Cleaner business

Fighting Hard-Core Cartels: Harm, Effective Sanctions and Leniency Programmes

"Our competitors are our friends, our customers are the enemy." Whether or not this sums up the cavalier attitude of cartels to business, they certainly appear to lack the service-oriented, open mentality today's society expects.

On conservative estimates, cartels cost consumers many billions of dollars each year. By fixing prices and rigging bids, they stifle innovation and reduce output. Indeed, hard-core cartels have been recognised as the most serious and harmful violations of competition law.

What then can we do to combat them?

Naturally, these cartels go to great lengths to remain undetected and unpunished. Without the help of an "insider", the veil of secrecy can be impossible to lift. In this book, the OECD identifies an increasingly successful "carrot and stick" approach – stiffer punishment, combined with greater incentives to defect and co-operate with the authorities.

Several countries already provide lenient treatment to those who confess and provide evidence – offering a smaller fine, shorter sentence, or complete amnesty. The first firm to break ranks should receive the highest reward, though a degree of leniency could also be offered to other co-operative firms, even after an investigation has begun. And this policy is proving successful – the US programme has led to the conviction of 30 defendants and the collection of well over US$1 billion in fines in the past two years.

On the flip side of the leniency coin, the sanctions "stick" must be severe enough to give effect to the "carrot". Fines serve a double function: they deter the formation of new cartels, while making defection more attractive. Though some countries have imposed large fines against organisations in cartel cases, many others have not. And few countries currently sanction individuals for cartel conduct – the risk of personal liability is a powerful deterrent.

Because the unlawful gain accruing to the cartel members from their activity is so great compared to the chances of detection, far heavier sanctions are needed. Some experts recommend two or three times the gain to the cartel.

There is a trend toward greater fines, but for now some competitors look set to remain the best of friends. ■

Does budgeting have a future?

OECD Journal on Budgeting Vol. 2, No. 2

Governments produce mountains of paper every year. But one document can reasonably claim to be more important than all the rest: the budget. Government accounts for over half of GDP in some OECD countries. The budget sends out essential economic signals about broad public policy directions and so has an influence on market behaviour. It decides whether taxes will rise or fall and establishes spending priorities through the allocation of funding. The budget affects the basic operational aspects of government ministries and agencies, including their efficiency and productivity. And it provides a framework for overall decision-making and accountability.

With all these important roles, it may come as a surprise to learn that the future of the budget as we know it is in question. "Does budgeting have a future?" is the provocative title of one report in the latest *OECD Journal on Budgeting*. The budget practices and policies of OECD countries have been undergoing significant change recently. Indeed, reform is "the Holy Grail of budget people, their unending quest for a better way to parcel out money and plan the work of government", leading to innovations like multi-year forecasts and generational accounting.

Perhaps the most striking development in budgeting is the recognition that politicians must make short-term decisions as well as investments intended to benefit several generations. OECD countries face a number of expenditure issues that can be seen as long-term in nature: the ageing population; the adequacy of infrastructure and other capital spending; and government loan and guarantee programmes.

Is budgeting simply changing focus? The trends and possibilities discerned in these articles suggest that a more radical transformation is taking place. In a globalised future, national governments may have bigger budgets but less effective influence over them. National budgets may become influenced by international rules and requirements which prescribe how they manage their finances and what they spend money on, as well as by local or regional governments which will lay claim to much of the nation's tax revenue. Clearly, the future of budgeting will be determined by what government becomes, assuming it too has a future.

The *OECD Journal on Budgeting* draws on the recent work of the OECD Working Party of Senior Budget Officials, and includes special contributions from finance ministries. ■

Silicon sustenance

Technology and Poverty Reduction in Asia and the Pacific

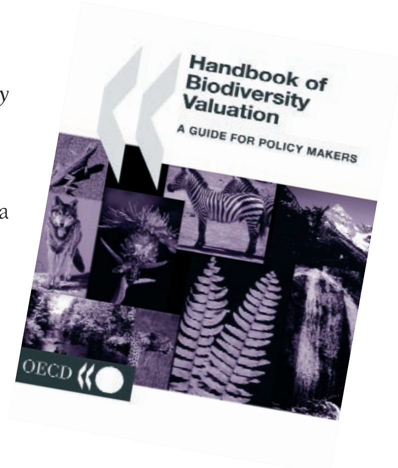
Can technology help to reduce hunger and eventually poverty, and if so, under what conditions? When Zimbabwe President Robert Mugabe refused to accept 20,000 tonnes of maize from the US to feed his starving people, the world collectively gasped. The problem, of course, was that it was genetically modified. This presented a number of sticky issues having to do not only with possible health and environmental effects, but with long-term market independence and possible effects on trade.

As *Technology and Poverty Reduction in Asia and the Pacific* points out, 40 years ago the Green Revolution promised to abolish hunger by increasing crop yields through a set of "miracle seeds". The use of better fertilisers, potent pesticides, modern irrigation and high-yield grain seeds did have a dramatic effect on agriculture, reducing malnutrition in much of Asia and Latin America as well as parts of Africa, despite a trebling of the population. Cereal production in Asia has doubled over the past 30 years, and calorie availability per person increased by over 20%, while real food prices have fallen by 50%.

