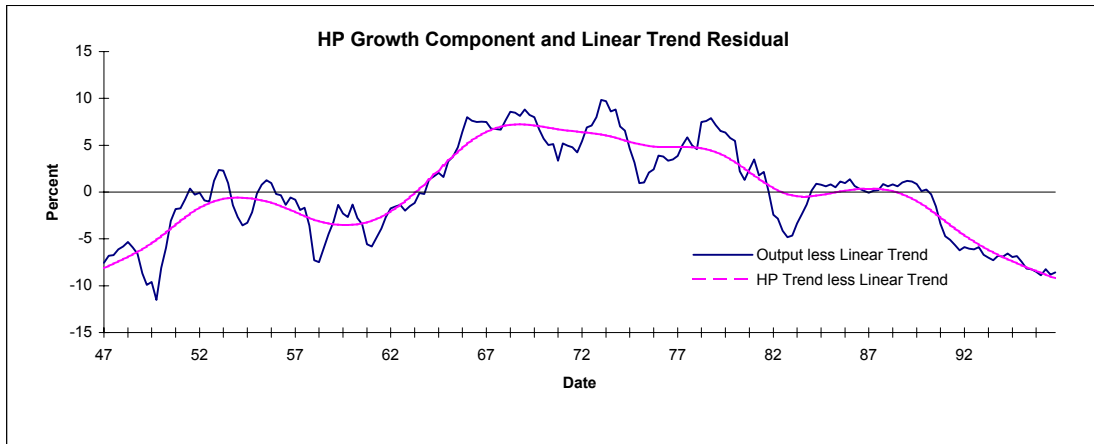
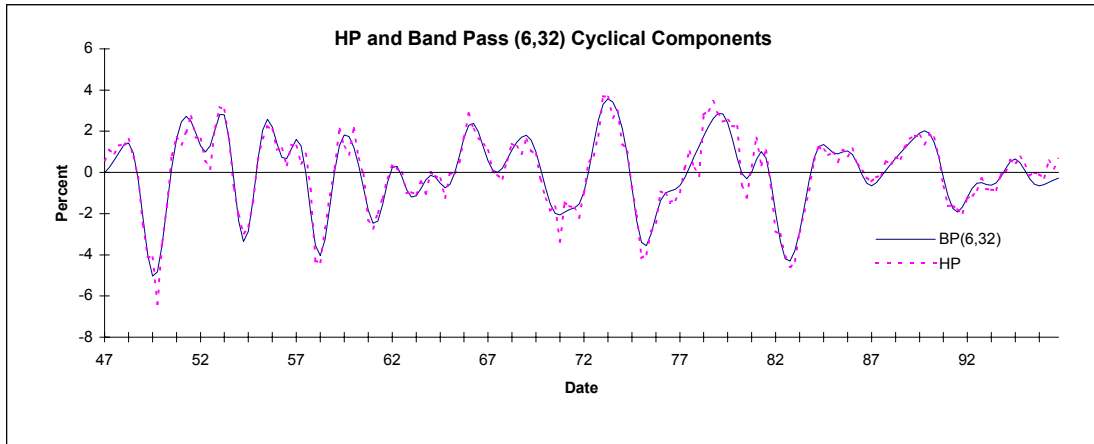
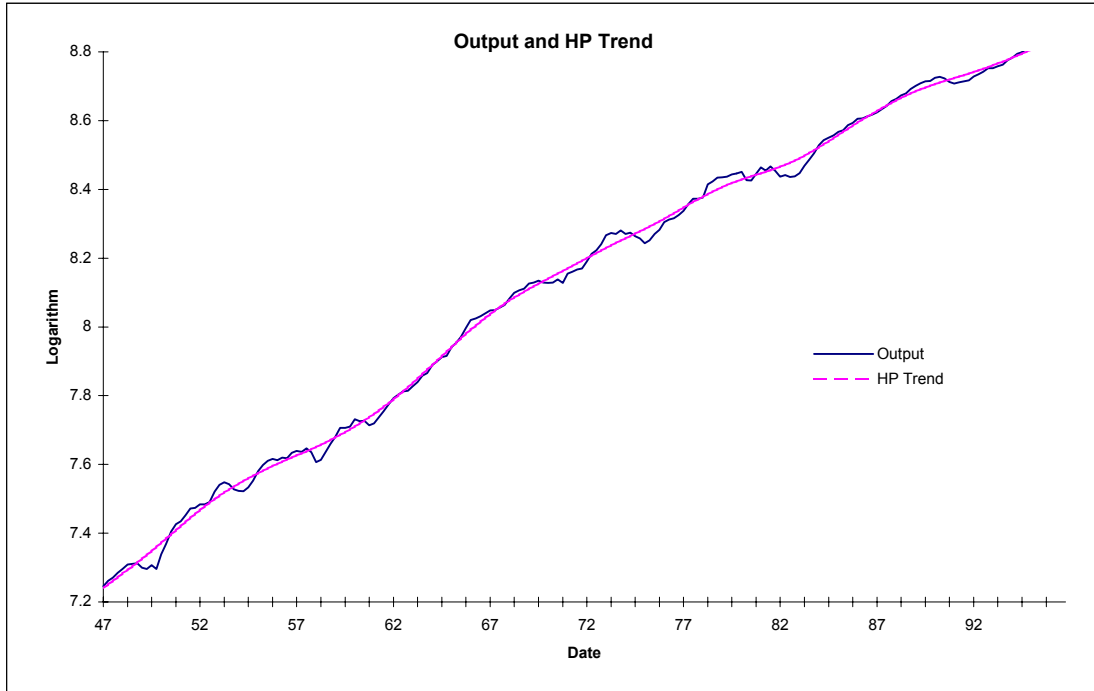
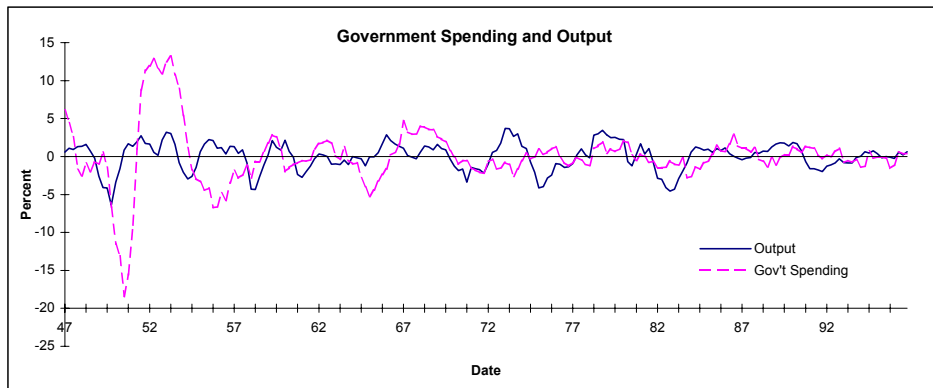
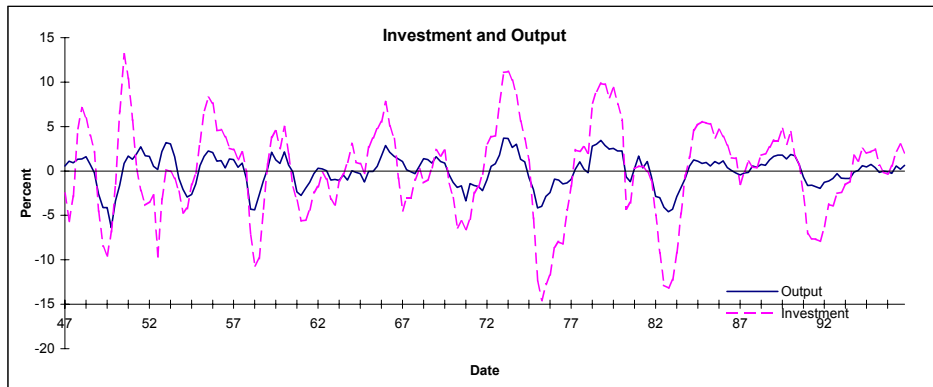
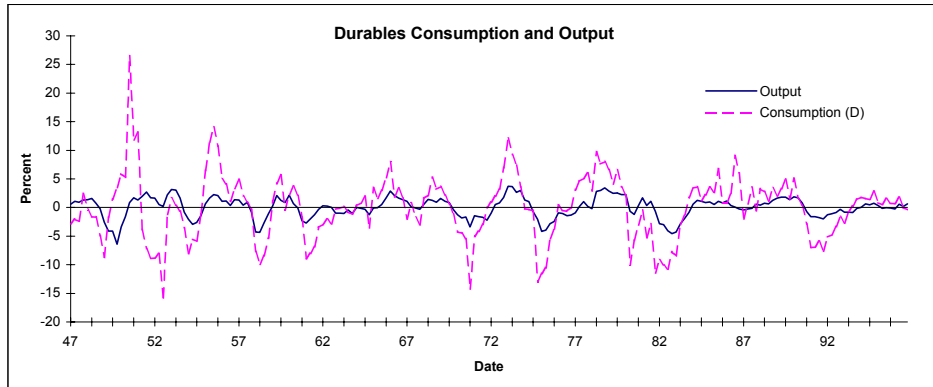
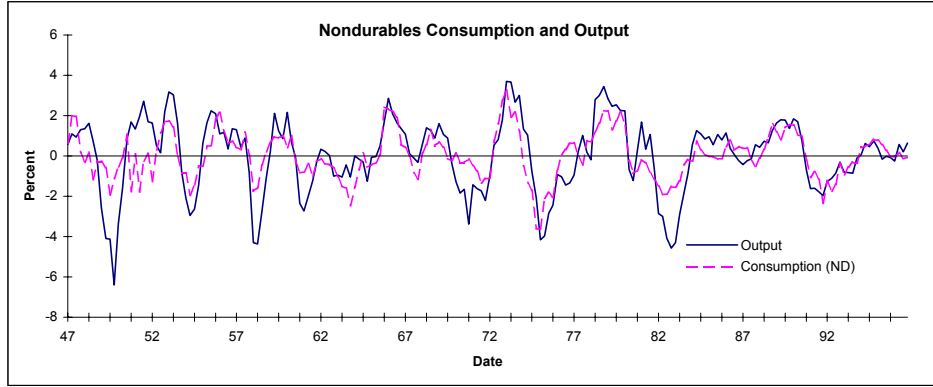


