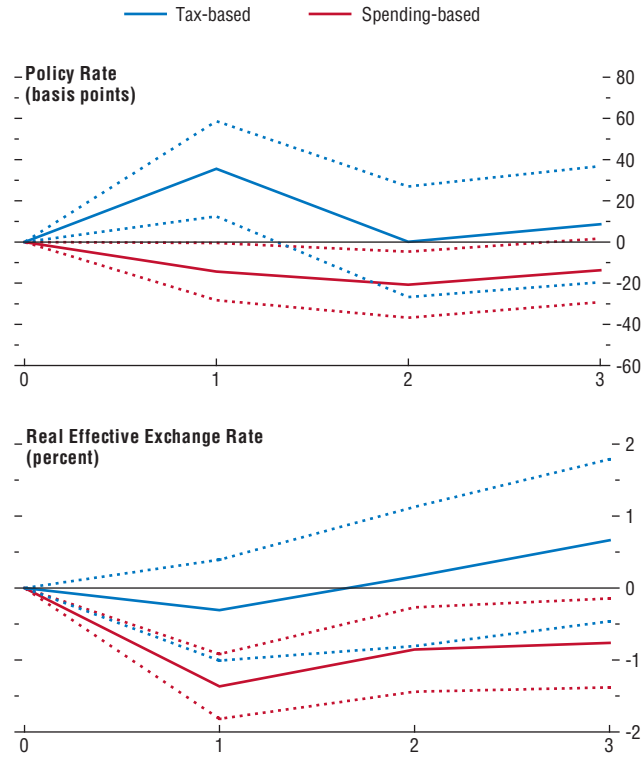


Figure 3.6. Composition and Monetary Conditions: Impact of a 1 Percent of GDP Fiscal Consolidation

Why are spending-based consolidations less contractionary? Partly because they benefit from monetary stimulus, whereas tax-based adjustments feature monetary tightening.



Source: IMF staff calculations.
 Note: $t = 1$ denotes the year of consolidation. Dotted lines equal one standard error bands.