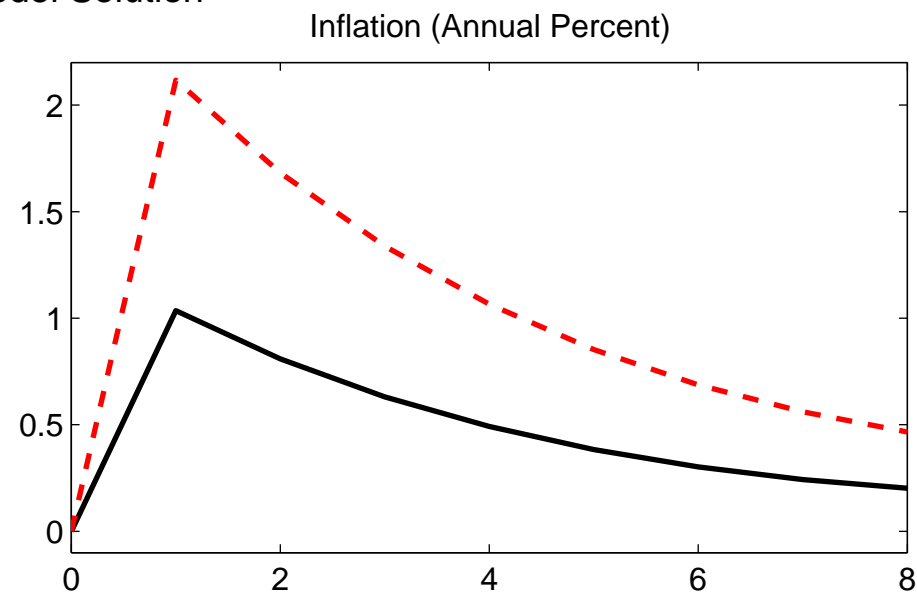
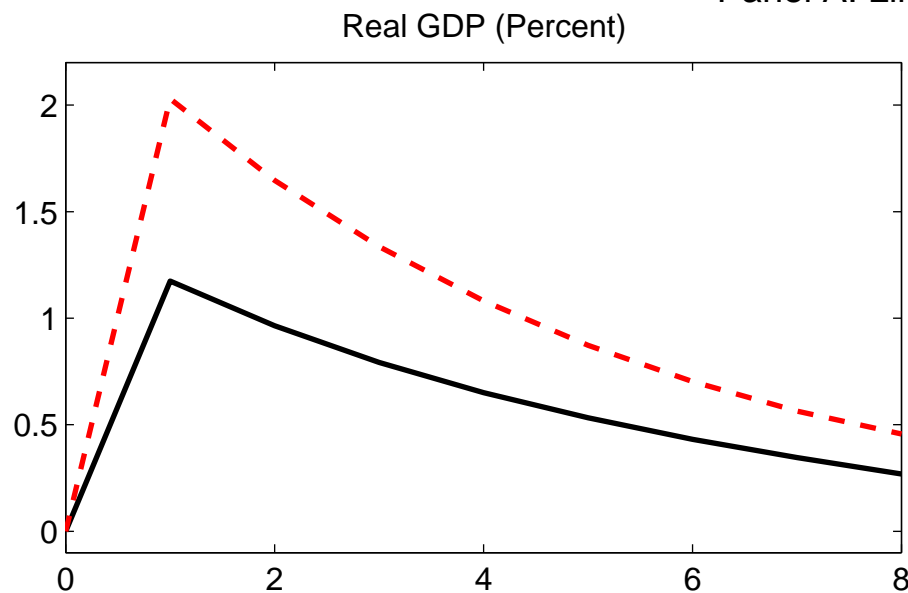
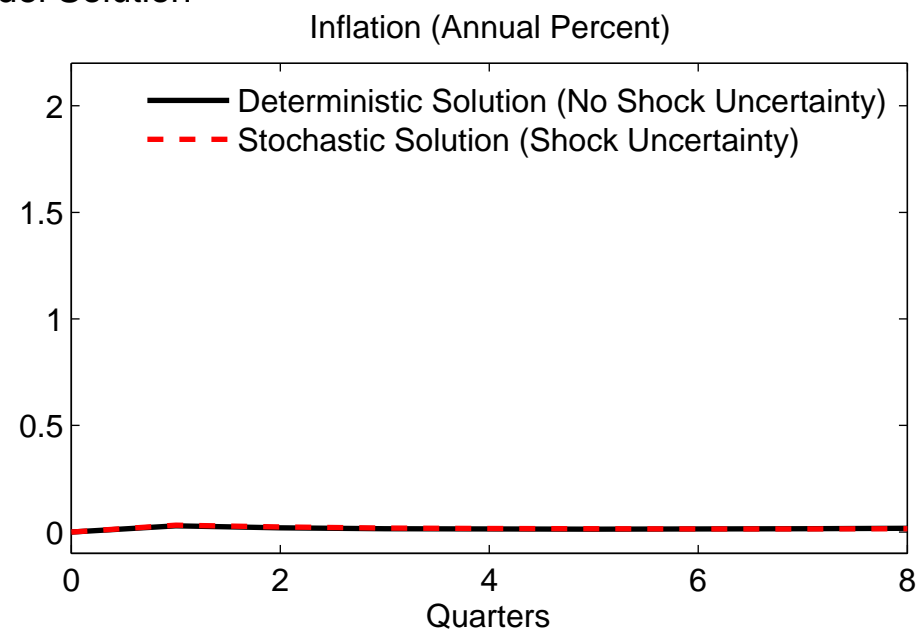
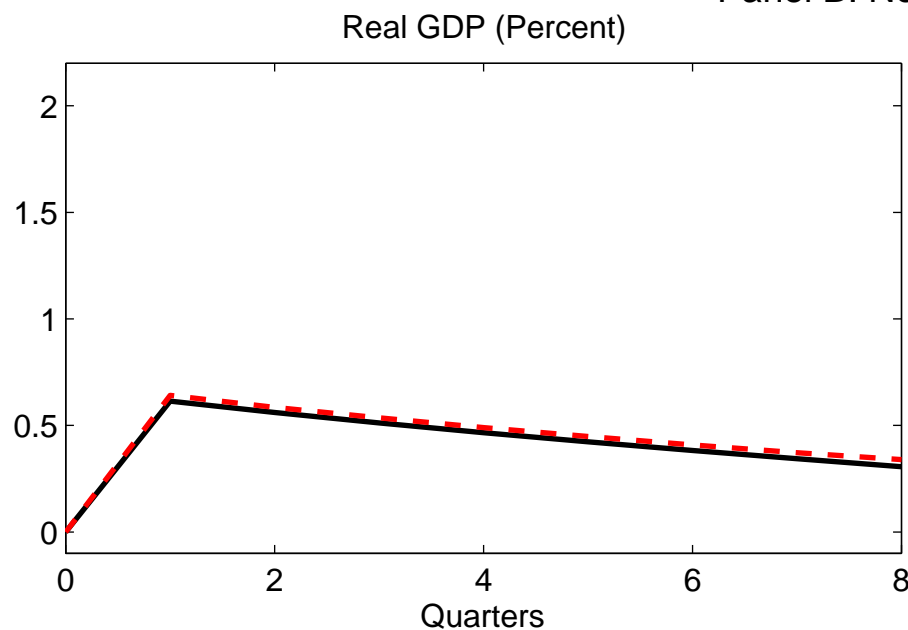


**Figure 5: Effects of an Increase in Government Spending in an 8-Quarter Liquidity Trap**

**Panel A: Linearized Model Solution**



**Panel B: Nonlinear Model Solution**



Notes: GDP and Inflation dev. of scenario from baseline (in % of steady state GDP). Baseline: 8-quarter ZLB. Scenario: baseline plus government spending (scaled to 1% of steady state GDP).