

Dis.	Priors				Posteriors		
	Par.	Dist.	Man	str.	Man	90 %	Int
Habit persistence	$h$	$\beta$	0.5	0.2	0.3722	0.3321	0.4216
Non-Ric. Households' share	$\mu$	$\beta$	0.3	0.0052	0.3962	0.3378	0.4544
Utility of consumption	$\sigma_c$	N	1.2	0.3	0.8317	0.6807	0.9818
Utility of Labour	$\varphi$	N	2.2	0.5	2.3078	2.0699	2.4733
Price indexation	$\omega^p$	$\beta$	0.2	0.1	0.2249	0.2008	0.2516
Wage indexation	$\omega^w$	$\beta$	0.4	0.1	0.3392	0.3191	0.3609
Calvo price	$\theta^p$	$\beta$	0.60	0.1	0.6721	0.6408	0.6995
Calvo wage	$\theta^w$	$\beta$	0.50	0.1	0.4198	0.3942	0.4444
Inv. Adj. cost	$\psi$	N	3.0	1.0	3.2845	2.9036	3.6533
Interest rate smoothing	$\rho_r$	$\beta$	0.55	0.1	0.5482	0.5296	0.5669
Taylor inflation	$\kappa_\pi$	N	1.55	0.2	1.5392	1.4348	1.6051
Taylor output	$\kappa_y$	N	0.10	0.2	0.0068	0.000	0.0161
Gov. Con. AR-1	$\rho_{gc}$	$\beta$	0.7	0.1	0.7292	0.6963	0.7656
Gov. investment AR-1	$\rho_{gi}$	$\beta$	0.7	0.1	0.7388	0.7149	0.771
Public transfers AR-1	$\rho_{tr}$	$\beta$	0.7	0.1	0.7905	0.7682	0.8128
Sale tax shock AR-1	$\rho^{\tau c}$	$\beta$	0.7	0.1	0.7391	0.7181	0.7601
Lab. Tax shock AR-1	$\rho^{\tau n}$	$\beta$	0.8	0.1	0.7961	0.7592	0.8376
Cap. Tax shock AR-1	$\rho^{\tau k}$	$\beta$	0.7	0.1	0.8022	0.7654	0.8383
Shad. Tax shock AR-1	$\rho^{\tau N}$	$\beta$	0.6	0.1	0.5401	0.5035	0.5691
Lab. Supply shock AR-1	$\rho_n$	$\beta$	0.8	0.1	0.724	0.7058	0.7438
TFP shock AR-1	$\rho_A$	$\beta$	0.7	0.1	0.8088	0.7746	0.8454
Pref. shock AR-1	$\rho_p$	$\beta$	0.7	0.1	0.8608	0.8221	0.8942
Investment AR-1	$\rho_i$	$\beta$	0.8	0.15	0.9306	0.8831	0.9929
Gov. co. Output react.	$\rho_y^g$	N	0.0	0.5	0.4698	0.2654	0.6156
Gov. con. Debt react.	$\rho_b^g$	N	0.0	0.5	-0.0047	-0.027	0.0204
Gov. Inv. output react.	$\rho_y^{gl}$	N	0.0	0.5	-0.3595	-0.5733	-0.1721
Gov. Inv. Debt react.	$\rho_b^{gl}$	N	0.0	0.5	0.3489	0.2105	0.4599
