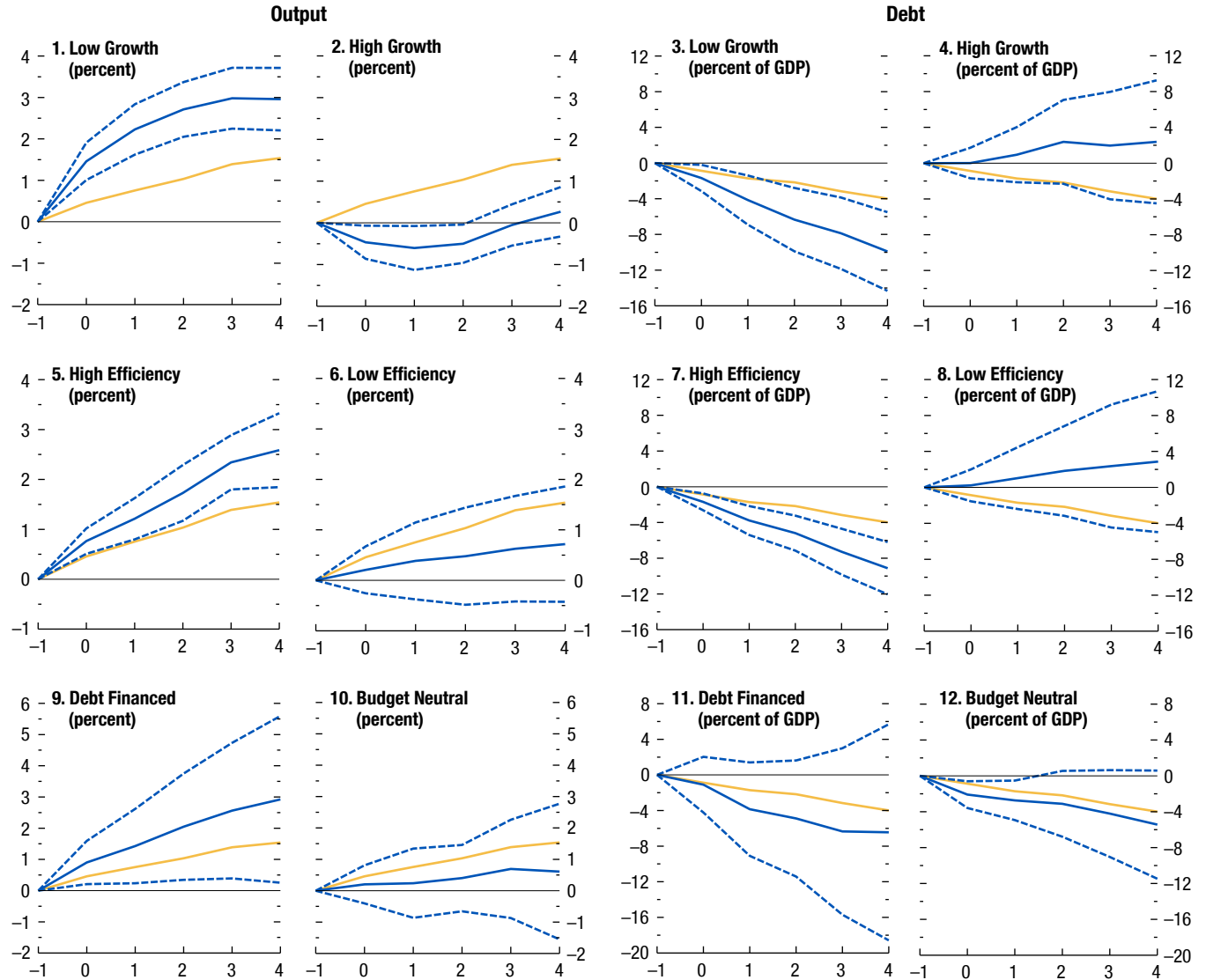


Figure 3.6. Effect of Public Investment in Advanced Economies: Role of Economic Conditions, Efficiency, and Mode of Financing
(Years on x-axis)

The effects of public investment on output and debt tend to be stronger when there is economic slack, when public investment efficiency is high, and when public investment is debt financed.



Source: IMF staff calculations.

Note: $t = 0$ is the year of the shock; dashed lines denote 90 percent confidence bands. Solid yellow lines represent the baseline result. See the text and Appendix 3.2 for the definition of high and low growth, high and low efficiency, and debt financed versus budget neutral. Shock represents an exogenous 1 percentage point of GDP increase in public investment spending.