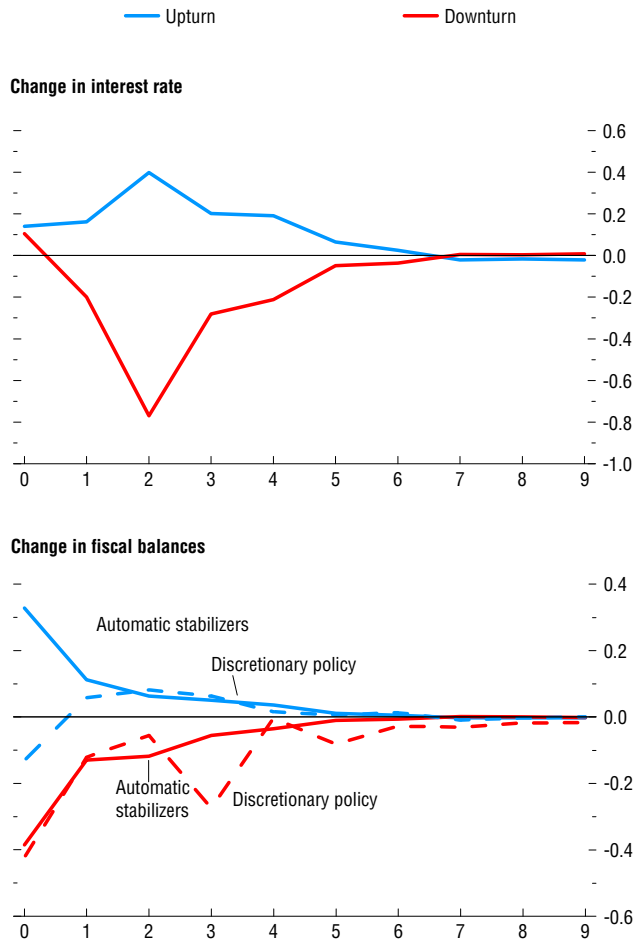


Figure 5.4. Is There a Bias toward Easing during Downturns in G7 Economies?

(Percentage point deviation; quarters on x-axis; shock occurs in period zero)

Following a 1 percentage point shock to growth, both discretionary fiscal policy and monetary policy are subject to an easing bias, with more stimulus during downturns than tightening during upturns. In contrast, automatic stabilizers respond symmetrically to upturns and downturns. The figure displays policy responses for the late sample (1992:Q1–2007:Q4).



Source: IMF staff calculations.