A wide range of tax burdens

There is a considerable range in OECD national tax levels, as tax revenues as a percentage of GDP show. The tax burden in 1996 exceeded 45% of GDP in five countries, all in Europe – Denmark, Sweden, Finland, Belgium and France. In contrast, five countries had tax levels below 30%: Mexico, Korea, Turkey, Japan and the United States. Mexico's total tax revenues were nearly 22 percentage points below the OECD average of 37.7%.

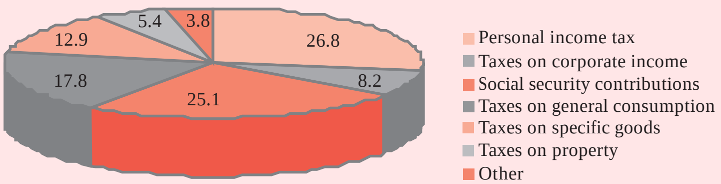
Total tax revenues, 1996
% of GDP

Source: OECD

Income taxes dominate the tax mix

Tax policy analysts look at the so-called *tax mix*, or the share of different taxes in total tax revenues. The tax mix collected for OECD countries taken as a whole is shown in the chart below. Although taxes on personal income and corporate income combined remain the largest source of revenue at 35% of total tax revenues, consumption taxes and social security contributions account for a sizeable share of the tax mix. The large share of consumption taxes – they account for 31% of total revenues – may be explained in part by growing difficulties encountered by authorities in taxing capital income. The non-negligible share of social security contributions (with 25% of total revenues) may be explained by the high level of spending on social schemes for the aged in OECD countries. ■

Tax revenue by main category, 1996[1]
% of total tax revenue



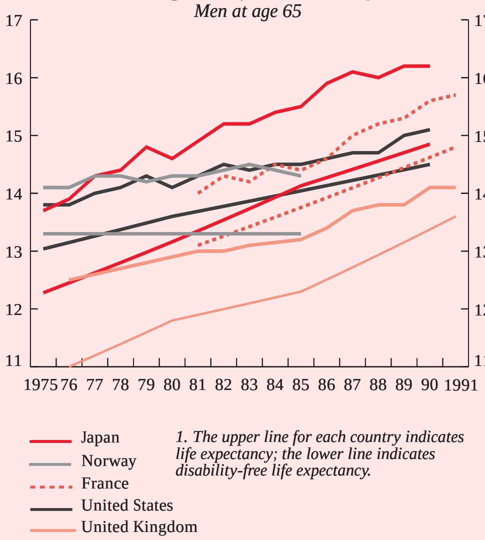
1. Total OECD area, unweighted average.
Source: OECD

Live longer, and better

In most OECD countries, people are living longer. Men, aged 65, are now expected to live 15 additional years and women, aged 65, are expected to live 18.7 more years. But policy-makers and health care analysts need to know if these extra years are spent in good or bad health. The answer is mostly good, or better than before. To judge from the trends in severe disability across OECD countries, the gains in severe disability-free life expectancy have been mostly parallel to gains in life expectancy as normally defined. That means that more people are likely to grow old without suffering severe disability later on. ■

Life expectancy and disability[1]

Men at age 65

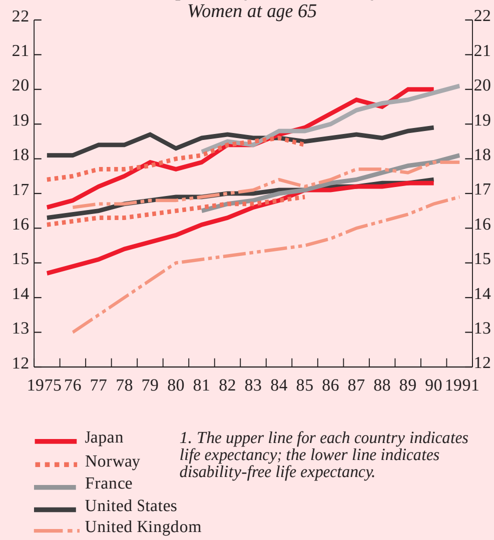


1. The upper line for each country indicates life expectancy; the lower line indicates disability-free life expectancy.

Source: OECD

Life expectancy and disability[1]

