflected not only in the current account but also in large wage and salary increases. Despite some bottlenecks in the economy, production in 1970 fortunately continued to expand vigorously.

Economic and financial policy and economic trends

Budgetary policy in the Netherlands is primarily concerned with the long-term development of the national economy. The idea is to regulate the budget deficit, apart from fortuitous or cyclical variations, in such a way as to make it correspond with the desired structural net saving and investment of the other sectors of the economy.

This helps to promote balanced economic development, not only from the structural, but also from the cyclical point of view since, under long-term budgetary policy, cyclical-induced fluctuations in tax receipts do not lead to corresponding changes in budget expenditure or rates of taxation.

Public finance thus plays a stabilizing role in the national economy. Structural budgetary policy does not, however, prevent the government exercising a direct influence on the level of activity.

In 1966 economic activity had initially to be curbed. The strong pressure of demand was countered mainly by a reduction in liquidity, assisted by the position on current account and a strict monetary and credit policy. The latter was supplemented by measures on the wages and prices front. An attempt was also made to moderate the rise in central government expenditure by temporarily stopping recruitment to the public service, curbing investment and, quite generally, observing greater restraint in respect of other expenditure.

With activity slowing down in the second half of 1966, the restrictions introduced during the previous period of boom had to be removed. Credit restrictions for the private sector were abolished, the discount rate was cut, the investment allowance was reintroduced in respect of buildings and so were the special depreciation allowances for industrial buildings in the north, south and east of the country. A number of specific measures were also adopted to combat the unemployment that had emerged in a number of regions and sectors in 1967. These measures included wide-ranging public works programmes in areas of high unemployment. In addition, measures to encourage firms to set up in certain regions were extended, and special assistance was provided for individual industries.

The central Government budget deficit for 1967 was also cut by postponing a planned reduction in wage - and income - tax and bringing forward a proposed increase in turnover tax. The aim of these measures was to give the other sectors of the economy easier access to the capital market.

The Government had to keep a close watch on (regional) unemployment in the early months of 1968. Renewed strains made themselves felt at the end of 1968 following the rapid upturn of the economy.

To take some of the pressure off prices, a general price freeze was introduced in March 1969. In September the freeze, which had already been relaxed somewhat, was ended and replaced by a decree specifying the extent to which cost increases could be passed on in prices. In addition, lending was once again restricted and the investment allowance discontinued (except for ships and aircraft).

In 1970 the main emphasis of economic policy was on combating the renewed upsurge in prices. The restrictive monetary and credit policy was maintained, as were measures adopted previously to curb expenditure (restrictions on consumer credit and abolition of the investment allowance). The third stage of the cut in wages - and income - tax, which should have come into effect on 1 January 1970, was postponed until 1971 so as to stimulate the economy as little as possible.

The range of economic policy instruments at the Government's disposal was extended by the Law of 24 December empowering the Government, in specific circumstances and for reasons of short-term economic policy, to raise or lower the rates of the main taxes by up to 5%. The same law required the Government to reduce central government expenditure by at least 20% of the extra tax revenue produced by such action (or, alternatively, to increase expenditure by at least one third of the resulting shortfall in tax receipts).

IV. 5. BELGIUM

A. Economic trends

The period 1965-1970 saw a decline in the rate of economic growth during the years 1965-66, followed by a gradual upswing in 1967-68 and a very sharp rise in GNP in 1969-70.

During 1966 the revival of demand, which had got under way in the second half of the previous year, gradually levelled off because of the decline in the growth of exports. The growth in private consumption also lost momentum. From the beginning of 1966 onwards, however, a number of factors pointed to an improvement in the economic climate, notably :

- (a) the gradual relaxation of strain on the labour market coupled with a general improvement in productivity, probably due to rationalization;
- (b) a slower rise in wages and salaries;
- (c) the revival of exports after the second quarter of 1966;
- (d) an increase in private and public investment;
- (e) a reversal of the downward trend in the utilization of industrial capacity;
- (f) the beginning, in August, of a fall in industrial wholesale prices from the peak reached in June - July;
- (g) the slower growth of the money supply;
- (h) a reduction in the budget deficit.

In 1967 economic activity was marking time, and this continued into the summer. With the marked revival in export demand and a big increase in public expenditure, there was an appreciable upswing in the industrial production of raw materials and investment goods and, on a smaller scale, of consumer goods. The consumer price index rose by 4.26%, a figure comparable with that for 1965. The overall balance of payments moved into deficit because of a marked deterioration in the current account.

In the second half of 1967 economic growth was more vigorous. Export demand strengthened, but neither public nor private investment provided as much stimulus to production and employment as in 1966. The growth in private consumption slowed down as a result of the modest rise in incomes. In the course of the year the number of persons wholly unemployed rose sharply to reach an average of 85 300, but prices rose less rapidly (2.8%) than before. After the previous year's deficit of Bfrs 6 400 millions, the overall balance of payments for 1967 showed a surplus of Bfrs 12 300 millions.

In 1968 the previous summer's upswing was sustained and became more and more marked. The growth in demand gained momentum from the sharp rise in exports, and subsequently public investment acted as a further stimulus. From the summer onwards there were definite signs that consumption was picking up. Industrial production rose much more rapidly than in the previous year, resulting in fuller capacity utilization. Unemployment continued rising until the middle of the year but fell slightly in the second half. By the end of the year there were 98 500 (seasonally adjusted) wholly unemployed, compared with the average for the year of 102 700. Consumer prices rose at the same rate as in the previous year (2.8%). There was an overall payments deficit of Bfrs 4 500 million, due to a deterioration in the balances on current and capital account.

In Belgium, as in other EEC countries, economic activity accelerated in 1969. GNP rose by 6.5%, compared with 4.2% the previous year. Overall demand, which expanded from the autumn of 1968 onwards, provided the most powerful stimulus. Firms were in general operating at near capacity. Unemployment fell substantially and there were increasing signs of strain in the labour market. The upward price trend gained momentum, with an average rise of 3.8% for the year compared with 2.8% in 1968. By the end of the year the overall balance of payments was showing a sizeable surplus.

TABLE 0-9

Major variables in Belgium 1966-1970
- at current prices -

Year	Year-to-year change (%)					Balances (Bfrs million)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General Government (2)	Central Government (2)		General Government (2)	Central Government (2)
1966	3.2	7.5	+ 10.6	13.1	14.5	- 2.6	- 34.3	- 24.7
1967	3.9	7.2	+ 3.7	9.0	10.3	+ 7.3	- 28.6	- 27.0
1968	4.2	7.0	- 0.9	12.8	11.9	+ 8.2	- 49.2	- 38.6
1969	6.5	11.0	15.8	9.3	10.2	+ 13.6	- 48.7	- 38.7
1970	6.7	11.7	18.5	11.4	11.2	+ 35.4	- 38.4	- 33.2

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments :
(Surplus = +, deficit = -)

After this sharp acceleration in 1969, the upswing continued in the first few months of 1970, though it lost some momentum in the second half of the year. This was mainly because supply was by now less elastic; but some of the components of demand also played their part with both exports and stockpiling investment providing appreciably less stimulus than in the previous year. Despite some acceleration in the second half of the year, as a result of the rapid increase in disposable incomes and purchases made ahead of the introduction of VAT, the year's private consumption was only moderately higher. There was an appreciable shortage of labour, but the position eased in the second half of the year. The annual average of persons wholly unemployed was 71 300 compared with 84 700 in 1969. Consumer prices rose at much the same rate (3.9%) as in the previous year. Although the surplus on current account was well up (Bfrs 35 700 million compared with Bfrs 3 700 million), the surplus on the overall payments account was only slightly higher than in the previous year (Bfrs 20 000 million compared with Bfrs 18 000 million).

B. Economic policy

In 1966, the main aspect of economic policy was the fight against inflation. Although economic activity was losing momentum the monetary authorities were forced by the pressure of inflation and the tight situation on the capital market to introduce at the end of April arrangements for the quantitative restriction of increases in borrowing. The Banque Nationale de Belgique accordingly asked the banks to :

1. restrict the growth in borrowing in 1966 to 12% of the total credit outstanding on 31 December 1965; and
2. ensure that the increase in borrowing in the first half of 1966 did not exceed 6% of total credit outstanding on 31 December 1965.

On 6 May, a general price freeze was introduced by Ministerial Order, but this was maintained only until 2 September.

Because of interest rate trends on the capital market, the Banque Nationale raised bank rate again on 2 June from 4.75% to 5.25%. The Government adopted measures to curb price rises, principally by introducing a general price freeze on goods and services from May until September. At the same time, special assistance was granted to promote investment in the least-favoured regions. Over the year as a whole the Government was able to reduce its net borrowing requirement.

In 1967 a key economic-policy goal was further industrialization as a means of stimulating the economy and giving a boost to industrial conversion in the regions. Strict price supervision was maintained. In addition, particular attention was given to structural measures which would have an effect on prices - especially in the field of industrial rationalisation. Under a law conferring special powers on the Government to stimulate economic activity, a number of counter-cyclical and structural measures were adopted. At the end of 1966, the Banque Nationale had extended the April credit restrictions to cover the first six months of 1967. It adjusted its policy by relaxing the existing restrictions, cutting the bank rate by successive instalments of 0.25% in February, March, May, September and October (a total cut from 5.25% to 4%) and removing the quantitative credit restrictions in June when the restrictions on hire purchase were also removed. The Government pursued its policy of balancing the ordinary budget, mainly by curbing administrative expenditure; at the same time transfers not expressly provided for by law were limited and a ban imposed on the recruitment of new government staff. Other important measures were adopted by Royal Decrees based on the Law of 31 March, which gives the Crown certain powers to underpin economic growth, accelerate the process of industrial conversion in the regions and stabilize the budget. In this way, a series of structural measures were adopted aimed at adapting Belgium's industrial organisation to regional

circumstances and the financial structure to the requirements of European economic integration and the increasing degree of international economic interdependence.

Despite an upswing already discernible at the end of 1967, the economic policy pursued in 1968 was still geared to expansion. In January 1968 the Government adopted a programme to support domestic demand by stimulating private investment, by distributing foreign investment more widely, by speeding up public works, by increasing expenditure on housing and by stimulating private consumption through a relaxation of the hire-purchase restrictions. As a drop in export demand was expected to result from measures taken by a number of major trading countries, the Government acted to boost exports (lower interest rates for export credits, exemption from certain taxes, export credit guarantees). The Banque Nationale held interest rates down till the end of year but raised bank rate on 19 December from 3.75% to 4.5% to bring it into line with rates in other countries. Budget policy was geared to expansion. As part of the action to improve the financial machinery of the public sector, the financing arrangements for the Road Fund were broadened and the central government line of credit was increased from Bfrs 10,000 millions to 16,000 millions Bfrs with effect from 1 September following an agreement concluded between the Government and the Banque Nationale on 30 March.

In 1969, the Government adopted a restrictive policy to curb the brisk growth in demand. With demand threatening to exert undue pressure on supply capacity and in view of the problems involved in financing private and public requirements, the monetary authorities adopted a series of restrictive measures to promote balanced economic growth. In December 1968, bank rate was raised from 3.75% to 4.75%; by the following September it was 7.5% following further increases in March, April, May and July 1969. The Banque Nationale also issued a directive on the limitation of bank loans. The Bank Commission, in a Regulation of 20 May 1969, introduced a "re-employment" ratio (investment procedure) for banks. This was valid for an initial period of one year at the end of which the Bank Commission was to decide whether it was advisable, in view of the economic situation, to extend the arrangement or to replace it. It also introduced certification and rediscount ceilings for banks, and these measures were tightened up during the course of the year. Hire-purchase and personal-loan restrictions were also increased. Owing to fears among the general public about price rises after the pending introduction of VAT, the Government decided to reduce the rates and amend the classification of goods subject to the different rates; and eventually the introduction of VAT was postponed a further year till the beginning of 1971. With regard to public finances, the Government curbed the growth in consumption expenditure and abandoned the contingency tranche in the programme of public works commitments.

In the first nine months of 1970, economic policy was primarily directed towards reducing the continuing strains. Saving was encouraged to help finance capital formation; restrictions were placed on the expansion of credit which was not directly productive. In November 1969, the Banque Nationale had first recommended the idea of selective quotas as part of its credit restriction policy. The Government set stricter criteria for the grant of State aid in respect of private investment, and attempted to alleviate the strains in the building and construction industry. The base interest rates were raised from 3 to 3.5% in January 1970 and the tax-free allowance on income from savings increased from Bfrs 5 000 to Bfrs 7 500. To check the growth in exports, tax repayments were selectively reduced from 1 January. On 1 February the conditions governing hire-purchase sales and personal loans were given a more selective form. Powers were conferred upon the Government to order the deferment of proposed price increases. Further changes were made in the planned VAT rates for certain goods and services. In March, the Banque Nationale adopted new measures of credit restriction and certification and rediscount ceilings; in September, these provisions were extended till the end of the year, but the authorized ceiling on new credit was raised. Towards the end of the year, the pressure of demand had been reduced sufficiently to enable the authorities to contemplate a relaxation of the credit restrictions and a modest cut in short-term

interest rates. Bank rate was lowered by 0.5% in October and again by the same amount in December.

IV. 6. LUXEMBOURG

Following the exceptional upswing in the Luxembourg economy in 1964, the GNP growth rate fell back gradually in 1965, 1966 and again in 1967. It was only when the European economy grew more vigorously in 1968, that the Luxembourg economy showed a fairly rapid rate of expansion, contrasting with the slow growth of previous years.

Growth reached a peak in 1969 with an exceptional increase in demand and a reduction in the elasticity of supply. Thereafter inflationary strains developed.

In 1970, the Luxembourg economy entered a downward phase and both supply and demand gradually lost vigour towards the end of the year. The steel industry particularly felt the effect of the change in the world market situation. Despite the slower rate of growth, cyclical strain remained severe, over-employment continued and the sharp upward price trend did not slacken. The downturn was even more marked in 1971. The international monetary crisis and the protectionist measures adopted by the United States authorities hurt Luxembourg exports, especially of steel.

The upward price movement lost momentum in 1966, a process which continued in 1967 because of the contraction in domestic demand and the downturn in most of the EEC Member States. In 1968 and 1969 the price situation was very satisfactory with rises remaining moderate. VAT, which was introduced on 1 January 1970, entailed only a very slight "mechanical" price rise. Nevertheless, the inflationary strain was more severe than in previous years, partly because of the revaluation of the Deutschmark. Price rises were therefore steeper than in 1965-69, and this tendency continued into 1971.

The balance of payments trend from 1967 to 1970 was favourable. The terms of trade deteriorated in 1971, industrial exports contracting very sharply while the imports of capital goods remained large.

Since the economic situation could not be appreciably altered by general budget measures, the Luxembourg Government pursued a structural expenditure policy, involving a multi-annual plan for central government revenue and expenditure.

The aim was to balance revenue and expenditure over a number of years by adjusting the growth of expenditure to the medium-term increase in GNP at market prices. Extra tax receipts generated by better-than-expected business conditions were used to offset deficits carried over, or for allocation to investment funds, debt redemption or to limit borrowing.

After the explosive budget situation of 1964, the less favourable economic trend in 1966 and the impending recession of 1967 called for a very restrictive budget policy. Budgetary policy largely followed the Recommendations of the EEC Council of Ministers of 11 July 1967 and 9 March 1968.

On the revenue side, tax receipts rose relatively slowly in 1966 because of the declining yield from corporation tax. Corporation tax (a central government tax) and trade tax (a local government tax) are the two sources of revenue most sensitive to changes in the economic climate. In 1967, ordinary revenue was not much higher than in 1966. In 1968, the growth in tax receipts, largely accruing to the central

government, was much less than the annual average for the period 1955 to 1969, despite a fairly sharp rise in GNP. This was mainly a matter of revenue losses resulting from the reform of income tax (Law of 4 December 1967). The fall in receipts from corporation tax recorded in 1968 was a result of the cyclical trend in the steel industry.

In 1969, however, the growth in tax receipts was much higher than the adjusted average rate. This was because revenue from corporation tax more than doubled due to the exceptionally rapid upturn. The same was true of local authority taxes on industrial and trade profits, which rose by 37% in 1969.

Turnover tax receipts tended to mark time in 1968, but increased substantially in 1969.

Income tax receipts rose in 1970 by only 5.5%, owing to tax collection procedures which led to a delay of about one year. In 1971 the yield was up by 22%. Tax receipts on wages rose in 1970 by 28% and in 1971 by 24%, reflecting the growth in employment incomes.

Corporation tax, which in certain periods determines the size of the budget surplus or deficit, yielded an extra 37% in 1970 but 23% less in 1971. The decline was attributable to the sharp fall in profits as a result of wage increases, higher raw material prices and rather lower prices received for key export items.

On 1 January 1970, turnover tax was superseded by VAT. Adding arrears in the turnover tax to VAT revenue gave a growth figure of 9% in 1970 and 23% in 1971 in expenditure taxes. VAT rates were increased from 4 to 5% and from 8 to 10% respectively on 1 January 1971.

The "counter-cyclical" corporation tax surcharge introduced in the Budget Act of 1971 brought in an extra Lfrs 200 million.

The growth rates of the various categories of expenditure were by no means uniform. In 1966 consumption expenditure remained fairly stable while interest rates on the public debt and current transfers rose more rapidly. This trend continued in 1967 and extraordinary expenditure actually declined a little (1%).

In 1968 expenditure rose by 9%, which was reasonable given the higher rates of economic growth, especially as ordinary expenditure rose less rapidly than extraordinary expenditure. As a result of the brisk upswing and the restrictions on the growth of expenditure, the budget balance improved appreciably in 1969. The year closed with a revenue surplus, which was used to cancel out the accumulated deficit run up over previous years, and to form a reserve of Lfrs 106 million. In 1971 the reserve was built up to Lfrs 938 million.

The public debt, which amounted to about Lfrs 8 800 million in the years 1962 to 1964, rose sharply to total Lfrs 14 300 million at the end of 1969, the highest rates of growth being recorded in 1965 (+12%) and 1967 (+16%). In 1970 and 1971, however, the debt rose by only 3.2% and 4% respectively, as less borrowing was necessary and advance redemption payments could be made because of increases in receipts generated by the economic trend. At the same time, operational resources were built up in the various special public investment funds.

TABLE 0-10

Major variables in Luxembourg 1966-70
- at current prices -

Year	Year-to-year change (%)					Balances (Lfrs million)		
	Gross national product at 1963 prices	Gross national product at current prices	Gross fixed asset formation by firms (1)	Expenditure		Balance of payments (3)	Net borrowing requirement	
				General Government (2)	Central Government (2)		General Government (2)	Central Government (2)
1966	1.4	4.7	- 2.7	10.0	18.2	- 519	- 19.5	- 714.3
1967	0.2	2.2	- 12.8	6.8	1.3	+ 512	- 459.1	- 633.0
1968	5.3	9.4	- 0.5	7.6	10.6	+ 1 748	- 486.2	- 986.0
1969	7.7	14.9	20.3	5.3	10.1	+ 3 913	+ 875.0	+ 274.1
1970	3.9	14.7	29.7	11.5	12.5	+ 4 497	+ 2 129.0	+ 918.9

(1) Including changes in stocks

(2) As defined in this study

(3) Surplus of current revenue (from exports, factor income and transfers) over current payments :
(Surplus = +, déficit = -)

PART A

GENERAL GOVERNMENT

PART A

GENERAL GOVERNMENT

I. TREND AND PATTERN OF GENERAL GOVERNMENT EXPENDITURE BY FUNCTION

I. A. General Survey

In the study covering the years 1957-66, the general survey section opened with a passage discussing how general government expenditure can be classified. Since the functional breakdown used here is the same as that in the previous study, the reader is asked to refer for details to that passage. The breakdown is apparent from Tables A-1 and A-2, in which general government expenditure in the years 1960 and 1970 (1) is classified by function and related to total expenditure and gross national product. The functional breakdown is not entirely comparable, partly because some of the items of expenditure resist classification and partly because some of these cannot be broken down by function in all Member States. For instance, in Germany pensions paid to former civil servants all appear under "Non classifiable expenditure"

If leaving aside the classification into three main categories, the twelve individual sectors dealt with in this study are examined one by one, Tables A-1 and A-2 reveal considerable differences in their relative importance. However, when examining the figures, one must not forget the statistical and methodological problems involved in their compilation, exemplified by the classification of hospitals mentioned earlier. By far the most important sector in all Member States is "Social Services", which consists primarily of all expenditure on social insurance, but also includes numerous other social welfare activities carried out and financed by the public authorities. In all Member States, this sector accounted in 1970 for more than one-third of total public expenditure, Italy and Luxembourg heading the list with 41.2% and 41.9% respectively.

In this study, expenditure on "Social services" also includes sickness insurance benefits in kind (e.g. reimbursement of medical expenses) even though such expenditure could also be classified under the heading "Public health". This choice has a very great impact on the pattern of the figures. In Germany, for instance benefits in kind in 1970 accounted for no less than 8.3% of total public expenditure.

(1) No functional breakdown was available for local government expenditure in France. It was, however, possible to make estimates for 1970. These were used to complete Tables A-1; A-2 and A-3, which cover the government sector as a whole. For 1966, the relevant data have been taken from the previous study (No 8 of the Series "Economie et Finances").

TABLE A-1

General Government expenditure by function

1966 and 1970

(% of the total)

Functions	Germany		France		Italy		Nether-lands		Belgium		Luxem-bourg	
	66	70	66	70	66	70	66	70	66	70	66	70
1. General administration	5.4	5.5	3.7	4.1	6.5	6.9	10.4	9.0	4.5	3.9	9.1	8.5
2. Administration of justice and police	2.8	2.8	2.5	2.8	4.7	3.9	2.6	2.6	2.8	2.9	2.0	1.9
3. Defence	9.9	7.4	10.4	9.2	7.5	5.8	8.7	7.6	7.7	6.4	3.4	2.3
4. Foreign affairs	1.1	1.3	3.3	3.1	0.4	0.5	2.1	2.1	1.4	1.5	0.8	0.8
1-4. General expenditure	19.2	17.1	19.9	19.2	19.1	17.1	23.8	21.3	16.4	14.7	15.3	13.5
5. Transport and communications	7.6	8.4	8.0	7.7	5.5	5.3	8.4	8.5	12.9	14.3	16.2	13.9
6. Industry, commerce and crafts	2.6	2.6	6.8	5.6	5.0	6.4	3.6	2.7	2.8	3.1	1.5	2.9
7. Agriculture	4.0	4.1	3.3	3.3	4.6	4.2	2.8	3.7	2.3	3.1	6.9	5.2
5-7. Economic services	14.2	15.1	18.1	16.6	15.1	15.9	14.8	14.9	18.0	20.5	24.6	22.0
8. Education, culture and religion	10.0	11.5	13.1	13.7	13.8	12.6	15.6	16.4	15.0	15.7	12.4	12.8
9. Social services	35.4	36.4	36.8	39.9	39.8	41.2	32.9	36.8	37.9	36.5	38.8	41.9
10. Public health	5.3	5.4	1.8	1.8	4.1	3.5	2.4	1.9	1.7	2.7	3.4	3.3
11. Housing	3.6	2.4	4.4	3.8	1.0	0.8	7.6	5.5	1.2	1.4	1.2	1.2
12. Compensation for war damage and disasters.	7.4	6.4	2.6	2.2	2.9	2.6	0.2	0.1	2.7	2.0	0.8	0.9
8-12 Cultural and social services	61.7	62.1	58.7	61.4	61.6	60.7	58.7	60.7	58.5	58.3	56.7	60.1
13. Non-classified expenditure	4.9	5.7	3.3	2.8	4.2	6.3	2.7	3.1	7.1	6.5	3.3	4.3
14. Total expenditure (1)	100	100	100	100	100	100	100	100	100	100	100	100

(1) Excluding debt redemption.

TABLE A-2

General government expenditure by function
1966 and 1970

(% of GNP)

Functions	Germany		France		Italy		Nether-lands		Belgium		Luxem-bourg	
	66	70	66	70	66	70	66	70	66	70	66	70
1. General administration	2.1	2.1	1.4	1.6	2.3	2.6	5.0	4.5	1.7	1.6	3.5	3.0
2. Administration of justice and police	1.1	1.1	0.9	1.1	1.7	1.5	1.2	1.3	1.1	1.2	0.8	0.7
3. Defence	3.9	2.9	4.0	3.5	2.7	2.2	4.2	3.8	2.9	2.6	1.3	0.8
4. Foreign affairs	0.4	0.5	1.3	1.2	0.1	0.2	1.0	1.2	0.6	0.6	0.3	0.3
1-4 General expenditure	7.5	6.7	7.5	7.4	6.8	6.5	11.4	10.8	6.3	6.0	5.9	4.8
5. Transport and communications	3.0	3.3	3.1	3.0	2.0	2.0	4.1	4.3	4.9	5.7	6.2	4.9
6. Industry, commerce and crafts	1.1	1.0	2.6	2.2	1.8	2.4	1.7	1.4	1.1	1.2	0.6	1.0
7. Agriculture	1.6	1.6	1.3	1.2	1.6	1.6	1.3	1.8	0.9	1.2	2.7	1.8
5-7 Economic services	5.6	5.8	7.0	6.4	5.4	6.0	7.1	7.5	6.9	8.1	9.4	7.7
8. Education, culture and religion	3.9	4.5	5.1	5.3	4.9	4.8	7.5	8.3	5.7	6.3	4.8	4.5
9. Social services	14.0	14.1	14.2	15.4	14.2	15.6	15.7	18.6	14.4	14.6	14.9	14.7
10. Public health	2.1	2.1	0.7	0.7	1.4	1.3	1.1	0.9	0.6	1.1	1.3	1.2
11. Housing	1.4	0.9	1.7	1.5	0.4	0.3	3.7	2.7	0.4	0.6	0.5	0.4
12. Compensation for war damage and disasters	2.9	2.5	1.0	0.8	1.0	1.0	0.1	0.1	1.0	0.8	0.3	0.3
8-12 Cultural and social services	24.3	24.1	22.7	23.7	21.9	23.0	28.0	30.6	22.1	23.3	21.7	21.1
13. Non-classified expenditure	1.9	2.2	1.3	1.1	1.5	2.4	1.3	1.6	2.7	2.6	1.3	1.5
14. Total expenditure (1)	39.3	38.9	38.5	38.6	35.6	37.9	47.8	50.5	38.0	40.0	38.3	35.1

(1) Excluding debt redemption.

Before using the figures mentioned in the last but one paragraph to draw conclusions as to the relative size of social services in the various Member States, reference must be made to Table A-2 to see whether in any one country social services absorbed a large share of total expenditure simply because the other forms of general government expenditure were particularly low as a proportion of gross national product. Table A-2 shows that this was in fact the case. Calculated as proportion of gross national product, it was not in Luxembourg, but in the Netherlands that expenditure on "Social services" was highest. At the other end of the scale too the picture changes: as a proportion of gross national product, expenditure on social services was lowest in Germany. The same was true of growth of this expenditure, this rate admittedly reflecting the fact that from 1968 workers' sickness benefits paid by the public sector were replaced by a scheme requiring employers to continue wage payments to absentees through sickness for a period of six weeks. However, even if expenditure on the individual sectors is expressed as a proportion of gross national product, comparison is of only limited value since such an approach relates expenditure to the economic strength of the individual Member State. In other words, no reference is made to per capita expenditure.

"Education, culture and religion" was the second most important sector in all Member States except Luxembourg, where this position was occupied by "Transport and Communications" owing to particularly heavy investment being made in this sector (as in 1957) and considerable deficits incurred by the railways were covered from the central government budget.

However, the share of expenditure on education, culture and religion differed quite appreciably from one member country to another. Germany devoted the smallest proportion of public expenditure to this function, followed by Luxembourg, Italy and France. By contrast, the Netherlands and Belgium allocated a considerably greater proportion of general government expenditure to it. This is also true if expenditure under this heading is related to gross national product. On this comparison Germany and Luxembourg recorded the lowest figure; but it should be borne in mind here that Luxembourg has no university of its own and that the figures for Germany are not a true reflection of the situation in that they do not include the pensions paid to retired teachers, which are recorded under "Non-classifiable expenditure". These two countries were followed by Italy, France and Belgium. The divergences will be discussed in section I. B., which deals with the individual sectors. In line with the definitions given earlier the above figures include private schools, which play a very different role in the different Member States.

Other important sectors on which spending was heavy include "Transport and communications" (particularly in the Benelux countries), "Defence" (not in Luxembourg, which has no navy or air force and which, after compulsory military service was abolished in 1970, cut its defence spending to 2.3% of total expenditure, as against 6.1% in 1957) and, finally, "General administration" (defined in Section I. E. below).

There were major differences in the shares of expenditure on "Industry, commerce and crafts" (high in France and Italy particularly), "Housing" (highest in Netherlands partly as a result of the structure of its expenditure on the promotion of residential construction - cf Section I. B. below), "Compensation for war damage and disasters" (Germany in particular still had a heavy financial burden to bear in this respect) and, lastly, "Public health". In the case of Germany, it is also to be noted that some items of the war burden (e.g. war victims' pensions, war prisoners' compensation, indemnification payments) are recorded under "Social services".

Table A-3 gives the trend of expenditure for the different functions. There was no uniform pattern in the period 1966-70, there being no single sector in which expenditure rose at an above-average rate in all Member States. Only when the three major groups of sectors are examined do common features come to light. It can then be seen that "General expenditure" rose at a slower rate than total expenditure in all Member States, while expenditure on "Economic services" grew at an above-average

rate. In the latter case, the two exceptions were Luxembourg, where expenditure on "Agriculture" marked time, among other things as a result of the phasing out of subsidies and refunds designed to encourage the domestic consumption of agricultural products, and France, where central government expenditure on "Industry, commerce and crafts" rose at a slower rate (cf. Part B).

The trend in expenditure on cultural and social services which accounted for more than half of total general government expenditure in all Member States, deviated only slightly from the average in the individual countries. This is not surprising since growth rates in this large sector have a major impact on the growth rates of total expenditure. In no Member State was the deviation from the average greater than 1.6%.

Finally, it should be noted that non-classifiable expenditure rose at a considerably faster rate than total expenditure in all Member States except France and Belgium. This was probably for statistical reasons, but partly also because expenditure under this heading did in fact climb at a disproportionately rapid rate, central government transfers to the local authorities in Luxembourg being one example. The particularly high rate in Italy was attributable in part to the lengthy strikes staged by Finance Ministry employees towards the end of 1969, with the result that some items of 1969 revenue and expenditure were not recorded until 1970; and in part to the impossibility of providing a functional breakdown for all items of expenditure. The high growth rate in the Netherlands was partly due to the substantial increase in the burden of interest on the public debt (caused by the appreciable increase in interest rates), and partly to statistical reasons (the increase in this category of expenditure for 1966 was clearly under-estimated, for according to Table B-7 the rise in central government spending under this heading was 7.0%. This error was corrected in 1970).

The only common features detectable among the twelve sectors relate to those sectors where expenditure rose at a lower-than-average rate. These were "Defence" and, except in France and Luxembourg, "Compensation for war damage and disasters" (cf. Section I. B. 12). It was only in Belgium that expenditure on "Housing" rose at an above-average rate, while in all the Member States the growth in this category was, to differing degrees, considerably below the average. It should be noted, in particular, that in Germany the expenditure under this heading was lower in absolute amount, partly as a result of the switch from direct lending to interest subsidies (cf. I. B. 11). The only other absolute fall in expenditure was in the "Foreign affairs" sector in Belgium and the "Defence" sector in Luxembourg. Chart A. 1 illustrates the breakdown of expenditure by function and the changes between 1966 and 1970. The diagrams on the right-hand side of the page show that the structure of additional expenditure incurred after 1966 differed in some cases quite markedly from the structure of total expenditure in 1966; but that the structure of total expenditure in 1970 only changed little.

I. B. Pattern and trend of expenditure by function

This section sets out to examine in greater detail the composition of general government expenditure in the individual sectors and its trend in the period 1966-70 (including a comparison with 1957). To this end, total expenditure in each sector is broken down into current and capital expenditure. A more detailed breakdown of expenditure (e.g. into public consumption, income transfers) is not feasible because the relevant figures for local government expenditure are available in only a few Member States and could not, therefore, be included in this study. Consequently, the tables in this section provide a breakdown into current and capital expenditure only. The two categories are used here because they are key factors in the discussion of public expenditure, though not particularly significant where the

TABLE A-3

Average annual rate of growth of general government expenditure by function
1957/1966 and 1966/1970

(in %)

Functions	Germany		France		Italy		Nether-lands		Belgium		Luxem-bourg	
	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70
1. General administration	8.2	9.4	10.1	14.2	7.5	13.7	20.1	9.1	8.9	6.4	8.9	5.8
2. Administration of justice and police	8.3	8.4	8.3	14.6	14.0	6.8	9.8	13.2	7.8	11.8	6.9	6.2
3. Defence	10.8	0.9	4.1	7.6	8.7	4.6	5.2	9.2	4.0	5.8	1.1	1.8
4. Foreign affairs	16.6	14.1	5.4	9.4	6.3	17.1	11.4	13.5	16.6	10.8	15.3	6.2
1-4 General expenditure	9.8	5.4	5.7	10.1	9.2	8.7	10.8	10.0	6.6	7.5	6.6	4.3
5. Transport and communications	12.0	10.9	11.1	10.1	6.5	10.7	9.3	13.5	11.2	13.5	12.0	3.7
6. Industry, commerce and crafts	4.6	8.5	10.7	6.0	30	19.1	12.1	5.2	8.5	13.7	1.8	27.2
7. Agriculture	5.4	9.0	12.5	10.9	9.8	9.3	2.8	21.2	17.7	19.2	6.5	0.4
5-7 Economic services	8.4	10.0	11.2	8.8	11.7	13.5	8.3	13.3	11.4	14.3	8.8	4.8
8. Education, culture and religion	12.5	12.2	16.5	12.4	16.3	9.3	13.7	14.6	12.2	11.8	9.6	8.6
9. Social services	10.2	8.5	12.9	13.4	15.1	12.7	14.5	16.3	11.8	9.5	9.2	9.9
10. Public Health	13.5	10.5	22.1	9.8	10.4	7.6	10.2	6.7	10.1	24.2	6.6	7.1
11. Housing	4.7	-1.6	13.7	7.4	7.7	2.8	9.5	4.0	9.7	16.1	3.0	7.0
12. Compensation for war damage and disasters	3.7	4.6	1.6	13.8	4.7	8.2	-6.0	5.0	1.2	2.5	-5.8	11.2
8-12 Cultural and social services	9.3	8.6	13.0	12.3	14.0	11.4	13.0	14.0	11.0	10.5	8.1	9.4
13. Non-classified expenditure	10.1	12.3	8.8	6.3	2.3	23.6	1.3	16.3	6.3	8.5	7.1	15.3
14. Total expenditure (1)	9.3	8.4	10.7	11.1	11.9	11.7	11.2	13.1	9.8	10.6	7.9	7.8

(1) Excluding debt redemption.

level of transfers is high since the division of transfers into current and capital operations is technically not very meaningful. Consequently, there are often borderline cases (e.g. savings premiums) which have to be classified in more or less arbitrary fashion. The tables are, therefore, of only limited significance and are more suitable for a general review than as a basis for a detailed analysis. For those interested, detailed figures are given in the annexed tables.

The structure of general government expenditure in the various sectors is further elucidated in the tables in this section by distinguishing between central and local government expenditure.

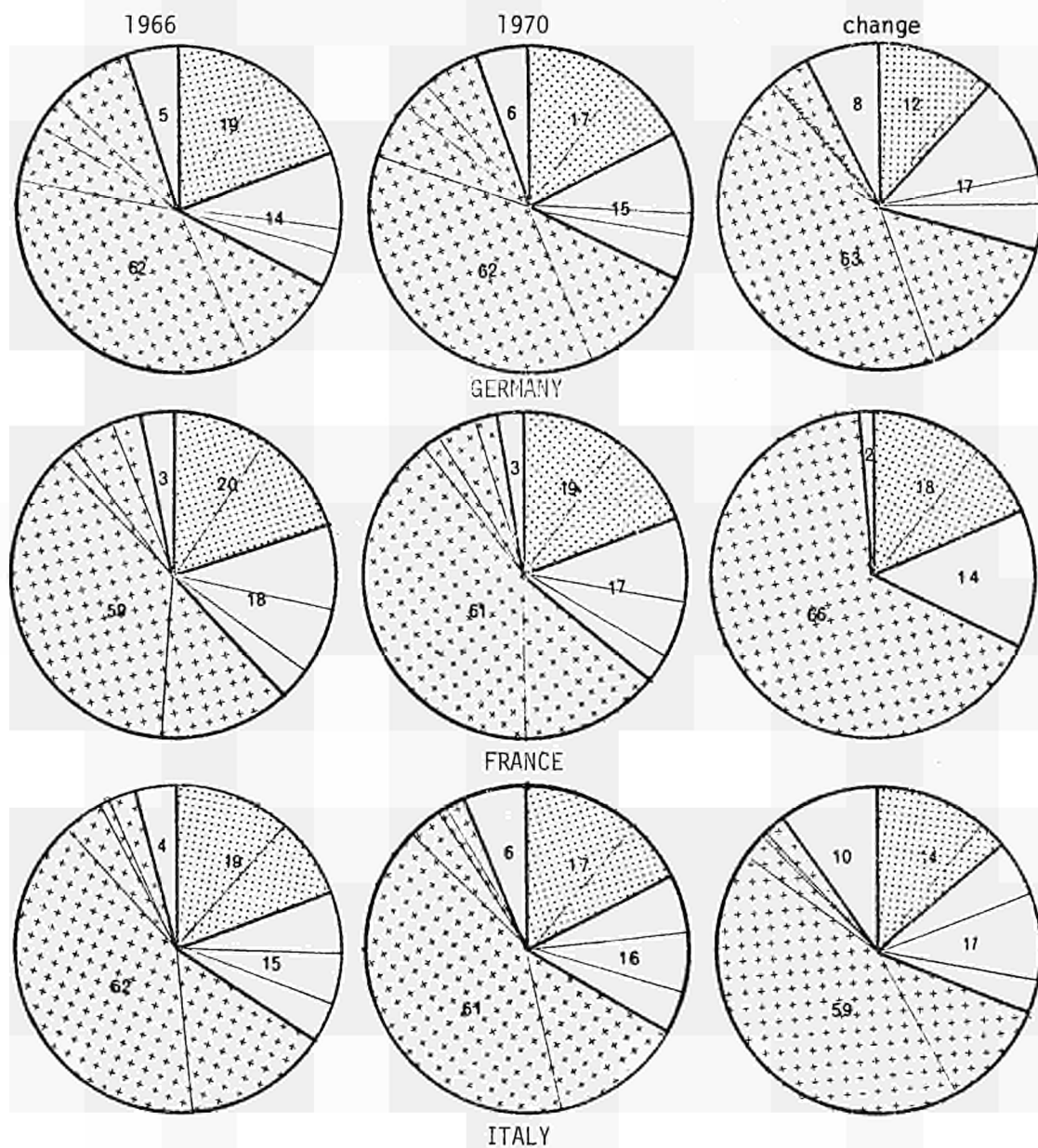
In Luxembourg, local government expenditure could not be broken down into current and capital expenditure and hence only central government current and capital expenditure are given. If the figures for both these categories of central government expenditure are added together, the difference between this aggregate figure and 100 is equal, except in the "Social services" sector, to total local government expenditure (1) in the sector concerned.

The first two columns of the following tables reproduce the 1966 and 1970 figures which appeared in the tables of the general survey above so as to summarize the statistics for each sub-sector in a single table.

(1) Excluding transfers within general government.

CHART A. 1.

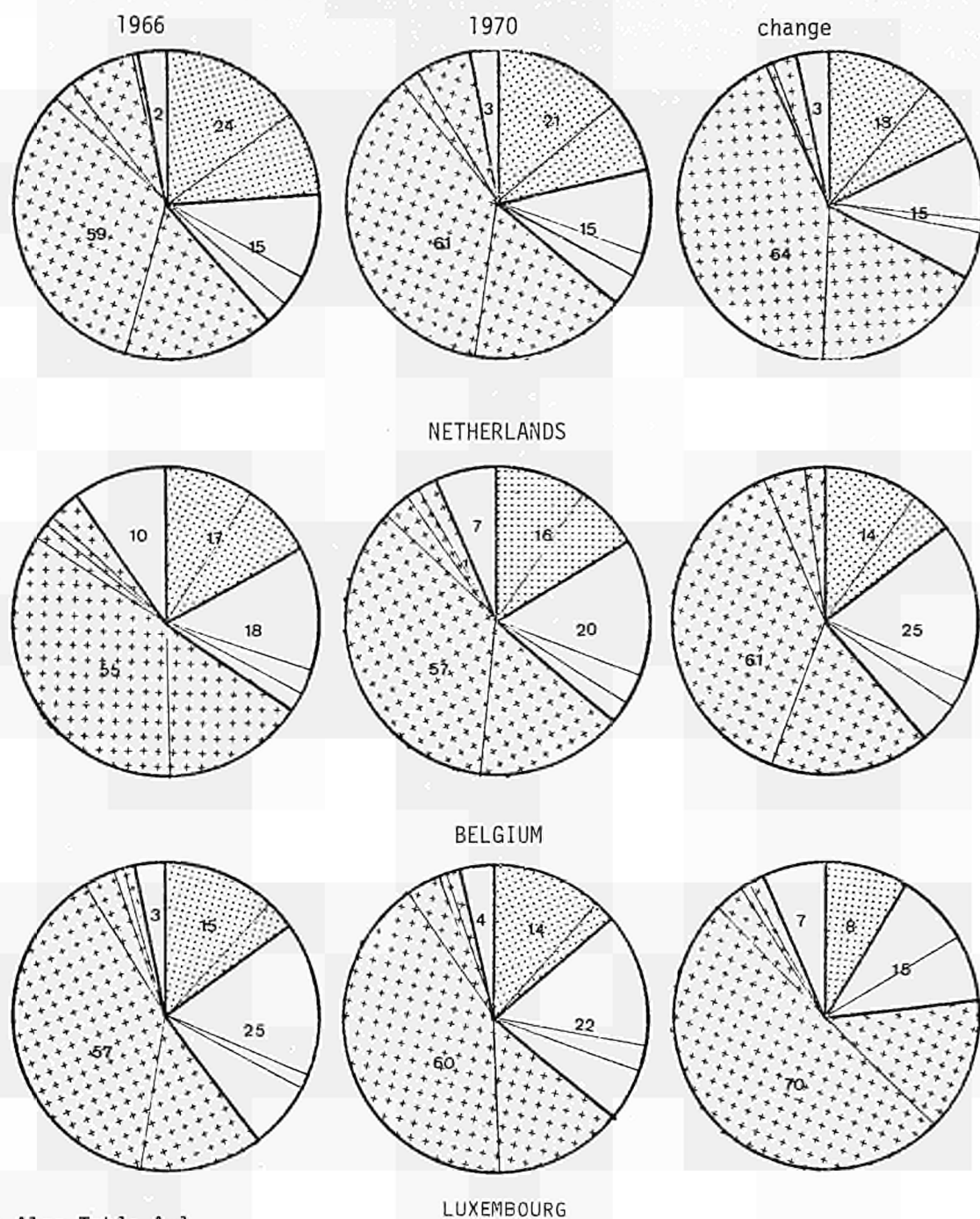
Functional breakdown of general government expenditure (%)



See Also Table A-1

CHART A. 1. (cont'd)

Functional breakdown of general government expenditure (%)



See Also Table A-1.

I. B. 1. General administration

This expenditure heading covers the general administrative costs of general government, i.e. the costs of all administrative and government departments the activities of which are not restricted to any specific sub-sector. It includes constitutional institutions (royal family or presidential office, parliament), the tax administration and those departments which are active in several or all sub-sectors. Local government administration could normally not be broken down by sub-sector. At central government level, administrative expenditure of most specialist ministries was allocated to specific sub-sectors, except for Germany and Luxembourg.

The first two columns in Table A-4 show the differences in expenditure on "general administration" in Member States. These differences are, however, probably attributable largely to the statistical methods used, the degree of budget detail available and hence the classifiability of individual items of expenditure into specific categories. The remaining columns in Table A-4 give the breakdown of expenditure, the bulk of which in this sector was of a current character. This is not surprising since most, virtually all, of the activities in this sub-sector involved high staff costs.

There was none the less, substantial capital expenditure, accounting for more than one-third of the total in the Netherlands and Belgium, and even in Germany and France to around one-fifth. Capital spending was on such items as administrative buildings, service vehicles, and kindred items.

In the Netherlands, the high volume of capital expenditure was incurred mainly by local government with the bulk of it probably on the acquisition and development of land and buildings and the establishment of industrial estates and similar projects. So long as it is not clear to what final use the purchased land is to be put, the expenditure involved is shown as investment under the heading "General administration", as is the practice in Germany. Moreover, in the Netherlands, the construction and maintenance of administrative buildings are undertaken centrally by the Rijksgebouwendienst and are therefore included as a single figure under this heading.

The sharply fluctuating share of capital expenditure in Belgium and Luxembourg was probably due to the special building programmes implemented in this sector. In Luxembourg for example, the high figure for 1966 was partly attributable to the construction of the administrative building intended for the European Communities (Kirchberg).

TABLE A-4

General government expenditure on "General administration"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general governm. expen- diture	Current expenditure (a)			Capital expenditure (a)(b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central governm.	Local governm.		Central governm.	Local governm.		
Germany	1957	2.2	5.8	86	56	30	14	7	7	100	
	1966	2.1	5.4	81	50	31	19	6	13	100	
	1970	2.1	5.5	79	48	31	21	5	16	100	
France	1957	1.5	3.9	93	56	37	7	3	4	100	
	1966	1.4	3.7	79	44	35	21	6	15	100	
	1970	1.6	4.1	-	-	-	-	-	-	100	
Italy	1957	2.8	9.3	96	45	51	4	-	4	100	
	1966	2.3	6.5	95	47	48	5	-	5	100	
	1970	2.6	6.9	96	54	42	4	-	4	100	
Netherlands	1957	2.2	5.8	59	32	27	41	7	34	100	
	1966	5.0	10.4	65	17	48	35	4	31	100	
	1970	4.5	9.0	65	17	48	35	2	33	100	
Belgium	1957	1.4	5.0	85	55	30	15	10	5	100	
	1966	1.7	4.5	77	53	24	23	7	16	100	
	1970	1.6	3.9	84	58	26	16	10	6	100	
Luxembourg	1957	2.6	8.4	-	64	-	-	6	-	100	
	1966	3.5	9.1	-	53	-	-	23	-	100	
	1970	3.0	8.5	-	58	-	-	16	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

TABLE A-5

General government expenditure on "Administration of justice and police"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general governm. expenditure	Current expenditure (a)			Capital expenditure (a),(b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central governm.	Local governm.		Central governm.	Local governm.		
Germany	1957	1.2	3.1	93	76	17	7	4	3	100	
	1966	1.1	2.8	91	75	16	9	5	4	100	
	1970	1.1	2.8	93	75	18	7	4	3	100	
France	1957	1.2	3.0	97	79	18	3	1	2	100	
	1966	0.9	2.5	100	78	22	-	-	-	100	
	1970	1.1	2.8	-	-	-	-	-	-	100	
Italy	1957	1.2	4.0	99	94	5	1	1	-	100	
	1966	1.7	4.7	100	78	22	-	-	-	100	
	1970	1.5	3.9	99	86	13	1	1	-	100	
Netherlands	1957	1.1	2.9	89	51	38	11	3	8	100	
	1966	1.4	2.6	94	55	39	6	4	2	100	
	1970	1.3	2.6	90	54	36	10	5	5	100	
Belgium	1957	0.9	3.4	97	54	43	3	-	3	100	
	1966	1.1	2.8	96	57	39	4	3	1	100	
	1970	1.2	2.9	95	57	38	5	3	2	100	
Luxembourg	1957	0.7	2.2	-	57	-	-	10	-	100	
	1966	0.8	2.0	-	61	-	-	4	-	100	
	1970	0.7	1.9	-	69	-	-	2	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

I. B. 2. Administration of justice and police

This heading includes all expenditure on the maintenance of public order and on the judicial system, prisons, probation and correctional education (for Germany, see also footnote 1 on p. 33 of the 1957-66 study). It also includes expenditure on civil defence.

Table A-5 shows that expenditure under this heading in all Member States accounted for only about 2-4% of total public expenditure and, furthermore, consisted mainly of current expenditure, i.e. staff costs and expenditure on the current consumption of goods and services. The distribution between central and local government varied. In the Netherlands and Belgium, local government, at 40% or more, accounted for a particularly large share since, in the Benelux countries, the local authorities bear the bulk of expenditure on police although they receive grants to help them meet it.

However, in spite of the large share accounted for by staff costs, expenditure under this heading, expressed as a proportion of total general government expenditure, was falling in all Member States.

I. B. 3. Defence

Since defence is exclusively a central government function, it is dealt with in Part B of this study.

I. B. 4. Foreign affairs

Expenditure in this sector too is solely the responsibility of the central government; but since this sector is not examined in Part B, it will be dealt with here. As pointed out in detail in the first study, this heading covers not only the authorities engaged in formulating and implementing foreign policy but also expenditure on international organizations of a general nature. It does not, however, include spending on special organizations which can be classified under specific expenditure headings such as NATO, the FAO and the European Agricultural Guidance and Guarantee Fund.

In addition, this heading covers expenditure to assist developing countries incurred either because of special relations with them or because it grants financial help to them on the basis of bilateral treaties or agreements. As a qualification, it must be added that payments made for specific purchase are classified under the corresponding expenditure heading.

The importance of this sector varied with the Member State. In France and the Netherlands, it played a particularly significant role as these two countries spend large sums to assist those overseas countries and territories to which they are linked by special historical ties.