Yet some argue that most of the benefits of higher production go to the employers, not the labourers. Traditional farming methods have been lost, the environment compromised, and crop yield has stabilised. This book, a collection of presentations from a Development Centre seminar, assesses the lessons learned from the Green Revolution and looks at the promises held out by the modern "Gene Revolution". It goes on to question the harmful effects on the poor of over-protective intellectual property rights and examines the current state of information technology in Asia, and what role it can play in reducing poverty.

The mere provision of technology is not enough. Bangalore in India is a kind of Silicon Valley, claiming to have more engineering colleges than any other city in the world. Yet, the region suffers more poverty than many other regions and its literacy rate is not much higher than the Indian average of 65%. Many graduates may well emigrate to lucrative positions at NASA or Microsoft, but the city's impressive focus on IT excellence is not yet combating poverty. ■

Biodiversity: Priceless, but what's it worth?



Handbook of Biodiversity Valuation: A Guide for Policy Makers

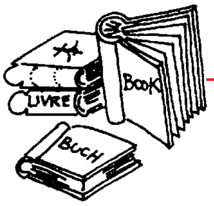
Biodiversity conservation is often hard to implement as a policy priority simply because there are measurement and valuation problems – it defies easy description and quantification and cannot easily be built into, say, measurements of GDP. Increasing development pressures have led to an unprecedented rate of biodiversity loss, yet what cannot be quantified is all too easy to disregard.

The absence of an economic value for biodiversity has meant that many biological resources have failed to compete with the forces that are damaging them. This OECD handbook is concerned with the ways in which value can be attached to biodiversity and, in particular, with the procedures and results of applying economic values.

Economic valuation has a sound theoretical foundation that can help clarify the trade-offs implicit in public policy, and can assess the biodiversity impacts of, say, investments in road building or a new factory or housing development. It can help determine legal damages, set charges, taxes and fines, help limit or ban trade in endangered species, and so on.

Valuation is not an easy task. Studies take time and cost money, and the number of possible values necessary for a complete understanding of the total economic valuation of biodiversity makes the work rather complex. A controversial but important response to this problem is examined in the handbook. By a practice known as benefits transfer, results are "borrowed" from existing studies and used in new studies to estimate the economic value of a similar environmental change. For example, the known benefits of a forest in Indonesia might be used to estimate the unknown benefits of a forest in Malaysia. This facilitates "rapid appraisals" of biodiversity worth, but introduces a range of methodological challenges.

Economic approaches do not answer all the questions. Some people want priorities for conservation sorted out by a legislature and a political process, based on what is morally justified. But economic approaches should play a prominent role in any policy mix. After all, economic forces are often the reason why biodiversity is severely threatened in the first place. ■



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Rules for rule-makers

Regulatory Policies in OECD Countries: From Interventionism to Regulatory Governance

Good fences make good neighbours, but fences can only work if they are constantly monitored and maintained. In the past 20 years, OECD countries have started taking a good look at how their national and local governments make and manage rules and regulations, and this publication serves as both an overview and a guide.

Regulatory policies are aimed at continuously improving the quality of legislation to reflect the changing needs of the public. This includes weeding out antique "horse-and-cart" ordinances and creating new laws to address current environmental, labour and economic conditions, as well as meeting public expectations.

It is not easy to strike a balance. Many corporations fight for fewer controls, yet others welcome the guidance good regulatory frameworks provide. The recent collapses of Enron and WorldCom are blamed on inadequate regulation, and the public constantly demands hard and fast rules on areas like transport security and food safety.

Regulatory frameworks can substantially improve market performance, public sector effectiveness and citizens' satisfaction, through a mix of deregulation, re-regulation and better quality regulation. Tradable permits, for instance, have helped the US Environmental Protection Agency to achieve reductions in sulphur dioxide emissions as part of its acid rain programme. Denmark's Green Tax System taxes energy use, emissions and wastewater discharge, and in Korea, long-term low-interest loans are available to firms that establish facilities that prevent, treat or recycle pollutants.