Figure 1
Trend and business cycle in U.S. Real Output



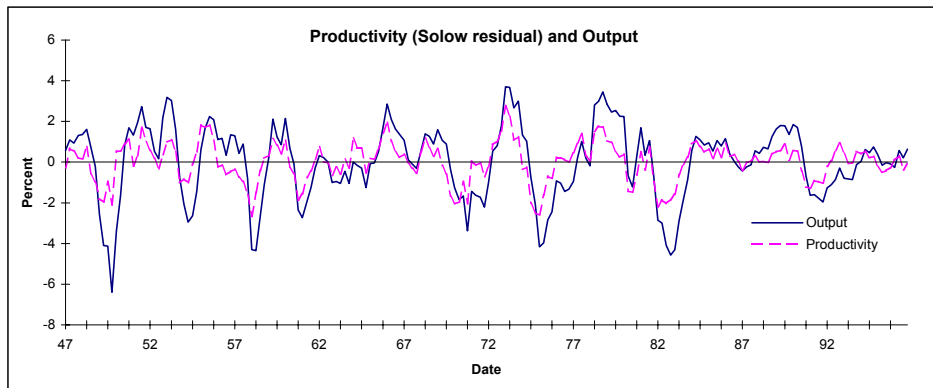
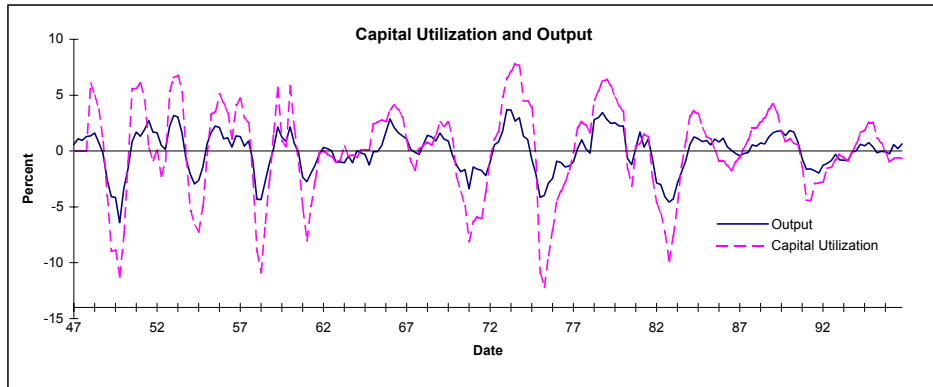
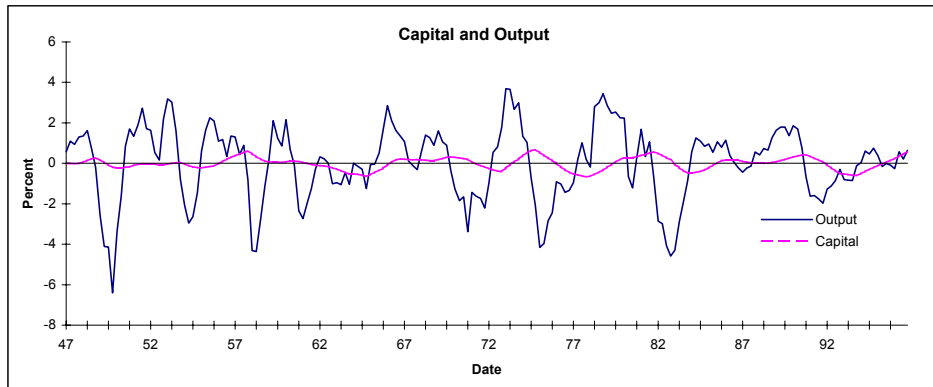
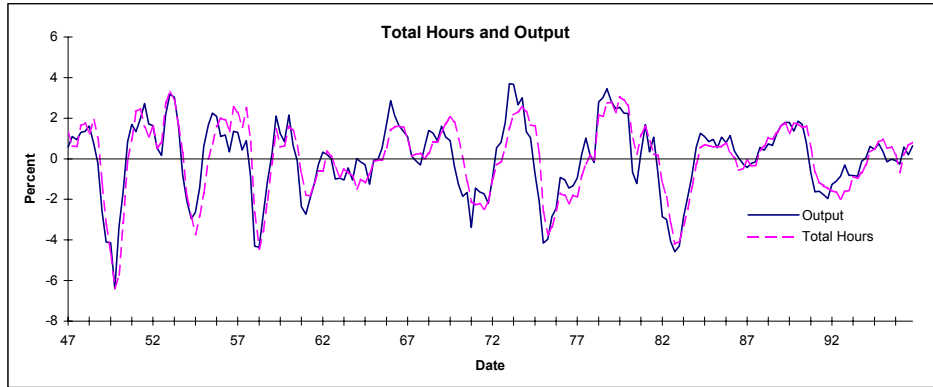
Note: Sample period is 1947:1 - 1996:4.

Figure 2
Cyclical components of U.S. Expenditures



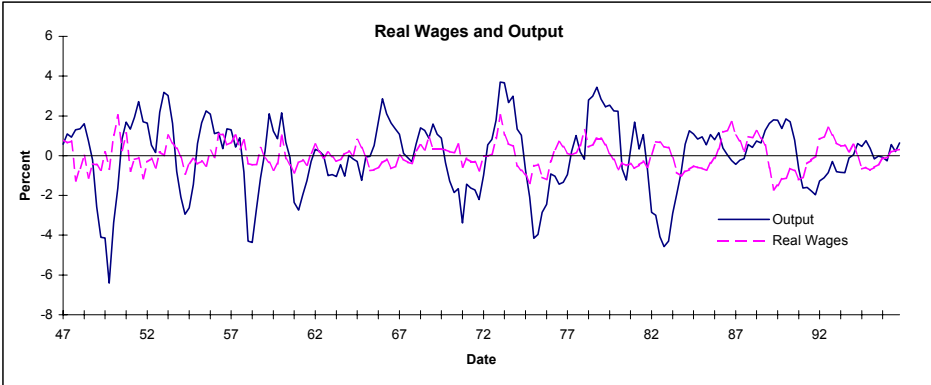
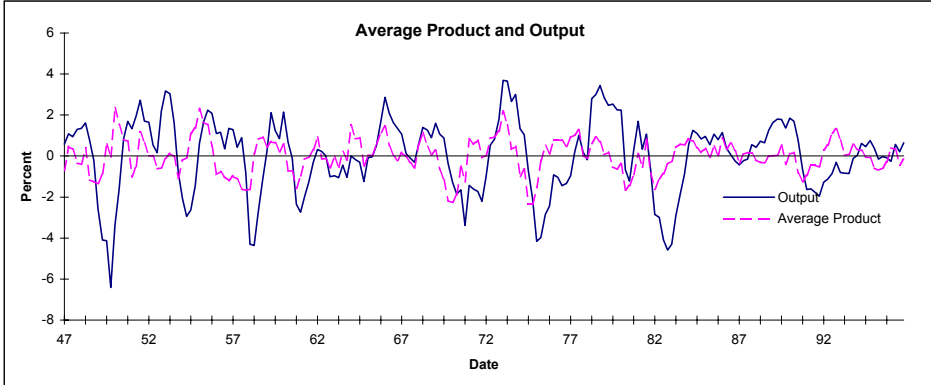
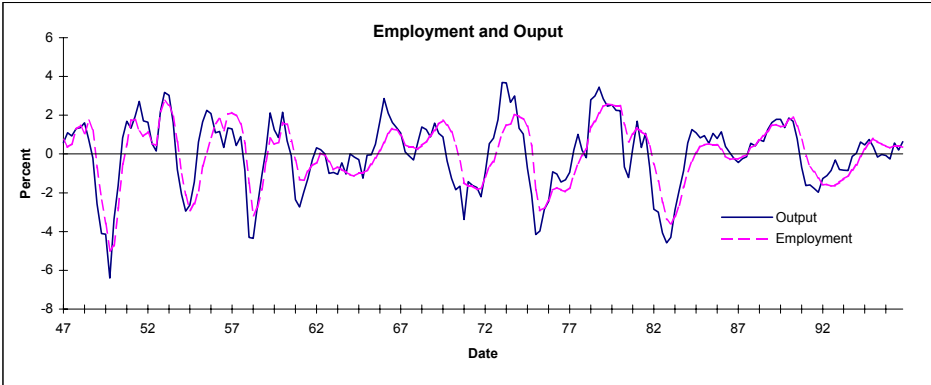
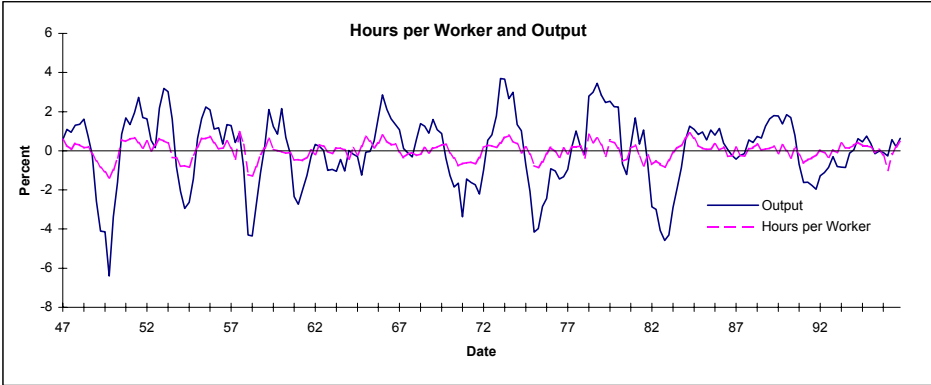
Note: Sample period is 1947:1 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 3
Cyclical component of U.S. Factors of Production