Gov. traf. Lab. react.	$\rho_n^{tr}$	N	0.0	0.5	-0.0767	-0.2043	0.0082
Gov. traf. Debt react.	$\rho_b^{tr}$	N	0.0	0.5	0.3942	0.2445	0.5352
Sale tax output React.	$\rho_y^{\tau c}$	N	0.01	0.5	0.1328	0.0248	0.2304
Sale tax debt. React.	$\rho_b^{\tau c}$	N	0.01	0.5	0.1221	0.0999	0.1419
Cap. Tax output reacts.	$\rho_y^{\tau k}$	N	0.0	0.5	0.5228	0.2772	0.7547
Cap. Tax debt reacts.	$\rho_b^{\tau k}$	N	0.0	0.5	0.0332	-0.0171	0.0791
Lab. tax output reacts.	$\rho_y^{\tau n}$	N	0.01	0.5	0.0606	-0.0155	0.1346
Lab. tax Debt react.	$\rho_b^{\tau n}$	N	0.0	0.5	0.0094	-0.0119	0.0309
Shad. Tax. Output react.	$\rho_y^{\tau N}$	N	0.0	0.5	0.0366	-0.1079	0.1682
Shad. Tax. Debt react.	$\rho_b^{\tau N}$	N	0.0	0.5	0.2375	0.16	0.332
SD capital Tax shock	$\varepsilon_t^{\tau k}$	$\gamma^{-1}$	0.01	2.0	0.0378	0.0335	0.042
SD labour Tax shock	$\varepsilon_t^{\tau n}$	$\gamma^{-1}$	0.01	2.0	0.0084	0.0072	0.0092
SD Con. Tax shock	$\varepsilon_t^{\tau c}$	$\gamma^{-1}$	0.01	2.0	0.0124	0.0109	0.014
SD Shad. Tax shock	$\varepsilon_t^{\tau N}$	$\gamma^{-1}$	0.01	2.0	0.0924	0.0808	0.1033
SD cost-push shock	$\varepsilon_t^{cp}$	$\gamma^{-1}$	0.01	2.0	0.0056	0.0026	0.0085
SD Inv. shock	$\varepsilon_t^i$	$\gamma^{-1}$	0.01	2.0	0.0079	0.0028	0.0136
SD Gov. Con. shock	$\varepsilon_t^{gc}$	$\gamma^{-1}$	0.01	2.0	0.0105	0.0093	0.0117
SD Cap. Price shock	$\varepsilon_t^q$	$\gamma^{-1}$	0.01	2.0	0.0755	0.064	0.0864
SD Tec. shock	$\varepsilon_t^A$	$\gamma^{-1}$	0.01	2.0	0.0031	0.0022	0.0042
SD Gov. inv. shock	$\varepsilon_t^{gl}$	$\gamma^{-1}$	0.01	2.0	0.0095	0.0021	0.0172
SD preference shock	$\varepsilon_t^p$	$\gamma^{-1}$	0.01	2.0	0.0029	0.002	0.0037
SD Public Transfers Sh.	$\varepsilon_t^{tr}$	$\gamma^{-1}$	0.01	2.0	0.0091	0.0025	0.0179
SD Monetary shock	$\varepsilon_t^m$	$\gamma^{-1}$	0.01	2.0	0.0016	0.0014	0.0019
SD Lab. Sup. Sh.	$\varepsilon_t^{tr}$	$\gamma^{-1}$	0.01	2.0	0.0314	0.0268	0.0359