The OECD established a set of 10 "best practices" in 1997. Called Regulatory Impact Analysis (RIA), these guidelines ensure that the right questions are asked when creating regulations, and are the basis of a series of country reviews of regulatory reform by the OECD. ■

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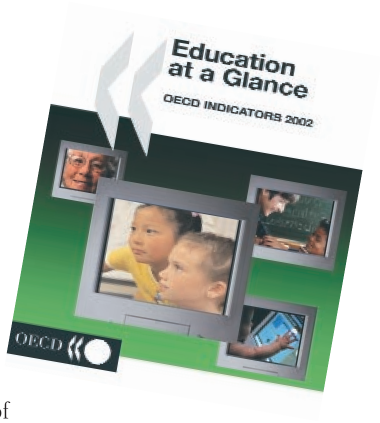


Education at a Glance: OECD Indicators 2002

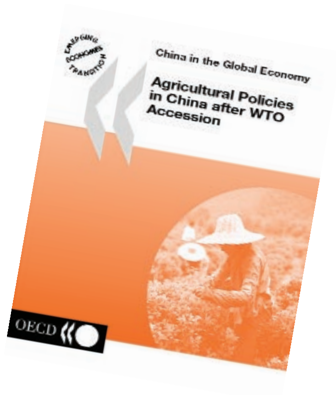
In the world of education, students and teachers are on the move. More students attend universities and schools abroad, while teachers too have become more internationally mobile. In some ways, education has many of the characteristics of a large global business. This year's *Education at a Glance*, published in October, shows that within the OECD area, Australia, France, Germany, the UK and the US attract seven out of ten foreign students studying abroad. Greek, Japanese and Korean students are the largest sources of foreign students from OECD countries, while students from China and Southeast Asia make up the largest numbers of foreign students from non-OECD countries.

As the demand for learning grows in OECD countries, governments are having to establish policies and find resources for providing efficient, equitable and lifelong education. While virtually all young people in OECD countries can expect to go to school for 11 years, four out of ten go on to tertiary programmes leading to the equivalent of a bachelor's degree or higher. Furthermore, although one-third of OECD students drop out before they complete their first tertiary-level degree, for half of the OECD countries studied, more than 40% of the adult population enrolled in some form of continuing education and training within a 12-month period. With the exception of France, Germany and Turkey, participation in university-level education grew in OECD countries between 1995 and 2000, and in the majority of countries by more than 15%.

Education at a Glance shows that there are still gender differences in education. For the most part, women can expect to go to school half a year longer than men. Among older age groups, men have attained higher levels of schooling, but for younger people, this pattern is now being reversed in most countries as more women than men are completing their education.

A new component of *Education at a Glance* compares student performance across countries, shifting the focus from education inputs to outcomes. Drawing on the results of the OECD-PISA study, these comparisons show a wide disparity across the many countries surveyed in performances of 15-year-old school pupils in reading and scientific and mathematical literacy. Many of the results will serve as an eye-opener for educators. *Education at a Glance* will make it easier to shape educational methods to student needs and provides an opportunity for cross-border comparison of teaching and educational systems. It is now more than ever a valuable reference for all stakeholders in education, wherever in the world they might be. ■

Chinese cultivation



China in the Global Economy: Agricultural Policies in China after WTO Accession

Two decades of agricultural reform have reduced poverty in rural China and incomes are still rising – last year, with an estimated upswing of 4.2%. But city dwellers are moving ahead much faster than their country cousins. In 1985, rural incomes were 54% of the level of their urban counterparts: today, they are less than one-third. The accession of China to the WTO and its integration into the global trading system will introduce further pressures on the farm market. The question is, how can China make the additional agricultural reforms needed to open its markets while protecting the livelihoods of its farmers? This report, a compilation of presentations from an OECD meeting in May 2002, provides at least some answers.

One of China's major messages to OECD countries is that China has made considerable concessions in joining the WTO, and it now expects OECD members to provide access to their markets. China's agro-food trade performance has deteriorated recently, and one of the reasons cited has been the technical barriers to trade and high levels of protection by OECD member countries.

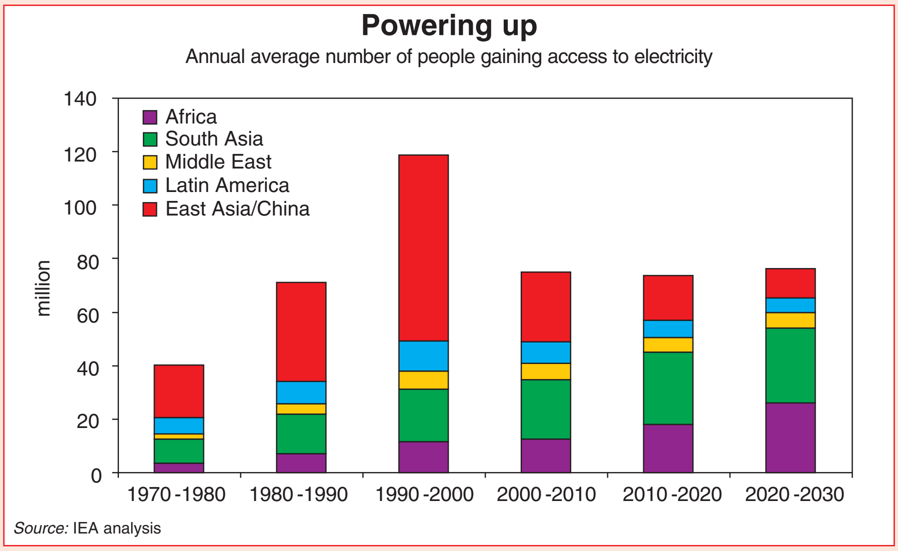
China in the Global Economy: Agricultural Policies in China after WTO Accession provides an array of possible measures to help rural populations adapt to new conditions. These include fiscal reform to alleviate disproportionately high taxes and fees imposed on farmers by local authorities; a relaxation of labour migration restrictions; better access to education to provide the rural population with the skills needed to compete on urban labour markets; and greater access to social benefits.