Note: Sample period is 1947:1 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 4
Cyclical component of U.S. Labor Market Measures



Note: Sample period is 1947:1 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 5
Growth facts: great ratios and hours per person

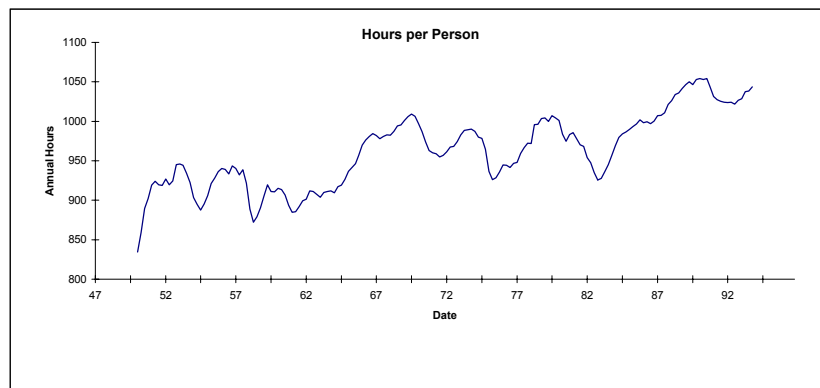
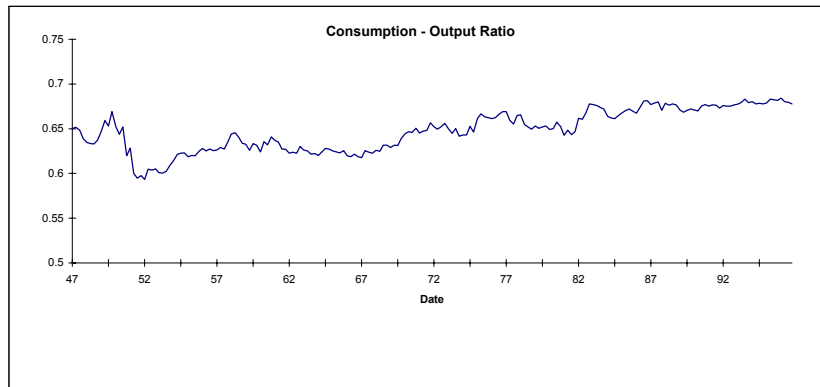
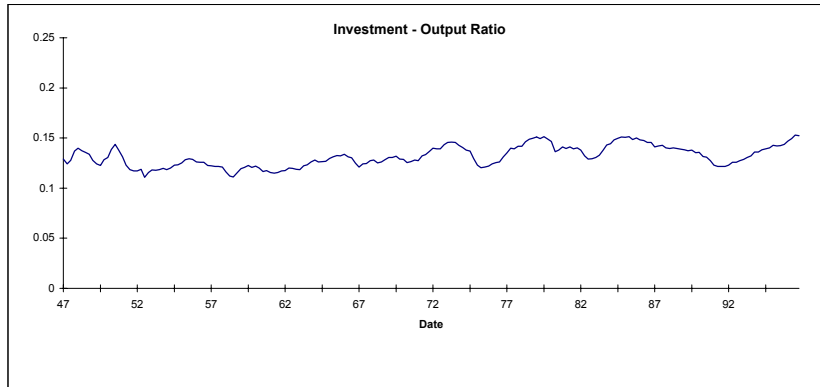
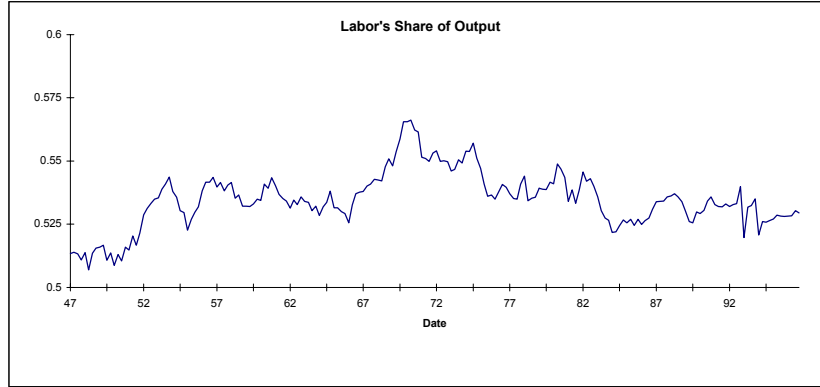
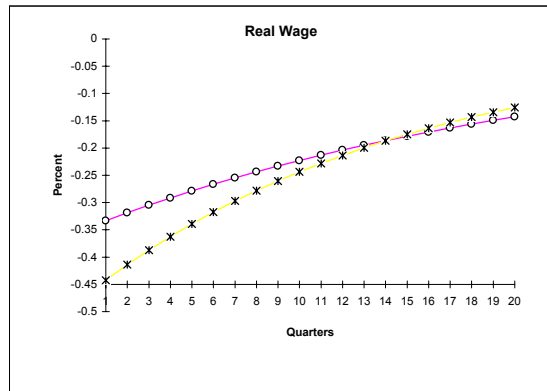
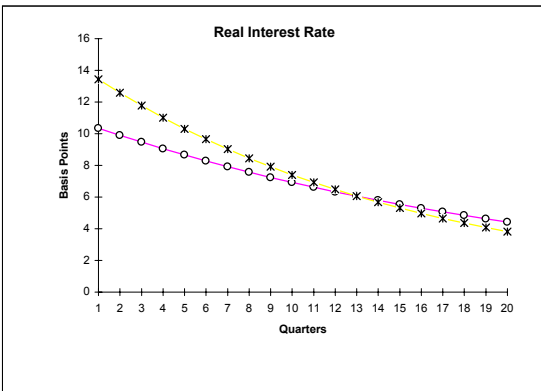
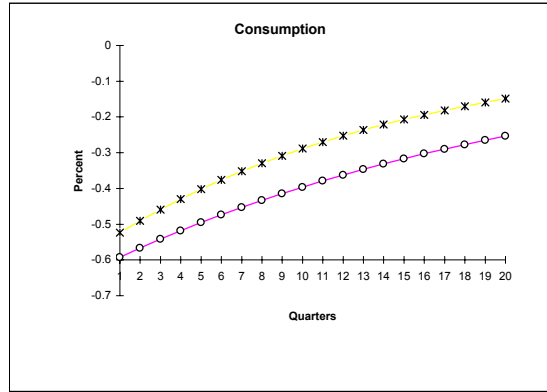
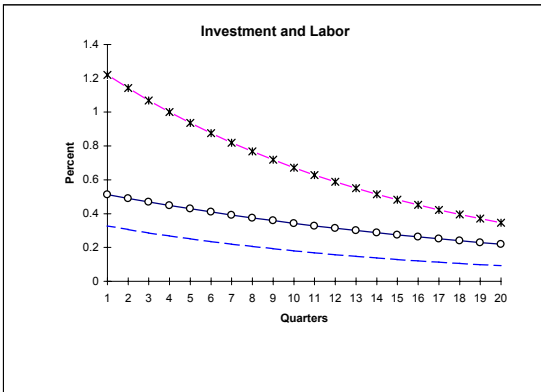
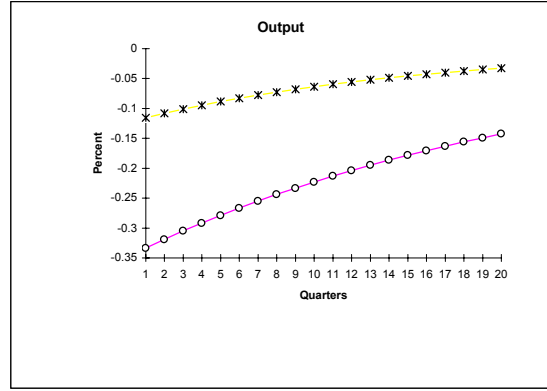
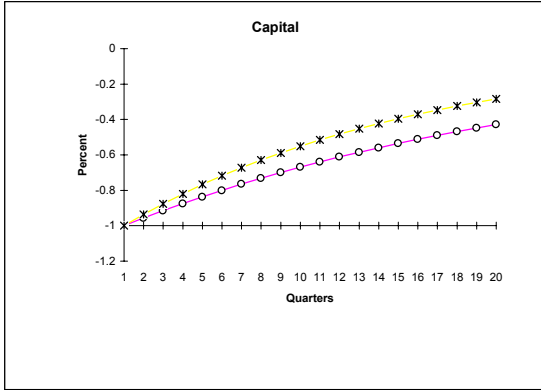
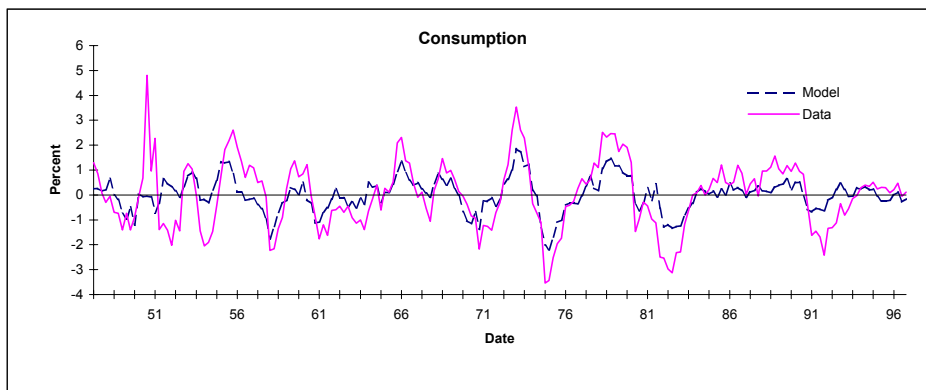
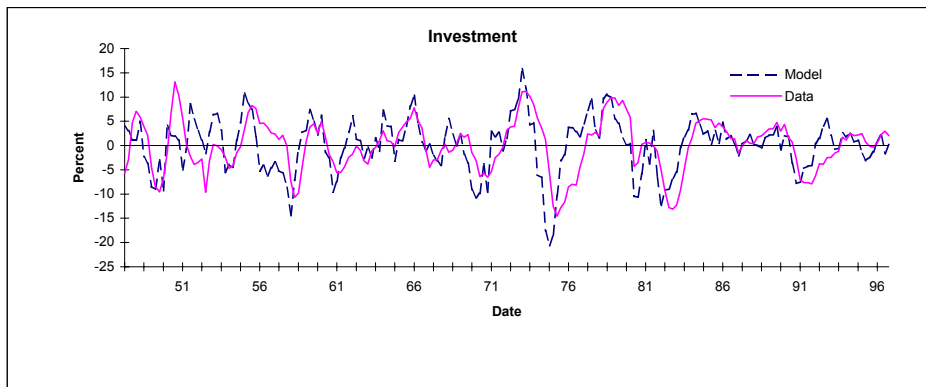
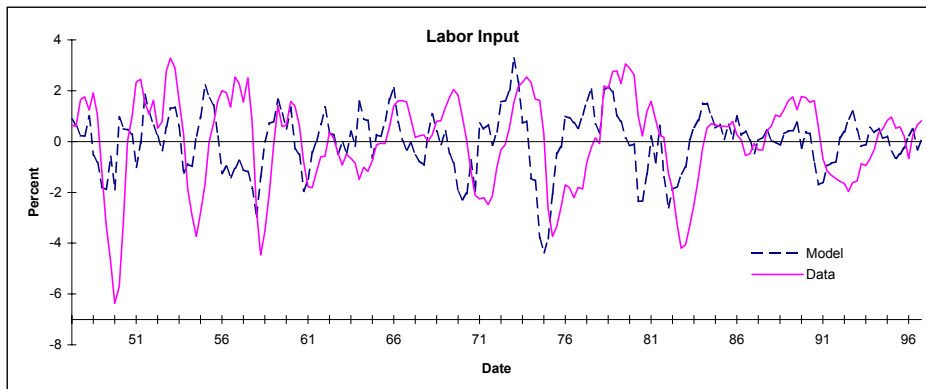
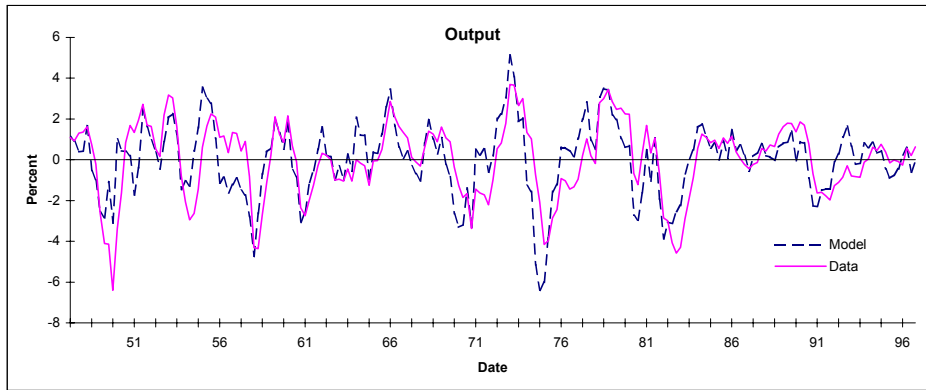


