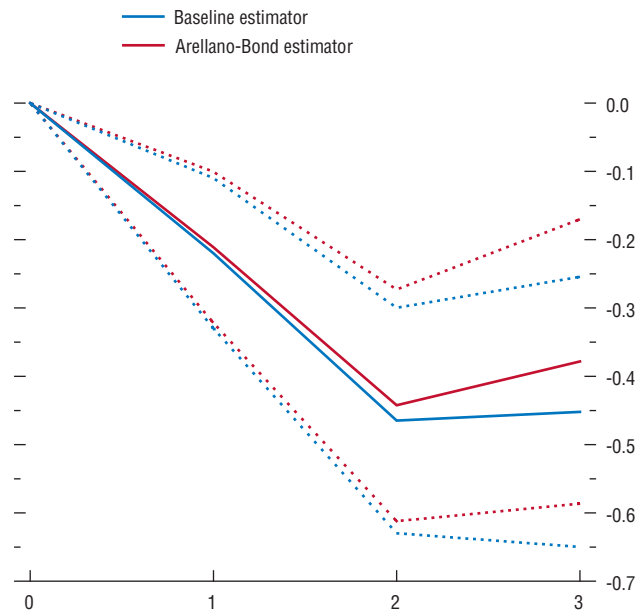


Figure 3.14. Robustness: Impact on GDP of a 1 Percent of GDP Fiscal Consolidation

(Baseline estimator versus Arellano-Bond estimator)

Using the Arellano-Bond procedure had little effect on the results, suggesting that the bias due to correlation of the fixed effects with the lagged dependent variables is small in this sample.



Source: IMF staff calculations.
Note: $t = 1$ denotes the year of consolidation. Dotted lines equal one standard error bands.