Other suggestions include investment in rural infrastructure, such as roads and water, as well as giving land to more efficient farmers. Credit for rural enterprises and better poverty alleviation measures are also urged. ■

Energy drought

The fact that 1.6 billion people in the world have no electricity and 2.4 billion rely on primitive biomass (wood, agricultural residues, dung) for power may be shocking, but what is worse is that without radical new policies, the figures will be virtually the same 30 years from now. That is one message of the International Energy Agency's latest *World Energy Outlook* and "this is not a sustainable future," says IEA executive director Robert Priddle. Although access to electricity is spreading, it is not growing as fast as the world population, and on current trends 1.4 billion people will still be without electricity in 2030, the *World Energy Outlook* says. And because electricity is relatively expensive when it does arrive, people do not simply substitute it for biomass sources of energy. Many homes in developing countries use electricity only for light and still use wood and other biomass products for cooking and heating. As a result, on current trends the number of people reliant on biomass is expected to rise to 2.6 billion in the next 30 years, at significant cost to human health and the environment because of smoke pollution and reduction of natural biomass resources.

Because biomass will continue to dominate energy demand in developing countries in the foreseeable future, the development of more efficient biomass technologies is vital for alleviating poverty, creating employment and expanding rural markets, the *Energy Outlook* says. The IEA is a 26-member sister organisation of the OECD dealing with energy issues. ■



Source: IEA analysis

- IEA, *World Energy Outlook*, IEA, 2002

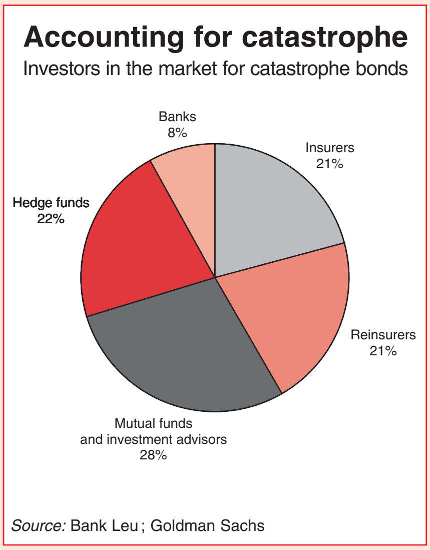
Insurance risks

Insurance is big business – gross premiums in OECD countries totalled US$2,510 billion in 2000, a 6.4% increase from a year earlier, almost half of it concentrated in the US with a market share of 45.6%. If you take out life insurance, the US share of the US$1,087.2 billion market is even larger, at 56.2%. The people and businesses paying these premiums are buying a guarantee that they will be cushioned against risk, whether it be loss of their most precious possessions in a burglary, death in an accident or the destruction of a factory building by fire, flood, or deliberate attack.

But how do insurers deal with their own risks, to ensure that they can meet an unexpectedly high number of claims due to events such as 11 September or the worst flooding in a century? One longstanding answer is reinsurance, where insurers borrow off-balance sheet capital to reduce pressure on their own risk-bearing capital.

But after a series of major catastrophes, a shortage of major funds can drive up the price of acquiring capital in the reinsurance market. This happened in the United States in the wake of Hurricane Andrew and the Northridge earthquake in the mid-1990s, and insurers turned to insurance-linked securities.

Demand for these stagnated in the late 1990s as reinsurance premiums fell, but market participants expect the events of 11 September to send demand for insurance-linked securities rising again, particularly "catastrophe bonds" covering predefined natural catastrophes such as an earthquake or hurricane. ■



Source: Bank Leu ; Goldman Sachs

- OECD, 2002, *Financial Market Trends, Finance and Investment*, No. 82, Paris 2002
- OECD, 2002, *Insurance Statistics Yearbook 1993-2000*, Paris 2002

Farm support

Transition economies are busy reforming their agricultural systems to join the EU, but in one area – agricultural support – most of them have already cut levels to below those of their EU neighbours, a new OECD study has found. And although Producer Support Estimates (PSEs) increased in all seven non-OECD transition economies in 2001, only Slovenia's support remained above the OECD and EU levels.

