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Model name: `RSW`

1 HIGHREGIME

1.1 Optimisation problem

$$\max_{\mathit{piH}_t, \mathit{yH}_t, \mathit{iH}_t} \mathit{UH}_t = -0.5 \left(\mathit{pitH} - \mathit{pitCB} + \mathit{piH}_t\right)^2 + \beta \left(\mathit{pH} \mathrm{E}_t \left[\mathit{UH}_{t+1}\right] + \left(1 - \mathit{pH}\right) \mathrm{E}_t \left[\mathit{UL}_{t+1}\right]\right) - 0.5 \kappa \theta^{-1} \mathit{yH}_t{}^2 \tag{1.1}$$

s.t. :

$$\mathit{piH}_{t-1} = \log \mathit{etapi}_{t-1} + \beta \left(\mathit{pH} \mathit{piH}_t + \mathit{piL}_t \left(1 - \mathit{pH}\right)\right) + \kappa \mathit{yH}_{t-1} \quad \left(\lambda_t^{\mathrm{HIGHREGIME}^1}\right) \tag{1.2}$$

$$\mathit{yH}_{t-1} = \log \mathit{etag}_{t-1} + \mathit{pH} \mathit{yH}_t - \sigma \left(\mathit{iH}_{t-1} - \mathit{pH} \mathit{piH}_t - \mathit{piL}_t \left(1 - \mathit{pH}\right)\right) + \mathit{yL}_t \left(1 - \mathit{pH}\right) \quad \left(\lambda_t^{\mathrm{HIGHREGIME}^2}\right) \tag{1.3}$$

1.2 First order conditions

$$-\mathit{pitH} + \mathit{pitCB} - \mathit{piH}_t + \beta \mathit{pH} \lambda_t^{\mathrm{HIGHREGIME}^1} - \beta \mathit{pH} \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^1}\right] + \mathit{pH} \sigma \lambda_t^{\mathrm{HIGHREGIME}^2} = 0 \quad \left(\mathit{piH}_t\right) \tag{1.4}$$

$$\mathit{pH} \lambda_t^{\mathrm{HIGHREGIME}^2} + \beta \mathit{pH} \left(\kappa \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^1}\right] - \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^2}\right]\right) - \kappa \theta^{-1} \mathit{yH}_t = 0 \quad \left(\mathit{yH}_t\right) \tag{1.5}$$

$$-\beta \mathit{pH} \sigma \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^2}\right] = 0 \quad \left(\mathit{iH}_t\right) \tag{1.6}$$

2 LOWREGIME

2.1 Optimisation problem

$$\max_{\mathit{piL}_t, \mathit{yL}_t, \mathit{iL}_t} \mathit{UL}_t = -0.5 \left(-\mathit{pitCB} + \mathit{pitL} + \mathit{piL}_t\right)^2 + \beta \left(\mathit{pL} \mathrm{E}_t \left[\mathit{UL}_{t+1}\right] + \left(1 - \mathit{pL}\right) \mathrm{E}_t \left[\mathit{UH}_{t+1}\right]\right) - 0.5 \kappa \theta^{-1} \mathit{yL}_t{}^2 \tag{2.1}$$

s.t. :

$$\mathit{piL}_{t-1} = \log \mathit{etapi}_{t-1} + \beta \left(\mathit{pL} \mathit{piL}_t + \mathit{piH}_t \left(1 - \mathit{pL}\right)\right) + \kappa \mathit{yL}_{t-1} \quad \left(\lambda_t^{\mathrm{LOWREGIME}^1}\right) \tag{2.2}$$

$$\mathit{yL}_{t-1} = \log \mathit{etag}_{t-1} + \mathit{pL} \mathit{yL}_t - \sigma \left(\mathit{iL}_{t-1} - \mathit{pL} \mathit{piL}_t - \mathit{piH}_t \left(1 - \mathit{pL}\right)\right) + \mathit{yH}_t \left(1 - \mathit{pL}\right) \quad \left(\lambda_t^{\mathrm{LOWREGIME}^2}\right) \tag{2.3}$$