Table 4.2: Priors and Posteriors of estimated model parameters, and standard deviations of the shocks

## D Bayesian IRFs' Plots

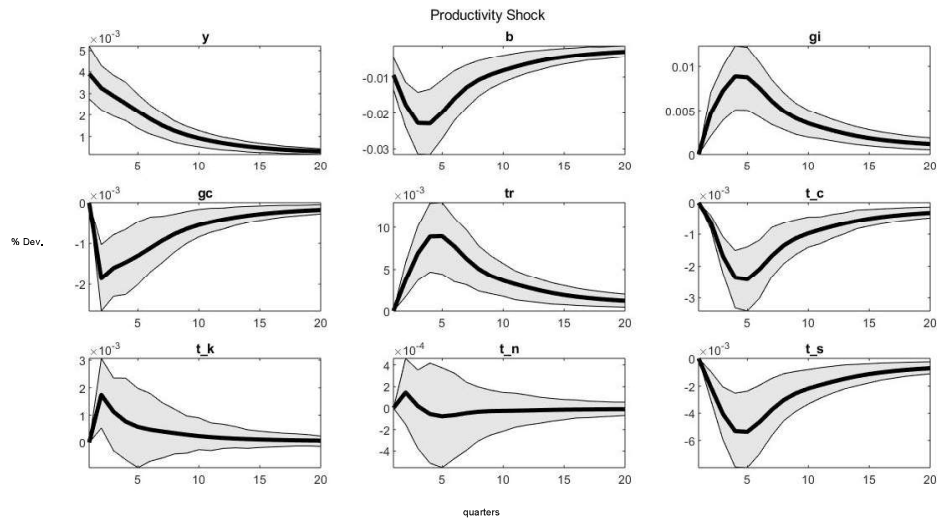


Figure 6: Bayesian IRF Productivity

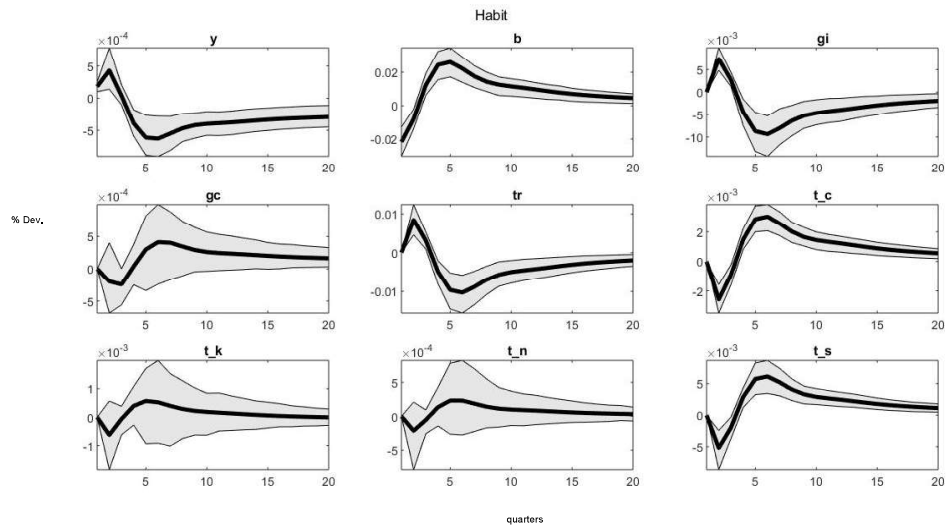