Figure 6
Transitional dynamics



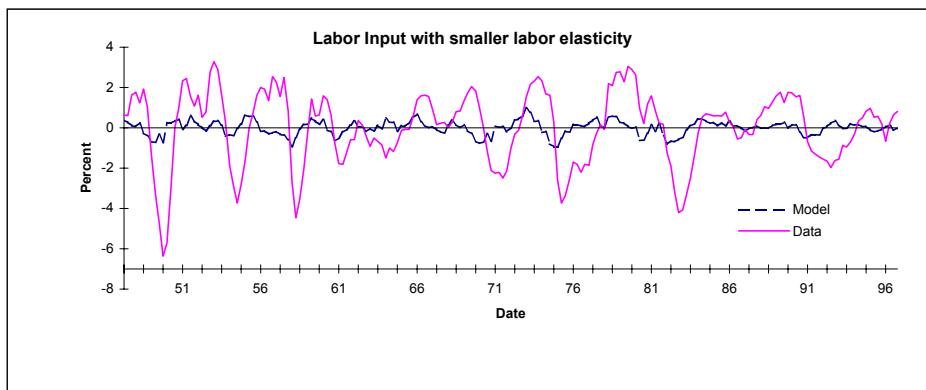
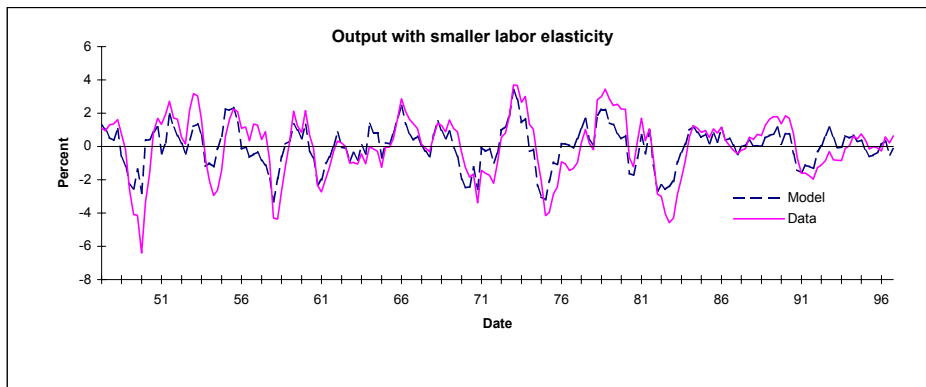
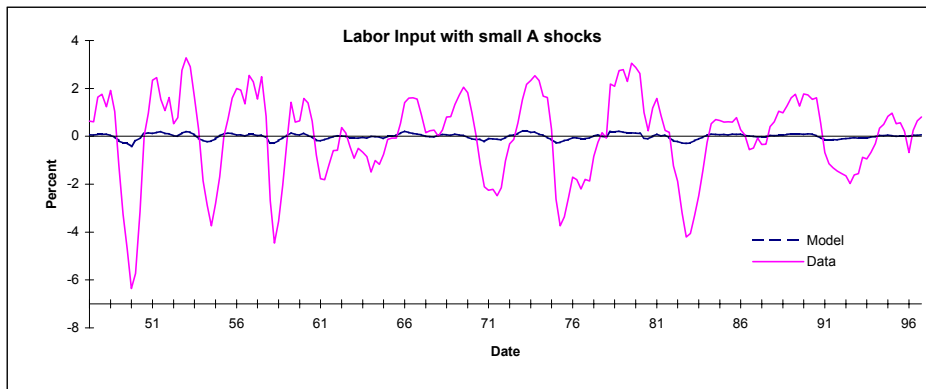
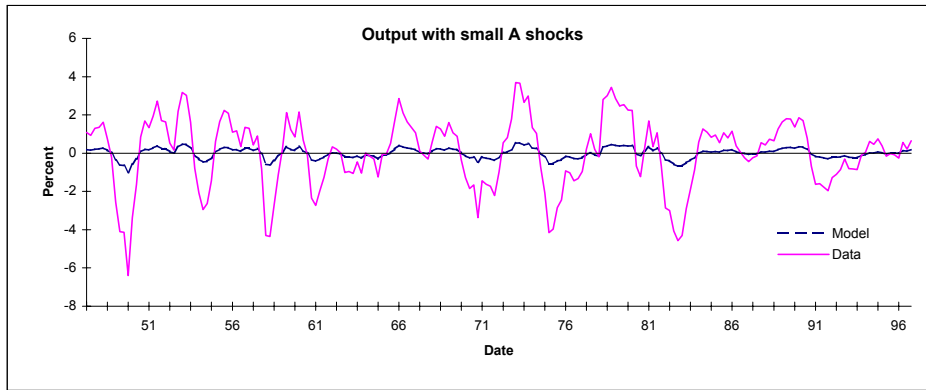
Note: Basic RBC model (stars); fixed labor model (circles); dashes in panel 3 represent the labor response.