TABLE A-6

General government expenditure on "Foreign Affairs"

		as %		Breakdown of expenditure (%)						
		of GNP	of total general governm. expenditure	Current expenditure (a)			Capital expenditure (a) (b)			Total (a) (b)
				Total	of which		Total	of which		
					Public consump.	Transfers		Direct invest.	Transfers	
Germany	1957	0.2	0.6	82	75	7	18	3	15	100
	1966	0.4	1.1	34	19	15	66	1	7	100
	1970	0.5	1.3	38	18	20	62	1	10	100
France	1957	2.0	5.1	50	24	26	50	-	22	100
	1966	1.3	3.3	90	39	51	10	-	2	100
	1970	1.2	3.1	88	36	52	12	-	-	100
Italy	1957	0.2	0.6	88	70	18	12	3	-	100
	1966	0.1	0.4	97	54	43	3	3	-	100
	1970	0.2	0.5	98	52	46	2	2	-	100
Netherlands	1957	0.8	2.1	45	23	22	55	-	13	100
	1966	1.0	2.1	29	17	12	71	-	7	100
	1970	1.1	2.1	30	16	14	70	-	20	100
Belgium	1957	0.8	0.9	61	50	11	39	5	2	100
	1966	0.6	1.4	84	24	60	16	2	5	100
	1970	0.6	1.5	76	22	54	24	3	12	100
Luxembourg	1957	0.1	0.5	92	74	18	8	8	-	100
	1966	0.3	0.8	44	26	18	56	1	5	100
	1970	0.3	0.8	62	24	38	38	1	1	100

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

Since expenditure under this heading was borne solely by the central government, the breakdown given here can be more detailed than that for the other sectors in the comparable tables. Table A-6 shows that the structure of expenditure differed widely. One special feature is that a significant share of it in some countries, (Italy, Belgium and Luxembourg) was accounted for by staff costs. In Italy, this was simply due to the fact that practically no capital expenditure was undertaken while in Luxembourg it was partly because, for a small country, diplomatic representation abroad involves a relatively high level of expenditure. In Belgium, the reason for the sharp drop in staff costs and the increase in current transfers in the period 1957-66 was statistical as from 1960, expenditure in respect of teachers sent out to developing countries was shown among transfers. Overall, the comparability of the figures for this expenditure heading is restricted by differences in the methods used for setting off expenditure against return flows from abroad.

I. B. 5. Transport and communications

The 1957-66 study gave, on pages 37-46, a detailed account of how responsibilities for transport and communications were allocated between the subsectors of general government. It also provided a breakdown of expenditure by mode of transport. In this supplementary study the figures up to 1970 can only be provided for the sector as a whole. Column 2 of Table A-7 shows once more that in most Member States expenditure under this heading rose much faster than the average, no doubt reflecting the increasing deterioration in the financial position of transport undertakings and the postal administration. Except in Italy and France, the bulk of the spending was accounted for by capital expenditure, which includes direct central government investment (e.g. in road building) and also financial assistance to transport undertakings (particularly the railways), shown as a capital transfer, while loans, advances and equity participations are accounted for by the major transport undertakings.

In France, on the other hand, around 70% of expenditure under this heading was current expenditure because very substantial subsidies were granted, especially to the national railways (SNCF) and the Paris underground system (RATP). Capital expenditure was mainly concerned with road building.

I. B. 6. Industry, commerce and crafts

In addition to the general promotion of industry, commerce and crafts by subsidies for fairs, exhibitions and the like, expenditure under this heading took the form primarily of assistance to specific industries such as mining and the fuel and power industry, which are major recipients of subsidised aid.

Expenditure under this heading was particularly high in France and Italy, although in Italy this sector assumed major importance only towards the end of the period reviewed.

A comparison between Member States is made difficult by the fact that the promotion of trade and industry took the form not only of public expenditure but also of indirect subsidies such as tax reliefs and reduced customs duties which were not reflected in higher public expenditure but in lower revenue.

Any such comparison is further complicated by the fact that publicly-owned undertakings (particularly local authority undertakings) which are not recognised independent legal entities, are very difficult to separate statistically from general government, with the result that some of the assistance granted, particularly to fuel and power undertakings cannot be identified.

TABLE A-7

General government expenditure on "Transport and communications"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a) (b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central government	Local government		Central government	Local government		
Germany	1957	2.4	6.2	30	15	15	70	45	25	100	
	1966	3.0	7.6	36	25	11	64	30	34	100	
	1970	3.3	8.4	32	21	11	68	36	32	100	
France	1957	3.0	7.8	69	40	29	31	15	16	100	
	1966	3.1	8.0	69	44	25	31	19	12	100	
	1970	3.0	7.7	-	-	-	-	-	-	100	
Italy	1957	2.6	8.6	62	45	17	38	22	16	100	
	1966	2.0	5.5	45	35	10	55	52	3	100	
	1970	2.0	5.3	51	44	7	49	47	2	100	
Netherlands	1957	3.9	9.8	23	6	17	77	36	41	100	
	1966	4.1	8.4	27	11	16	73	42	31	100	
	1970	4.3	8.5	32	14	18	67	41	26	100	
Belgium	1957	3.3	11.8	37	26	11	63	48	15	100	
	1966	4.9	12.9	41	31	10	59	48	11	100	
	1970	5.7	14.3	44	34	10	56	44	12	100	
Luxembourg	1957	3.5	11.6	-	34	-	-	34	-	100	
	1966	6.2	16.2	-	58	-	-	27	-	100	
	1970	4.9	13.9	-	56	-	-	29	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

The bulk of expenditure under this heading took the form of capital expenditure, with the allocation between central and local government differing quite appreciably from one Member State to another. Belgium, where only one-third of expenditure in this sector was accounted for by capital expenditure, was the exception. In Belgium, the central government incurred very high current expenditure mainly in the form of transfers. It should be remembered in this context that the classification of transfers into current and capital transfers is, in many cases, arbitrary so that differences in the pattern do not necessarily reflect real differences.

I. B. 7. Agriculture

Agriculture received very substantial assistance and support in all Member States. In Germany, the Netherlands and Luxembourg, Member States expenditure on agriculture exceeded expenditure on all the other branches of the economy other than transport and communications, as can be seen from a comparison of Tables A-9 and A-8.

The share of expenditure on agriculture however, unlike that on industry, commerce and crafts was lower towards the end of the period than in 1957 in all Member States except Belgium. By contrast, in the period 1966-70, actual spending under this heading rose for the most part at an above-average rate, except in Italy and Luxembourg. In Luxembourg, in particular, expenditure on agriculture rose only slightly in absolute terms. These figures do not support the general view that the common agricultural policy caused expenditure on agriculture to rise sharply; for further comments see, however, Section III B. 5 of Part B.

The bulk of expenditure was borne by the central government. Capital expenditure by the local authorities was significant only in France, where in 1966 the expenditure heading "Agriculture" was extended to include expenditure on rural infrastructure, which could not be split up into energy (electrification, irrigation works) and roads after 1959.

I. B. 8. Education, culture and religion

Expenditure under this heading in Member States had one common feature : the bulk of it consisted of current expenditure, the share ranging from 73% in Germany to 89% in Belgium. By contrast there were marked differences in the distribution of expenditure between central and local government. In the three largest Member States, at least three-quarters was central government expenditure. Local government spending was essentially confined to the construction of school buildings, while teachers and university professors were paid by the central government (in Germany, mainly the Länder). There were exceptions in, and features peculiar to each Member State. In Germany for instance, there was still a municipal university until shortly before the end of the period. However, there was an unmistakable tendency in these countries for staff costs, at least, to become an exclusive central government responsibility.

The Benelux countries formed a second group with common features because, judging from the tables, the proportion of local government expenditure was high in all of them. This, however, was partly the result of statistical convention. One main point is that private (mainly denominational) education and local authority education both played an important role. The private educational system was therefore also regarded as part of local government, i.e. the tables were drawn up as if teachers at private (denominational) schools were paid directly by the local authorities or other local government units. In the Netherlands teachers at both local

TABLE A-8

General government expenditure on "Industry, commerce and crafts"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a),(b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central government	Local government		Central government	Local government		
Germany	1957	1.5	3.9	30	14	16	70	37	33	100	
	1966	1.1	2.6	35	18	17	65	35	30	100	
	1970	1.0	2.6	36	20	16	64	39	25	100	
France	1957	2.6	6.8	45	40	5	55	41	14	100	
	1966	2.6	6.8	31	22	9	69	68	1	100	
	1970	2.2	5.6	-	-	-	-	-	-	100	
Italy	1957	0.4	1.3	30	27	3	70	66	4	100	
	1966	1.8	5.0	44	10	34	56	34	22	100	
	1970	2.4	6.4	40	12	28	60	47	13	100	
Netherlands	1957	1.3	3.3	17	11	6	83	8	75	100	
	1966	1.7	3.6	32	17	15	68	13	55	100	
	1970	1.4	2.7	42	23	19	58	11	47	100	
Belgium	1957	0.9	3.2	36	36	-	64	49	15	100	
	1966	1.1	2.8	70	58	12	30	16	14	100	
	1970	1.2	3.1	64	55	9	36	21	15	100	
Luxembourg	1957	1.1	3.6	-	15	-	-	71	-	100	
	1966	0.6	1.5	-	42	-	-	29	-	100	
	1970	1.0	2.9	-	30	-	-	48	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

TABLE A-9

General government expenditure on "Agriculture"

		as %		Breakdown of expenditure (%)						
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a) (b)			Total (a) (b)
				Total	of which		Total	of which		
					Central government	Local government		Central government	Local government	
Germany	1957	2.1	5.5	64	55	9	36	33	3	100
	1966	1.6	4.0	61	52	9	39	32	7	100
	1970	1.6	4.1	72	65	7	28	23	5	100
France	1957	1.1	2.8	47	45	1	53	52	1	100
	1966	1.3	3.3	48	47	1	52	21	31	100
	1970	1.2	3.3	-	-	-	-	-	-	100
Italy	1957	1.6	5.4	42	40	2	58	54	4	100
	1966	1.6	4.6	24	17	6	76	70	6	100
	1970	1.6	4.2	38	35	3	62	49	13	100
Netherlands	1957	2.2	5.6	75	70	5	25	23	2	100
	1966	1.3	2.8	68	62	6	32	29	3	100
	1970	1.8	3.7	79	75	4	21	19	2	100
Belgium	1957	0.4	1.3	76	76	-	24	19	5	100
	1966	0.9	2.3	92	89	3	8	8	-	100
	1970	1.2	3.1	89	87	2	11	5	6	100
Luxembourg	1957	2.4	7.8	-	77	-	-	17	-	100
	1966	2.7	6.9	-	67	-	-	21	-	100
	1970	1.8	5.2	-	59	-	-	25	-	100

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

authority and private schools were paid directly by the central government, while in Belgium they were paid directly by the bodies operating the schools which did however, receive corresponding subsidies from the central government. The local authorities also received subsidies for other expenditure on education. In the Netherlands, these subsidies covered almost all costs, while in Belgium the central government assumed responsibility for all operating costs and, in addition, 60% of equipment costs. In Belgium, higher education was subsidised on similar lines.

Finally, the large share of expenditure accounted for by local government in Luxembourg was due, on the one hand, to the numerous local government responsibilities in this sector and on the other to the fact that the central government had no university to finance.

I. B. 9. Social services

The table relating to this sector (Table A-11) also gives the proportion of expenditure accounted for by the social security funds, which did most of the spending in this sector. The role of the social security funds is, however, confined to this sector since all expenditure by them is allocated to it.

The first two columns of Table A-11 illustrate once again the increasing share of expenditure on social services in total public expenditure. In all Member States except Germany and Italy, the rise in expenditure under this heading was accompanied by an increase in the proportion accounted for by expenditure by the social security funds, which in 1970 exceeded 80% in all Member States and even 90% in France, Belgium, and Luxembourg. Expenditure by the social security funds thus rose at a faster rate than central and local government expenditure on social services. Central government expenditure in this field consisted largely of subsidies to the social security funds. These are eliminated in the consolidated figures of Table A-11 but will be examined in greater detail in Part B (Central Government). In Italy, the central government share of expenditure fluctuated considerably. After falling in 1966 to around one-third of the 1957 figure, it topped that figure in 1970, representing a higher share of expenditure under this heading than in the other Member States. In 1970, 9.9% of total expenditure on social services in Italy was borne by the central government. In the Netherlands, on the other hand, the pattern of expenditure on social services changed sharply in the opposite direction. The central government still accounted for 14% of expenditure under this heading in 1957, but this figure was down to 5% by 1970. In Belgium and Luxembourg too, the central government's share fell, albeit not so fast, to around 4 and 6% respectively in 1970.

Expenditure on social services consisted almost entirely, i.e. over 95% ("only" 94.2% in the Netherlands in 1970 and "only" 93.3% in Italy in 1966), of current expenditure. This current spending was mainly in the form of pensions paid by the social security funds and the welfare services provided by the other institutions.

Capital expenditure on social services was insignificant, for it was only in Italy and the Netherlands that it accounted for over 5% in some of the years indicated. The bulk of capital expenditure in these years was accounted for by the social security funds, which either effected capital transfers or invested in buildings for their own administrative use (cf. Part B of this study).

TABLE A-10

General government expenditure on "Education, culture and religion"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a) (b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central government	Local government		Central government	Local government		
Germany	1957	3.0	7.1	78	59	19	22	7	15	100	
	1966	3.9	10.0	72	58	14	28	10	18	100	
	1970	4.5	11.5	73	59	14	27	12	15	100	
France	1957	3.2	8.3	78	67	11	22	9	13	100	
	1966	5.1	13.1	81	73	8	19	10	9	100	
	1970	5.3	13.7	-	-	-	-	-	-	100	
Italy	1957	2.9	9.7	91	78	13	9	4	5	100	
	1966	4.9	13.8	90	79	11	10	4	6	100	
	1970	4.8	12.6	89	78	11	11	6	5	100	
Netherlands	1957	5.0	12.6	78	47	31	22	5	17	100	
	1966	7.5	15.6	78	8	70	22	2	20	100	
	1970	8.3	16.4	79	9	70	21	2	19	100	
Belgium	1957	3.6	12.7	89	23	66	11	7	4	100	
	1966	5.7	15.0	88	31	57	12	8	4	100	
	1970	6.3	15.7	89	30	59	11	6	5	100	
Luxembourg	1957	3.3	10.9	-	50	-	-	4	-	100	
	1966	4.8	12.4	-	53	-	-	10	-	100	
	1970	4.5	12.8	-	51	-	-	14	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

TABLE A-11

General government expenditure on "Social services"

		as %		Breakdown of expenditure (%)								
		of GNP	of total general government expenditure	Current expenditure (a)				Capital expenditure (a)(b)				Total
				Total	of which			Total	of which			
					central government	local government	social security funds		central government	local government	social security funds	
Germany	1957	12.6	33.0	98.5	5.4	7.7	85.4	1.5	0.7	0.4	0.4	100
	1966	14.0	35.4	97.9	7.5	7.0	83.4	2.1	1.2	0.5	0.4	100
	1970	14.1	36.4	97.8	6.6	6.5	84.7	2.2	1.5	0.5	0.2	100
France	1957	11.7	30.7	99.2	3.3	9.2	86.7	0.8	0.1	0.3	0.4	100
	1966	14.2	36.8	98.6	2.4	7.2	89.0	1.4	0.3	0.2	0.9	100
	1970	15.4	39.9	97.5	2.7	4.7	90.1	2.5	0.2	0.2	2.1	100
Italy	1957	9.1	30.9	96.8	6.5	7.5	82.8	3.2	0.8	0.4	2.0	100
	1966	14.2	39.8	93.3	2.3	3.9	87.1	6.7	0.2	0.8	5.7	100
	1970	15.6	41.2	95.0	8.4	3.3	83.3	5.0	1.5	0.6	2.9	100
Netherlands	1957	9.9	25.2	94.9	9.8	12.4	72.6	5.1	4.5	0.6	-	100
	1966	15.7	32.9	95.7	4.1	11.2	80.4	4.3	2.9	0.3	1.1	100
	1970	18.6	36.8	94.2	3.1	10.6	80.5	5.8	1.8	0.2	3.8	100
Belgium	1957	9.3	32.9	99.4	7.2	3.8	88.4	0.6	0.2	-	0.4	100
	1966	14.4	37.9	91.6	4.7	3.3	83.6	8.4	0.1	0.8	7.5	100
	1970	14.6	36.5	97.9	4.4	1.8	91.7	2.1	0.0	0.1	2.0	100
Luxembourg	1957	10.6	34.9	.	9.2	1.5	88.4	.	0.9	(c)	(c)	100
	1966	14.9	38.8	.	6.8	1.1	91.1	.	1.0	(c)	(c)	100
	1970	14.7	41.9	.	5.3	1.9	92.0	.	0.5	(c)	(c)	100

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

(c) Included under current expenditure

I. B. 10. Public health

The 1970 figures for expenditure on public health as a proportion of gross national product were very similar in all Member States except Germany. The figures for Germany - and to some extent also those for Luxembourg - were, however, somewhat inflated by the fact that the hospitals, which are a local government responsibility, cannot always be shown separately from general government (cf. page 1 of the Introduction). What is recorded as public expenditure is therefore not only the net subsidies by the local authorities but also gross expenditure on hospitals, from which gross receipts have not been deducted.

The pattern of expenditure under this heading reflects the differences in public health organization. The extent of the role played by local government also differed markedly. It accounted for over 80% of expenditure in Germany, France and the Netherlands, around 70% in Italy, and only 55-60% in Belgium, and Luxembourg. In all Member States, therefore, local government carried out the bulk of expenditure on public health, the main items of expenditure being clinics, hospitals and sanatoria, on the one hand, and sewerage, street cleaning and public hygiene, on the other. The central government's share looks rather small because the subsidies paid to university hospitals were not entered under this heading but under "Education, science and cultural services", since the ends they served were not only those of health but also those of science.

Even so, the major financial burden of public health was borne by the central government since it financed part of health expenditure, e.g. under the Hospital Finance Act in Germany and, in other countries through subsidies to private individuals who needed to enter hospital. The sharp rise in hospital costs are not reflected in Table A-12; the bulk of such costs being met by the social security funds do not appear under the expenditure heading "Public Health".

Lastly, it is worth noting the significant share of capital expenditure which is under 20% only in France.

I. B. 11. Housing

Table A-13 shows clearly how the differences in the trend of this category of expenditure in the Member States were linked with a shift in the pattern. This shift also helps to explain the changes in the total volume of expenditure and shows that the relative fall cannot be equated with a cutback in assistance to residential construction. For, in the Member States in which there was a relatively sharp fall in expenditure on the promotion of residential construction and on rent subsidies (all countries except Belgium), this fall was accompanied by a switch under the policy from capital to current expenditure. This was particularly noticeable in Germany and the Netherlands. As a result, loans which in 1957 had still accounted for the bulk of the assistance in the countries mentioned, were replaced by interest rate subsidies and other forms of current transfers which, while providing the same degree of assistance to the individual had a much smaller impact on expenditure. Thus, in order to make a correct assessment of the changes, it would be necessary to compare loans granted with loan requirements so as to have some idea of the extent of net lending by the public authorities. Unfortunately, however, it is not possible to make any direct comparison. A comparative assessment is also hampered by the fact that several Member States had, to varying degrees, left the task of financing residential construction to banks and specialized institutions.

TABLE A-12

General government expenditure on "Public health"

		as %		Breakdown of expenditure (%)						
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a)(b)			Total (a) (b)
				Total	of which		Total	of which		
					Central govern.	Local govern.		Central govern.	Local govern.	
Germany	1957	1.5	4.0	71	19	52	29	5	24	100
	1966	2.1	5.3	56	13	43	44	8	36	100
	1970	2.1	5.4	61	13	48	39	7	32	100
France	1957	0.3	0.8	82	7	75	18	-	18	100
	1966	0.7	1.8	83	9	74	17	6	11	100
	1970	0.7	1.8	-	-	-	-	-	-	100
Italy	1957	1.4	4.5	70	15	55	30	13	17	100
	1966	1.4	4.1	72	16	56	28	13	15	100
	1970	1.3	3.5	76	17	59	24	14	10	100
Netherlands	1957	1.0	2.6	61	12	49	39	1	38	100
	1966	1.1	2.4	60	15	45	40	1	39	100
	1970	0.9	1.9	67	20	47	33	2	31	100
Belgium	1957	0.5	1.7	55	15	40	45	1	44	100
	1966	0.6	1.7	64	32	32	36	8	28	100
	1970	1.1	2.7	65	38	27	35	8	27	100
Luxembourg	1957	1.2	3.8	-	28	-	-	7	-	100
	1966	1.3	3.4	-	28	-	-	18	-	100
	1970	1.2	3.3	-	32	-	-	12	-	100

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

TABLE A-13

General government expenditure on "Housing"

		as %		Breakdown of expenditure (%)						
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a)(b)			Total (a) (b)
				Total	of which		Total	of which		
					Central government	Local government		Central government.	Local government	
Germany	1957	2.0	5.2	11	5	6	89	80	9	100
	1966	1.4	3.6	26	16	10	74	60	14	100
	1970	0.9	2.4	37	22	15	63	51	12	100
France	1957	1.3	3.5	17	13	4	83	74	9	100
	1966	1.7	4.4	6	5	1	94	57	37	100
	1970	1.5	3.8	-	-	-	-	-	-	100
Italy	1957	0.4	1.4	6	6	-	94	75	19	100
	1966	0.4	1.0	10	4	6	90	76	14	100
	1970	0.3	0.8	14	6	8	86	70	16	100
Netherlands	1957	3.4	8.7	13	3	10	87	12	75	100
	1966	3.7	7.6	23	2	21	77	2	75	100
	1970	2.7	5.5	42	5	37	58	1	57	100
Belgium	1957	0.3	1.2	49	39	10	51	26	25	100
	1966	0.4	1.2	45	34	10	55	38	17	100
	1970	0.6	1.4	40	30	10	60	31	29	100
Luxembourg	1957	0.6	1.9	-	11	-	-	32	-	100
	1966	0.5	1.2	-	3	-	-	28	-	100
	1970	0.4	1.2	-	7	-	-	33	-	100

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

The trend until 1970 was different in Belgium, where the share of capital expenditure rose to the level recorded in the Netherlands and Germany, though, from 1967 onwards, there was also a switch from public loans to interest rate subsidies and bank loans. A comparison of the situation in these three countries in 1970 thus reveals that housing in the Netherlands received quite substantial public assistance, while in Germany it was assisted to not quite the same extent and in Belgium even less so. These differences were also attributable in part to the situation on the housing market. After the war, Belgium with a slow rate of population growth, found its housing stock had been only slightly damaged, while Germany and the Netherlands had lost a lot of theirs. At the same time, the number of households in the Netherlands was still rising very rapidly towards the end of the period, creating new demand all the time.

The 1957-66 study described in detail the various forms of, and institutions responsible for, promotion of residential construction and also the changes which occurred up to 1969 (this was possible because the study was published only in 1970).

I. B. 12. Compensation for war damage and disasters

In the period 1966-70, as in the years 1957-66, expenditure under this heading was rising much less rapidly than public expenditure as a whole (except in France and Luxembourg). There was, however, no absolute fall in 1966/70, such as had occurred in the Netherlands and in Luxembourg in 1957-66. This indicates that expenditure under this heading stabilized at a low level (less than 2.6% of total expenditure) in most Member States. The exception was Germany, where, even in 1970, some 6.4% of public expenditure still went in compensation for war damage and disasters even though (see Section I. A. above) part of the war damage burden is shown under "Social services".

The increase in France between 1966 and 1970 is attributable to the compensation paid to repatriates from Algeria. In the Netherlands and in Luxembourg, the sharp proportionate contraction in 1957-66 had reflected an absolute annual fall in expenditure of 6% and 5.8% respectively (cf. Table A-3), as compensation payments (particularly for damage to property) had come to an end. The renewed increase in both countries was due to the earlier increase and index-linking of war victims' pensions, which are also reflected in this structure of expenditure. While capital expenditure still accounted for between 80% (Netherlands) and around one-half (Luxembourg) of total expenditure in 1957, its share declined to less than one-tenth in 1966 and 1970.

The structure of expenditure in the different Member States was already very similar in 1966 and converged further thereafter. In 1970, between 78% and 98% of expenditure was on current account and borne solely by the central government. It included not only the administration costs, but also the current transfers to war and disaster victims. Local government expenditure under this heading was virtually down to nil by 1970.

TABLE A-14

General government expenditure on "Compensation for war damage and disasters"

		as %		Breakdown of expenditure (%)							
		of GNP	of total general government expenditure	Current expenditure (a)			Capital expenditure (a)(b)			Total (a) (b)	
				Total	of which		Total	of which			
					Central government	Local government		Central government	Local government		
Germany	1957	4.6	11.9	89	78	11	11	11	-	100	
	1966	2.9	7.4	89	87	2	11	11	-	100	
	1970	2.5	6.4	89	88	1	11	11	-	100	
France	1957	2.1	5.5	54	54	-	46	46	-	100	
	1966	1.0	2.6	98	98	-	2	2	-	100	
	1970	0.8	2.2	79	79	-	21	21	-	100	
Italy	1957	1.6	5.3	81	81	-	19	11	8	100	
	1966	1.0	2.9	69	69	-	31	20	11	100	
	1970	1.0	2.6	78	78	-	22	22	-	100	
Netherlands	1957	0.5	1.4	18	14	4	82	77	5	100	
	1966	0.1	0.2	90	90	-	10	10	-	100	
	1970	0.1	0.1	96	96	-	4	4	-	100	
Belgium	1957	1.6	5.8	63	62	1	37	36	1	100	
	1966	1.0	2.7	90	89	1	10	7	3	100	
	1970	0.8	2.0	91	91	-	9	8	1	100	
Luxembourg	1957	1.4	4.7	48	48	-	52	52	-	100	
	1966	0.3	0.8	97	97	-	3	3	-	100	
	1970	0.3	0.9	98	98	-	2	2	-	100	

(a) Excluding transfers within general government.

(b) Excluding debt redemption.

II. TREND AND PATTERN OF PUBLIC EXPENDITURE BY ECONOMIC CATEGORY

In this section, public expenditure is broken down by economic category only, without regard to the function for which it is incurred. The economic categories in question were listed in the Introduction (pages 5 and 6). The first four categories, namely purchases of goods and services, staff costs, interest payments and current transfers, are grouped together as current expenditure, while direct investment, capital transfers and loans, advances and increases in equity holdings are classified as capital expenditure. As already noted, however, it is sometimes difficult to differentiate between current transfers and capital transfers. Take for example the payment of savings premiums in Germany, which depend on the amount of the annual savings of the individual household. Since they are related to the current income from which savings are built up, they could be considered as current transfers. On the other hand, since capital is formed through savings, they can just as easily be regarded as capital transfers. For this reason, transfers are grouped together under one heading in the first two tables of this Section (Tables A-15 and A-16), which are intended to illustrate the relative importance of the various economic categories.

From the national economic standpoint a more useful subdivision of government expenditures is between that by which government itself directly acquires the factors of production, and that by which it transfers to others the power to do so.

The former group includes the purchase of goods and services, the wages and salaries of serving government employees and the government's direct investment. Government servants come in this category, because they are potentially productive manpower made unavailable for productive work in the private sector by direct employment in public duties. In the same way, when government buys goods produced by the private sector, these are not then available for private consumption, private investment or export. It should be noted the staff costs shown in these tables include the pensions paid to former public servants and children allowances paid to serving officials, which are in reality transfers but, in the available statistical information could not be separated from staff remuneration.

Transfers, whether of income or of capital constitute the second group which, by definition, includes interest payments on the national debt. All these set up a flow of funds to the private sector without government acquisition of direct claims (i.e. goods and services) on the factors of production. In the same group are loans and advances, representing assistance by government to private enterprise activities, and included also are the increases in publicly-owned equities.

If Table A-15 is examined in the light of this classification into two groups, it can be seen that direct claims on the factors of production by the public sector accounted for less than 50% of general government total expenditure in all Member States. In most of them, the share of compensation of employees and that of purchases of goods for current consumption and of capital goods were roughly equal except in Italy and Belgium. In Italy in particular purchases of non-durable and durable goods were easily outstripped by staff costs since, compared with the other Member States, purchases of both categories of goods were small. In Belgium, the gap between staff costs and purchases of goods was somewhat narrower because, towards the end of the period at any rate, the share of capital expenditure, approached the average for the Community; by contrast, the level of purchases of goods for current consumption was the lowest in the Community.

TABLE A-15

General government expenditure by economic category

(% of total)

		Purchases of goods and services	Compen- sation of employees	Interest payments	Transfers	Direct Invest- ment	Loans and advances	Total
Germany	1957	19	19	2	44	8	9	100
	1966	16	22	2	43	12	5	100
	1968	15	22	3	46	11	4	100
	1970	14	24	3	44	12	3	100
France	1957	14	23	3	46	6	8	100
	1966	11	22	3	50	8	5	100
	1968	11	22	3	50	9	5	100
	1970	10	23	3	50	10	4	100
Italy	1957	10	28	5	46	6	5	100
	1966	8	28	4	49	7	4	100
	1968	8	25	5	50	6	6	100
	1970	7	24	5	54	6	4	100
Netherlands	1957	15	22	6	32	12	13	100
	1966	10	23	6	36	12	13	100
	1968	9	22	7	37	12	13	100
	1970	9	22	7	41	11	10	100
Belgium	1957	11	23	7	44	9	6	100
	1966	10	24	8	43	9	6	100
	1968	8	23	8	46	11	4	100
	1970	7	23	9	47	11	3	100
Luxembourg	1957	12	22	3	47	14	2	100
	1966	7	22	3	52	12	3	100
	1968	8	21	4	52	12	3	100
	1970	8	22	4	53	11	3	100

TABLE A-16

General government expenditure by economic category

(% of GNP)

		Purchases of goods and services	Compen- sation of employees	Interest payments	Transfers	Direct invest- ment	Loans and advances	Total
Germany	1957	7.0	7.1	0.7	16.6	3.0	3.5	37.9
	1966	6.3	8.7	0.9	16.9	4.7	1.9	39.3
	1968	5.8	9.0	1.0	18.4	4.3	1.5	40.0
	1970	5.5	9.3	1.0	17.3	4.7	1.1	38.9
France	1957	5.5	8.9	1.3	17.4	2.2	2.9	38.2
	1966	4.4	8.6	1.0	19.2	3.2	2.0	38.5
	1968	4.2	8.8	1.2	20.0	3.8	2.0	40.0
	1970	4.0	8.8	1.1	19.3	3.8	1.7	38.6
Italy	1957	2.9	8.2	1.6	13.4	1.8	1.5	29.3
	1966	2.9	9.9	1.6	17.5	2.4	1.3	35.6
	1968	3.0	9.5	1.8	18.5	2.3	2.3	37.4
	1970	2.9	9.1	1.9	20.4	2.2	1.4	37.9
Netherlands	1957	5.8	8.8	2.4	12.5	4.6	5.3	39.4
	1966	4.6	11.2	3.0	17.2	5.5	6.3	47.8
	1968	4.4	11.3	3.4	19.0	6.0	6.6	50.7
	1970	4.7	11.4	3.5	20.7	5.5	4.8	50.5
Belgium	1957	3.1	6.8	2.0	12.6	2.6	1.8	28.9
	1966	3.6	9.0	3.1	16.4	3.6	2.3	38.0
	1968	3.2	9.3	3.1	3.1	4.5	1.6	40.7
	1970	3.0	9.2	3.5	18.6	4.5	1.2	40.0
Luxembourg	1957	3.6	6.6	1.0	14.4	4.2	0.7	30.5
	1966	2.9	8.5	1.2	19.9	4.6	1.2	38.3
	1968	3.0	8.4	1.6	20.4	4.8	1.1	39.4
	1970	2.6	7.6	1.4	18.6	3.9	1.0	35.1

The trend in expenditure categories discussed so far does not reveal the excessive growth in the compensation of public sector employees so frequently alleged. Through the period 1957-70, it was much more a case of staff costs rising in line with total public expenditure in all Member States (except Germany and Italy).

In Germany, the share of compensation of employees rose from the comparatively very low level of 19% in 1957 to 24% in 1970. This increase was partly due to a sharp expansion in pay in the field of defence, but also to the fact that, from 1966 onwards, pensions to former non-resident civil servants were recorded under compensation of employees (in 1957, they had been recorded under transfers). In addition, the statistical recording of compensation of employees was improved after 1957 by the inclusion of that part of staff costs which was previously recorded under "material" costs. In Italy, the share of compensation of employees actually fell, though public expenditure, expressed as a proportion of national product, did not expand any faster than in the Benelux countries.

Transfers constituted the largest item of expenditure in all Member States and showed an upward trend in most Member States, particularly Italy, the Netherlands and Luxembourg. In 1970, transfers accounted for more than half of total public expenditure in three Member States and "only" 44% and 47% in Germany and Belgium respectively. The lowest figure, 41%, was recorded in the Netherlands.

On the other hand, loans, advances and equity participation in the Netherlands were particularly high, though the situation with regard to loans changed between 1968 and 1970, as explained earlier in the section concerning housing. In Germany and France the sharp fall in the proportion of expenditure was similarly attributable to changes in the system of residential housing assistance. It is also worth noting that in 1970 the proportion of total public expenditure accounted for by staff costs varied very little between Member States, ranging from 22% (Netherlands and Luxembourg) to 24% (Germany and Italy).

Table A-16 relates the information given in Table A-15 to gross national product. In many respects, this produces a different picture. The share of staff costs, for instance, no longer shows a constant trend nor is there the same close similarity between Member States. As the last column in Table A-16 shows, this is due to the wide difference between the countries in the extent to which public expenditure grew faster than the national product, with the result that in one country (France) a constant share of staff costs in public expenditure also meant an almost constant share in national product, while in other countries (e.g. Italy and the Benelux countries in the period 1957-66) it meant a sharp increase in the share in national product. In the period 1966-70, general government staff costs expressed as a proportion of national product remained almost constant in France and in the Netherlands, and actually fell in Italy and Luxembourg.

On the other hand, where general government expenditure as a proportion of national product was much higher than the Community average as in the Netherlands for instance, the same share of staff costs represented a greater claim on the gross national product.

The direct claim on productive potential varied as reflected in the figures of Table A-16 therefore quite appreciably. In 1970, the Netherlands headed the list with a figure of just under 22% of gross national product, followed by Germany with 19.5%, France and Belgium with 16.5% and, finally, Italy and Luxembourg with just over 14%. This illustrates the considerable differences between Member States as regards the claim on the gross national product, that in Italy and Luxembourg being just over half that in the Netherlands, the country with the highest share of direct general government expenditure. However, to draw a conclusion on the supply of public goods in the various Member States, including the provision of services of public officials (teachers, policemen, etc.) which are of direct benefit to the general public, would only be possible on the assumption that the effectiveness of

general government expenditure was the same everywhere.

Transfers, which include subsidies to enterprises, loans, advances and equities provide the public authorities with a further means of influencing the economy. They can either make general transfers to specific sections of the population or to certain age-groups (old-age pensions are one example) with which the latter can buy consumer goods; or they can act selectively on specific economic sectors through subsidies or loans, advances and equity acquisitions or through the payment of interest, thereby providing holders of national debt securities with funds which they can spend on goods or reinvest in financial assets. In this second group too, the Netherlands recorded the highest level of expenditure, with 29% of the national product, followed by Italy and Belgium with just under 24%, France and Luxembourg with 22% and 21% respectively and, finally, Germany with 19.5%. The ranking of Member States according to the level of expenditure was, therefore, different in the two groups. Italy in particular recorded a relatively high percentage in the second group, while in the first it was one of the two countries with the lowest proportion of expenditure.

Since, as can be seen from Tables A-15 and A-16, transfer payments constituted the largest expenditure category, Table A-17 gives a breakdown of this category for two years. It shows that current transfers to households were by far the largest sub-group, accounting in all countries (except Luxembourg in 1966 and Italy in 1970) for more than three-quarters of total transfer payments. Even in Italy in 1970 and Luxembourg in 1966 they still accounted for exactly two-thirds and 72% of transfers respectively. In France, Belgium and Luxembourg, the proportion of expenditure accounted for by these transfers rose rapidly in the period 1966-70, reflecting the growing importance of social welfare benefits.

Furthermore, since capital transfers also include transfers to households, at least three-quarters of the transfers in all the countries concerned were probably made to households. Of less importance, but still quite significant, were current transfers to enterprises (i.e. subsidies) which accounted in 1970 for just over 5% of public expenditure in France and Italy and almost 7% in Belgium and Luxembourg. The figures were lower only in Germany (3.6%) and in the Netherlands (2.5%). Except in France, where the percentage remained constant, and in Luxembourg, where it fell sharply, subsidies expressed as a proportion of total public expenditure rose. The level and trend of this category of expenditure were strongly influenced by the situation of transport undertakings (railways and local transport), most of which needed government subsidies.

The relative size of the other types of transfer, i.e. current transfers to non-profit institutions, current transfers to the rest of the world and capital transfers, varied between Member States, as did the trend in these transfers in the period 1966-70. The contraction in capital transfers in France was largely attributable to the decline in transfers to the Commission d'Energie Atomique (see Part B)

So as to make the traditional distinction between current and capital expenditure, current expenditure is shown separately at the end of Table A-17. In all the countries concerned current expenditure accounted for just over four-fifths of public expenditure; in the Netherlands, it accounted for just under four-fifths (77%).

The figures were thus remarkably similar, probably reflecting the similar pattern of public expenditure in advanced industrialized countries.

TABLE A-17

General government expenditure by economic category

(%)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	66	70	66	70	66	70	66	70	66	70	66	70
1. Purchases of goods and services	16.1	14.2	11.4	10.3	8.1	7.5	9.5	9.2	9.6	7.4	7.4	7.5
2. Staff costs	22.0	23.7	22.3	22.8	27.9	23.9	23.5	22.6	23.8	23.2	22.2	21.6
Public consumption (1 + 2)	38.1	37.9	33.7	33.1	36.0	31.4	33.0	31.8	33.4	30.6	29.6	29.1
3. Interest payments	2.2	2.5	2.7	2.7	4.3	5.1	6.2	6.9	8.0	8.7	3.2	4.0
4. Current transfers to enterprises	3.0	3.6	5.1	5.1	3.6	5.5	1.6	2.5	6.7	6.9	11.1	6.9
5. Current transfers to households	34.7	34.7	37.6	39.5	36.5	36.0	29.7	33.0	33.3	36.1	37.2	40.3
6. Current transfers to non-profit institutions	0.9	0.9	0.7	1.1	2.0	2.0	1.8	2.0	0.9	0.8	0.5	0.5
7. Current transfers to the rest of the world	1.2	1.3	1.9	1.6	0.2	0.8	0.6	0.9	1.2	1.7	0.6	2.1
8. Capital transfers	3.1	3.9	4.6	3.1	6.8	6.4	2.4	2.5	1.1	1.0	2.5	3.0
9. Other non-classified transfers	-	-	-	-	-	3.2	-	-	-	-	-	-
Total transfers (4 to 9)	42.9	44.4	49.9	50.4	49.1	53.9	36.1	41.0	43.2	46.5	51.9	52.8
10. Direct investment	12.0	12.1	8.4	9.8	6.8	5.8	11.5	10.8	9.5	11.4	11.9	11.2
11. Loans, advances and equity	4.8	3.0	5.2	4.0	3.8	3.8	13.2	9.5	5.9	2.8	3.3	2.8
12. Total expenditure	100	100	100	100	100	100	100	100	100	100	100	100
of which current expenditure	80.1	81.0	81.8	83.1	82.5	84.0	72.9	77.1	83.5	84.8	82.3	83.0

TABLE A-18

Structure of general government financial resources

(% of total)

		Taxes	Social Security Contri- butions	Other receipts	Total receipts	Borrowing or surplus(-)	Total
Germany	1966	60.8	22.7	13.7	97.2	2.8	100
	1967	58.0	21.5	13.4	92.9	7.1	100
	1968	59.2	22.9	14.5	96.6	3.4	100
	1969	63.6	24.2	13.4	101.2	- 1.2	100
	1970	57.5	25.9	15.7	99.1	0.9	100
France	1966	58.7	28.7	9.2	96.6	3.4	100
	1967	56.5	30.4	9.3	96.2	3.8	100
	1968	55.7	30.6	8.7	95.0	5.0	100
	1969	55.3	30.6	9.0	94.9	5.1	100
	1970	56.1	32.5	10.1	98.7	1.3	100
Italy	1966	52.4	27.4	6.8	86.6	13.4	100
	1967	55.4	30.1	7.5	93.0	7.0	100
	1968	51.7	29.9	6.5	88.1	11.9	100
	1969	51.8	30.2	10.3	92.3	7.7	100
	1970	49.4	30.0	7.1	86.5	13.5	100
Netherlands	1966	50.0	26.5	12.4	88.9	11.1	100
	1967	49.1	26.5	15.3	90.9	9.1	100
	1968	48.5	28.0	12.7	89.2	10.8	100
	1969	49.2	29.7	13.7	92.6	7.4	100
	1970	49.5	30.2	13.4	93.1	6.9	100
Belgium	1966	59.5	24.8	5.9	90.2	9.8	100
	1967	60.2	27.1	5.1	92.4	7.6	100
	1968	58.5	24.4	5.5	88.4	11.6	100
	1969	59.7	24.4	5.4	89.5	10.5	100
	1970	61.0	26.1	5.4	92.6	7.4	100
Luxembourg	1966	60.5	25.9	13.4	99.8	0.2	100
	1967	58.1	24.7	16.0	96.8	3.2	100
	1968	57.4	24.7	14.7	96.8	3.2	100
	1969	65.3	25.8	14.3	105.4	- 5.4	100
	1970	70.3	28.1	13.5	111.9	-11.9	100

III. TREND AND PATTERN OF PUBLIC SECTOR FINANCIAL RESOURCES

The sources of funds available to the public sector for financing its expenditure, as defined at the beginning of this study, can be divided into four main groups :

- taxes;
- social security contributions;
- other (current and capital) receipts;
- loans (net) and use of credit balances (= net borrowing requirement).

Exceptionally, the net borrowing requirement may also represent a surplus where general government has, in any one year, not borrowed or drawn on previously accumulated assets, but has built up new assets through a surplus of revenue over expenditure. In the period under review, this happened only in Germany (1969) and Luxembourg (1969 and 1970) and this ranks as a rare occurrence.

Taxes are the most important source of public sector finance. This can be seen from Table A-18, the first column of which gives the yield from taxation as a percentage of total financial resources. Taking the average for the five-year period under review, taxes provided the largest share in Luxembourg, Germany and Belgium, accounting for around 60% of total financial resources. The corresponding figure in France was somewhat lower, around 56%. In 1967, the figure in Italy was 55% but then fell steadily to only 49.4% in 1970, almost equal to the average in the Netherlands, which at 49%, was the lowest in the Community.

Social security contributions, too, showed clear but not very wide, divergences between Member States. By and large, social security contributions were equivalent to a quarter of public expenditure, though in France and Italy the average figure for the five-year period was 30%, the same as the figure recorded in the Netherlands in 1970. The social security share showed, for the most part, a rising trend, as did expenditure on "Social services", which took considerably more money in all Member States than social security contributions.

Since taxes and social security contributions made up at least three-quarters of public sector financial resources, the remaining two categories were of lesser importance. Of these two categories, "Other receipts" accounted for a proportion which differed greatly. It covers the proceeds from sales of goods and services, property and entrepreneurial income, transfers received (excluding taxes - e.g. transfers from the rest of the world) and repayments of loans, advances and equity acquisitions.

In the period under review, the proportion of other receipts was particularly large in the Netherlands, followed by Germany and Luxembourg with around 14%. The high level in these Member States was the result of different factors. In Germany, sales of goods and services i.e. revenue from fees and charges were particularly high. Moreover, a number of public-owned undertakings (particularly local authority undertakings) could not be isolated from the general government sector with the result that their gross revenue appeared as government revenue.

In Germany, moreover, the proportion of property and entrepreneurial income was double the average for the other Member States.

In the Netherlands, all four categories of other revenue were higher than the Community average. The difference was particularly large in the case of repayments of loans and advances. This reflected the very substantial volume of loans and advances on the expenditure side, which generated a corresponding flow of repayments. In Luxembourg, the proportion of property and entrepreneurial income was a great deal higher than in the other Member States. For much the same reasons as in Germany, revenue from fees and charges in Luxembourg was also higher than the Community average.

In the remaining three Member States, other revenue accounted for a smaller proportion of total revenue, only about 5.5% in Belgium, around 7% in Italy and 10% in France.

Total general government revenue generally failed to cover total public expenditure; the exceptions were mentioned earlier. As Table A-18 shows, the proportion of borrowing which had to be carried out where there were no previously accumulated balances to draw on varied considerably between the various Member States and also, in individual countries, from year-to-year. Borrowing accounted for a relatively constant share of total financial resources in Belgium. The same is true of France except for the year 1970, when borrowing fell to 1.3% of public expenditure. Even if that year is included, the difference in France, between the highest proportion of borrowing (5.1%) and the lowest (1.3%) was the smallest recorded in all Member States (3.8%). The difference in Belgium was 4.0%, while there were somewhat sharper fluctuations in Italy and the Netherlands, where the largest difference was 6.5% and 4.2% respectively. The widest fluctuations occurred in Germany and Luxembourg, the only two countries where, during the five-year period, revenue exceeded expenditure in one and two years respectively. In both countries, the surplus was achieved in years when it was perfectly justified by the state of the economy. Throughout the period the trend in the net borrowing requirement in both countries was essentially in line with the requirements of the economic situation. For instance, the net borrowing requirement in Germany reached a record level in 1967, a year of recession, was negative in the boom year of 1969 and was still modest in 1972, when the boom continued relatively unabated. Table A-19 gives taxes, social security contributions and other revenue as percentages of GNP. It reveals a number of shifts in importance compared with Table A-18, correcting in particular the possible impression that the burden of taxation was the lightest in the Netherlands. Expressed as a percentage of GNP, the burden of taxation in the Netherlands in 1970 was similar to the average burden of taxation in Germany, Belgium and Luxembourg, which was about 24% in the five-year period review. France and Italy were the only countries with a lower average burden (22% and 19% respectively), so that it is not surprising that the Italian public sector had to borrow on a large scale to cover its expenditure. As regards social security contributions, the picture was very much the same, with the Netherlands (at least in 1970) heading the list, followed by France, Italy, Belgium, Germany and, finally, Luxembourg.

The proportion of public sector financial resources accounted for by other receipts remained the highest in Germany, the Netherlands and Luxembourg.

The last column in Table A-19 gives total public receipts as a proportion of GNP. The highest proportion was recorded in 1970 in the Netherlands (47%), (in Germany, France, Belgium and Luxembourg) with figures of between 37% and 39%. The Italian figure (around 33%) was a great deal lower than the Community average.

The breakdown of tax yield into direct taxes and indirect taxes - given in Table A-20 - is important for purposes of international tax comparisons, tax harmonization, fair treatment and arrangements for correct border tax adjustment. For the purposes of this comparative study, direct taxes are taxes which are levied on the

income of undertakings and households and which, as a matter of principle and according to the intention of the legislator are not to be included in prime costs or in selling prices; in most cases, the rates of these taxes are progressive. One main criterion for gauging the intention of the legislators is the deductibility of taxes for the calculation of profits. Where there are doubts as to the status of a tax, non-deductibility makes it a direct tax.

Indirect taxes are taxes which are levied on the turnover, production or movement of goods and services, enter into selling prices as a cost element or are deductible for the calculation of profits and are levied regardless of whether income is earned. Customs duties are regarded as indirect taxes. For the purposes of this study, the proportional payroll tax of 5% in France, which was virtually abolished in 1968, and the tax on industry and trade in Germany are also included under this heading.

Finally, the taxes classified as capital taxes comprise those levied on the capital of taxable persons or on a component thereof (in the Netherlands, only succession duties and other non-recurrent taxes on capital are included; in Germany, the wealth tax is the only tax included).

The left-hand side of Table A-20 shows a trend in the distribution between direct and indirect taxes for the period under review which differed from the trend observed in the period 1957-66, when the gap between the burdens narrowed. It was precisely in Luxembourg the country which, together with Netherlands, had the highest level of direct taxation expressed as a percentage of gross national product in 1966, that the burden of direct taxation increased further, with a jump in 1970 bringing it from 14.1% to 15.6%. At the other end of the scale (France and Italy), only Italy showed a downward trend in the burden of direct taxation, with the result that the gap between the highest and lowest figure in the Member States widened from 7.4% in 1966 to 9.9% in 1970. In the case of indirect taxes, on the other hand, there was some movement towards alignment since the burden for France, which at 16.4% had been relatively high in 1966, fell to 14.5% in 1970, while the burden for Luxembourg, the country which had been the lowest, declined by only 0.7%. The 1970 levels of indirect taxation in the three large Member States and in Belgium expressed as a percentage of GNP were roughly identical. The burden of indirect taxation in the Netherlands, and particularly in Luxembourg, was lower.

The right-hand side of Table A-20 shows direct and indirect taxes as well as capital taxes as a percentage of total tax revenue. The differences in the distribution between direct and indirect taxes are even more marked here. In only two Member States was the proportion of direct taxes higher than that of indirect taxes. These were in the Netherlands where the margin was only small (around 54% compared with around 45%); but in Luxembourg was on a more substantial scale particularly in 1969 and 1970, when direct taxes accounted for 63%, or almost two-thirds, of tax revenue. Germany and Belgium were in an intermediate position (around 40% direct taxes and around 58% indirect taxes), while France and Italy, where direct taxes accounted for just over 30% of total tax revenue, brought up the rear. In the case of Italy, this was the average figure for the five-year period but, in the case of France, it refers only to 1970, the proportion of direct taxes having been even lower previously. In both countries, a good two-thirds of tax revenue was accounted for by indirect taxes.

The last table in Part A shows the burden imposed on the public sector budget by the national debt, giving interest payments and also redemption payments, which have to be financed by new borrowing unless, exceptionally, revenue exceeds expenditure.

Interest payments placed an above-average burden on the public sector budget in Italy, the Netherlands and Belgium, though even between these countries there were considerable differences as can be clearly seen from the ratio of interest payments to total expenditure and also to GNP. In all Member States, the debt interest burden

rose at a more rapid rate than total public expenditure. Germany and France recorded the lowest proportion of debt interest payments.

The level of the redemption payments to be made by the public authorities as a whole depends not only on the size of the national debt but also on the maturity pattern. Table A-21 shows that in Belgium in particular public sector deficits were obviously financed on a relatively short-term basis so that redemption payments each year were extremely high. Such payments must, of course, be financed by new borrowing, which makes the central government budget very vulnerable to rising interest rates : if interest rates go up sharply, interest payments by the central government must also be raised. If, however, the national debt is financed mainly on a long-term basis, the changes in the debt interest burden are a great deal less abrupt.