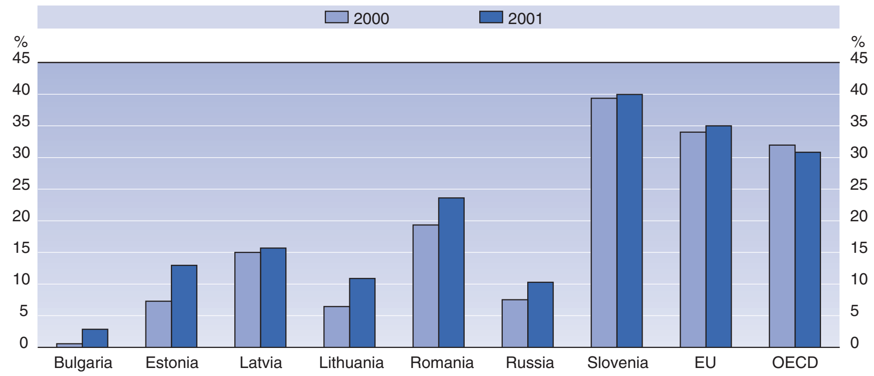
The increases in 2001 were marginal in most cases and PSE, which measures support as a percentage of total farm receipts, remains well below pre-reform levels, when it was significantly higher than the OECD average. This suggests that the transition was associated with a notable overall reduction of policy distortions in the agricultural sector, *Agricultural Policies in Transition Economies: Trends in Policies and Support* notes. Now Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovenia and Russia need to push ahead in areas such as land reform, market infrastructure and improved commercial production to be ready to meet future opportunities and challenges, for all of which they will need to attract investment, the report says.

One area where most transition countries remain above the OECD average is in the size of their agricultural populations. In Romania, for instance, more than 40% of the working population is in farming, compared with an OECD average of about 8%. ■

- OECD (2002), *Agricultural Policies in Transition Economies: Trends in Policies and Support*, Paris.

Agricultural support

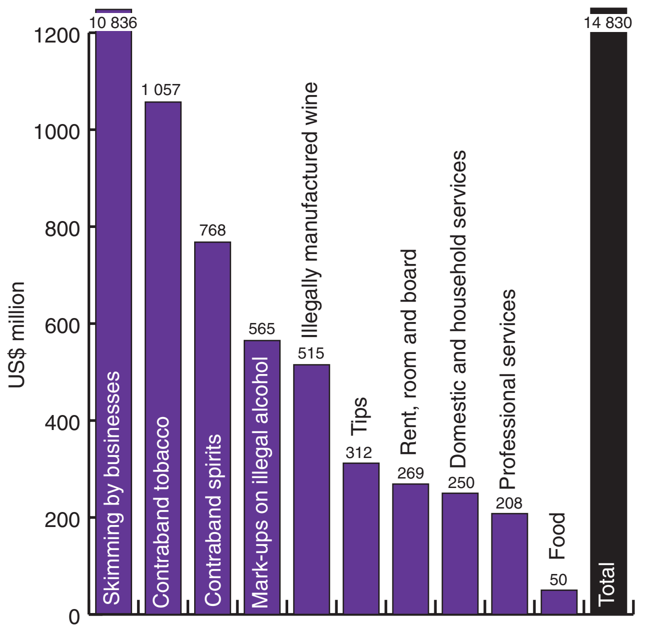
Percentage PSEs by country, EU and OECD averages in 2000-2001



Source: OECD PSE/CSE database

Hidden limits

Upper limit of underground transactions missing from personal expenditure



Source: (Gervais) Statistics Canada (1994)

Valuable underground

Just how much is the underground economy worth? And if "underground" items are by definition undeclared, whether sales of smuggled cigarettes or payment for casual work, how can governments hope to measure it? This is important, because policymakers rely on national accounts and GDP figures to take decisions, and if the figures are inaccurate the policy responses are likely to be off-centre too.

But there are in fact tried and tested ways to limit the unknown. One is to compare figures for the same activity from the supply and demand side. Take the construction industry, often cited as a hive of undeclared activity.

Comparing households' declaration of the time and money spent on household repairs and improvements with activity declared by workers in this field helped Canadian experts arrive at an idea of how much activity was being hidden. Comparing how many cigarettes are officially sold with the number people saying they smoke can provide some idea of contraband tobacco activity.

Methods vary from country to country, as systems and likely areas of underground activity differ, but such tactics can help put a value on activities that will not otherwise find their way into the account books, or at least set upper and lower limits for likely discrepancies, says *Measuring the Non-Observed Economy: A Handbook*. ■

