Federal Reserve Bank of Minneapolis
Research Department Staff Report 328

Revised November 2006

FIGURES: Business Cycle Accounting[†]

V.V. Chari
University of Minnesota
and Federal Reserve Bank of Minneapolis

Patrick J. Kehoe
Federal Reserve Bank of Minneapolis
and National Bureau of Economic Research

Ellen R. McGrattan
Federal Reserve Bank of Minneapolis
and University of Minnesota

[†] The views expressed herein are those of the author and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

Figures 1–4

Examining the U.S. Great Depression
Annually, 1929–39; Normalized to Equal 100 in 1929

Figure 1
U.S. Output and Three Measured Wedges

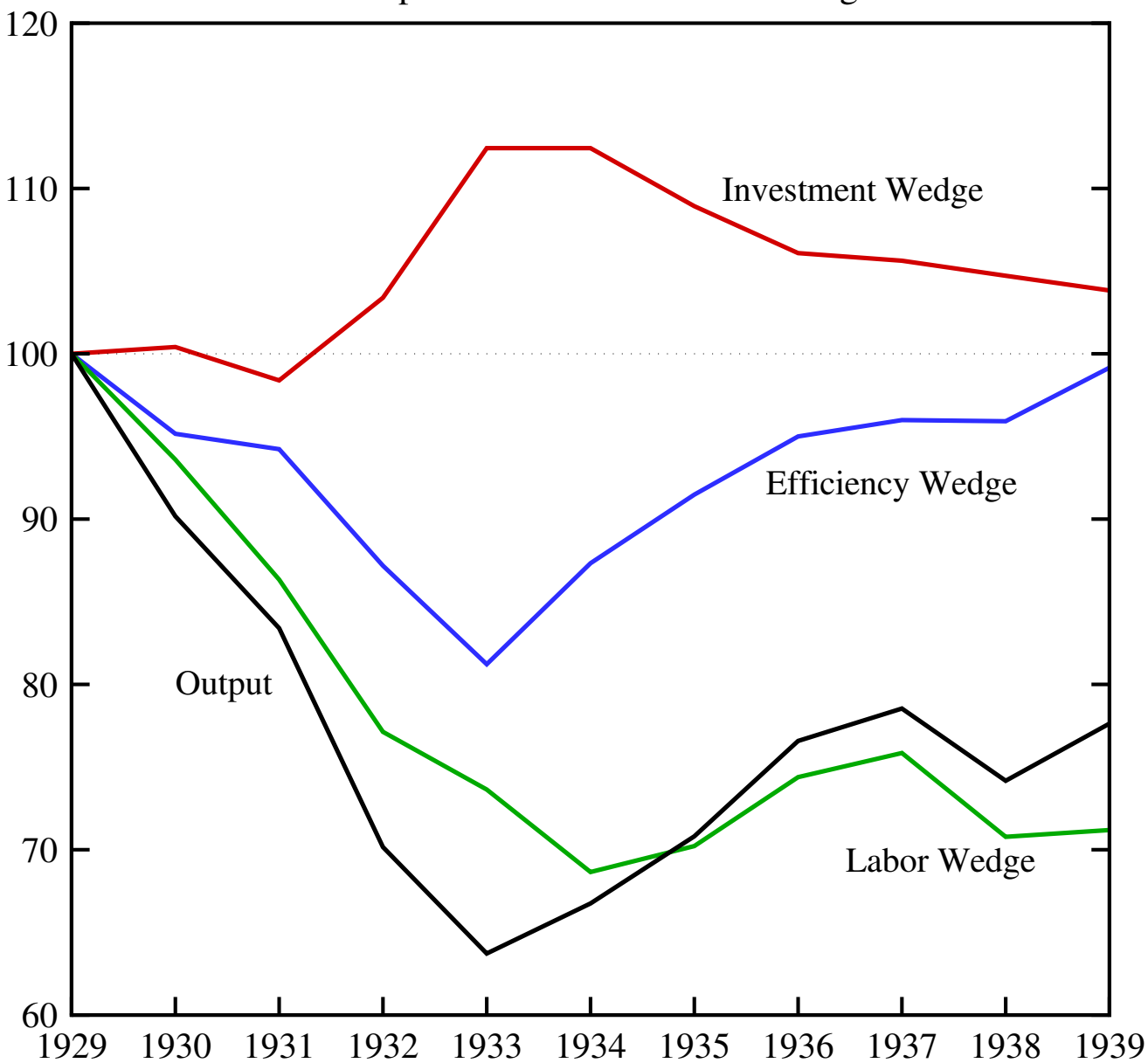


Figure 2
Data and Predictions of Models With Just One Wedge

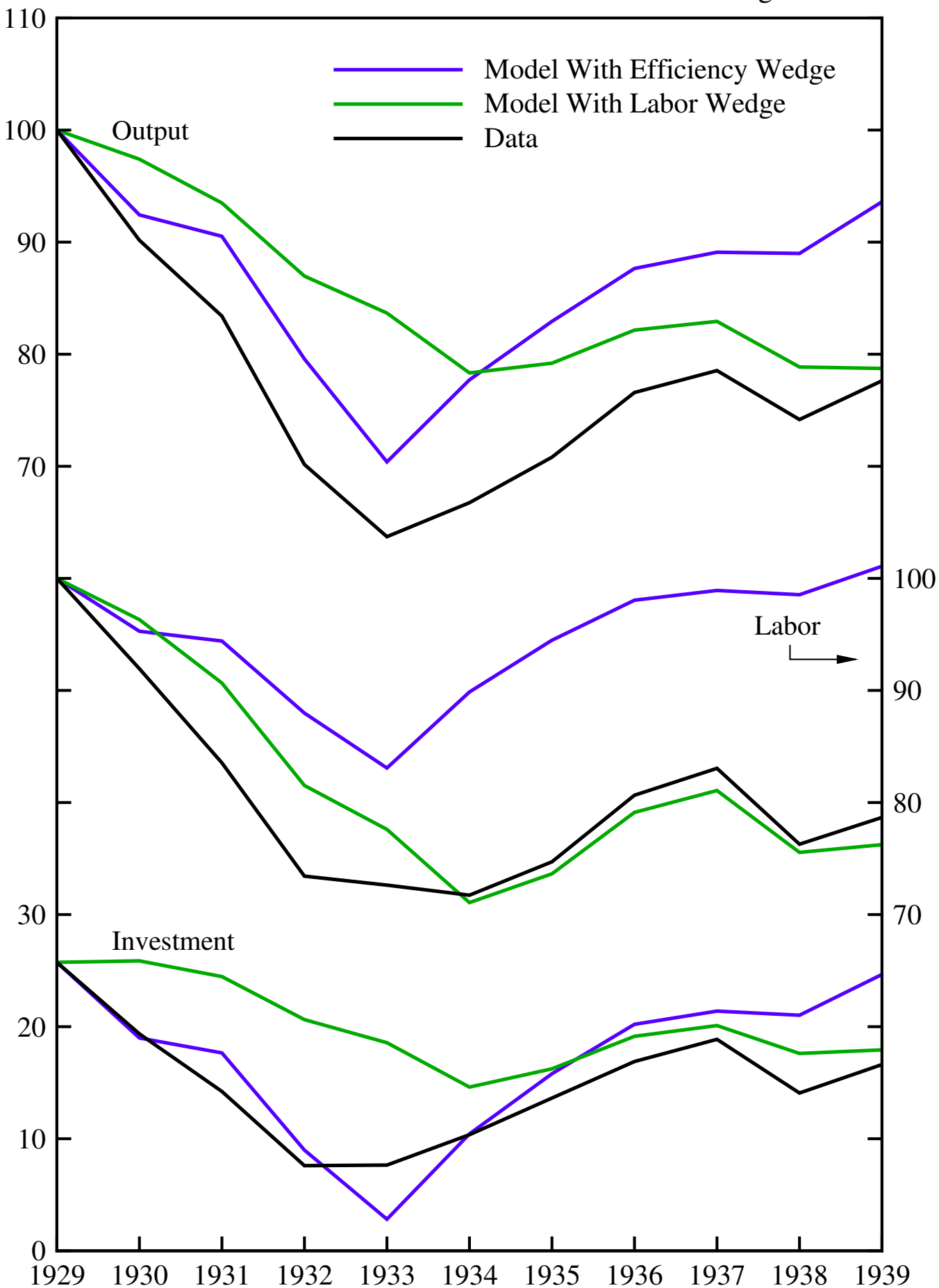


Figure 3
Data and Predictions of a Model With Just the Investment Wedge

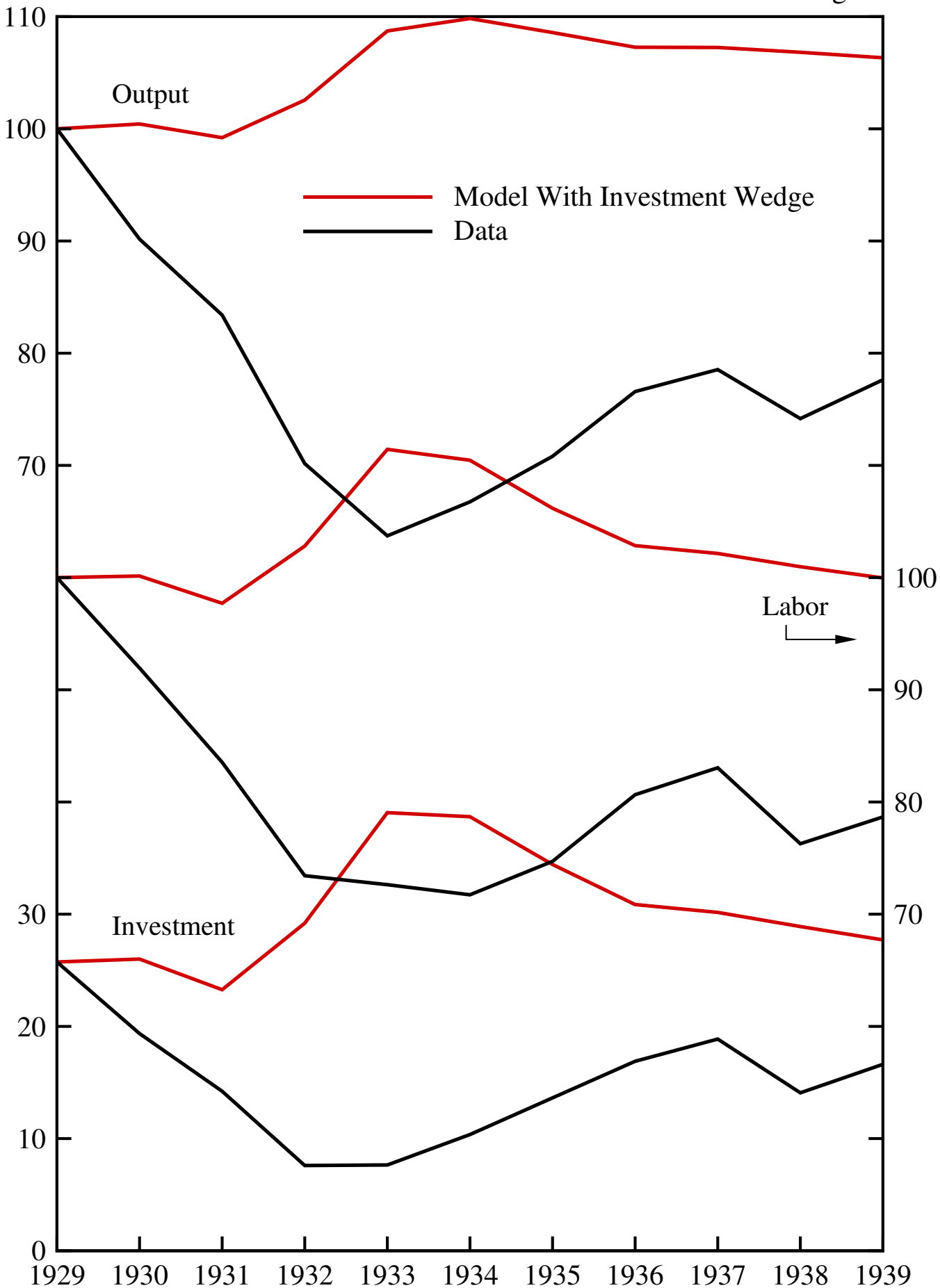
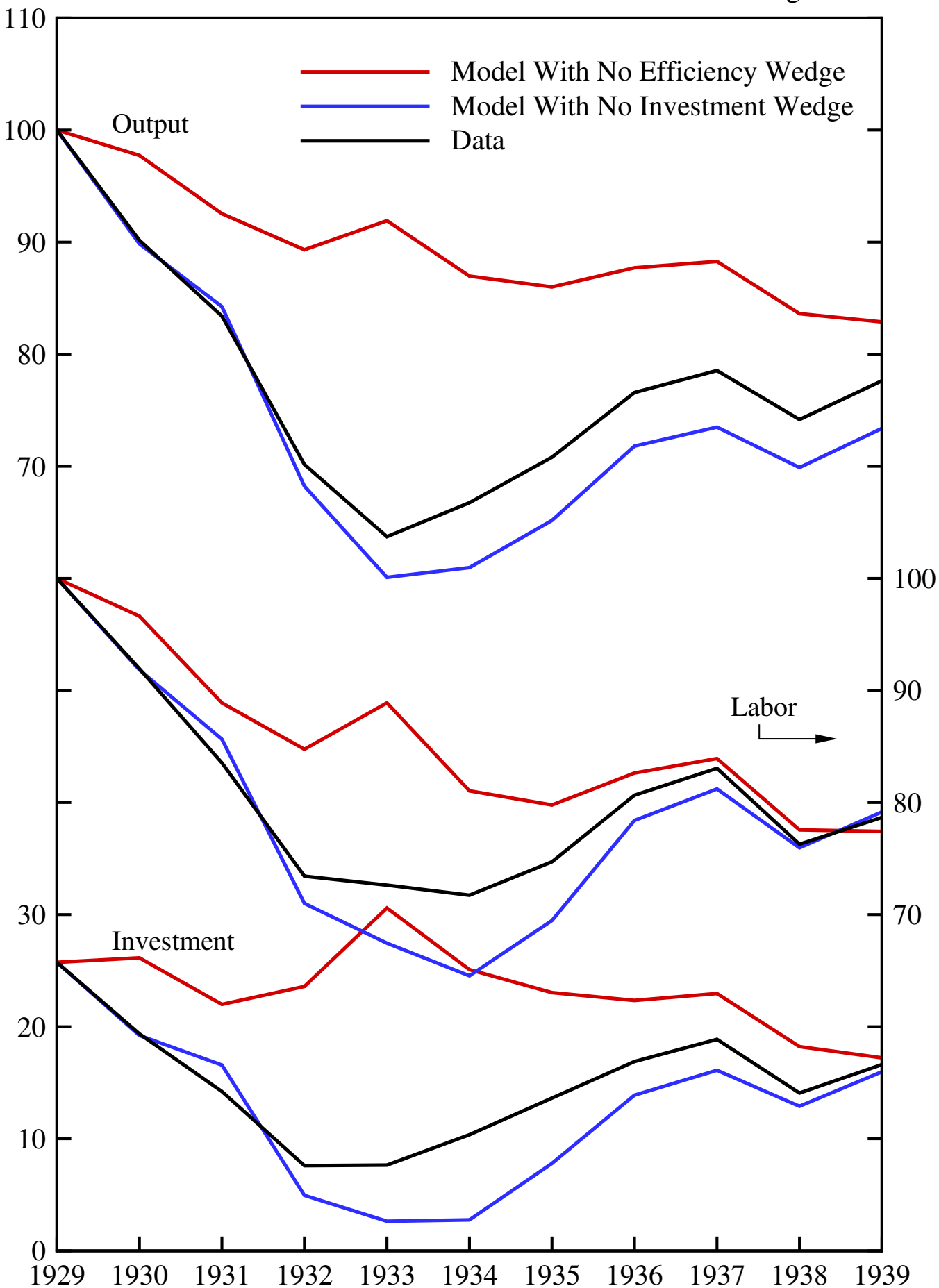