Figure 7: Bayesian IRF Preference

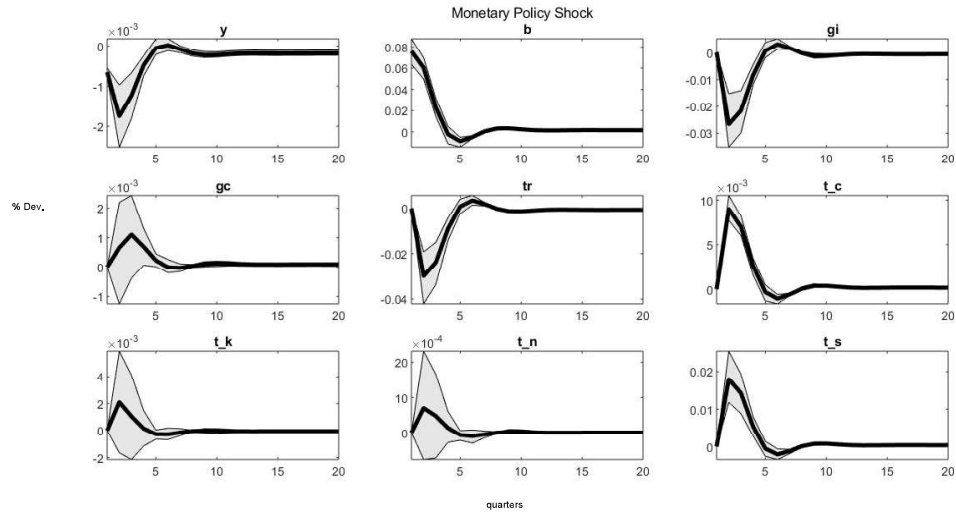


Figure 8: Bayesian IRF Monetary Policy

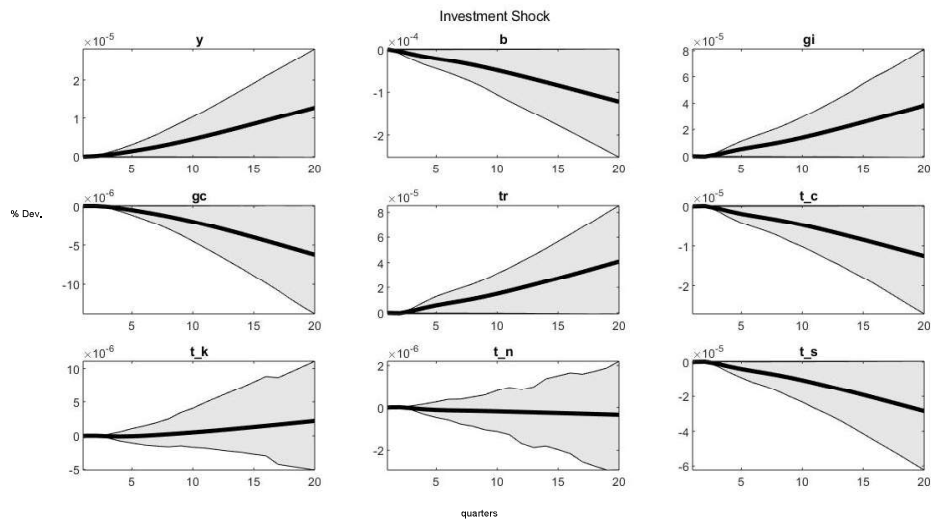


Figure 9: Bayesian IRF Investment

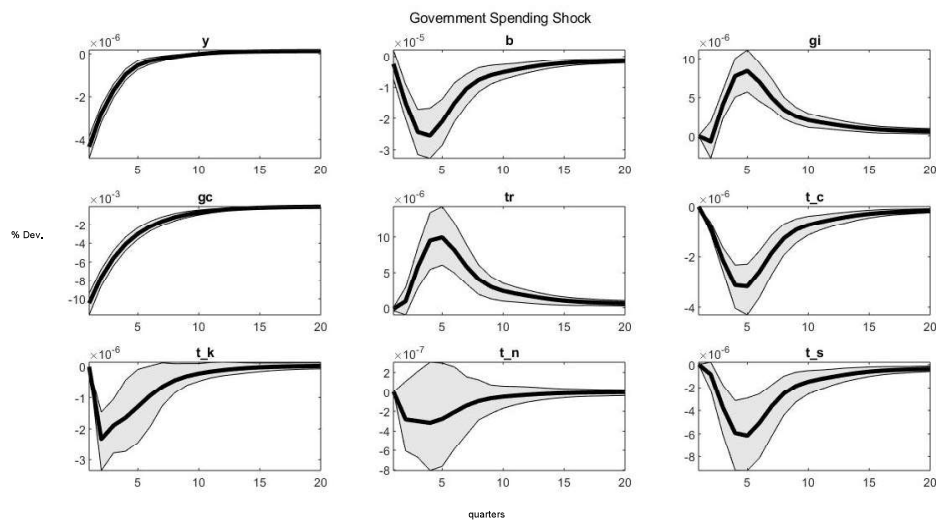