DATABANK

Indicators

MEMBERS	Gross Domestic Product period	% change from previous period	year	Leading Indicator period	% change from previous period	year	Consumer Price Index period	% change from previous period	year
Australia	Q1 02	0.9	4.2	Jul. 02	-0.9	5.2	Q2 02	0.7	2.8
Austria	Q1 02	0.5	-0.2	Jul. 02	-0.5	1.9	Jul. 02	-0.1	1.6
Belgium	Q1 02	0.4	-0.3	Jul. 02	0.2	5.4	Aug. 02	0.0	1.3
Canada	Q2 02	1.1	3.2	Jul. 02	-0.3	8.9	Jul. 02	0.5	2.1
Czech Republic	Q1 02	..	2.5		..	..	Jul. 02	0.5	0.7
Denmark	Q2 02	1.1	1.9	Jul. 02	0.1	8.7	Jul. 02	-0.3	2.2
Finland	Q1 02	-0.8	-1.9	Jan. 02	-0.5	0.8	Jul. 02	-0.1	1.7
France	Q2 02	0.5	1.0	Jul. 02	-1.4	-1.1	Jul. 02	0.0	1.6
Germany	Q2 02	0.3	0.1	Jul. 02	-0.1	1.2	Jul. 02	0.2	1.0
Greece	2000	..	4.3	Jun. 02	0.4	3.5	Jul. 02	-1.7	3.3
Hungary	2000	..	5.2		..	..	Jul. 02	-0.1	4.6
Iceland	2001	..	3.0		..	..	Jul. 02	0.1	4.1
Ireland	2001	..	5.9	Jun. 02	-8.1	-5.3	Jul. 02	-0.3	4.2
Italy	Q1 02	0.2	0.1	Jul. 02	-1.4	-0.1	Aug. 02	0.1	2.3
Japan	Q2 02	0.5	-0.9	Jul. 02	0.6	3.9	Jul. 02	-0.4	-0.8
Korea	Q1 02	1.8	5.0		..	..	Jul. 02	-0.3	2.1
Luxembourg	2001	..	3.5	Jul. 02	0.1	5.8	Jul. 02	-0.7	2.0
Mexico	Q2 02	0.6	0.4	Jul. 02	-1.6	2.8	Jun. 02	0.5	4.9
Netherlands	Q2 02	0.1	0.1	Jul. 02	1.1	3.4	Jul. 02	0.2	3.5
New Zealand	Q1 02	1.4	4.7		..	..	Q2 02	1.0	2.8
Norway	Q4 01	0.2	1.8	Jul. 02	-0.3	0.8	Jul. 02	-0.2	1.6
Poland	2000	..	4.0		..	..	Jul. 02	-0.5	1.2
Portugal	Q1 02	0.3	1.4	Jul. 02	-1.5	4.0	Jul. 02	0.2	3.4
Slovak Republic	Q1 02	..	3.9		..	..	Jul. 02	-0.3	2.0
Spain	Q2 02	0.4	2.0	Jul. 02	2.1	5.5	Jul. 02	-0.7	2.2
Sweden	Q2 02	0.6	1.6	Jul. 02	0.2	3.8	Jul. 02	-0.3	2.0
Switzerland	Q1 02	0.2	0.2	Jul. 02	0.1	0.9	Aug. 02	0.0	0.5
Turkey	Q1 02	..	2.3		..	..	Aug. 02	2.2	40.2
United Kingdom	Q1 02	0.1	1.1	Jul. 02	0.1	4.0	Jul. 02	-0.2	1.5
United States	Q2 02	0.3	2.1	Jul. 02	-0.6	1.4	Jul. 02	0.1	1.5
Euro area	Q1 02	0.3	0.3	Jul. 02	-0.4	1.3	Jul. 02	-0.1	2.0

NON-MEMBERS	Gross Domestic Product period	% change from previous period	year	Retail sales period	% change from previous period	year	Consumer Price Index period	% change from previous period	year
Brazil		..	..		..	..	Jul. 02	1.2	7.5
Bulgaria	Q1 02	4.0	7.5	Jun. 02	0.8	1.2	Jul. 02	0.1	5.5
China		..	..		..	..		..	..
Estonia	Q1 02	0.1	3.1	May 02	1.4	16.3	Jul. 02	-0.3	3.1
Indonesia	Q3 01	-0.9	3.6		..	..	Jun. 02	0.4	11.5
Latvia	Q1 02	-0.6	3.7	May 02	2.7	16.2	Jul. 02	-0.4	1.0
Lithuania	Q1 02	0.2	4.0	Jun. 02	-1.4	6.6	Jul. 02	-0.2	0.1
Romania	2000	..	1.6		..	..	Apr. 02	2.0	27.1
Russian Federation	2000	..	8.4	Jul. 01	5.3	17.2	Jun. 02	0.5	14.9
Slovenia	Q1 02	1.6	3.7		..	..	Jun. 02	-0.2	6.8
South Africa	Q1 02	0.8	2.1	May 02	3.3	8.2	Jul. 02	1.5	10.6
Ukraine		..	..	Feb. 02	-3.5	16.8	Mar. 02	-0.7	2.2

Definitions & notes

Gross Domestic Product: Volume series; seasonally adjusted except for Czech Republic, Slovak Republic, Poland and Turkey. Data for the Euro area supplied by Eurostat.

Leading Indicators: A composite indicator based on other indicators of economic activity (qualitative opinions on production or employment, housing permits, financial or monetary series,etc.), which signals cyclical movements in industrial production from six to nine months in advance.

Consumer Price Index: Measures changes in average retail prices of a fixed basket of goods and services. HICP for Euro area.

Retail Sales: Volume series, seasonally adjusted.

