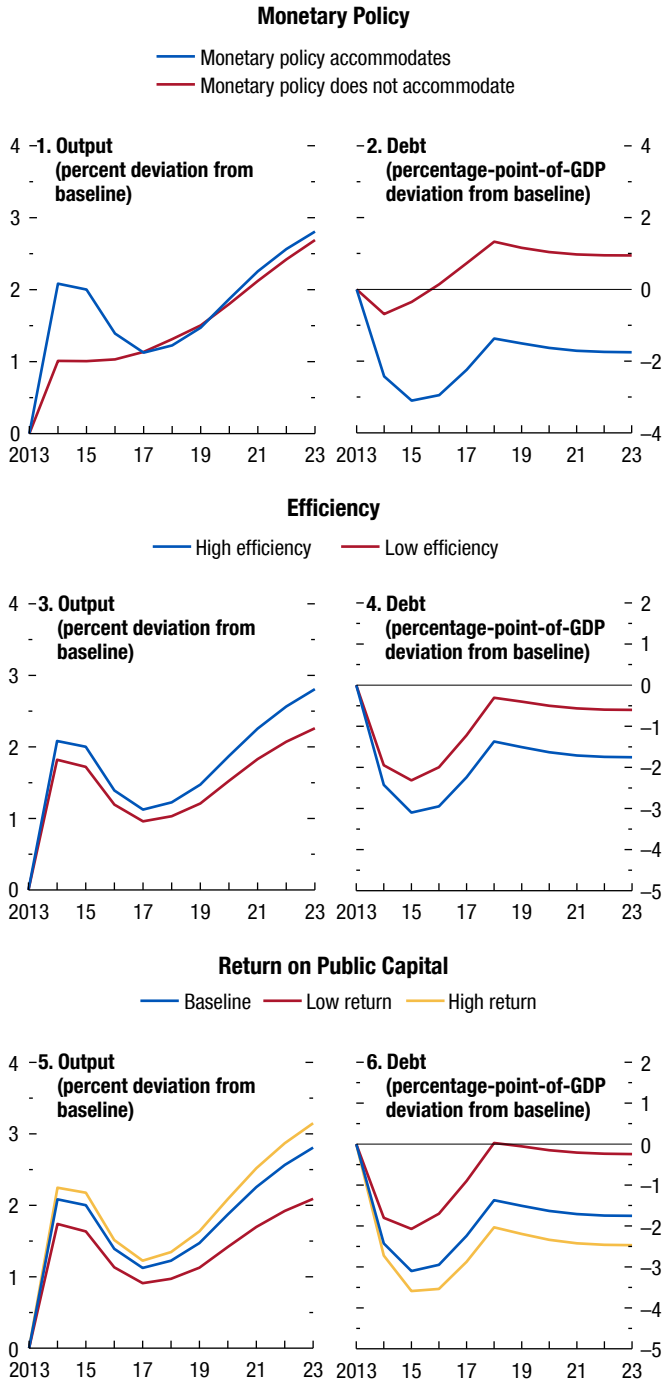


Figure 3.10. Model Simulations: Effect of Public Investment in Advanced Economies—Role of Monetary Policy, Efficiency, and Return on Public Capital

If monetary policy is not accommodative, the short-run output impact of public investment shocks is smaller. Differences in public investment efficiency and return on public capital will also shape the macroeconomic response.



Source: IMF staff estimates.

Note: Shock represents an exogenous 1 percentage point of GDP increase in public investment spending.