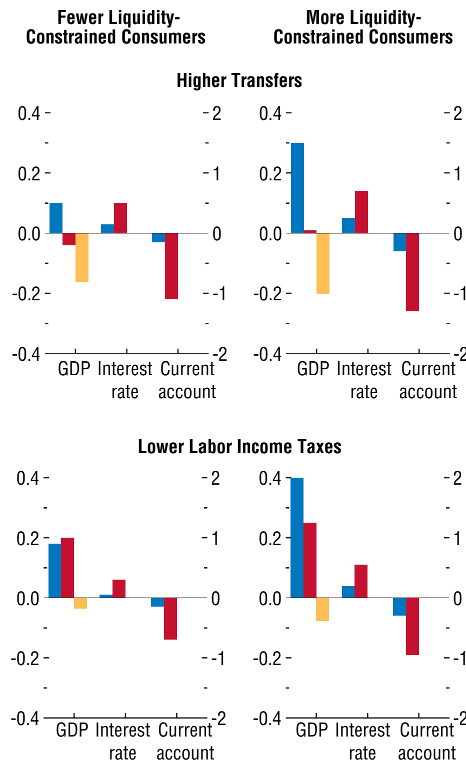
United States: Additional Discretionary Fiscal Expansion Scenarios[1]

(GDP and real interest rate in percent; current account in percent of GDP)

- Short-term deviation from baseline due to a temporary fiscal expansion (left scale)
- Short-term deviation from baseline due to a permanent fiscal expansion (left scale)
- Long-run deviation from baseline due to a permanent fiscal expansion (right scale)[2]



Source: IMF staff calculations.

[1]Interest rate is defined in real terms as nominal interest rate minus consumer price inflation. Short-term effects on output show the direct first-year impact net of the effects of the negative demand shock. A temporary expansion is defined as a deterioration of the deficit by 1 percentage point of GDP in the first year and by half a percentage point in the second year, a permanent expansion by a permanent deterioration of the deficit by 1 percentage point of GDP. The share of liquidity-constrained households was alternated between 25 and 50 percent.

[2]Long-run deviations from baseline—calculated by using the steady-state model—is reported only for GDP.