Current Balance period	Current Balance current period	Current Balance same period last year	Unemployment Rate period	Unemployment Rate current period	Unemployment Rate same period last year	Interest Rate period	Interest Rate current period	Interest Rate same period last year	MEMBERS
Q2 02	-4.12	-1.75	Jul. 02	6.2	6.9	Jul. 02	4.98	5.04	Australia
Q1 02	0.45	-1.21	Jul. 02	4.1	3.6		..	..	Austria
Q4 01	2.31	2.32	Jul. 02	6.9	6.5		..	..	Belgium
Q2 02	3.16	5.31	Jul. 02	7.6	7.1	Aug. 02	2.93	4.06	Canada
Q2 02	-1.00	-0.75	Q1 02	7.6	8.3	Aug. 02	3.06	5.57	Czech Republic
Q2 02	0.84	0.67	Jul. 02	4.3	4.3	Jul. 02	3.59	4.85	Denmark
Jun. 02	0.83	0.54	Jul. 02	9.3	9.1		..	..	Finland
Jun. 02	4.74	2.57	Jul. 02	8.9	8.5		..	..	France
Q2 02	8.28	-5.77	Jul. 02	8.3	7.7		..	..	Germany
Mar. 02	-0.53	-1.11		..	..		..	..	Greece
May 02	-0.33	-0.15	Q1 02	5.8	5.9	May 02	8.49	11.10	Hungary
Q1 02	0.00	-0.20	May 02	2.2	1.4	May 02	8.70	11.12	Iceland
Q1 02	-0.18	-0.78	Jul. 02	4.5	3.8		..	..	Ireland
Mar. 02	-1.14	0.26	Apr. 02	9.0	9.5	.. ..			Italy
Jun 02	11.16	4.93	Jul. 02	5.4	5.0	Aug. 02	0.03	0.05	Japan
Apr. 02	0.63	1.04	Jul. 02	3.0	3.7	Jun 02	4.90	5.70	Korea
Q1 02	-4.13	-4.83	Jul. 02	2.4	2.0		..	..	Luxembourg
Q2 02	-3.34	-4.29	Jul. 02	2.9	2.5	Aug. 02	7.07	8.54	Mexico
Q2 02	0.35	0.14	Jun. 02	2.8	2.4		..	..	Netherlands
Q1 02	-0.20	-0.47	Q2 02	5.1	5.3	Jul. 02	6.00	5.79	New Zealand
Q2 02	7.27	6.54	Q1 02	3.9	3.5	Jul. 02	7.25	7.37	Norway
Jul. 02	-0.21	-0.41	Jul. 02	17.7	16.3	Jul. 02	8.53	14.77	Poland
Q2 02	-2.52	-2.77	Jul. 02	4.5	4.1		..	..	Portugal
Q1 02	-0.36	-0.35	Q1 02	19.4	19.7	May 02	8.80	9.30	Slovak Republic
May 02	-0.85	-0.97	Jul. 02	11.3	10.6		..	..	Spain
Jun. 02	0.41	0.58	Jul. 02	4.9	4.7	Aug. 02	4.19	4.28	Sweden
Q1 02	6.56	4.80	Jul. 02	2.8	1.8	Jul. 02	0.71	3.14	Switzerland
Q1 02	-0.05	-0.20	Q2 02	9.6	6.9	Aug. 02	46.16	62.54	Turkey
Q1 02	-7.83	-6.27	May 02	5.1	5.0	Jul. 02	3.99	5.19	United Kingdom
Q1 02	-112.49	-107.72	Jul. 02	5.9	4.6	Aug. 02	1.73	3.48	United States
Jun. 02	1.34	-3.84	Jul. 02	8.3	8.0	Jul. 02	3.41	4.47	Euro area
									NON-MEMBERS
Jul. 02	-0.50	-2.04		..	..		..	..	Brazil
Jun. 02	0.09	0.00		..	..	Aug. 02	3.75	4.75	Bulgaria
2001	17.41	20.52		..	..		..	..	China
Jun. 02	-0.03	0.01	Jul. 02	5.8	6.4	Jul. 02	5.14	9.25	Estonia
Q4 01	0.56	2.50		..	..	Jun. 02	16.24	14.92	Indonesia
Jun. 02	-0.08	-0.03	Jul. 02	8.1	7.8	Jul. 02	7.70	11.80	Latvia
Jun. 02	-0.08	-0.01	Jul. 02	11.2	12.7	Jul. 02	6.69	9.81	Lithuania
Mar. 02	-0.11	-0.07	Apr. 02	10.6	9.4	Mar. 02	33.40	49.90	Romania
Q1 02	7.17	11.56	Dec. 01	1.6	1.4	Jun. 02	12.30	9.00	Russian Federation
May 02	0.01	-0.05	Dec. 01	11.6	11.8	Jun. 02	9.39	11.40	Slovenia
Q1 02	1.18	1.04		..	..	Aug. 02	11.73	9.37	South Africa
Q3 01	0.39	0.90	Nov. 01	4.7	5.2	Apr. 02	27.10	33.00	Ukraine

Current balance: Billion US dollars; seasonally adjusted except for Greece, Ireland, and listed non-member countries. Data for Poland are on a cash basis.