TABLE A-19

Structure of general government financial resources

(as % of gross national product)

		Taxes	Social Security	Other revenue	Total revenue
Germany	1966	24.0	8.9	5.3	38.2
	1967	24.4	9.1	5.5	39.0
	1968	23.7	9.2	5.8	38.7
	1969	25.0	9.5	5.3	39.8
	1970	23.4	10.0	5.1	38.5
France	1966	22.6	11.1	3.5	37.2
	1967	22.1	11.9	3.7	37.7
	1968	22.3	12.2	3.5	38.0
	1969	22.5	12.4	3.6	38.5
	1970	21.7	12.6	3.8	38.1
Italy	1966	18.6	9.8	2.4	30.8
	1967	19.3	10.5	2.6	32.4
	1968	19.3	11.2	2.5	33.0
	1969	18.3	10.7	3.7	32.7
	1970	18.7	11.4	2.7	32.8
Netherlands	1966	23.9	12.7	5.9	42.5
	1967	24.5	13.2	7.7	45.4
	1968	24.6	14.2	6.4	45.2
	1969	24.5	14.8	6.8	46.1
	1970	25.0	15.2	6.8	47.0
Belgium	1966	22.6	9.4	2.2	34.2
	1967	23.2	10.5	2.0	35.7
	1968	23.8	9.9	2.3	36.0
	1969	23.9	9.8	2.2	35.9
	1970	24.4	10.5	2.1	37.0
Luxembourg	1966	23.2	9.9	5.2	38.3
	1967	23.3	9.9	5.6	38.8
	1968	22.6	9.7	5.9	38.2
	1969	23.6	9.3	5.2	38.1
	1970	24.7	9.9	4.7	39.3

TABLE A-20

Taxes levied by general government

		as % of gross national product				as % of total tax revenue		
		Direct taxes	Indirect taxes	Capital taxes	Total taxes	Direct taxes	Indirect taxes	Capital taxes
Germany	1966	9.6	14.0	0.4	24.0	40.1	58.2	1.7
	1967	9.5	14.4	0.5	24.4	39.5	59.1	1.4
	1968	9.7	13.6	0.4	23.7	40.9	57.3	1.8
	1969	10.0	14.6	0.4	25.0	40.2	58.2	1.6
	1970	8.8	14.2	0.4	23.4	37.4	60.8	1.8
France	1966	5.8	16.4	0.4	22.6	25.7	72.4	1.9
	1967	5.8	15.9	0.4	22.1	26.1	71.8	2.1
	1968	6.5	15.3	0.5	22.3	29.1	68.9	2.0
	1969	6.5	15.5	0.5	22.5	29.0	69.2	1.8
	1970	6.7	14.5	0.4	21.7	31.1	67.1	1.8
Italy	1966	5.9	12.5	0.2	18.6	31.5	67.2	1.3
	1967	6.1	13.0	0.2	19.3	31.4	67.4	1.2
	1968	6.1	13.0	0.2	19.3	31.9	67.0	1.1
	1969	5.9	12.2	0.2	18.3	32.5	66.4	1.1
	1970	5.7	12.8	0.2	18.7	30.4	68.6	1.0
Netherlands	1966	13.2	10.4	0.3	23.9	55.4	43.4	1.2
	1967	13.7	10.6	0.2	24.5	55.7	43.3	1.0
	1968	13.2	11.2	0.2	24.6	53.5	45.5	1.0
	1969	13.8	10.4	0.3	24.5	56.4	42.6	1.0
	1970	13.4	11.3	0.3	25.0	53.6	45.5	0.9
Belgium	1966	9.0	13.2	0.4	22.6	39.8	58.6	1.6
	1967	9.1	13.7	0.4	23.2	39.3	59.2	1.5
	1968	9.9	13.6	0.3	23.8	41.4	57.0	1.6
	1969	10.4	13.2	0.3	23.9	43.4	55.2	1.4
	1970	10.9	13.1	0.4	24.4	44.8	53.8	1.4
Luxembourg	1966	13.2	9.8	0.2	23.2	57.2	42.2	0.6
	1967	13.5	9.6	0.2	23.3	58.1	41.2	0.7
	1968	13.0	9.5	0.1	22.6	57.2	42.1	0.7
	1969	14.1	9.3	0.2	23.6	60.0	39.3	0.7
	1970	15.6	9.1	0.1	24.7	63.1	36.3	0.6

TABLE A-21

Relative size of debt redemption and debt interest payments by general government

Year	Debt redemption as % of total expenditure						Debt redemption as % of gross national product					
	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1966	2.2	1.8	4.0	3.8	9.7	1.9	0.9	0.7	1.4	1.8	3.7	0.7
1967	2.5	2.2	1.8	3.6	11.3	1.9	1.0	0.9	0.6	1.8	4.3	0.8
1968	2.7	2.5	3.6	3.7	11.4	2.3	1.1	1.0	1.4	1.9	4.6	0.9
1969	5.3	1.7	4.4	3.3	14.3	3.1	2.1	0.7	1.6	1.6	5.7	1.1
1970	2.9	2.3	3.3	3.0	13.8	3.5	1.1	0.9	1.3	1.5	5.5	1.2
	Debt interest payments as % of total expenditure						Debt interest payments as % of gross national product					
	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1966	2.2	2.7	4.3	6.2	8.0	3.2	0.9	1.0	1.5	3.0	3.1	1.2
1967	2.6	3.2	4.7	6.4	8.0	3.6	1.1	1.3	1.6	3.2	2.1	1.4
1968	2.6	3.1	4.8	6.6	7.7	4.1	1.0	1.2	1.8	3.4	3.1	1.6
1969	2.6	3.0	5.2	6.7	8.4	4.1	1.0	1.2	1.8	3.4	3.3	1.5
1970	2.5	2.7	5.1	6.9	8.7	4.0	1.0	1.1	1.9	3.5	3.5	1.4

PART B

CENTRAL GOVERNMENT

PART B

CENTRAL GOVERNMENT

I. DEFINITION

In this study, the term "central government" refers to central administrations, i.e. the administrations of central territorial units which, except in Germany, usually have jurisdiction over the whole area of a member country.

The central territorial units in all Member States do, however, effect certain types of expenditure not directly through their budgets but through special funds set up for specific purposes. In Germany, the functions which in other Member States devolve on the central territorial units, are carried out by the Federal Government and the Länder. The competence of these, taken together, broadly coincides with that of the central territorial units in other Member States. For this reason the "central government" sector for Germany comprises the Federal Government and the Länder. The allocation of functions and financing as between the Federal Government and the Länder has been described in the previous study (pp. 81-82).

To ensure international comparability, this study also includes in central government a number of special government funds, as can be seen from the following list, which has been taken over unchanged from the previous study (see p. 82) :

- Germany : - Federal Government budget
 - Länder budgets
 - ERP Special Fund, Equalization of Burdens Fund, Company for Public Works (1).
- France : - general budget (including the Treasury's special accounts)
 - Caisse autonome d'amortissement, Caisse autonome de reconstruction, FIDES, FIDOM, FAC, the Mint, semi-public bodies (Office de la navigation, Caisse des autoroutes, ouvrages routiers à péage), administrative agencies of the government.
- Italy : - general budget
 - independent roads administration (ANAS)
- Netherlands : - general budget
 - Landbouwegalisatiefonds, Rijkswegenfonds, Zuiderzeefonds (2).

(1) This company, "Offa", has been incorporated into the Federal Government budget since 1974.

(2) Since 1967 the Zuiderzeefonds has been abolished and incorporated into the general budget.

- Belgium : - general budget
- Road fund, Intercommunal motorway fund, Agricultural fund, Independent war damage fund, War pensions endowment fund, School building fund, State housing fund, etc.
- Luxembourg : - general budget
- Public investment funds for administration, schools and health. Fund for the Kirchberg area, Road fund (from 1968). Economic and social guidance fund for agriculture. Consolidation of farm holdings fund. Water purification fund.

Part A has already referred to the problem of classifying the private educational system which is treated differently in the economic accounts of each Member State. In France, private (mainly denominational) educational establishments which have concluded an appropriate contract are included in the central government economic account, since the central government provides most of the finance. For this reason the salaries of teaching staff in French private schools appear as staff costs in the central government economic account. In Luxembourg the private educational system receives only small subsidies from the central government budget. In the other Member States the costs of the private educational system are indirectly financed, except in the case of a few special schools. For this reason central government payments for teachers' salaries are included in the central government economic account under transfers to bodies responsible for the private educational system or transfers to local authorities.

II. TREND OF CENTRAL GOVERNMENT REVENUE AND EXPENDITURE IN RELATION TO GROSS NATIONAL PRODUCT.

Because of variations in the growth of national economies and the rate of inflation, there is not much point in comparing increases in government revenue and expenditure in money terms; this is why this study relates the trend of government revenue and expenditure to the trend of GNP.

Table B 1 shows the trend of central government expenditure. The figures for the individual years also reflect the cyclical differences in GNP growth. For this reason Table B-2 gives the annual growth rates of real GNP. A comparison of the figures in Table B-1 and B-2 shows that the fluctuations in the share of central government expenditure were partly due to the sharp fluctuations in the growth rates of GNP. This was the situation in Germany in 1967 and in Belgium in 1969. In most cases, however, causes were different, especially in Italy, where the sharp variations in the share of central government expenditure were attributable to two main factors. First, there were the differences between one year and the next, in the level of budget transactions which were carried out within the "supplementary period" of the annual budget and which always show special characteristics. Second, there was the prolonged strike by Ministry of Finance staff towards the end of 1969, which has already been mentioned in Part A, Section I. A., and which caused some budgetary transactions to be recorded in 1970 instead of in 1969. Belgium is the only country where the share of central government expenditure in GNP showed a clear upward tendency in the period 1966-70.

A comparison of the 1966-70 average with the 1957-66 average reveals that precisely in those countries where central government expenditure had still been relatively low as a proportion of GNP, it increased considerably between the two periods, so that in Belgium and Luxembourg the share by 1970 was above the average for the Member States. In the period 1957-66 the share of central government

expenditure was lowest in Italy; this was still the case in 1970 since the 2.3 percentage point increase in this share was not sufficient to bring it up to the level of the other Member States.

As pointed out in the previous study the figures in Table B-1 are difficult to compare because they include transfers to local authorities which are simply the transfer of taxes collected by central government on behalf of the local authorities and other general grants by central government to local authorities. Accordingly, if these general central government transfers to local authorities which cannot be classified by function, are excluded, the gap between Member States narrows and the order changes, as table B-3 shows, since the adjustment for some countries (the Netherlands and Luxembourg) is especially large, while for France there is no change at all. The adjusted figures in Table B-3 show that the share of central government expenditure is highest in Belgium and the Netherlands; Germany occupies a middle position, while in France, Italy and Luxembourg the share is smallest.

Table B-4 gives the trend of central government revenue. In Belgium and Luxembourg this kept pace with the rise in the share of central government expenditure, but not in Italy, where the increase in the share of central government revenue was negligible.

Table B-5 relates the central government net borrowing requirement to GNP, so that trends in the shares of central government expenditure and central government revenue can be compared directly. This shows that the net borrowing requirement as a proportion of GNP remained almost unchanged in four Member States; in France it more than halved and in Italy it almost doubled. In Belgium it was always the largest.

III. TREND AND PATTERN OF CENTRAL GOVERNMENT EXPENDITURE BY FUNCTION

III. A. General survey

Table B-6 shows the breakdown of central government expenditure by the ten headings used for classification in this study. Between 1966 and 1970 certain shifts of emphasis occurred, but these brought no major change in the relative importance of the various large blocks of expenditure.

As noted in the previous study, it is difficult to compare the individual items not only because of the problems of definition, but also because the last line, giving non-classifiable expenditure, differs in importance from country to country. In France for instance it is very small, while in the Netherlands it is larger than average. This item includes in particular two types of expenditure, i.e. interest on and the cost of the public debt, and transfers to local authorities of funds not earmarked for a specific purpose. In most countries which report a large share of non-classified expenditure, both the transfers to local authorities and the interest burden are fairly high. In Germany, however, this item also covers officials' retirement pensions, which have not been classified by expenditure heading since 1963.

Notwithstanding these differences in the importance of "non-classifiable expenditure", the biggest item in all Member States is the expenditure on cultural and social services (items 6-9) followed by that on economic services. Defence comes third in Germany, France and the Netherlands, and general administration in the other three States.

TABLE B-1

Central government expenditure as a percentage of GNP (1) (in %)

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	24.1	25.2	16.7	24.9	19.8	19.3
1966	24.2	21.9	20.4	28.3	24.8	25.9
1967	26.0	23.2	18.7	29.0	25.5	25.6
1968	24.2	22.5	21.3	29.8	26.7	25.9
1969	23.6	21.6	18.6	28.8	26.5	22.8
1970	22.9	20.9	22.5	29.7	26.3	22.4
Average 1957 - 1966	24.2	23.1	18.0	25.7	22.8	22.6
1966 - 1970	24.2	22.0	20.3	29.1	26.0	24.5

(1) Excluding debt redemption.

TABLE B-2

Annual rates of growth in GNP in real terms
(GNP at 1963 prices) (in %)

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1966	2.9	5.6	5.9	2.6	3.2	1.4
1967	- 0.2	4.9	6.8	5.8	3.9	0.2
1968	7.3	4.6	6.4	6.6	4.2	5.3
1969	8.2	7.3	5.7	7.0	6.5	7.7
1970	5.8	5.8	4.9	6.8	6.7	3.9
Average 1957 - 1966	5.4	5.4	5.6	4.3	3.9	2.9(1)
1966 - 1970	4.7	5.6	5.9	5.7	4.9	3.7

(1) Average 1961-1966

Source : Statistical Office of the European Communities.

TABLE B-3

Adjusted expenditure

(as % of GNP)

<u>1966</u>	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
1. Expenditure	24.2	21.9	20.4	28.3	24.8	25.9
2. Non-specific transfers (a)	1.0	-	1.7	3.4	1.3	2.3
3. Adjusted expenditure (1 - 2)	23.2	21.9	18.7	24.9	23.5	23.6
<u>1970</u>						
1. Expenditure	22.9	20.9	22.5	29.7	26.3	22.4
2. Non-specific transfers (a)	1.1	-	1.8	3.8	1.4	2.1
3. Adjusted expenditure (1-2)	21.8	20.9	20.7	25.9	24.9	20.3

(a) Transfers to other sectors which could not be broken down by function.

TABLE B-4

Central government revenue as a percentage of GNP

(in %)

Year	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
1957	22.7	20.7	15.7	25.3	18.3	21.4
1966	23.1	21.5	18.1	25.6	22.1	23.8
1967	23.6	21.9	18.5	27.3	22.7	23.8
1968	23.3	21.0	18.4	26.7	23.0	23.4
1969	23.9	21.2	17.4	27.1	23.1	23.4
1970	22.4	20.8	18.2	27.7	23.8	24.2
Average 1957-1966	23.5	21.3	16.9	24.7	19.7	21.6
1966-1970	23.3	21.3	18.1	26.9	22.9	23.7

TABLE B-5

Central government net borrowing requirement as a percentage of GNP

(in %)

Year	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
1957	1.4	4.5	1.0	- 0.4	1.5	- 2.1
1966	1.1	0.4	2.3	2.7	2.7	2.1
1967	2.4	1.3	0.2	1.7	2.8	1.8
1968	0.9	1.5	2.9	3.1	3.7	2.5
1969	- 0.3	0.4	1.2	1.7	3.3	- 0.6
1970	0.5	0.1	4.3	2.0	2.5	- 1.2
Average 1957-1966	0.7	1.8	1.2	1.0	3.2	1.0
1966-1970	0.9	0.7	2.2	2.2	3.0	0.9

TABLE B-6

Central government expenditure by function

(% of total expenditure)

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	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	66	70	66	70	66	70	66	70	66	70	66	70
1. General administration (1)	10.5	11.3	14.4	15.2	13.1	13.4	11.3	10.8	9.0	9.0	13.5	13.1
2. Defence	16.5	12.9	17.7	17.1	13.1	9.7	14.8	12.9	11.7	9.7	5.0	3.6
3. Transport and communications	8.5	10.0	9.9	9.7	8.6	8.8	9.1	9.5	16.0	17.4	21.1	18.5
4. Industry, commerce and crafts	2.5	2.9	11.2	9.4	3.9	6.5	1.9	1.7	3.2	3.6	1.6	3.7
5. Agriculture	6.2	6.6	4.9	4.1	7.1	6.2	4.6	6.3	3.5	4.5	9.0	6.9
3-5 Economic services	17.1	19.5	25.9	23.2	19.6	21.5	15.6	17.5	22.7	25.5	31.7	29.1
6. Education, culture and religion	12.8	15.2	20.3	23.2	20.9	18.8	23.1	24.6	21.8	21.4	12.9	14.2
7. Social services (2)	16.3	14.8	9.8	10.3	15.2	18.5	8.5	9.4	15.5	16.2	22.6	22.8
8. Housing	4.6	3.1	4.6	3.7	1.7	1.0	9.8	6.6	1.3	1.4	0.7	0.8
9. Compensation for war damage and disasters	12.2	11.2	4.1	4.0	4.8	4.3	0.4	0.3	4.1	3.0	1.2	1.4
6 to 9 Cultural and social services	45.9	44.3	38.8	41.2	42.6	42.6	41.8	40.9	42.7	42.0	37.4	39.2
10. Non-classified expenditure	10.1	12.1	3.2	3.3	11.6	12.8	16.5	17.8	13.9	13.8	12.4	14.9
Total expenditure (3)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	100.0	99.9
Total expenditure (3) as % of CNP	24.2	22.9	21.9	20.9	20.4	22.5	28.3	29.7	24.8	26.3	25.9	22.4

(1) Including administration of justice, police and foreign affairs.

(2) Including public health.

(3) Excluding debt redemption.

Taking the different sectors in this study in isolation, expenditure on education, culture and religion is the leader in all Member States - except for Luxembourg, where the highest government expenditure is on social services. But the share of expenditure on education, culture and religion differs fairly widely. It is highest in France and the Netherlands, and lowest in Germany and Luxembourg. It increased in France, Germany, the Netherlands and Luxembourg, and fell in Belgium and Italy. In France much of the increase was due to the transfer to central government of staff costs of private educational establishments and to higher student grants at the end of the period under review. In Italy the fall was not the result of policy decisions but merely reflected the difficulties experienced in carrying out the school and university building programme.

The second most important sector differs from country to country. In Germany and Italy it is "social services"; in France and the Netherlands it is defence; in Belgium and Luxembourg it is transport.

The share of expenditure on defence fell significantly in all countries - least in France from 1966 to 1970 (whereas the fall from 1962 to 1966 had been very marked) and most in Germany and Italy. Except in Luxembourg, the same is true, but to a far slighter degree, for payments to compensate for war damage and disasters, which in Germany still accounted for over 11% of central government expenditure in 1970.

The changes in the share of central government expenditure on transport and communications vary with the country; there was a distinct increase in Germany between 1966 and 1970, and also in Belgium, and a distinct fall from the admittedly very high level of 21.1% in Luxembourg.

Table B-7 makes the comparison between the two periods particularly clear. Because of the large share of central government expenditure (cf. Section III of the Introduction) the structure of the figures in this table is very similar to the corresponding table for general government expenditure (Table A-3) so that, broadly speaking and subject to various further points, the same comments and explanations of the trends apply in the case of central government. Table B-7 shows that in many cases, but not all, those functions which had been expanding most in 1957-66 also showed the highest growth rates in the period now being considered. Examples include expenditure on education, culture and religion in Germany, France, Luxembourg and the Netherlands, but not in Italy and Belgium, where the advance in this category of expenditure in the 1966-1970 period was below the average. The growth in expenditure on transport and communications was above average in the 1957-1966 period in all Member States except Italy; but the trend subsequently changed in France and particularly in Luxembourg, where the growth was very sharply curbed. In France the slowdown mainly reflected a slight drop in central government subsidies to the state railway (SNCF) from 1968 to 1970. This was in line with the government's economic policy of integrating public undertakings into the market economy, without, however, detracting from their task of providing public services. On the other hand, Italian expenditure on this function grew faster than the average.

Areas in which the expansion of expenditure was below average were defence (exception : Germany 1957-1966) and the repair of damage resulting from war and disasters (exception : Luxembourg 1966-1970). The growth of expenditure on agriculture was predominantly below average, but there were exceptions in Germany (1966-1970), the Netherlands (1966-1970) and Belgium (1957-1966 and 1966-1970). The same is true for housing, for which the exceptions were France (1957-1966), the Netherlands (1957-1966), Belgium and Luxembourg (1966-1970).

TABLE B-7

Average annual growth rate of central government expenditure by function

(in %)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70	57/ 66	66/ 70
1. General administration (1)	8.4	9.2	6.9	11.2	9.9	13.3	11.2	11.5	9.8	10.9	9.7	5.7
2. Defence	11.2	0.7	4.2	8.9	8.8	4.6	5.2	9.2	4.0	5.8	1.2	- 1.8
3. Transport and communications	12.4	11.7	12.8	9.4	10.0	13.5	12.6	14.3	11.4	13.2	14.4	2.8
4. Industry, commerce and crafts	6.0	11.7	11.6	5.2	19.5	28.2	17.8	10.0	6.8	14.3	2.0	30.0
5. Agriculture	5.7	8.7	8.3	4.8	9.2	9.2	3.2	22.3	18.3	15.8	6.7	- 0.5
3-5. Economic services	8.6	10.7	11.3	6.6	11.0	15.6	9.3	16.3	11.4	14.2	9.8	4.0
6. Education, culture and religion	13.3	12.0	17.5	13.5	16.9	9.8	18.2	14.7	14.9	10.3	11.5	8.8
7. Social services and public health	11.5	4.5	11.1	11.0	19.1	18.3	9.0	15.8	9.5	12.1	11.5	6.5
8. Housing	3.6	- 2.4	10.6	3.9	8.3	- 1.5	24.7	2.4	10.8	12.4	1.8	7.5
9. Compensation for war damages and disasters	3.2	4.8	1.6	8.8	3.9	9.9	- 6.0	6.2	1.2	2.9	-5.9	11.3
6 to 9 Cultural and social services	8.1	6.2	12.0	11.3	14.6	12.7	15.4	12.3	10.5	10.4	8.7	7.5
10. Non-classified expenditure	11.8	12.4	6.7	10.9	11.5	15.5	7.0	15.0	7.6	10.6	9.3	11.2
Total expenditure	9.0	7.2	9.0	9.8	11.9	12.7	10.3	12.9	9.2	10.9	8.7	6.2

(1) Including administration of justice, police and foreign affairs.

It has already been noted in Part A that, though the rise in central government expenditure was generally vigorous, there were some sectors in which the expenditure was down - defence and agriculture in Luxembourg and housing in Italy and Germany.

Between the two periods of comparison the pace of defence spending showed a particularly marked change in Germany, where in the 1966-1970 period the annual growth rate fell from 11.2% to 0.7%.

In France there were major changes in central government expenditure in a number of areas. The growth rates of expenditure on housing fell from 10.6% to 3.9%, mainly as a result of the changes which occurred in 1966 in the financing of subsidized housing (H.L.M.). Up to 1966 this scheme was financed by central government credits (Treasury special account); but in 1966 a loan fund for subsidized housing was set up. Two-thirds of this was financed out of credits from the Caisse des Dépôts et Consignations, while the central government contribution, in the form of participation (acquisition of capital assets), was down to one-third. The growth rate for expenditure arising out of war or disasters rose from 1.6 to 8.8%, at which percentage this sector stabilized within total expenditure. The increase was due to the fact that after 1966 expenditure under this heading included compensation for repatriates from Algeria as well as war pensions. In the expenditure on industry, commerce and crafts the growth rate fell by more than half (from 11.6% to 5.2%). This was mainly attributable to the drop in subsidies to the Atomic Energy Commission (1966 : FF 4 646 million, 1970 : FF 4 100 million), which accounted for a significant proportion of expenditure in this sector. The growth rate in expenditure on defence, more than doubled from 4.2% to 8.9%). As already noted, the share of this expenditure fell sharply between 1962 (end of the Algerian war) and 1966; so that it is not surprising to find a high subsequent growth rate, though it was below the average of all types of expenditure.

In Italy, unlike France, the growth rate for expenditure on defence was almost halved (4.6% instead of 8.8%), as were the growth rates for expenditure on education, culture and religion (9.8% instead of 16.9%). Expenditure on housing showed a particularly sharp change of trend. In the 1957-1966 period it had still been rising at an annual rate of 8.3%; but in 1966-70 this changed to an average annual fall of 1.5%. Lastly, the growth rate of expenditure to compensate for war damage and disasters in Italy more than doubled (9.9% instead of 3.9%).

In the Netherlands there were very considerable changes in the growth rates : they doubled for expenditure on defence, increased more than fourfold for expenditure on agriculture and were reduced to one-tenth for expenditure on housing. Lastly, expenditure to compensate for war damage and disasters fell by 6.0% annually up to 1966, but from 1966 to 1970 rose by 6.2% annually. The reasons for this trend, which resembles that in Luxembourg, were discussed in Part A Section I.B. 12. The wide fluctuations for residential construction stem from the fact that in 1957 housing was not financed from the central government budget but by local authority loans on the capital market, and that between 1966 and 1970 the emphasis of housing policy shifted from providing full assistance to providing partial assistance.

In Belgium the only major changes occurred in expenditure on industry, commerce and crafts, where a growth rate of only 6.8% gave way to one of 14.3%. Luxembourg experienced the sharpest changes in growth rates. The changed trend in expenditure on industry, commerce and crafts was outstanding, with average annual growth rates of 30% in 1966-1970 contrasting with an annual fall of 2% from 1957 to 1966. There were similar differences in expenditure to compensate for war damage and disasters, for which the 1966-1970 growth rate was 11.3% against a fall of 5.9% annually in the earlier period. There were also considerable changes in expenditure on transport and communications (2.8% compared with an earlier 14.4%) and on housing (7.5% compared with an earlier 1.8%).

III. B. Pattern of expenditure by function

This section is intended to show the composition of central government expenditure in the individual sectors and how this has changed from 1966 to 1970. The corresponding figures for 1957 are contained in the previous study, where the structure of the tables is the same.

III. B. 1. General administration (including administration of justice, police and foreign affairs).

This sector, which covers so-called classical government expenditure (except defence) accounts for a good tenth of central government expenditure in all Member States, with the share in 1970 generally somewhat higher than in 1966. More than half consists of staff costs, except in the Netherlands (35%), and in Italy their share of the total - 62% - was largest. In Italy and France this heading also covers substantial transfers other than to public authorities, made to recipients in other countries (especially under international cooperation agreements). In the Benelux countries and Germany, on the other hand, direct investment, loans, advances and the acquisition of equity interests play an important part. In all the countries purchases of goods and services for administrative purposes account for less than 20% of the expenditure in this sector.

The difference in the structure of expenditure in this sector widened rather than narrowed (exception : Italy's extremely high share of staff costs in 1966 moved closer to the EEC average).

III. B. 2. Defence

The share of expenditure on defence in total central government expenditure fell significantly in all Member States, with France recording the smallest and Germany and Italy the largest drop (see Table B-9). At 17.1% its share in France (1970) was therefore clearly the highest, while Luxembourg was at the other end of the scale with 3.6%. Expenditure in this sector is almost exclusively on purchases of goods and services and on pay. It should be noted that under the rules for national accounts, investment in defence (except for the purchase of land) is not regarded as capital investment but as current purchases of goods and services. The ratio of compensation of employees to purchases of goods varied with the Member State. In both 1966 and 1970 purchases of goods and services predominated in Germany and France (although only narrowly in France in 1970), while in the other Member States this position was held by staff expenditure, which was highest in Luxembourg at 82%. The differences between the Member States narrowed to some extent, since the share of employees' remuneration in Germany rose sharply from an extremely low 30% to 42%, whereas in Luxembourg, where it was highest, it "only" increased from 74% to 82%. A point to note is that in those Member States where the share of expenditure on defence in total central government expenditure was especially low, expenditure on goods and services for this sector was also especially low. Obviously the differences in defence expenditure were larger for purchases of military equipment than for personnel costs.

TABLE B-8

Breakdown of central government expenditure on "general administration (1)
(%)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Purchases of goods and services	21.3	12.6	13.3	11.4	15.1	14.8
2. Staff costs	56.9	52.7	79.9	35.8	58.7	53.3
3. Transfers to other public authorities	2.0	8.4	0.2	13.4	1.1	-
4. Other transfers	3.3	21.4	6.1	14.3	16.7	2.9
5. Direct investment, loans, advances and equities	16.5	4.9	0.5	25.1	8.4	28.9
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Purchases of goods and services	17.7	12.5	13.3	9.4	15.6	15.8
2. Staff costs	57.6	51.8	62.1	35.0	55.3	59.9
3. Transfers to other public authorities	1.9	7.7	0.3	14.3	1.3	0.1
4. Other transfers	6.2	21.5	23.5	20.2	16.4	4.5
5. Direct investment, loans, advances and equities	16.6	6.5	0.8	21.1	11.4	19.7
6. Total	100	100	100	100	100	100
As % of total central government expenditure:						
1966	10.5	14.4	13.1	11.3	9.0	13.5
1970	11.3	15.2	13.4	10.8	9.0	13.1

(1) Including administration of justice, police and foreign affairs.

TABLE B-9

Breakdown of central government expenditure on "Defence"

(%)

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
<u>1966</u>						
1. Purchase of goods and services	62.0	52.0	39.3	37.3	39.1	22.4
2. Personnel	30.2	46.7	59.5	52.5	58.6	74.1
3. Transfers	3.6	1.3	1.1	2.4	1.4	3.5
4. Direct investment, loans, advances and equities	4.2	-	0.1	7.8	0.9	-
5. Total	100	100	100	100	100	100
<u>1970</u>						
1. Purchase of goods and services	53.9	49.0	35.5	38.1	37.5	16.3
2. Personnel	42.0	48.2	63.5	53.6	59.0	82.0
3. Transfers	2.9	2.6	0.9	2.2	2.9	1.7
4. Direct investment, loans, advances and equities	1.3	0.2	0.1	6.1	0.6	-
5. Total	100	100	100	100	100	100
As % of total central government expenditure :						
1966	16.5	17.7	13.1	14.8	11.7	5.0
1970	12.9	17.1	9.7	12.9	9.7	3.6

In the case of the Netherlands, expenditure in line 4 relates mainly to advance payments on orders of military equipment.

III. B. 3. Transport and communications

Only in Germany and Belgium was there still a notable increase in the share of total central government expenditure devoted to transport and communications; in the other Member States it showed little change except in Luxembourg, where there was a significant decline. The pattern of spending in this sector - not surprisingly - differs sharply from that in the sectors examined above; with the bulk of expenditure here going on transfers and on investment, loans, advances and equity acquisitions. Only in France did current expenditure on goods and services exceed 20% in 1970, as in 1966. This is partly because post office (PTT) employees' pensions were paid by central government and were recorded under this heading (Belgium and Luxembourg were the only other countries to do this). Without these pension payments the share of current expenditure would have fallen to the level of the Netherlands; in addition, the Ministry of Transport was responsible for extremely labour-intensive highway construction work, which in other Member States was the responsibility of the local authorities. Transfers to other public authorities represented significant amounts only in Germany and the Netherlands, where local authorities received grants towards transport expenditure. The amount of central government expenditure in the form of other transfers (i.e. transfers to non-public bodies) depends mainly on how much the railway companies receive from the central government, for these transfers are the main items of "Other transfers" and are determined, (a) by the deficit of the national railways on operating account and (b) by central government assistance to railway investment through current or capital transfers. In Italy, admittedly, these transfers also include subsidies to the companies which operate and administer Italian motorway building and which are entitled to collect a toll. It is because of this second category of expenditure that other transfers were a very large item in total central government spending in this sector in Italy, although not as large as in 1966. In some Member States, part of the central government's interest payments was allocated to this sector.

III. B. 4. Industry, commerce and crafts

Table B-11 gives the breakdown of central government expenditure on industry, commerce and crafts. It shows that the bulk of central government spending takes the form of transfers (in particular capital transfers, i.e. investment grants, etc.) and direct investment, loans and equities. In all the countries, apart from the Netherlands, these headings accounted for over 80% of total expenditure (except that in Germany in 1970 the proportion was down to 73%). The share of transfers was especially large in Belgium, Italy, (though in 1970 it fell), France, where it increased slightly from 1966 to 1970, and Luxembourg. The total expenditure differed markedly from country to country with the French figures exceptionally high. This was mainly because of the payments to the Atomic Energy Commission, which accounted for about one-quarter of expenditure in this sector. The recording of total subsidies to the Agency in this sector might give a false impression of this sector's importance; since its expenditure relates to defence measures (which accounted for half the subsidies in 1970) as well as research and production, and it is difficult to separate its various operations from each other. Coalmining subsidies (Charbonnages de France) took up some 10% of expenditure under this function. The share of these expenditure rose sharply in Italy and also in Luxembourg, where it had previously been smallest. In the Netherlands, the level of current expenditure was high because total spending was very low.

III. B. 5. Agriculture

The differences between the shares of central government expenditure devoted to agriculture in the various Member States continued to diminish. In Luxembourg, where the share had been highest in 1966, it fell, while in Belgium, where it had been lowest, it rose. The pattern of expenditure in this sector followed the same

TABLE B-10

Breakdown of central government expenditure on "Transport and communications"

(%)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Consumption (a)	14.2	24.0	7.5	16.6	6.3	16.4
2. Interest payments	0.4	-	0.4	-	3.5	-
3. Transfers to other public authorities	17.8	4.3	3.1	18.1	1.4	2.9
4. Other transfers	22.6	48.6	64.1	0.8	31.5	49.9
5. Direct investment, loans, advances and equities	45.0	23.1	24.9	64.5	57.1	30.8
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption (a)	14.0	24.8	10.0	18.1	6.9	19.2
2. Interest payments	-	-	1.4	-	8.0	-
3. Transfers to other public authorities	18.3	6.9	7.4	16.1	1.9	0.9
4. Other transfers	23.1	40.5	50.6	6.4	29.4	46.7
5. Direct investment, loans, advances and equities	44.6	27.8	30.6	59.4	53.8	33.3
6. Total	100	100	100	100	100	100
As % of total central government expenditure :						
1966	8.5	9.9	8.5	9.1	16.0	21.1
1970	10.0	9.7	8.8	9.5	17.4	18.5

(a) Includes current purchases of goods and services and compensation of employees.

TABLE B-11

Breakdown of central government expenditure on "Industry, commerce and crafts"

(%)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Consumption (a)	10.9	8.7	6.2	29.2	18.3	15.7
2. Transfers to other public authorities	9.5	0.4	2.3	4.6	0.2	2.9
3. Other transfers	32.9	51.4	60.6(1)	39.2	70.4	70.0
4. Direct investment, loans advances and equities	46.6	39.5	30.9	27.0	11.1	11.3
5. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption (a)	16.1	11.2	3.7	33.3	16.7	7.1
2. Transfers to other public authorities	10.4	1.4	1.6	10.2	-	3.0
3. Other transfers	31.5	57.1	49.6(1)	52.2	69.0	83.1
4. Direct investment, loans, advances and equities	42.0	30.3	45.1	4.3	14.2	6.8
5. Total	100	100	100	100	100	100
As % of total central government expenditure :						
1966	2.5	11.2	3.9	1.9	3.2	1.6
1970	2.9	9.4	6.5	1.7	3.6	2.7

(1) Of which interest payments : 1,6% in 1966, 2,2% in 1970.

(a) Includes current purchases of goods and services and remuneration of employees.

trend almost everywhere, with the share of other transfers increasing further and now accounting for over four-fifths in Belgium and Luxembourg and about two-thirds in Germany and France. In the Netherlands, where the proportion of total spending in the sector accounted for by this category of expenditure was the lowest in 1966, it rose materially; and in Italy, where the proportion was exceptionally high in 1957, it fell between 1957 and 1966 and became the lowest in the six countries. These transfers mainly cover transfers to farms, but also increasingly transfers to the European Agriculture Guidance and Guarantee Fund (EAGGF). The trend in Italy reflects the financing methods under the first and second "Green Plan" for the promotion of agriculture. Before these plans were adopted in the sixties, central government assistance in this sector consisted mainly of current and capital transfers to farms; but the new system puts more emphasis on direct assistance from the central government. In the first four countries, expenditure in the form of direct investment loans, advances and equity acquisitions was virtually insignificant, in contrast to the situation in Italy and the Netherlands where grants in the form of transfers are paid mainly to organizations which keep producer prices above certain minimum levels by buying farm products and providing export subsidies. In addition, farmers receive subsidies towards the cost of farm supplies (in particular diesel oil and fertilizers). In some Member States the construction of slaughter houses, market facilities, etc. is also assisted in this way.

Direct investment and loans in this sector help the construction of slaughter houses, market facilities, etc., and the building of farm roads and agricultural engineering work in connection with the consolidation of farm holdings.

III. B. 6. Education, culture and religion

As noted in the general survey, expenditure in this sector in 1970 represented not only the largest proportion of the block "cultural and social services", but was also (except in Luxembourg) the largest of all sectors. The previous report highlighted the fact that between 1957 and 1966 the proportion of total central government spending given over to this sector went up in all Member States, with France, Italy, the Netherlands and Belgium showing particularly sharp increases; the period from 1966 to 1970 did not see a repetition of this pattern. In Italy and Belgium the proportion fell slightly, while in the other Member States the upward tendency continued, with France at 2.9 percentage points, again recording the largest increase, followed by Germany at 2.5 points. As in 1966, the Netherlands and France showed the highest proportions, and Germany and Luxembourg the lowest, although these were increasing. As regards Italy, reference has already been made to the difficulties experienced in carrying out the school and university building programme. It was adopted on 28 July 1967 through Law No. 641 and laid down new procedures for the assistance voted, but these procedures could not be applied in time, so that part of the substantial budget appropriations could not be disbursed.

The pattern of expenditure in this sector clearly reflects the differences in the roles played by central government in the overall education system.

In Germany, France, Italy and Luxembourg, where almost all school and university teachers are public officials, the central government pays their salaries and related costs; consequently, in these countries, between 53% (Germany) and 73% (Italy) of expenditure is on staff.

Differences also exist between these four countries in the relative level of purchases of goods and services. In Germany and France this kind of expenditure is substantial, and in Germany it covers schools in the City States and the universities, whereas in the other two countries the cost of these supplies is apparently more often paid by local education authorities. In all four countries transfers to other public

TABLE B-12

Breakdown of central government expenditure on "Agriculture"

(%)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Consumption	21.3	12.7	10.0	25.3	18.9	11.8
2. Interest payments	-	-	7.8	-	0.2	-
3. Transfers to other public authorities	11.6	11.2	3.7	5.5	2.0	2.9
4. Other transfers	50.8	62.5	50.0	47.8	75.4	83.7
5. Direct investment, loans, advances and equities	16.4	13.5	28.5	21.5	3.4	1.7
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption	19.7	19.2	11.5	19.5	11.8	12.9
2. Interest payments	-	-	11.0	-	0.2	-
3. Transfers to other public authorities	7.1	13.4	4.8	5.9	5.4	2.9
4. Other transfers including those to the EAGGF (a)	66.8	64.3	46.2	61.1	81.5	82.8
	19.7(b)	13.8	-	-	21.1(b)	- (c)
5. Direct investment, loans, advances and equities	6.3	3.1	26.5	13.5	1.0	1.5
6. Total	100	100	100	100	100	100
As % of total central government expenditure :						
1966	6.2	4.9	7.1	4.6	3.5	9.0
1970	6.6	4.1	6.2	6.3	4.5	6.9

(a) Transfers to the European Agricultural Guidance and Guarantee Fund (EAGGF) not set off against receipts from the Fund. These receipts are shown under central government revenue (except in Germany).

(b) In line 4 these transfers are set off against receipts (restitutions and levies)

(c) These transfers are not included in line 4 because they are recorded under "Foreign affairs".

TABLE B-13

Breakdown of central government expenditure
on "Education, culture and religion"

(%)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Purchase of goods and services	17.9	10.2	1.7	1.2	5.7	3.4
2. Compensation of employees	51.6	60.2	79.0	3.2	23.2	67.8
3. Transfers to other public authorities	11.1	10.2	4.9	88.5	58.7	9.3
4. Other transfers	7.2	5.6	13.2	5.6	4.0	5.2
5. Direct investment, loans, advances and equities acquisitions	12.1	13.9	1.2	1.5	8.4	14.2
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Purchases of goods and services	18.3	10.5	2.4	1.7	5.5	4.0
2. Compensation of employees	52.6	61.3	72.7	2.8	24.2	64.6
3. Transfers to other public authorities	7.4	10.2	4.9	87.9	59.1	8.2
4. Other transfers	8.7	5.1	18.0	6.3	4.2	3.9
5. Direct investment, loans, advances and equities acquisitions	12.9	13.0	2.0	1.3	6.9	19.3
6. Total	100	100	100	100	100	100
As % of total central government expenditure:						
1966	12.7	20.3	20.9	23.1	21.8	12.9
1970	15.2	23.2	18.8	24.6	21.4	14.2

authorities mainly consist of grants to local authorities for school building, etc., which is the responsibility of these authorities. In Italy, Law No. 641 of 28 July 1967 on the school and university building programme temporarily changed the existing arrangements by requiring the central government to bear all the costs of school building for the years 1967 to 1971, without prejudice to the statutory provisions on the powers of local authorities; but for university buildings the system of grants dating over thirty-five years continued to apply. Transfers to non-public institutions consist partly of payments to non-profit making organizations providing private education or promoting scientific study (in Germany, chiefly the Deutsche Forschungsgemeinschaft, the Max Planck Institutes, etc.) and partly of transfers to households in the form of scholarships, student grants, etc.

This situation contrasts with that in the Netherlands and Belgium. In the Netherlands, in particular, education is organized along different lines. Almost the entire school system (except for the state school system which is insignificant in size) comes under the local authorities, although almost 90% of the cost is financed by the central government by means of current transfers. The central government pays the staff costs for all schools (state and private) and universities and it refunds the expenditure on materials almost entirely. The corresponding transfers are entered under the heading "Transfers to other public authorities". In Belgium, too, the bulk of government spending in this field comes under "Transfers to other public authorities", for teachers in state schools only are public officials and their salaries and pensions are the only ones included in expenditure on staff. These transfers relate to expenditure on pay, pensions, administration and the Treasury's 60% share of the cost of equipping and maintaining schools run by the provincial and local authorities. By contrast, the central government does not meet any of the building costs for private schools.

Notwithstanding these institutional differences, the Member States, apart from Germany and Luxembourg, devoted between 19 and 28% of central government expenditure in 1970 in this sector. The percentage for Luxembourg is lower because the local authorities' financial share is larger than average and in Germany partly because pensions for retired teachers (probably almost 2.5% of central government expenditure), are recorded as "non-classifiable expenditure", and because the building and running of nursery schools is not a central government responsibility.

III. B. 7. Social services (including public health)

The share of total central government expenditure devoted to this sector remained virtually unchanged in most countries; only in Italy did it rise appreciably while in Germany it fell. This expenditure consisted mainly of government grants to social security institutions (see Table B-14). This accounted for between 49% (Germany) and 70% (Italy) of expenditure in this sector. The Netherlands was an exception with a share of only 35%. In addition to these grants, it was only in France and the Netherlands that local authorities received considerable grants to cover transfers to households under social assistance and health protection schemes. In all Member States, direct transfers to households were an important factor. This is particularly true of the Netherlands, where the bulk of the "other transfers" went to pension funds and households, (inter alia for pension payments to former officials in overseas territories, for child allowances for the self-employed and pensions for public officials), and a smaller but faster-growing part to private organizations.

The pattern of expenditure showed little change between 1966 and 1970.

TABLE B-14

Breakdown of central government expenditure on "Social services"
(including public health)

(% of total)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Consumption	13.0	6.0	5.1	10.4	5.2	11.5
2. Transfers to local authorities	7.7	21.6	2.4	19.7	1.4	5.5
3. Transfers to social security institutions	50.5	55.8	72.5	27.1	73.4	64.2
4. Other transfers	24.2	16.4	19.0	42.2	19.3	15.6
5. Direct investment, loans, advances and equities	4.5	0.2	1.0	0.6	0.7	3.2
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption	16.1	6.2	4.4	8.6	4.5	13.8
2. Transfers to local authorities	4.0	21.2	3.6	25.0	3.6	4.1
3. Transfers to social security institutions	49.2	52.1	70.5	35.2	69.4	68.2
4. Other transfers	26.4	20.3	16.8	30.2	21.4	9.5
5. Direct investment, loans, advances and equities	4.3	0.2	4.7	1.0	1.1	4.4
6. Total	100	100	100	100	100	100
As % of total central government expenditure						
1966	16.3	9.8	15.2	8.5	15.5	22.6
1970	14.8	10.3	18.5	9.4	16.2	22.8

III. B. 8. Housing

As noted in the general survey, the share of expenditure on the promotion of housing dropped distinctly in the three large Member States and in the Netherlands, a tendency which in Germany and Italy had already been apparent between 1957 and 1966. Before drawing conclusions from this movement, however, it must be borne in mind that State assistance to residential construction shows up most strongly in central government expenditure where it consists primarily in the granting of loans. This was still the case in Germany and France in 1966, but there promotions of residential construction increasingly took the form of subsidies for mortgage interest or rent, which considerably reduced the share of the sector in total central government expenditure. From a statistical point of view, this is also the experience in the long term, as the repayment of loans is not set off against new loans granted but is entered as government revenue. Lastly, the promotion of housing by tax concessions is not reflected at all in central government expenditure.

In the countries in which the share of central government expenditure devoted to housing dropped between 1966 and 1970, the form of the aid provided changed at the same time from loans to interest and rent subsidies. This is clear - except for the Netherlands - from Table B-15. The fourth category of expenditure, which here comprises mainly loans, accounted for 57% in France and Germany in 1966, but was down to 32% (Germany) and 44% (France) in 1970. In Italy the percentage dropped from 20% to 8%. In the case of Germany this reduction in loans continued the trend which was apparent between 1957 and 1966. In France central government loans were replaced by loans from the deposit bank (Caisse des Dépôts) to the authorities responsible for subsidized housing (H.L.M.); if these loans were included, the pattern of expenditure for 1970 would be almost the same as for 1966.

In Belgium, the changeover to interest rate subsidies began in 1967, but this did not stop the proportion of direct investment and loans rising from 29% in 1966 to 44% in 1970 (after being only 1% in 1957) partly because of increased expenditure on infrastructure in connection with subsidized housing. Owing to this change in its pattern, expenditure on residential construction in Belgium remained constant as a proportion of total central government spending.

The high proportion of "other transfers" in Italy is partly a result of the central government payments to the Cassa per il Mezzogiorno being all recorded as capital expenditure irrespective of the kind of measures financed by this organization. In Table B-15 it was possible, for 1966, to separate the grants to the Cassa per il Mezzogiorno from the transfers to local authorities.

The Netherlands again devoted by far the greatest share of expenditure to housing loans, accounting in 1970 for four-fifths of total expenditure on housing. Besides promoting the construction of dwellings, the central government also spends small amounts on rent subsidies and allowances.

As noted earlier, the actual promotion of housing can only be gauged from the level of total expenditure in this sector if the pattern of expenditure is identical. For 1966, therefore, more or less meaningful comparisons are only possible between Germany and France and between Italy and Belgium, and for 1970 between France and Belgium. These comparisons indicate that, in terms of the actual figures, Germany and France spend about the same amount on the promotion of housing, and Italy about the same as Belgium. However, as the 1970 comparison shows, in Belgium the level is lower than in France, suggesting that in Germany and France particularly large efforts are made.

TABLE B-15

Breakdown of central government expenditure on "Housing"

(% of total)

<u>1966</u>	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
1. Consumption	8.4	3.9	-	1.7	6.2	4.3
2. Transfers to other public authorities	4.5	10.7	16.8	9.1	2.3	23.7
3. Other transfers	30.1	28.7	63.4(1)	3.0	62.8	71.9
4. Direct investment, loans, advances and equities	57.0	56.7	19.8	86.2(2)	28.7	-
5. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption	11.6	4.4	-	2.4	5.6	3.5
2. Transfers to other public authorities	5.3	8.9	-	14.4	5.3	7.4
3. Other transfers	50.8	42.8	91.9(1)	5.2	44.8	89.2
4. Direct investment, loans, advances and equities	32.2	43.9	8.1	78.0(2)	44.2	-
5. Total	100	100	100	100	100	100
As % of total central government expenditure						
1966	4.6	4.6	1.7	9.8	1.3	0.8
1970	3.1	3.7	1.0	6.6	1.4	0.8

(1) Of which interest payments : 4.5% in 1966;
7.8% in 1970

(2) To local authorities

III. B. 9. Compensation for war damages and disasters

Germany and Belgium are the only countries where there was a distinct fall in the share of central government expenditure on compensation for war damages and disasters. The pattern of expenditure is comparable, in that the emphasis of expenditure in all Member States is on current transfers to households, which account for two-thirds of total expenditure in Germany, and upwards of three-quarters in the other Member States. Capital transfers to households, which in 1957 were still very important in France, Italy, Belgium and Luxembourg, but in 1966 only slightly so, expanded again in Italy in 1970 and accounted for 22% of expenditure in this sector.

The proportion of total central government spending devoted to this sector was especially large in Germany, where charges resulting from war were particularly high. In Germany too, as much as 21% of spending in this sector was current expenditure, while the highest proportion in the other Member States was no more than 3.1%.

III. B. 10. Non-classified expenditure

In all the Member States except France this heading covered over 10% of central government expenditure. Transfers to local authorities were the largest element; these are block grants made to local authorities to help finance their expenditure and cannot be assigned to any specific sector. France was the only country with no such block grants; in the other Member States they amounted to 40% (Germany and Belgium), 64% (Netherlands and Luxembourg) and even 72% (Italy) of the non-classified expenditure.

In France, on the other hand, non-classified expenditure consisted almost exclusively of interest payments to service the public debt; in the other Member States this item came second. Compared with 1966 its share slightly increased in Luxembourg, and slightly decreased in Italy. The item "other expenditure" played a significant role only in Germany, where it primarily covers officials' retirement pensions, which have not been assigned to the individual sectors.

Table B-17 does not show the total cost to government budgets of interest payments to service the public debt, because in Belgium and Italy part of the interest payments was assigned to specific sectors and is therefore not included in the table. For this point reference should be made to the next section of the study, and in particular to Table B-23.

