The Macroeconomy according to HANK∗

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Abstract

We explore a new framework for the quantitative analysis of aggregate shocks and macroeconomic policy. Our Heterogeneous Agent New Keynesian (HANK) model features three building blocks: uninsurable income risk, assets with different degrees of liquidity and nominal rigidities. The model is consistent with key facts on household balance sheets, household-level income dynamics, income and wealth distribution and heterogeneity in marginal propensities to consume (MPCs). We explore how the model reacts to a number of different types of shocks, among these supply shocks, demand shocks, idiosyncratic uncertainty shocks, and liquidity shocks. Our ultimate goal is to better understand the effects of fiscal stimulus policy, conventional and unconventional monetary policy.

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