## The Growth of the Public Sector

Theories and International Evidence

Edited by Norman Gemmell

Reader in Economics University of Nottingham

**Edward Elgar** 

## Contents

Preface	ix
Acknowledgements	xi
Contributors	xiii

.

.

49

1	The Public Sector: Definition and Measurement Issues Norman Gemmell	
	1.1	Introduction
	1.2	Defining the public sector
	1.3	Measuring public sector size and growth
	1.4	Outline of the book

## PART I PUBLIC SECTOR GROWTH: SOME EVIDENCE

2	Recent Trends in the Size and Growth of Government in OECD Countries Peter Saunders			
	2.1	Introduction	17	
	2.2	Measuring the size of government	18	
	2.3	Comparative trends in general government size since 1970	21	
	2.4	The structure of government outlays	25	
	2.5	Summary	32	
3	Recent Trends in the Size and Growth of Government in Developing Countries			
	Dav	David Lim		
	3.1	Size and growth of the public sector	34	
	3.2	Central government expenditure by function	40	
	3.3	Central government expenditure by economic type	44	
	3.4	Sources of central government current revenue	47	

3.5 Further research

## PART II THEORETICAL PERSPECTIVES

4	The	The Peacock–Wiseman Hypothesis			
	Mag	Magnus Henrekson			
	4.1	Introduction	53		
	4.2	The hypothesis	54		
	4.3	A review of previous empirical tests	59		
	4.4	A critical assessment of previous empirical tests	61		
	4.5	A more adequate test	63		
	4.6	Conclusions	68		
5	Public Expenditure and Political Process				
		n Hamlin			
		Introduction	72		
		Public expenditure levels	74		
		Public expenditure growth	79		
	5.4	Concluding comments	84		
6	The Economics of Bureaucracy				
		n G. Cullis and Philip R. Jones			
		Introduction	86		
		The 'standard' economic theory of bureaucracy	87		
	6.3	Relative public sector growth and the economics of			
		bureaucracy	95		
		Testing for the impact of bureaucracy	96		
		Data and results	98		
	6.6	Conclusions	101		
7		gner's Law and Musgrave's Hypotheses			
	Norman Gemmell				
	7.1		103		
	7.2	An outline of Wagner's Law and Musgrave's hypotheses	104		
		Problems of interpretation and testing	109		
		Results of empirical studies	115		
	7.5	Conclusions and assessment	118		
8	Modelling Public Expenditure Growth: An Integrated Approach				
		Peter M. Jackson			
		Introduction	121		
		An integrated public choice approach	122		
		Limitations of the analysis	131		
	8.4	Conclusions	135		

9	Government Consumption: Its Effects on Productivity,				
		Growth and Investment Steve Dowrick			
			126		
		Introduction	136		
		Modelling the impact of government growth	136		
	-	Data and estimation Conclusions	142		
	9.4	Conclusions	150		
PA	RT III	CASE STUDIES IN PUBLIC EXPENDITURE GRO	WTH		
10		al Security Expenditure			
		Creedy			
		Introduction	155		
	10.2		156		
		Population ageing and pension finance	161		
	10.4	Conclusions	168		
11	Heal	th Care Expenditure			
		d K. Whynes			
	11.1	Introduction	170		
	11.2	Demand and supply factors	172		
	11.3	Costs, insurance and health expenditures	173		
	11.4	Public sector decision making and health expenditures	178		
	11.5	Concluding remarks	180		
12	High	er Education Expenditure			
		Ryan			
	12.1	Introduction	184		
	12.2	Trends in public expenditure on higher education	185		
		Fiscal climate	191		
	12.4	Fiscal priority	193		
	12.5	Conclusions	198		
13	The	Political Economy of Public Sector Growth in the			
		United States			
	Terr	y L. Anderson and Thomas Stratmann			
		Introduction	201		
	13.2	Measures of public sector growth	201		
	13.3		205		
	13.4	Conclusions	210		

vii

-

.

٠

.

14		Public Sector in Australia: A Quantitative Analysis Hackl, Friedrich Schneider and Glenn Withers	
	14.1	Introduction	212
	14.2	Historical evolution of the Australian public sector	213
		Models of government growth	214
		Econometric findings	221
	14.5	Conclusions	230
	liograp	hy	232
Ind	ex		253

4

•

.

viii

;

ر

;