TABLE B-16

Breakdown of central government expenditure
on "Compensation for war damage and disasters"

(% of total)

	Germany	France	Italy	Nether- lands	Belgium	Luxem- bourg
<u>1966</u>						
1. Consumption	22.4	0.4	-	3.9	4.7	5.8
2. Transfers to other public authorities	3.3	-	5.9	23.4	1.2	-
3. Other current transfers	63.2	99.6	72.4	64.9	86.2(1)	91.8
4. Other capital transfers	10.8	-	13.9	7.8	3.6	0.7
5. Direct investment, loans, advances and equities	0.3	-	7.8	-	4.3	1.7
6. Total	100	100	100	100	100	100
<u>1970</u>						
1. Consumption	21.2	0.2	-	3.1	3.0	3.1
2. Transfers to other public authorities	3.9	0.1	0.7	14.3	0.8	-
3. Other current transfers	64.3	91.8	77.4	79.6	87.7(1)	96.2
4. Other capital transfers	10.3	7.6	21.9	2.0	2.2	0.7
5. Direct investment, loans, advances and equities	0.3	0.3	-	1.0	6.3	-
6. Total	100	100	100	100	100	100
As % of total central government expenditure						
1966	12.2	4.1	4.8	0.4	4.1	1.2
1970	11.2	4.0	4.4	0.3	3.0	1.4

(1) Of which interest payments : 13.3% in 1966; 12.4% in 1970.

TABLE B-17

Central government expenditure on "Non classified expenditure"

(% of total)

	Germany	France	Nether- lands	Italy	Belgium	Luxem- bourg
<u>1966</u>						
1. Interest payments	22.4	100	29.3	26.1	59.7	27.4
2. Transfers to other public authorities	40.5	-	70.7	73.8	38.7	72.6
3. Other expenditure	37.1	-	-	0.1	1.7	-
4. Total	100	100	100	100	100	100
<u>1970</u>						
1. Interest payments	23.0	99.6	25.8	27.3	59.7	34.0
2. Transfers to other public authorities	40.0	-	63.8	72.4	39.2	64.0
3. Other expenditure	37.0	0.4	10.4	0.3	1.1	2.0
4. Total	100	100	100	100	100	100
As % of total central government expenditure						
1966	9.9	3.2	11.6	16.5	13.9	12.4
1970	12.1	3.3	12.8	17.8	13.8	14.9

IV. TREND AND PATTERN OF CENTRAL GOVERNMENT EXPENDITURE BY ECONOMIC CATEGORIES

IV. A. General survey for 1970

This chapter classifies central government expenditure by "economic categories". For the purposes of this study these are :

1. Purchases of goods and services
2. Compensation of employees
3. Interest payments
4. Transfers to other public authorities (local authorities and social security funds)
5. Other transfers
6. Direct investment
7. Loans, advances and acquisition of equities

For the sake of brevity this study departs from customary usage in referring to the first two categories as public consumption, though the coverage here is gross consumption (i.e. without allowing for sales of used goods) plus pensions. Public consumption therefore mainly covers that part of expenditure which creates a direct demand for goods and services through government employment of officials and other personnel, and by using the services of other enterprises or professions and purchasing non-durable goods. The purchase of durable goods is classified as direct investment; expenditure on defence, however, is entirely regarded as non-capital expenditure, irrespective of the type of goods purchased, and consequently belongs to the public consumption category.

Tables B-18 and B-19 provide a general picture of how central government expenditure in 1970 can be broken down into the individual economic categories. These tables express central government expenditure in the individual economic categories as a proportion of GNP or total central government expenditure. They both show that - apart from the Benelux countries where central government transfers to local authorities were a major element - personnel costs were the largest of the economic categories used in this study. At the same time the relative size of this category varied considerably : as a proportion of GNP, government employees' wages and salaries ranged from 4.1% in the Netherlands to 7.1% in France. The differences in these percentages cannot be taken as an indication of differences in the efficiency of government employees. They reflect rather differences in the degree to which the various functions of the public authorities are concentrated in central government, and differences in the treatment of expenditure for teachers at general schools.

Examination of table B-19 reveals even larger differences in the relative size of personnel costs. This is simply because precisely in those two countries where these costs were the lowest proportion of GNP (the Netherlands and Belgium), the share of total government expenditure in GNP was at the same time especially high, the transfers to local authorities "inflating" the government budget. The figures in Table-19 therefore reflect differences in the pattern of financing the whole public sector as much as difference in the pattern of expenditure of the central government itself.

TABLE B-18

Central government expenditure by economic categories

Year : 1970

(as % of G.NP.)

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
1. Purchases of goods and services	3.6	2.9	1.5	2.5	2.0	1.4
2. Compensation of employees	6.5	7.1	6.7	4.1	4.7	5.7
3. Interest payments	0.6	0.7	1.0	1.5	2.6	1.1
4. Transfers to other public authorities	4.0	2.7	5.4	14.8	8.1	6.2
5. Other transfers	5.4	5.1	5.9	3.8	5.4	5.1
6. Direct investment	1.7	1.2	1.1	1.4	3.0	2.1
7. Loans, advances and equity acquisition	1.0	1.2	0.9	1.6	0.5	0.8
Total central government expenditure	22.9	20.9	22.5	29.7	26.3	22.4

TABLE B-19

Central government expenditure by economic category

Year : 1970

(as % of total expenditure)

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
1. Purchases of goods and services	15.8	13.7	6.7	8.5	7.5	6.2
2. Compensation of employees	28.4	34.4	29.8	13.8	18.0	25.3
3. Interest payments	2.8	3.3	4.6	4.9	10.1	5.0
4. Transfer to other public authorities	17.6	13.0	23.9	49.9	30.7	27.7
5. Other transfers	23.6	24.3	26.2	12.7	20.3	22.9
6. Direct investment	7.6	5.6	4.8	4.9	11.3	9.5
7. Loans, advances and equity acquisition	4.2	5.7	4.0	5.3	2.1	3.4
Total central government expenditure	100	100	100	100	100	100

Transfers to non-public sectors formed the second largest category of expenditure in all Member States. In this category, the figures expressed as a proportion of GNP were surprisingly close to each other in the individual Member States (between 5.1% and 5.9%), except for the Netherlands, where the share was 3.8%, and where many transfers of this kind were paid through local authorities and are included in line 4 (Transfers to other public authorities).

Purchases of goods and services came third in relative size (except for Belgium and Luxembourg where this position was held by direct investment). The figures for this economic category notably reflect the considerable differences in Member States' expenditure on defence, which have already been shown in Table B-9 and will again be commented on in connection with Table B-22.

The remaining economic categories were of relatively minor importance; in descending order, they rank as follows : direct investment, which in Belgium admittedly still amounted to 3% of GNP and 11% of total central government expenditure; loans, advances and equity acquisitions and, finally, interest payments, which in Belgium reached the remarkable level of 10.1% of central government expenditure or 2.6% of GNP. In the other Member States, by contrast, interest payments still represented a charge of less than 5% on the central government budget.

Transfers to other public authorities were not mentioned in the previous paragraphs because there is no similarity among Member Countries on the importance of this economic category. In the Netherlands the share of these transfers was 49.9% of central government expenditure, while in France it was only 13% or less than one-third of the Dutch figure. The differences are even more pronounced if expenditure is expressed as a proportion of GNP : here the extremes were 14.8% in the Netherlands and 2.7% in France.

The breakdown of central government expenditure by economic category in 1966 and 1970 is illustrated by the left-hand and centre circles of Chart B-1. The right-hand circle gives the pattern of the additional expenditure effected since 1966; comparison with the two other circles shows that deviations, however large, in the pattern of additional expenditure produce little change in the overall pattern. Also emerging clearly from the chart are the great differences between the Member States.

IV. B. Trend of the individual categories of expenditure

IV. B. I. Central government consumption (Gross consumption plus pension payments)

Table B-20, and the subsequent similar tables, shows the share of purchases of goods and services in total government expenditure for four selected years; for a better comparison of the trend, 1957 and 1962 were included in addition to 1966 and 1970. Table B-20 shows that the share of purchases of goods and services in total government expenditure fell in all the Member States except France. For 1970 a distinction can be made between groups of countries according to the level of this share; Germany and France had shares of 16% and 14% respectively, and the Netherlands of 9%, while at the lower end the other Member States had shares of between 6% and 7%. These figures should not, of course, be taken to mean that government administration in Germany and France was particularly expensive, because the areas covered by central government differed quite materially between the Member States. Moreover, in considering this table and the subsequent similar ones, it must always be borne in mind that in 1970 the share of central government expenditure in GNP in Belgium and the Netherlands was distinctly higher than in the other Member States and that there were also considerable differences in the other years included here (see Table B-1).

TABLE B-20

Purchases of goods and services
as a percentage of central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	21	16	10	16	11	11
1962	23	13	9	11	9	7
1966	19	14	8	9	9	6
1970	16	14	7	9	7	6

TABLE B-21

Compensation of employees as a percentage
of central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	20	30	37	16	20	25
1962	20	34	35	16	20	27
1966	25	31	36	15	19	25
1970	28	34	30	14	18	25

TABLE B-22

Central government consumption broken down by sector

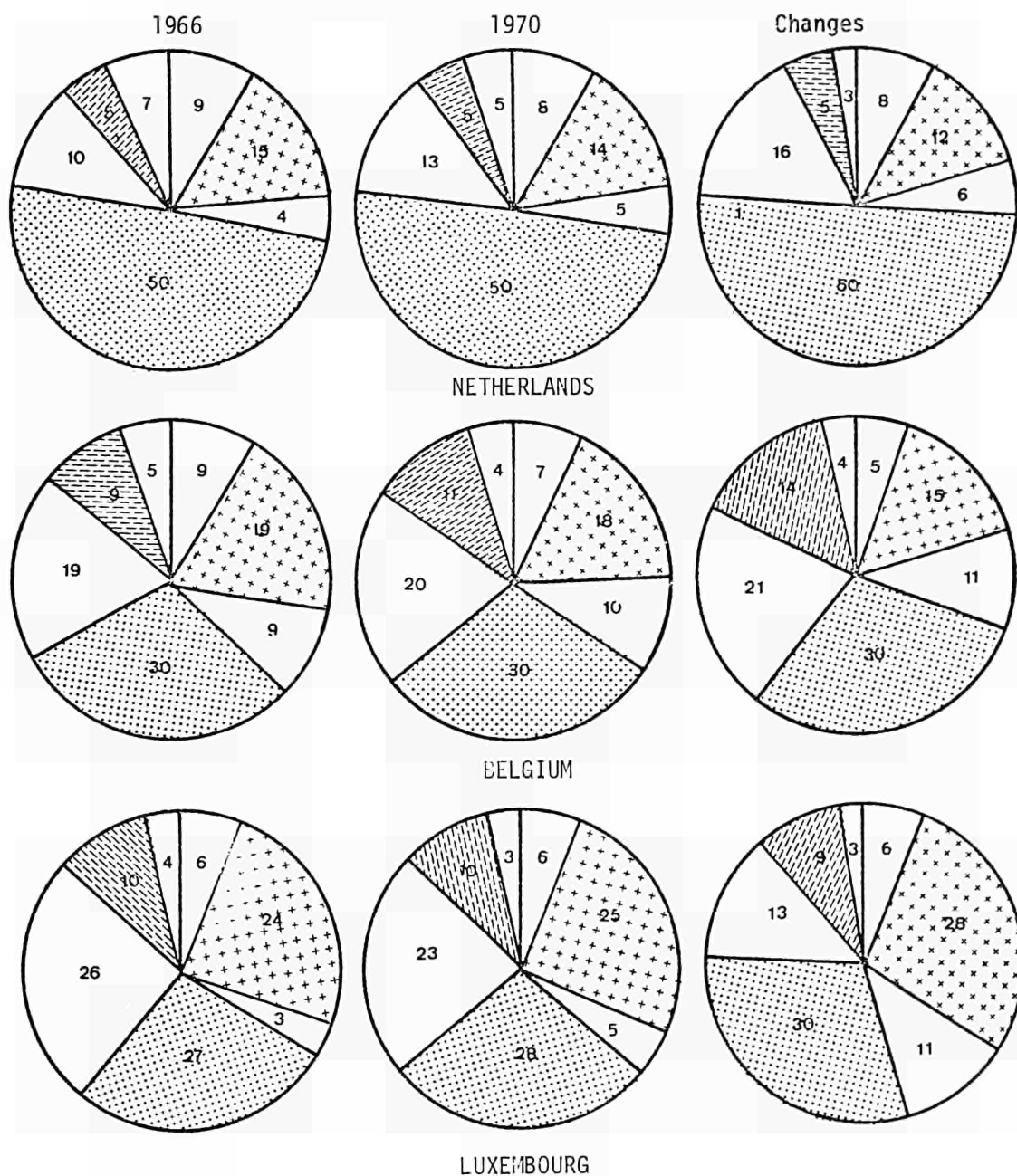
Year : 1970

(% of total)

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
Defence	28	35	26	53	37	11
Education service and cultural services	24	35	39	5	25	31
Other expenditure	48	30	35	42	38	58
Total	100	100	100	100	100	100
Total as a percentage of total central government expenditure	44	48	37	23	25	31

CHART B-1

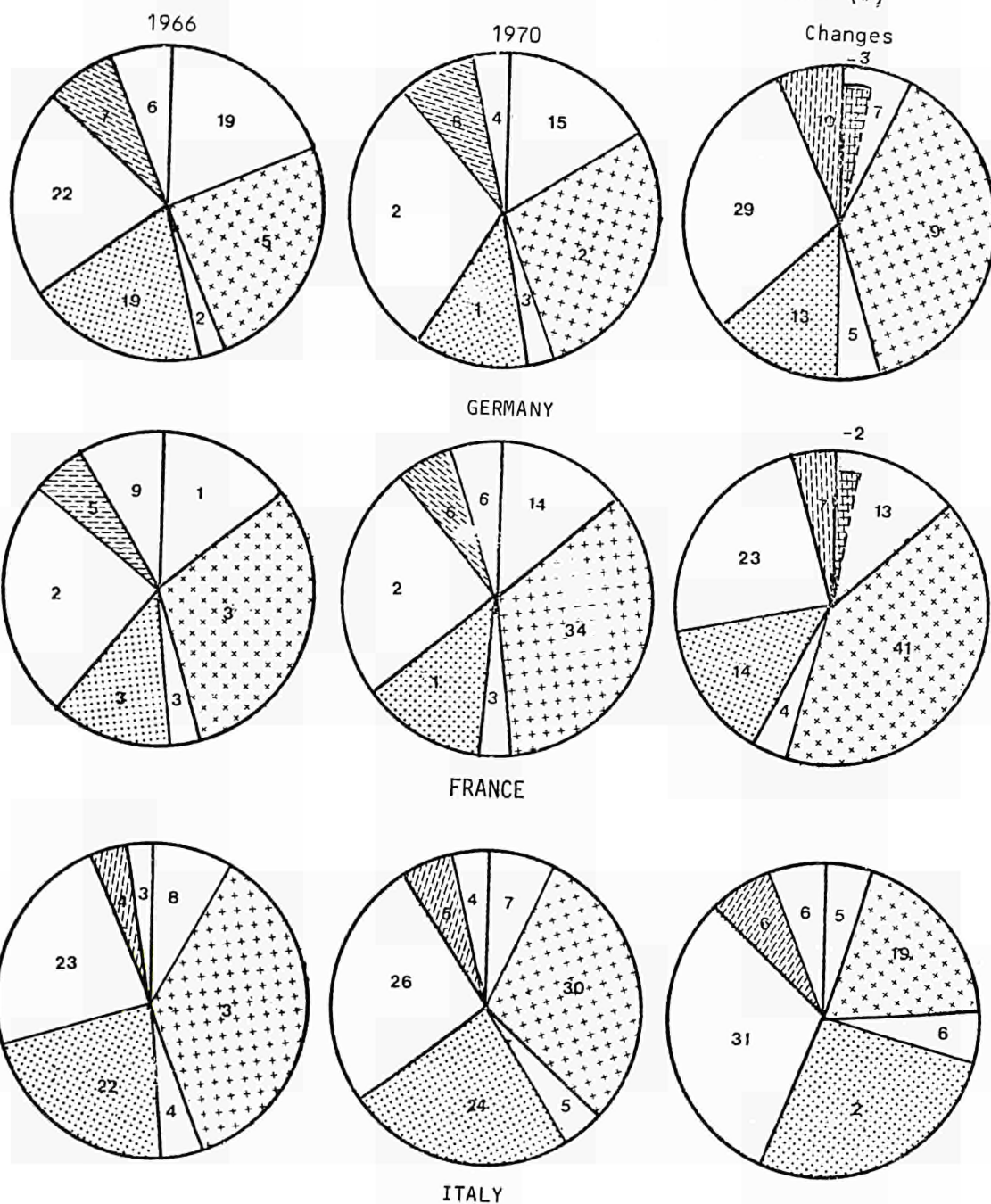
Economic breakdown of central government expenditure (%)



See also Table B-19

CHART B-1

Economic breakdown of central government expenditure (%)



See also Table B-19

TABLE B-23

Interest payments as a percentage of central
government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	2	4	8	6	9	4
1962	2	5	6	5	11	4
1966	2	3	4	4	10	3
1970	3	3	5	5	10	5

TABLE B-24

Transfers to other public authorities (1) as a percentage
of central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	15	11	6	35	28	21
1962	17	10	13	44	29	24
1966	19	12	22	50	30	27
1970	18	13	24	50	31	28

(1) Including loans to social security funds and local authorities

TABLE B-25

Other transfers as a percentage of
central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	25	25	33	17	21	26
1962	23	26	28	14	19	23
1966	22	26	24	10	19	24
1970	24	24	26	13	20	23

In all Member States, compensation of employees took up a much larger share than purchases of goods and services. The lead was held by France, where one-third of central government expenditure was on staff; it was followed by Italy and Germany with approximately 30% and Luxembourg with 25%; Belgium and the Netherlands brought up the rear. Contrary to general belief, the share of employees' compensation in central government expenditure did not increase significantly between 1957 and 1962 but in Germany it rose sharply between 1966 and 1970, as has already been explained in Part A, Section II. In France the increase in the cost of civil staff was offset by a relative fall in forces' pay. The sharp fluctuations were partly attributable to the fact that neither the rise in real income of public servants nor the increase in the number of public servants was regular. In Italy and Belgium the proportion actually fell, while in Luxembourg and the Netherlands it was roughly constant.

Table B-22 combines current purchases of goods and services and staff costs for 1970, to give public consumption. In France it amounted to almost half of central government expenditure in 1970, and only slightly less in Germany. Next came Italy and Luxembourg, and at the end of the scale the Netherlands and Belgium, where approximately one-quarter of central government expenditure was on public consumption. Table B-22 also shows the main components of public consumption in 1970. The two largest sectors, defence and education, are shown separately. In some Member States, the share of expenditure on defence was the greater, while in others expenditure on education predominated. Only in Luxembourg did the share of these two sectors together amount to less than 50% of public consumption, because expenditure on defence was exceptionally low in that country. It was followed by Germany, where expenditure on education took a very small share of GNP. The leading position was occupied by France, where 70% of public consumption was accounted for by defence and education. This apportionment of public consumption implies that the future trend will be determined by two factors operating in different directions - the first being the expansion of education, which will lead to a relative increase in public consumption and the second being a relative fall in expenditure on defence which will reduce slightly public consumption.

IV. B. 2 Interest payments

The share of interest payments in total central government expenditure was considerable only in Belgium, at approximately 10%; in Germany and France it was particularly low, at 3% in 1970. These figures reflect the different levels of the national debt in the Member States. There was no clear tendency for the share of interest payments to increase after 1957; but such a tendency might well develop later because of the increase in the net borrowing requirement (e.g. in Italy).

IV. B. 3. Transfers

Table B-24 clearly shows the special importance, in the Netherlands, of transfers to other public authorities. This importance is due to the fact that in the Netherlands the local and provincial authorities' shares of central government taxes are recorded as transfers to other authorities. They might also possibly be regarded as transitory items and excluded from the statistics. In any case Table B-24 shows that a considerable part of central government expenditure was not used by the central government itself, but consisted of transfers to local authorities and social security funds. The share of these transfers was rising distinctly in all Member States especially in Italy (from 6% in 1957 to 24% in 1970), the Netherlands and Luxembourg. This also means, however, that the central government

is gaining more and more influence over the finances of the other authorities, which no longer have enough revenue of their own and are dependent on finance from the central government budget.

The share of other transfers in total central government expenditure up to 1970 was surprisingly similar in all Member States, apart from the Netherlands (see Table B-25). It amounted to between 23% and 26% and somewhat less in Belgium; only in the Netherlands was it substantially smaller. This similarity did not yet exist in 1957; at that time this category's share of central government expenditure was one-third in Italy, but only 17% in the Netherlands. In both countries the share fell - in Italy to the level of Germany, France and Luxembourg. The fall in the Netherlands put this country out of line with the relevant figures for the other Member States.

Transfers can be divided into current transfers and capital transfers, of which the current item is by far the larger. A detailed breakdown of current expenditure is given in Table B-26. This information cannot be provided for capital transfers, which are, however, appreciably less important. According to this table, approximately one-quarter of current transfers went to social security funds, amounting to as much as one-third in Italy and Luxembourg, but only 6% in the Netherlands. Current transfers to local and regional authorities were of much the same order though major differences existed from country to country. The Netherlands was in the lead while France showed much the lowest figure. Current transfers to households were a significant item mainly in Germany and France. Except in Germany, however, current transfers to private sector business, or subsidies, were much greater - in France, for example, these were higher than current transfers to social security funds, in Belgium they ran at the same level, while in the other Member States, they were lower. Finally, current transfers to non-profit-making bodies and to the rest of the world figured less prominently.

VI. B. 4. Direct investment

The central government's capital expenditure, which adds to the government's capital stock and at the same time belongs to the types of central government expenditure which can be varied to suit the requirements of short-term economic policy, represented in all Member States only a fairly modest proportion of central government spending (see Table B-27). Belgium was the only country where it amounted to 11% in 1970; and in Luxembourg it was also 11% in 1957; but then fell to 9%. The proportion of direct investment by the central government in 1970 was lowest in Italy and in the Netherlands, while in 1957 and 1962 it was lowest in France. In Table B-28 investment in 1970 is broken down by sectors. According to this breakdown transport and communications accounted for rather more than half of the investment in Germany and Italy, three-quarters in Belgium and the Netherlands and about 40% in France and Luxembourg. Capital expenditure on education was particularly high in France, accounting for over half of the total. Over three-quarters of this investment in education related to public education. The main reasons for the heavy investment in the education system were the investment undertaken in the sixties particularly at secondary school level, and the transfer of building costs from the local authorities to the central government, so as to facilitate the building of prefabricated schools. Only in Italy did central government invest directly in agriculture on any major scale, mainly as part of the Green Plan (See III. B. 5.). The share of the other sectors was relatively large in Luxembourg; in the other countries it ranged from 8% (France) to 19% (Germany).

TABLE B-25

Percentage breakdown of current transfers

Year : 1970

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Transfers to households	27	21	11	5	10	9
Transfers to social security funds	24	25	33	6	23	36
Transfers to local authorities	20	10	24	75	38	23
Transfers to non-profit institutions	4	4	8	4	2	- (1)
Transfers to enterprises	19	30	21	7	22	25
Transfers to the rest of the world	6	10	3	2	5	7
TOTAL	100	100	100	100	100	100
Total as % of central government expenditure	31.1	29.8	39.3	49.9	46.9	43.7

(1) Included in transfers to households.

TABLE B-27

Direct investment as a percentage
of central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	4	3	4	5	7	11
1962	6	4	5	5	8	10
1966	7	5	4	5	9	10
1970	8	6	5	5	11	9

TABLE B-28

Direct investment broken down by sector

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Transport and communications	53	38	55	76	73	38
Agriculture	2	2	28	8	-	1
Education, culture and religion	26	52	8	3	12	26
Other sectors	19	8	9	13	15	35
TOTAL	100	100	100	100	100	100

TABLE B-29

Loans, advances and equity acquisitions (1)
as a percentage of central government expenditure

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	13	11	2	5	4	2
1962	9	10	4	5	4	5
1966	6	8	3	7	4	5
1970	4	6	4	5	2	3

(1) Excluding loans to social security funds and local authorities.

IV.B. 5. Loans, advances and equity acquisitions

This category of expenditure was small in size, following a sharp decline, especially in Germany and France, where the housing expenditure changed from the granting of loans to the payment of rent and interest subsidies. In all Member States the share of this category of expenditure in 1970 was around 5% (and as low as 3% in Luxembourg and 2% in Belgium).

V. TREND AND PATTERN OF CENTRAL GOVERNMENT REVENUE AND OF OTHER SOURCES OF FINANCE

V. 1. The central government's tax revenue

Table B-30 shows that from 1966 to 1970 a good 80% of the funds at the disposal of central government in the Member States derived from tax payments. Although, taking the average for the years considered, this share was roughly the same in all Member States, in year-to-year terms there were major differences. In Belgium and the Netherlands the share of taxes in total revenue was almost steady. In these two countries the total volume of finance drawn on by central government was therefore closely related to the tax yield. In the other Member States this close link did not exist; it was especially loose in Luxembourg, where the spread was 20 percentage points (that is, the share fluctuated between 78% and 98%), in Italy, where the spread was 16 percentage points (the share fluctuated between 75% and 91%) and in Germany, where the tax share fluctuated between 81% and 92%).

An examination of the proportion in which direct and indirect taxes go to make up the tax yield shows that there are still considerable differences between the Member States; these are especially serious within an economic union, because indirect taxes are generally refunded on exports at frontiers, while direct taxes are not and this results in distortions of competition.

Only in some Member States did the 1966-1970 trend bring a narrowing of the gap towards the Community average. The countries with a particularly high share of direct taxes were Germany, the Netherlands and Luxembourg. The share decreased slightly in Germany and the Netherlands, but in Luxembourg it was substantially higher in 1969 and 1970 than at the beginning of the five-year period under review. Of the Member States with a low share of direct taxes, France moved closer to the Community average, as did Belgium, while in Italy the share tended if anything to fall slightly. A clear trend cannot, of course, be inferred from the five year's figures in Table B-30, since the shares depend very much on the economic situation, the direct tax yield reacting much more readily to cyclical fluctuations than the indirect.

Using Table B-29 in the previous study (see page 113) for a longer-term comparison, it can be seen that the decline in the share of direct taxes in the Netherlands represents a longer-term tendency, as does the increase in France, while in the other countries the 1966-1970 movement tended if anything to run counter to the trend observed up to 1966.

TABLE B-30

Pattern of central government financial resources

(% of total)

		Direct taxes	Indirect taxes	Total taxes (1)	Other revenue	Total revenue	Borrowing or surplus(-)	Total
Germany	1966	41.4	44.0	85.6	9.8	95.4	4.6	100
	1967	38.2	42.4	80.9	9.7	90.6	9.4	100
	1968	41.9	42.8	85.0	11.5	96.5	3.5	100
	1969	44.4	46.8	91.6	9.9	101.5	- 1.5	100
	1970	39.9	48.5	88.8	9.0	97.8	2.2	100
France	1966	24.4	59.6	85.9	12.2	98.1	1.9	100
	1967	22.6	55.6	79.9	14.7	94.6	5.4	100
	1968	26.1	53.7	81.7	11.4	93.1	6.9	100
	1969	27.2	57.4	86.5	11.7	98.2	1.8	100
	1970	29.3	54.5	86.0	13.4	99.4	0.6	100
Italy	1966	23.0	58.0	82.2	6.3	88.5	11.5	100
	1967	25.5	64.2	91.0	7.9	98.9	1.1	100
	1968	23.1	56.5	80.6	5.9	86.5	13.5	100
	1969	25.7	60.9	87.7	5.5	93.2	6.8	100
	1970	20.4	53.3	74.5	6.3	80.8	19.2	100
Netherlands	1966	46.8	34.6	82.4	8.1	90.5	9.5	100
	1967	47.0	34.6	82.5	11.6	94.1	5.9	100
	1968	44.1	35.6	80.5	9.2	89.7	10.3	100
	1969	47.9	34.2	83.0	11.2	94.2	5.8	100
	1970	45.1	36.4	82.3	11.0	93.3	6.7	100
Belgium	1966	32.2	52.0	85.6	3.5	89.1	10.9	100
	1967	32.2	52.3	85.8	3.4	89.2	10.8	100
	1968	32.5	49.3	83.3	2.9	86.2	13.8	100
	1969	34.9	48.2	84.4	3.0	87.4	12.6	100
	1970	37.1	48.2	86.6	3.7	90.3	9.7	100
Luxembourg	1966	43.3	37.7	81.6	10.4	92.0	8.0	100
	1967	43.3	37.3	81.2	11.8	93.0	7.0	100
	1968	41.0	36.5	78.0	12.2	90.2	9.8	100
	1969	50.9	40.3	92.0	10.7	102.7	- 2.7	100
	1970	57.7	39.8	98.0	10.1	108.1	- 8.1	100

(1) Including capital taxes.

V.2. Other revenue of the central government (including borrowing)

This heading groups together a number of heterogeneous sources of revenue, among them transfers from other public authorities, other transfers, proceeds from sales of goods and services, property and entrepreneurial income and finally the repayment of loans and advances and the sale of shareholdings. The central government in Germany, France, the Netherlands and Luxembourg derived an average of 10-12% of its revenue from these sources. Only in Italy and, especially in Belgium, was the proportion appreciably smaller.

Central government expenditure not covered by taxes and other revenue has to be financed by recourse to borrowing or to existing balances. The extent of the borrowing practice varied from one Member State to another; some Member States borrowed regularly and consistently while in others borrowing varied sharply from year to year. This fact has already emerged from the examination of the share of taxes in overall finance. In Belgium, this share is remarkably steady, and recourse to borrowing is also steady. From 1966 and 1970 between 9.7% and 13.8% of central government expenditure was financed by borrowing every year. In the Netherlands, borrowing showed little change year by year; in France the variations were somewhat greater, and in the other Member States they were even more significant and Germany actually achieved a budget surplus in 1969, following a 9.4% deficit (net borrowing requirement) caused by the recession in 1967. The situation was similar in Luxembourg, which from 1966 to 1968 had a deficit (net borrowing requirement) of between 7% and 10%, whereas in 1970 it achieved an 8% surplus. Borrowing also fluctuated very sharply in Italy, but a surplus of government revenue over expenditure was never achieved there, although equilibrium was almost reached in 1967. There was a particularly sharp deterioration in 1970, when 19% of central government expenditure had to be financed by borrowing.

Recourse to borrowing, which is a particularly important item in assessing the financial situation of central government budgets in the Member States, is shown separately in Table B-31, which also gives the average shares for the periods 1957-1966 and 1966-1970. From this it follows that, for the five-year period 1966-1970, a distinction can be made between two groups of countries: on the one hand Germany, France, the Netherlands and Luxembourg, which on average borrowed between just under 3% and just over 4% of central government expenditure, and on the other hand Italy and Belgium which borrowed over 10%. For the ten years 1957-1966 no such clear distinction is possible, because in that period France financed 7% of central government expenditure on average by borrowing, and Italy only 6%.

V. 3. Service of the public debt

Any continuous increase in national indebtedness that is faster than the growth in government revenue leads to an increasing burden of interest and borrowing costs in the government budget. Table B-31 shows that there was no clear evidence of a distinct increase in the burden of interest payments, although a slight rise occurred in the Benelux countries in the period 1966-1970.

The interest burden can also increase where the level of interest rates rises while government revenue and national indebtedness grow in parallel. However, in the years up to 1970 this was not yet the case to any noticeable extent, but in the last few years it must have become a major factor.

A second consequence of national indebtedness is the necessity for central governments to repay the loans raised, i.e. to redeem their debts. Redemption payments are not classified as expenditure in this study, but they are shown in Table B-32 to afford an insight into this aspect of national indebtedness.

TABLE B-31
Borrowing (1)
(as % of central government expenditure)

Year	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
1966	4.6	1.9	11.5	9.5	10.9	8.0
1967	9.4	5.4	1.1	5.9	10.8	7.0
1968	3.5	6.9	13.5	10.3	13.8	9.8
1969	- 1.5	1.8	6.8	5.8	12.6	- 2.7
1970	2.2	0.6	19.2	6.7	9.7	- 8.1
Average 1957-1966	3.0	7.4	6.2	3.8	13.9	3.6
Average 1966-1970	3.6	3.3	10.4	7.6	11.6	2.8

(1) Net borrowing requirement (+) or surplus (-) : Cf. Table B-30

TABLE B-32
Relative size of debt redemption and debt
interest payments by central government

Year	Debt redemption as % of total expenditure						Debt redemption as % of gross national product					
	Ger-many	Fran-ce	Italy	Nether-lands	Bel-gium	Luxem-bourg	Ger-many	Fran-ce	Italy	Nether-lands	Bel-gium	Luxem-bourg
1966	2.2	1.6	5.7	2.6	11.2	1.9	0.5	0.4	1.2	0.8	2.8	0.5
1967	2.4	1.8	1.2	2.3	13.3	2.0	0.6	0.4	0.2	0.7	3.4	0.5
1968	2.8	1.9	4.4	2.9	11.2	2.5	0.7	0.4	0.9	0.9	3.0	0.6
1969	7.2	1.2	5.3	2.0	16.5	3.5	1.7	0.3	1.0	0.6	4.4	0.8
1970	3.3	1.9	3.1	1.7	15.2	4.1	0.8	0.4	0.7	0.5	4.0	0.9
	Debt interest payments as % of total expenditure						Debt interest payments as % of gross national product					
	Ger-many	Fran-ce	Italy	Nether-lands	Bel-gium	Luxem-bourg	Ger-many	Fran-ce	Italy	Nether-lands	Bel-gium	Luxem-bourg
1966	2.2	3.2	4.1	4.3	9.5	3.4	0.5	0.7	0.8	1.2	2.4	0.9
1967	2.8	3.8	5.0	4.4	9.5	4.0	0.7	0.9	0.9	1.3	2.4	1.0
1968	2.8	3.8	4.5	4.7	9.2	4.8	0.7	0.9	1.0	1.4	2.5	1.3
1969	2.9	3.9	5.3	4.9	9.8	5.1	0.7	0.8	1.0	1.4	2.6	1.2
1970	2.8	3.3	4.6	4.9	10.1	5.0	0.6	0.7	1.0	1.5	2.7	1.1

The debt redemption trend is not, of course, directly connected with new borrowing or with the financial position of the government at any given time; the scale of repayments depends rather on the maturity dates of the national debt. When the financial position is especially favourable, redemption of the national debt may be accelerated. This may help to explain why in 1969 Germany, for example, which had a surplus of government revenue over expenditure, made repayments amounting to 7.2% of central government expenditure.

PART C.

LOCAL GOVERNMENT

PART C

LOCAL GOVERNMENT

I. DEFINITION OF THE LOCAL GOVERNMENT SECTOR

The distinction between local government and the other sub-sectors of general government and between local government and the private sector is the same as that made in the previous study. The main points are repeated here for reference :

1. Local government also includes a number of regional authorities which occupy a position between the local authorities and central government. These authorities are partly regional government units - the administrative districts (Kreise) and district associations (Bezirksverbände) in Germany, the departments in France, the provinces in the Netherlands and Belgium and the provinces and autonomous regions in Italy - and partly public which exercise specific functions on a regional basis, such as the water control boards (Waterschappen) in the Netherlands, the polders and water authorities (polders en watereien) in Belgium and also in Belgium, Social Welfare Boards, which are responsible for the care of the sick and the mentally handicapped and the administration of their own local hospitals.
2. As stated in the introduction, public enterprises producing goods and market services do not, as a matter of principle, and irrespective of their legal status, form part of general government, nor do municipal power stations and transport undertakings. This applies even when they are run as local authority undertakings. In the case of the local authorities, strict adherence to this definition was not possible, however, since a number of local authority facilities and establishments could not be isolated from local authority budgets. Particularly in Germany the inclusion of these "undertakings" considerably inflates the figures, especially those for purchases and sales of goods and services.

On the other hand, in accordance with the general definition of the public sector, the private educational system must be included in the public sector, since it does not produce market services, i.e. services sold on the market, and receives its income from general government services administration. Because of the different institutional situations, the consequence of this rule is that in Belgium and the Netherlands the private educational system is included in the local government economic account, while in France it is included in the central government economic account. In the other three Member States, in which the private educational system is of only minor significance, it is not included in the public sector. The public sector economic account therefore only records the subsidies granted to the private educational system. The problem classifying hospitals was discussed in the Introduction, Section I. 1.

II. TREND AND PATTERN OF EXPENDITURE

II. 1. General survey

Table C-1 gives a general view of the level and trend of local government expenditure with figures for the years 1966 to 1970 and comparative data for 1957. These figures represent the expenditure effected by the local authorities for 1966, irrespective of whether it was financed from their own financial resources or from central government transfers. In the case of the Netherlands, the 1966 and 1970 figures differ from the 1957 figures in two respects : first, for 1957 a number of items of expenditure on "general administration" could only be estimated, and so were underestimated. New calculations show that the figure given for total local government expenditure was some 3% too low. Secondly, expenditure on local development, subsidized housing, public sanitation and industrialization, which in 1957 was still classified under "Transport and communications", was included in "General administration" for the years from 1966 onward. The table shows that - apart from the Netherlands - local government effected one-fifth or less of public expenditure, thus accounting for a substantially smaller proportion of spending than central government. The large share of local authority expenditure in the Netherlands is mainly due to the bulk of public education and housing expenditure being within the province of local government. The expenditure actually effected by local government is, however, refunded by central government, so that the local authorities do not have independent control over it. This also applies for other functions and for all the other Member States.

Examination of the trend between 1966 and 1970 shows that the local government share declined in Italy, the Netherlands and Luxembourg. In Germany and Belgium it was broadly static, while in France it rose slightly though only in 1970, following an increase from 1957 to 1966. In Germany on the other hand the increase from 1957 to 1966 did not continue.

Table C-1 also shows the trend of local government expenditure as a proportion of GNP. It can be seen - except in Belgium - that local government expenditure did not grow more quickly than GNP; in Italy, the Netherlands and especially Luxembourg it actually grew more slowly.

The effects on economic activity of changes in local government expenditure can be tentatively gauged from Graph C-1, which plots the annual growth rates of expenditure and the annual growth rates of GNP. For Germany, France and the Netherlands the graph shows a substantially parallel movement of local authority expenditure and economic activity (represented here by the growth rates of the national product). This parallel movement indicates that it had not been possible to make local government expenditure serve the needs of short-term economic policy and to use a steady growth in it to sustain economic activity. Instead, when economic activity was declining, the growth rates of local authority expenditure also declined. The extreme example is Germany, where the growth rate was almost zero in the 1967 recession. The overall effect on economic activity of the local authority budgets emerges only if the trend of revenue is also taken into consideration.

There is no clear picture for Luxembourg and Belgium. In Luxembourg expenditure moved generally in parallel with GNP, except for 1966 and 1967, when the sharp reduction in local authority expenditure in 1965 had already been reversed, while the growth in national product was still slackening.

TABLE C-1

Trend of local government expenditure

	1957	1966	1967	1968	1969	1970
<u>as % of general government expenditure</u>						
Germany	18.7	20.9	19.3	19.6	20.0	20.8
France	14.8	16.6	16.9	16.5	16.6	17.2
Italy	18.2	17.7	17.2	16.9	17.2	15.6
Netherlands	41.1	43.4	44.0	41.7	40.8	39.6
Belgium	20.0	19.8	20.3	19.9	20.1	19.9
Luxembourg	21.6	16.6	16.2	15.4	16.1	15.5
<u>as % of gross national product</u>						
Germany	7.1	8.2	8.1	7.9	7.9	8.1
France	5.7	6.4	6.6	6.6	6.7	6.6
Italy	5.3	6.3	6.0	6.3	6.1	5.9
Netherlands	16.2	20.8	22.0	21.1	20.3	20.0
Belgium	5.8	7.6	7.8	8.1	8.1	8.1
Luxembourg	6.6	6.4	6.5	6.1	5.8	5.4

In Italy the behaviour of local authority expenditure up to 1965 followed the trade cycle; after that, however, the movement tended to be anticyclical, though the changes in the annual growth rates of the national product were very small. All the same, these years (1965-70) in Italy were the only ones in the period from 1961-70 in the six Member States in which local government spending helped to stabilize the economic trend.

II. 2. Local government expenditure by function

As noted in the previous study the local authorities are a very important part of three functional activities in all the Member States, though there are variations from country to country. These sectors are education, public transport (including local authority road construction) and health.

In all three functions the rules governing financial and legal responsibilities are complicated and differ from country to country. They were described in detail in the 1957-66 study and did not substantially change up to 1970 (see pp. 124-126 of that study).

Table C-2 clearly reflects the prominent role of the three functions, for they accounted for more than half of local authority expenditure in four Member States, and just under half in France (45% in 1966), with Italy the only country where they made up only one-third of it. The reasons for Italy's shortfall are first that virtually no local authority expenditure was devoted to transport and communications. This was either because the local roads within the local authority responsibility for construction and maintenance were of no great importance or because their renewal and extension programmes were smaller than those in other Member States. Secondly, the funds of the Italian local authorities were largely used for assistance to agriculture, industry and commerce.

In expenditure on transport and communications the position of Italy was quite exceptional; but for "Education, culture and religion", the Member States fell into two groups. The three big Member States devoted only between a seventh and a sixth of their local authority expenditure to this sector, whereas in the Benelux countries, the share ranged from 29% in Luxembourg to 49% in Belgium. For the Netherlands and Belgium this reflects the great importance of the private educational system, which is classified as local government function in this study (as in the National Accounts). A large proportion of this expenditure is refunded to local authorities by central government (cf. Part A, Section I. B. 8 and the Introduction), and the arrangement induces an inflation of local authority budgets.

In the case of public health Germany was some way out of line with the other Member States. This was mainly a question of statistical definition, because in Germany the economic accounts of the local authorities include the revenue and expenditure of the public hospitals (approximately half of all hospitals) rather than just the surplus or deficit (in most cases the deficit) shown in all the Member States except Luxembourg, where the importance of public hospitals is admittedly smaller.

Table C-2 reveals no major changes in the pattern of expenditure between 1966 and 1970, even though it is noteworthy that the share of expenditure on education, science and cultural services rose by another 5 percentage points in the Netherlands and 3 percentage points in Belgium, while the share of residential construction fell by 4% in the Netherlands and the share of social services dropped from 8 to 3% in Belgium. Table C-2 does not, however, bring out satisfactorily the differences in the trend of expenditure in the various sectors, because changes in pattern become apparent only if they occur in an important sector and are therefore reflected in

GRAPH C-1

Annual growth rates of local government expenditure and of GNP

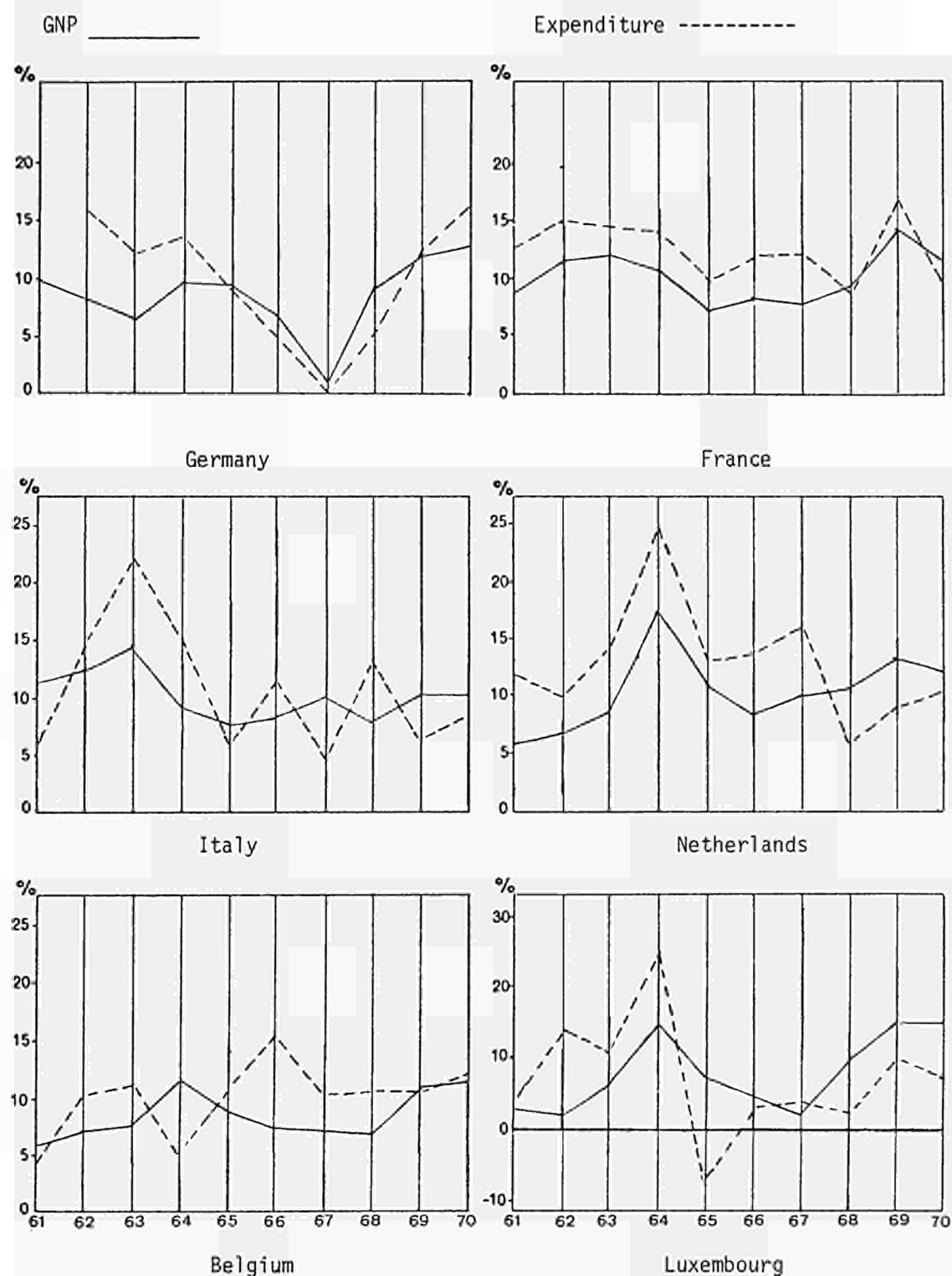


TABLE C-2

Local government expenditure by function in 1966 and 1970

(in %)

	Germany		France		Italy		Nether-lands		Belgium		Luxem-bourg	
	66	70	66	70	66	70	66	70	66	70	66	70
1. General administration administration of justice, police	14	15	16	-	23	22	21	21	15	12	16	18
2. Transport and communications	16	17	20	-	4	3	9	10	13	15	15	15
3. Education, culture and religion	17	16	15	-	13	13	32	37	46	49	28	29
4. Health	21	21	10	-	15	15	5	4	5	7	14	12
Total, items 2 to 4	54	54	45	-	32	31	46	51	64	71	57	56
5. Social services	13	12	13	-	10	10	9	10	8	3	8	5
6. Housing	4	3	10	-	1	1	17	13	2	3	5	5
7. Agriculture, industry, commerce	9	7	11	-	19	21	6	5	1	5	7	10
8. Compensation for war damage and disasters	1	-	-	-	2	-	-	-	-	-	-	-
9. Non-classified expenditure	5	9	5	-	13	15	-	-	8	5	7	6
Total expenditure	100	100	100	100	100	100	100	100	100	100	100	100

distinct changes in the percentage figures.

In order to recognize the differing trends it is therefore better and more useful to look also at Table C-3, which gives the annual growth rates of the various sectors and, for comparison, also the annual growth rates for the period 1957-66. Despite the relative steadiness of the pattern according to Table C-2, Table C-3 shows that the growth rates differed widely between Member States. It can now be seen that expenditure on some sectors declined from 1966 to 1970. Examples are compensation for war damage and disasters in Germany, Belgium and Italy and social services in Belgium and Luxembourg.

The changes in pattern were especially sharp between 1966 and 1970 in Belgium and Luxembourg. In Belgium an annual growth rate of 21% for public health and 26% for expenditure on housing contrasted with an annual decline of 19% for compensation for war damage and disasters. In Luxembourg expenditure on agriculture etc. rose by 10.2% a year, while expenditure on "social services" fell by 7.4%. Growth was best balanced in the Netherlands, where rates varied between 14.7% for social services and 3.5% for housing. In Italy the spread was similar with expenditure on transport rising least (0.3% per annum) and on residential construction most (13% per annum).

At 14.2% per annum, expenditure on general administration climbed most steeply in Germany, where it also ran highest above the average for total local authority expenditure. In the period 1957-66 this was true of the Netherlands, with an annual growth of as much as 23%.

II. 3. Local government capital expenditure

As an instrument of economic management, consumption expenditure can only be used in so far as efforts can be made to allow local authority expenditure to rise independently of the economic trend and as steadily as possible, and to refrain from pursuing a counter-cyclical economic policy. The view that no counter-cyclical policy should be adopted has received increasing support in recent years, partly because it is felt that local government capital expenditure should be adapted less to the dictates of short-term economic policy than to the future needs of the public for goods and services; and partly because, in the past, local authority capital expenditure has generally tended to strengthen and amplify the cyclical swings, and it would be triumph enough if the two could be kept apart. To weigh the desire for satisfying public needs against that of cyclical control, it is essential to know the purposes to which the expenditure is devoted. To this end Table C-4 classifies capital expenditure by function, although unfortunately no distinction can be made between the various kinds of capital spending.

The pattern of local government capital expenditure, as shown in Table C-4, is by no means uniform. Large differences emerge between the Member States with the greatest similarity surprisingly between Germany and Belgium. In both countries the three sectors in which the local authorities play a special part (transport, education, and public health), and promotion of agriculture, industry and commerce accounted for some 85% of capital spending and there was also some similarity between these four functions. France and the Netherlands are also broadly comparable; but in contrast to the former group hardly any investment was made in these countries in public health, while housing accounted for a very large share of the capital spending. Italy stands alone with hardly any investment in transport while 39% of the capital expenditure in 1970 was devoted to the promotion of agriculture, industry and commerce.