2.2 First order conditions

$$\mathit{pitCB} - \mathit{pitL} - \mathit{piL}_t + \beta \mathit{pL} \lambda_t^{\mathrm{LOWREGIME}^1} - \beta \mathit{pL} \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^1}\right] + \mathit{pL} \sigma \lambda_t^{\mathrm{LOWREGIME}^2} = 0 \quad \left(\mathit{piL}_t\right) \tag{2.4}$$

$$pL\lambda_t^{\mathrm{LOWREGIME}^2} + \beta pL \left(\kappa \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^1}\right] - \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^2}\right]\right) - \kappa\theta^{-1} yL_t = 0 \quad (yL_t) \tag{2.5}$$

$$-\beta pL\sigma \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^2}\right] = 0 \quad (iL_t) \tag{2.6}$$

3 EXOG

3.1 Identities

$$\mathit{etapi}_t = e^{\epsilon_t^{\pi} + \phi \log \mathit{etapi}_{t-1}} \tag{3.1}$$

$$\mathit{etag}_t = e^{\epsilon_t^{\mathrm{g}} + \mathit{phig} \log \mathit{etag}_{t-1}} \tag{3.2}$$

4 Equilibrium relationships (after reduction)

$$-\mathit{etapi}_t + e^{\epsilon_t^{\pi} + \phi \log \mathit{etapi}_{t-1}} = 0 \tag{4.1}$$

$$-\mathit{etag}_t + e^{\epsilon_t^{\mathrm{g}} + \mathit{phig} \log \mathit{etag}_{t-1}} = 0 \tag{4.2}$$

$$pH\lambda_t^{\mathrm{HIGHREGIME}^2} + \beta pH \left(\kappa \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^1}\right] - \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^2}\right]\right) - \kappa\theta^{-1} yH_t = 0 \tag{4.3}$$

$$pL\lambda_t^{\mathrm{LOWREGIME}^2} + \beta pL \left(\kappa \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^1}\right] - \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^2}\right]\right) - \kappa\theta^{-1} yL_t = 0 \tag{4.4}$$

$$-piH_{t-1} + \log \mathit{etapi}_{t-1} + \beta \left(pH\, piH_t + piL_t \left(1 - pH\right)\right) + \kappa yH_{t-1} = 0 \tag{4.5}$$

$$-piL_{t-1} + \log \mathit{etapi}_{t-1} + \beta \left(pL\, piL_t + piH_t \left(1 - pL\right)\right) + \kappa yL_{t-1} = 0 \tag{4.6}$$

$$UH_t + 0.5 \left(pitH - pitCB + piH_t\right)^2 - \beta \left(pH \mathrm{E}_t \left[UH_{t+1}\right] + \left(1 - pH\right) \mathrm{E}_t \left[UL_{t+1}\right]\right) + 0.5\kappa\theta^{-1} {yH_t}^2 = 0 \tag{4.7}$$

$$UL_t + 0.5 \left(-pitCB + pitL + piL_t\right)^2 - \beta \left(pL \mathrm{E}_t \left[UL_{t+1}\right] + \left(1 - pL\right) \mathrm{E}_t \left[UH_{t+1}\right]\right) + 0.5\kappa\theta^{-1} {yL_t}^2 = 0 \tag{4.8}$$

$$-yH_{t-1} + \log \mathit{etag}_{t-1} + pH\, yH_t - \sigma \left(iH_{t-1} - pH\, piH_t - piL_t \left(1 - pH\right)\right) + yL_t \left(1 - pH\right) = 0 \tag{4.9}$$

$$-yL_{t-1} + \log \mathit{etag}_{t-1} + pL\, yL_t - \sigma \left(iL_{t-1} - pL\, piL_t - piH_t \left(1 - pL\right)\right) + yH_t \left(1 - pL\right) = 0 \tag{4.10}$$

$$-pitH + pitCB - piH_t + \beta pH\lambda_t^{\mathrm{HIGHREGIME}^1} - \beta pH \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^1}\right] + pH\sigma\lambda_t^{\mathrm{HIGHREGIME}^2} = 0 \tag{4.11}$$