Figure 7
Basic model: simulated business cycles



Note: Sample period is 1947:2 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 8
Consequences of smaller shocks and smaller labor elasticity



Note: Sample period is 1947:2 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 9
Comparative dynamics to purely temporary productivity shock

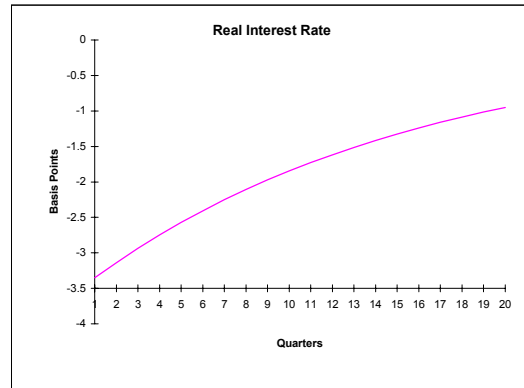
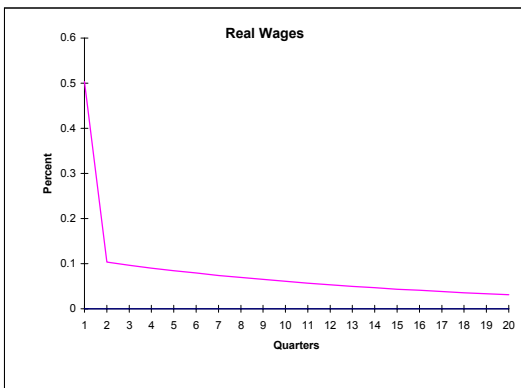
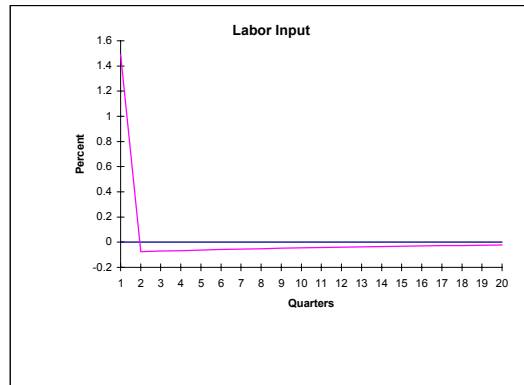
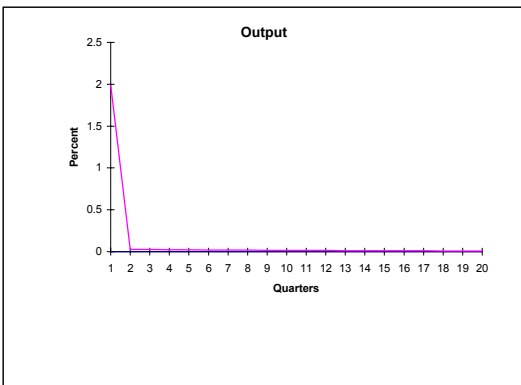
