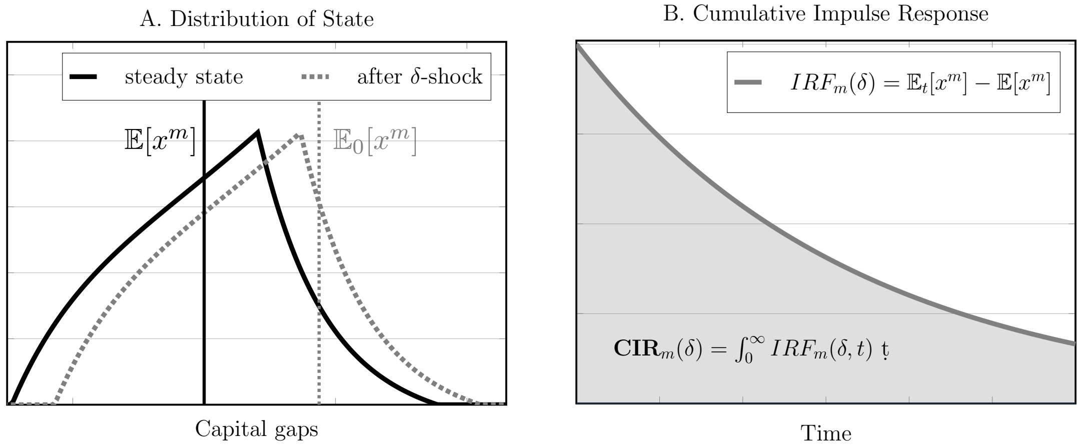
Figure 1: Distributional Dynamics and Cumulative Impulse Response



Notes: Panel A shows the steady-state distribution of the idiosyncratic state $f(x)$ and an initial distribution $f_0(x) = f(x-\delta)$ following the δ-shock. It also illustrates an arbitrary m-th cross-sectional moment to be tracked from its initial value $\mathbb{E}_0[x^m]$ toward its steady-state value $\mathbb{E}[x^m]$. Panel B shows the transitional dynamics of the m-th moment: the IRF (solid line) and the CIR (area under the IRF).