$$pitCB - pitL - piL_t + \beta pL\lambda_t^{\mathrm{LOWREGIME}^1} - \beta pL \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^1}\right] + pL\sigma\lambda_t^{\mathrm{LOWREGIME}^2} = 0 \tag{4.12}$$

$$-\beta pH\sigma \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{HIGHREGIME}^2}\right] = 0 \tag{4.13}$$

$$-\beta pL\sigma \mathrm{E}_t \left[\lambda_{t+1}^{\mathrm{LOWREGIME}^2}\right] = 0 \tag{4.14}$$

5 Steady state relationships (after reduction)

$$-etapi_{\mathrm{ss}} + e^{\phi \log etapi_{\mathrm{ss}}} = 0 \tag{5.1}$$

$$-etag_{\mathrm{ss}} + e^{phig \log etag_{\mathrm{ss}}} = 0 \tag{5.2}$$

$$pH\lambda_{\mathrm{ss}}^{\mathrm{HIGHREGIME}^2} + \beta pH \left(-\lambda_{\mathrm{ss}}^{\mathrm{HIGHREGIME}^2} + \kappa\lambda_{\mathrm{ss}}^{\mathrm{HIGHREGIME}^1}\right) - \kappa\theta^{-1} yH_{\mathrm{ss}} = 0 \tag{5.3}$$

$$pL\lambda_{\mathrm{ss}}^{\mathrm{LOWREGIME}^2} + \beta pL \left(-\lambda_{\mathrm{ss}}^{\mathrm{LOWREGIME}^2} + \kappa\lambda_{\mathrm{ss}}^{\mathrm{LOWREGIME}^1}\right) - \kappa\theta^{-1} yL_{\mathrm{ss}} = 0 \tag{5.4}$$

$$-piH_{\mathrm{ss}} + \log etapi_{\mathrm{ss}} + \beta\left(pH\, piH_{\mathrm{ss}} + piL_{\mathrm{ss}}\left(1 - pH\right)\right) + \kappa yH_{\mathrm{ss}} = 0 \tag{5.5}$$

$$-piL_{\mathrm{ss}} + \log etapi_{\mathrm{ss}} + \beta\left(pL\, piL_{\mathrm{ss}} + piH_{\mathrm{ss}}\left(1 - pL\right)\right) + \kappa yL_{\mathrm{ss}} = 0 \tag{5.6}$$

$$UH_{\mathrm{ss}} + 0.5\left(pitH - pitCB + piH_{\mathrm{ss}}\right)^2 - \beta\left(pH\, UH_{\mathrm{ss}} + UL_{\mathrm{ss}}\left(1 - pH\right)\right) + 0.5\kappa\theta^{-1} {yH_{\mathrm{ss}}}^2 = 0 \tag{5.7}$$

$$UL_{\mathrm{ss}} + 0.5\left(-pitCB + pitL + piL_{\mathrm{ss}}\right)^2 - \beta\left(pL\, UL_{\mathrm{ss}} + UH_{\mathrm{ss}}\left(1 - pL\right)\right) + 0.5\kappa\theta^{-1} {yL_{\mathrm{ss}}}^2 = 0 \tag{5.8}$$

$$-yH_{\mathrm{ss}} + \log etag_{\mathrm{ss}} + pH\, yH_{\mathrm{ss}} - \sigma\left(iH_{\mathrm{ss}} - pH\, piH_{\mathrm{ss}} - piL_{\mathrm{ss}}\left(1 - pH\right)\right) + yL_{\mathrm{ss}}\left(1 - pH\right) = 0 \tag{5.9}$$

$$-yL_{\mathrm{ss}} + \log etag_{\mathrm{ss}} + pL\, yL_{\mathrm{ss}} - \sigma\left(iL_{\mathrm{ss}} - pL\, piL_{\mathrm{ss}} - piH_{\mathrm{ss}}\left(1 - pL\right)\right) + yH_{\mathrm{ss}}\left(1 - pL\right) = 0 \tag{5.10}$$