Figure 4
Data and Predictions of Models With All But One Wedge



Figures 5–8

Examining the 1982 U.S. Recession
Quarterly, 1979:1–1985:4; Normalized to Equal 100 in 1979:1

Figure 5
U.S. Output and Three Measured Wedges

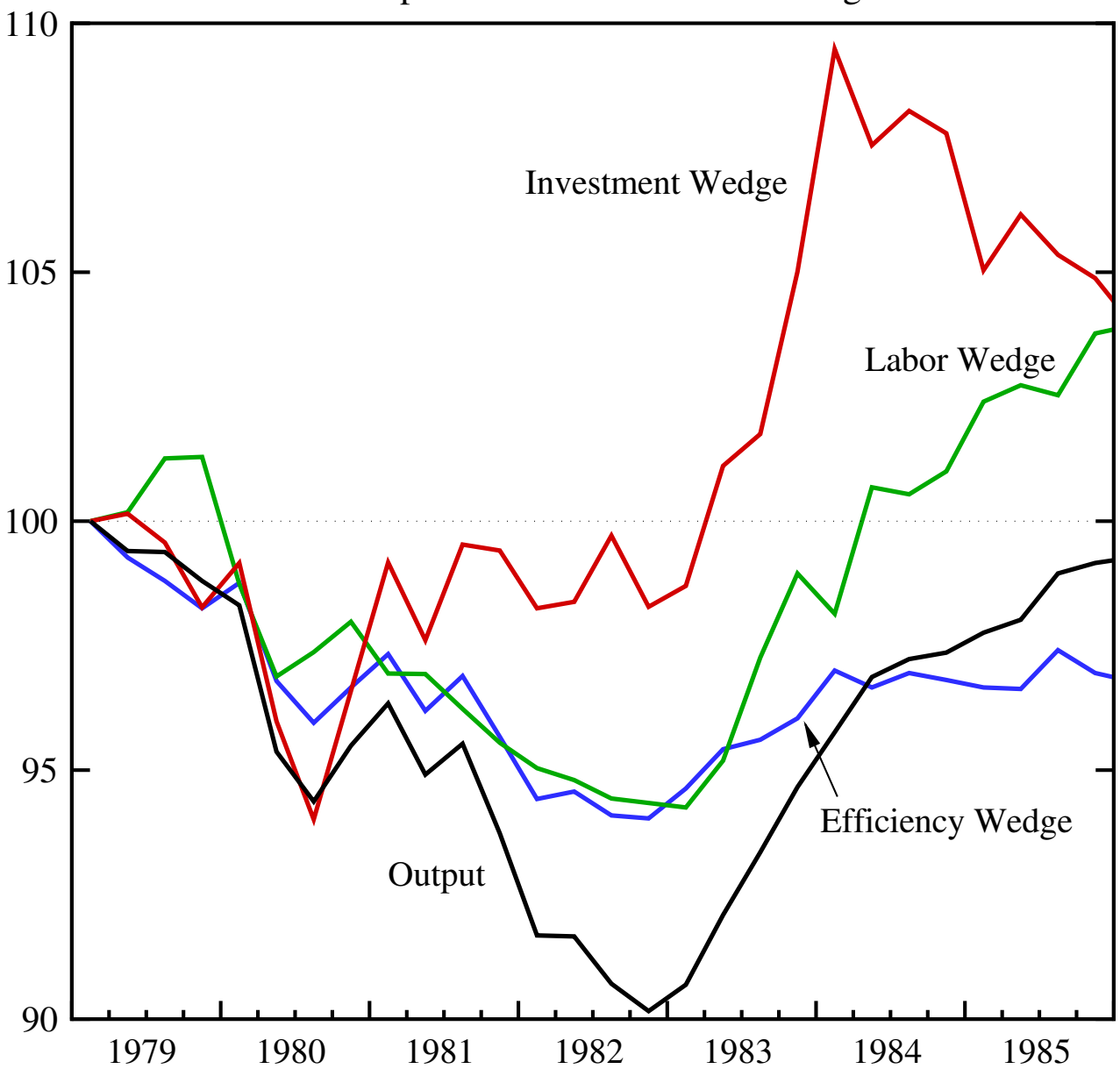