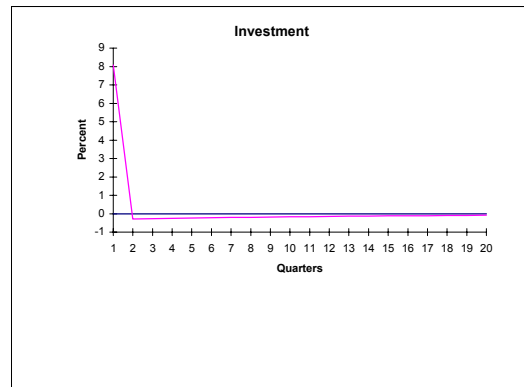
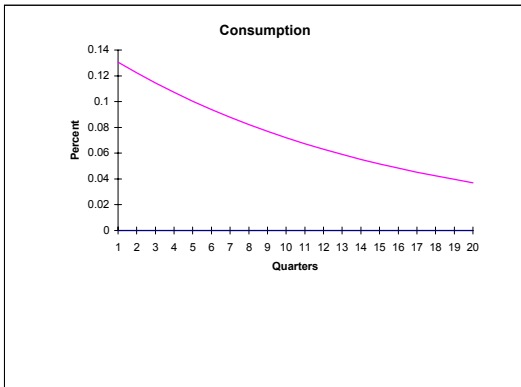
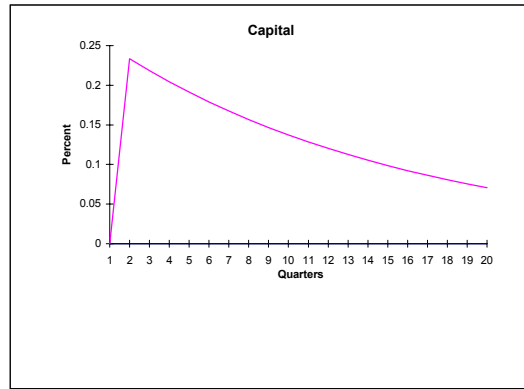
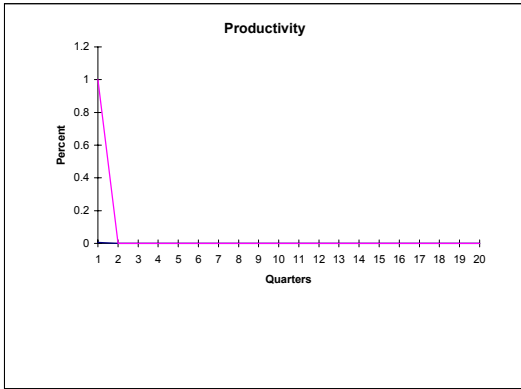
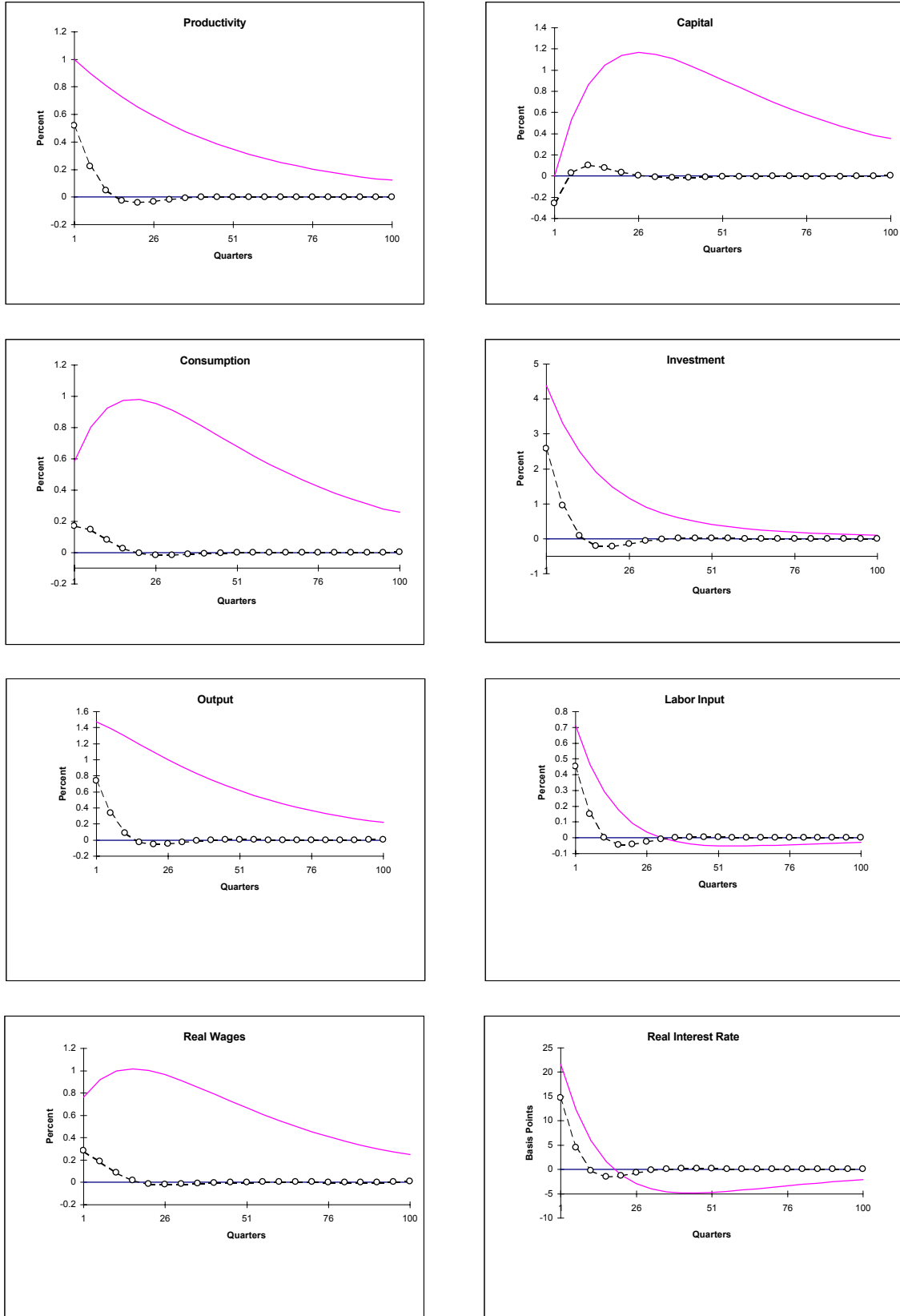
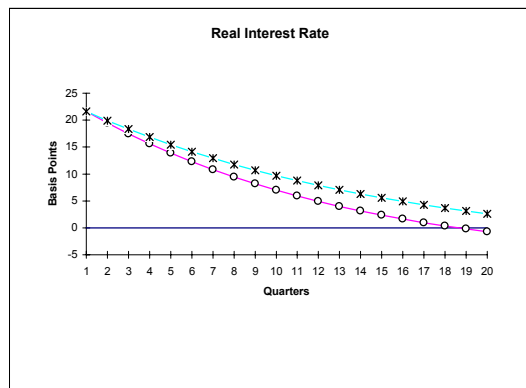
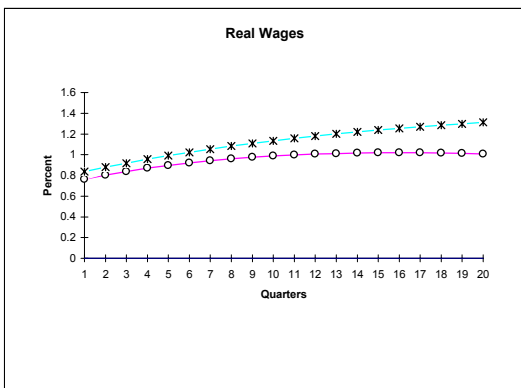
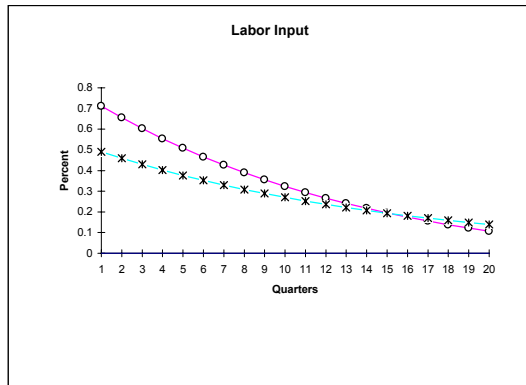
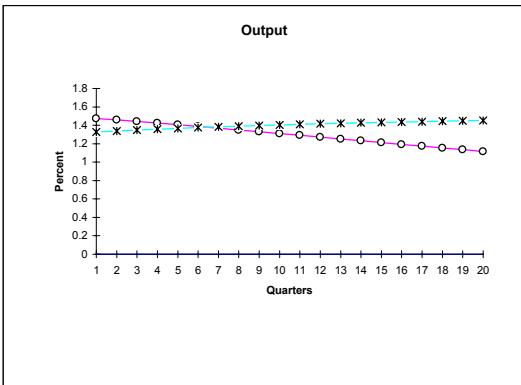
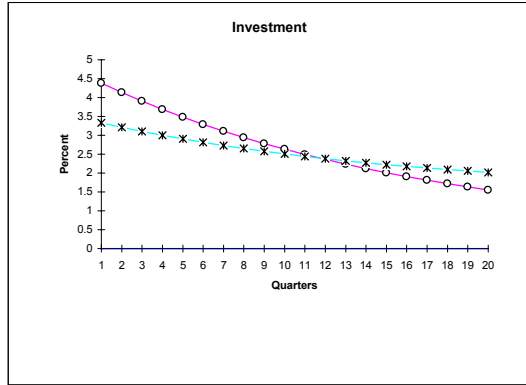
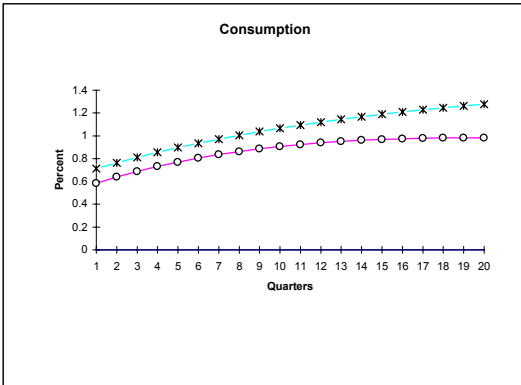
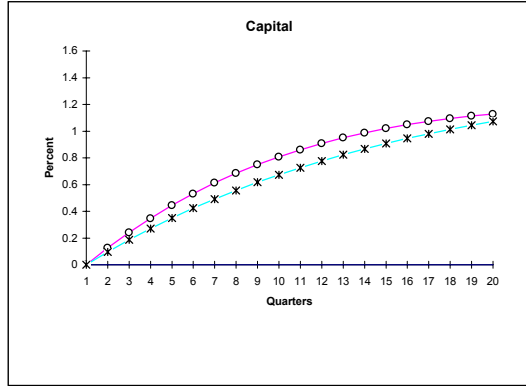
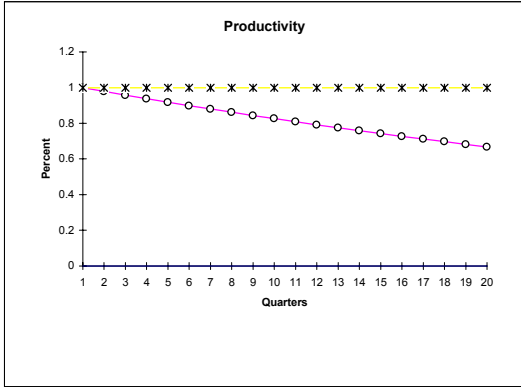