$$-pitH + pitCB - piH_{\mathrm{ss}} + pH\sigma\lambda_{\mathrm{ss}}^{\mathrm{HIGHREGIME}^2} = 0 \tag{5.11}$$

$$pitCB - pitL - piL_{\mathrm{ss}} + pL\sigma\lambda_{\mathrm{ss}}^{\mathrm{LOWREGIME}^2} = 0 \tag{5.12}$$

$$-\beta pH\sigma\lambda_{\mathrm{ss}}^{\mathrm{HIGHREGIME}^2} = 0 \tag{5.13}$$

$$-\beta pL\sigma\lambda_{\mathrm{ss}}^{\mathrm{LOWREGIME}^2} = 0 \tag{5.14}$$

6 Parameter settings

$$\beta = 0.99 \tag{6.1}$$

$$\kappa = 0.2465 \tag{6.2}$$

$$\phi = 0.95 \tag{6.3}$$

$$phig = 0.99 \tag{6.4}$$

$$pitH = 0 \tag{6.5}$$

$$pitCB = 0 \tag{6.6}$$

$$pitL = 2 \tag{6.7}$$

$$pH = 0.99 \tag{6.8}$$

$$pL = 0.99 \tag{6.9}$$

$$\sigma = 1 \tag{6.10}$$

$$\theta = 6 \tag{6.11}$$

7 Steady-state values

	Steady-state value
$etapi$	1
$etag$	1
iH	-0.0224
iL	-1.9776
$\lambda^{\text{HIGHREGIME}^1}$	0.0137
$\lambda^{\text{HIGHREGIME}^2}$	0
$\lambda^{\text{LOWREGIME}^1}$	-0.0275
$\lambda^{\text{LOWREGIME}^2}$	0
piH	0
piL	-2
yH	0.0803
yL	-0.1615
UH	-0.0266
UL	-0.0402

8 The solution of the 1st order perturbation

Matrix P

$$\begin{array}{cc} & \begin{array}{cccccccc} etapi_{t-1} & etag_{t-1} & iH_{t-1} & iL_{t-1} & piH_{t-1} & piL_{t-1} & yH_{t-1} & yL_{t-1} \end{array} \\ \begin{array}{c} etapi_t \\ etag_t \\ iH_t \\ iL_t \\ piH_t \\ piL_t \\ yH_t \\ yL_t \end{array} & \begin{pmatrix} 0.95 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\ 0 & 0.99 & 0 & 0 & 0 & 0 & 0 & 0 \\ -581.3663 & 130.7957 & -1.9645 & 1.9668 & 262.9418 & -6.4295 & -12.245 & 0.2885 \\ -6.5904 & 1.4827 & 3e-04 & -1.9645 & -0.0364 & 5.9614 & 0.0016 & -0.279 \\ -1.0101 & 0 & 0 & 0 & 1.0204 & -0.0206 & -0.0202 & 4e-04 \\ -0.5051 & 0 & 0 & 0 & -0.0052 & 1.0204 & 1e-04 & -0.0203 \\ 12.5752 & -12.4495 & 0.2819 & -0.2512 & -12.7036 & 0.2566 & 1.2617 & -0.0256 \\ 6.256 & -6.1935 & -0.0014 & 12.3731 & 0.0638 & -12.6397 & -0.0063 & 1.2617 \end{pmatrix} \end{array}$$

Matrix Q

$$\begin{array}{cc} & \begin{array}{cc} \epsilon^{\pi} & \epsilon^{g} \end{array} \\ \begin{array}{c} etapi \\ etag \\ iH \\ iL \\ piH \\ piL \\ yH \\ yL \end{array} & \begin{pmatrix} 1 & 0 \\ 0 & 1 \\ -338.5676 & 44.6073 \\ -3.838 & 0.5057 \\ 0 & 0 \\ 0 & 0 \\ 0 & 0 \\ 0 & 0 \end{pmatrix} \end{array}$$

