

# Experience with Large Fiscal Adjustments

George C. Tsibouris, Mark A. Horton, Mark J. Flanagan,  
and Wojciech S. Maliszewski

---

# Contents

<b>Preface</b>	<b>v</b>
<b>I Overview</b>	<b>1</b>
<b>II Introduction</b>	<b>3</b>
<b>III What Is a “Large” Fiscal Adjustment?</b>	<b>4</b>
<b>IV What Sustains a Large Fiscal Adjustment?</b>	<b>9</b>
Statistical Analysis and Case Study Findings	9
Duration Analysis of Large Fiscal Adjustments	14
<b>V Macroeconomic Impact of Large Fiscal Adjustments</b>	<b>19</b>
<b>VI Conclusions</b>	<b>23</b>
<b>Appendixes</b>	
I. Data and Definitions	24
II. Large Fiscal Adjustment Episodes	27
III. Case Studies of Large Fiscal Adjustment	30
IV. Econometric Methodology	40
V. Macroeconomic Impact of Fiscal Adjustment	41
<b>Bibliography</b>	<b>44</b>
<b>Boxes</b>	
3.1. Frequency of Large Fiscal Adjustments	6
4.1. Case Studies: Structural Fiscal Reforms	13
4.2. Political Support for Fiscal Adjustment	17
4.3. IMF’s Role in Supporting Adjustment Efforts	18
<b>Text Tables</b>	
3.1. Episodes of Fiscal Adjustment by Size and Length, 1971–2001	5
3.2. Pre-Adjustment Macroeconomic Context	6
3.3. Pre-Adjustment Financing Context	7
3.4. Pre-Adjustment Budget Structure	7
4.1. Components of Sustained Versus Reversed Fiscal Adjustments	10
4.2. Success of Fiscal Adjustment in Case Studies	11
4.3. Initial Conditions and Fiscal Adjustment	13
4.4. Enduring Adjustments: Up-Front Versus Gradual Cases	14
4.5. Components of Forced Versus Discretionary Fiscal Adjustments	15
4.6. Results from Proportional Hazard Model for Duration of Large Fiscal Adjustments	16

