Output after a 100bps Monetary Policy Shock **Taylor Rule** 1.75 1.50 1.25 1.00 0.75 0.50 0.25 0.00 -0.25<sup>+</sup>0 10 6 12 Quarters Smets & Wouters (2007) Median VAR, 1965:Q1-2007:Q4 under Inertial Taylor Rule