Women at age 65



1. The upper line for each country indicates life expectancy; the lower line indicates disability-free life expectancy.

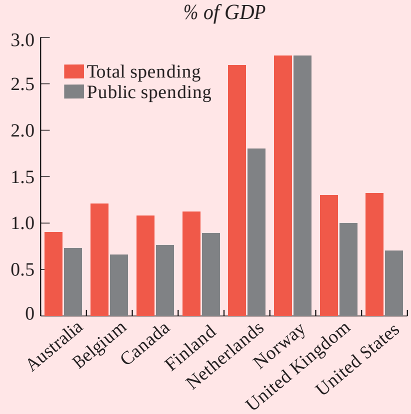
Source: OECD

The rising cost of long-term care

Spending on long-term care expenditure still represents a rather modest share of GDP – about 1–3% of GDP in most OECD countries. Long-term care expenditure represents approximately 10%–20% of health care expenditure, even more in Scandinavian countries This spending refers only to formal care, which accounts for only 20% of total care provided. The rest is provided by informal carers, mainly within the family. Again in Scandinavia this area of care is more developed than elsewhere. There was a marked increase in health care spending in most OECD countries from 1980 to 1995; in fact, the additional amount is equivalent to the total currently spent on long-term care.

Spending on long-term health care, 1992–95

% of GDP

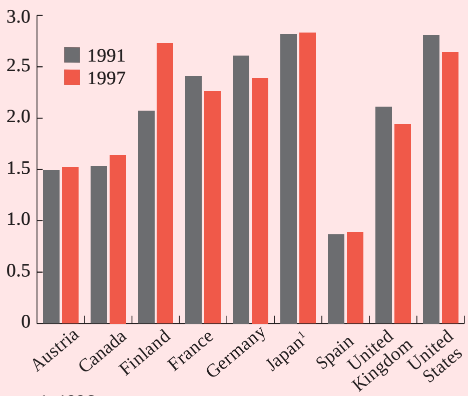


R&D spending

There are marked differences in the levels of spending on research and development (R&D) across OECD countries and the nine countries covered in the graph are representative of the range. The most accurate measure to use for comparisons is gross domestic spending on R&D as a proportion of GDP. Japan has the highest R&D spending, with 2.83% of GDP, followed by Finland and the United States. Austria, Canada and Spain spend less. From 1991 to 1997 most countries in the chart reduced their spending on R&D, notably France, down by 0.15 percentage points, Germany (down 0.22 points) and the United States (down 0.17 points).

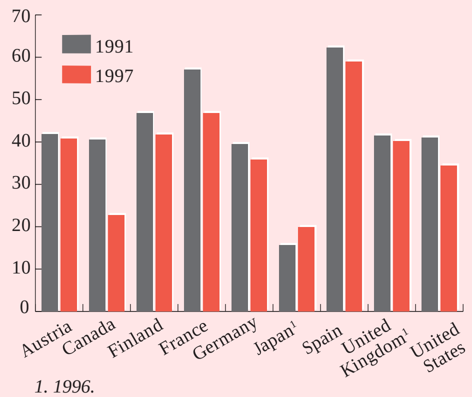
Governments R&D spending covers not only the public sector, but industry, education and private non-profit institutions as well. Spain may have the lowest overall R&D spending in the chart, but it has the highest proportion of government budgeted spending, with 58.9% of the country's total. In Japan, by contrast, most R&D spending is private-led, with only 19.85% coming out of government budgets. On the other hand, the Japanese government increased its budget for R&D spending over the 1991–97 period, by 5.2 percentage points, whereas the other countries in our chart saw their budgeted R&D spending fall. The sharpest cut was in Canada (-17.87 points).