Figure 10: Bayesian IRF Gov. Spendings

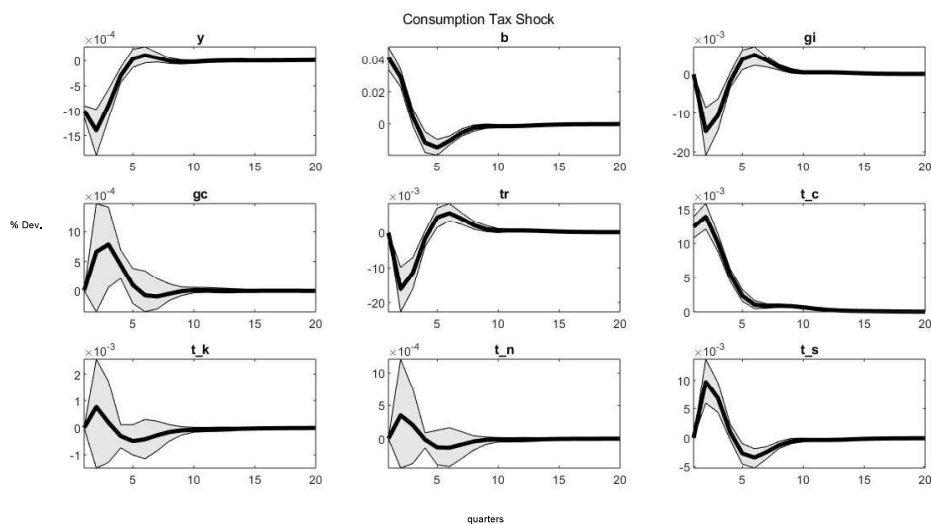


Figure 11: Bayesian IRF Consumption Tax

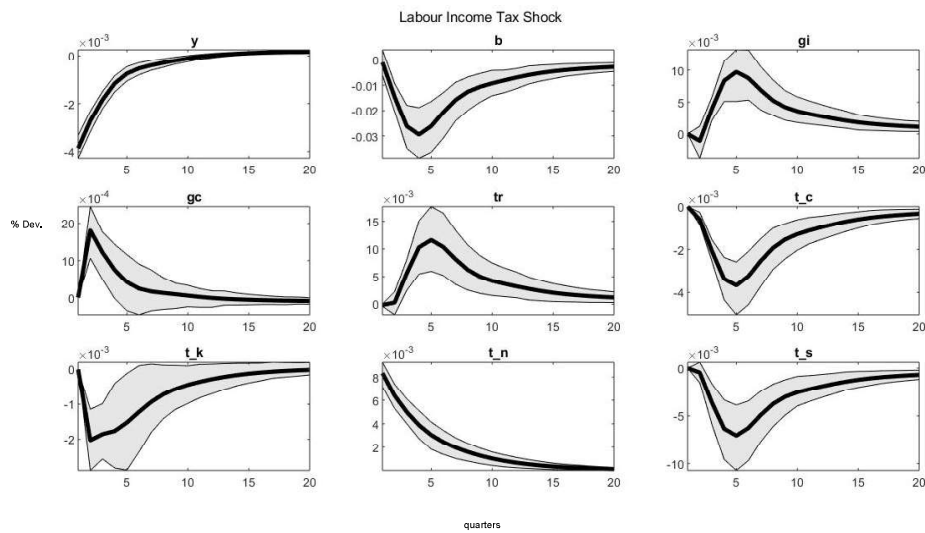


Figure 12: Bayesian IRF Labour Income Tax

