Collection of figures for draft - for purposes of having a unified visual identity

Laura Gáti

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List of Figures

Figure 1: Market-based inflation expectations, 10 year, average, %

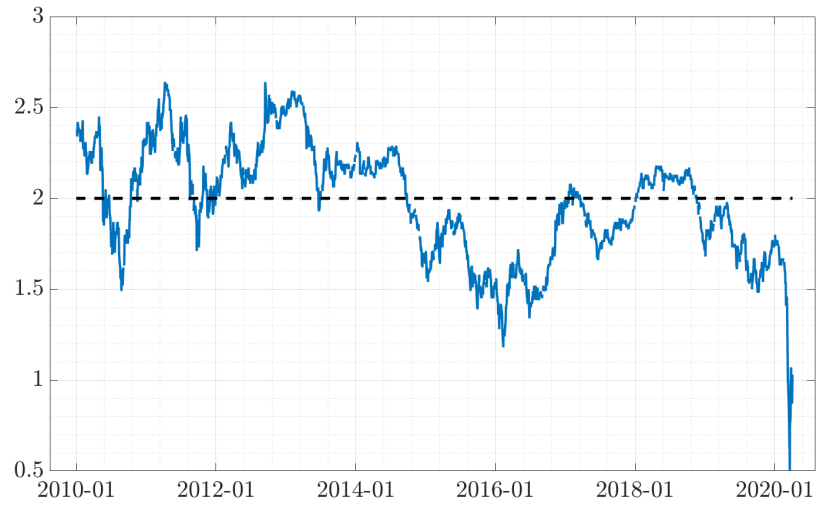**Figure 2:** Comparative statics: policy in function of the endogenous states

