Fig. 1. Impulse response function: Benchmark model. Note: These plots display the IRFs to a one-standard deviation technology shock (left panel) and to a one-standard deviation monetary policy shock (right panel). The solid blue lines correspond to the model solved including the equilibrium price of capital $\tilde{q}_t$, whereas the dashed blue lines correspond to the model solved including the approximated price of capital as in Bernanke et al. (1999). (For interpretation of the references to color in this figure legend, the reader is referred to the web version of this article.)