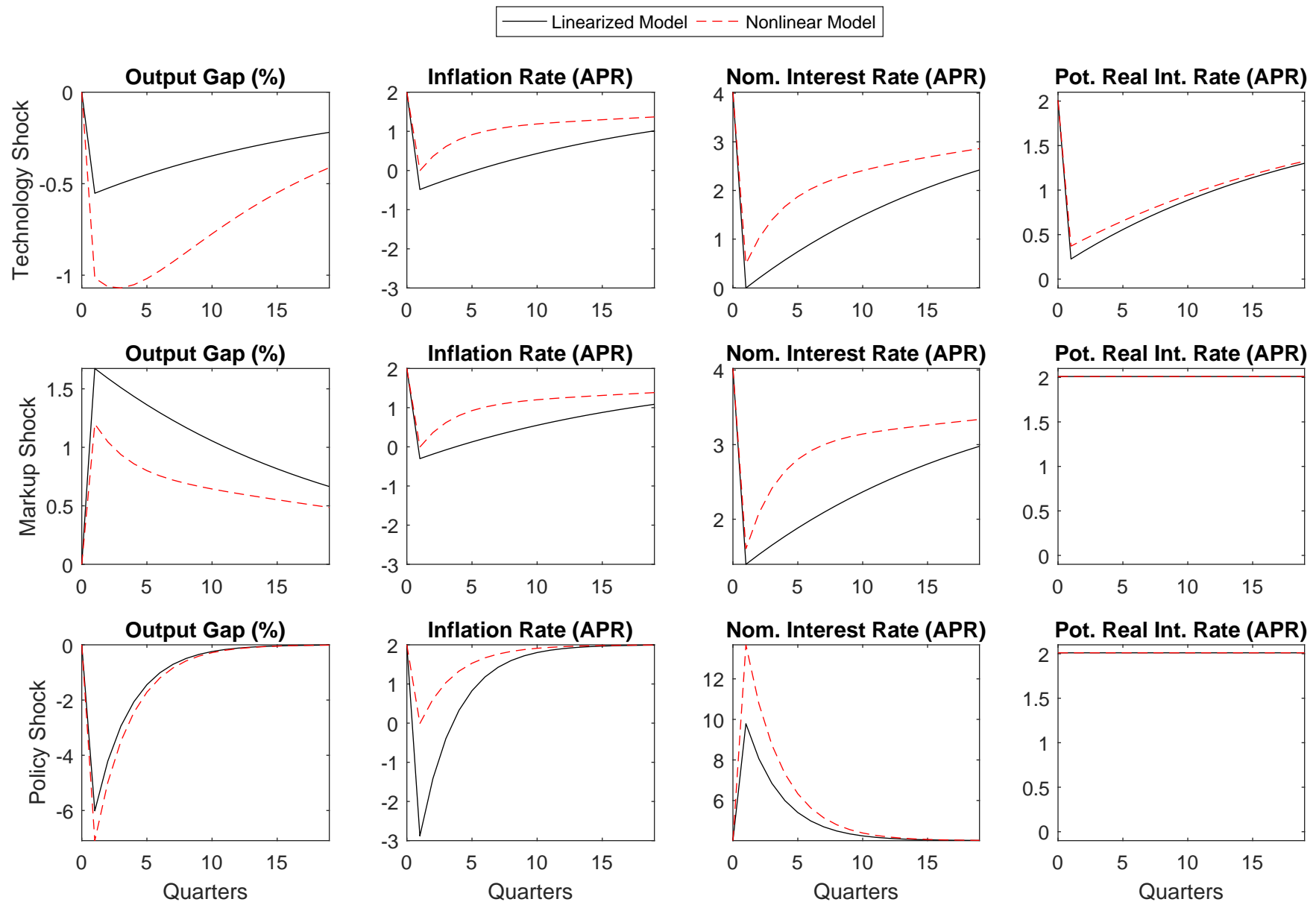


Figure A.2: Impulse Responses to Shocks II: Linearized vs. Nonlinear Model



Notes: Shocks are sized so that inflation falls on impact from 2% to 0% in the nonlinear model. All shocks have $AR(1)=0.95$ except the policy shock which has $AR(1)=0.7$.