Figure 6
Data and Predictions of Models with Just One Wedge

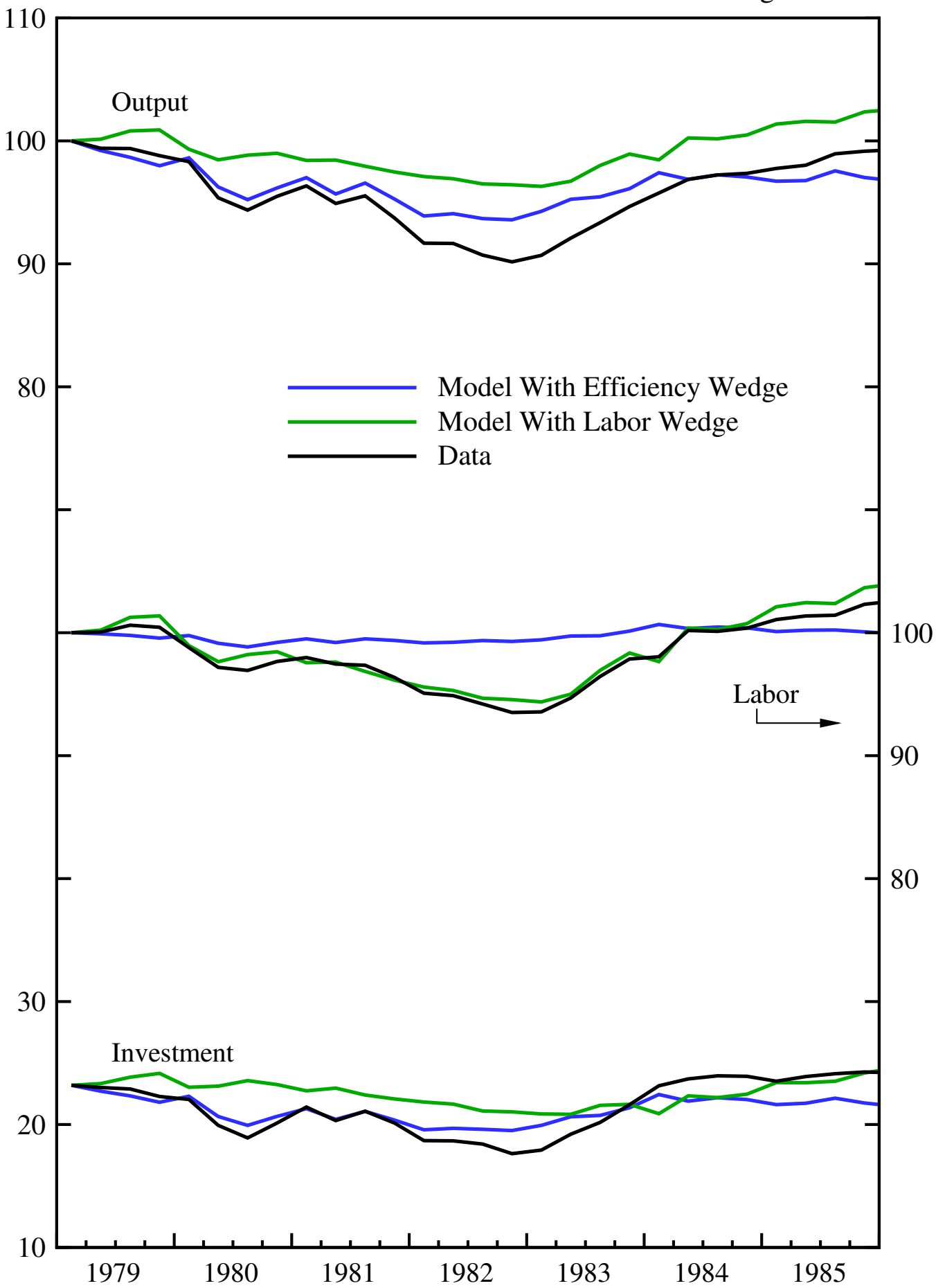


Figure 7
Data and Predictions of a Model With Just the Investment Wedge

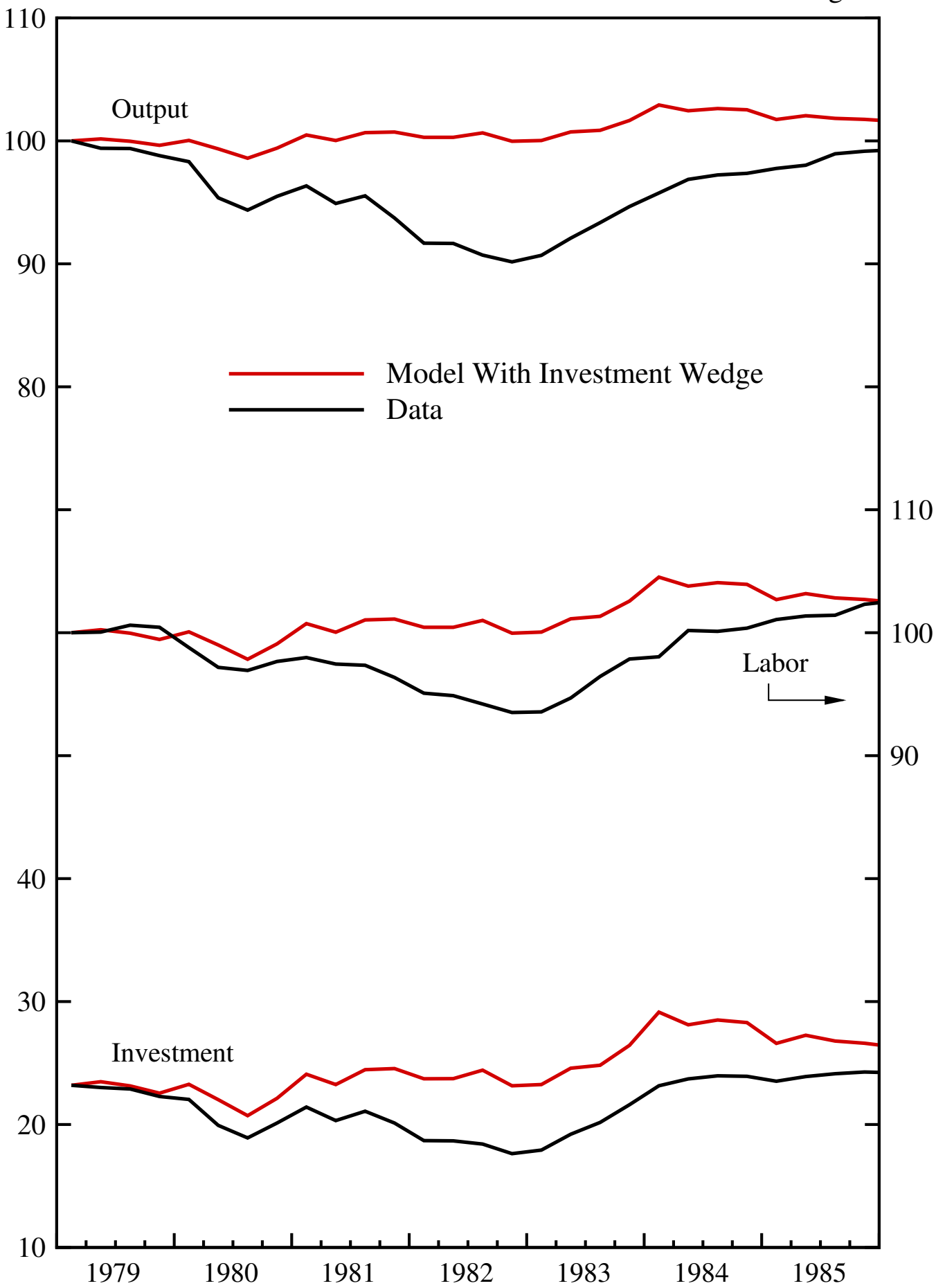
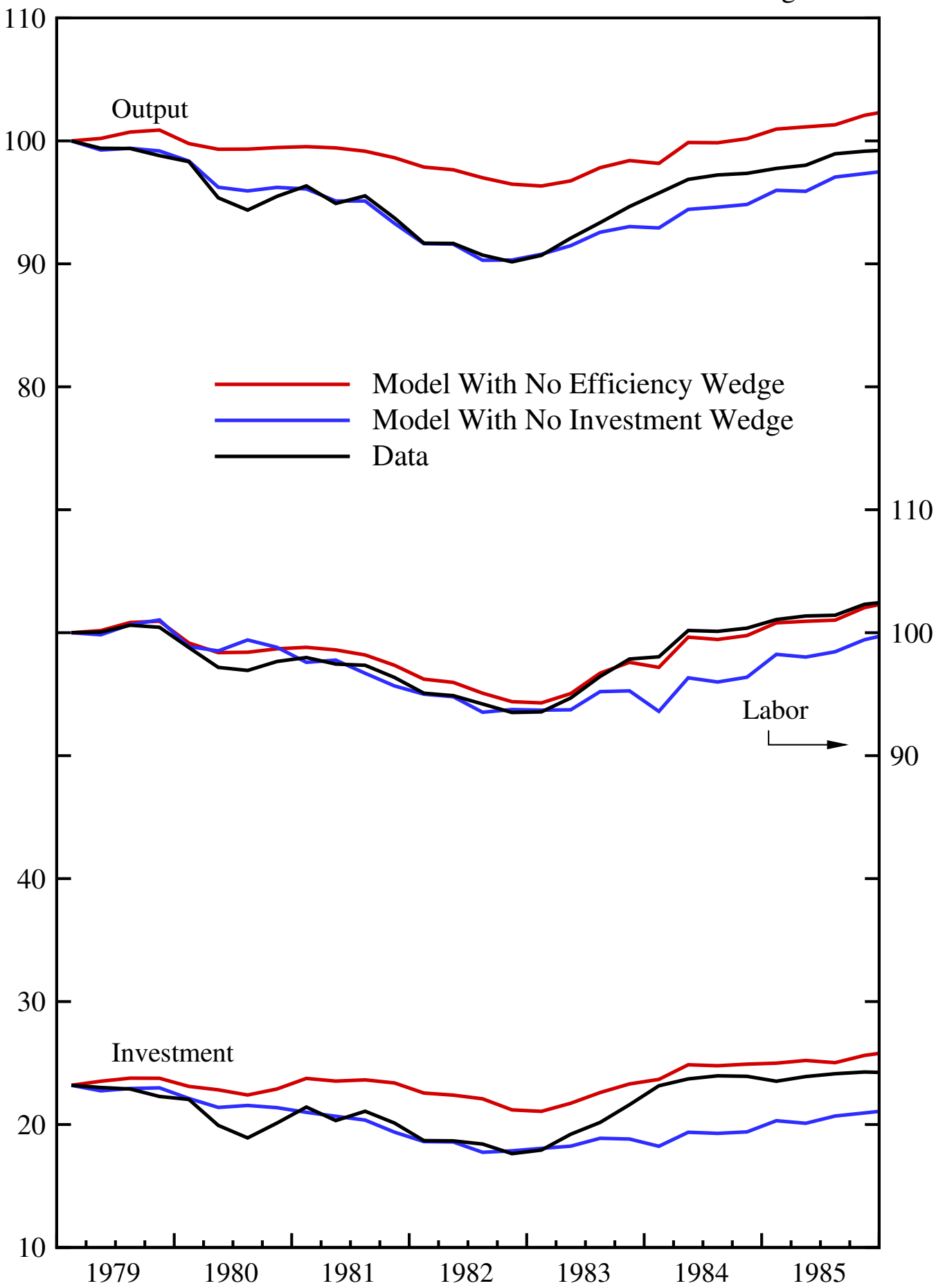