Figure 10
Comparative dynamics to more persistent productivity shock



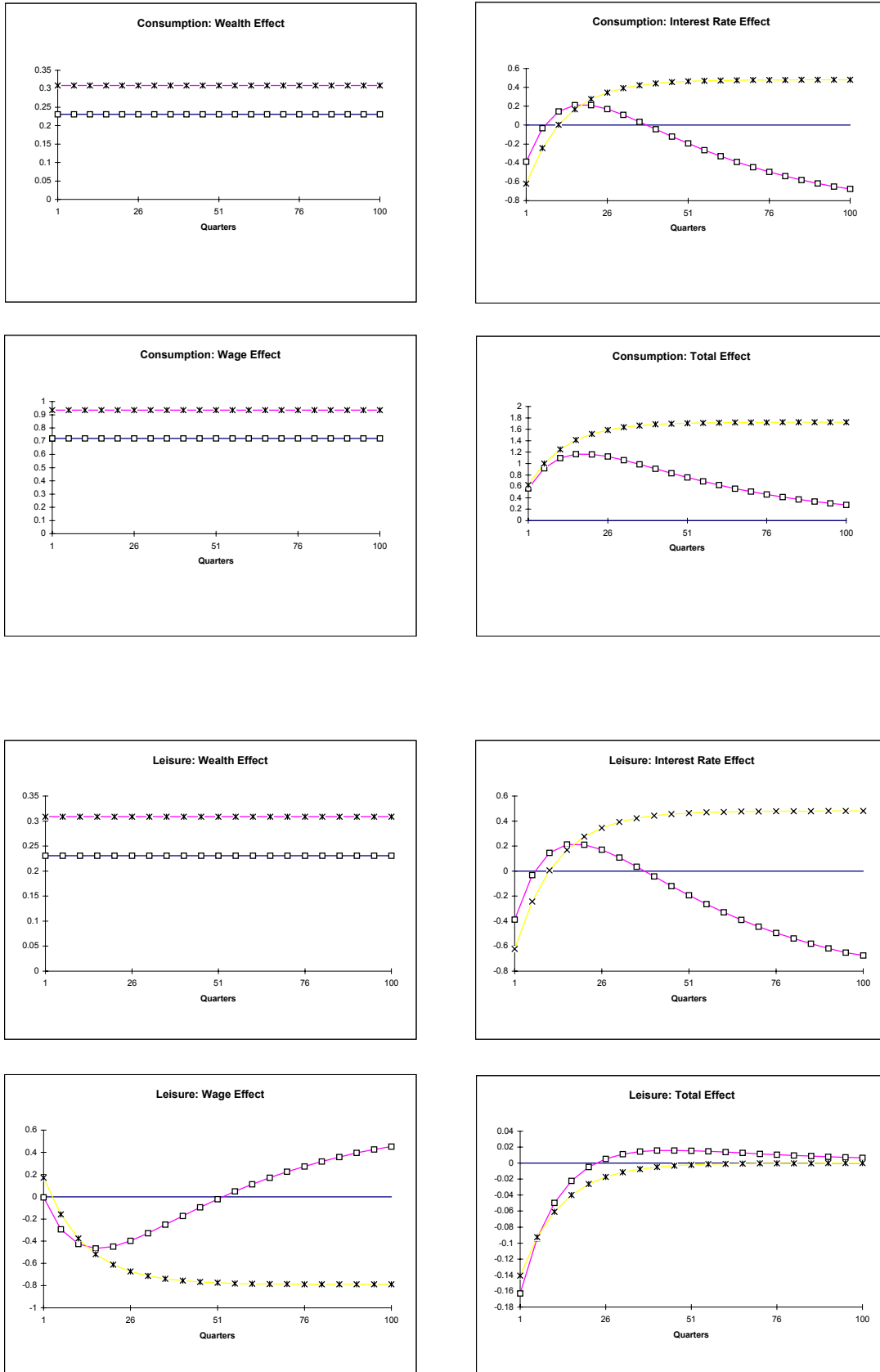
Note: Circled lines are impulse responses that have been filtered with the Hodrick-Prescott filter.

Figure 11
Comparative dynamics to fully permanent shock



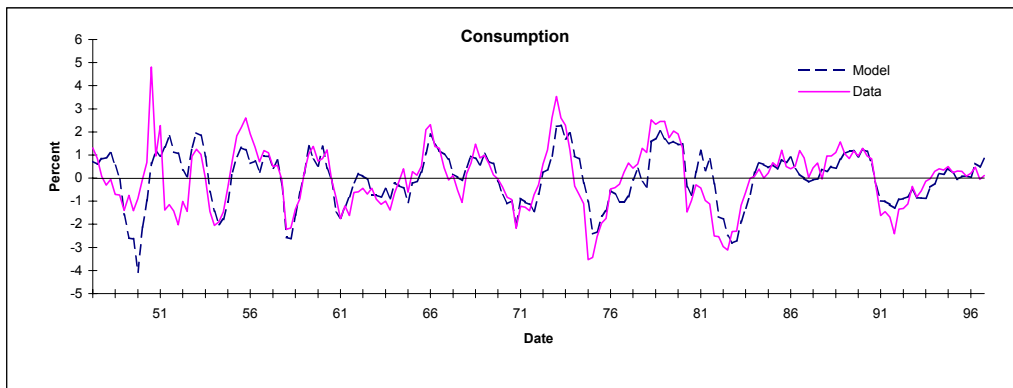
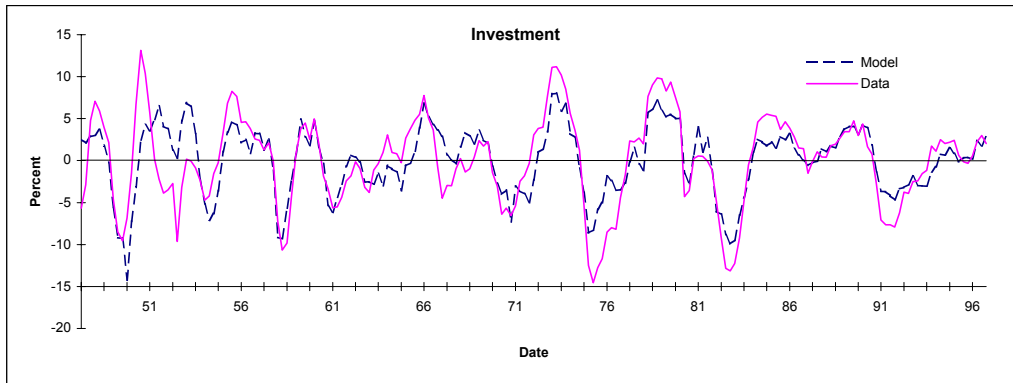
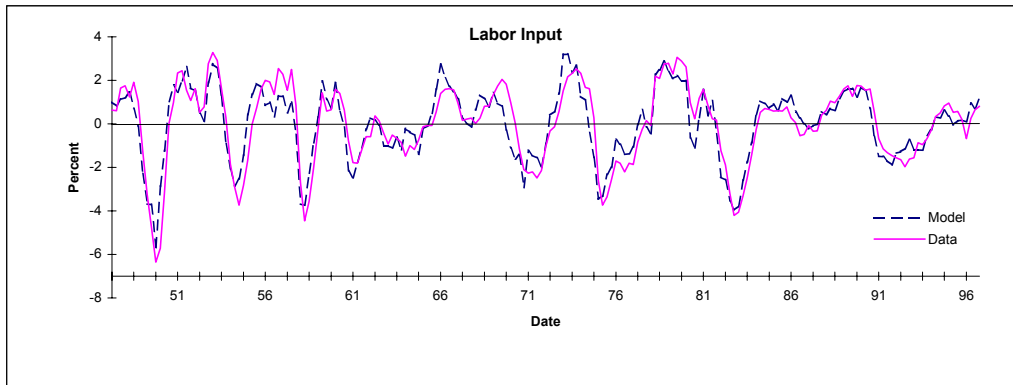
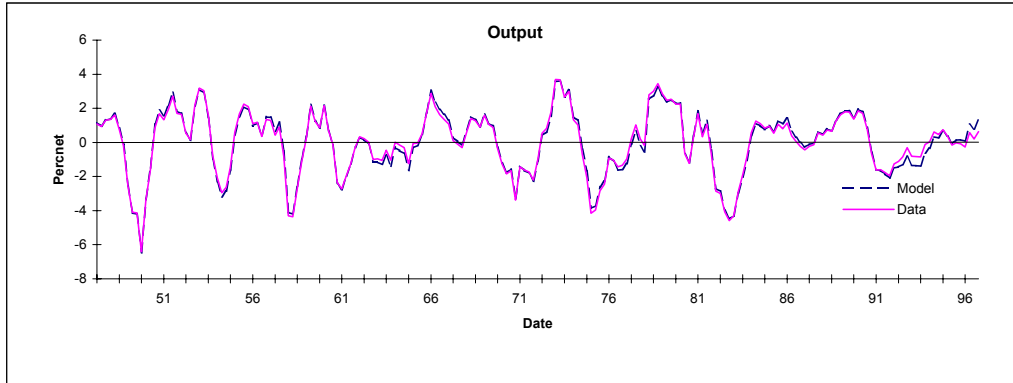
Note: Standard model, rho=0.979 (circles); rho=1 (stars).

Figure 12
 Substitution and wealth effects of persistent and permanent shocks



Note: Permanent shocks (stars); Temporary shocks (squares).

Figure 13
Capacity utilization model: simulated business cycles



Note: Sample period is 1947:2 - 1996:4. All variables are detrended using the Hodrick-Prescott filter.