Unemployment Rate: Per cent of civilian labour force — standardised unemployment rate; national definitions for Iceland, Korea, Mexico, Poland, Switzerland and Turkey; seasonally adjusted apart from the Slovak Republic and Turkey.

Interest Rate: Three months, except for Turkey (overnight interbank rate). Euro area rate is applicable for the 12 Euro area countries. * Refer to Euro area.
Source: Main Economic Indicators, September 2002; Quarterly National Accounts database.

Social security tax

Social security contributions accounted for about a quarter of tax revenue in OECD countries in 2000, unchanged from the 1995 level, but wide differences remain between countries because of differing definitions and practices, the latest edition of *Revenue Statistics* shows. Denmark takes 4.6% of its taxes in the form of social security contributions, the equivalent of 2.2% of GDP, and at the other end of the scale the Czech Republic relies on social security for 43.8% of its tax revenue, or 17.3% of GDP. European countries generally consider that most public programmes offering income protection are a form of insurance to be financed by social security contributions, and their social safety nets are well-developed, so they are mostly in the upper end of the spending scale. English-speaking countries (and Korea) finance a much greater part of their social benefits from general government revenues – in fact Australia and New Zealand do not levy social security contributions at all. And in general the ratio of social security contributions to GDP is lower in OECD countries with a relatively low GDP, except for the Czech Republic, Hungary and the Slovak Republic. The share-out in contributions between employers and employees also varies widely, with a fifty-fifty split in Germany, Switzerland, the United States, Luxembourg and Japan, and elsewhere employers generally paying the lion's share, except in Denmark and the Netherlands where it is employees who pay most. ■

• OECD, 2002, *Revenue Statistics 1965-2001, 2002 Edition*, Paris 2002.

Social security contributions, 2000[a]

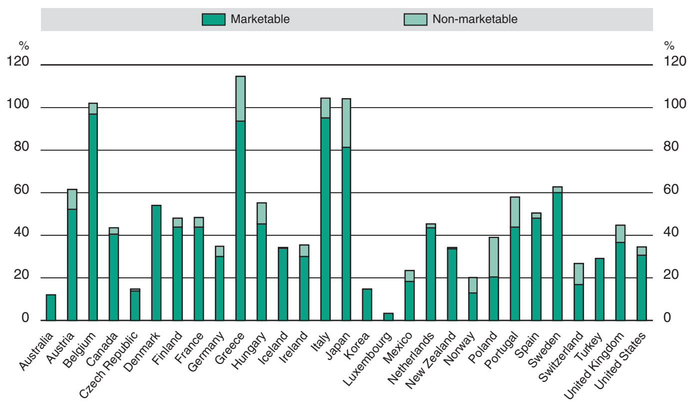
	% of GDP	% of total tax revenues
Czech Republic	17.3	43.8
France	16.4	36.1
Netherlands	16.1	38.9
Sweden	15.2	28.1
Austria	14.9	34.2
Germany	14.8	39.0
Slovak Republic	14.7	41.2
Belgium	14.1	30.9
Spain	12.4	35.1
Switzerland	12.0	33.6
Finland	12.0	25.6
Italy	11.9	28.5
Hungary	11.5	29.3
Greece	11.4	30.1
Luxembourg	10.7	25.6
Poland	10.0	29.4
Japan	9.9	36.5
Norway	9.0	22.5
Portugal	8.8	25.7
United States	6.9	23.3
United Kingdom	6.1	16.4
Turkey	5.6	16.9
Canada	5.1	14.3
Korea	4.4	16.7
Ireland	4.2	13.6
Mexico	3.0	16.4
Iceland	2.9	7.8
Denmark	2.2	4.6

a) The 28 countries included in this table are ranked by decreasing ratio of social security contributions to GDP. Two of the thirty OECD countries, i.e. Australia and New Zealand, are not included in the table, because they levy no social security contributions.

Managing debt

Central government debt

% of GDP, 2000



Source: OECD

Central government debt in OECD countries almost doubled between 1990 and 2000, to US$12,860 billion from US$7,180 billion a decade earlier as market-based financing of budget deficits continued to boost growth of the global sovereign bond markets. Some 84% of government borrowing requirements in the 1990s were met through marketable instruments, a new OECD study found. By the late 1990s, longer-term instruments accounted for the larger part of government debt, as debt managers sought to minimise re-financing as well as nominal risk, *Debt Management and Government Securities Markets in the 21st Century* shows. And liquid public debt markets proved to be key for the development of corporate debt markets, as the yield curve for government securities is important for correct pricing of corporate bonds. But while liquidity in public debt markets increased significantly and a yield curve of benchmark bonds was established, market liquidity as well as overall debt levels still differs considerably across countries. Belgium, Greece, Italy and Japan all have debt levels of more than 100% of GDP, but the non-marketable share is larger in Greece and Japan than in Belgium and Italy. ■