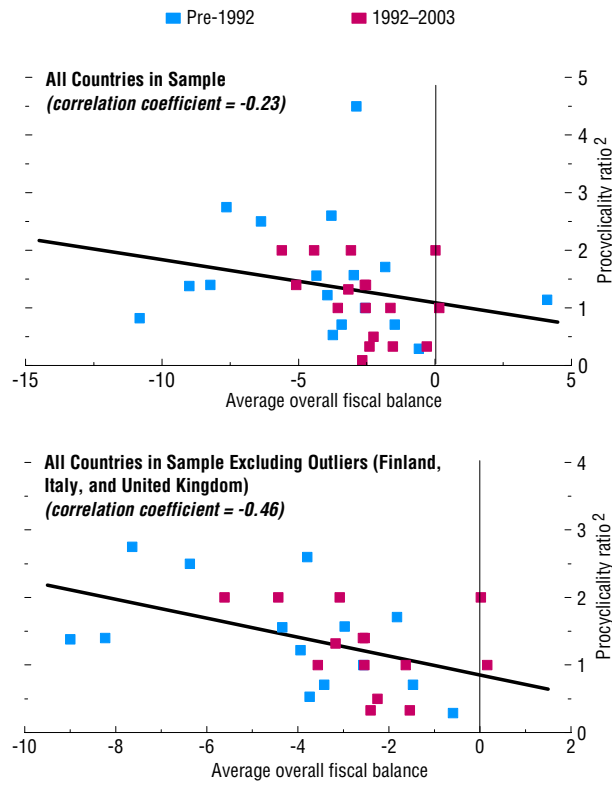


Figure 2.24. Procyclicality and Deficit Bias, 1975–2003¹
(Percent of GDP)

Procyclical fiscal policies ultimately lead to greater average deficits, suggesting a deficit bias.



Sources: OECD analytical database; and IMF staff calculations.

¹Evidence based on the euro area countries (excluding Luxembourg), Australia, Denmark, Sweden, the United Kingdom, and the United States.

²Ratio between the frequency of procyclical episodes and the frequency of countercyclical episodes.