Figure 14
Capacity utilization model: productivity and the Solow residual

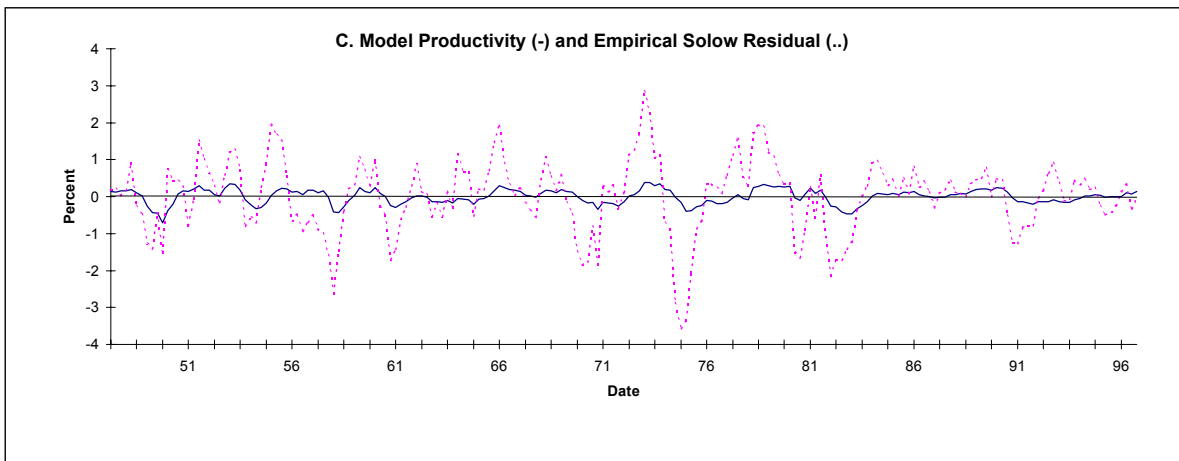
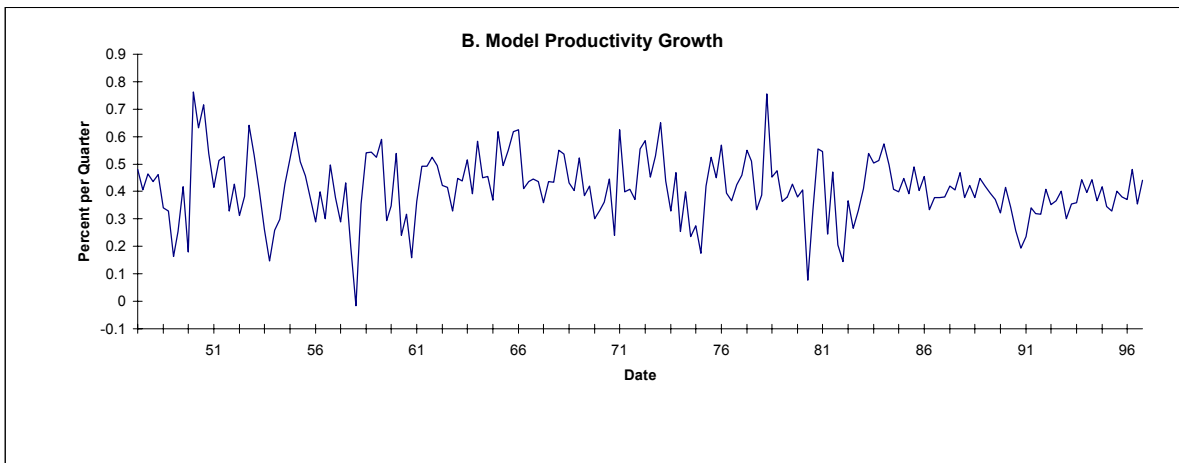
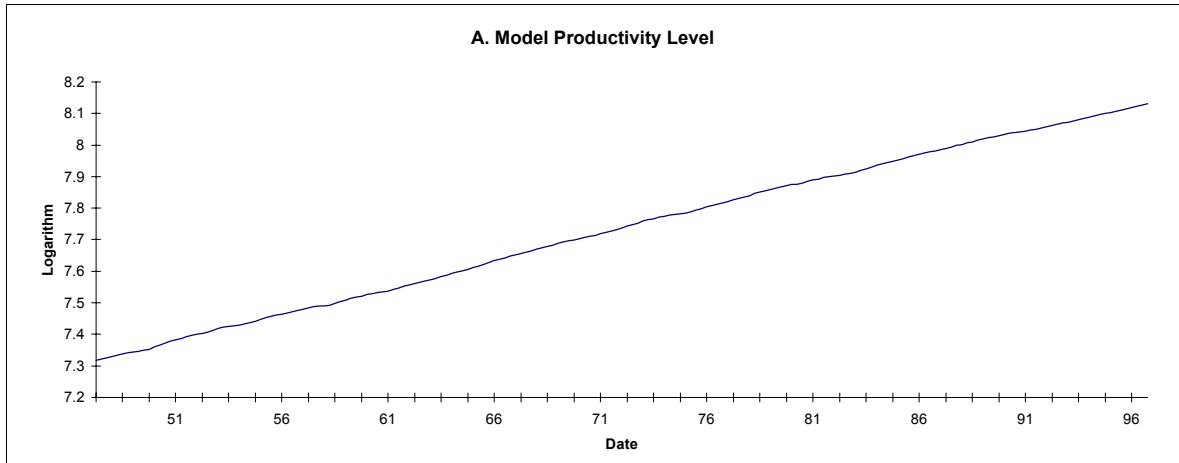
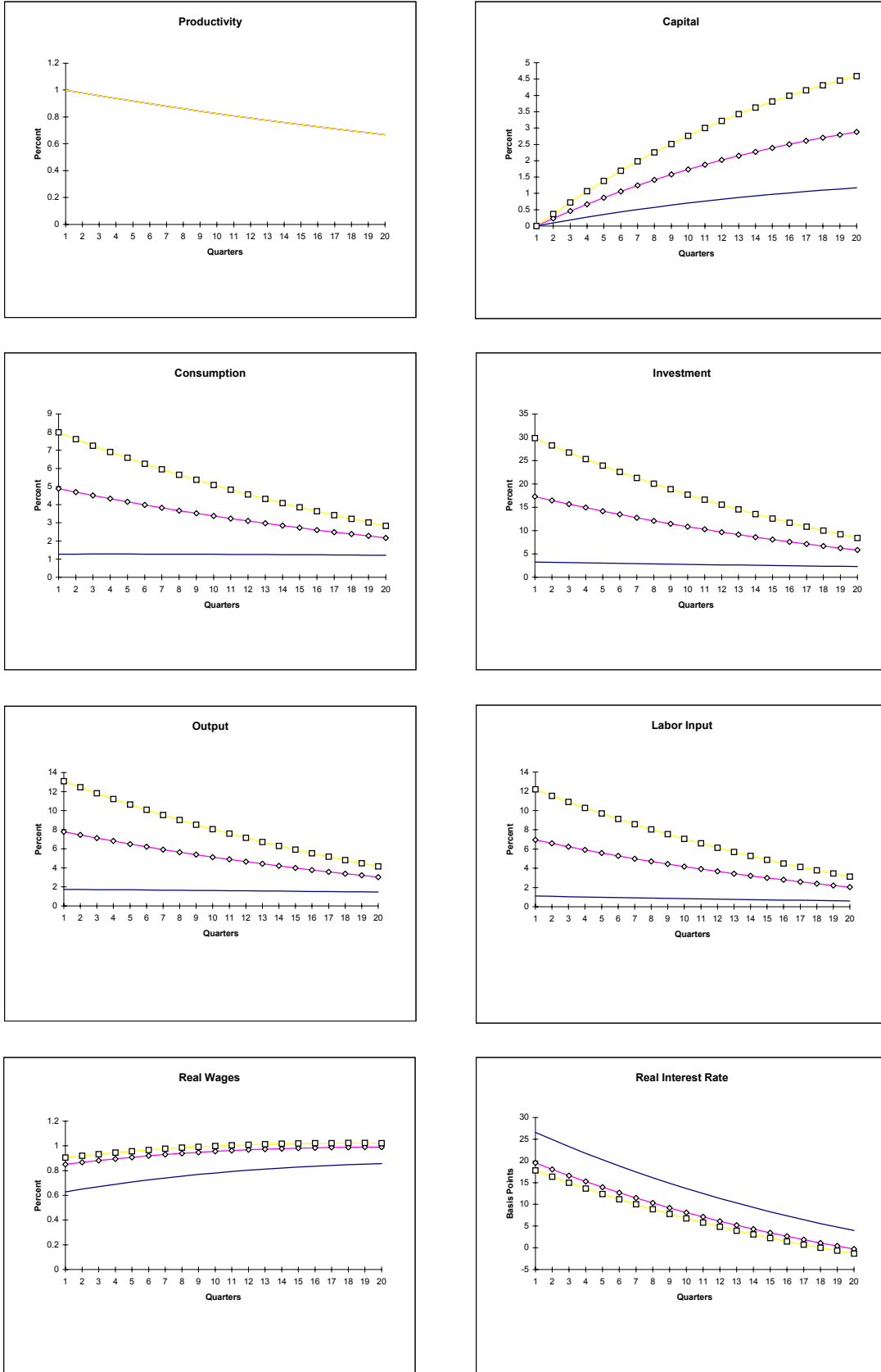


Figure 15
Sensitivity analysis to alternative utilization costs (ξ)



Note: $\xi = \infty$ (solid line); 1/5 (diamonds); 1/10 (squares).