TABLE C-3

Average annual rates of growth of local government expenditure
by function (average 1957-66 and 1966-70)

(%)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	57/66	66/70	57/66	66/70	57/66	66/70	57/66	66/70	57/66	66/70	57/66	66/70
1. General administration	10.5	14.2	12.9	-	7.1	7.1	23.5	9.6	10.8	1.1	(1)	8.3
2. Administration of justice and police	7.0	8.8	9.7	-	(1)	5.6	8.6	12.6	6.1	12.0	7.4	1.7
3. Transport and communications	13.0	10.4	9.4	-	- 2.9	0.3	7.2	11.8	8.1	15.5	3.2	5.8
4. Education, culture and religion	10.5	5.6	12.8	-	15.0	8.7	13.7	14.2	10.5	12.9	6.6	6.1
5. Public health	14.1	7.9	21.4	-	10.5	8.2	9.9	4.8	5.9	21.0	4.3	6.7
6. Social services	9.6	6.1	6.7	-	6.7	11.2	12.7	14.7	10.9	-7.3	0.5	-7.4
7. Agriculture, industry, commerce and crafts	8.5	3.9	(1)	-	(1)	10.5	9.7	4.2	11.3	18.0	5.4	10.2
8. Housing	10.0	0.3	(1)	-	6.8	13.2	10.8	3.5	7.1	26.0	4.8	3.8
9. Compensation for war damage and disasters	2.4	-1.0	-	-	8.2	(3)	-	-	3.4	-9.0	-	-
10. Non-classified expenditure	12.0	7.9	9.6	-	15.0	11.2	-7.1	12.5	12.5	0.5	7.6	4.9
Total expenditure (2)	10.7	8.3	12.4	14.1	11.5	8.2	11.8	10.5	9.8	11.0	4.8	5.9

(1) The exact growth rate has no value as an indicator, because the considerable increase in this category of expenditure is partly due to statistical reasons.

(2) Excluding debt redemption.

(3) Amount nil in 1970.

TABLE C-4

Local government capital expenditure by function

(in %)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
I. 1. General administration	8	10	9	-	7	7	18	21	19	4	-	-
2. Administration of justice and police	1	1	-	-	1	1	-	1	1	1	-	-
II. 3. Transport and communications	29	31	19	-	4	3	15	18	33	37	-	-
4. Education, culture and religion	19	20	20	-	17	16	17	23	14	17	-	-
5. Public health	23	21	3	-	10	10	5	4	11	16	-	-
Total 3 to 5	71	72	42	-	31	29	37	45	58	70	-	-
III. 6. Social services	2	4	1	-	7	6	1	1	6	1	-	-
7. Agriculture, industry, commerce and crafts	13	10	19	-	31	39	12	10	10	14	-	-
8. Housing	6	3	28	-	3	4	32	23	5	8	-	-
9. Compensation for war damage and disasters	-	-	-	-	7	-	-	-	1	-	-	-
IV. 10. Non-classified expenditure	-	-	1	-	13	14	-	-	-	1	-	-
Total expenditure (1)	100	100	100	100	100	100	100	100	100	100	100	100

(1) Excluding debt redemption.

In the two selected years, 1966 and 1970, the Netherlands was the only country to make considerable investment requiring classification in the general administration sector, probably because it involved general administrative buildings.

This table gives a general idea of the areas to which any counter-cyclical economic policy by the local authorities would have to be applied. It also shows how difficult it would be, given the leeway yet to be made up in the supply of public goods, to make cuts in periods of economic overheating.

II. 4. Expenditure by economic category

Table C-5 breaks down local government expenditure by economic category for the years 1966 and 1970. The figures for the intermediate years are given in the statistical annex. From the table it can be seen that it would be wrong to speak of a continuous increase in expenditure on consumption as a proportion of local authority expenditure. Only in the Netherlands and Luxembourg did this type of expenditure rise continuously in the Netherlands from 38% in 1957 to 45% in 1970 and in Luxembourg from 42% in 1957 to 49% in 1970. In Germany and Italy, however, a declining tendency in the ten-year period 1957-66 was merely reversed (in Belgium it was the rising tendency that was reversed), while in France there was a definite fall over the years 1957 (44%) to 1970 (31%). This fall was limited to expenditure on purchases of goods and services; wages and salaries maintained their share in France too.

The share of expenditure on consumption was just under 50% in four of the six Member States; in France, it was distinctly less (31%), and in Belgium distinctly more (64%). These differences can be explained by the differences in the share of wages and salaries, which in turn depend on the extent to which the private educational system, with the considerable amounts spent on the salaries of the teachers employed, is included in the local authorities' economic account.

The share of investment varied considerably : in three Member States it was one-third or more of total expenditure (France 38%, Germany 36%, Luxembourg 33%), in three other Member States one-fifth or less (Netherlands 20%, Belgium 19%, Italy 15%). The picture is not complete unless one adds expenditure on loans, advances and equity acquisitions, which was very high in the Netherlands (13%), so that there too direct investment, loans, advances and equity acquisitions accounted for as much as a third of total expenditure.

The burden of interest payments on local authorities varied widely in the Member States. In 1970 local government in Germany needed to devote only 4% of expenditure to this item, in France 6% and in Luxembourg 5%. On the other hand, the share in the Netherlands was as much as 10% and in Belgium 9%, while in Italy, the 1970 burden had reached the alarming level of 14% - which compares with direct investment of 15% of total expenditure, or only 1% more than interest payments.

III. TREND AND PATTERN OF REVENUE

The pattern of local government revenue is illustrated in Graph C-2. Four categories are distinguished :

- (a) own tax revenue in the narrow sense;
- (b) statutory surcharges on central government taxes automatically transferred to the local authorities, shares in central government

- taxes and grants-in-aid not reserved for any specific purpose;
- (c) specific transfers from central government;
- (d) other revenue.

This classification masks very different flows of payment, especially under item (b). The differences are due to the dissimilar and, in some countries, very elaborate financial systems linking central and local government. In some Member States specific funds exist (provincial and local authority funds) through which part of the central government tax yield is channelled to local government. In a number of Member States local government receives shares of central government taxes, in others, surcharges are levied for the local authorities. In other countries again local government receives general grants which are not, or not only, linked to the yield of specific central government taxes, but which also or take into account only changes in specific indicators (population, area, etc.) at local authority level.

Overall, in breaking down central government transfers into categories (b) and (c) an attempt has been made to indicate the central government's financial influence which - as already explained in Section III of the Introduction - is much greater in the case of specific grants than in the case of general grants or allocation of tax shares.

As Graph C-2 shows, it was only in France and, in 1970, in Luxembourg, that the own tax revenue (in the narrow sense) of the local authorities produced half their effective revenue. If tax surcharges, shares in central government taxes and general grants are added in, the local authorities' independent financial strength looks somewhat greater, since residual item ranks as revenue which local government can control independently. Nevertheless, through the specific transfers, the central government can exert considerable influence on local authority spending, though the extent of this differs widely from one country to another. In 1970 these transfers amounted to almost half the total revenue of local government in the Netherlands and in Belgium; in Germany they were approximately one quarter, and in the other Member States 15% or less.

The statutory rules governing this category of local authority revenue were set out in the 1957-66 study (see pp. 133-7). It must be added that, in Luxembourg, the apportionment between local authorities of their shares in central government taxes, in the period under review, was made under the following formula. The share (18%) of personal income tax and the wage tax is divided as to 75% proportionately to resident population at the last general census and 25% proportionately to the tax base for the assessment of the tax on land and forests. For the 10% share of the value-added tax, 70% is apportioned by reference to population and 30% by reference to the VAT paid by firms to each local authority. The 20% share in the motor vehicles tax is apportioned as to 70% according to the number of vehicles registered on 1 January of the previous year, 20% according to the communal road area and 10% according to the local authorities' average expenditure on public roads in the three previous years.

Since the other revenue, consisting of fees and receipts from the sale of goods and services (mainly hospitals, sewerage, refuse collection, etc.), profits of public enterprises and loan repayments did not amount to more than 20% of revenue in 1970 in any Member State, a considerable proportion of local authority revenue needed to be financed by central government transfers which represented neither shares in nor surcharges on central government taxes. This proportion was largest in the Netherlands and Belgium, as was to be expected from what has been said above. For the Netherlands, the previous study (see pp 137/8) gave a detailed outline of the rules governing transfers from central government to local government.

TABLE C-5

Local government expenditure by economic category

(in %)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
1. Purchases of goods and services	20	21	20	14	17	19	9	10	14	11	18	20
2. Compensation of employees	26	27	17	17	30	29	32	35	53	53	27	29
1 + 2 Current consumption	46	48	37	31	47	48	41	45	67	64	45	49
3. Interest payments	4	4	5	6	10	14	8	10	8	9	6	5
4. Current transfers to households	5	5	16	14	17	14	8	9	5	4	3	3
5. Other transfers	4	4	9	10	3	4	3	3	0	0	9	5
4 + 5 Transfers	9	9	25	24	20	18	11	12	5	4	12	8
6. Direct investment	37	36	32	38	19	15	20	20	16	19	32	33
7. Loans, advances and equities	4	3	1	2	4	4	20	13	5	3	5	4
1 to 7 Total expenditure	100	100	100	100	100	100	100	100	100	100	100	100

GRAPH C-2

Pattern of revenue (as % of total expenditure)



own tax revenue



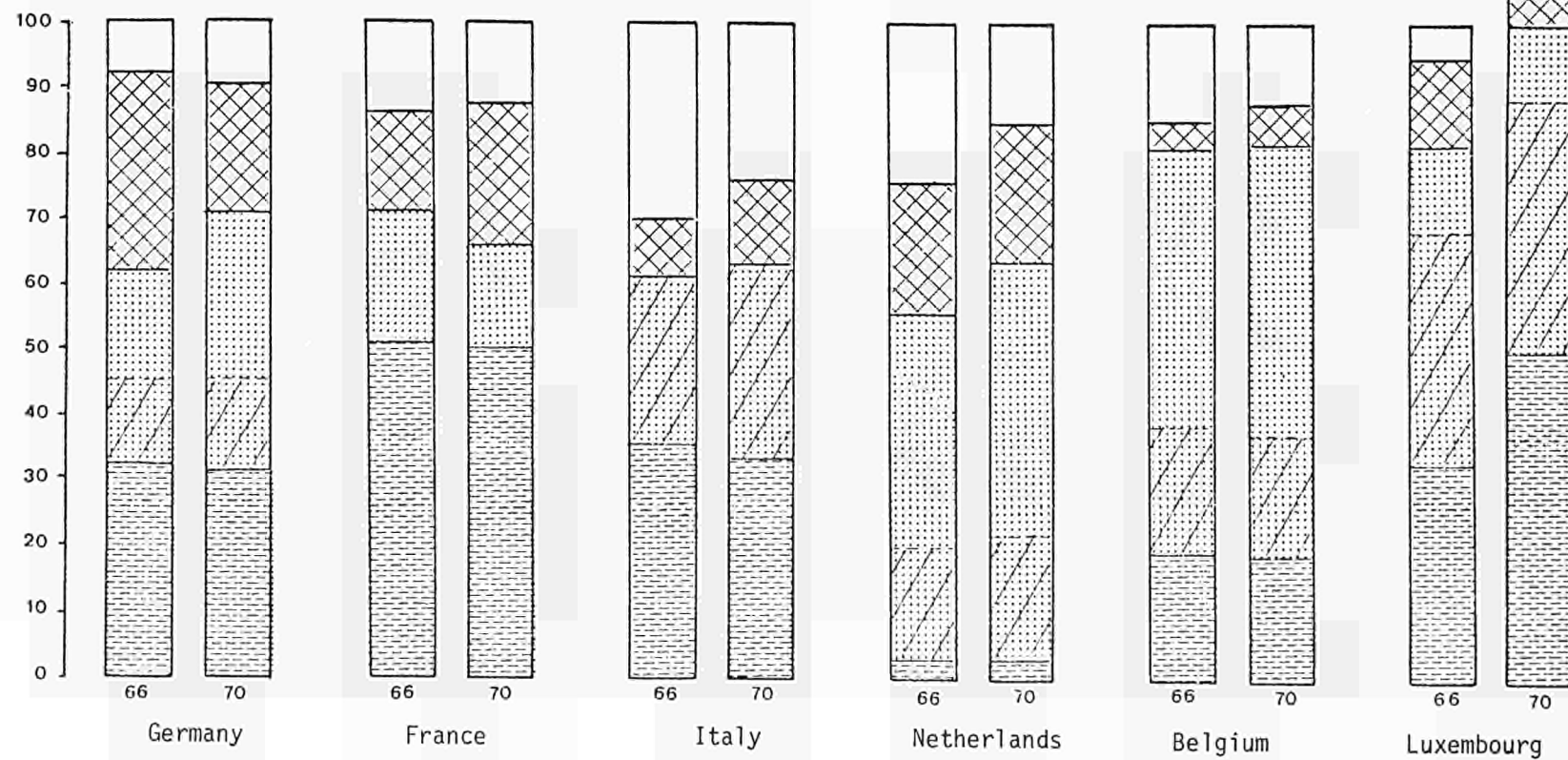
Allocation of tax shares, tax surcharges and general grants



specific central government transfers



other revenue



Expenditure = 100

Graph C-2 also shows the share of local government expenditure not covered by revenue (Luxembourg was the only country where local government revenue exceeded expenditure). Since Section IV, on the trend of local authority indebtedness, gives figures for each year, the situation in the two years 1966 and 1970 is not examined here.

Tax revenue, which represents the most important source of local government finance after or before central government transfers, is composed of very different taxes in the various Member States. The composition was examined in detail in the 1957-66 study and the 1968-72 tax statistics of the Statistical Office of the European Communities (1973 Yearbook) are another, newer and more detailed source. For this reason only the most important changes between 1966 and 1970 are reported here :

In Germany, the reform of local authority finance, which came into force on 1 January 1970, abolished the predominance of the tax on industry and trade, a local authority tax, as a source of local authority tax revenue. Since that date, a fixed proportion of the tax on industry and trade is paid over to central government (20% of the proportion going to the Federal Government and 20% to the Länder). In exchange the local authorities receive 14% of the wages tax and assessed income tax revenue (central government retains corporation tax and capital yields tax in full). This change has considerably reduced the significance of the tax on industry and trade and increased the local authorities' financial strength. There is no point in giving separate figures for 1966 and 1970 because in 1969 the local authorities successfully endeavoured to obtain the highest possible receipts from the tax on industry and trade, securing inflows which would normally not have been received until 1970, either by raising the advance payments or by speeding up the final settlement of tax debts for earlier years. While in 1968 the tax on industry and trade still produced some 70% of local authority revenue, this proportion is likely to decline, in the long run, to one third. For the other taxes there has been no change in significance or statutory basis.

In France, the changes for the period under review include, in addition to those already mentioned in the first study the abolition of the local tax on turnover on 1 January 1968 and the replacement, at the end of 1968, of the payroll tax accruing to local government by a central government grant of the same amount.

In Italy, tax revenue was composed of a large number of individual taxes (according to the 1973 Tax Statistics Yearbook there were almost 60 different taxes). Just under one-third of tax revenue comes from local consumption taxes.

The local authority taxes listed for the Netherlands in the 1957-66 study were in total not very significant, and there were no changes here. In Belgium there was little change in the structure of local authorities' own tax revenue, or in the local government shares of central government taxes. Central government transfers were mainly linked to the central government direct tax yield and therefore showed the same buoyancy.

In Luxembourg the taxation system hardly changed after the tax reform of 1966-67 (see previous study, p. 137). The trade tax allowances were increased. The picture for 1970 was as follows : a little over one-third of the revenue from local authority taxes and from shares in central government taxes came from the trade tax, just under one-third from the tax on wages, salaries and pensions and from personal income tax, and the rest was accounted for by the other taxes (in order of 1970 yield: tax on land and buildings, value added tax or turnover tax, payroll tax and several other taxes).

IV. COMPARISON OF THE TRENDS OF REVENUE AND EXPENDITURE; THE BORROWING REQUIREMENT

A comparison of local government revenue and expenditure must be based both on Graph C-3 and Table C-7. The comparison of the index numbers (1966=100) for local government revenue and expenditure suggests that in all the Member States the local authorities' financial situation improved more or less definitely compared with 1966 (the base year for this study). It would be more accurate to say that the deterioration slowed down for there was no real improvement in the financial position because the interest payments burden on budgets remained static or rose in all the Member States except Luxembourg. The trend of revenue in relation to expenditure was particularly favourable in Italy, the Netherlands and especially in Luxembourg. In Germany there was a special movement in 1969/70 because of the reapportionment of the industry and trade tax and income tax between local authorities, Länder and Federal Government, as explained on p.148. For an analysis of the year-to-year changes, therefore, 1969 and 1970 must always be considered together.

Table C-7 clearly shows that the trend of local authority finance as represented in Graph C-3, in fact only reflected a slowdown in the deterioration of the financial position, except in Luxembourg. Despite the favourable trend of the revenue/expenditure ratio, in 1970 at least one-tenth of expenditure was still not covered by revenue and therefore had to be financed by new borrowing. Nevertheless this proportion was smaller in all five Member States than in 1966.

For Germany and Italy 1966, is, however, a less suitable reference year, because the proportion of expenditure not covered by revenue in that year was distinctly greater than the ten-year average for 1957-66. Thus the slower rise of expenditure in the years after 1966 in Italy, represented in Graph C-3, merely helped to reduce the proportion of local authority expenditure not covered by revenue to the level of the ten-year period. In Germany, on the other hand, it was possible to bring it below this level.

The sharpest fall in the proportion of expenditure financed by borrowing was recorded in the Netherlands, where it was possible to reduce the proportion of non-covered local authority expenditure from 25% to 15%. Luxembourg is the only country where local government managed to achieve a surplus in the three years 1968-70. The situation in these years was thus more favourable than that in the ten years from 1957 to 1966, when the shortfall between local authority expenditure and revenue was one-tenth every year.

A comparison of the figures for the ten-year period and for 1970 in Table C-7 shows that of the two countries (Italy and the Netherlands) in which the local authorities' financial resources were quite obviously inadequate to cover what they had to do and in which approximately one quarter of local government expenditure was financed by borrowing, one at any rate, the Netherlands took measures to keep down the extent of borrowing. These measures affected both expenditure and revenue. As Table C-1 shows and as is emphasized in the text, expenditure grew more slowly than total public expenditure and thus roughly in line with GNP. Revenue increased more than average, as can be seen from Table C-6. For Italy, Table C-1 also shows that local authority expenditure rose at a slower pace than total public expenditure, but this slackening was not sufficient to make the local authorities' financial position any better than in the ten-year period 1957-66.

Table C-6

Trend of local government revenue

(as % of GNP)

	1957	1966	1967	1968	1969	1970
<u>Taxes and other revenue</u>						
Germany	5.4	5.1	5.2	5.1	5.5	4.0
France	3.7	4.2	4.5	4.7	4.8	4.7
Italy	3.2	2.8	2.7	2.8	2.8	2.7
Netherlands	3.6	4.8	5.5	5.0	4.8	4.8
Belgium	2.0	1.8	1.9	2.2	2.1	2.0
Luxembourg	3.5	2.9	3.2	3.2	3.5	3.5
<u>Transfers from central government (1) and social security funds</u>						
Germany	1.6	2.5	2.6	2.4	2.4	3.3
France	1.2	1.3	1.3	1.1	1.1	1.1
Italy	1.2	1.7	1.8	1.9	1.7	1.8
Netherlands	8.0	11.0	11.2	11.6	11.5	12.2
Belgium	3.2	4.6	4.8	4.8	4.9	5.1
Luxembourg	2.1	3.1	3.2	3.2	2.7	2.7

(1) Including the share of central government taxes.

GRAPH C-3

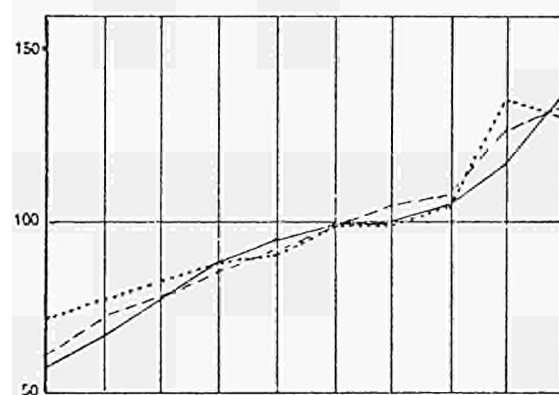
Trends of local government revenue and expenditure

1966 = 100

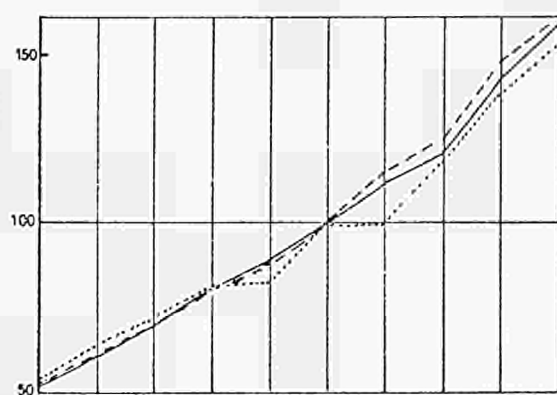
Expenditure ———

Revenue - - - -

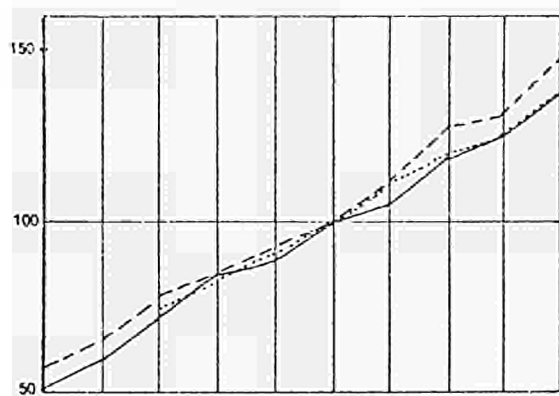
Tax revenue



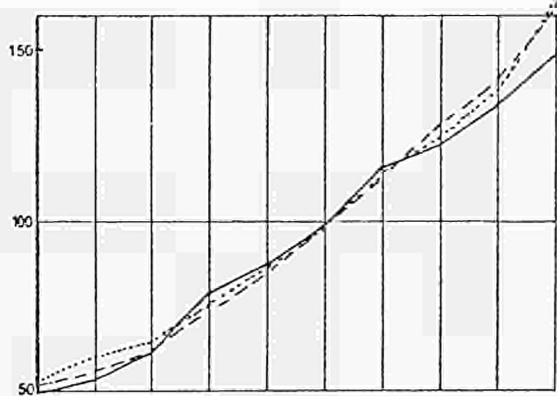
Germany



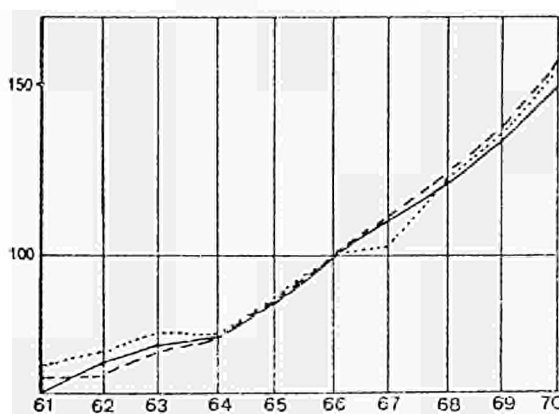
France



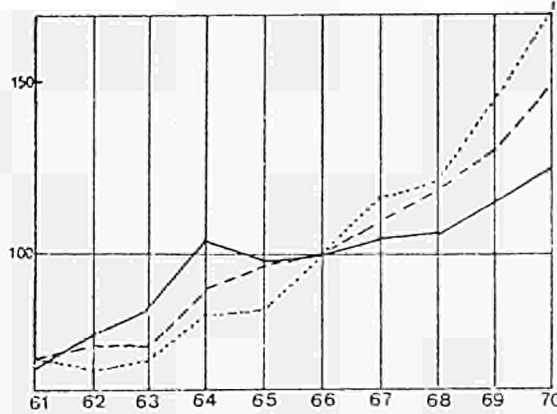
Italy



Netherlands



Belgium



Luxembourg

TABLE C-7

Share of expenditure not covered by revenue (or surplus -)

(%)

	Average for entire period 1957-1966	1966	1967	1968	1969	1970
Germany	6.7	8.4	3.9	4.2	0.5	10.3
France	14.0	14.0	12.4	11.6	11.5	13.0
Italy	25.2	29.7	24.6	24.3	25.9	24.0
Netherlands	24.7	23.9	24.0	21.7	19.0	14.7
Belgium	14.2	14.9	14.5	13.0	12.9	11.8
Luxembourg	10.3	5.2	0.2	- 6.4	- 6.8	- 13.7

PART D

SOCIAL SECURITY FUNDS

PART D

SOCIAL SECURITY FUNDS

I. FUNCTION AND DEFINITION OF THE SOCIAL SECURITY SECTOR

While Parts B and C in the main follow the structure and content of the 1957-66 study with the addition of figures for the period 1966-70), the structure of Part D differs more widely from the corresponding part of that study. It has been brought more closely into line with the format on which the other parts of the present study are based. The comparability with other social security studies based on different statistical material and definitions (see references below to "Social Accounts" has been improved; and thirdly, it was thought unnecessary to duplicate work by reproducing analyses of social security development based on the Social Accounts, when reference can easily be made to these studies (1).

A major function of the social security institutions is the protection of workers and their families against the risks they run at work and elsewhere. The extent of the protection may be independent of individual productive capacity. Frequently, however, benefits are a function of previous contributions paid by the worker or by a third party in his favour. The term "social security" does not of course include insurance arranged by individuals with private insurance companies or under non-compulsory mutual assurance schemes, but extends only to such cover as is made compulsory by law for all concerned.

The risks covered by social security are generally the following : sickness (including earnings lost through illness), old-age, death, disablement, physical or mental disability, occupational injuries, unemployment and family responsibilities (including maternity). However, not all these risks are covered by the social security systems of all Member States (see the reports mentioned in footnote (1)).

Social security can be defined for statistical purposes essentially in two different ways. If we define it as all the social protection schemes which - on a statutory or other compulsory basis - cover one or more of the above-mentioned risks, we arrive at the functional definition of social security, on which the studies mentioned in footnote 1 are based. Such a definition is not, however, compatible with the present study, since not all of these schemes are financed from public funds. Many of them, for example, are operated under collective agreements.

(1) See the following :

- (a) Comparative tables of the social security systems in the Member States of the European Communities :
 - 1. General system
 - 2. Mining system
 - 3. Agricultural system
- (b) Social Accounts 1962-1970, Social Statistics No. 2 - 1972, Statistical Office of the European Communities.

The present study therefore requires that social security - like general government and the two sub-sectors so far covered - be defined on an institutional basis, i.e. only expenditure and revenue relating to general government can be considered. Such a definition is of course less appropriate when we wish to investigate whether - or to what extent - a country's population is actually protected against various risks. This is why the comparative tables of social security systems produced by the Commission from the Social Accounts are drawn up on a functional rather than on an institutional basis.

Table D-1 shows the differences which result from the two approaches by comparing social benefits calculated on a functional basis with those resulting from the institutional definition underlying the present study. Two series of figures are reproduced from the Social Accounts : one shows the total social benefits (excluding civil service pensions, which were also omitted from the Working Party's investigations); the second series excludes the supplementary and voluntary schemes, since their relation to social security is less clear, presenting as they do more the characteristics of individual insurance.

The basic schemes for established public servants have therefore not been included in any of the three series.

The last two lines of Table D-1 reveal the considerable differences which result from the two different methods of approach. The last but one line - the more significant indicator in the context of the comparison - shows Germany, Italy and the Netherlands with a lower total of benefits when social security is defined on an institutional rather than on a functional basis. The figures for France, Belgium and Luxembourg, on the other hand, are higher when the institutional definition is used than under the Social Accounts definition.

The situation with regard to the countries first mentioned can be partly explained by the fact that, when social security is defined on an institutional basis, a fairly large number of benefits paid to public servants by central and local government authorities are not included, as they are classified under expenditure of these sub-sectors. The discrepancies in the figures for the Benelux countries are not so great that they cannot be accounted for by a large number of individual statistical factors, as also by differences in coverage and timing with regard to benefits paid (cash as opposed to book transactions) and other factors. On the other hand, social benefits as defined on an institutional basis would include benefits which, when defined on a functional basis, would come under social welfare, in the general sense rather than under social security benefits in the narrow sense. A detailed comparison of the two series of figures would exceed the bounds of the present study.

In contrast with the two public sub-sectors already dealt with - central and local government authorities - it must be stressed that the social security institutions are essentially administrative bodies and do not exercise public authority. They have no legislative function, but merely apply the laws and regulations laid down by central government. Social security expenditure and revenue depend therefore almost exclusively on decisions lying outside the purview of the social security institutions themselves.

But even the decisions of central and local government authorities in this field are subject to strict limitations. It is virtually impossible - at least where capital cover schemes are concerned - to review decisions already in force, since individuals by paying contributions, have acquired rights which can only with great difficulty be taken from them again. Strictly speaking, this does not apply to the adjustable-contribution procedure, except that socio-political factors often militate against the withdrawal of benefits.

TABLE D-1

1962 and 1970 social security benefits according to the Social-Accounts of the Statistical Office of the European Communities (1) and as defined by the Working Party on the Comparison of Budgets

('000 millions national currency)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	1962	1970	1962	1970	1962	1970	1962	1970	1962	1970	1962	1970
<u>Social Accounts</u>												
1. All benefits (2)	40.41	92.91	33.32	93.24	2.475	7.577	4.57	17.75	63.32	162.08	2.53	5.69
2. Of which : general and special schemes (3)	39.71	91.71	29.45	78.21	2.468	7.543	3.82	15.71	60.45	154.60	2.52	5.58
<u>Working Party</u>												
3. Social Security Benefits	37.14	77.14	38.59	104.85	2.352	7.039	4.03	15.85	63.01	167.32	2.71	6.02
3 as percentage of 1	92	83	116	113	95	93	88	94	100	103	108	106
3 as percentage of 2	94	84	130	135	95	93	105	107	104	108	108	108

(1) See 1962-70 Social Accounts, Social Statistics No.2 - 1972, Statistical Office of the European Communities, Tables 2-7 of the Statistical Appendix.

(2) Social security schemes (without civil service pensions, i.e. without schemes covered by special government regulations; see Table D-4 for a breakdown by type of risk.

(3) Line 1 less the supplementary and voluntary schemes.

To conclude this introductory note, Table D-2 gives some impression of the importance of the social security sub-sector within the framework of the overall public budgets. The first line shows that in the six Member States in 1970, between 30% and 39% of total public expenditure was accounted for by social security benefits. The percentages were lowest in the Netherlands and Germany (30% and 31% respectively) and highest in Luxembourg (39%). A comparison of the first and second lines shows the extent to which contributions cover expenditure. It should be noted that goods and services provided under sickness schemes are included among social benefits. The table shows that in 1970 contributions matched expenditure only in the Netherlands, whereas in Germany, France and Italy, between 10% and 20% of expenditure was not covered, and in Belgium and Luxembourg the shortfall is almost 30%. The third line shows that the proportions of social security contributions to total taxes and contributions paid were on a comparable scale, ranging from 29% (in Luxembourg) and 30% (in Germany and Belgium) to 36% (in France and Netherlands).

The fourth line shows that social security benefits accounted for about 70% of current transfers from the public to the private sector and abroad. It also explains the wide differences between social security figures when institutionally or functionally defined, since quite clearly many current transfers are made from public authorities which do not stem from the social security sub-sector.

II. TREND AND PATTERN OF EXPENDITURE

The pattern of social security expenditure is shown in two ways : as for the other sub-sectors, Table D-3 presents the normal breakdown by economic category: in addition, Table D-4 shows a breakdown of social expenditure by function, the figures for which have been taken from the Social Accounts. The second of these two tables, however, gives only a rough indication of the division of expenditure into the types of risk. The Social Accounts published by the Statistical Office of the European Communities should be consulted for further details (1).

Table D-3 shows that the pattern of social security expenditure differs markedly from that of the other sub-sectors. This comes as no surprise if it is remembered that, in the last year of the period survey (1970), between 88% (Italy) and 96.5% (Luxembourg) of social security expenditure was accounted for by social security benefits i.e., transfers. The share of the total accounted for by other types of expenditure is therefore small. Public consumption expenditure (i.e. staff costs, purchases of goods and services) nowhere accounted for more than 6% of the total (except in Italy in 1957 and 1962). Capital expenditure on buildings was less than 1% (except in Italy where it reached 3.2% in 1966).

It has been decided to provide in Table D-4 a breakdown of social security benefits by type of risk, mainly because these account for such a high proportion of total expenditure. However, the Social Accounts data have had to be used as a basis for this further study. The country-to-country differences in the pattern of social security expenditure are clearly discernible. None the less, the figures show that in 1970 disablement, old-age and survivors' benefits accounted in all Member States for the highest proportion of expenditure, followed by sickness benefits and family allowances. The differences with regard to family allowances are particularly marked. The tendency during the 1962-70 period was for the share taken by family allowances to contract and for that accounted for by sickness benefits to increase (except in Luxembourg). The other risks show no clear overall trend of this kind.

(1) Social Accounts 1962-1970, Social Statistics No. 2 - 1972, Statistical Office of the European Communities.

TABLE D-2
The importance of the social security sector
in relation to general government

(%)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
1. Social security expenditure as a percentage of total general government expenditure	30	31	34	37	37	36	27	30	34	34	35	39
2. Social security contributions as :												
(a) percentage of general government expenditure	23	26	29	33	27	30	27	30	25	26	26	28
(b) percentage of total taxes and contributions paid	27	30	33	36	34	38	33	36	29	30	30	29
3. Social security benefits as a percentage of total current transfers made by general government	70	71	69	72	77	67	76	74	71	71	69	75

TABLE D-3

Changes in the pattern of social security expenditure
(% of expenditure)

Country / Year		Consumption	Direct Investment	Benefits	Transfers to (1) authorities	Other expenditure (2)	Total
Germany	1957	5.8	0.3	93.8	-	0.1	100
	1962	5.5	0.4	94.0	-	0.1	100
	1966	5.4	0.4	93.6	-	0.6	100
	1968	5.1	0.2	94.0	-	0.7	100
	1970	5.5	0.2	93.7	-	0.6	100
France	1957	4.3	0.1	92.3	0.8	2.5	100
	1962	4.2	0.1	92.5	0.6	2.6	100
	1966	4.4	0.4	92.7	0.6	1.9	100
	1968	4.1	0.4	91.2	0.9	3.4	100
	1970	4.5	0.4	90.7	0.8	3.6	100
Italy	1957	8.6	0.1	78.8	0.3	12.2	100
	1962	7.3	0.3	82.0	0.6	9.8	100
	1966	6.0	3.2	87.0	0.4	3.4	100
	1968	6.2	2.3	88.5	0.2	2.8	100
	1970	6.1	1.9	89.8	0.1	2.0	100
Netherlands	1957	6.1	-	93.1	-	0.8	100
	1962	4.7	-	94.5	-	0.8	100
	1966	4.1	-	95.6	-	0.3	100
	1968	3.6	-	95.5	-	0.9	100
	1970	3.5	-	95.2	-	1.3	100
Belgium	1957	2.4	0.3	96.8	-	0.5	100
	1962	3.7	0.3	84.5	-	11.5	100
	1966	5.0	0.6	85.8	-	8.6	100
	1968	2.4	0.2	92.6	1.7	3.1	100
	1970	2.2	0.2	92.6	2.1	2.9	100
Luxembourg	1957	4.6	-	95.4	-	-	100
	1962	4.5	-	95.5	-	-	100
	1966	4.0	-	96.0	-	-	100
	1968	3.9	-	96.1	-	-	100
	1970	3.5	-	96.5	-	-	100

(1) Including loans and advances to central and local government authorities (Belgium 1968 and 1970).

(2) Other current and capital transfers, interest payments, equities, loans and advances.

Table D-5 shows changes in social security expenditure as a proportion of GNP. If the comparison is started from 1957, it is particularly clear that in the long term expenditure is growing appreciably faster than GNP. This trend, is, however, less pronounced in some Member States between 1966 and 1970, and was actually reversed in Germany and Luxembourg between 1967 and 1970. The upward tendency is especially evident in the Netherlands and, to a lesser extent, in France and Belgium. It was most pronounced in the Netherlands between 1957 and 1966 as well. The low figures for Germany for 1967 are due in great part to the recession, while those for 1969 and 1970 cannot be compared directly with previous years, because the system of paying sickness benefits from health insurance institutions was replaced in 1969 by the Continued Wage Payment Law, which required employers to maintain wage payments in times of sickness.

III. FINANCING SOCIAL SECURITY EXPENDITURE

In complete contrast to the central and local government authority sectors, Table D-6 shows that - with few exceptions - the surplus of revenue over expenditure was consistently maintained in the social security field. The influence of notions stemming from the private insurance sector - albeit steadily diminishing - is shown by the application of the principle that benefits to be paid to the insured must be covered by previous contributions paid in. This principle is, however, being increasingly, indeed almost completely, replaced in the social security sub-sector by that of contribution cover, whereby expenditure for a given period is financed from revenue for the same period. There has been a corresponding and clear reduction in the surplus of revenue over expenditure over the period up to 1970 in those Member States (Netherlands and Luxembourg) in which it was particularly high in 1957. Germany, France and Belgium, on the other hand, do not show this trend towards reduced surpluses over the same period, while in Italy a slight increase in revenue led to a 5% surplus in 1970.

The composition of revenue in the three largest Member States is very similar. This is particularly true of 1970, when about 85% of expenditure in all three countries was covered by contributions. About 14% was covered by transfers from central and local government authorities; the remainder (about 5% in France and Italy and about 10% in Germany because expenditure was covered to a greater extent by contributions) by other revenues.

While differing from other countries, the revenue patterns in Belgium and Luxembourg are similar to each other : 75% and 72% respectively of expenditure was covered by contributions, while transfers from central and local government authorities were somewhat higher, at 21% and 25% respectively. With 95% of expenditure covered by contributions and only 6% from central government transfers, the Netherlands had a different pattern from all the others.

The revenue pattern over the 5 years shown in Table D-6 is not constant, but fluctuates in several Member States around certain average figures. Wide fluctuations are, however, rare. The rise in the share of contributions in Germany - from 72% in 1968 to 84% in 1970 - is particularly remarkable. It is partly due to the fact that, in 1970, social security expenditure as a proportion of GNP was 0.7% lower than in 1968, so that in 1970 - and in sharp contrast to 1968 - receipts exceeded expenditure by 8%. The sharp increase in Italian central government transfers between 1962 and 1966 should also be noted. The central government contribution to social security funds previously fell far short of the levels in Germany and France, and only since 1966 has it risen to match them.

TABLE D-4

1962 and 1970 (1) social security expenditure by type of risk

(as % of total expenditure)

	Germany		France		Italy		Netherlands		Belgium		Luxembourg	
	1962	1970	1962	1970	1962	1970	1962	1970	1962	1970	1962	1969
1. Sickness	36	39	30	35	26	30	30	34	18	26	22	20
2. Disablement, old-age, survivors	48	48	31	37	42	51	49	50	45	40	45	55
3. Accidents at work, occupational sickness	6	5	6	6	4	4	3	-	5	6	13	9
4. Unemployment	2	2	1	1	3	2	3	2	7	6	-	-
5. Family allowances	7	5	32	21	23	13	14	13	25	22	20	16
6. Miscellaneous	1	1	-	-	1	-	-	-	-	-	-	-
Total expenditure (2)	100	100	100	100	100	100	100	100	100	100	100	100

Source : Statistical office of the European Communities, Social Accounts 1962-70, Social Statistics No.2 - 1972
Tables 16 to 21 of the Statistical Appendix.

(1) Luxembourg : 1969.

(2) Not including schemes covered by government regulations.

TABLE D-5

Social security expenditure as a proportion of gross national
product

(%)

Year	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1957	10.8	10.6	8.7	7.2	8.2	9.4
1966	11.7	13.2	13.2	12.7	13.2	13.6
1967	13.0	13.8	13.1	13.2	13.6	15.2
1968	12.7	14.0	13.7	14.0	14.4	14.8
1969	12.5	14.1	13.7	14.6	13.7	14.0
1970	12.0	14.3	13.5	15.1	14.0	13.8

TABLE D-6

The changing pattern of revenue and
financing of social security

(% of expenditure)

Country/ Year	Contri- butions	Transfers from central and local government authorities	Other revenue	Total revenue	Borrowed funds or surplus (-)	Total
Germany						
1957	79.8	18.5	11.6	109.9	- 9.9	100
1962	79.7	18.4	10.5	108.6	- 8.6	100
1966	76.5	17.6	11.9	106.0	- 6.0	100
1968	71.9	16.3	10.9	99.1	0.9	100
1970	83.7	14.4	10.1	108.2	- 8.2	100
France						
1957	83.7	14.0	6.9	104.6	- 4.6	100
1962	88.8	10.5	6.0	105.3	- 5.3	100
1966	84.3	10.0	5.2	99.5	0.5	100
1968	84.8	10.5	6.4	101.7	- 1.7	100
1970	85.4	12.7	5.1	103.2	- 3.2	100
Italy						
1957	86.4	3.9	6.1	96.4	3.6	100
1962	87.8	7.2	5.6	100.6	- 0.6	100
1966	73.9	17.0	5.0	95.9	4.1	100
1968	81.8	13.4	4.6	99.8	0.2	100
1970	84.6	15.5	4.6	104.7	- 4.7	100
Netherlands						
1957	109.0	6.9	3.2	119.1	- 19.1	100
1962	94.0	5.2	3.6	102.8	- 2.8	100
1966	94.5	5.1	1.7	101.3	- 1.3	100
1968	96.5	7.6	1.4	105.5	- 5.5	100
1970	95.9	5.8	2.3	104.0	- 4.0	100
Belgium						
1957	78.7	21.4	3.2	103.3	- 3.3	100
1962	63.1	20.8	17.5	101.4	- 1.4	100
1966	71.7	21.9	10.6	104.2	- 4.2	100
1968	69.4	23.3	12.0	104.7	- 4.7	100
1970	75.0	21.1	8.0	104.1	- 4.1	100
Luxembourg						
1957	90.3	25.1	13.9	129.3	- 29.3	100
1962	84.7	27.9	16.0	128.6	- 28.6	100
1966	73.0	33.7	12.3	119.0	- 19.0	100
1968	66.2	32.7	12.4	111.3	- 11.3	100
1970	72.0	25.3	12.7	110.0	- 10.0	100

STATISTICAL ANNEX

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I

GERMANY

TABLE 1

Economic account of General Government (*)

GERMANY

Mio DM

EXPENDITURE	1966	1967	1968	1969	1970
1. Purchases of goods and services	30 992.9	33 538.0	31 581.5	35 221.6	37 812.1
2. Compensation of employees	42 504.7	45 258.6	48 098.7	54 495.6	63 170.5
3. Interest payments	4 270.5	5 355.8	5 536.4	6 140.1	6 791.4
4. Current transfers					
(a) to enterprises	(5 800.0)	(5 630.0)	(7 610.0)	(7 720.0)	(9 605.9)
(b) to households	(67 010.4)	(73 993.6)	(78 365.4)	(85 074.5)	(92 577.9)
(c) to non-profit institutions	(1 750.0)	(1 850.0)	(2 008.7)	(2 222.6)	(2 466.0)
(d) abroad	(2 384.0)	(2 798.0)	(3 924.1)	(4 165.4)	(3 506.1)
Total 4	76 944.4	84 271.6	91 908.2	99 182.5	108 155.5
5. Current expenditure (1 to 4) - (1)	154 470.2	168 197.0	176 877.0	194 619.1	215 814.9
6. Gross capital formation	23 219.7	22 721.3	23 071.9	26 254.7	32 278.4
7. Capital transfers	5 918.2	7 033.2	7 509.2	9 293.0	10 411.8
8. Loans, advances and equity acquisitions	9 193.1	10 071.4	8 237.0	7 884.0	7 837.3
9. Capital expenditure (6 to 8) (2)	38 331.0	39 825.9	38 818.1	43 431.7	50 527.5
10. Balance of compensating items (4)	+ 159.8	+ 108.0	+ 435.4	+ 165.1	+ 85.8
11. Total expenditure (5 + 9 + 10) (4)	192 961.0	208 130.9	216 130.5	238 215.8	266 428.2
=====					
RECEIPTS					
12. Sales of goods and services	9 961.0	10 431.2	11 315.4	12 035.7	13 556.7
13. Interest received	4 038.9	4 271.0	4 281.9	4 478.3	5 443.6
14. Fiscal receipts					
direct taxes	49 255.1	49 379.3	54 657.2	63 284.9	62 714.0
indirect taxes	68 709.6	71 346.2	73 354.4	88 275.1	97 445.8
social security contributions	43 840.0	44 740.0	49 480.0	57 650.0	68 940.0
Total 14	161 804.7	165 465.5	177 491.6	209 210.0	229 099.8
15. Profits of public enterprises	5 065.6	5 298.6	5 829.5	6 606.8	6 620.3
16. Other transfers	1 407.7	1 516.0	1 668.2	1 886.0	2 050.0
17. Current receipts (12 to 16)	182 277.9	186 982.3	200 586.6	234 216.8	256 770.3
18. Sales of capital goods	1 123.0	1 227.1	1 305.8	1 517.2	1 663.7
19. Capital transfers	1 500.7	1 612.8	1 674.3	1 866.1	2 101.0
20. Repayments of loans and advances, sales of equity.	2 631.0	3 584.9	5 214.8	3 485.1	3 478.4
21. Capital receipts (18 to 20)	5 254.7	6 424.8	8 194.9	6 868.4	7 243.1
22. Total receipts (17 + 21)	187 532.6	193 407.1	208 781.5	241 085.2	264 013.4
23. Balance to be financed or employed (22 - 11)	- 5 428.4	- 14 723.8	- 7 349.0	+ 2 869.4	- 2 414.8
24. Debt redemption	4 182.2	5 143.4	5 965.1	12 703.5	7 670.5
25. Gross Balance to be financed or employed (23-24)	- 9 610.6	- 19 867.2	- 13 314.1	- 9 834.1	-10 085.3

(*) Bund, Länder, LAF, ERP, Offa, boroughs, social security institutions

(1) Including adjustment items

(2) Excluding debt redemption

(3) Balance of compensating items at the same levels

(4) Balance of compensating items at different levels

TABLE 2
Economic account of Central Government

GERMANY

Mio DM

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	22 258.1	24 261.0	21 766.9	24 092.6	24 844.5
2. Compensation of employees	29 943.9	31 952.9	34 001.4	38 553.4	44 620.0
3. Interest paid	2 678.2	3 548.6	3 616.1	4 065.3	4 387.4
4. Current transfers					
a) to enterprises	5 690.0	5 540.0	7 270.0	7 500.0	9 325.5
b) to households	11 220.4	11 833.6	11 615.4	11 734.5	13 077.9
c) to non-profit institutions	1 260.0	1 370.0	1 478.7	1 622.6	1 706.0
d) to other countries	2 034.0	2 408.0	3 434.1	3 635.4	2 936.1
Total 4	20 204.4	20 151.6	23 798.2	24 492.5	27 045.5
5. Transfers to local authorities	7 913.2	8 150.9	8 261.0	6 699.3	9 881.7
6. Transfers to social security funds	10 091.7	11 034.9	11 279.7	11 600.8	11 866.1
7. Current expenditure (1 to 6) (1)	92 934.6	99 932.2	102 601.8	109 226.1	122 735.2
8. Capital formation	8 196.6	8 888.4	8 544.2	9 625.2	11 905.5
9. Capital transfers					
a) to the private sector	5 696.1	6 794.2	7 241.3	8 933.0	10 032.1
b) to local authorities	4 180.0	4 461.8	4 610.0	7 292.9	5 452.1
c) to Social Security Funds	-	-	-	-	-
Total 9	9 876.1	11 256.0	11 851.3	16 225.9	15 484.2
10. Loans, advances and equity acquisitions					
a) to the private sector	7 725.3	8 725.0	7 082.1	6 791.7	6 578.0
b) to local authorities	222.5	258.2	546.5	662.5	319.4
c) to social security funds	-	-	-	-	-
Total 10	7 947.8	8 983.2	7 628.6	7 454.2	6 897.4
11. Capital expenditure (8 to 10) (1) (2)	26 020.4	29 127.6	28 024.1	33 305.3	34 287.1
12. Total expenditure (7 + 11) (1) (2)	118 955.0	129 059.8	130 625.9	142 531.4	157 022.3
RECEIPTS					
13. Sales of goods and services	4 176.9	4 040.9	4 373.7	4 318.4	4 976.6
14. Interest received	887.7	937.4	896.1	1 100.3	1 352.0
15. Current transfers from enterprises and households					
a) Direct taxes	49 205.2	49 326.3	54 603.0	63 228.8	62 656.0
b) Indirect taxes	52 312.0	54 718.1	55 823.9	66 626.8	76 188.0
c) Profits of public enterprises	2 100.1	2 174.3	2 588.5	3 023.6	2 770.0
d) Others	290.0	338.0	356.0	393.0	400.0
Total 15	103 907.3	106 556.7	123 371.4	133 272.2	142 014.0
16. Transfers from abroad	7.7	8.0	32.2	53.0	60.0
17. Transfers from local authorities	1 296.2	1 319.9	1 419.4	1 619.0	1 012.0
18. Transfers from social security funds	-	-	-	-	-
19. Current receipts (13 to 18) (1)	110 275.8	112 862.9	120 092.8	140 362.9	149 414.6
20. Sales of capital goods	378.5	385.0	364.6	405.7	347.0
21. Capital transfers	410.7	412.8	414.3	526.1	581.0
of which, taxes on capital	(328.3)	(317.2)	(344.8)	(453.7)	(540.0)
22. Repayments of loans and advances (3)	2 401.6	2 783.5	3 514.1	3 101.9	3 161.8
22a. Sales of equities	6.1	460.9	1 323.2	26.4	23.0
23. Total capital receipts (20 to 22) (1)	3 196.9	4 042.2	5 616.2	4 060.1	4 112.8
24. Total receipts (19 + 23) (1)	113 472.7	116 905.1	125 709.0	144 423.0	153 527.4
25. Net balance to be financed or employed (24-12)	- 5 482.3	- 12 154.7	- 4 916.9	+ 1 891.6	- 3 494.9
26. Debt redemption	2 599.0	3 134.5	3 632.1	10 251.9	5 239.1
27. Gross balance to be financed (25 - 26)	- 8 081.3	- 15 289.2	- 8 549.0	- 8 360.3	- 8 734.0

- (1) Including adjustment items
(2) Excluding debt redemption
(3) Including tax of local authorities

