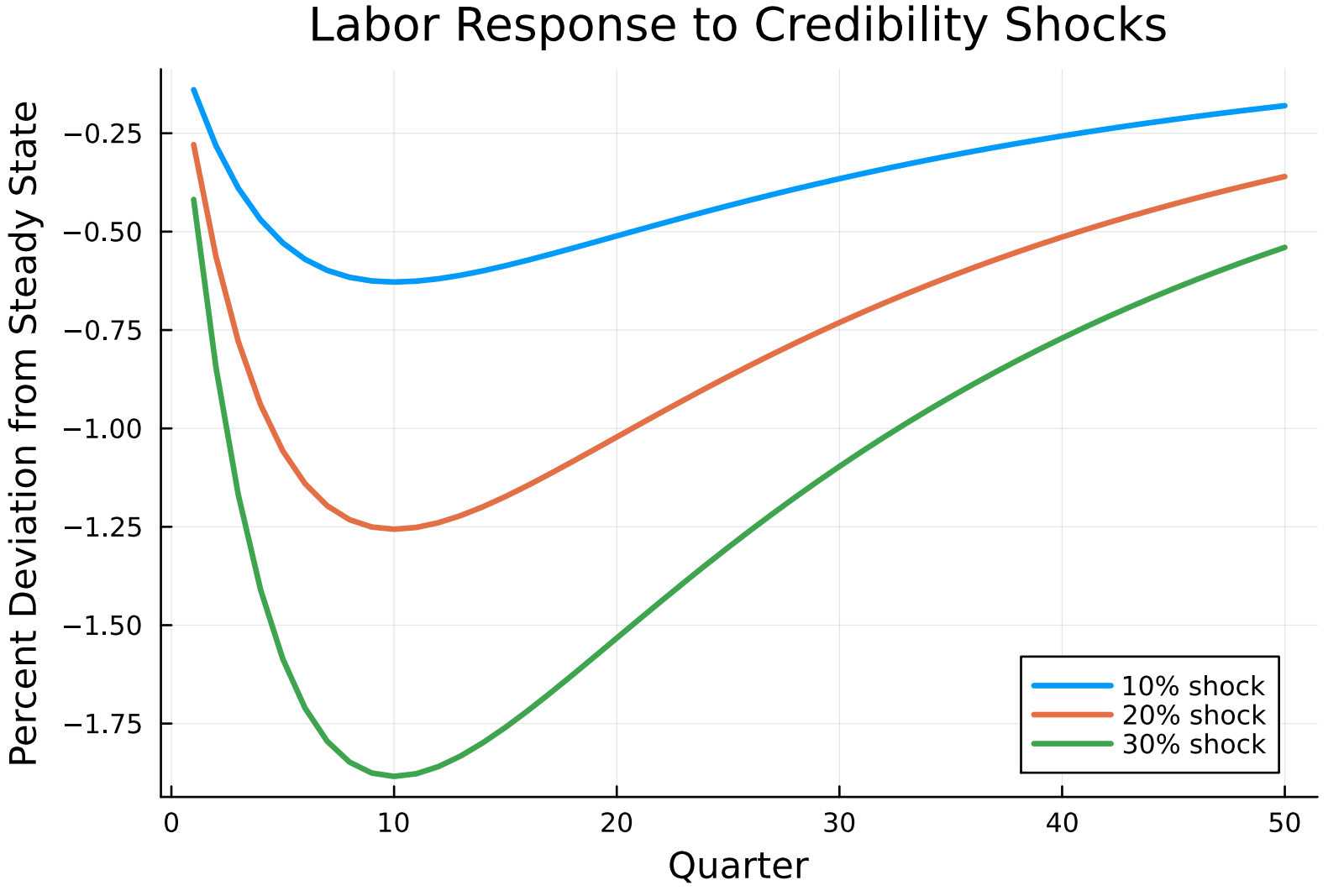
Labor Response to Credibility Shocks
Percent Deviation from Steady State
−0.25
−0.50
−0.75
−1.00
−1.25
−1.50
−1.75
0
10
20
30
40
50
Quarter
10% shock
20% shock
30% shock