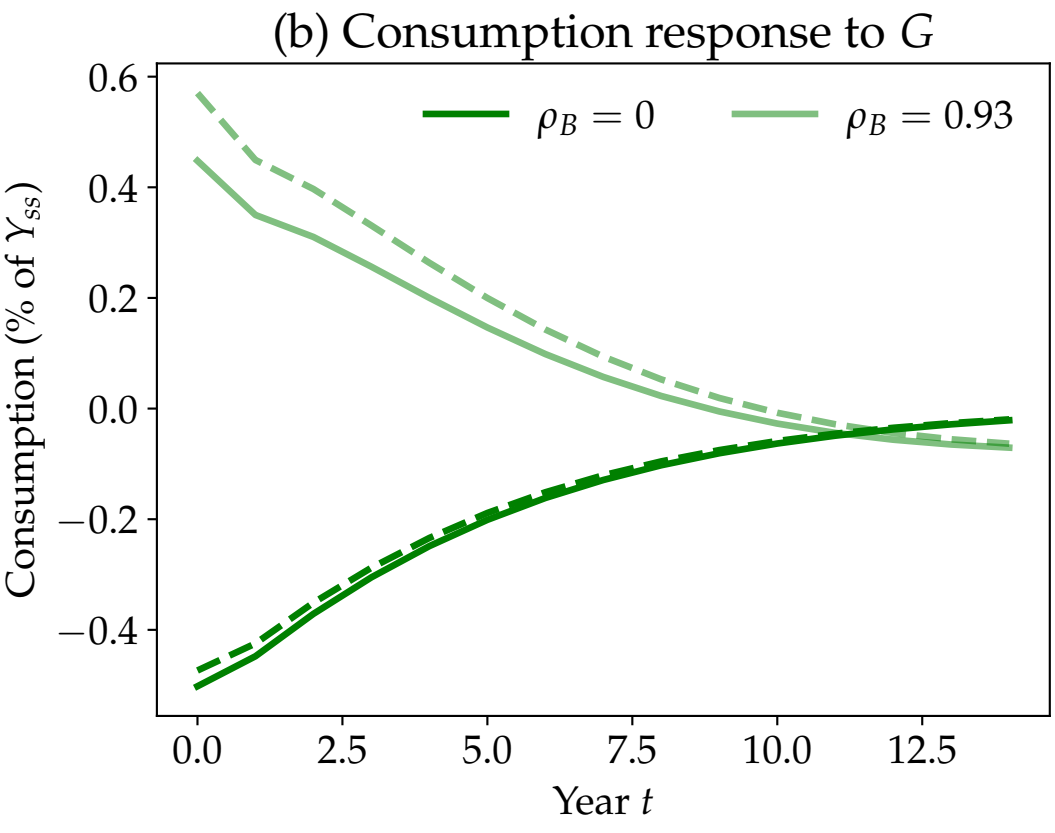
(b) Consumption response to G
$\rho_B = 0$
$\rho_B = 0.93$
Consumption (% of Y_{ss})
0.6
0.4
0.2
0.0
−0.2
−0.4
0.0
2.5
5.0
7.5
10.0
12.5
Year t