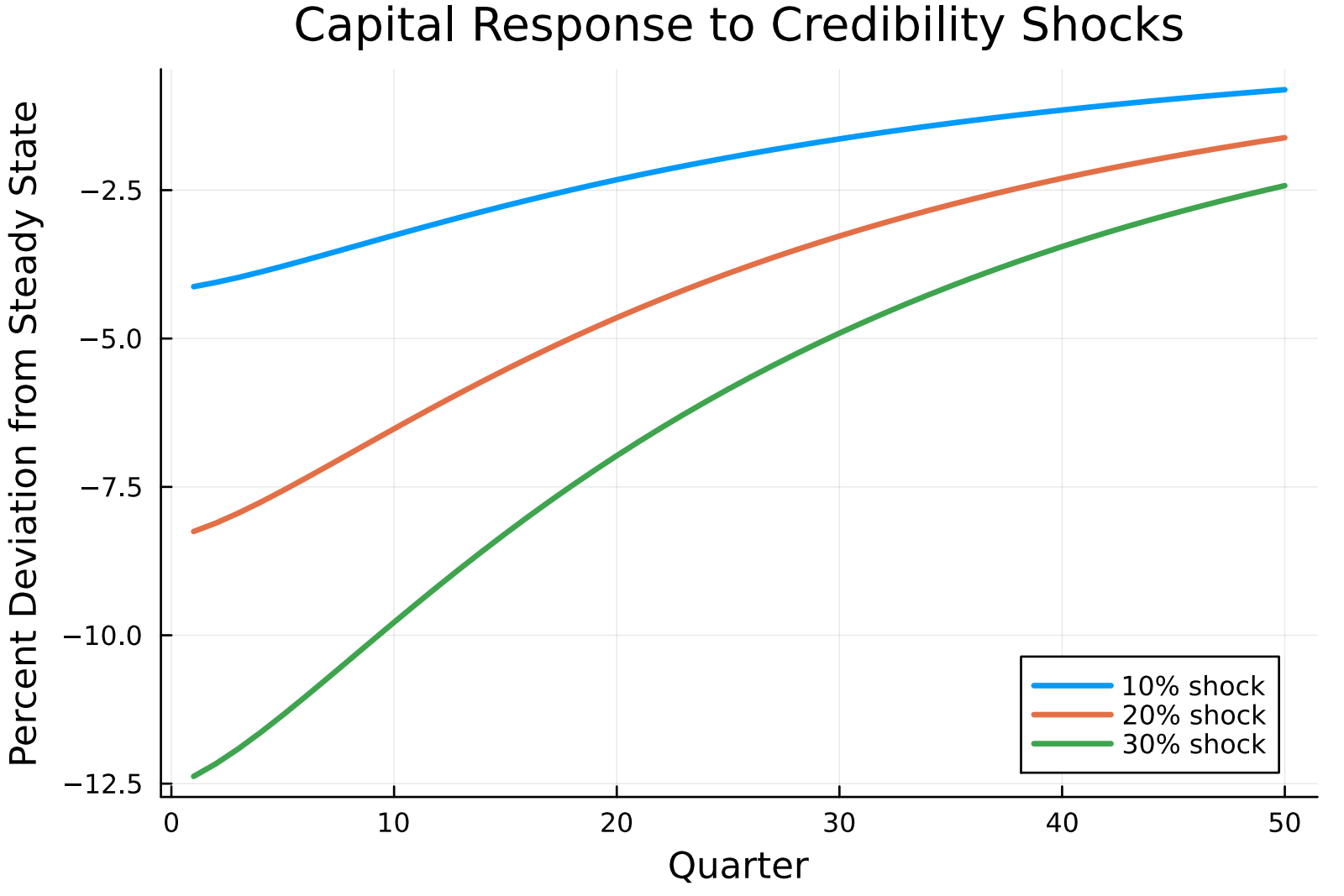
Capital Response to Credibility Shocks
Percent Deviation from Steady State
−2.5
−5.0
−7.5
−10.0
−12.5
0
10
20
30
40
50
Quarter
10% shock
20% shock
30% shock