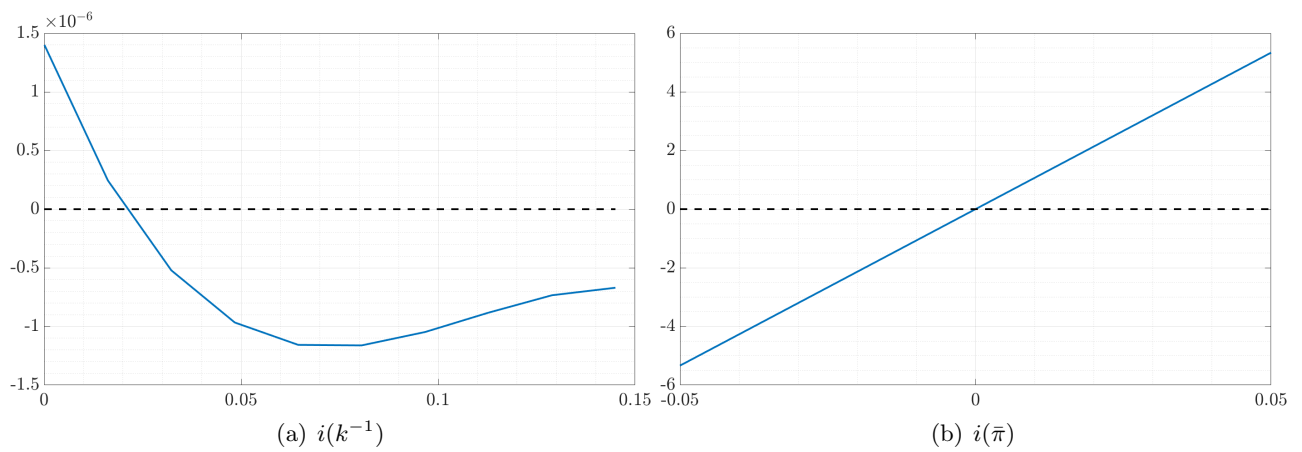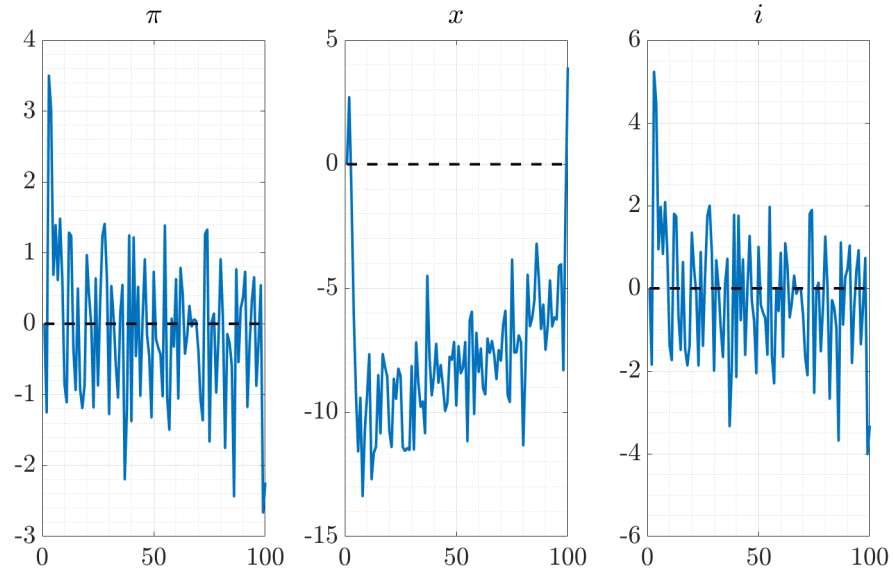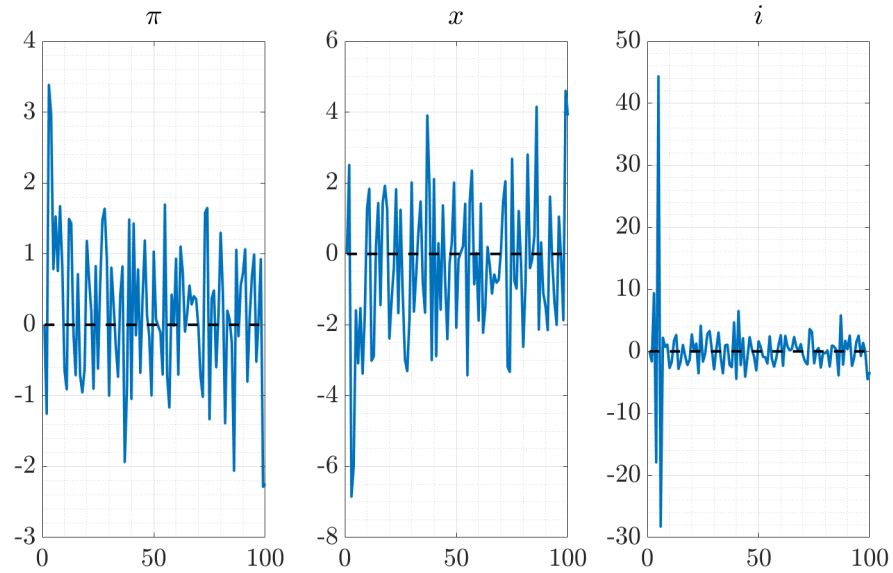
(a) $i(k^{-1})$