Figure 8
Data and Predictions of Models With All But One Wedge



Figures 9–12

Varying the Capital Utilization Specification
During the Great Depression Period, 1929–39

Figure 9

Measured Efficiency Wedges for Two Capital Utilization Specifications

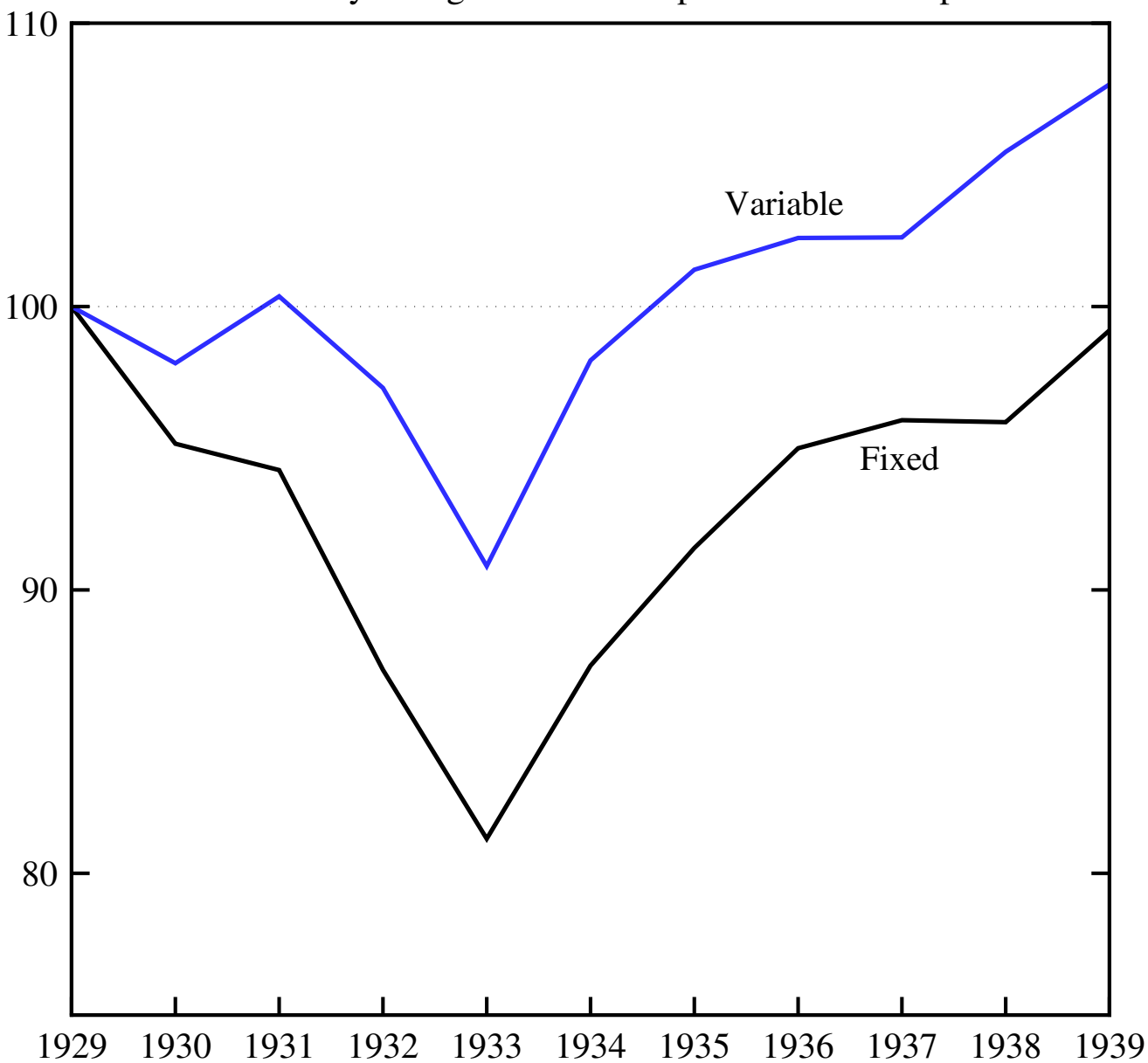


Figure 10
Data and Predictions of Models With
Variable Capital Utilization and Just One Wedge

