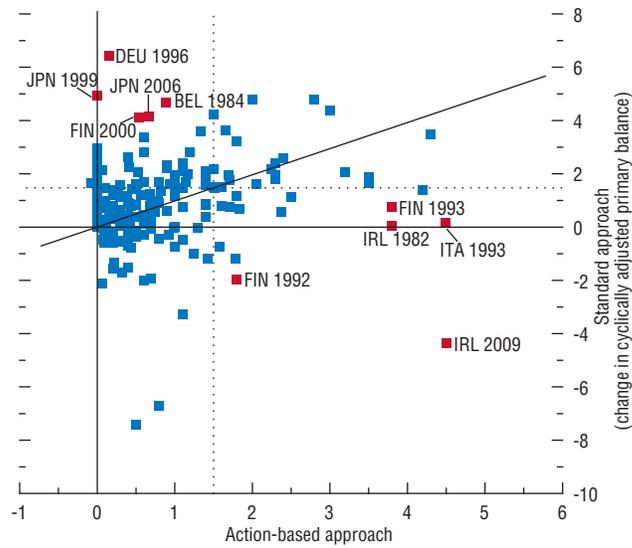


Figure 3.15. Size of Fiscal Consolidation: Action-Based Approach versus Standard Approach¹

(Percent of GDP)

There are numerous cases in which the standard approach and our action-based approach differ regarding the presence and size of fiscal consolidation. After analyzing in detail the 10 largest discrepancies between the two approaches, we conclude that our action-based approach more accurately identifies the size of fiscal consolidation.



Sources: Alesina and Ardagna (2010); and IMF staff calculations.
 Note: The diagonal line reports the 45-degree line, where the action-based approach and standard approach agree. Dotted lines indicate episodes of consolidation equal to 1.5 percent of GDP. Highlighted observations indicate years for which the two approaches differ by more than 3 percent of GDP.

¹BEL: Belgium; DEU: Germany; FIN: Finland; IRL: Ireland; ITA: Italy; JPN: Japan.