(b) $i(\bar{\pi})$

Figure 3

(a) Simulation using a Taylor rule

(b) Simulation using optimal policy

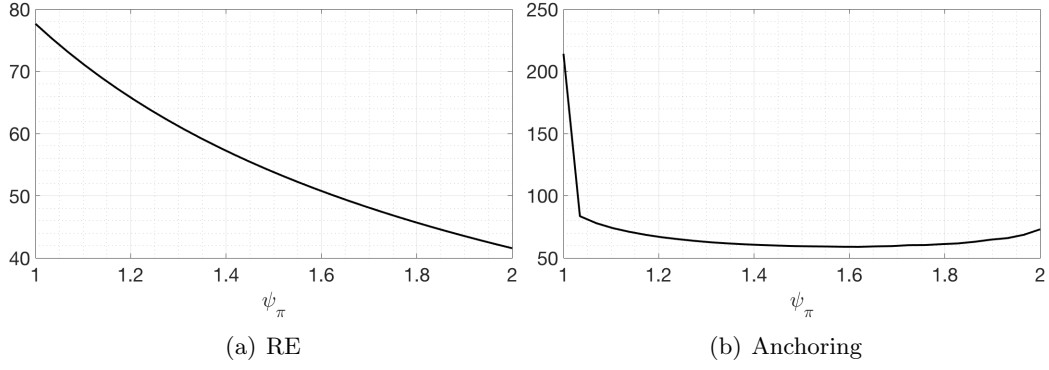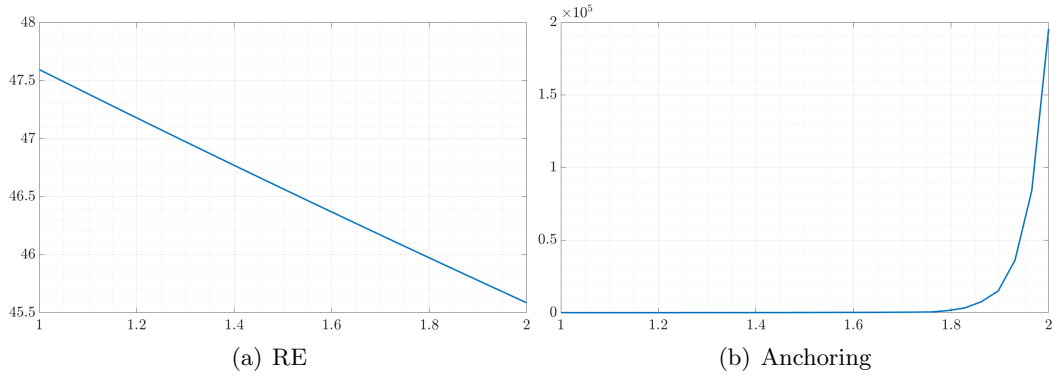**Figure 4:** Central bank loss function as a function of ψ_π

(a) RE

(b) Anchoring

Figure 4.2: Central bank loss function as a function of ψ_π

(a) RE

(b) Anchoring

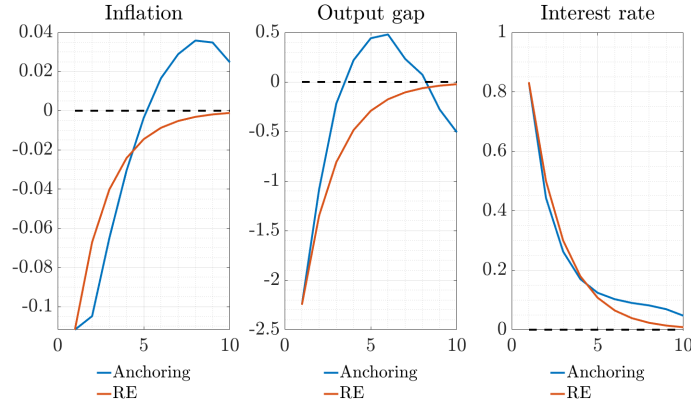Sample length is $T = 400$ with a cross-section of $N = 100$.

Note: Loss is computed for various values of ψ_π when $\psi_x = 0, \lambda_x = \lambda_i = 0$ and for the CUSUM-criterion with parameters $\tilde{\kappa} = 0.8, \tilde{\theta} = 4$. $T = 400, N = 100, n_{burn-in} = 0$