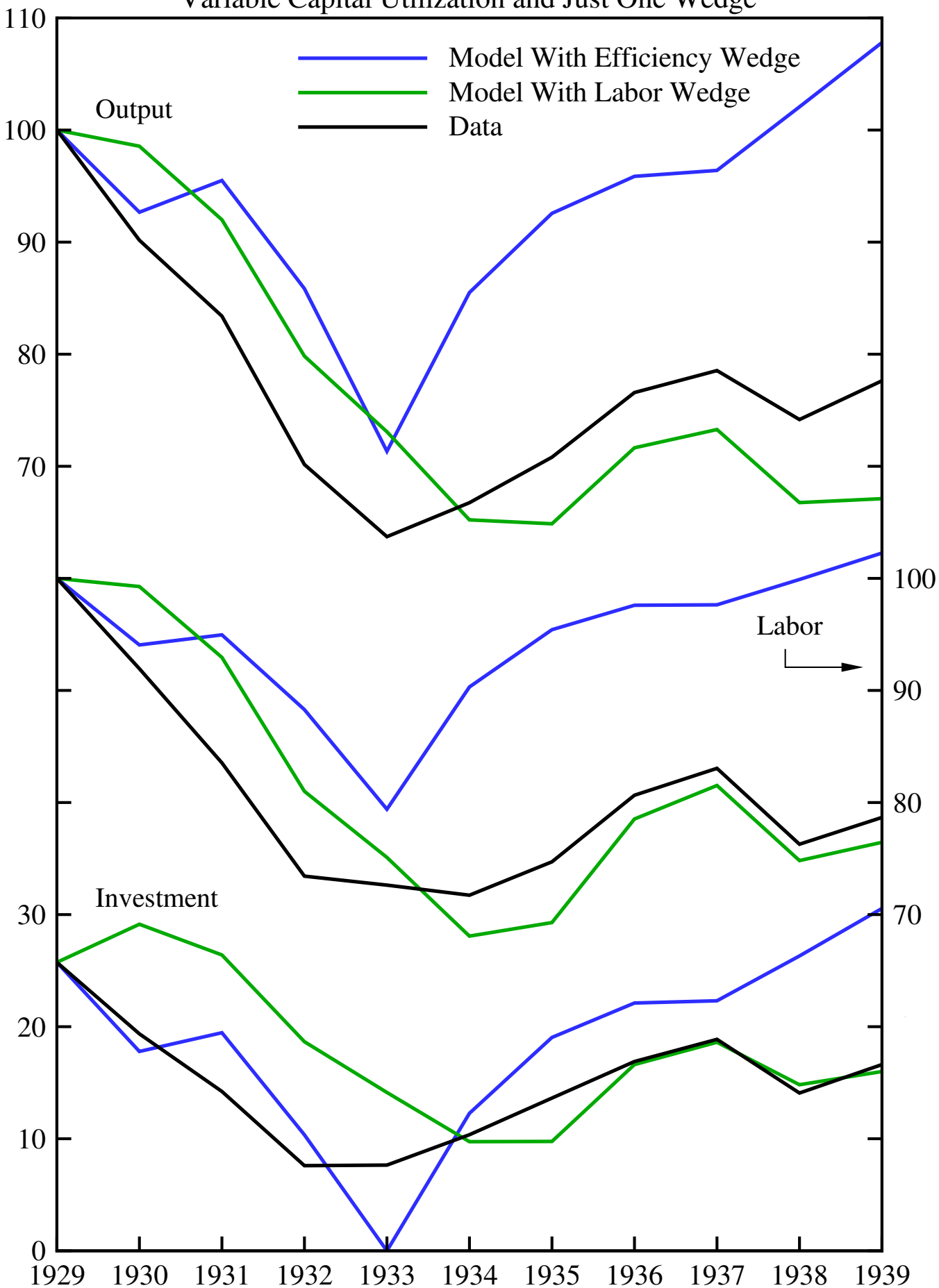


Figure 11
Data and Predictions of a Model With
Variable Capital Utilization and Just the Investment Wedge

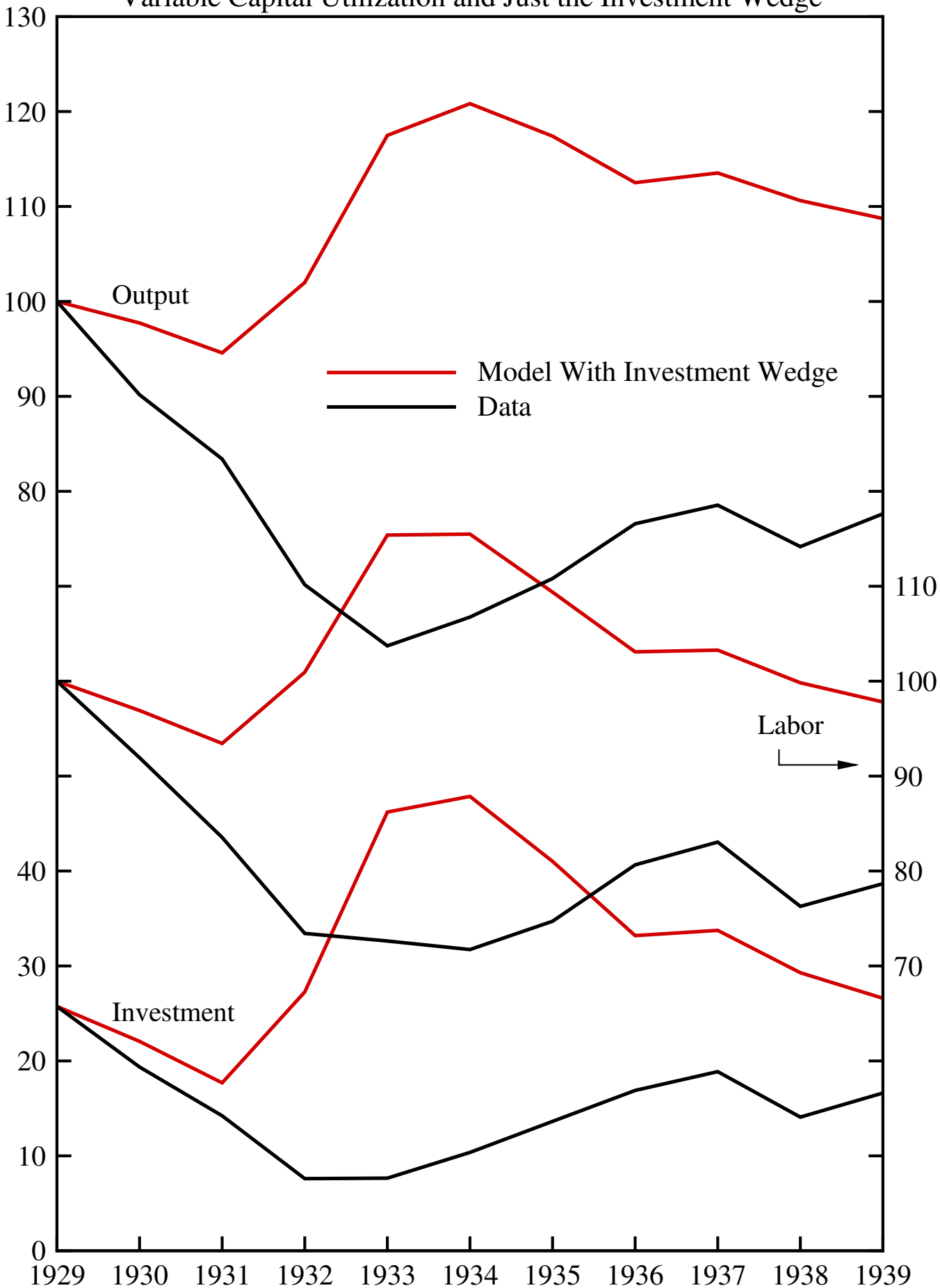


Figure 12
Predictions of Models with Fixed and Variable
Capital Utilization and With All But the Investment Wedge

