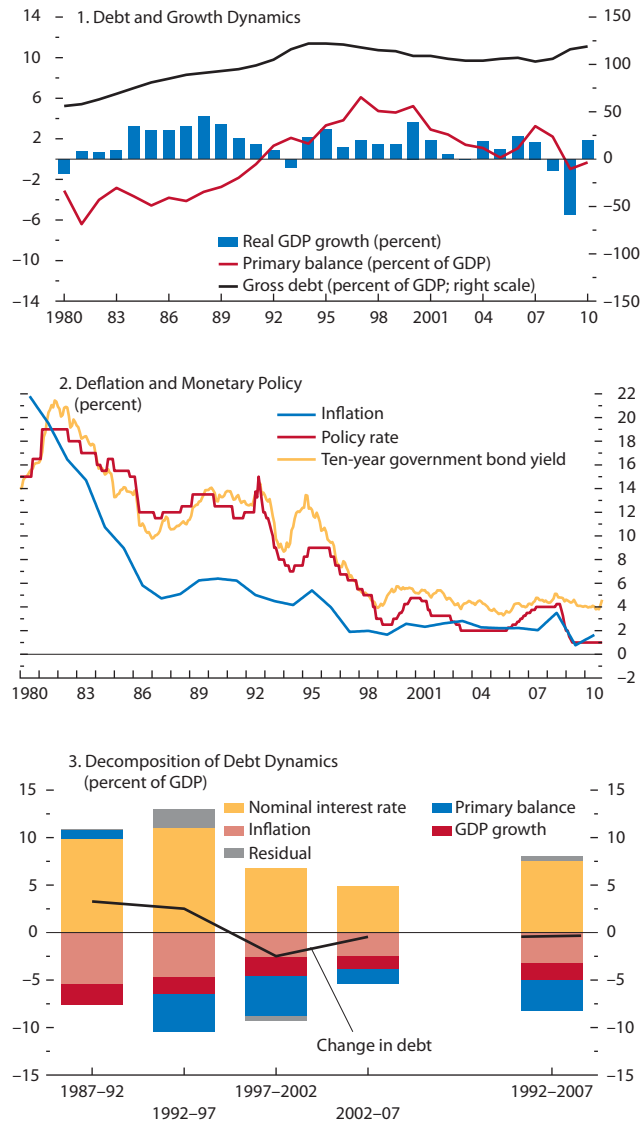


Figure 3.10. Italy: Fading Zeal

In order to meet the Maastricht criteria, Italy achieved large primary surpluses at the end of the 1990s. The debt ratio also started to decline thanks to the reduction in real interest rates. Fiscal consolidation efforts, however, waned during the



Sources: Abbas and others (2010); Bank of Italy; Thomson Reuters Datastream; Haver Analytics; and IMF staff calculations.  
 Note: The decomposition of debt dynamics is based on a linearized version of