Figure 5: Impulse responses after a contractionary monetary policy shock

(a) RE against anchoring, expectations anchored

(b) RE against anchoring, expectations unanchored
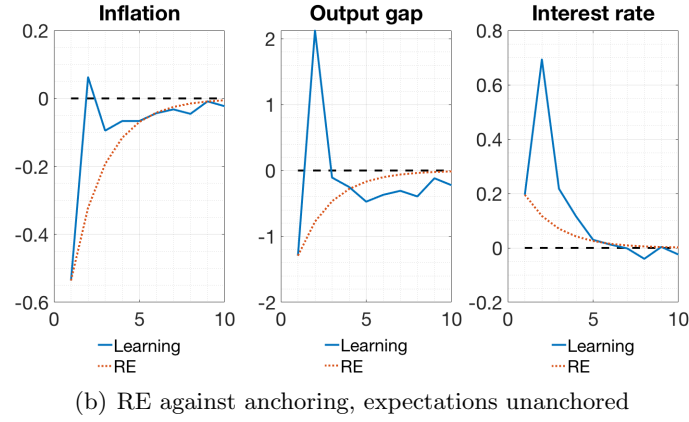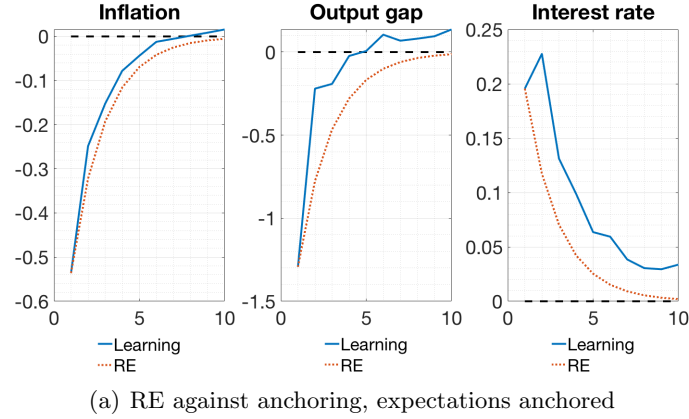
Shock imposed at $t = 25$ of a sample length of $T = 400$ (with 100 initial burn-in periods), cross-sectional average with a cross-section size of $N = 100$. For the rest of the section, I keep these simulation values unless otherwise stated. For the anchoring model, the remark refers to whether expectations are anchored at the time the shock hits.

Figure 5.2: Impulse responses after a contractionary monetary policy shock

(a) RE against anchoring, expectations anchored
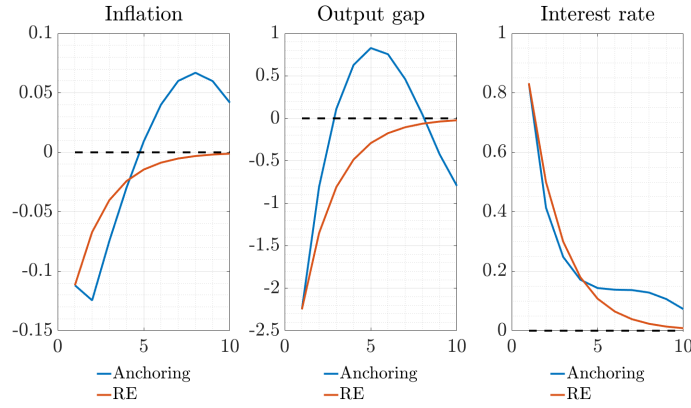

(b) RE against anchoring, expectations unanchored

Shock imposed at $t = 25$ of a sample length of $T = 400$ (with 5 initial burn-in periods), cross-sectional average with a cross-section size of $N = 1000$. For the anchoring model, the remark refers to whether expectations are anchored at the time the shock hits.