Gross Domestic Expenditure on R&D
% of GDP



1. 1996.
Source: OECD

Government Budget Outlays for R&D
% of gross domestic expenditure on R&D



1. 1996.
Source: OECD

Declining trend in development assistance continues

The OECD's data bank on development, run by the Development Assistance Committee (DAC), shows that in 1997 total Official Development Assistance[1] (ODA) to developing countries and multilateral organisations amounted to $48 billion, or 0.22% of DAC Member countries GNP. This represents a fall of nearly 13% in current dollars and 5.8% in real terms compared with 1996. ODA has been on a declining trend for five years as countries have been squeezing their aid budgets. However, the drop in 1997 also reflects falls in exchange rates of national currencies against the US dollar. Another reason is technical, and reflects the transfer of seven countries from being classified as developing countries (Part I of the DAC List of Aid Recipients), to countries in transition (Part II of the DAC List of Aid Recipients). Israel, one of the largest aid recipients, was in this group. The aid it receives is now counted in the flows to Part II countries, called Official Aid, and is no longer ODA. (See also article by Yasmin Ahmad, page 46 of this issue.)

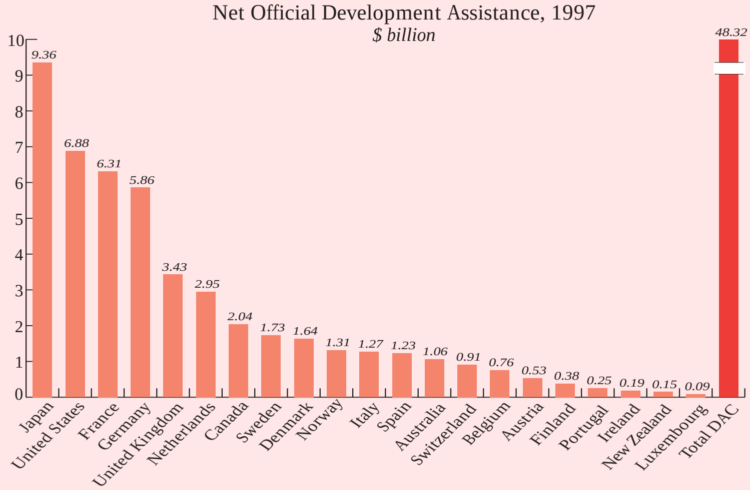
What is DAC aid?

Aid is defined as flows from the official sector of a donor country which have as their main objective the promotion of economic development and welfare of the recipient country and are given either as grants or concessional loans. In this case concessional means having a grant element of at least 25%, calculated at a 10% discount rate.

1. Aid flows are referred to as Official Development Assistance (ODA) if directed to a country on Part I of the DAC List of Aid Recipients, and Official Aid (OA) if directed to a country on Part II of the DAC List of Aid Recipients. For a details on the DAC List of Aid Recipients, see http://www.oecd.org/dac/.

Net Official Development Assistance, 1997

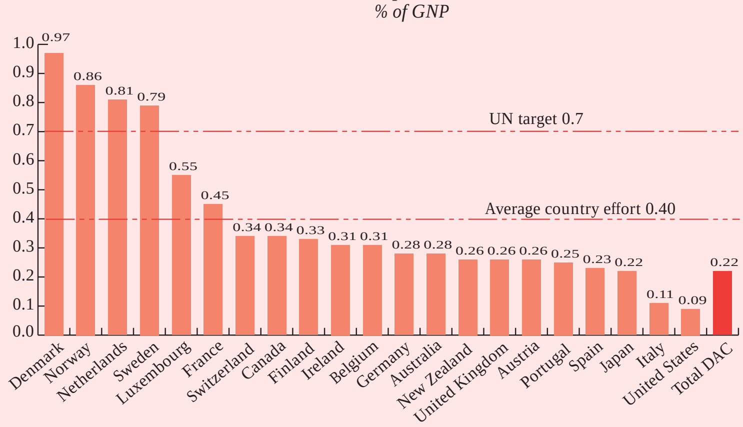
$ billion



Source: OECD

Net Official Development Assistance, 1997

% of GNP



Source: OECD