Matrix R

$$\begin{array}{cc} & \begin{array}{cccccccc} etapi_{t-1} & etag_{t-1} & iH_{t-1} & iL_{t-1} & piH_{t-1} & piL_{t-1} & yH_{t-1} & yL_{t-1} \end{array} \\ \begin{array}{c} \lambda_t^{\text{HIGHREGIME}^1} \\ \lambda_t^{\text{HIGHREGIME}^2} \\ \lambda_t^{\text{LOWREGIME}^1} \\ \lambda_t^{\text{LOWREGIME}^2} \\ UH_t \\ UL_t \end{array} & \begin{pmatrix} -438.2639 & 37.009 & -0.8469 & 1.5233 & 256.4894 & -9.1521 & -8.1131 & 0.3065 \\ 1.0038 & -0.1323 & 0.003 & -0.0047 & -0.516 & 0.021 & 0.021 & -8e-04 \\ -218.0308 & 18.4115 & 0.0086 & -37.1681 & -2.2765 & 255.2005 & 0.0759 & -8.1131 \\ 1.0038 & -0.1323 & -1e-04 & 0.2663 & 0.0105 & -1.0321 & -4e-04 & 0.0423 \\ 5.5767 & 0.0054 & 0 & -0.0109 & -0.5135 & 0.0668 & 0.0102 & -0.0022 \\ -9.4149 & -0.0036 & 1e-04 & -2e-04 & -0.0256 & 1.3683 & 8e-04 & -0.0272 \end{pmatrix} \end{array}$$

Matrix S

$$
\begin{array}{l}
 \\
\lambda^{\text{HIGHREGIME}^1} \\
\lambda^{\text{HIGHREGIME}^2} \\
\lambda^{\text{LOWREGIME}^1} \\
\lambda^{\text{LOWREGIME}^2} \\
UH \\
UL
\end{array}
\begin{array}{c}
\begin{array}{cc} \epsilon^{\pi} & \epsilon^{g} \end{array} \\
\begin{pmatrix}
-196.1584 & 0 \\
0.5246 & 0 \\
-97.5864 & 0 \\
0.5246 & 0 \\
5.3648 & 0 \\
-9.2172 & 0
\end{pmatrix}
\end{array}
$$

9 Model statistics

9.1 Basic statistics

	Steady-state value	Std. dev.	Variance	Loglin
etapi	1	0.1303	0.017	Y
etag	1	0.1297	0.0168	Y
iH	-0.0224	34.9144	1219.0128	Y
iL	-1.9776	0.3958	0.1566	Y
$\lambda^{\text{HIGHREGIME}^1}$	0.0137	21.6778	469.9288	Y
$\lambda^{\text{HIGHREGIME}^2}$	0	0.0506	0.0026	N
$\lambda^{\text{LOWREGIME}^1}$	-0.0275	10.7845	116.3044	Y
$\lambda^{\text{LOWREGIME}^2}$	0	0.0506	0.0026	N
piH	0	0.0985	0.0097	N
piL	-2	0.0492	0.0024	Y
yH	0.0803	8.6232	74.3602	Y
yL	-0.1615	4.29	18.4037	Y
UH	-0.0266	0.7264	0.5277	Y
UL	-0.0402	1.2362	1.5281	Y

9.2 Correlation matrix

	etapi	*etag*	*iH*	*iL*	$\lambda^{\text{HIGHREGIME}^1}$	$\lambda^{\text{HIGHREGIME}^2}$	$\lambda^{\text{LOWREGIME}^1}$	$\lambda^{\text{LOWREGIME}^2}$	*piH*
etapi	1	0	-0.297	-0.297	-0.825	0.436	-0.825	0.436	-0.491
etag		1	0.166	0.166	0	0	0	0	0
iH			1	1	0.559	-0.964	0.559	-0.964	-0.318
iL				1	0.559	-0.964	0.559	-0.964	-0.318
$\lambda^{\text{HIGHREGIME}^1}$					1	-0.725	1	-0.725	0.567
$\lambda^{\text{HIGHREGIME}^2}$						1	-0.725	1	0.116
$\lambda^{\text{LOWREGIME}^1}$							1	-0.725	0.567
$\lambda^{\text{LOWREGIME}^2}$								1	0.116
piH									1
piL									
yH									
yL									
UH									
UL									