TABLE 3

Economic account of Local Government

GERMANY

Mio DM

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	7.864,8	8.397,0	8.814,6	10.069,0	11.777,6
2. Compensation of employees	10.320,8	10.905,7	11.587,3	13.132,2	15.220,5
3. Interest paid	1.592,3	1.807,2	1.920,3	2.074,8	2.404,0
4. Current transfers					
a) to enterprises	110,0	90,0	340,0	220,0	280,0
b) to households	2.120,0	2.080,0	2.070,0	2.150,0	2.360,0
c) to non-profit institutions	490,0	480,0	530,0	600,0	760,0
d) to other countries	80,0	80,0	80,0	80,0	80,0
Total 4	2.800,0	2.730,0	3.020,0	3.050,0	3.480,0
5. Transfers to other authorities	1.248,0	1.248,3	1.341,0	1.488,9	910,0
6. Current expenditure (1 to 5) (1)	23.738,5	25.028,9	26.556,9	29.680,9	33.587,5
7. Capital expenditure	14.813,0	13.592,0	14.357,7	16.439,5	20.202,9
8. Capital transfers	177,6	193,7	223,5	333,3	361,7
9. a) Loans advances and equities	1.467,9	1.346,4	1.154,9	1.092,3	1.259,3
b) Debt redemption between authorities	92,0	91,5	114,8	118,2	130,7
10. Capital expenditure (7 to 9) (2)	16.550,5	15.224,5	15.850,9	17.983,3	21.954,6
11. Total expenditure (6 + 10) (1) (2)	40.289,0	40.253,4	42.407,8	47.664,3	55.542,1
RECEIPTS					
12. Sales of goods and services	5.754,1	6.370,3	6.901,7	7.647,3	8.510,1
13. Interest received	491,2	513,6	555,8	628,0	931,5
14. Fiscal revenue					
a) Local fiscal revenue					
- direct taxes	(49,9)	(53,0)	(54,2)	(56,1)	(58,0)
- indirect taxes	(12.907,6)	(12.968,1)	(13.630,5)	(17.508,3)	(10.066,1)
b) Fiscal revenue transferred from central government	-	-	-	-	(6.891,7)
Fiscal receipts total	12.957,5	13.021,1	13.684,7	17.564,4	17.015,8
15. Profits of public enterprises	2.965,5	3.124,3	3.241,0	3.583,2	3.850,3
16. Other transfers from the private sector	470,0	520,0	580,0	650,0	740,0
17. Transfers from central government	7.646,7	7.708,4	7.034,9	6.560,5	9.739,6
18. Transfers from social security funds	-	-	-	-	-
19. Current receipts (12 to 18)	30.285,0	31.257,7	32.898,1	36.633,4	40.787,3
20. Sales of capital goods	744,5	842,1	941,2	1.111,5	1.316,7
21. Capital transfers	5.270,0	5.850,0	5.870,0	8.580,0	6.920,0
of which : from central government	(4.180,0)	(4.650,0)	(4.610,0)	(7.240,0)	(5.400,0)
22. Repayment of loans and advances	614,0	754,5	906,4	1.087,1	818,2
of which : from other authorities	(298,7)	(322,5)	(436,9)	(625,8)	(393,6)
23. Capital receipts (20 to 22)	6.628,5	7.446,6	7.717,6	10.778,6	9.054,9
24. Total receipts (19 + 23)	36.913,5	38.704,4	40.615,7	47.412,0	49.842,2
25. Net balance to be financed (24 - 11)	-3.375,5	-1.549,0	-1.792,1	-252,3	-5.699,9
26. Debt redemption	1.583,2	2.008,9	2.333,0	2.451,6	2.431,4
27. Gross balance to be financed (25 - 26)	-4.958,7	-3.557,9	-4.125,1	-2.703,9	-8.131,3

- (1) including adjustment items
(2) excluding debt redemption

TABLE 4

Economic account of Social Security Funds

GERMANY

Mio DM

	1966	1967	1968	1969	1970
<u>Expenditure</u>					
1. Purchases of goods and services	870	880	1.000	1 060	1 190
2. Compensation of employees	2 240	2 400	2 510	2 810	3 330
3. Interest paid	-	-	-	-	-
4. Current transfers to the private sector					
(a) benefits	53 670	60 080	64 680	71 190	77 140
(b) other transfers	270	310	410	450	490
5. Current transfers to government	-	-	-	-	-
6. Current expenditure	57 050	63 670	68 600	75 510	82 150
7. Capital formation	210	240	170	190	170
8. Capital transfers	60	70	60	50	40
9. Loans, advances and equities	-	-	-	-	-
10. Capital expenditure	270	310	230	240	210
11. Total expenditure	57 320	63 980	68 830	75 750	82 360
<hr/>					
<u>Receipts</u>					
12. Sales of goods and services	30	20	40	70	70
13. Interest received	2 660	2 820	2 830	2 750	3 160
14. Current transfers from the private sector					
(a) contributions	43 840	44 740	49 480	57 650	68 940
(b) indirect taxes	3 490	3 660	3 900	4 140	4 300
(c) other transfers	640	650	700	790	850
15. Current transfers from government	10 090	11 070	11 240	11 580	11 820
16. Current receipts	60 750	62 960	68 190	76 980	89 140
17. Sales of capital goods	-	-	-	-	-
18. Capital transfers	-	-	-	-	-
19. Repayment of loans and advances	-	-	-	-	-
20. Capital receipts	-	-	-	-	-
21. Total receipts	60 750	62 960	68.190	76 980	89 140
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	+3 430	-1 020	-640	+1 230	+6 780

TABLE 5a

Breakdown of general government expenditure by type and function

Germany

Year : 1966

Mio DM

	General expenditure				Economic Services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. CENTRAL GOVERNMENT														
1. Purchases of goods and services	1,548.4	798.8	12,174.8	249.9	1,053.6	199.9	1,069.8	2,713.3	787.9	402.3	168.1	1,017.0	74.4	22,258.1
2. Compensation of employees	3,649.9	3,295.5	5,930.7	155.1	388.1	124.5	499.2	7,828.2	426.3	909.0	291.9	2,323.3	4,213.4	29,943.9
3. Interest paid	-	-	-	-	42.0	-	-	-	-	-	-	-	2,636.2	2,678.2
4. Current transfers to the private sector:														
a. to enterprises	-	-	8.5	-	2,132.0	263.6	2,425.0	-	216.6	-	640.3	-	4.0	5,690.0
b. to households	-	-	-	-	-	17.0	-	-	3,414.0	-	-	7,789.4	-	17,220.4
c. to non-profit institutions	3.4	0.1	43.6	30.7	-	62.7	-	731.4	267.1	42.0	-	26.0	53.0	1,260.0
d. to countries overseas	-	-	54.8	276.2	-	260.8	-	80.0	2.5	12.9	-	1,344.8	2.0	2,034.0
Total current transfers to the private sector	3.4	0.1	106.9	306.9	2,132.0	604.1	2,425.0	811.4	3,900.2	54.9	640.3	9,160.0	59.0	20,204.4
5. Transfers to local authorities	40.7	123.1	385.9	-	243.5	21.8	142.0	576.9	1,095.1	114.6	83.5	350.9	4,735.4	7,913.2
6. Transfers to social security funds (including adjustments)	-	-	-	-	-	153.8	-	-	9,817.6	-	-	120.3	-	10,091.7
	-	-	-	-	-	-	-	-	-	-	-	-	- 154.9	- 154.9
7. Current expenditure***) (1 to 6)	5,242.4	4,217.5	18,598.3	711.9	3,859.2	1,104.1	4,136.0	11,929.8	16,027.1	1,480.8	1,183.8	12,880.7	11,563.1	92,934.6
8. Capital formation	522.7	283.8	373.3	19.7	4,310.3	38.8	338.2	1,808.1	40.5	426.3	19.0	15.9	-	8,196.7
9. Capital transfers :														
a. to enterprises, households and countries overseas	23.1	-	31.4	139.2	169.6	373.4	1,314.6	133.7	499.6	10.7	1,005.3	1,582.6	18.6	5,301.9
b. to non-profit institutions	-	-	-	-	-	-	-	149.9	129.1	115.2	-	-	-	394.2
c. to local authorities	56.2	-	191.3	-	1,563.8	92.1	688.8	1,100.0	82.8	130.0	93.9	0.2	181.2	4,180.0
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	79.3	-	222.7	139.2	1,733.4	465.5	2,003.4	1,383.6	711.5	255.9	1,099.2	1,582.8	199.8	9,876.0
10. Acquisition of equities	13.7	-	-	129.1	34.0	176.4	0.5	-	-	0.2	68.0	-	-	422.0
11. Loans and advances														
a. to the private sector	8.1	0.3	450.1	1,083.2	242.8	1,167.4	865.7	30.3	137.9	268.4	3,025.6	23.7	-	7,303.2
b. to local authorities	10.6	-	18.3	-	4.3	15.0	21.7	10.7	14.7	50.7	68.5	-	-	222.5
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	18.7	0.3	468.4	1,083.2	247.1	1,182.4	887.4	41.0	152.6	327.1	3,094.1	23.7	-	7,525.7
12. Capital expenditure*)(8 to 11)	634.4	284.1	1,064.4	1,371.2	6,324.8	1,863.1	3,229.5	3,232.7	904.6	1,009.5	4,280.3	1,622.4	199.8	26,020.4
13. Total expenditure*) (7 + 12)	5,876.8	4,501.6	19,662.7	2,083.1	10,184.0	2,967.2	7,365.5	15,162.5	16,931.7	2,490.3	5,464.1	14,503.1	11,762.9	118,955.0
=====														
II. LOCAL AUTHORITIES														
1. Current expenditure	3,148.4	908.2	19.3	-	1,785.0	828.7	684.5	3,532.7	4,834.6	4,422.3	679.5	217.8	2,677.6	23,738.5
2. Capital expenditure*)	1,377.1	181.1	10.1	-	4,602.5	1,557.7	436.0	3,374.7	350.7	3,658.4	975.8	6.7	19.6	16,550.5
Total*)	4,325.5	1,089.3	29.4	-	6,387.5	2,386.4	1,120.5	6,907.4	5,185.3	8,080.7	1,655.3	224.5	2,697.2	40,289.0
=====														
III. SOCIAL SECURITY FUNDS														
1. Current expenditure	-	-	-	-	-	-	-	-	57,050.0	-	-	-	-	57,050.0
2. Capital expenditure*)	-	-	-	-	-	-	-	-	270.0	-	-	-	-	270.0
Total*)	-	-	-	-	-	-	-	-	57,320.0	-	-	-	-	57,320.0
=====														
IV. GENERAL GOVERNMENT**)														
1. Current expenditure	8,346.8	4,992.7	18,231.8	711.9	5,385.6	1,756.7	4,659.4	13,882.4	66,949.1	5,783.0	1,777.7	12,627.3	9,366.5	154,470.2
2. Capital expenditure*)	1,944.6	465.2	959.7	1,371.2	9,352.0	3,311.0	2,954.5	5,473.7	1,418.9	4,465.7	5,066.9	1,628.9	178.4	38,490.8
Total*)	10,291.4	5,457.9	19,091.5	2,083.1	14,737.6	5,067.7	7,613.9	19,356.1	68,368.0	10,248.7	6,844.6	14,256.2	9,544.9	192,961.0

*) excluding debt redemption

**) excluding transfers between subsectors

***) including adjustment items

TABLE 5b

Breakdown of general government expenditure by type and function

GERMANY

Year : 1968

Mio DM

	General expenditure				Economic Services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	1,580.7	903.8	10,398.7	262.0	961.0	443.5	1,289.8	3,115.7	1,236.9	425.6	200.9	711.8	235.9	21,766.9
2. Compensation of employees	4,040.3	3,684.2	6,394.9	187.3	437.1	143.7	579.5	9,371.9	381.9	963.2	324.0	2,725.9	4,764.7	34,001.4
3. Interest paid	-	-	-	-	83.0	-	-	-	-	-	-	-	3,533.1	3,616.1
4. Current transfers to the private sector :														
a. to enterprises	-	-	-	-	2,521.9	696.6	2,834.8	-	301.5	-	781.4	133.8	-	7,270.0
b. to households	-	-	-	-	-	90.0	-	-	3,171.4	-	-	8,354.0	-	11,615.4
c. to non-profit institutions	38.6	0.1	-	150.0	-	13.0	-	843.9	280.7	50.2	-	32.3	70.0	1,478.7
d. to countries overseas	0.6	0.2	55.3	208.2	15.6	106.5	923.0	340.0	33.7	16.4	-	1,646.7	88.0	3,434.1
Total current transfers to the private sector	5,660.2	4,583.3	16,848.9	807.5	2,537.5	906.1	3,757.8	1,183.9	3,787.3	66.6	781.4	10,166.7	158.0	23,798.2
5. Transfers to local authorities	19.1	146.1	232.6	-	32.1	36.4	221.2	316.2	662.9	44.9	15.5	462.6	6,071.4	8,261.0
6. Transfers to social security funds (including adjustments)	-	-	-	-	-	184.7	-	-	10,994.6	-	-	100.4	-	11,279.7
7. Current expenditure***) (1 to 6)	5,679.3	4,734.4	17,081.5	807.5	4,051.3	1,714.4	5,848.3	13,987.7	17,063.6	1,500.3	1,321.8	14,167.4	14,644.3	102,601.8
8. Capital formation	472.1	276.8	234.7	17.2	4,881.5	36.3	298.6	1,847.8	48.5	401.8	18.1	10.5	-	8,544.2
9. Capital transfers :														
a. to enterprises, households and countries overseas	-	-	104.7	317.1	339.1	391.6	1,434.1	394.9	713.0	9.2	1,098.9	2,010.0	18.1	6,830.7
b. to non-profit institutions	-	-	-	-	-	-	-	184.7	111.7	114.2	-	-	-	410.6
c. to local authorities	7.1	-	141.8	-	2,360.6	103.7	489.1	1,045.5	50.8	120.2	100.0	-	191.2	4,610.0
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7.1	-	246.5	317.1	2,699.7	495.3	1,923.2	1,625.1	875.5	243.6	1,198.9	2,010.0	209.3	11,851.3
10. Acquisition of equities	45.1	-	-	193.4	29.3	229.1	-	0.4	-	46.6	42.5	-	-	591.3
11. Loans and advances														
a. to the private sector	10.6	0.1	306.2	1,417.9	481.9	1,048.2	612.8	38.6	135.9	297.2	2,134.0	7.5	-	6,490.8
b. to local authorities	19.1	-	13.1	-	42.1	77.0	128.7	87.8	28.7	105.2	44.5	-	-	546.5
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	29.7	0.1	319.3	1,417.9	542.0	1,125.2	741.5	126.4	164.6	402.4	2,178.5	7.5	-	7,037.3
12. Capital expenditure*) (8 to 11)	554.0	276.9	800.5	1,950.6	8,134.5	1,885.9	2,963.3	3,599.7	1,088.6	1,094.4	3,438.0	2,028.0	209.3	28,024.1
13. Total expenditure*) (7 + 12)	6,233.3	5,011.3	17,882.0	2,758.1	12,185.8	3,600.3	8,811.6	17,587.4	18,152.2	2,594.7	4,759.8	16,195.4	14,853.6	130,625.9
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	3,529.3	1,014.2	23.4	-	1,901.5	849.2	792.7	4,059.2	5,170.6	5,132.0	744.8	206.2	3,133.7	26,556.9
2. Capital expenditure*)	1,460.2	146.9	4.6	-	5,012.6	1,427.6	375.1	2,895.0	312.5	3,394.1	704.0	3.6	114.8	15,850.9
Total*)	4,989.5	1,161.1	28.0	-	6,914.1	2,276.8	1,167.8	6,954.2	5,483.1	8,526.1	1,448.8	209.8	3,248.5	42,407.8
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	68,600.0	-	-	-	-	68,600.0
2. Capital expenditure*)	-	-	-	-	-	-	-	-	230.0	-	-	-	-	230.0
Total*)	-	-	-	-	-	-	-	-	68,830.0	-	-	-	-	68,830.0
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	9,184.5	5,594.7	16,872.3	807.5	5,904.6	2,342.2	6,400.3	16,706.4	79,107.7	6,566.1	2,049.8	13,810.6	11,530.4	176,877.0
2. Capital expenditure*)	1,988.0	423.8	650.2	1,950.6	10,741.0	3,142.4	2,719.4	5,351.3	1,551.5	4,262.8	3,997.3	2,031.6	453.5	39,253.5
Total*)	11,172.5	6,018.5	17,522.5	2,758.1	16,645.6	5,474.6	9,119.7	22,057.7	80,659.2	10,828.9	6,047.1	15,842.2	11,983.9	216,130.5

*) excluding debt redemption

**) excluding transfers between subsectors

***) including adjustment items

TABLE 5c

Breakdown of general government expenditure by type and function

GERMANY

Year : 1970

Mio DM

	General expenditure				Economic services			Cultural and social services						Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters			
I. CENTRAL GOVERNMENT															
1. Purchases of goods and services	1,786.6	950.1	10,888.4	410.3	1,466.1	517.9	1,227.3	4,368.9	1,433.7	566.9	235.2	759.8	233.5	24,844.5	
2. Compensation of employees	5,269.1	4,731.1	8,476.8	216.5	729.6	229.1	803.7	12,547.6	522.3	1,205.3	335.7	2,952.4	6,600.7	44,620.0	
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	4,387.4	
4. Current transfers to the private sector :															
a. to enterprises	-	-	-	-	2,410.7	645.0	4,686.3	0.8	580.2	23.4	840.7	138.4	-	9,325.5	
b. to households	-	-	-	-	-	13.3	-	60.7	3,515.7	-	-	9,488.2	-	13,077.9	
c. to non-profit institutions	21.9	0.1	-	150.4	-	16.0	-	1,073.8	291.8	96.7	-	24.4	30.9	1,706.0	
d. to countries overseas	5.8	-	70.0	570.2	81.6	-	303.1	206.0	80.0	16.4	-	1,603.0	-	2,936.1	
Total current transfers to the private sector	27.7	0.1	70.0	720.6	2,492.3	674.3	4,989.4	1,341.3	4,467.7	136.5	840.7	14,966.2	30.9	27,045.5	
5. Transfers to local authorities	65.5	211.0	277.7	-	291.1	31.7	219.0	608.8	478.3	75.9	24.9	433.9	7,164.1	9,881.7	
6. Transfers to social security funds (including adjustments)	0.2	-	0.9	-	2.3	3.9	-	-	11,399.1	-	-	249.6	210.1	11,866.1	
	-	-	-	-	-	-	-	-	-	-	-	-	90.0	90.0	
7. Current expenditure*** (1 to 6)	7,149.1	5,892.3	19,713.8	1,347.4	4,981.4	1,456.9	7,239.4	18,866.6	18,301.1	1,984.6	1,436.5	15,649.7	18,716.7	122,735.2	
8. Capital formation	730.3	331.3	216.4	25.5	6,348.2	332.6	278.0	3,033.7	60.1	428.0	69.3	21.9	29.8	11,905.5	
9. Capital transfers :															
a. to enterprises, households and countries overseas	1.9	-	98.7	354.0	1,131.9	783.7	1,884.4	-	1,169.4	-	1,660.0	1,813.1	50.8	8,947.9	
b. to non-profit institutions	-	-	-	-	-	-	-	734.2	179.0	171.0	-	-	-	1,084.2	
c. to local authorities	1.9	51.0	139.7	-	2,565.4	322.6	516.3	1,158.1	71.7	157.0	217.5	1.2	249.6	5,452.1	
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	3.8	51.0	238.4	354.0	3,697.3	1,106.3	2,400.7	1,892.3	1,420.1	328.0	1,877.5	1,814.3	300.4	15,484.2	
10. Acquisition of equities	46.4	-	-	296.4	256.6	313.5	6.5	0.3	-	46.7	53.6	-	0.6	1,020.6	
11. Loans and advances															
a. to the private sector	13.3	0.2	32.5	1,506.6	377.0	1,295.0	359.4	31.5	76.8	374.4	1,461.9	28.1	0.8	5,557.4	
b. to local authorities	3.1	-	4.7	-	3.9	121.3	4.1	12.6	23.6	125.6	20.5	-	-	319.4	
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	16.4	0.2	37.2	1,506.6	380.9	1,416.3	363.5	44.1	100.4	500.0	1,482.4	28.1	0.8	5,876.8	
12. Capital expenditure* (8 to 11)	796.9	382.5	492.0	2,182.5	10,683.0	3,168.7	3,048.7	4,970.4	1,580.6	1,302.7	3,482.8	1,864.3	331.6	34,287.1	
13. Total expenditure* (7 + 12)	7,946.0	6,274.8	20,205.8	3,529.9	15,664.4	4,625.6	10,288.1	23,837.0	19,881.7	3,287.3	4,919.3	17,514.0	19,048.3	157,022.3	
II. LOCAL AUTHORITIES															
1. Current expenditure	4,577.6	1,308.7	30.2	-	2,627.3	1,094.8	814.6	4,878.8	6,330.3	6,958.4	984.2	213.9	***	33,587.5	
2. Capital expenditure*)	2,295.7	225.4	5.8	-	6,906.9	1,787.9	422.7	4,371.6	430.9	4,626.0	749.0	2.0	130.7	21,954.6	
Total*)	6,873.3	1,533.9	36.0	-	9,534.7	2,882.7	1,237.3	9,250.4	6,761.2	11,584.4	1,733.2	215.9	3,899.0	55,542.1	
III. SOCIAL SECURITY FUNDS															
1. Current expenditure	-	-	-	-	-	-	-	-	82,150.0	-	-	-	-	82,150.0	
2. Capital expenditure*)	-	-	-	-	-	-	-	-	210.0	-	-	-	-	210.0	
Total*)	-	-	-	-	-	-	-	-	82,360.0	-	-	-	-	82,360.0	
IV. GENERAL GOVERNMENT**)															
1. Current expenditure	11,657.3	6,985.0	19,465.4	1,347.4	13,119.2	1,381.4	679.5	22,504.8	94,838.5	8,838.7	2,392.7	15,180.0	14,992.5	215,814.9	
2. Capital expenditure*)	3,087.4	556.9	353.4	2,182.5	15,016.1	4,512.0	2,949.7	8,157.0	2,126.0	5,645.3	3,993.8	1,865.1	167.8	50,613.3	
Total*)	14,744.7	7,541.9	19,818.8	3,529.9	22,301.3	7,027.7	10,761.3	30,661.8	96,964.5	14,484.0	6,386.5	17,045.1	15,160.3	266,428.2	

*) excluding debt redemption

**) excluding transfers between subsectors

***) including adjustment items

TABLE 6

Economic account of the Federal Government

GERMANY

Mio DM

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	15,184.5	16,737.7	13,840.4	15,585.0	15,120.3 ⁴⁾
2. Compensation of employees	9,747.1	10,446.3	10,946.3	12,409.0	14,070.0
3. Interest paid	1,519.2	2,084.2	1,903.0	2,191.7	2,334.0
4. Current transfers					
a) to enterprises	3,530.0	3,540.0	4,690.0	5,800.0	7,325.5
b) to households	8,793.0	9,332.0	9,075.0	9,134.0	10,169.0
c) to non-profit organisations	390.0	430.0	460.0	490.0	506.0
d) to other countries	854.0	1,068.0	1,882.8	2,283.4	1,506.1
Total 1 to 4	40,017.8	43,638.2	42,797.5	47,893.1	50,030.9
5. Transfers					
a. to state governments	5,357.9	5,671.6	7,051.6	6,185.9	7,107.5
b. to war damage & reconstruction funds	352.0	382.7	343.7	341.2	358.3
c. to district councils	775.0	701.2	590.8	685.3	758.2
d. to social security funds	9,934.3	10,927.9	11,126.4	11,508.4	11,826.1
6. Current expenditure (1 to 5) (1)	56,437.0	61,321.7	61,910.0	66,613.9	71,081.0
7. Capital formation	3,379.4	4,011.1	3,689.8	4,213.3	4,680.0
8. Capital transfers					
a. to the private sector	1,574.4	2,334.9	2,271.2	3,403.0	4,251.0
b. to state governments	2,754.1	2,982.2	2,932.5	3,040.1	3,146.4
c. to district councils	313.7	640.8	820.0	889.0	952.1
Total 7 + 8	8,021.6	9,969.0	9,713.5	11,545.4	13,029.5
9. Loans, advances and equities					
a. to the private sector	2,549.3	3,998.1	2,985.8	3,113.3	2,665.6
b. to state governments	787.2	800.7	918.4	619.5	502.3
c. to district councils	20.2	16.4	13.2	9.8	8.9
10. Debt repayments between subsectors	-	-	26.6	-	-
Total 9 + 10	3,356.7	4,815.2	3,944.0	3,742.6	3,176.8
11. Capital expenditure (7 to 10) (1) (2)	11,378.3	14,784.2	13,657.5	15,288.0	16,206.3
12. Total expenditure (6 + 11) (1) (2)	67,815.3	76,105.9	75,567.5	81,901.9	87,287.3
RECEIPTS					
13. Sales of goods and services	1,400.3	1,123.8	1,204.4	922.0	983.6
14. Interest received	317.4	407.9	339.7	452.4	620.0
15. Current transfers from enterprises and households					
a. direct taxes	17,280.9	16,239.1	18,566.7	20,636.7	28,175.0
b. indirect taxes	45,502.0	47,663.1	48,340.9	58,541.8	55,958.0
c. profits of public enterprises	708.4	917.4	1,310.8	1,473.4	1,179.0
d. others	-	-	-	-	-
Total 13 to 15	65,209.0	66,351.3	69,762.5	82,026.3	86,915.6
16. Transfers from abroad	7.7	8.0	32.2	53.0	60.0
17. Transfers					
a. from state governments	145.7	150.1	197.5	182.8	275.4
b. from the war loss equalisation fund	-	-	-	-	-
c. from the enterprise support fund	-	-	-	-	-
d. from district councils	7.3	9.0	10.0	55.4	62.0
18. Current receipts (13 to 17) (1)	65,369.7	66,518.4	70,002.2	82,317.5	87,313.0
19. Sales of capital goods	116.8	100.3	86.4	145.0	117.0
20. Capital transfers					
a. from the enterprise support fund	3.4	3.4	3.5	3.3	3.1
b. from district councils	-	-	-	-	-
21. Repayment of loans and advances	568.7	649.6	844.8	804.8	855.8
a. by state governments	(246.3)	(264.4)	(265.3)	(255.5)	(317.0)
b. by district councils	(10.1)	(12.0)	(12.2)	(23.3)	(38.0)
22. Sales of equities	6.1	460.9	1,323.2	17.0	20.0
23. Total capital receipts (19 to 22)	695.0	1,214.2	2,257.9	970.1	995.9
24. Total receipts (18 + 23)	66,064.7	67,732.6	72,260.1	83,287.6	88,308.9
25. Net balance to be financed or employed (24 - 12)	-1,750.6	-8,373.3	-3,307.4	+1,385.7	+1,021.6
26. Debt redemption	1,664.8	2,093.4	2,399.5	8,443.7	3,627.1
27. Gross balance to be financed or employed (25 - 26)	-3,415.4	-10,466.7	-5,706.9	-7,058.0	-2,605.5

(1) Including adjustment items

(2) Excluding debt redemption

(3) Including expenditure in kind by the Motorway Finance Organisation

(4) Excluding turnover tax and import duty on government purchases overseas.

TABLE 7

Economic account of the Länder

GERMANY

Mio DM

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	7,044.2	7,485.3	7,891.9	8,475.3	9,680.0
2. Compensation of employees	20,196.8	21,506.6	23,055.1	26,144.4	30,550.0
3. Interest paid	964.6	1,249.5	1,478.7	1,607.1	1,650.0
4. Current transfers					
a. to enterprises	2,160.0	2,000.0	2,580.0	1,700.0	2,000.0
b. to households	560.0	800.0	828.4	954.7	1,290.0
c. to non-profit organisations	870.0	940.0	1,018.7	1,132.6	1,200.0
d. to other countries	1,180.0	1,340.0	1,551.3	1,352.0	1,430.0
Total 1 to 4	32,975.6	35,321.4	38,404.1	41,366.1	47,800.0
5. Transfers					
a. to federal government	232.1	187.7	197.1	77.3	
b. to the war damage fund	1,015.9	1,070.0	999.1	1,033.2	1,200.0
c. to district councils	7,116.6	7,426.9	7,647.2	5,992.5	
d. to social security funds	157.4	107.0	153.3	101.3	40.0
6. Current expenditure (1 to 6) (1)	41,342.7	43,945.3	47,279.3	48,283.7	52,230.0
7. Capital formation	4,660.2	4,510.2	4,466.4	4,834.0	6,460.0
8. Capital transfers					
a. to the private sector	2,994.5	2,926.6	3,205.6	3,693.4	4,150.0
b. to district councils	3,860.0	3,821.0	3,790.0	6,403.9	4,500.0
c. to social security funds	-	-	-	-	-
Total 7 + 8	11,514.7	11,257.8	11,462.0	14,931.3	15,110.0
9. Loans, advances and equities					
a. to the private sector	4,033.6	3,563.9	2,990.2	2,449.7	2,470.0
b. to district councils	202.3	241.8	229.2	448.7	180.0
c. to social security funds	-	-	-	-	-
10. Debt repayment between subsectors (federal government, war damage equalisation fund, enterprise support fund)	527.5	514.0	530.1	553.7	600.0
Total 9 + 10	4,763.4	4,319.7	3,749.5	3,452.1	3,250.0
11. Capital expenditure (7 to 10) (1) (2)	16,278.1	15,577.5	15,211.5	18,383.4	18,360.0
12. Total expenditure (6 + 11) (1) (2)	57,620.8	59,522.8	62,490.8	66,667.0	76,590.0
RECEIPTS					
13. Sales of goods and services	2,751.5	2,895.2	3,097.4	3,385.7	3,970.0
14. Interest received	296.3	301.5	303.0	383.0	460.0
15. Current transfers from enterprises and households					
a. direct taxes	30,391.2	31,521.0	34,456.7	41,098.8	32,900.0
b. indirect taxes	6,810.0	7,055.0	7,483.0	8,085.0	20,230.0
c. profits of public enterprises	1,332.5	1,208.1	1,222.5	1,491.2	1,530.0
d. others	290.0	338.0	356.0	393.0	400.0
Total 13 to 15	41,871.5	43,318.8	46,918.6	54,836.7	59,490.0
16. Transfers from abroad	-	-	-	-	-
17. Transfers					
a. from federal government	5,450.7	5,779.4	7,092.0	6,161.8	6,780.0
b. from the war damage equalisation fund	3.5	1.3	1.1	0.8	0.0
c. from the enterprise support fund	7.4	9.4	2.7	2.7	40.0
d. from district councils	1,288.9	1,310.9	1,409.4	1,563.6	950.0
18. Current receipts (13 to 17)	49,240.6	50,544.1	55,612.1	62,830.3	67,320.0
19. Sales of capital goods	261.7	284.7	278.2	260.7	230.0
20. Capital transfers					
a. from federal government	2,790.0	3,040.0	3,080.0	3,040.0	3,590.0
b. from the enterprise support fund	7.4	9.4	2.7	2.6	40.0
c. from district councils	15.7	24.7	15.0	23.0	40.0
d. from other sectors	368.3	347.2	347.8	483.7	570.0
21. Repayment of loans and advances of which : federal government district councils	924.9	981.6	1,161.9	1,238.5	1,310.0
(81.9)	(79.5)	(78.9)	(6.4)	(19.2)	(0.0)
(79.4)			(79.4)		(70.0)
22. Loans received					
a. federal government	774.7	927.3	922.1	621.6	540.0
b. from the war damage equalisation fund	9.6	5.4	0.1	-	-
c. from enterprise support funds	39.7	45.3	53.2	18.1	30.0
23. Total capital receipts (19 to 22)	5,168.9	5,631.5	5,870.3	5,662.6	6,270.0
24. Total receipts (18 + 23)	53,790.9	56,051.3	61,294.1	68,228.2	73,530.0
25. Net balance to be financed or employed (24 - 12)	-3,829.9	-3,471.5	-1,196.7	+1,561.2	-3,060.0
26. Debt redemption	670.6	641.4	1,017.9	1,613.9	1,300.0
27. Gross balance to be financed or employed (25 - 26)	-4,500.5	-4,112.9	-2,214.6	- 52.7	-4,360.0

(1) Including adjustment items

(2) Excluding debt redemption

II

FRANCE

TABLE 1
Economic account of General Government

FRANCE

(Million FF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	22 810	24 711	26 240	29 556	32 295
2. Compensation of employees	45 134	48 488	55 709	62 892	71 046
3. Interest payments	5 571	7 266	7 792	8 765	8 620
4. Current transfers					
(a) to enterprises	10 846	11 919	16 712	16 951	15 861
(b) to households	77 769	86 854	95 584	109 937	123 312
(c) to non-profit institutions	1 495	1 727	2 292	2 755	3 381
(d) abroad	3 283	3 586	3 144	3 644	4 946
Total 4	93 393	104 086	117 732	132 287	147 500
5. Current expenditure (1 to 4)	166 908	184 551	207 473	234 500	259 461
6. Gross capital formation	19 105	21 847	23 913	26 581	30 461
7. Capital transfers	8 513	8 768	9 006	9 498	9 718
8. Loans, advances and equity acquisitions	12 996	10 041	11 701	13 192	12 548
9. Capital expenditure (6 to 8) (1)	40 614	40 656	44 620	49 271	52 727
10. Total expenditure (5 + 9) (1)	207 522	225 207	252 093	283 771	312 188
RECEIPTS					
11. Sales of goods and services	5 093	6 091	6 578	7 852	8 339
12. Interest received	2 918	3 126	3 359	4 066	4 629
13. Current transfers from enterprises and households					
(a) direct taxes	31 126	33 255	39 332	47 117	54 447
(b) indirect taxes	86 635	91 386	96 689	112 391	117 503
(c) social security contributions	61 707	68 567	76 947	89 909	101 565
(d) Profits of public enterprises	589	1 059	785	1 145	2 536
(e) other transfers	3 806	5 193	4 380	5 592	6 359
Total 13	183 863	199 460	218 133	256 154	282 370
14. Transfers of revenues from abroad	955	1 061	1 181	2 198	3 243
15. Current receipts (11 to 14)	192 829	209 738	229 251	270 270	298 641
16. Sales of capital goods	1 341	1 662	2 184	2 823	2 966
17. Capital transfers	2 265	2 647	2 855	2 942	3 236
18. Repayments of loans, and advances, sales of equity.	4 282	2 546	3 455	2 770	3 343
19. Capital receipts (16 to 18)	7 888	6 855	8 494	8 535	9 545
20. Total receipts (15 + 19)	200 717	216 593	237 745	278 805	308 186
21. Net balance to be financed or employed (20-10)	- 6 805	- 8 614	-14 348	- 4 966	- 4 002
22. Debt redemption	3 952	4 943	6 268	5 116	7 142
23. Gross balance to be financed or employed (21 - 22)	-10 757	-13 557	-20 616	-10 082	-11 144

(1) Excluding debt redemption.

TABLE 2

Economic account of Central Government

FRANCE

(Million FF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	16.444	18.305	19.477	21.473	23.249
2. Compensation of employees	37.028	39.586	45.980	51.618	58.145
3. Interest paid	3.731	5.122	5.415	6.145	5.630
4. Current transfers					
a. to enterprises	10.126	11.152	16.052	16.072	14.930
b. to households	7.105	8.630	8.791	9.728	10.365
c. to non-profit organisations	803	850	1.234	1.559	2.047
d. to other countries	3.283	3.586	3.144	3.644	4.946
Total 4	21.317	24.218	29.221	31.003	32.288
5. Transfers to local authorities	3.961	4.260	4.207	4.801	5.373
6. Transfers to social security funds	6.091	11.728	7.869	10.815	12.845
7. Current expenditure (1 to 6)	88.572	103.219	112.169	125.855	137.530
8. Capital formation	6.190	7.120	8.092	8.552	9.568
9. Capital transfers					
a. to the private sector	7.728	7.941	8.199	8.589	8.771
b. to local authorities	2.396	2.898	2.752	3.378	3.230
c. to social security funds	-	-	-	-	-
Total 9	10.124	10.839	10.951	11.967	12.001
10. Loans, advances and equity acquisitions					
a. to the private sector	10.803	8.810	9.546	9.523	9.685
b. to local authorities	203	413	467	383	276
c. to social security funds	2.025	3.000	985	155	210
Total 10	13.031	12.223	10.998	10.061	10.171
11. Capital expenditure (8 to 10) (1)	29.345	30.182	30.041	30.580	31.740
12. Total expenditure (7 + 11) (1)	117.917	133.401	142.210	156.435	169.270
RECEIPTS					
13. Sales of goods and services	1.610	2.238	2.592	3.202	3.363
14. Interest received	1.875	2.193	2.355	2.839	3.153
15. Current transfers from enterprises and households					
a. direct taxes	28.166	30.125	35.536	42.534	49.514
b. indirect taxes	69.594	74.111	76.147	89.840	92.750
c. profits of public enterprises	282	684	369	664	1.976
d. others	3.793	4.157	3.836	4.990	5.733
Total 15	101.835	109.077	115.888	138.028	149.973
16. Transfers from abroad	955	1.061	1.181	2.198	3.243
17. Transfers from local authorities	764	990	905	688	751
18. Transfers from social security funds	525	629	586	678	739
19. Current receipts (13 to 18)	107.564	116.188	123.507	147.633	161.222
20. Sales of capital goods	78	91	82	89	87
21. Capital transfers	2.458	2.647	3.437	3.726	4.140
of which, capital taxes	(2.265)	(2.313)	(2.855)	(2.942)	(3.236)
22. Repayments of loans and advances, sales of equities	3.587	7.231	3.674	2.129	2.774
23. Total capital receipts (20 to 22)	6.123	9.969	7.193	5.944	7.001
24. Total receipts (19 + 23)	113.687	126.157	130.700	153.577	168.223
25. Net balance to be financed or employed (24 - 12)	-4.230	-7.244	-11.510	-2.858	-1.047
26. Debt repayments	1.917	2.421	2.711	1.886	3.172
27. Gross balance to be financed (25 - 26)	-6.147	-9.665	-14.221	-4.744	-4.219

(1) Excluding debt redemption

TABLE 3

Economic account of Local Government

FRANCE

(Million FF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	5.558	5.483	5.796	6.813	7.506
2. Compensation of employees	6.020	6.617	7.069	8.096	9.264
3. Interest paid	1.834	2.139	2.370	2.614	2.966
4. Current transfers					
a. to enterprises	578	597	490	734	740
b. to households	3.877	4.565	5.172	6.024	6.531
c. to non-profit organisations	610	713	860	951	1.050
Total 4					
5. Transfers to other authorities	5.065	5.875	6.522	7.709	8.321
	2.012	2.342	2.296	2.356	2.605
6. Current expenditure (1 to 5)	20.489	22.456	24.053	27.588	30.662
7. Capital expenditure	12.585	14.401	15.453	17.608	20.421
8. Capital transfers	700	801	1.160	1.498	1.537
9. Loans, advances and equities	1.517	493	870	2.021	1.017
10. Capital expenditure (7 to 9) (1)	14.802	15.695	17.483	21.127	22.975
11. Total expenditure (6 + 10) (1)	35.291	38.151	41.536	48.715	53.637
RECEIPTS					
12. Sales of goods and services	3.399	3.673	3.869	4.496	4.801
13. Interest received	298	188	207	230	274
14. Fiscal revenue					
a. Local fiscal revenue					
- direct taxes	2.914	3.083	3.747	4.531	4.881
- indirect taxes	14.392	14.515	17.104	19.918	21.898
b. Fiscal revenue transferred from central government	-	-	-	-	-
Fiscal receipts total					
	17.306	17.598	20.851	24.449	26.779
15. Profits of public enterprises	154	165	201	223	264
16. Other transfers from the private sector	1.275	2.451	1.842	1.968	2.343
17. Transfers from central government	3.961	4.260	4.207	4.801	5.483
18. Transfers from social security funds	139	141	153	75	-
19. Current receipts (12 to 18)	26.532	28.566	31.330	36.242	39.944
20. Sales of capital goods	1.262	1.571	2.101	2.731	2.875
21. Capital transfers	2.412	2.916	2.770	3.428	3.283
of which : from central government	(2.396)	(2.898)	(2.752)	(3.378)	(3.230)
22. Repayment of loans and advances	489	398	546	672	539
23. Capital receipts (20 to 22)	4.163	4.885	5.417	6.831	6.697
24. Total receipts (19 + 23)	30.695	33.451	36.747	43.073	46.641
25. Net balance to be financed (24 - 11)	-4.596	-4.700	-4.789	-5.642	-6.996
26. Debt redemption	2.035	2.522	3.502	3.230	3.936
27. Gross balance to be financed (25 - 26)	-6.631	-7.222	-8.291	-8.872	-10.932

(1) Excluding debt redemption.

TABLE 4

Economic account of Social Security Funds

FRANCE

(Million FF)

	1966	1967	1968	1969	1970
<u>Expenditure</u>					
1. Purchases of goods and services	808	923	967	1 270	1 540
2. Compensation of employees	2 086	2 285	2 660	3 178	3 637
3. Interest paid	6	5	7	6	24
4. Current transfers to the private sector					
(a) benefits	65 911	72 776	80 509	92 582	104 847
(b) other transfers	1 100	1 217	1 480	1 993	2 044
5. Current transfers to government	670	788	757	803	849
6. Current expenditure	70 581	77 994	86 380	99 832	112 941
7. Capital formation	330	326	368	421	472
8. Capital transfers	278	290	199	390	367
9. Loans, advances and equities	917	738	1 341	1 468	1 846
10. Capital expenditure	1 525	1 354	1 908	2 279	2 685
11. Total expenditure	72 106	79 348	88 288	102 111	115 626
<u>Receipts</u>					
12. Sales of goods and services	84	90	117	154	175
13. Interest received	745	745	797	997	1 202
14. Current transfers to the private sector					
(a) contributions	59 976	66 553	74 830	87 493	98 772
(b) indirect taxes	2 649	2 760	3 438	2 633	2 855
(c) other transfers	668	852	1 083	1 360	1 445
15. Current transfers from government	7 339	13 080	9 260	12 493	14 699
16. Current receipts	71 461	84 080	89 525	105 130	119 148
17. Sales of capital goods	1	-	1	3	4
18. Capital transfers	-	-	-	-	-
19. Repayment of loans and advances	206	10	241	305	241
20. Capital receipts	207	10	242	308	245
21. Total receipts	71 668	84 090	89 767	105 438	119 393
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	- 438	+ 4 742	+ 1 479	+ 3 327	+ 3 767

TABLE 5a

Breakdown of general government expenditure by type and function

Year : 1966

(Million FF)

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. CENTRAL GOVERNMENT														
1. Purchases of goods and services	1,317	325	10,694	479	740	205	156	2,407	47	46	22	6	-	16,444
2. Compensation of employees	2,968	3,745	9,627	2,141	2,015	936	569	14,233	363	231	185	15	-	37,028
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	3,731	3,731
4. Current transfers to the private sector :														
a. to enterprises	-	-	-	-	5,267	1,646	2,886	69	-	83	175	-	-	10,126
b. to households	70	93	39	-	67	109	-	876	1,032	-	-	4,819	-	7,105
c. to non-profit institutions	-	-	-	-	-	34	-	357	400	12	-	-	-	803
d. to countries overseas	-	-	-	3,283	-	-	-	-	-	-	-	-	-	3,283
Total current transfers to the private sector	70	93	39	3,283	5,334	1,789	2,886	1,302	1,432	95	175	4,819	-	21,317
5. Transfers to local authorities	364	570	-	-	7	-	69	526	1,459	953	13	-	-	3,961
6. Transfers to social security funds	163	110	231	204	77	56	30	835	4,360	14	11	-	-	6,091
7. Current expenditure ** (1 to 6)	4,882	4,843	20,591	6,107	8,173	2,986	3,710	19,303	7,661	1,339	406	4,840	3,731	88,572
8. Capital formation	210	139	8	-	2,242	-	146	3,275	2	17	151	-	-	6,190
9. Capital transfers :														
a. to enterprises, households and countries overseas	-	-	-	149	236	4,914	682	1	-	168	1,358	-	-	7,508
b. to non-profit institutions	-	-	-	-	20	-	-	10	160	30	-	-	-	220
c. to local authorities	-	-	-	-	411	-	542	1,041	-	58	344	-	-	2,396
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	149	667	4,914	1,224	1,052	160	256	1,702	-	-	10,124
10. Acquisition of equities	-	-	-	-	-	2,195	-	-	-	-	-	-	-	2,195
11. Loans and advances														
a. to the private sector	-	-	-	1,729	409	2,955	626	16	-	-	2,873	-	-	8,608
b. to local authorities	-	-	-	-	-	-	-	-	-	-	203	-	-	203
c. to social security funds	-	-	-	-	-	-	-	-	2,025	-	-	-	-	2,025
Total	-	-	-	1,729	409	2,955	626	16	2,025	-	3,076	-	-	10,836
12. Capital expenditure* (8 to 11)	210	139	8	1,878	3,318	10,064	1,996	4,343	2,187	273	4,929	-	-	29,345
13. Total expenditure* (7 + 12)	5,092	4,982	20,599	7,985	11,491	13,050	5,706	23,646	9,848	1,612	5,335	4,840	3,731	117,917
II. LOCAL AUTHORITIES														
1. Current expenditure			-	-										20,489
2. Capital expenditure*			-	-										14,802
Total*)			-	-										35,291
III. SOCIAL SECURITY FUNDS														
1. Current expenditure	-	-	-	-	-	-	-	-	70,581	-	-	-	-	70,581
2. Capital expenditure*)	-	-	-	-	-	-	-	-	1,525	-	-	-	-	1,525
Total*)	-	-	-	-	-	-	-	-	72,106	-	-	-	-	72,106
IV. GENERAL GOVERNMENT**)														
1. Current expenditure			20,360	5,933										166,908
2. Capital expenditure*)			3	1,375										40,614
Total*)			20,368	7,731										207,522

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5b

Breakdown of general government expenditure by type and function

FRANCE

Year : 1968

(Million FF)

	General expenditure				Economic Services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	1,618	683	11,894	434	844	263	206	3,327	63	57	34	4	-	19,477
2. Compensation of employees	3,631	4,911	11,505	2,297	2,490	1,207	770	18,166	450	284	210	9	-	45,980
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	5,415	5,415
4. Current transfers to the private sector:														
a. to enterprises	-	-	21	-	6,911	3,603	4,926	89	-	97	405	-	-	16,052
b. to households	171	95	46	-	30	124	-	1,177	2,190	-	-	4,957	-	8,791
c. to non-profit institutions	-	-	-	-	-	324	-	355	546	9	-	-	-	1,234
d. to countries overseas	-	-	-	3,144	-	-	-	-	-	-	-	-	-	3,144
Total current transfers to the private sector	172	95	67	3,144	6,941	4,051	4,926	1,621	2,736	106	405	4,957	-	29,221
5. Transfers to local authorities	558	73	-	-	121	-	-	624	1,686	1,129	16	-	-	4,207
6. Transfers to social security funds	234	280	254	146	158	76	49	1,156	5,484	19	13	-	-	7,869
7. Current expenditure **)(1 to 6)	6,263	6,042	23,720	6,071	10,554	5,597	5,951	24,894	10,419	1,595	678	4,970	5,415	112,169
8. Capital formation	306	125	-	-	2,752	-	244	4,410	9	19	227	-	-	8,092
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	-	243	305	4,619	581	1	-	302	1,851	-	-	7,902
b. to non-profit institutions	-	-	-	-	-	25	-	20	214	38	-	-	-	297
c. to local authorities	272	1	-	-	475	-	763	1,029	-	84	128	-	-	2,752
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	578	126	-	243	3,532	4,644	1,588	5,460	223	443	2,206	-	-	19,043
10. Acquisition of equities	-	-	-	-	-	1,368	-	-	-	-	2,227	-	-	3,595
11. Loans and advances														
a. to the private sector	-	-	-	695	453	4,049	129	11	-	-	341	-	273	5,951
b. to local authorities	-	-	-	-	139	-	299	-	-	-	29	-	-	467
c. to social security funds	-	-	-	-	-	-	-	-	985	-	-	-	-	985
Total	-	-	-	695	592	5,417	428	11	985	-	2,597	-	273	10,998
12. Capital expenditure*)(8 to 11)	578	126	-	938	4,124	10,061	2,016	5,471	1,208	443	4,803	-	273	30,041
13. Total expenditure*)(7 + 12)	6,841	6,168	23,720	7,009	14,678	15,658	7,967	30,365	11,627	2,038	5,481	4,970	5,688	142,210
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure			-	-										24,053
2. Capital expenditure*)			-	-										17,483
Total*)			-	-										41,536
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	86,360	-	-	-	-	86,380
2. Capital expenditure*)	-	-	-	-	-	-	-	-	1,908	-	-	-	-	1,908
Total*)	-	-	-	-	-	-	-	-	88,288	-	-	-	-	88,288
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure			23,466	5,925										207,473
2. Capital expenditure*)			-	938										44,620
Total*)			23,466	6,863										252,093

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5c

Breakdown of general government expenditure by type and function

Year : 1970

(Million FF)

FRANCE

	General expenditure				Economic Services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	1,806	805	14,180	606	904	321	290	4,117	94	74	38	4	-	23,249
2. Compensation of employees	4,356	6,045	13,954	2,901	3,179	1,463	1,036	24,049	590	324	237	11	-	58,145
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	5,630	-
4. Current transfers to the private sector:														
a. to enterprises	-	-	13	-	6,386	3,553	3,929	113	-	135	801	-	-	14,930
b. to households	468	114	29	-	43	207	-	1,482	1,792	-	-	6,230	-	10,365
c. to non-profit institutions	-	-	-	-	-	731	-	383	926	7	-	-	-	2,047
d. to countries overseas	-	-	-	4,946	-	-	-	-	-	-	-	-	-	4,946
Total current transfers to private sector	468	114	42	4,946	6,429	4,491	3,929	1,978	2,718	142	801	6,230	-	32,288
5. Transfers to local authorities	775	88	-	-	7	-	-	750	2,176	1,402	175	-	-	5,373
6. Transfers to social security funds	352	483	386	242	160	120	83	2,151	8,825	17	20	6	-	12,845
7. Current expenditure **)(1 to 6)	7,757	7,535	28,562	8,695	10,679	6,405	5,338	33,045	14,403	1,959	1,271	6,251	5,630	137,530
8. Capital formation	382	99	70	-	3,652	-	151	4,954	2	29	229	-	-	9,568
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	312	-	249	4,608	509	-	-	412	1,856	517	-	8,463
b. to non-profit institutions	-	-	-	-	-	31	-	19	231	27	-	-	-	308
c. to local authorities	47	2	-	-	852	6	807	1,090	91	5	330	-	-	3,230
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	429	101	382	-	4,753	4,645	1,467	6,063	324	473	2,415	517	-	21,569
10. Acquisition of equities	-	-	-	-	-	1,280	-	-	-	-	2,303	-	-	3,583
11. Loans and advances														
a. to the private sector	14	-	-	1,166	935	3,555	62	135	-	-	194	20	21	6,102
b. to local authorities	-	-	-	-	117	97	32	-	-	-	30	-	-	276
c. to social security funds	-	-	-	-	-	-	-	-	210	-	-	-	-	210
Total	14	-	-	1,166	1,052	3,652	94	135	210	-	224	20	21	6,588
12. Capital expenditure*)(8 to 11)	443	101	382	1,166	5,805	9,577	1,561	6,198	534	473	4,942	537	21	31,740
13. Total expenditure*)(7+ 12)	8,200	7,636	28,944	9,861	16,484	15,982	6,899	39,243	14,937	2,432	6,213	6,788	5,651	169,270
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	30,662
2. Capital expenditure*)	-	-	-	-	-	-	-	-	-	-	-	-	-	22,975
Total*)	-	-	-	-	-	-	-	-	-	-	-	-	-	53,637
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	112,941	-	-	-	-	112,941
2. Capital expenditure*)	-	-	-	-	-	-	-	-	2,685	-	-	-	-	2,685
Total*)	-	-	-	-	-	-	-	-	115,626	-	-	-	-	115,626
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	-	-	28,176	9,453	-	-	-	-	121,278	-	-	-	-	259,461
2. Capital expenditure*)	-	-	332	1,166	-	-	-	-	3,158	-	-	-	-	52,727
Total*)	-	-	28,508	10,619	-	-	-	-	124,436	-	-	-	-	312,188

*) excluding debt redemption

**) excluding transfers between subsectors

III

I T A L Y

TABLE 1
Economic account of General Government

ITALY	(Milliard Liras)				
	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	1 149.0	1 262.6	1 388.4	1 411.9	1 656.5
2. Compensation of employees	3 945.2	4 151.0	4 480.8	4 613.0	5 269.6
3. Interest payments	611.9	713.8	850.3	955.1	1 121.1
4. Current transfers					
(a) to enterprises	504.1	521.6	706.2	657.0	1 219.3
(b) to households	5 168.0	5 694.7	6 471.1	7 098.3	7 944.4
(c) to non-profit institutions	282.8	295.2	367.0	420.0	443.0
(d) abroad	35.3	60.7	97.5	159.0	166.6
(e) other transfers	-	-	-	-	716.0
Total 4	5 990.2	6 572.2	7 641.8	8 334.3	10 489.3
5. Current expenditure (1 to 4)	11 696.3	12 699.6	14 361.3	15 314.3	18 536.5
6. Gross capital formation	971.6	956.5	1 109.1	1 099.9	1 293.1
7. Capital transfers	970.2	947.9	1 100.7	1 186.3	1 409.4
8. Loans, advances and equity acquisitions	534.4	677.1	1 114.1	835.1	831.9
9. Capital expenditure (6 to 8) (1)	2 476.2	2 581.5	3 323.9	3 121.3	3 534.4
10. Total expenditure (5 + 9) (1)	14 172.5	15 281.1	17 685.2	18 435.6	22 070.9
RECEIPTS					
11. Sales of goods and services	140.0	119.2	122.6	131.3	152.8
12. Interest received	184.9	189.7	208.7	226.5	284.5
13. Current transfers from enterprises and households					
(a) direct taxes	2 340.2	2 655.8	2 911.5	3 097.5	3 308.5
(b) Indirect taxes	4 987.1	5 702.5	6 123.1	6 347.8	7 473.4
(c) social security contributions	3 888.5	4 593.7	5 296.5	5 568.4	6 631.2
(d) Profit of public enterprises	138.4	136.7	108.6	205.9	336.0
(e) Other transfers	290.7	432.4	413.5	354.5	351.9
Total 13	11 644.9	13 521.1	14 853.2	15 574.1	18 101.0
14. Transfers abroad	-	-	34.6	2.4	45.4
14 bis Other transfers	-	-	-	716.0	-
15. Current receipts (11 to 14)	11 969.8	13 830.0	15 219.1	16 650.3	18 583.7
16. Sales of capital goods	40.7	27.5	37.4	30.3	33.9
17. Capital transfers	104.7	111.9	114.5	115.5	129.8
18. Repayments of loans and advances, sales of equity	164.0	240.2	208.7	229.1	343.7
19. Capital receipts (16 to 18)	309.4	379.6	360.6	374.9	507.4
20. Total receipts (15 + 19)	12 279.2	14 209.6	15 579.7	17 025.2	19 091.1
21. Net balance to be financed or employed (20-10)	-1 893.3	-1 071.5	-2 105.5	-1 410.4	-2 979.8
22. Debt redemption	568.8	267.2	643.3	819.6	730.3
23. Gross balance to be financed or employed (21- 22)	-2 462.1	-1 338.7	-2 748.8	-2 230.0	-3 710.1

(1) Excluding debt redemption.