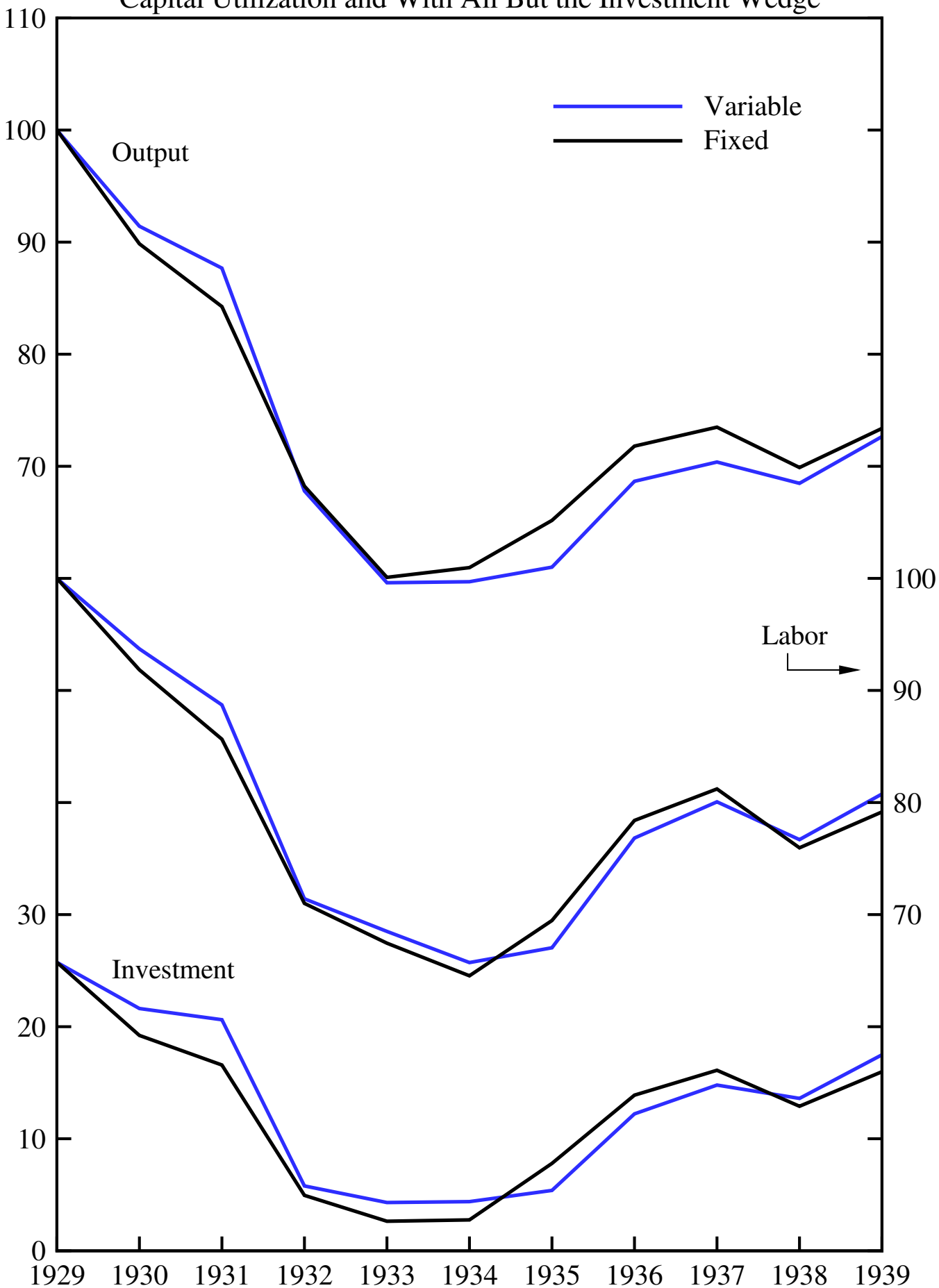
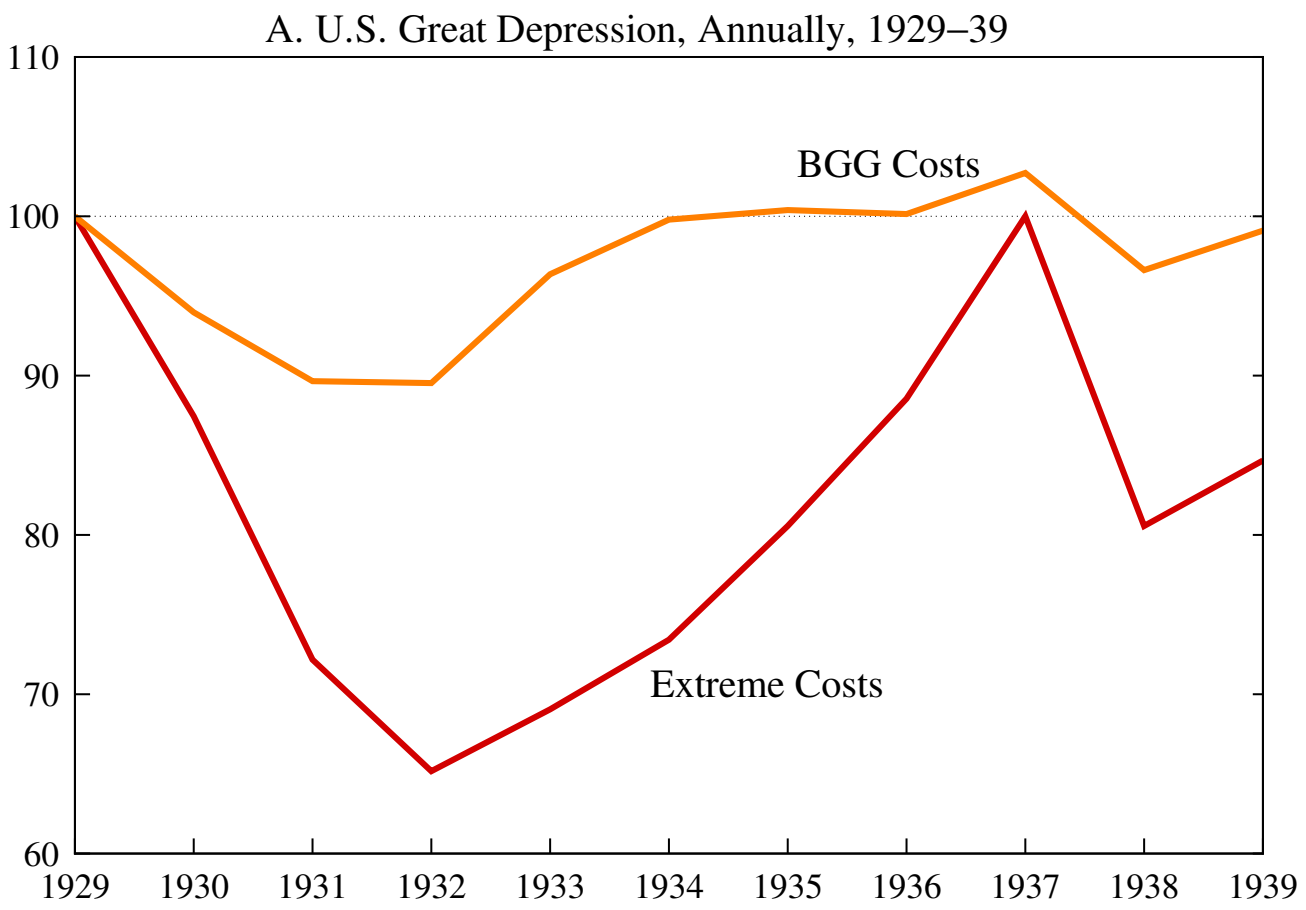


Figure 13
Measured Investment Wedges for Two Adjustment Cost Specifications
(Normalized to Equal 100 in 1929 or 1979:1)