9.3 Cross correlations with the reference variable (iH)

	$\sigma[\cdot]$ rel. to $\sigma[iH]$	iH_{t-5}	iH_{t-4}	iH_{t-3}	iH_{t-2}	iH_{t-1}	iH_t	iH_{t+1}	iH_{t+2}	iH_{t+3}	iH_{t+4}
$etapi_t$	0.004	0.097	0.129	0.174	0.255	0.438	-0.297	-0.25	-0.207	-0.166	-0.13
$etag_t$	0.004	0	0.021	0.047	0.08	0.119	0.166	0.119	0.08	0.047	0.021
iH_t	1	-0.027	-0.031	-0.041	-0.077	-0.193	1	-0.193	-0.077	-0.041	-0.031
iL_t	0.011	-0.027	-0.031	-0.041	-0.077	-0.193	1	-0.193	-0.077	-0.041	-0.031
$\lambda_t^{\mathrm{HIGHREGIME}^1}$	0.621	-0.077	-0.099	-0.132	-0.201	-0.38	0.559	0.464	0.149	0.042	0.003
$\lambda_t^{\mathrm{HIGHREGIME}^2}$	0.001	0.04	0.05	0.07	0.12	0.265	-0.964	0.043	0.042	0.04	0.038
$\lambda_t^{\mathrm{LOWREGIME}^1}$	0.309	-0.077	-0.099	-0.132	-0.201	-0.38	0.559	0.464	0.149	0.042	0.003
$\lambda_t^{\mathrm{LOWREGIME}^2}$	0.001	0.04	0.05	0.07	0.12	0.265	-0.964	0.043	0.042	0.04	0.038
piH_t	0.003	-0.045	-0.056	-0.07	-0.095	-0.154	-0.318	0.84	0.232	0.039	-0.022
piL_t	0.001	-0.045	-0.056	-0.07	-0.095	-0.154	-0.318	0.84	0.232	0.039	-0.022
yH_t	0.247	-0.068	-0.091	-0.119	-0.161	-0.241	-0.437	0.543	0.269	0.162	0.109
yL_t	0.123	-0.068	-0.091	-0.119	-0.161	-0.241	-0.437	0.543	0.269	0.162	0.109
UH_t	0.021	0.097	0.128	0.173	0.252	0.433	-0.263	-0.299	-0.215	-0.164	-0.124
UL_t	0.035	-0.097	-0.129	-0.173	-0.253	-0.434	0.271	0.288	0.214	0.164	0.125

9.4 Autocorrelations

	Lag 1	Lag 2	Lag 3	Lag 4	Lag 5
$etapi$	0.713	0.471	0.271	0.11	-0.016
$etag$	0.721	0.483	0.286	0.125	-0.003
iH	-0.193	-0.077	-0.041	-0.031	-0.027
iL	-0.193	-0.077	-0.041	-0.031	-0.027
$\lambda^{\mathrm{HIGHREGIME}^1}$	0.51	0.081	-0.065	-0.117	-0.134
$\lambda^{\mathrm{HIGHREGIME}^2}$	-0.074	-0.071	-0.066	-0.06	-0.054
$\lambda^{\mathrm{LOWREGIME}^1}$	0.51	0.081	-0.065	-0.117	-0.134
$\lambda^{\mathrm{LOWREGIME}^2}$	-0.074	-0.071	-0.066	-0.06	-0.054
piH	0.22	-0.024	-0.095	-0.11	-0.107
piL	0.22	-0.024	-0.095	-0.11	-0.107
yH	0.504	0.261	0.116	0.017	-0.055
yL	0.504	0.261	0.116	0.017	-0.055
UH	0.731	0.453	0.248	0.091	-0.029
UL	0.728	0.456	0.253	0.095	-0.026