TABLE 2

Economic account of Central Government

ITALY

(Milliard Liras)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	648.3	651.0	715.7	685.2	874.2
2. Compensation of employees	2.959.1	3.063.9	3.324.2	3.374.1	3.916.3
3. Interest paid	336.2	409.1	454.9	516.0	609.8
4. Current transfers					
a. to enterprises	342.6	439.7	557.4	521.7	1,071.5
b. to households	329.7	350.5	447.8	442.9	577.8
c. to non-profit organisations	252.6	255.7	314.2	345.5	391.8
d. to other countries	35.3	60.7	97.5	159.0	166.6
Total 4	960.2	1,106.7	1,416.9	1,469.1	2,207.7
5. Transfers to local authorities	744.3	645.5	848.5	628.4	1,245.5
6. Transfers to social security funds	897.3	544.4	864.5	816.7	1,710.5
7. Current expenditure (1 to 6)	6,545.4	6,420.5	7,624.7	7,489.5	10,564.0
8. Capital formation	312.7	387.9	484.7	458.8	628.5
9. Capital transfers					
a. to the private sector	914.3	870.3	994.1	1,068.6	1,235.9
b. to local authorities	107.8	53.1	133.2	92.2	146.1
c. to social security funds	-	-	-	-	-
Total 9	1,022.1	923.4	1,127.3	1,160.8	1,382.0
10. Loans, advances and equity acquisitions					
a. to the private sector	219.8	429.5	812.9	561.5	521.8
b. to local authorities	24.0	16.2	35.0	26.7	32.2
c. to social security funds	-	-	-	-	-
Total 10	243.8	445.7	847.9	588.2	554.0
11. Capital expenditure (8 to 10) (1)	1,578.6	1,757.0	2,459.9	2,207.8	2,564.5
12. Total expenditure (7 + 11) (1)	8,124.0	8,177.5	10,084.6	9,697.3	13,128.5
RECEIPTS					
13. Sales of goods and services	131.1	110.2	113.4	121.0	135.6
14. Interest received	30.3	29.3	30.4	29.9	33.4
15. Current transfers from enterprises and households					
a. direct taxes	1,868.4	2,084.1	2,325.5	2,488.7	2,672.0
b. indirect taxes	4,712.0	5,252.2	5,697.6	5,906.5	7,003.7
c. profits of public enterprises	67.4	57.3	16.1	78.9	200.7
d. others	151.6	275.3	217.0	129.7	132.6
Total 15	6,799.4	7,668.9	8,256.2	8,603.8	10,009.0
16. Transfers from abroad	-	-	34.6	2.4	45.4
17. Transfers from local authorities	13.7	6.0	39.9	14.0	22.0
18. Transfers from social security funds	19.0	14.8	14.5	24.9	8.4
19. Current receipts (13 to 18)	6,993.5	7,829.2	8,489.0	8,800.5	10,253.8
20. Sales of capital goods	4.4	4.0	5.9	5.9	6.6
21. Capital transfers	100.1	110.1	109.7	110.5	113.5
of which : capital taxes	(96.8)	(107.3)	(106.4)	(107.6)	(110.5)
22. Repayments of loans and advances, sales of equities	92.6	142.2	115.9	124.4	229.8
23. Total capital receipts (20 to 22)	197.1	256.3	231.5	240.8	349.9
24. Total receipts (19 + 23)	7,190.6	8,085.5	8,720.5	9,041.3	10,603.7
25. Net balance to be financed or employed (24 - 12)	-933.4	-92.0	-1,364.1	-656.0	-2,524.8
26. Debt redemption	462.3	100.9	439.2	515.1	410.0
27. Gross balance to be financed (25 - 26)	-1,395.7	-192.9	-1,803.3	-1,171.1	-2,934.8

(1) Excluding debt redemption.

TABLE 3

Economic account of Local Government

ITALY

(Milliard Liras)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	422.6	522.3	570.7	614.4	663.6
2. Compensation of employees	748.3	802.3	854.8	915.1	985.5
3. Interest paid	260.4	293.5	371.2	414.1	476.7
4. Current transfers					
a. to enterprises	161.5	81.9	148.8	135.3	147.8
b. to households	261.1	261.0	296.3	298.3	327.7
c. to non-profit organisations	21.9	34.2	32.8	68.6	44.5
Total 4					
5. Transfers to other subsectors	444.5	377.1	477.9	502.2	520.0
	13.7	6.0	39.9	14.0	22.0
6. Current expenditure (1 to 5)	1.889.5	2.001.2	2.314.5	2.459.8	2.667.8
7. Capital expenditure	492.8	474.7	475.0	509.7	517.0
8. Capital transfers	37.9	55.8	60.9	79.7	131.0
9. Loans, advances and equities	92.6	100.5	139.9	128.2	129.2
10. Capital expenditure (7 to 9) (1)	623.3	631.0	675.8	717.6	777.2
11. Total expenditure (6 + 10) (1)	2.512.8	2.632.2	2.990.3	3.177.4	3.445.0
RECEIPTS					
12. Sales of goods and services	4.7	4.5	3.6	3.9	4.2
13. Interest received	22.0	26.2	33.7	42.7	63.9
14. Fiscal revenue					
a. Local fiscal revenue					
- direct taxes	517.0	546.1	594.5	625.8	653.1
- indirect taxes	359.1	402.3	441.1	474.5	500.0
b. Fiscal revenue transferred from central government	514.9	596.2	654.5	652.6	765.1
Fiscal receipts total					
15. Profits of public enterprises	1.391.0	1.544.6	1.690.1	1.752.9	1.918.2
	36.9	40.5	46.8	75.5	77.7
16. Other transfers from the private sector	100.5	108.0	141.4	165.1	171.6
17. Transfers from central government	100.2	122.9	169.9	147.6	211.5
18. Transfers from social security funds	-	10.9	4.4	4.7	4.3
19. Current receipts (12 to 18)	1.655.3	1.857.6	2.089.9	2.192.4	2.451.4
20. Sales of capital goods	29.9	18.2	22.3	22.7	26.6
21. Capital transfers	53.8	65.2	101.8	78.5	90.2
of which : from central government	(49.2)	(63.4)	(97.0)	(73.5)	(74.1)
22. Repayment of loans and advances	26.8	44.1	48.3	60.4	51.5
23. Capital receipts (20 to 22)	110.5	127.5	172.4	161.6	168.3
24. Total receipts (19 + 23)	1.765.8	1.985.1	2.262.3	2.354.0	2.619.7
25. Net balance to be financed (24 - 11)	-747.0	-647.1	-728.0	-823.4	-825.3
26. Debt redemption	102.0	127.8	148.7	128.2	189.5
27. Gross balance to be financed (25 - 26)	-849.0	-774.9	-876.7	-951.6	-1,014.8

(1) Excluding debt redemption

TABLE 4

Economic account of Social Security Funds

ITALY

(Milliard Liras)

	1966	1967	1968	1969	1970
Expenditure					
1. Purchases of goods and services	78.1	89.3	102.0	112.3	118.7
2. Compensation of employees	237.8	284.8	301.8	323.8	367.8
3. Interest paid	15.3	11.2	24.2	25.0	34.6
4. Current transfers to the private sector :					
(a) benefits	4 577.2	5 083.2	5 727.0	6 357.1	7 038.9
(b) other transfers	8.3	5.3	20.0	5.9	6.7
5. Current transfers to government	19.0	14.8	14.5	29.4	8.4
6. Current expenditure	4 935.7	5 488.6	6 189.5	6 853.5	7 575.1
7. Capital formation	166.1	93.9	149.4	131.4	147.6
8. Capital transfers	18.0	21.8	45.7	38.0	42.5
9. Loans, advances and equities	139.4	141.2	90.1	100.0	76.7
10. Capital expenditure	323.5	256.9	285.2	269.4	266.8
11. Total expenditure	5 259.2	5 745.5	6 474.7	7 122.9	7 841.9
=====					
Receipts					
12. Sales of goods and services	4.2	4.5	5.6	6.4	13.0
13. Interest received	132.6	134.2	144.6	153.9	187.2
14. Current transfers from the private sector :					
(a) contributions	3 888.5	4 593.7	5 296.5	5 568.4	6 631.2
(b) indirect taxes	72.7	88.0	100.8	111.2	105.3
15. Current transfers from government	897.3	544.4	864.5	1 310.7	1 216.5
16. Current receipts	4 995.3	5 364.8	6 412.0	7 150.6	8 153.2
17. Sales of capital goods	6.4	5.3	9.2	1.7	0.7
18. Capital transfers	-	-	-	-	0.2
19. Repayment of loans and advances	44.6	43.0	40.1	39.6	58.1
20. Capital receipts	51.0	48.3	49.3	41.3	59.0
21. Total receipts	5 046.3	5 413.1	6 461.3	7 191.9	8 212.2
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	-212.9	- 332.4	- 13.4	+ 69.0	+ 370.3

TABLE 5a

Breakdown of general government expenditure by type and function

(Milliard Liras)

ITALY

Year : 1966

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL	
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters			
I. CENTRAL GOVERNMENT															
1. Purchases of goods and services	78.5	56.1	418.4	6.8	17.7	7.4	12.3	28.9	8.4	13.8	-	-	-	-	648.3
2. Compensation of employees	315.3	510.4	634.7	25.5	34.2	12.3	45.8	1,339.9	32.5	8.5	-	-	-	-	2,959.1
3. Interest paid	0.3	-	-	0.1	3.1	5.2	44.8	0.7	0.2	-	6.2	-	-	275.6	336.2
4. Current transfers to the private sector:															
a. to enterprises	16.6	-	-	-	215.7	23.8	7.3	70.2	-	-	-	9.0	-	-	342.6
b. to households	-	-	-	-	-	-	-	26.6	24.8	7.3	-	271.0	-	-	329.7
c. to non-profit institutions	20.2	1.9	7.6	1.5	-	19.3	5.8	70.3	64.3	61.7	-	-	-	-	252.6
d. to countries overseas	-	-	3.8	21.7	-	4.4	-	-	-	1.4	-	4.0	-	-	35.3
Total current transfers to private sector	36.8	1.9	11.4	23.2	215.7	47.5	13.1	167.1	89.1	70.4	-	284.0	-	-	960.2
5. Transfers to local authorities	-	2.2	-	-	10.8	-	1.4	57.6	-	6.8	-	-	-	665.5	744.3
6. Transfers to social security funds	-	-	-	-	-	-	-	-	897.3	-	-	-	-	-	897.3
7. Current expenditure **) (1 to 6)	430.9	570.6	1,064.5	55.6	281.5	72.4	117.4	1,594.2	1,027.5	99.5	6.2	284.0	-	941.1	6,545.4
8. Capital formation	1.8	2.3	0.9	1.8	142.3	1.3	101.0	20.7	-	9.7	16.1	14.8	-	-	312.7
9. Capital transfers:															
a. to enterprises, households and countries overseas	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
b. to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to local authorities	-	0.6	-	-	10.5	2.3	19.8	24.7	-	6.8	20.0	23.1	-	-	107.8
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.2	0.6	0.1	-	239.0	142.6	296.3	80.7	9.9	72.0	100.9	77.8	-	-	1,022.1
10. Acquisition of equities	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
11. Loans and advances	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
a. to the private sector	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
b. to local authorities	.	.	.	.	.	5.0	.	.	.	16.0	3.0	.	.	.	24.0
c. to social security funds	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Total	-	-	-	-	30.0	102.3	63.5	-	-	18.1	14.0	15.9	-	-	243.8
12. Capital expenditure*) (8 to 11)	4.0	2.9	1.0	1.3	411.3	246.2	460.8	101.4	9.9	99.8	131.0	108.5	-	-	1,573.6
13. Total expenditure*) (7 + 12)	434.9	573.5	1,065.5	57.4	692.8	318.6	578.2	1,695.6	1,037.4	199.3	137.2	392.5	-	941.1	8,124.0
II. LOCAL AUTHORITIES															
1. Current expenditure	436.0	86.6	-	-	79.4	231.5	40.5	213.4	222.4	325.9	8.0	-	-	246.1	1,889.5
2. Capital expenditure*)	44.7	4.6	-	-	23.9	152.8	38.9	107.3	44.2	61.4	17.3	44.8	-	83.4	623.3
Total*)	480.7	91.2	-	-	103.3	384.3	79.1	320.7	226.6	387.3	25.3	44.8	-	329.5	2,512.8
III. SOCIAL SECURITY FUNDS															
1. Current expenditure	-	-	-	-	-	-	-	-	4,935.7	-	-	-	-	-	4,935.7
2. Capital expenditure*)	-	-	-	-	-	-	-	-	323.5	-	-	-	-	-	323.5
Total*)	-	-	-	-	-	-	-	-	5,259.2	-	-	-	-	-	5,259.2
IV. GENERAL GOVERNMENT**)															
1. Current expenditure	366.9	655.0	1,064.5	55.6	350.1	303.9	156.2	1,750.0	5,269.3	413.6	14.2	284.0	-	503.0	11,696.3
2. Capital expenditure*)	43.7	6.9	1.0	1.3	424.7	396.7	439.9	192.6	377.6	154.4	123.3	130.2	-	83.4	2,476.2
Total*)	915.6	661.9	1,065.5	57.4	774.8	700.6	646.1	1,942.6	5,646.9	573.0	142.5	414.2	-	591.4	14,172.5

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5b

Breakdown of general government expenditure by type and function

Year : 1969

(Milliard Liras)

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	107.3	69.3	351.7	15.3	44.9	11.3	20.3	59.6	25.3	10.2	-	-	-	715.7
2. Compensation of employees	360.8	541.6	702.5	33.6	49.7	21.5	73.1	1,436.7	35.2	14.5	-	-	-	3,324.2
3. Interest paid	0.6	-	-	0.2	16.4	17.8	31.3	0.7	0.8	-	9.8	-	327.3	454.9
4. Current transfers to the private sector:														
a. to enterprises	35.3	-	-	-	344.2	41.0	37.5	75.3	-	-	-	23.6	-	557.4
b. to households	-	-	-	-	-	-	-	42.8	32.3	10.2	-	362.5	-	447.8
c. to non-profit institutions	25.7	0.7	15.5	2.3	-	3.4	3.1	94.3	100.4	53.8	-	-	-	314.2
d. to countries overseas	-	-	5.0	36.0	7.9	43.0	-	-	-	1.3	-	3.8	-	97.5
Total current transfers to the private sector	61.5	0.7	20.5	33.3	352.1	92.4	45.6	212.4	132.7	70.8	-	389.9	-	1,416.9
5. Transfers to local authorities	-	2.3	-	-	20.9	-	0.8	64.3	3.3	7.7	-	4.2	744.5	848.5
6. Transfers to social security funds	-	-	-	-	-	-	-	-	864.5	-	-	-	-	864.5
7. Current expenditure **) (1 to 6)	530.2	614.4	1,074.7	37.9	434.0	143.0	226.1	1,823.7	1,061.8	103.2	9.8	394.1	1,071.3	7,624.7
8. Capital formation	2.7	6.3	0.7	1.9	220.9	13.3	182.0	25.9	-	7.7	17.8	-	-	484.7
9. Capital transfers:														
a. to enterprises, households and countries overseas	.	.	.	-	.	.	.	.	-	.	.	.	.	.
b. to non-profit institutions	.	.	.	-	.	.	.	.	-	.	.	.	.	.
c. to local authorities	.	.	.	-	39.1	3.7	30.2	17.9	6.9	18.3	.	12.1	.	133.2
d. to social security funds	.	.	.	-	.	.	.	.	-	.	.	.	.	.
Total	2.7	0.6	0.2	-	147.3	243.4	231.0	114.5	6.9	101.7	97.6	86.3	95.1	1,127.3
10. Acquisition of equities	-	-	-	-	-	.	.	-	-	-	-	-	.	.
11. Loans and advances	-	-	-	-	-	.	.	-	-	-	-	-	.	.
a. to the private sector	-	-	-	-	-	.	.	-	-	-	-	-	.	.
b. to local authorities	-	-	-	-	-	.	.	-	-	35.0	-	-	.	35.0
c. to social security funds	-	-	-	-	-	.	.	-	-	-	-	-	.	.
Total	-	-	-	-	-	557.8	230.1	-	-	35.0	-	-	25.0	947.9
12. Capital expenditure*) (8 to 11)	5.4	7.4	0.9	1.9	363.2	819.5	643.1	140.4	6.9	144.4	115.4	86.3	120.1	2,459.9
13. Total expenditure*) (7 + 12)	535.6	621.8	1,075.6	89.8	852.2	962.5	869.2	1,964.1	1,068.7	247.6	125.2	480.4	1,191.9	10,884.6
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	541.5	99.3	-	-	78.1	329.1	47.4	267.3	260.7	391.3	13.2	-	286.6	2,314.5
2. Capital expenditure*)	36.3	4.3	-	-	25.7	143.4	58.3	107.5	51.0	56.5	23.2	-	169.6	675.8
Total*)	577.8	103.6	-	-	103.8	472.5	105.7	374.8	311.7	447.8	36.4	-	456.2	2,990.3
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	6,189.5	-	-	-	-	6,189.5
2. Capital expenditure*)	-	-	-	-	-	-	-	-	285.2	-	-	-	-	285.2
Total*)	-	-	-	-	-	-	-	-	6,474.7	-	-	-	-	6,474.7
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	1,071.7	710.9	1,074.7	87.9	541.2	472.1	272.7	2,026.7	6,629.7	486.8	23.0	389.9	574.0	14,361.3
2. Capital expenditure*)	41.7	11.7	0.9	1.9	354.8	954.2	671.2	230.0	336.2	182.6	138.6	74.2	325.9	3,323.9
Total*)	1,113.4	722.6	1,075.6	89.8	896.0	1,426.3	943.9	2,256.7	6,965.9	669.4	161.6	464.1	899.9	17,685.2

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5c

Breakdown of general government expenditure by type and function

Year : 1970

(Milliard Liras)

ITALY

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	103.3	105.0	454.1	20.5	53.4	8.7	12.3	59.1	30.1	17.7	-	-	-	874.2
2. Compensation of employees	429.0	627.7	310.8	35.3	56.7	22.8	82.7	1,792.6	38.5	20.2	-	-	-	3,916.3
3. Interest paid	3.3	-	-	-	16.3	13.7	90.1	1.0	33.6	-	10.0	-	431.8	609.8
4. Current transfers to the private sector:														
a. to enterprises	299.6	-	-	-	380.0	112.3	128.1	90.1	17.4	-	0.7	43.3	-	1,071.5
b. to households	-	-	-	-	-	-	-	114.7	55.1	15.3	-	392.7	-	577.8
c. to non-profit institutions	48.2	7.1	10.6	2.5	-	9.7	10.5	120.3	107.7	75.2	-	-	-	391.8
d. to countries overseas	-	-	-	48.0	9.2	-	-	-	-	3.4	-	7.1	-	166.6
Total current transfers to the private sector	347.8	7.1	10.6	50.5	389.2	122.0	138.6	325.1	180.2	93.9	0.7	443.1	93.9	2,207.7
5. Transfers to local authorities	-	4.7	-	-	40.2	-	1.8	92.4	15.4	22.5	-	-	1,068.5	1,245.5
6. Transfers to social security funds	-	-	-	-	-	-	-	-	1,710.5	-	-	-	-	1,710.5
7. Current expenditure **)(1 to 6)	983.4	744.5	1,275.5	106.3	560.8	172.2	325.5	2,270.2	2,013.3	154.3	10.7	443.1	1,599.2	10,564.0
8. Capital formation	6.2	6.8	0.7	1.7	342.2	17.8	175.0	50.2	-	11.2	10.2	-	6.5	628.5
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to local authorities	-	-	-	-	45.2	14.1	37.3	28.3	-	17.1	-	4.1	-	146.1
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.2	1.7	0.3	-	238.6	295.4	278.2	145.6	-	112.9	107.8	129.4	68.9	1,382.0
10. Acquisition of equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. to the private sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. to local authorities	-	-	-	-	-	-	-	-	32.2	-	-	-	-	32.2
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	10.0	366.0	42.5	-	135.2	-	0.3	-	-	554.0
12. Capital expenditure*) (8 to 11)	9.4	8.5	1.0	1.7	590.3	679.2	495.7	195.8	135.2	124.1	118.3	129.4	75.4	2,564.5
13. Total expenditure*) (7 + 12)	992.8	753.0	1,276.5	108.0	1,151.6	861.4	821.2	2,466.0	2,148.5	278.4	129.0	572.5	1,674.6	13,128.5
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	574.8	109.4	-	-	78.5	392.5	33.2	319.7	295.7	455.3	13.7	-	395.0	2,667.8
2. Capital expenditure*)	56.5	4.2	-	-	26.2	181.3	119.4	127.5	51.1	74.8	27.8	-	108.4	777.2
Total*)	631.3	113.6	-	-	104.7	573.8	152.6	447.2	346.8	530.1	41.5	-	503.4	3,445.0
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	7,575.1	-	-	-	-	7,575.1
2. Capital expenditure*)	-	-	-	-	-	-	-	-	266.8	-	-	-	-	266.8
Total*)	-	-	-	-	-	-	-	-	7,841.9	-	-	-	-	7,841.9
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	1,463.2	849.2	1,275.5	106.3	599.1	564.7	356.9	2,497.5	8,643.3	587.1	24.4	443.1	1,125.7	18,536.5
2. Capital expenditure*)	65.9	12.7	1.0	1.7	571.8	346.4	577.8	295.0	453.1	181.3	146.1	125.3	255.8	3,534.4
Total*)	1,529.1	861.9	1,276.5	108.0	1,170.9	1,411.1	934.7	2,792.5	9,096.9	768.9	170.5	568.4	1,381.5	22,070.9

*) excluding debt redemption

**) excluding transfers between subsectors

IV

NETHERLANDS

TABLE 1
Economic account of General Government

NETHERLANDS

(Million Florins)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	3 429	3 841	4 014	4 545	5 450
2. Compensation of employees	8 479	9 511	10 359	11 906	13 296
3. Interest payments	2 238	2 644	3 077	3 486	4 041
4. Current transfers					
(a) to enterprises	565	725	791	1 027	1 494
(b) to households	10 695	12 355	14 206	16 707	19 452
(c) to non-profit institutions	641	725	858	1 013	1 179
(d) abroad	233	355	365	359	516
Total 4	12 134	14 160	16 220	19 106	22 641
5. Current expenditure (1 to 4)	26 280	30 156	33 670	39 043	45 428
6. Gross capital formation	4 159	4 631	5 540	5 922	6 387
7. Capital transfers	858	1 077	1 193	1 327	1 498
8. Loans, advances and equity acquisitions	4 739	5 601	6 069	5 415	5 608
9. Capital expenditure (6 to 8) (1)	9 756	11 309	12 802	12 664	13 491
10. Total expenditure (5 + 9) (1)	36 036	41 465	46 472	51 707	58 919
RECEIPTS					
11. Sales of goods and services	703	783	869	993	1 144
12. Interest received	1 263	1 455	1 732	2 085	2 497
13. Current transfers from enterprises and households					
(a) direct taxes	9 974	11 341	12 056	14 348	15 631
(b) indirect taxes	7 816	8 818	10 237	10 831	13 247
(c) social security contributions	9 024	10 377	12 353	14 557	16 862
(d) Profits of public enterprises	237	206	363	492	594
(e) Other transfers	520	594	685	816	938
Total 13	27 571	31 336	35 694	41 044	47 272
14. Current transfers abroad	62	70	131	239	492
15. Current receipts (11 to 14)	29 599	33 644	38 426	44 361	51 405
16. Sales of capital goods	810	1 013	1 044	1 048	1 128
17. Capital transfers	390	493	384	422	487
18. Repayments of loans and advances, sales of equities	1 228	2 522	1 591	2 057	1 854
19. Capital receipts (16 to 18)	2 428	4 028	3 019	3 527	3 469
20. Total receipts (15 + 19)	32 027	37 672	41 445	47 888	54 874
21. Net balance to be financed or employed(20-10)	-4 009	-3 793	-5 027	-3 819	-4 045
22. Debt redemption	1 379	1 482	1 734	1 705	1 792
23. Gross balance to be financed or employed (21 - 22)	-5 388	-5 275	-6 761	-5 524	-5 837

(1) Excluding debt redemption.

TABLE 2

Economic account of Central Government

NETHERLANDS

(Million Florins)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	1.923	2.155	2.169	2.278	2.952
2. Compensation of employees	3.185	3.592	3.851	4.293	4.775
3. Interest paid	923	1.070	1.283	1.483	1.697
4. Current transfers					
a. to enterprises	425	590	632	845	1.239
b. to households	480	562	640	765	892
c. to non-profit institutions	401	452	525	627	742
d. abroad	202	303	304	282	416
Total 4	1.508	1.907	2.101	2.519	3.289
5. Transfers to local authorities	7.380	8.327	9.681	10.930	12.970
6. Transfers to social security funds	490	530	969	1.025	1.026
7. Current expenditure (1 to 6)	15.409	17.581	20.054	22.528	26.709
8. Capital formation	1.050	1.171	1.415	1.559	1.690
9. Capital transfers					
a. to the private sector	703	766	896	952	1.114
b. to local authorities	884	1.009	944	1.107	1.347
c. to social security funds	-	3	-	118	119
Total 9	1.587	1.778	1.840	2.177	2.580
10. Loans, advances and equity acquisitions					
a. to the private sector	1.455	1.511	1.914	1.592	1.820
b. to local authorities	1.808	2.065	2.089	2.064	1.828
c. to social security funds	-	-	-	-	-
Total 10	3.263	3.576	4.003	3.656	3.648
11. Capital expenditure (8 to 10) (1)	5.900	6.525	7.258	7.392	7.918
12. Total expenditure (7 + 11) (1)	21.309	24.106	27.312	29.920	34.627
RECEIPTS					
13. Sales of goods and services	282	334	380	462	612
14. Interest received	328	411	549	666	805
15. Current transfers from enterprises and households					
a. direct taxes	9.966	11.332	12.047	14.338	15.620
b. indirect taxes	7.374	8.345	9.718	10.241	12.600
c. profits of public enterprises	167	211	333	440	547
d. others	83	89	110	136	157
Total 15	17.590	19.977	22.208	25.155	28.924
16. Transfers from abroad	62	70	131	239	492
17. Transfers from local authorities	7	7	4	5	2
18. Transfers from social security funds	-	-	-	2	-
19. Current receipts (13 to 18)	18.269	20.799	23.272	26.529	30.835
20. Sales of capital goods	33	21	16	20	11
21. Capital transfers	368	307	343	381	475
of which : capital taxes	(223)	(215)	(226)	(251)	(266)
22. Repayments of loans and advances, sales of equities	614	1.566	858	1.255	993
23. Total capital receipts (20 to 22)	1.015	1.894	1.217	1.656	1.479
24. Total receipts (19 + 23)	19.284	22.693	24.489	28.185	32.314
25. Net balance to be financed or employed (24 - 12)	-2.025	-1.413	-2.823	-1.735	-2.313
26. Debt redemption	484	575	815	613	600
27. Gross balance to be financed (25 - 26)	-2.509	-1.988	-3.638	-2.348	-2.913

(1) Excluding debt redemption.

TABLE 3

Economic account of Local Government

NETHERLANDS

(Million Florins)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	1.382	1.524	1.678	2.076	2.276
2. Compensation of employees	5.025	5.627	6.212	7.271	8.124
3. Interest paid	1.314	1.573	1.792	1.999	2.343
4. Current transfers					
a. to enterprises	140	135	159	182	255
b. to households	1.087	1.420	1.340	1.491	1.806
c. to non-profit institutions	240	273	333	386	437
5. Transfers to other authorities	1.467	1.828	1.832	2.059	2.498
6. Current expenditure (1 to 5)	9.200	10.565	11.518	13.406	15.243
7. Capital expenditure	3.109	3.460	4.125	4.363	4.697
8. Capital transfers	192	221	268	269	307
9. Loans, advances and equities	3.156	4.000	3.453	3.075	3.076
10. Capital expenditure (7 to 9) (1)	6.457	7.681	7.846	7.707	8.080
11. Total expenditure (6 + 10) (1)	15.657	18.246	19.364	21.113	23.323
RECEIPTS					
12. Sales of goods and services	419	447	487	529	530
13. Interest received	771	882	1.004	1.184	1.397
14. Fiscal revenue					
a. Local fiscal revenue					
- direct taxes	8	9	9	15	11
- indirect taxes	442	473	519	585	647
b. Fiscal revenue transferred from central government	2.586	2.975	3.256	3.590	4.450
Fiscal receipts total	3.036	3.457	3.784	4.190	5.108
15. Profits of public enterprises	70	5	30	52	47
16. Other transfers from the private sector	437	505	575	680	781
17. Transfers from central government	4.794	5.352	6.425	7.341	8.521
18. Transfers from social security funds	-	-	-	2	-
19. Current receipts (12 to 18)	9.527	10.488	12.305	13.974	16.384
20. Sales of capital goods	777	992	1.028	1.028	1.117
21. Capital transfers	926	1.206	1.003	1.164	1.402
of which : from central government	(884)	(1.009)	(944)	(1.107)	(1.347)
22. Repayment of loans and advances	687	1.040	826	910	983
23. Capital receipts (20 to 22)	2.390	3.238	2.857	3.102	3.502
24. Total receipts (19 + 23)	11.917	13.876	15.162	17.096	19.886
25. Net balance to be financed (24 - 11)	-3.740	-4.370	-4.202	-4.017	-3.437
26. Debt redemption	795	907	919	1.092	1.192
27. Gross balance to be financed (25 - 26)	-4.495	-5.277	-5.121	-5.109	-4.629

(1) Excluding debt redemption.

TABLE 4

Economic account of Social Security Funds

NETHERLANDS

(Million Florins)

	1966	1967	1968	1969	1970
<u>Expenditure</u>					
1. Purchases of goods and services	124	161	166	191	222
2. Compensation of employees	269	292	296	342	397
3. Interest paid	-	1	2	4	1
4. Current transfers to the private sector					
(a) benefits	9 128	10 373	12 226	14 451	16 754
(b) other transfers	31	52	61	77	100
5. Current transfers to government	-	-	-	-	-
6. Current expenditure	9 552	10 879	12 751	15 065	17 474
7. Capital formation	-	-	-	-	-
8. Capital transfers	-	105	50	124	118
9. Loans, advances and equities	-	-	-	-	-
10. Capital expenditure	-	105	50	124	118
11. Total expenditure	9 552	10 984	12 801	15 189	17 592
=====					
<u>Receipts</u>					
12. Sales of goods and services	2	1	2	2	2
13. Interest received	164	163	179	235	295
14. Current transfers from the private sector :					
(a) contributions	9 024	10 377	12 353	14 557	16 862
(b) other transfers	-	-	-	-	-
15. Current transfers from government	490	530	969	1 025	1 026
16. Current receipts	9 680	11 071	13 503	15 819	18 185
17. Sales of capital goods	-	-	-	-	-
18. Capital transfers	-	3	-	118	119
19. Repayment of loans and advances	-	-	-	-	-
20. Capital receipts	-	3	-	118	119
21. Total receipts	9 680	11 074	13 503	15 937	18 304
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	+ 128	+ 90	+ 702	+ 748	+ 712

TABLE 5a

Breakdown of general government expenditure by type and function

(Million Florins)

NETHERLANDS

Year : 1966

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	186	53	1,176	36	152	68	114	61	28	32	8	3	6	1,923
2. Compensation of employees	454	320	1,655	92	169	51	131	158	97	31	27	-	-	3,185
3. Interest paid	6	-	-	-	-	-	-	-	-	-	-	-	917	923
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	-	65	340	-	-	-	20	-	-	425
b. to households	2	24	52	1	1	-	-	73	276	1	-	50	-	480
c. to non-profit institutions	1	120	3	17	3	-	2	127	67	61	-	-	-	401
d. to countries overseas	-	-	13	78	3	35	36	19	16	2	-	-	-	202
Total current transfers to the private sector:	3	144	68	95	7	101	373	219	359	64	20	50	-	1,508
5. Transfers to local authorities	2	316	1	-	14	-	15	3,950	307	16	157	8	2,594	7,380
6. Transfers to social security funds	-	-	-	-	-	-	-	-	490	-	-	-	-	490
7. Current expenditure **) (1 to 6)	651	833	2,900	223	342	220	638	4,388	1,281	143	212	61	3,517	15,409
8. Capital formation	96	21	8	3	790	4	96	29	2	2	-	-	-1	1,050
9. Capital transfers:														
a. to enterprises, households and countries overseas	30	5	4	46	10	59	85	4	336	3	43	5	-	630
b. to non-profit institutions	-	12	1	5	-	-	-	52	1	1	-	1	-	73
c. to local authorities	-	7	-	-	337	19	38	407	22	9	35	10	-	884
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	30	24	5	51	347	78	123	463	359	13	78	16	-	1,587
10. Acquisition of equities	-	-	-	228	-	-	-	-	-	-	-	-	-	228
11. Loans and advances														
a. to the private sector	4	-	238	256	460	106	112	45	3	3	-	-	-	1,227
b. to local authorities	-	-	-	-	-	-	-	-	3	-	1,805	-	-	1,808
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4	-	238	256	460	106	112	45	6	3	1,805	-	-	3,035
12. Capital expenditure*) (8 to 11)	130	45	251	538	1,597	188	331	537	367	18	1,883	16	-1	5,900
13. Total expenditure*) (7 + 12)	781	878	3,151	761	1,939	403	969	4,925	1,648	161	2,095	77	3,516	21,309
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	1,773	364	-	-	502	201	55	3,960	1,294	397	592	-	62	9,200
2. Capital expenditure*)	1,183	17	-	-	968	712	29	1,109	39	330	2,067	-	3	6,457
Total*)	2,956	381	-	-	1,470	913	84	5,069	1,333	727	2,659	-	65	15,657
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	9,552	-	-	-	-	9,552
2. Capital expenditure*)	-	-	-	-	-	-	-	-	128	-	-	-	-	128
Total*)	-	-	-	-	-	-	-	-	9,680	-	-	-	-	9,680
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	2,418	881	2,899	223	829	421	678	4,394	11,330	524	645	53	985	26,280
2. Capital expenditure*)	1,313	55	251	533	2,203	881	322	1,222	509	339	2,110	6	2	9,756
Total*)	3,731	936	3,150	761	3,037	1,302	1,000	5,616	11,839	863	2,755	59	987	36,036

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5b

Breakdown of general government expenditure by type and function

(Million Florins)

NETHERLANDS

Year : 1968

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. CENTRAL GOVERNMENT														
1. Purchases of goods and services	147	88	1,226	50	219	102	137	104	32	41	12	2	9	2,169
2. Compensation of employees	545	395	2,013	112	215	62	160	175	102	41	31	-	3,851	
3. Interest paid	5	-	-	-	-	-	-	-	-	-	-	-	1,278	1,283
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	70	97	453	-	-	-	22	-	-	632
b. to households	2	31	72	3	1	8	-	109	314	-	2	67	26	640
c. to non-profit institutions	1	151	3	10	4	1	2	169	102	80	-	2	-	525
d. to countries overseas	-	-	13	116	3	41	73	29	26	3	-	-	-	304
Total current transfers to the private sector	3	182	88	134	78	137	528	307	442	83	24	69	26	2,101
5. Transfers to local authorities	1	428	2	-	291	-	32	4,891	596	21	144	8	3,267	9,681
6. Transfers to social security funds	-	-	-	-	-	-	-	-	969	-	-	-	-	969
7. Current expenditure ** (1 to 6)	701	1,093	3,329	296	803	301	857	5,477	2,141	186	211	79	4,580	20,054
8. Capital formation	56	52	2	3	1,109	5	113	41	15	17	2	-	-	1,415
9. Capital transfers:														
a. to enterprises, households and countries overseas	41	1	7	138	29	95	104	6	340	3	32	5	-	801
b. to non-profit institutions	-	10	-	5	-	-	-	71	4	1	-	4	-	95
c. to local authorities	1	10	-	5	84	63	56	552	68	14	85	6	-	944
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	42	21	7	148	113	158	160	629	412	18	117	15	-	1,840
10. Acquisition of equities	-	-	-	296	-	3	-	-	-	-	-	-	-	299
11. Loans and advances														
a. to the private sector	81	-	301	451	587	-	144	48	2	1	-	-	-	1,615
b. to local authorities	-	-	-	-	-	-	-	-	2	-	2,097	-	-	2,089
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	81	-	301	451	587	-	144	48	4	1	2,087	-	-	3,704
12. Capital expenditure* (8 to 11)	179	73	310	898	1,809	166	417	718	431	36	2,206	15	-	7,258
13. Total expenditure* (7 + 12)	880	1,166	3,639	1,194	2,612	467	1,274	6,195	2,572	222	2,417	94	4,580	27,312
II. LOCAL AUTHORITIES														
1. Current expenditure	2,058	441	-	-	659	246	58	5,039	1,620	486	823	-	88	11,518
2. Capital expenditure*)	1,433	51	-	5	1,291	701	31	1,652	46	321	2,312	-	3	7,846
Total*)	3,491	492	-	5	1,950	947	89	6,691	1,666	807	3,135	-	91	19,364
III. SOCIAL SECURITY FUNDS														
1. Current expenditure	-	-	-	-	-	-	-	-	12,751	-	-	-	-	12,751
2. Capital expenditure*)	-	-	-	-	-	-	-	-	752	-	-	-	-	752
Total*)	-	-	-	-	-	-	-	-	13,503	-	-	-	-	13,503
IV. GENERAL GOVERNMENT**														
1. Current expenditure	2,755	1,106	3,327	296	1,171	547	883	5,625	14,947	651	889	71	1,402	33,670
2. Capital expenditure*)	1,610	114	310	898	3,003	804	392	1,815	1,159	343	2,342	9	3	12,802
Total*)	4,365	1,220	3,637	1,194	4,174	1,351	1,275	7,440	16,106	994	3,231	80	1,405	46,472

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5c

Breakdown of general government expenditure by type and function

(Million Florins)

NETHERLANDS

Year : 1970

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social services	Public Health	Housing	Compensation for war-damage and disasters		
I. CENTRAL GOVERNMENT														
1. Purchases of goods and services	191	101	1,708	59	316	127	168	149	38	65	17	3	10	2,952
2. Compensation of employees	679	485	2,404	148	283	72	254	236	122	54	38	-	-	4,775
3. Interest paid	3	-	-	-	-	10	-	-	-	-	-	-	1,684	1,697
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	115	63	1,013	-	-	-	48	-	-	1,239
b. to households	20	60	70	2	3	63	41	189	304	2	60	78	-	892
c. to non-profit institutions	2	195	4	14	6	1	4	239	177	99	1	-	-	742
d. to countries overseas	-	-	16	162	6	29	143	28	30	2	-	-	-	416
Total current transfers to the private sector	22	255	90	178	130	156	1,201	456	511	103	109	78	-	3,289
5. Transfers to local authorities	2	518	-	1	374	-	39	6,589	744	20	214	12	4,457	12,970
6. Transfers to social security funds	-	-	-	-	-	-	-	-	1,026	-	-	-	-	1,026
7. Current expenditure ** (1 to 6)	897	1,359	4,202	386	1,103	365	1,662	7,430	2,441	242	378	93	6,151	26,709
8. Capital formation	92	68	-	4	1,287	11	134	55	16	12	10	1	-	1,690
9. Capital transfers:														
a. to enterprises, households and countries overseas	30	1	6	237	77	146	124	12	363	3	12	1	-	1,012
b. to non-profit institutions	1	17	-	11	3	-	-	66	2	1	-	1	-	102
c. to local authorities	-	13	-	-	159	61	51	899	28	19	115	2	-	1,347
d. to social security funds	-	-	-	-	-	-	-	-	119	-	-	-	-	119
Total	31	31	6	248	239	207	175	977	512	23	127	4	-	2,580
10. Acquisition of equities	-	-	-	185	-	14	-	-	-	-	-	-	-	199
11. Loans and advances														
a. to the private sector	4	-	274	438	676	1	159	60	-	2	-	-	7	1,621
b. to local authorities	-	-	-	-	-	-	37	-	3	-	1,788	-	-	1,828
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4	-	274	438	676	1	196	60	3	2	1,798	-	7	3,449
12. Capital expenditure* (8 to 11)	127	99	230	375	2,202	233	505	1,092	531	37	1,925	5	7	7,913
13. Total expenditure* (7 + 12)	1,024	1,458	4,432	1,261	3,305	598	2,167	8,522	2,972	279	2,303	98	6,158	34,627
II. LOCAL AUTHORITIES														
1. Current expenditure	2,568	552	-	-	869	316	76	6,782	2,259	530	1,187	-	104	15,243
2. Capital expenditure*	1,695	61	-	1	1,426	744	39	1,857	49	347	1,861	-	-	8,080
Total*)	4,263	613	-	1	2,295	1,060	115	3,639	2,308	877	3,048	-	104	23,323
III. SOCIAL SECURITY FUNDS														
1. Current expenditure	-	-	-	-	-	-	-	-	17,474	-	-	-	-	17,474
2. Capital expenditure*)	-	-	-	-	-	-	-	-	330	-	-	-	-	330
Total*)	-	-	-	-	-	-	-	-	13,304	-	-	-	-	13,304
IV. GENERAL GOVERNMENT**)														
1. Current expenditure	3,463	1,393	4,202	386	1,593	631	1,699	7,623	20,404	752	1,349	81	1,798	45,428
2. Capital expenditure*)	1,319	147	230	276	3,433	916	456	2,050	1,260	365	1,874	3	7	13,491
Total*)	5,232	1,540	4,432	1,261	5,036	1,597	2,155	9,673	21,664	1,117	3,223	84	1,805	58,919

*) excluding debt redemption

**) excluding transfers between subsectors

V

BELGIUM

TABLE 1

Economic account of General Government

BELGIUM

(Million BF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	33 150	33 858	33 303	37 121	38 549
2. Compensation of employees	82 494	90 477	97 268	107 924	120 339
3. Interest payments	27 898	30 147	32 731	38 980	45 013
4. Current transfers					
(a) to enterprises	23 102	23 892	29 415	32 452	35 825
(b) to households	115 542	129 235	155 118	165 854	187 279
(c) to non-profit institutions	2 975	3 387	3 581	3 710	4 067
(d) abroad	4 080	5 091	5 956	6 565	8 874
Total 4	145 699	161 605	194 070	208 581	236 045
5. Current expenditure (1 to 4) - (1)	289 241	316 087	357 372	392 606	439 946
6. Gross capital formation	32 902	40 521	47 351	52 117	58 930
7. Capital transfers	3 861	3 185	3 591	4 322	5 351
8. Loans, advances and equity acquisitions	20 513	17 824	17 662	16 469	14 388
9. Capital expenditure (6 to 8) (1)	57 276	61 530	68 604	72 908	78 669
10. Total expenditure (5 + 9) (1)	346 517	377 617	425 976	465 514	518 615
RECEIPTS					
11. Sales of goods and services	2 117	2 121	2 436	2 733	3 127
12. Interest received	5 926	6 020	6 231	7 276	8 257
13. Current transfers from enterprises and households					
(a) direct taxes	82 115	89 325	103 208	120 651	141 669
(b) indirect taxes	120 876	134 438	142 000	153 197	170 241
(c) social security contributions	85 816	102 246	104 010	113 729	135 617
(d) profits of public enterprises	1 530	4 654	4 408	4 029	6 035
(e) other transfers	1 223	1 232	2 835	3 229	3 387
Total 13	291 560	331 895	356 521	394 835	456 949
14. Transfers from abroad	1 942	414	414	961	769
15. Current receipts (11 to 14)	301 545	340 450	365 602	405 805	469 102
16. Sales of capital goods	873	758	848	1 084	1 168
17. Capital transfers	3 350	3 821	4 261	4 681	5 244
18. Repayments of loans and advances, sales of equities	6 690	3 943	6 060	5 218	4 704
19. Capital receipts (16 to 18)	10 913	8 527	11 169	10 983	11 116
20. Total receipts (15 + 19)	312 458	348 977	376 771	416 788	480 218
21. Net balance to be financed or employed (20-10)	- 34 279	- 28 640	- 49 205	- 48 726	- 38 397
22. Debt redemption	33 639	42 508	48 468	66 821	71 431
23. Gross balance to be financed or employed (21-22)	- 67 918	- 71 148	- 97 673	-115 547	-109 828

(1) Excluding debt redemption.

