Social Spending and Growth: Updating Correlations to 2023

Peter H. Lindert

October 2025

Chapter 8 of *Making Social Spending Work* showed the general absence of negative correlations between social spending and GDP per person, among 21 data-supplying countries from the earliest numbers up through 2014. The latest Penn World Tables estimates of real GDP per capita (PWT 11.0) allow us view the same measures up through 2023, beyond the covid year 2020.

The usual caveat about correlation and causation applies, of course, and Chapter 9's exploration of possible leading causes is still up-to-date. A second caveat: The latest Penn World Tables estimates of real GDP per capita may be revised.

The results are shown below, as extensions of the book's Tables 8.1 and 8.2. In the latest nine-year period 2014-2023 the often-imagined negative correlations between social spending and prosperity fail to show up again, just as they failed to materialize anytime back to the earlier data in 1880. Only during the covid sub-period 2019-2023 does the relationship with the growth rate look (insignificantly) negative, with the correlations all swinging to positive for the whole nine years.

A journalist with a negative mission could rightly have cherry-picked the fact that in the covid period 2019-2023 the lower-spending United States grew at a healthy annual rate of 2.1 percent, in contrast to the stagnation in Austria, Finland, France, and Germany. Yet high-spending Norway grew at 4.3 percent at year, and Greece was recovering from its earlier crisis at 3.6 percent a year.

Over the whole nine years, the slowest growers -- Canada, Chile, and Japan -- were not "welfare states." The fastest growth came in continental Europe, especially in Denmark, Greece, Italy, Netherlands, and Portugal.

Stay tuned for more updates when new data permit.

Updating Table 8.1 in Peter H. Lindert, *Making Social Spending Work* (Cambridge University Press, 2021. (October 2025.)

Table 8.1. (Extended) How Total Social Spending as a Share of GDP Correlates with Growth and Prosperity in 21 OECD Countries, 1960-2023

The coefficient of correlation between the start-of-period share of total social expenditures in GDP and

Time period	(a) the growth of GDP/capita	(b) the level of GDP/capita, same year	(c) the level of GDP/capita, end of period
1960-1970	-0.21	0.57 b	0.65 b
1970-1980	0.05	0.61 b	0.65 b
1980-1990	0.18	0.61 b	0.57 b
1990-2000	-0.14	0.47 a	0.56 b
2000-2007	-0.40	0.38	0.34
2007-2014	-0.09	0.35	0.39
2014-2023	0.44 a	0.20	0.28
of which,			
2014-2019	0.67 b	0.20	0.24
2019-2023	-0.19	0.35	0.31

Sources and notes for Table 8.1:

a = significant at the 95% level; b = significant at the 99% level.

Public education expenditures as a share of GDP are from the same sources as for Table 3.1.

(Non-education social expenditures)/GDP for 1880-1930: Welfare, unemployment, pensions, health, and housing subsidies, as given in Lindert (1994, Table 1).

(Non-education social expenditures)/GDP for 1960-1980: OECD old series (OECD 1985); 1980-2007: OECD new series (as downloaded from the OECD iLibrary; for definitions, see OECD 1998) and national sources; for 2014, OECD (2016), Social Expenditure (SOCX) via www.oecd.org/social/expenditure.htm.

Real GDP per capita: 1880-1990 from the Maddison Project, via the Clio-Infra site; 1990-2023 from Penn World Tables, using PWT 11.0 for 2014-2023. Though the GDP measure used here is the expenditure-side measure "rgdpe," it is a measure of gross domestic product, not of expenditure.

The baseline 21 countries are Argentina, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece (1960s on), Ireland (1960s on), Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States. That is, relative to the 19-country group used in uneven panels in Lindert (2004, Vol. 1, p. 17), the new core group of 21 drops Ireland and Switzerland (for want of sufficient pre-1914 data on social expenditures) and adds Argentina, Chile, Portugal, and Spain.

Updating Table 8.2 in Peter H. Lindert, *Making Social Spending Work* (Cambridge University Press, 2021. (October 2025.)

Table 8.2. (Extended) How Non-Education Social Spending as a Share of GDP Correlates with Growth and Prosperity in 21 OECD Countries, 1880 - 2023

The coefficient of correlation between (the start-of-period share of non-education social expenditures in GDP) and

Time period	(a) the growth of GDP/capita	(b) the level of GDP/capita, same year	(c) the level of GDP/capita, end of period
1880-1890	0.01	0.04	0.07
1890-1900	0.38	0.12	0.22
1900-1910	-0.13	0.32	0.26
1910-1920	0.11	0.44 a	0.46 a
1920-1930	-0.02	0.46 a	0.50 a
1930-1960	0.38	0.37	0.50 a
1960-1970	-0.20	0.51 a	0.57 b
1970-1980	0.11	0.53 a	0.58 b
1980-1990	0.17	0.43	0.52 a
1990-2000	-0.11	0.37	0.45 a
2000-2007	-0.37	0.32	0.27
2007-2014	-0.14	0.28	0.30
2014-2023	0.42	0.10	0.17
of which,			
2014-2019	0.68 b	0.10	0.26
2019-2023	-0.22	0.26	0.19

a = significant at the 95% level. b = significant at the 99% level.

Again, the 21 countries covered are Argentina, Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Greece, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, UK, US.