

Contents

<i>List of Tables</i>	<i>page xi</i>
<i>Preface</i>	<i>xv</i>
PART ONE The Growth of Government: A Historical Perspective	1
I The Growth of Government since 1870	3
1 The Period up to Word War I	3
2 The Interwar Period	9
3 The Period until 1980	10
4 The 1980s and the 1990s	18
5 The Symmetry of Expenditure Growth	20
6 Concluding Remarks	22
II The Composition of Public Expenditure	23
1 Government Real Expenditure	24
2 Subsidies and Transfers	30
3 Social Expenditure	32
4 Interest on Public Debt	45
5 Concluding Remarks	47
III Revenue, Deficits, and Public Debt	50
1 Revenue	51
vii	

viii *Contents*

2	Deficits	61
3	Public Debt and Implicit Liabilities	64
4	Concluding Remarks	67
	PART TWO Gains from the Growth of Public Expenditure	71
IV	Historical Evidence on Government Performance	73
1	A Note on the Methodology Followed	73
2	Economic Indicators	77
3	Social Indicators	89
4	Concluding Remarks	98
V	The Size of Government and Its Performance	99
1	Introduction	99
2	Public Expenditure Patterns	100
3	Economic Performance, Public Debt, and Labor Market Indicators	102
4	Social Indicators	108
5	Environmental Indicators	110
6	Distributional and Social Stability Indicators	112
7	Governance-Related Indicators	115
8	Concluding Remarks	119
VI	The Experience of the Newly Industrialized Economies	120
1	Public Expenditure Patterns in the Newly Industrialized Economies	121
2	Economic and Labor Market Indicators	124
3	Social and Distributional Indicators	127
4	Governance-Related Indicators	129
5	Concluding Remarks	130
	PART THREE The Role of the State and Government Reform	131
VII	Rethinking the Role of the State	133
1	The Scope for Reform	133

2	Changing the Policy Regime	136
3	Reducing the Role of the State	139
4	The Implementation of Reforms	143
5	Reform and the Globalization of Economies	148
6	The Time Frame for Reform	149
7	Concluding Remarks	151
VIII	Fiscal Rules and Institutions	152
1	The Importance of Fiscal Rules and Institutions	152
2	The Budgetary Process	154
3	Fiscal Rules	157
4	New Trends in Public Expenditure Management	161
5	Implementation Agencies	165
6	Corruption and the Rule of Law	167
7	Concluding Remarks	170
IX	Blueprint for Public Expenditure Reduction	171
1	The Importance for Reforming Expenditure Policies	171
2	Privatizing Public Enterprises, Services, and Investment	174
3	Education	184
4	Pension Reform	190
5	Reform of the Health Sector	198
6	Scaling Down Other Income Transfer Programs	202
7	Quasi-Fiscal Policies	203
8	Accounting for Resource Use	204
9	Concluding Remarks	206
	PART FOUR Recent Experiences of Countries in Reforming the Government	207
X	Recent Reform Experience	209
1	Changing the Policy Regime in New Zealand	210
2	Changing the Policy Regime in Chile	213
3	Fiscal Reform in OECD Countries	215

x	<i>Contents</i>	
	4 Fiscal Reform in Newly Industrialized Countries	225
	5 Concluding Remarks	229
XI	Fiscal Reform in the Public Debate	230
	1 The Prominence of Fiscal Reform in the Public Debate	230
	2 The Debate on Deficit and Spending Limits	234
	3 Expenditure Policies in the Public Debate	237
	4 Implementation of Reforms: Between Globalization and Vested Interests	241
	5 Concluding Remarks	245
XII	The Future of Public Spending	247
	<i>Bibliography</i>	254
	<i>Author Index</i>	273
	<i>Subject Index</i>	278