TABLE 2

Economic account of Central Government

BELGIUM

(Million EF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	19.471	19.903	21.977	24.992	25.725
2. Compensation of employees	43.783	47.169	49.992	54.894	61.397
3. Interest paid	21.501	23.574	25.651	30.166	34.399
4. Current transfers					
a. to enterprises	22.954	23.731	29.224	32.238	35.596
b. to households	10.141	10.911	13.104	12.804	16.119
c. to non-profit institutions	2.975	3.387	3.581	3.710	4.067
d. to other countries	3.737	4.744	5.458	6.440	8.445
Total 4	39.807	42.773	51.367	55.192	64.227
5. Transfers to local authorities	41.185	44.780	48.533	54.579	62.588
6. Transfers to social security funds	25.713	30.325	33.800	35.178	37.451
7. Current expenditure (1 to 6)	191.460	208.524	231.320	255.001	285.747
8. Capital formation	21.158	25.932	30.597	34.137	38.485
9. Capital transfers					
a. to the private sector	3.791	3.110	3.511	4.237	5.261
b. to local authorities	1.520	2.131	2.298	2.750	3.788
c. to social security funds	-	-	-	-	-
Total 9	5.311	5.241	5.809	6.987	9.049
10. Loans, advances and equity acquisitions					
a. to the private sector	8.094	9.573	11.189	11.180	7.317
b. to local authorities	26	14	58	76	128
c. to social security funds	-	-	-	-	1.000
Total 10	8.120	9.587	11.247	11.256	8.445
11. Capital expenditure (8 to 10) (1)	34.589	40.760	47.653	52.380	55.979
12. Total expenditure (7 + 11) (1)	226.049	249.284	278.973	307.381	341.726
RECEIPTS					
13. Sales of goods and services	1.211	1.123	1.269	1.349	1.593
14. Interest received	1.041	1.141	1.046	1.144	1.500
15. Current transfers from enterprises and households					
a. direct taxes	72.759	80.173	90.760	107.406	126.835
b. indirect taxes	117.442	130.360	137.547	148.186	164.815
c. profits of public enterprises	1.399	2.664	2.053	1.860	3.894
d. others	1.002	1.646	1.585	1.575	1.762
Total 15	192.602	214.343	231.945	259.027	297.306
16. Transfers from abroad	1.642	115	214	47	146
17. Transfers from local authorities	92	120	236	509	301
18. Transfers from social security funds	-	-	-	-	-
19. Current receipts (13 to 18)	196.602	216.842	234.710	262.076	300.846
20. Sales of capital goods	423	207	396	525	516
21. Capital transfers	3.485	3.957	4.368	4.745	5.243
of which : capital taxes	(3.220)	(3.442)	(4.044)	(3.899)	(4.296)
22. Repayments of loans and advances, sales of equities	805	1.244	919	1.329	1.877
23. Total capital receipts (20 to 22)	4.713	5.408	5.683	6.599	7.636
24. Total receipts (19 + 23)	201.315	222.250	240.393	268.675	308.482
of which : fiscal receipts (15a + 15b + 21a)	(193.421)	(213.975)	(232.351)	(259.491)	(295.946)
25. Net balance to be financed or employed (24 - 12)	-24.734	-27.034	-38.580	-38.706	-33.244
26. Debt redemption	25.258	33.151	31.219	50.625	51.848
27. Gross balance to be financed (25 - 26)	-50.012	-60.185	-69.799	-89.331	-85.092

(1) Excluding debt redemption

TABLE 3

Economic account of Local Government

BELGIUM

(Million BF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	9.535	9.878	10.488	11.172	11.883
2. Compensation of employees	36.904	41.306	44.592	50.147	55.876
3. Interest paid	5.297	5.368	6.003	7.453	8.982
4. Current transfers					
a. to enterprises	148	161	191	214	229
b. to households	3.111	3.017	3.308	3.613	3.839
c. to non-profit institutions	-	-	-	-	-
Total 4	3.259	3.178	3.499	3.827	4.068
5. Transfers to other authorities	92	120	236	509	301
6. Current expenditure (1 to 5)	55.087	59.850	64.818	73.108	81.110
7. Capital expenditure	11.050	14.127	16.417	17.771	20.092
8. Capital transfers	70	75	80	85	90
9. Loans, advances and equities	3.137	2.446	3.343	2.718	3.828
10. Capital expenditure (7 to 9) (1)	14.257	16.648	19.840	20.574	24.010
11. Total expenditure (6 + 10) (1)	69.344	76.498	84.658	93.682	105.120
RECEIPTS					
12. Sales of goods and services	800	800	800	800	800
13. Interest received	1.557	1.355	1.590	1.964	2.089
14. Fiscal revenue					
a. Local fiscal revenue					
- direct taxes	9.356	9.152	12.508	13.245	14.834
- indirect taxes	3.434	4.078	4.453	5.011	5.426
b. Fiscal revenue transferred from central government	12.113	12.699	13.852	15.289	18.383
Fiscal receipts total	24.903	25.929	30.813	33.545	38.643
15. Profits of public enterprises	131	1.990	2.355	2.169	2.141
16. Other transfers from the private sector	221	86	89	90	103
17. Transfers from central government	29.106	32.081	34.681	39.290	44.165
18. Transfers from social security funds	-	-	-	-	-
19. Current receipts (12 to 18)	56.718	62.241	70.328	77.858	87.941
20. Sales of capital goods	450	550	550	550	550
21. Capital transfers	1.387	2.131	2.298	2.750	3.788
of which : from central government	(1.387)	(2.131)	(2.298)	(2.750)	(3.788)
22. Repayment of loans and advances	450	450	450	450	450
23. Capital receipts (20 to 22)	2.287	3.131	3.298	3.750	4.788
24. Total receipts (19 + 23)	59.005	65.372	73.626	81.608	92.729
25. Net balance to be financed (24 - 11)	-10.339	-11.126	-11.032	-12.074	-12.391
26. Debt redemption	5.655	6.544	8.738	9.985	10.691
27. Gross balance to be financed (25 - 26)	-15.994	-17.670	-19.470	-22.059	-23.082

(1) Excluding debt redemption.

TABLE 4

Economic account of Social Security Funds

BELGIUM

(Million BF)

	1966	1967	1968	1969	1970
<u>Expenditure</u>					
1. Purchases of goods and services	4 144	4 077	838	957	941
2. Compensation of employees	1 807	2 002	2 684	2 883	3 066
3. Interest paid	1 100	1 205	1 077	1 361	1 632
4. Current transfers to the private sector :					
(a) benefits	102 633	115 307	138 706	149 437	167 321
(b) other transfers	-	347	498	131	429
5. Current transfers to government	-	-	-	-	-
6. Current expenditure	109 684	122 938	143 803	154 769	173 389
7. Capital formation	694	462	337	209	353
8. Capital transfers	-	-	-	-	-
9. Loans, advances and equities (1)	9 282	9 449	5 639	4 379	7 034
10. Capital expenditure	9 976	9 911	5 976	4 588	7 387
11. Total expenditure	119 660	132 849	149 779	159 357	180 776
=====					
<u>Receipts</u>					
12. Sales of goods and services	248	198	367	584	734
13. Interest received	3 803	3 524	3 595	4 168	4 668
14. Current transfers from the private sector :					
(a) contributions	85 816	102 246	104 010	113 729	135 617
(b) other transfers	.	.	.	.	.
15. Current transfers from government	26 168	31 469	34 938	35 524	38 181
16. Current receipts	.	.	.	.	.
17. Sales of capital goods	.	.	.	.	.
18. Capital transfers	.	.	.	.	.
19. Repayment of loans and advances (2)	.	3 856	12 288	7 383	6 263
20. Capital receipts	.	.	.	.	.
21. Total receipts	124 654	145 575	156 874	164 288	188 117
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	+ 4 994	+12 726	+ 7 095	+ 4 931	+ 7 341

(1) Of which: to general government . 3 644 2 509 1 808 3 791

(2) Of which: from general government . 1 600 7 597 3 699 3 271

TABLE 5a

Breakdown of general government expenditure by type and function

Year : 1966

(Million BF)

BELGIUM

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	1,312	1,465	10,374	301	430	629	678	2,798	109	708	68	91	508	19,471
2. Compensation of employees	6,927	4,132	15,532	897	1,921	684	804	11,414	380	615	114	348	15	43,783
3. Interest paid	77	-	-	19	1,265	2	16	102	7	-	-	1,238	18,775	21,501
4. Current transfers to the private sector:														
a. to enterprises	27	-	62	-	10,259	4,208	5,446	293	1,332	-	1,140	187	-	22,954
b. to households	7	10	148	3	16	3	2	1,121	1,792	445	1	6,595	-	10,143
c. to non-profit institutions	-	9	10	-	-	6	-	139	2,702	102	-	5	-	2,973
d. to countries overseas	-	1	133	2,986	91	49	153	299	1	24	-	-	-	3,737
Total current transfers to the private sector:	34	20	353	2,989	10,366	4,266	5,601	1,852	5,827	571	1,141	6,787	-	39,807
5. Transfers to local authorities	25	154	-	-	258	17	16	28,291	15	262	-	-	12,147	41,185
6. Transfers to social security funds	-	-	-	-	-	-	-	-	25,713	-	-	-	-	25,713
7. Current expenditure ** (1 to 6)	8,375	5,771	26,259	4,206	14,240	5,598	7,115	44,457	32,051	2,156	1,323	8,464	31,445	191,460
8. Capital formation	898	281	136	84	14,453	634	120	3,745	10	32	550	215	-	21,158
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	13	274	999	791	329	7	87	266	692	333	-	3,791
b. to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to local authorities	15	37	-	-	242	-	145	637	-	237	68	116	23	1,520
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	15	37	13	274	1,241	791	474	644	87	503	760	449	23	5,311
10. Acquisition of equities	-	-	66	3,469	5,817	154	89	384	-	202	3	6	-	10,190
11. Loans and advances														
a. to the private sector	2	-	39	146	347	6	62	22	-	14	285	176	-	1,099
b. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2	-	39	146	347	6	62	22	-	14	285	176	-	1,099
12. Capital expenditure* (8 to 11)	915	318	254	3,973	21,853	1,585	745	4,795	97	751	1,598	846	23	37,758
13. Total expenditure* (7 + 12)	9,290	6,089	26,513	8,179	36,098	7,183	7,860	49,252	32,148	2,907	2,921	9,310	31,468	229,218
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	3,686	3,747	-	-	4,350	1,142	250	29,723	4,351	1,861	466	119	5,300	54,995
2. Capital expenditure*)	2,700	100	-	-	4,721	1,360	-	2,000	950	1,630	658	138	-	14,257
Total*)	6,386	3,847	-	-	9,071	2,502	250	31,723	5,301	3,491	1,124	257	5,300	69,252
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	109,684	-	-	-	-	109,684
2. Capital expenditure*)	-	-	-	-	-	-	-	-	694	-	-	-	9,282	9,976
Total*)	-	-	-	-	-	-	-	-	110,378	-	-	-	9,282	119,660
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	12,036	9,364	26,259	4,206	18,332	6,723	7,349	45,889	120,358	3,755	1,739	8,593	24,598	289,241
2. Capital expenditure*)	3,600	381	254	3,973	26,311	2,945	600	6,158	1,741	2,144	2,138	868	9,282	60,445
Total*)	15,636	9,745	26,513	8,179	44,643	9,668	7,949	52,047	122,099	5,899	3,977	9,451	33,880	349,686

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5b

Breakdown of general government expenditure by type and function

Year : 1968

(Million BF)

BELGIUM

	General expenditure				Economic services			Cultural and social services						Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters			
I. <u>CENTRAL GOVERNMENT</u>															
1. Purchases of goods and services	1,351	1,903	10,936	401	832	876	673	3,259	121	744	113	69	699	21,977	
2. Compensation of employees	7,898	4,788	17,081	1,006	2,417	770	899	13,585	452	722	146	213	15	49,992	
3. Interest paid	-	-	7	-	2,505	2	14	97	-	-	2	1,295	21,729	25,651	
4. Current transfers to the private sector:															
a. to enterprises	30	-	57	-	10,561	6,489	8,625	442	1,429	1	1,413	177	-	29,224	
b. to households	17	1	217	2	34	36	2	855	2,582	2,312	2	7,044	-	13,104	
c. to non-profit institutions	-	16	-	-	2	4	-	512	2,750	295	-	2	-	3,581	
d. to countries overseas	-	1	874	2,872	59	186	1,377	57	32	32	-	-	-	5,458	
Total current transfers to the private sector	47	18	1,148	2,874	10,656	6,715	10,004	1,866	6,761	2,640	1,415	7,223	-	51,367	
5. Transfers to local authorities	52	132	-	-	383	2	2	33,296	18	743	-	-	13,905	48,533	
6. Transfers to social security funds	-	-	-	-	-	-	-	-	33,800	-	-	-	-	33,800	
7. Current expenditure **)(1 to 6)	9,348	6,841	29,172	4,281	16,793	8,365	11,592	52,103	41,152	4,849	1,676	8,800	36,348	231,320	
8. Capital formation	1,388	352	216	101	21,877	1,019	427	3,982	29	99	661	446	-	30,597	
9. Capital transfers:															
a. to enterprises, households and countries overseas	-	-	17	728	803	961	86	21	31	410	200	254	-	3,511	
b. to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
c. to local authorities	62	33	-	-	264	-	293	890	-	559	117	57	23	2,298	
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	62	33	17	728	1,067	961	379	911	31	969	317	311	23	5,809	
10. Acquisition of equities	-	-	1	196	6,815	983	-	432	-	218	3	54	-	8,702	
11. Loans and advances															
a. to the private sector	1	-	5	292	923	10	71	-	-	-	989	196	-	2,487	
b. to local authorities	-	-	-	-	57	1	-	-	-	-	-	-	-	58	
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	1	-	5	292	980	11	71	-	-	-	989	196	-	2,545	
12. Capital expenditure*)(8 to 11)	1,451	385	239	1,317	30,739	2,974	877	5,325	60	1,286	1,970	1,007	23	47,653	
13. Total expenditure*)(7 + 12)	10,799	7,226	29,411	5,598	47,532	11,339	12,469	57,428	41,212	6,135	3,646	9,807	36,371	278,973	
II. <u>LOCAL AUTHORITIES</u>															
1. Current expenditure	4,581	4,661	-	-	5,817	1,210	304	37,825	2,735	2,856	602	-	4,227	64,818	
2. Capital expenditure*)	939	33	-	-	7,456	2,281	468	3,171	-	4,243	994	57	198	19,840	
Total*)	5,520	4,694	-	-	13,273	3,491	772	40,996	2,735	7,099	1,596	57	4,425	84,658	
III. <u>SOCIAL SECURITY FUNDS</u>															
1. Current expenditure	-	-	-	-	-	-	-	-	143,803	-	-	-	-	143,803	
2. Capital expenditure*)	-	-	-	-	-	-	-	-	5,976	-	-	-	-	5,976	
Total*)	-	-	-	-	-	-	-	-	149,779	-	-	-	-	149,779	
IV. <u>GENERAL GOVERNMENT**)</u>															
1. Current expenditure	13,677	11,370	29,172	4,281	22,227	9,573	11,894	56,596	153,872	6,962	2,278	8,800	26,670	357,372	
2. Capital expenditure*)	2,328	385	239	1,317	37,874	5,254	1,052	7,606	3,527	4,970	2,847	1,007	198	68,604	
Total*)	16,005	11,755	29,411	5,598	60,101	14,827	12,946	64,202	157,399	11,932	5,125	9,807	26,868	425,976	

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5c

Breakdown of general government expenditure by type and function

Year : 1970

(Million BF)

BELGIUM

		General expenditure				Economic services			Cultural and social services				Non-classified expenditure	TOTAL	
		General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agri-culture	Education, culture and religion	Social Services	Public Health	Housing			Compensation for war-damage and disasters
I. CENTRAL GOVERNMENT															
1.	Purchases of goods and services	1,937	2,424	12,429	453	1,007	1,038	752	4,010	192	825	81	83	496	25,725
2.	Compensation of employees	9,617	6,234	19,572	1,183	3,105	1,007	1,078	17,694	610	874	179	228	16	61,397
3.	Interest paid	-	-	-	-	4,765	2	32	106	-	-	2	1,306	28,186	34,399
4.	Current transfers to the private sector:														
a.	to enterprises	38	-	54	-	16,245	6,544	8,754	496	1,411	1	1,886	167	-	35,596
b.	to households	11	4	172	5	41	69	2	2,040	3,414	2,668	1	7,693	-	16,119
c.	to non-profit institutions	-	24	14	-	4	8	-	327	2,793	895	-	2	-	4,067
d.	to countries overseas	-	1	713	4,094	94	140	3,283	72	3	45	-	-	-	8,445
	Total current transfers to the private sector	49	29	943	4,099	16,384	6,761	12,039	2,934	7,621	3,609	1,887	7,862	-	64,227
5.	Transfers to local authorities	62	166	-	-	570	4	35	41,992	40	1,216	-	-	18,463	62,548
6.	Transfers to social security funds	-	-	-	-	-	-	-	-	37,450	-	-	1	-	37,451
7.	Current expenditure **)(1 to 6)	11,665	8,853	32,952	5,735	25,831	8,812	13,936	66,736	45,913	6,524	2,149	9,480	47,161	285,747
8.	Capital formation	2,084	480	80	117	28,068	1,264	112	4,558	16	331	983	392	-	38,485
9.	Capital transfers:														
a.	to enterprises, households and countries overseas	-	5	9	875	1,021	1,703	566	39	47	564	201	231	-	5,261
b.	to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c.	to local authorities	31	131	-	-	548	-	804	1,171	-	751	248	81	23	3,788
d.	to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	31	136	9	875	1,569	1,703	1,370	1,210	47	1,315	449	312	23	9,049
10.	Acquisition of equities	8,550	-	83	415	3,107	480	-	494	-	260	2	2	-	13,393
11.	Loans and advances														
a.	to the private sector	-	-	51	416	600	-	45	-	20	-	1,077	265	-	2,474
b.	to local authorities	-	-	-	-	128	-	-	-	-	-	-	-	-	128
c.	to social security funds	-	-	-	-	-	-	-	-	1,000	-	-	-	-	1,000
	Total	-	-	51	416	728	-	45	-	1,020	-	1,077	265	-	3,602
12.	Capital expenditure*) (8 to 11)	10,665	616	223	1,323	33,472	3,447	1,527	6,262	1,063	1,906	2,511	971	23	64,529
13.	Total expenditure*) (7 + 12)	22,330	9,469	33,175	7,558	59,303	12,259	15,463	72,998	46,976	8,430	4,660	10,451	47,184	250,276
II. LOCAL AUTHORITIES															
1.	Current expenditure	5,616	5,720	-	-	7,234	1,485	405	47,546	3,372	3,808	740	-	5,184	81,110
2.	Capital expenditure*)	1,042	333	-	-	8,839	2,427	1,006	4,002	202	3,785	2,068	81	225	24,010
	Total*)	6,658	6,053	-	-	16,073	3,912	1,411	51,548	3,579	7,593	2,808	81	5,409	105,120
III. SOCIAL SECURITY FUNDS															
1.	Current expenditure	-	-	-	-	-	-	-	-	173,389	-	-	-	-	173,389
2.	Capital expenditure*)	-	-	-	-	-	-	-	-	7,387	-	-	-	-	7,387
	Total*)	-	-	-	-	-	-	-	-	180,776	-	-	-	-	180,776
IV. GENERAL GOVERNMENT**)															
1.	Current expenditure	16,934	14,407	32,952	5,735	32,495	10,293	14,306	72,274	185,184	9,116	2,889	9,479	33,882	439,946
2.	Capital expenditure*)	11,676	818	223	1,823	41,635	5,874	1,729	9,093	3,881	4,940	4,331	971	225	87,219
	Total*)	28,610	15,225	33,175	7,558	74,130	16,167	16,035	81,367	189,065	14,056	7,220	10,450	34,107	527,165

*) excluding debt redemption

**) excluding transfers between subsectors

VI

L U X E M B O U R G

TABLE 1
Economic account of General Government

LUXEMBOURG

(Million LF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	989.2	1 073.6	1 158.2	1 208.3	1 337.9
2. Compensation of employees	2 947.5	3 168.3	3 265.4	3 547.5	3 865.9
3. Interest payments	430.8	508.6	632.5	666.0	724.9
4. Current transfers					
(a) to enterprises	1 480.9	1 437.2	1 401.2	1 189.0	1 243.5
(b) to households	4 944.6	5 616.8	5 943.5	6 475.6	7 227.8
(c) to non-profit institutions	64.5	71.7	83.3	86.5	94.1
(d) abroad	83.5	139.8	214.3	382.1	386.0
Total 4	6 573.5	7 265.5	7 642.3	8 133.2	8 951.4
5. Current expenditure (1 to 4)	10 941.0	12 016.0	12 698.4	13 555.0	14 880.1
6. Gross capital formation	1 577.2	1 466.0	1 881.9	1 675.4	2 003.8
7. Capital transfers	337.5	216.0	246.7	406.5	543.5
8. Loans, advances and equity acquisitions	433.2	492.3	438.8	444.0	500.7
9. Capital expenditure (6 to 8) (1)	2 347.9	2 174.3	2 567.4	2 525.9	3 048.0
10. Total expenditure (5 + 9) (1)	13 288.9	14 190.3	15 265.8	16 080.9	17 928.1
RECEIPTS					
11. Sales of goods and services	433.8	494.5	523.5	572.9	629.0
12. Interest received	614.8	675.0	717.4	845.7	929.3
13. Current transfers from enterprises and households					
(a) direct taxes	4 600.2	4 794.2	5 016.7	6 297.8	7 955.9
(b) indirect taxes	3 390.8	3 399.7	3 690.6	4 123.5	4 577.5
(c) social security contributions	3 437.6	3 503.7	3 772.2	4 142.5	5 037.7
(d) Profits of public enterprises	462.0	550.9	573.8	561.4	585.5
(e) Other transfers	29.8	25.2	28.1	32.7	30.3
Total 13	11 920.4	12 273.7	13 081.4	15 157.9	18 186.9
14. Other transfers	12.0	16.4	121.9	36.1	63.6
15. Current receipts (11 to 14)	12 981.0	13 459.6	14 444.2	16 612.6	19 808.8
16. Sales of capital goods	57.4	32.0	108.0	83.4	46.4
17. Capital transfers	153.2	171.7	141.8	152.1	80.6
18. Repayments of loans and advances, sales of equities	77.8	67.9	85.6	107.8	121.3
19. Capital receipts (16 to 18)	288.4	271.6	335.4	343.3	248.3
20. Total receipts (15 to 19)	13 269.4	13 731.2	14 779.6	16 955.9	20 057.1
21. Net balance to be financed or employed (20-10)	- 19.5	- 459.1	- 486.2	+ 875.0	+ 2 129.0
22. Debt redemption	255.4	268.0	361.8	488.7	618.1
23. Gross balance to be financed or employed (21-22)	- 274.9	- 727.1	- 848.0	+ 386.3	+ 1 510.9

(1) Excluding debt redemption.

TABLE 2

Economic account of Central Government

LUXEMBOURG

(Million LF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	553.1	607.7	625.0	652.5	703.3
2. Compensation of employees	2,196.4	2,274.3	2,500.2	2,599.2	2,889.4
3. Interest paid	303.9	363.3	482.4	519.3	576.3
4. Current transfers					
a. to enterprises	1,472.5	1,432.6	1,397.9	1,184.5	1,231.1
b. to households	373.8	373.13	410.0	394.2	412.6
c. to non-profit institutions	41.5	50.5	58.6	60.5	63.5
d. to other countries	83.4	139.7	214.2	382.0	385.9
Total 4	1,971.2	1,996.1	2,080.7	2,021.2	2,093.1
5. Transfers to local authorities	815.7	935.7	963.9	988.3	1,124.6
6. Transfers to social security funds	1,299.5	1,330.3	1,446.2	1,523.4	1,772.7
7. Current expenditure (1 to 6)	7,139.8	7,507.4	8,098.4	8,303.9	9,159.4
8. Capital formation	864.5	783.4	1,067.8	843.3	1,079.8
9. Capital transfers					
a. to the private sector	325.1	203.4	233.0	391.9	523.6
b. to local authorities	307.6	198.1	291.0	270.2	263.5
c. to social security funds	-	0.1	-	1.2	1.3
Total 9	632.7	401.6	524.0	663.3	788.4
10. Loans, advances and equity acquisitions					
a. to the private sector	326.4	386.3	346.4	334.5	384.4
b. to local authorities	-	-	-	-	-
c. to social security funds	-	-	-	-	-
Total 10	326.4	386.3	346.4	334.5	384.4
11. Capital expenditure (8 to 10) (1)	1,823.6	1,571.3	1,938.2	1,841.1	2,252.6
12. Total expenditure (7 + 11) (1)	8,963.4	9,078.7	10,036.6	10,145.0	11,412.0
RECEIPTS					
13. Sales of goods and services	208.8	259.1	273.1	282.7	302.8
14. Interest received	80.9	88.2	74.0	79.9	113.8
15. Current transfers from enterprises and households					
a. direct taxes	3,885.0	3,931.9	4,112.1	5,160.6	6,579.1
b. indirect taxes	3,382.0	3,385.4	3,661.1	4,085.4	4,538.4
c. profits of public enterprises	462.0	531.3	531.0	517.5	585.3
d. others	23.9	19.1	20.9	24.8	19.5
Total 15	7,752.9	7,867.7	8,325.1	9,788.3	11,722.3
16. Transfers from abroad	12.0	16.4	121.9	36.1	63.6
17. Transfers from local authorities	-	-	-	0.1	-
18. Transfers from social security funds	-	-	-	-	-
19. Current receipts (13 to 18)	8,054.6	8,231.4	8,794.1	10,187.1	12,202.5
20. Sales of capital goods	5.4	7.1	77.5	45.8	12.6
21. Capital transfers	151.8	169.9	139.9	147.6	76.5
of which : capital taxes	(48.4)	(53.9)	(58.9)	(83.3)	(66.2)
22. Repayments of loans and advances, sales of equities	37.3	37.3	39.1	38.6	39.3
23. Total capital receipts (20 to 22)	194.5	214.3	256.5	232.0	128.4
24. Total receipts (19 + 23)	8,249.1	8,445.7	9,050.6	10,419.1	12,330.9
25. Net balance to be financed or employed (24 - 12)	-714.3	-633.0	-986.0	+274.1	+918.9
26. Debt repayments	171.5	178.1	247.6	351.7	472.9
27. Gross balance to be financed (25 - 26)	-885.8	-811.1	-1,233.6	-77.6	+446.0

(1) Excluding debt redemption.

TABLE 3

Economic account of Local Government

LUXEMBOURG

(Million LF)

	1966	1967	1968	1969	1970
EXPENDITURE					
1. Purchases of goods and services	387.3	415.3	464.4	494.5	563.8
2. Compensation of employees	611.4	747.4	613.3	789.8	800.1
3. Interest paid	126.9	145.3	150.1	146.7	148.6
4. Current transfers					
a. to enterprises	8.4	4.6	3.3	4.5	12.4
b. to households	52.6	58.3	59.1	57.6	63.5
c. to non-profit institutions	23.0	21.2	24.7	26.0	30.6
d. to other countries	0.1	0.1	0.1	0.1	0.1
5. Transfers to other subsectors	84.1	84.2	87.2	88.2	106.6
	170.0	103.5	112.9	110.8	97.9
6. Current expenditure (1 to 5)	1,379.7	1,495.7	1,427.9	1,630.0	1,717.0
7. Capital expenditure	712.7	682.6	814.1	832.1	924.0
8. Capital transfers	12.4	12.6	13.7	14.6	19.9
9. Loans, advances and equities	106.8	106.0	92.4	109.5	116.3
10. Capital expenditure (7 to 9) (1)	831.9	801.2	920.2	956.2	1,066.2
11. Total expenditure (6 + 10) (1)	2,211.6	2,296.9	2,348.1	2,586.2	2,777.2
RECEIPTS					
12. Sales of goods and services	170.3	175.4	175.6	197.0	217.4
13. Interest received	13.4	13.1	16.8	22.9	34.2
14. Fiscal revenue					
a. Local fiscal revenue					
- direct taxes	715.2	862.3	904.6	1,137.2	1,376.8
- indirect taxes	8.8	14.3	29.5	38.1	39.1
b. Fiscal revenue transferred from central government	608.4	674.4	685.7	741.5	880.2
Fiscal receipts total	1,332.4	1,551.0	1,619.8	1,916.8	2,296.1
15. Profits of public enterprises	0.0	19.6	42.8	43.9	0.2
16. Other transfers from the private sector	5.9	6.1	7.2	7.9	10.8
17. Transfers from central government	223.4	255.5	252.9	269.3	253.6
18. Transfers from social security funds	2.6	3.0	3.1	3.4	3.8
19. Current receipts (12 to 18)	1,748.0	2,023.7	2,118.2	2,461.2	2,816.1
20. Sales of capital goods	52.0	24.9	30.5	37.6	33.8
21. Capital transfers	255.6	214.1	303.5	192.8	225.9
of which : from central government	(254.2)	(212.3)	(301.6)	(188.3)	(221.8)
22. Repayment of loans and advances	40.5	30.6	46.5	69.2	82.0
23. Capital receipts (20 to 22)	348.1	269.6	380.5	299.6	341.7
24. Total receipts (19 + 23)	2,096.1	2,293.3	2,498.7	2,760.8	3,157.8
25. Net balance to be financed (24 - 11)	-115.5	-3.6	+150.6	+174.6	+380.6
26. Debt redemption	83.9	89.9	114.2	137.0	145.2
27. Gross balance to be financed (25 - 26)	-199.4	-93.5	+36.4	+37.6	+235.4

(1) Excluding debt redemption.

TABLE 4

Economic accounts of Social Security Funds

LUXEMBOURG

(Million LF)

	1966	1967	1968	1969	1970
<u>Expenditure</u>					
1. Purchases of goods and services	48.8	50.6	68.8	61.3	70.8
2. Compensation of employees	139.7	146.6	151.9	158.5	176.4
3. Interest paid	-	-	-	-	-
4. Current transfers to the private sector					
(a) benefits	4 518.2	5 185.2	5 474.4	6 023.8	6 751.7
(b) other transfers	-	-	-	-	-
5. Current transfers to government	-	-	-	-	-
6. Current expenditure	4 706.7	5 382.4	5 695.1	6 243.6	6 998.9
7. Capital formation	-	-	-	-	-
8. Capital transfers	-	-	-	-	-
9. Loans, advances and equities	-	-	-	-	-
10. Capital expenditure	-	-	-	-	-
11. Total expenditure	4 706.7	5 382.4	5 695.1	6 243.6	6 998.9
=====					
<u>Receipts</u>					
12. Sales of goods and services	54.7	60.0	74.8	93.2	108.8
13. Interest received	520.5	573.7	626.6	742.9	781.3
14. Current transfers from the private sector :					
(a) contributions	3 437.6	3 503.7	3 772.2	4 142.5	5 037.7
(b) other transfers	-	-	-	-	-
15. Current transfers from government	1 588.5	2 109.5	1 862.8	1 606.7	1 769.3
16. Current receipts	5 601.3	6 246.9	6 336.4	6 585.3	7 697.1
17. Sales of capital goods	-	-	-	-	-
18. Capital transfers	-	-	-	-	-
19. Repayment of loans and advances	-	-	-	-	-
20. Capital receipts					
21. Total receipts	5 601.3	6 246.9	6 336.4	6 585.3	7 697.1
NET BALANCE TO BE FINANCED (-) OR EMPLOYED (+)	+ 894.6	+ 864.5	+ 641.3	+ 341.7	+ 698.2

TABLE 5a

Breakdown of general government expenditure by type and function

Luxembourg

Year : 1966

(Million LF)

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. CENTRAL GOVERNMENT														
1. Purchases of goods and services	136.7	27.0	100.7	15.2	98.3	11.9	36.0	39.6	51.4	34.2	1.3	0.8	-	553.1
2. Compensation of employees	500.4	129.6	333.2	14.2	211.0	11.2	59.4	783.6	91.2	55.5	1.7	5.4	-	2,196.4
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	303.9	303.9
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	940.8	37.0	487.3	-	3.6	1.4	2.4	-	-	1,472.5
b. to households	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to non-profit institutions	1.2	6.7	10.9	0.4	0.7	3.8	5.0	50.2	204.7	33.7	-	98.0	-	415.3
d. to countries overseas	1.1	0.3	5.1	19.9	0.1	20.2	26.5	7.7	1.4	1.1	-	-	-	83.4
Total current transfers to the private sector	2.3	7.0	16.0	20.3	941.6	61.0	518.8	57.9	209.7	36.2	2.4	98.0	-	1,971.2
5. Transfers to local authorities	-	-	-	-	5.6	-	0.7	19.1	-	1.7	-	-	788.6	815.7
6. Transfers to social security funds	-	-	-	-	-	-	-	-	1,295.9	3.6	-	-	-	1,299.5
7. Current expenditure (1 to 6)	639.4	163.6	449.9	49.7	1,256.5	34.1	614.9	900.2	1,648.2	131.2	5.4	104.2	1,092.5	7,139.8
8. Capital formation	279.1	12.2	-	1.3	326.9	16.1	13.6	149.0	49.6	14.9	-	1.8	-	864.5
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	-	5.7	0.3	41.7	157.8	2.3	3.5	65.7	47.3	0.8	-	325.1
b. to non-profit institutions	-	0.5	-	-	49.9	4.3	22.4	38.7	0.1	109.7	16.4	-	15.6	307.6
c. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	0.5	-	5.7	50.2	46.0	180.2	91.0	3.6	175.4	63.7	0.3	15.6	632.7
10. Acquisition of equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Loans and advances	-	-	-	56.2	254.2	0.5	-	15.5	-	-	-	-	-	326.4
a. to the private sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	56.2	254.2	0.5	-	15.5	-	-	-	-	-	326.4
12. Capital expenditure*) (3 to 11)	279.1	12.7	-	63.2	631.3	62.6	193.8	255.5	53.2	190.3	63.7	2.6	15.6	1,823.6
13. Total expenditure*) (7 + 12)	918.5	176.3	449.9	112.9	1,337.8	146.7	808.7	1,155.7	1,701.4	321.5	69.1	106.3	1,108.1	8,963.4
II. LOCAL AUTHORITIES														
1. Current expenditure	.	.	-	-	.	.	.	.	.	.	.	.	.	1,379.7
2. Capital expenditure*)	.	.	-	-	.	.	.	.	.	.	.	.	.	831.9
Total*)	204.8	91.2	-	-	324.3	57.0	131.5	605.7	214.8	243.8	112.3	0.1	135.5	2,211.6
III. SOCIAL SECURITY FUNDS														
1. Current expenditure	-	-	-	-	-	-	-	-	4,706.7	-	-	-	-	4,706.7
2. Capital expenditure*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total*)	-	-	-	-	-	-	-	-	4,706.7	-	-	-	-	4,706.7
IV. GENERAL GOVERNMENT**)														
1. Current expenditure	.	.	449.9	49.7	.	.	.	.	.	.	.	.	.	10,941.0
2. Capital expenditure*)	.	.	-	63.2	.	.	.	.	.	.	.	.	.	2,347.9
Total	1,213.3	267.0	449.9	112.9	2,157.1	199.4	917.1	1,653.6	5,156.9	449.9	165.5	106.9	439.4	13,288.9

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5b

Breakdown of general government expenditure by type and function
Year : 1968

LUXEMBURG

(Million LF)

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of goods and services	170.7	28.3	52.2	15.1	108.1	27.3	33.0	54.0	70.9	35.4	0.6	0.4	29.0	625.0
2. Compensation of employees	560.5	160.2	303.8	18.3	252.2	3.5	61.0	939.3	112.1	76.9	2.6	4.8	-	2,500.2
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	482.4	482.4
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	987.1	43.8	355.3	-	2.1	-	9.6	-	-	1,397.9
b. to households	1.5	8.7	0.3	1.0	0.4	15.1	10.6	52.0	192.9	39.9	-	146.2	-	468.6
c. to non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d. to countries overseas	-	0.2	4.4	40.8	0.3	77.1	80.4	5.5	4.1	1.4	-	-	-	214.2
Total current transfers to the private sector	1.5	3.9	4.7	41.3	987.8	136.0	446.3	57.5	199.1	41.3	9.6	146.2	-	2,080.7
5. Transfers to local authorities	-	-	-	-	8.0	-	8.9	38.7	-	2.3	-	-	906.0	963.9
6. Transfers to social security funds	-	-	-	-	-	-	-	-	1,442.0	4.2	-	-	-	1,446.2
7. Current expenditure (1 to 6)	732.7	197.4	360.7	75.2	1,356.1	171.8	549.2	1,089.5	1,824.1	160.1	12.8	151.4	1,417.4	8,098.4
8. Capital formation	163.4	6.4	-	0.7	514.2	26.1	21.0	188.1	70.5	77.4	-	0.0	-	1,067.8
9. Capital transfers:														
a. to enterprises, households and countries overseas	-	-	-	1.5	13.0	86.6	66.6	-	4.7	1.5	58.0	1.1	-	233.0
b. to non-profit institutions	-	1.2	-	-	12.4	5.5	19.6	102.2	1.1	117.5	11.2	-	20.3	291.0
c. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	1.2	-	1.5	25.4	92.1	86.2	102.2	5.8	119.0	69.2	1.1	20.3	524.0
10. Acquisition of equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Loans and advances	-	-	-	52.6	274.8	-	-	19.0	-	-	-	-	-	346.4
a. to the private sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	52.6	274.8	-	-	19.0	-	-	-	-	-	346.4
12. Capital expenditure*) (8 to 11)	163.4	7.6	-	54.8	814.4	118.2	107.2	309.3	76.3	196.4	69.2	1.1	20.3	1,938.2
13. Total expenditure*) (7 + 12)	896.1	205.0	360.7	130.0	2,170.5	290.0	656.4	1,398.8	1,900.4	356.5	82.0	152.5	1,437.7	10,036.6
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	.	.	-	-	.	.	.	.	.	.	.	-	.	1,427.9
2. Capital expenditure*)	.	.	-	-	.	.	.	.	.	.	.	-	.	920.2
Total*)	306.5	83.9	-	-	300.9	62.9	128.6	724.8	162.0	310.8	99.9	-	162.8	2,348.1
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	5,695.1	-	-	-	-	5,695.1
2. Capital expenditure*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total*)	-	-	-	-	-	-	-	-	5,695.1	-	-	-	-	5,695.1
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	.	.	360.7	75.2	.	.	.	.	.	.	.	151.4	.	12,698.4
2. Capital expenditure*)	.	.	-	54.8	.	.	.	.	.	.	.	1.1	.	2,567.4
Total*)	1,202.6	292.7	360.7	130.0	2,451.0	347.4	756.5	1,982.7	6,201.5	543.3	170.7	152.5	674.2	15,265.8

*) excluding debt redemption

**) excluding transfers between subsectors

TABLE 5c

Breakdown of general government expenditure by type and function

LUXEMBURG

Year : 1970

(Million LF)

	General expenditure				Economic services			Cultural and social services					Non-classified expenditure	TOTAL
	General administration	Justice and Police	Defence	Foreign Affairs	Transport and communications	Industry commerce and crafts	Agriculture	Education, culture and religion	Social Services	Public Health	Housing	Compensation for war-damage and disasters		
I. <u>CENTRAL GOVERNMENT</u>														
1. Purchases of good and services	185.2	35.4	67.7	15.3	133.6	18.4	27.2	65.4	66.4	56.0	1.3	0.3	30.6	703.3
2. Compensation of employees	686.9	190.9	341.4	19.8	270.8	11.5	74.8	1,046.5	137.6	98.9	1.9	4.7	3.7	2,889.4
3. Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	576.3	576.3
4. Current transfers to the private sector:														
a. to enterprises	-	-	-	-	932.6	41.3	195.8	-	-	-	11.4	-	-	1,231.1
b. to households	2.4	10.1	0.2	0.8	0.7	18.5	6.0	57.3	192.4	30.3	-	157.4	-	476.1
c. to non-profit institutions	0.0	0.2	6.9	53.2	0.3	66.8	248.8	2.7	5.2	1.8	0.0	-	-	385.9
d. to countries overseas	2.4	10.3	7.1	54.0	933.6	126.6	450.6	60.0	197.6	32.1	11.4	157.4	-	2,093.1
Total current transfers to the private sector	-	-	-	-	6.6	-	8.6	42.4	-	2.5	-	-	1,064.5	1,124.6
5. Transfers to local authorities	-	-	-	-	-	-	-	-	1,767.2	5.5	-	-	-	1,772.7
6. Transfers to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Current expenditure (1 to 6)	874.5	236.6	416.2	89.6	1,394.6	156.5	561.2	1,214.3	2,168.8	195.0	14.6	162.4	1,675.1	9,159.4
8. Capital formation	236.5	5.2	-	0.7	409.2	24.6	11.9	278.2	57.5	56.0	0.0	-	-	1,079.8
9. Capital transfers:														
a. to enterprises, households and countries overseas	1.5	-	-	1.0	2.1	222.2	204.7	2.7	5.2	12.1	70.9	1.2	-	523.6
b. to non-profit institutions	-	1.0	-	-	12.3	12.4	14.1	91.1	1.0	104.3	6.8	-	20.5	263.5
c. to local authorities	-	-	-	-	-	-	-	-	1.3	-	-	-	-	1.3
d. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1.5	1.0	-	1.0	14.4	234.6	218.8	93.8	7.5	116.4	77.7	1.2	20.5	788.4
10. Acquisition of equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. to the private sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. to local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. to social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Capital expenditure*) (3 to 11)	233.0	6.2	-	54.2	716.9	263.3	230.7	406.5	65.0	172.4	77.7	1.2	20.5	2,252.6
13. Total expenditure*) (7 + 12)	1,112.5	242.8	416.2	143.3	2,111.5	419.8	791.9	1,620.8	2,233.8	367.4	92.3	163.6	1,695.6	11,412.0
II. <u>LOCAL AUTHORITIES</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	1,717.0
2. Capital expenditure*)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,060.2
Total*)	405.7	97.4	-	-	406.3	115.8	162.0	312.8	144.1	336.6	131.1	-	164.9	2,777.2
III. <u>SOCIAL SECURITY FUNDS</u>														
1. Current expenditure	-	-	-	-	-	-	-	-	6,998.9	-	-	-	-	6,998.9
2. Capital expenditure*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total*)	-	-	-	-	-	-	-	-	6,998.9	-	-	-	-	6,998.9
IV. <u>GENERAL GOVERNMENT**)</u>														
1. Current expenditure	-	-	416.2	99.6	-	-	-	-	-	-	-	162.4	-	14,830.1
2. Capital expenditure*)	-	-	-	54.2	-	-	-	-	-	-	-	1.2	-	3,048.0
Total*)	1,518.2	339.2	416.2	143.3	2,499.4	523.2	931.2	2,300.1	7,509.4	591.7	216.6	163.6	775.5	17,928.1

*) excluding debt redemption

**) excluding transfers between subsectors

VII

TRANSITION FROM ECONOMIC ACCOUNTS TO NATIONAL ACCOUNTS

VII. TRANSITION FROM ECONOMIC ACCOUNTS TO NATIONAL ACCOUNTS

1. In this study repeated references have been made to the differences in the classification of specific categories of revenue or expenditure from that of the national accounts. In order to give the reader a clear idea of the difference which arises from a classification of certain budgetary revenue and expenditure headings according to the concepts of the Working Group and those of the national accounts, this annex compares the two methods of recording for the Belgian central government in 1969.
2. It is made by means of two tables. Table 1 shows Belgian central government expenditure and revenue in 1969 by economic category (a) according to the economic accounts system as used in this study (budget accounts) and (b) according to the national accounts as published by the SOEC in the 1972 "National Accounts" yearbook. The differences between the figures from the two sources are entered in column 2. Table 2 shows in detail the items which make up these differences. The transfer entries which had to be made in order to pass from the economic accounts to the national accounts are divided into three groups (each with two sub-groups) :
 - A and B : Entries which influence neither total expenditure and total revenue nor the net budgetary position.
 - A : Entries debiting an item of expenditure or revenue for transfer to another economic category (the category to which it is transferred is given in brackets)
 - B : Entries crediting an item of expenditure or revenue transferred from other economic categories (the category from which it is transferred is given in brackets).
 - C and D : Entries which leave the net budgetary position unchanged
 - C : Credit entries on the expenditure side and on the revenue side (the respective contra items are given in brackets)
 - D : Debit entries on the expenditure side and the revenue side (the respective contra items are given in brackets)
 - E and F : Entries which change total expenditure and revenue and the net budgetary position.
 - E : Credit entries which relate only to the category in question
 - F : Debit entries which relate only to the category in question

This breakdown makes it clearer what effect each transfer entry has on the level of expenditure or and revenue.

TABLE 1

Central Government expenditure and revenue - Belgium 1969,
(by economic accounts and national accounts)

Economic category	Economic accounts 1	Total debit or credit entries (a) 2	National accounts 3
I. EXPENDITURE			
A.1. Purchases of goods and services	24.992	+12.250	37.300
A.2. Compensation of employees	54.894	+31.544	86.400
A.3. Interest payments	30.166	+ 227	30.400
A.4. Current transfers	144.949	-55.936	89.000
4a - to households and non-profit institutions	16.514	- 1.575	14.900
4b - to enterprises	32.238	-13.675	18.600
4c - to other public authorities	89.757	-38.948	50.800
4d - to the rest of the world	6.440	- 1.740	4.700
A.5. Direct investment	34.137	- 9.585	24.500
A.6. Capital transfers	6.987	.	.
6a - to households and enterprises	2.180	-	2.200
6b - to the rest of the world	2.057	.	.
6c - to other public authorities	2.750	- 250 (b)	2.500
A.7. Loans, advances and equity acquisitions	11.256	-11.256	.
Total expenditure	307.381	33.006 (c)	272.300 (c)
II. RECEIPTS			
B.1. Tax revenue			
1a - direct taxes	107.406	+ 267	107.700
1b - indirect taxes	148.186	- 286	147.900
B.3. Sales of goods and services	1.874	- 1.874	-
B.4. Property and entrepreneurial income	3.004	- 8.437	-5.400
B.5. Transfers received	6.876	.	.
5a - current transfers from households and enterprises	1.575	- 1.575	.
5b - current transfers from public authorities	509	- 509	-
5c - current transfers from the rest of the world	47	+ 453 (b)	500
5d - capital transfers from households and enterprises	4.461	-	4.500
5e - capital transfers from public authorities	65	- 65 (b)	-
5f - capital transfers from the rest of the world	219	.	.
B.6. Repayments of loans, advances and sales of equities	1.329	- 1.329	-
Total revenue	268.675	-13.355 (c)	255.200 (c)
Net budgetary position (A.1 to A.6 minus B.1 to B.5)	28.779	- 9.724 (c)	17.100 (c)
Net borrowing requirement (A - B)	38.706	.	.

(a) Because of the rounding off of figures in column 3, the difference between columns (1) and (3) does not always exactly correspond to column 2.

(b) As the national accounts figures are published only by the SOEC and not in the Belgian "Bulletin des Statistiques", this difference remains unexplained.

(c) Excluding capital transfers to or from the rest of the world.

Sources : column 1 : Central government economic account as used in this study
column 2 : SOEC, National Accounts Yearbook, 1972, Table 16-2, p. 183.

TABLE 2

Details of the entries for the transition from the economic accounts to the national accounts

Belgium, central government 1969

Type of entry	Amount million BF	Comments on the entry
A.1 Purchases of goods and services		
D (B3, B5)	- 295	non-imputable revenue
B (A 4d)	+ 617	contributions to NATO infrastructure
B (A 5)	+ 3.282	repairs to road and waterway structures
E	+ 2.380	imputed rents
E	+ 390	other imputed costs
B (A 4c)	+ 5.393	subsidies towards the cost of maintaining local authority and private schools
D (B 3)	- 1.267	sale of non-durable goods
E	+ 1.750	consumption of fixed capital
	<u>+ 12.250</u>	
A.2 Personnel costs		
B (A 4c)	+ 31.544	subsidies towards salaries and pensions of teachers in local authority and private schools
A.3 Interest payments		
B (A 4c)	+ 227	subsidies towards the interest burden of the private educational system
A.4 Current transfers		
A.4a) to households and non-profit institutions		
D (B 5)	- 400	administrative fines paid by households
D (B 5)	- 534	other transfers from households
D (B 4)	- 641	share in profits of public enterprises not recognized as independant legal entities
	<u>- 1.575</u>	
A.4b) to enterprises		
D (B 4)	- 4.100	subsidies towards the interest burden and losses of public enterprises
D (B 4)	- 6.239	subsidies to the state railways
D (B 1)	- 3.336	agricultural levies
	<u>- 13.675</u>	
A.4c) to other public authorities		
A (A 2)	- 31.544	subsidies towards salaries and pensions of teachers in local authority and private schools
A (A 1)	- 5.393	subsidies towards the cost of maintaining local authority and private schools
A (A 3)	- 227	subsidies towards the interest burden of the private educational system
D (B 5b)	- 509	current transfers from other public authorities
	- 1.275	current transfers to social security funds, which were not yet recorded there in 1969
	<u>- 38.948</u>	
A.4d) to the rest of the world		
A (A 1)	- 617	contributions to NATO infrastructure
	- 1.123	discrepancy between balance of payments figures and national accounts
	<u>- 1.740</u>	
A.5 Direct investment		
A (A 1)	- 3.282	repairs to roads and waterways structures
F	- 6.186	purchases of land and existing buildings
D (B 3)	- 117	sales of durable goods
	<u>- 9.585</u>	
A.6c Capital transfers to other public administrations		
see footnote (b), table 1		

TABLE 2 (continued)

Type of entry	Amount million EF	Comments on the entry
<u>A.7 Loans, advances and equity participations</u>		
F	- 11.256	
<u>B. 1a Direct taxes</u>		
B (B 5)	+ 267	administrative fines paid by households and enterprises
<u>B. 1b Indirect taxes</u>		
D (A 4)	- 3.336	agricultural levies
	+ 250	ECSC import levies
	+ 2.800	adjustment by the Institut National de Statistique
	- 286	
<u>B.3 Sales of goods and services</u>		
D (A 1)	- 2	non-classified capital revenue
D (A 5)	- 117	sales of durable goods
D (A 1)	- 1.267	sales of non-durable goods
F	- 406	sales of land
A (B 4)	- 82	letting of land and buildings
	- 1.874	
<u>B.4 Property and entrepreneurial income</u>		
D (A 4)	- 4.100	subsidies towards the interest burden and losses of public enterprises
D (A 4)	- 641	share in profits of public enterprises not recognized as independent legal entities
B (B 5)	+ 81	other property income
E	+ 2.380	imputed loan interest
B (B 3)	+ 82	letting of land and buildings
D (A 4)	- 6.239	subsidies to the state railways
	- 8.437	
<u>B.5a Current transfers received from households and enterprises</u>		
D (A 1)	- 293	non-imputable current revenue
D (A 4)	- 400	administrative fines paid by households
D (A 4)	- 534	other transfers from households
A (B 1a)	- 267	administrative fines paid by households and enterprises
A (B 4)	- 81	other property income
	- 1.575	
<u>B.5b Current transfers received from other public authorities</u>		
D (A 4c)	- 509	current transfers from other public authorities
<u>B.5c, e Capital transfers received</u> see table 1, footnote (a)		
<u>B.6 Repayments of loans, advances and sales of equities</u>		
F	- 1.329	repayments

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