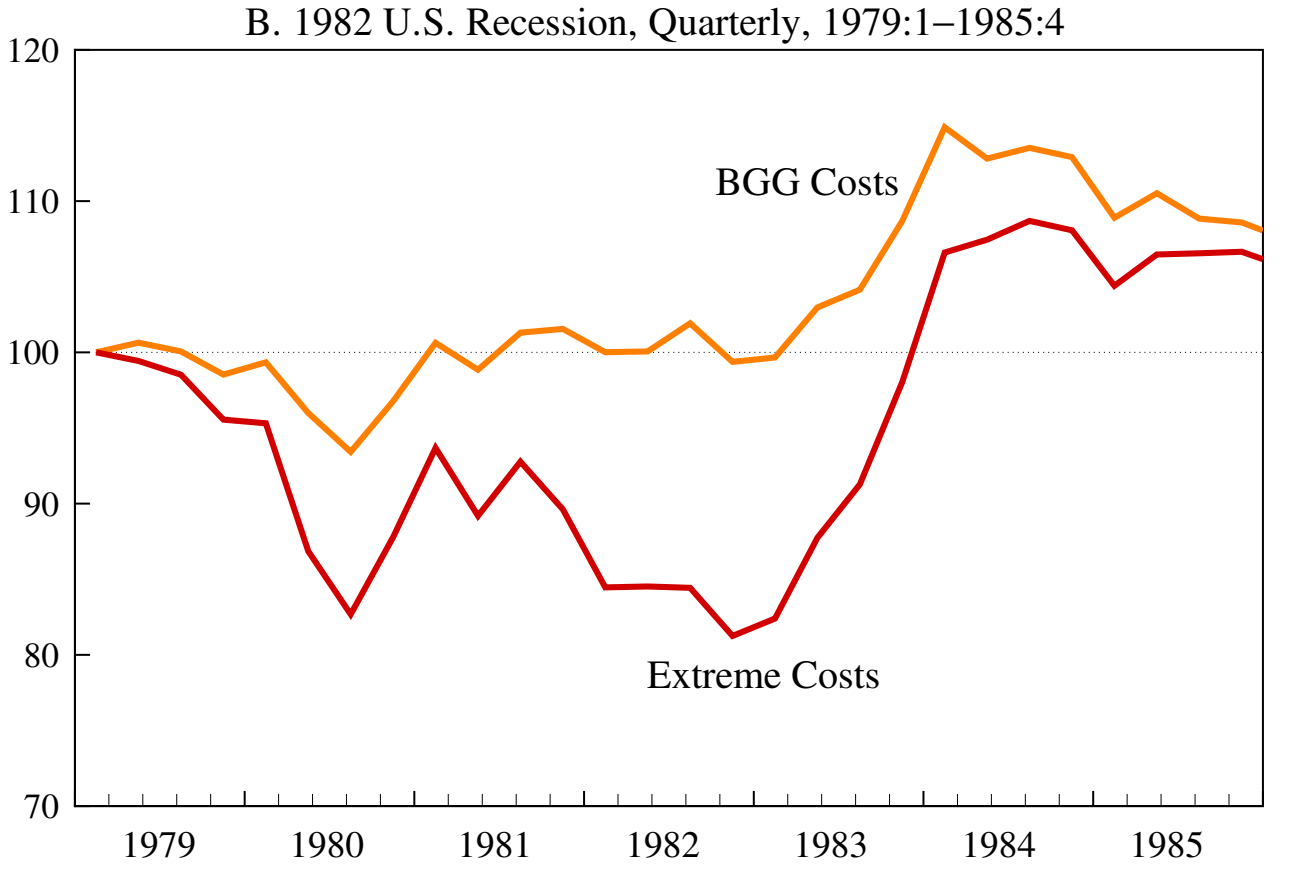
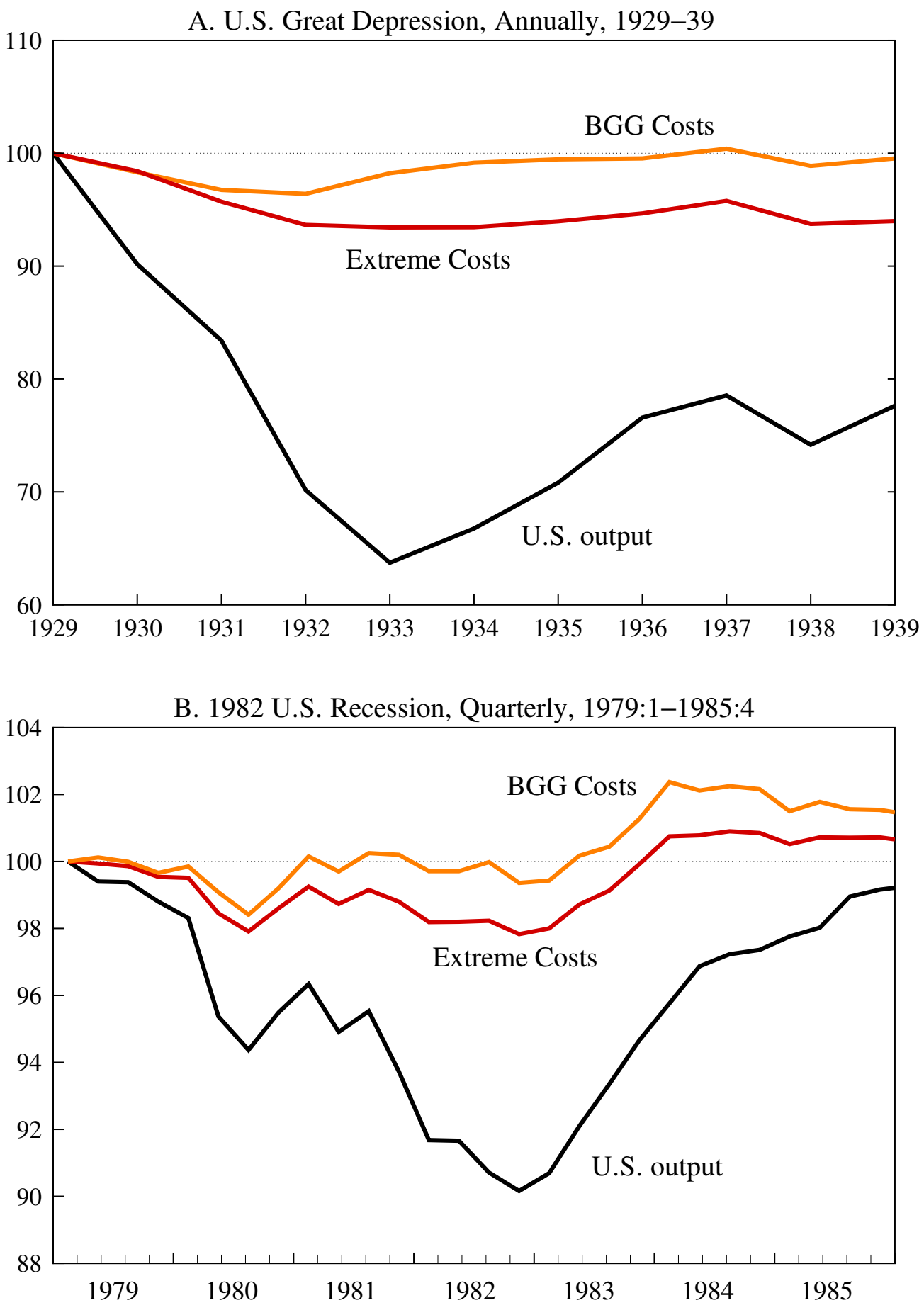



Figure 14. U.S. Output and Predictions of Model
With Alternative Adjustment Costs and Just the Investment Wedge
(Normalized to Equal 100 in 1929 or 1979:1)