Real Interest Rate after a 100bps Monetary Policy Shock Inertial Taylor Rule 0.50 0.25 0.00 -0.25-0.50-0.75-1.00--1.25**-1.50** | −0 10 6 12 Quarters Smets & Wouters (2007) Median VAR, 1965:Q1-2007:Q4 under Inertial Taylor Rule