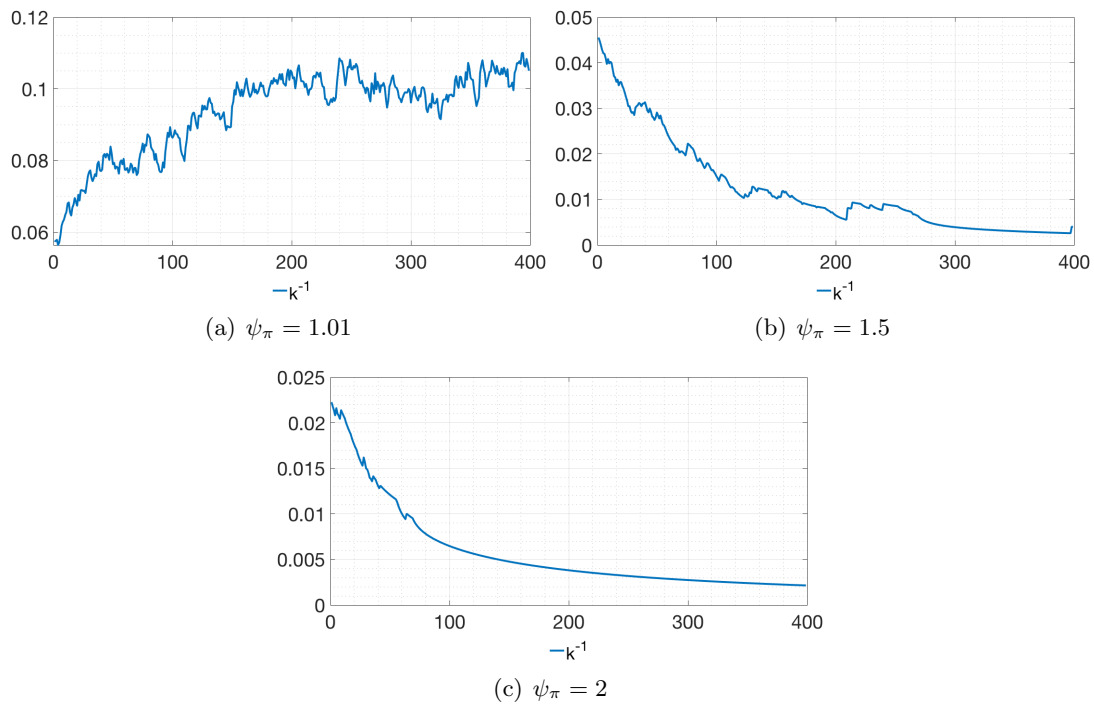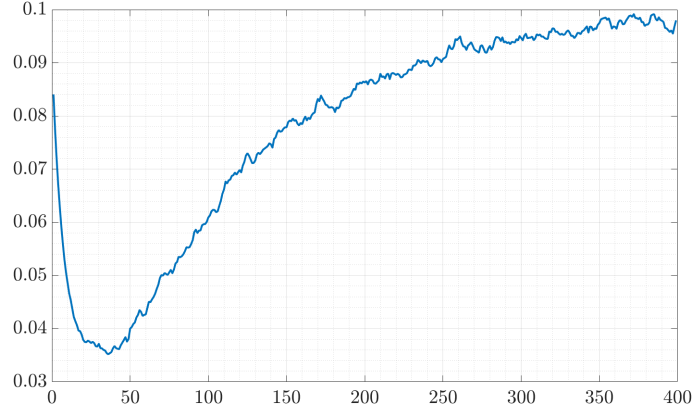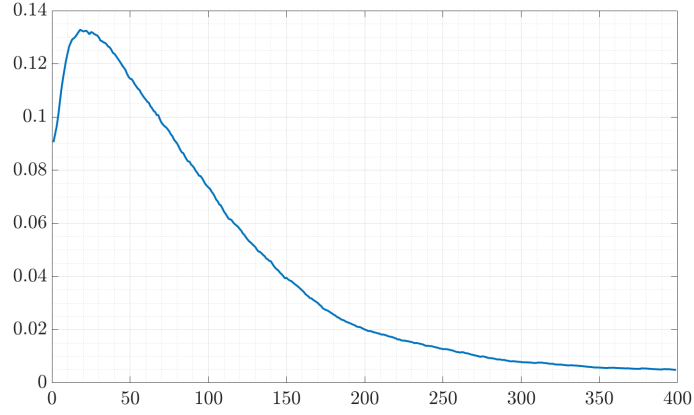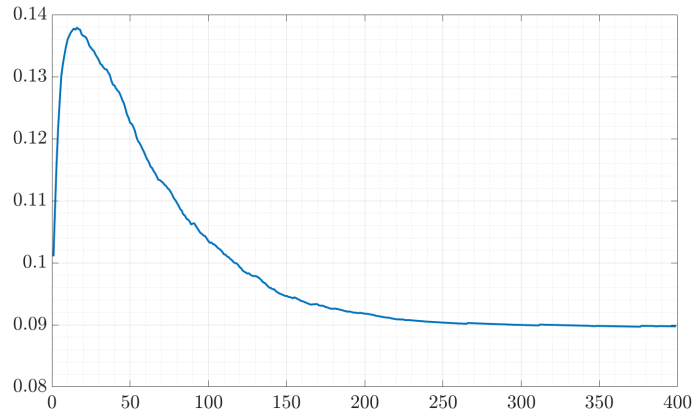**Figure 6:** Cross-sectional average gains for various values of ψ_π