10 Impulse response functions

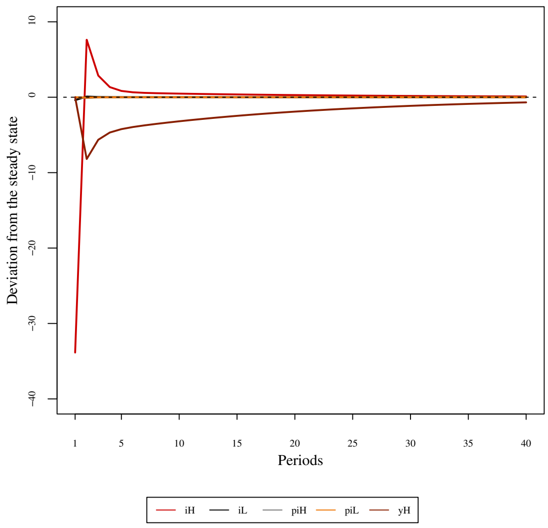

Figure 1: Impulse responses (iH, iL, piH, piL, yH) to ϵ^{π} shock

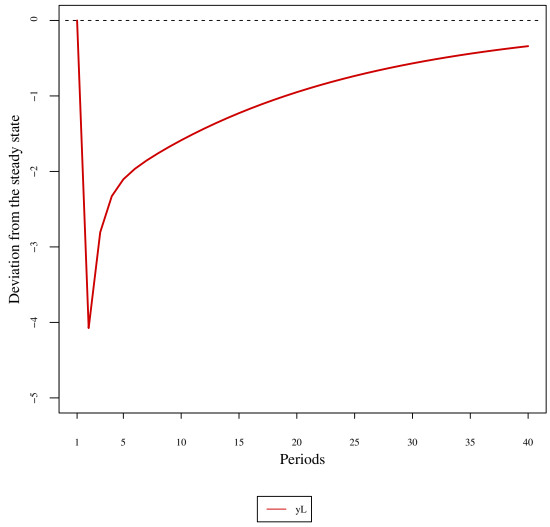

Figure 2: Impulse response (yL) to ϵ^{π} shock

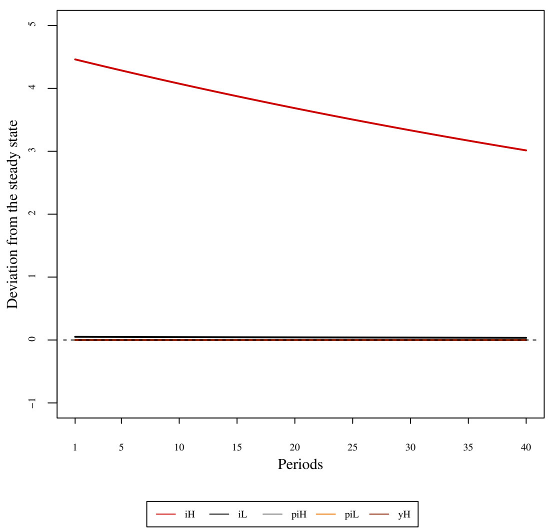

Figure 3: Impulse responses (iH, iL, piH, piL, yH) to ϵ^{g} shock

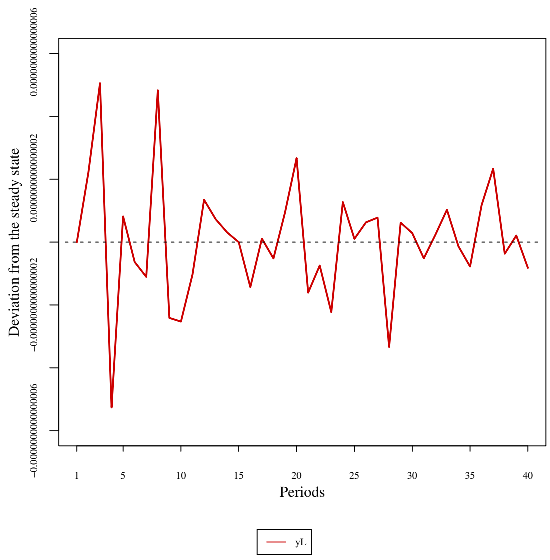

Figure 4: Impulse response (yL) to ϵ^{g} shock