

SIZE OF THE GOVERNMENT MEASURED BY PROPORTION OF PUBLIC EXPENDITURE TO GDP

by DIỆP VĂN SƠN

To estimate the size of the government, researchers usually use two indicators: the proportion of the army of civil servants to the population and that of expenditure to GDP. The latter is apparently higher than the former because, in fact, the best part of public expenditure is more on goods and services than on salary for civil servants. Although those two indicators are similar, and ranking of country by the proportion of civil servants to the population is similar to one by proportion of public expenditure to GDP, the indicator of public expenditure has a more clearly intuitive sense of the size of the government.

In the world at the end of the 20th century, expenditure by central governments equaled some 35% of GDP. Supporters of active government say that the government contributes 35% while those who want to reduce the role of the government say it takes 35% from GDP. But some important facts are very obvious. Firstly, the public expenditure has risen relatively, from 32% in 1982 to 34% in 1999 for example, in spite of open efforts to adjust the size to structure and limits of the government (the size of the government may enlarge because in many countries, expenditures by local governments increase because of the decentralization process, or delegation of rights to local authorities). However, there are remarkable differences between regions, especially in expansion of the size of central governments in developed countries and reduction in the size of governments in the rest of the world. Expenditure by central governments in OECD countries rose from 34% of GDP in 1980 to some 40% in 1999. In the rest of the world, this percentage fell from 28% to below 26%. Rises in OECD countries was due to governments' promise to build overall networks of social welfare.

In any case, discussion of the size of the central government can not be separated from estimates of people inspiration for good performance and useful role of the government. A very small-size government could be considered as too big if it works ineffectively and cause huge wastes; and a large-size government could become bigger if the public want it to undertake more tasks because of its good performance. Similarly, the expansion of the central government in the past two decades linked closely with improvements in the public finance. For example, overall reduction in budget deficit (from 4.9% to 3.8% of GDP in industrial countries, and from 3.9%

to 2.6% of GDP in the rest of the world) allows rises in the public expenditure and at the same time, ensure better performance.

It's apparent that we need analyses concentrating in each nation, not general estimates, to give exact answers to the question of whether a government is too small, too big or medium. A reality that goes beyond this question is the fact that in any country, a government is always big enough to affect positively the economy if its performance is good and hinder the economic growth if it works badly. Therefore, the efficiency of the administrative machinery is always a matter of great interest in any country; and improving this efficiency has long become a challenge to all countries.

- Government as a policy maker and coordinator: Making and coordinating policies is a basic function that helps the government work effectively. Effective mechanisms for making and coordinating have close relations with a more predictable policy framework, better regulations, less corruption and stronger rule of law. Meanwhile, these factors have great effects on companies, investments and efficiency of the administrative machinery - all of them require clear guidelines and directions from the top leadership.

To perform well its policy making and coordinating functions, the government should implement the following five basic tasks: (1) supplying information and early warnings of upcoming policy problems, (2) ensuring consultation beforehand with related parties in the government, (3) supplying supporting analyses and suggesting alternatives, (4) noting and publicizing policy decisions, and (5) supervising implementation of decisions.

International experience shows that, to carry out well all of these tasks, the government should observe the following four principles: (1) discipline that helps remove decisions without feasibility and financial reliability, (2) transparency of the decision making process, and ensuring necessary confidentiality for straight discussion, (3) predictability of policy orientation to avoid reversing political decisions too regularly, and (4) strict process of selecting important issues submitted to policy makers and removing less important ones.

- Organizational structure of the government: The central government in all countries is made of various departments or ministries and many supporting bodies inside and outside these depart-

ments. Specialized functions serve as a principle for establishment of departments and action plans of the government. In their turn, these functions are divided into groups in a manner that prevents overlaps and segmentation of control ability; and ensures unity. These criteria serve as a reasonable basis for the establishment of new department to undertake new functions. Administrative structure and cultural elements also have a lot of thing to do with the organization of a government.

The common approach is to group functions around single institutions in order to help ministers exert their authority without creating overlaps or gaps, thereby enhancing responsibility of departments.

Need to cut the public expenditure and reduce the size of the administrative machinery forces many governments to re-organize and reduce the number of departments in many ways. This trend is beefed up by delegation of rights and duties and resources to local governments. In economies in transition, efforts to restructure economic and political systems will certainly lead to restructuring of governments.

According to general rules, the number of departments should not so big that it affects the coordination, or so small that it overloads department with jobs and reduces their sense of responsibility. In reality, the number of departments differs remarkably over countries, varying from 100 in some countries to less than 10 in others. Each department serves some 43 million people in China to around 1,000 in the Cook Island.

Thus, the number of departments is very meaningful. It aims not only at coordinating policies but also at reducing the expenditure.

Table 1: Public expenditure in developed countries to their GDP

Country	As % of GDP	Country	As % of GDP
Austria	0.28	Poland	0.03
Belgium	0.20	Portugal	0.29
Czech Republic	0.02	Slovak Republic	0.01
Denmark	0.54	Spain	0.16
Finland	0.41	Sweden	0.35
France	0.31	United Kingdom	0.13
Germany	0.36	Norway	0.09
Greece	0.03	Switzerland	0.30
Hungary	0.05	Australia	0.04
Ireland	0.18	Canada	0.12
Italy	0.23	Japan	0.04
Luxembourg	0.12	New Zealand	0.18
Netherlands	0.36	United States	0.05

Source: OECD, *Employment Outlook 2006*, pp. 270-276.

The first government of the Democratic Republic of Vietnam was of small size. On June 1, 1946, the general election to form the National Assembly took place and its first session was held on March 2, 1946. President Ho Chi Minh presented the report of the Provisional Government before the NA and he was made the President undertaking the task of forming a new government.

He submitted to the NA the structure and members of the Coalition Resistance Government comprising one President, one Vice-President and 10 ministers. Its 10 ministries were: Foreign Affairs, Interior, Economic Affairs, Finance, National Defense, Social, Health, Relief and Labor Affairs, education, Justice, Communication and Public Works, and Agriculture.

Regarding the form, the first Vietnamese government is similar to present governments in developed countries, and its governing idea is to reduce the number of ministries and governmental bodies by establishing interdepartmental bodies. Under the centrally-planned economy, there was one ministry for each industry: engineering and metallurgy, electricity and coal, heavy industry, light industry, and agriculture and food industry, etc. When Vietnam developed the socialism-oriented market economy, the need to separate administrative bodies from management of companies requires the establishment of interdepartmental ministries. For example, three ministerial bodies – Fishery, Forestry and Agriculture; Food Industry and Rubber General Bureau – merged into the Ministry of Agriculture and Rural Development. A Ministry of Industry was made of former Ministries of Electricity and Coal, Engineering and Metallurgy, Heavy Industry, Light Industry, and Chemical General Bureau. At present, these ministries are working well and effectively.

In the world, an average government comprises 16 departments. In Vietnam, the government has 26 ministries and 12 ministerial bodies under the central government. It is unreasonable to maintain a government of such a size when Vietnam is trying to carry out the administrative reform and reduce the public expenditure during the international integration. The establishment of interdepartmental ministries in order to reduce the number of ministries becomes inevitable. ■

Reference:

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