(a) $\psi_\pi = 1.01$

(b) $\psi_\pi = 1.5$

(c) $\psi_\pi = 2$

Figure 6.2: Cross-sectional average gains for various values of ψ_π

(a) $\psi_\pi = 1.01$

(b) $\psi_\pi = 1.5$

(c) $\psi_\pi = 2$

Sample length is $T = 400$ (with 5 initial burn-in periods), cross-section size is $N = 1000$.

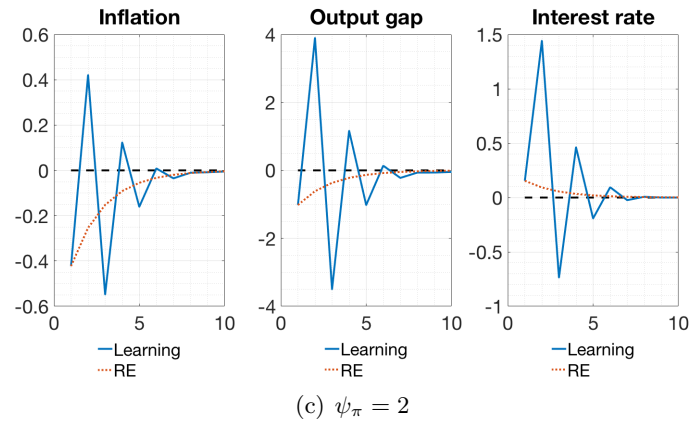**Figure 7:** Impulse responses for unanchored expectations for various values of ψ_π
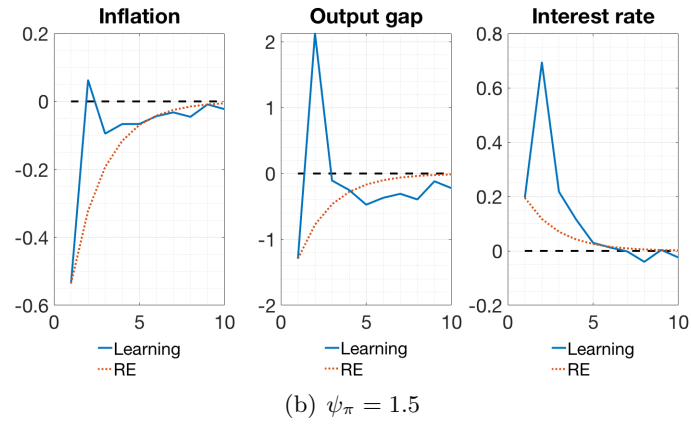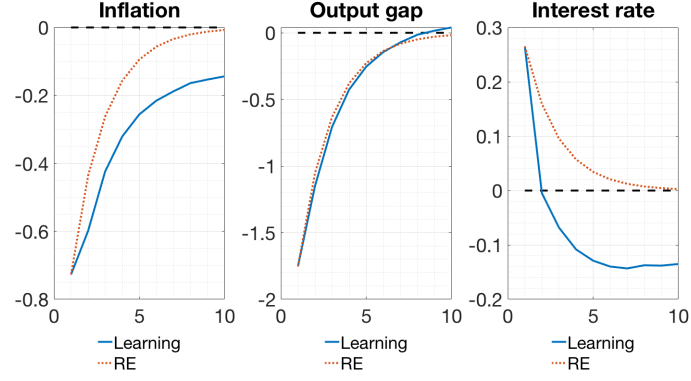

