Exercise 3: IRFs (VAR(4), N=500, T=500), Cholesky x_t to $\varepsilon/\sqrt{0.8}$ (unit var) x_t to η (unit var) 1.5 95% band (MC) MC mean 0.8 **–** True 1 0.6 Response Response 0.50.4 0.20 0 -0.2 -0.55 10 10 15 20 0 5 15 20 0 Horizon hHorizon h y_t to $\varepsilon/\sqrt{0.8}$ (unit var) y_t to η (unit var) 1.5 1.4 1.2 1 0.8 Response Response 0.50.6 0.40 0.2 0 -0.5 -0.2 5 10 15 20 5 10 15 20 0 0 Horizon hHorizon h