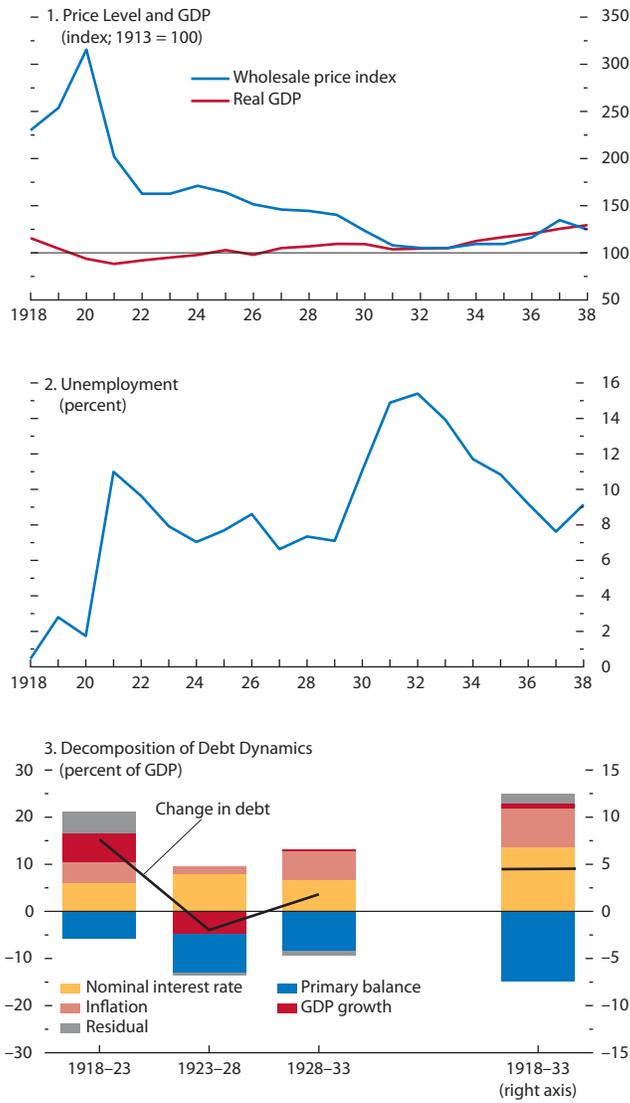


Figure 3.7. United Kingdom: Deflation in the Aftermath of World War I

After World War I, the United Kingdom experienced strong deflation, anemic growth, and high unemployment. Despite large primary surpluses, the debt ratio continued to increase due to high nominal interest rates and deflation.



Sources: Abbas and others (2010); Feinstein (1972); Mitchell (1998); and IMF staff calculations.
 Note: The decomposition of debt dynamics is based on a linearized version of