(a) $\psi_\pi = 1.01$

(b) $\psi_\pi = 1.5$

(c) $\psi_\pi = 2$

Figure 7.2: Impulse responses for unanchored expectations for various values of ψ_π
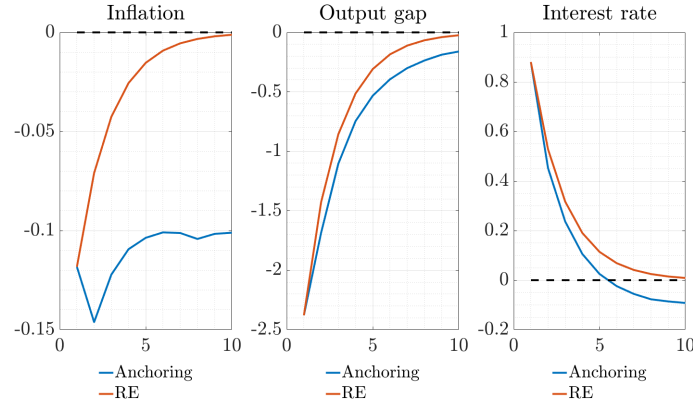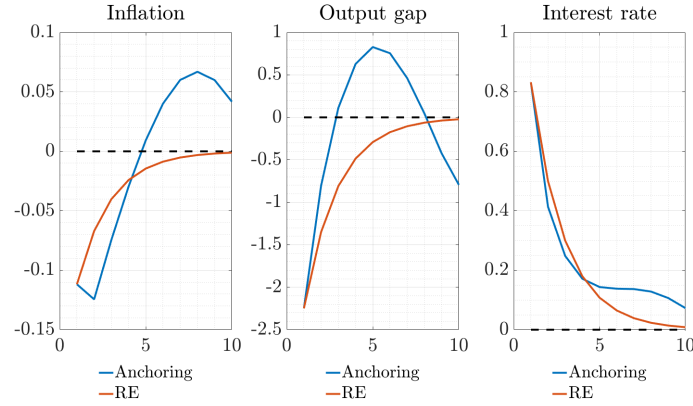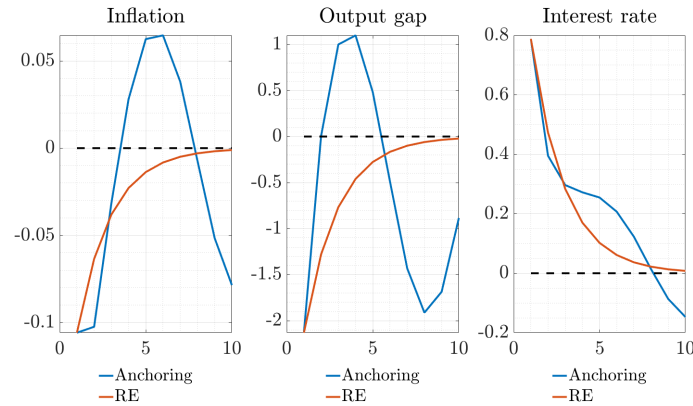

(a) $\psi_\pi = 1.01$

(b) $\psi_\pi = 1.5$

(c) $\psi_\pi = 2$

Shock imposed at $t = 25$ of a sample length of $T = 400$ (with 5 initial burn-in periods), cross-sectional average with a cross-section size of $N = 1000$.

Figure 8: Policy function for two particular histories of states, X^{PEA}

(a) $i(X_1)$

(b) $i(X_2)$