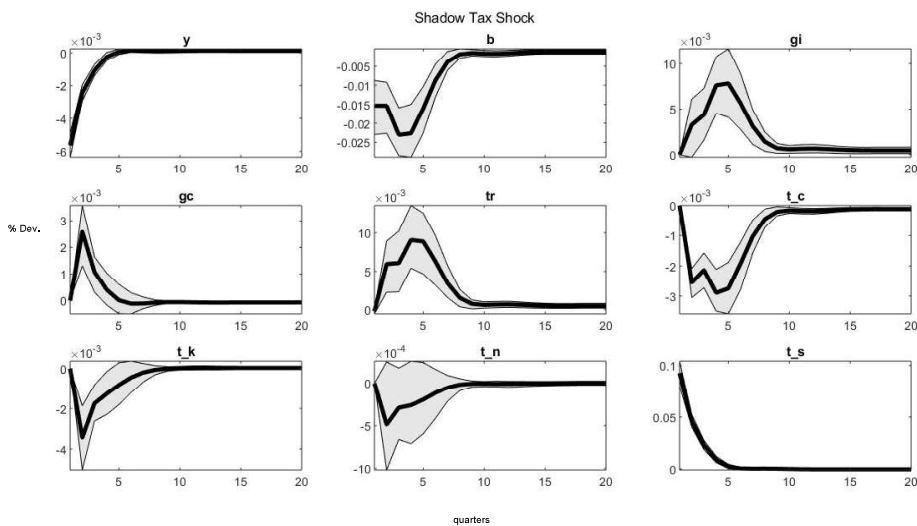


Figure 13: Bayesian IRF Shadow Tax

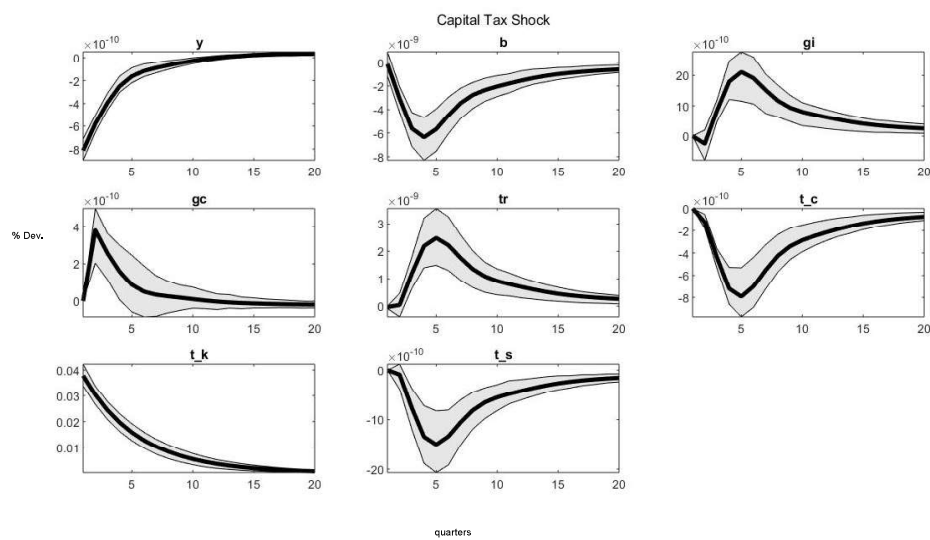


Figure 14: Bayesian IRF Capital Tax

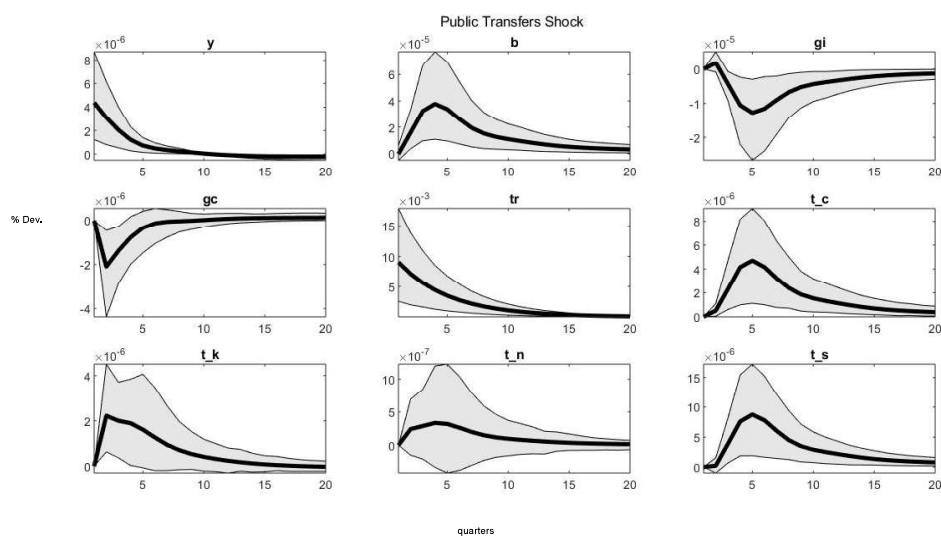


Figure 15: Bayesian IRF Public Transfers