

Discussion of “The Great Redistribution that Wasn’t: A HANK-OLG Perspective on Monetary Policy” by Brzoza-Brzezina & Rigato

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^aThe views expressed are my own and do not necessarily reflect those of the Board of Governors of the Federal Reserve System.

- **Starting point:** post-pandemic inflation surge and monetary accommodation
- Propose an **OLG-HANK model**
 - filter aggregate shocks in 2021-2022
 - compute redistributive effects by age and wealth
- **Main results:**
 - **markup shocks** drive the welfare effects of inflation surge in 2020-2021
 - redistribution from **young/poor** to **old/rich**
 - **accommodative monetary policy** largely offsets redistribution from markup shocks
- Not an optimal policy paper, but suggests that accommodation was good policy

1. Are filtered shocks consistent with literature on post-pandemic inflation?
2. How are welfare effects determined?
3. Are the conclusions robust to alternative modeling assumptions?

Aggregate shocks driving welfare vs inflation

- Large empirical literature argues that **demand shocks** were important for post-pandemic inflation

[Giannone-Primiceri, 2024; Bergholt et al., 2024]

- Is attributing welfare effect to **markup shocks** at odds with that?

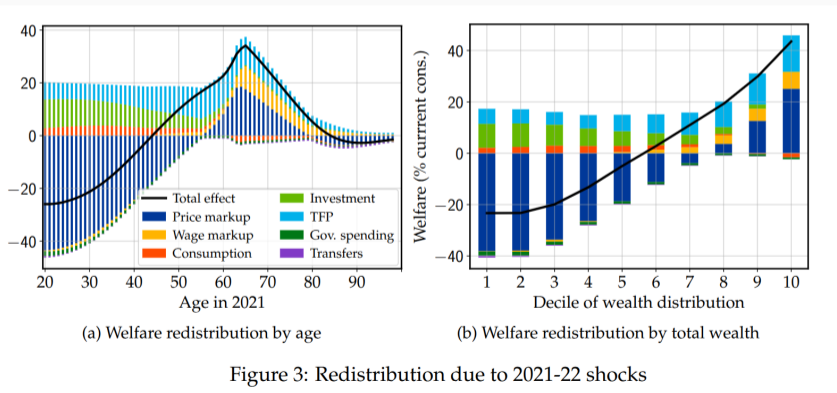


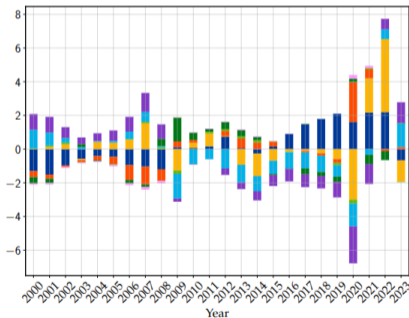
Figure 3: Redistribution due to 2021-22 shocks

Aggregate shocks driving welfare vs inflation

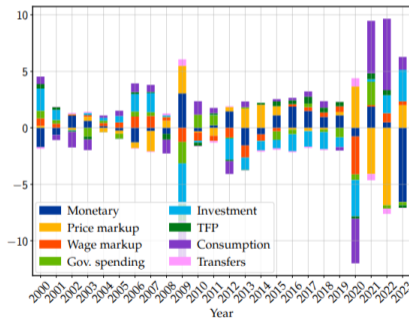
- Large empirical literature argues that **demand shocks** were important for post-pandemic inflation

[Giannone-Primiceri, 2024; Bergholt et al., 2024]

- Is attributing welfare effect to **markup shocks** at odds with that? **No!**
 - demand shocks matter for **spending & inflation**, just not welfare



(a) Inflation



(b) GDP growth

Figure 12: Historical decompositions of inflation and GDP growth

Aggregate shocks driving welfare vs inflation

- Large empirical literature argues that **demand shocks** were important for post-pandemic inflation [Giannone-Primiceri, 2024; Bergholt et al., 2024]
- Is attributing welfare effect to **markup shocks** at odds with that? **No!**

→ Filtered shocks are very reasonable

- demand from households and businesses, also labor supply, dropped in 2020
- household demand bounced back somewhat by 2022, but spending was still held down by markup shocks, and investment and labor supply remained weak
- consistent with spending excess savings accumulated in 2020-2021

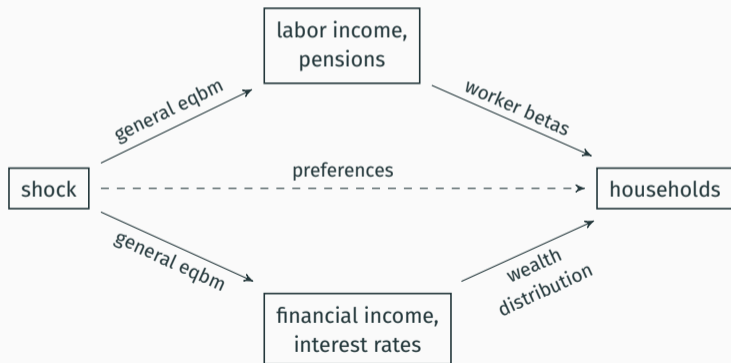
[Bardóczy-Sim-Tischbirek, 2025]

→ But attributing demand shifts to **preference shocks** is consequential for welfare

- did we spend less in 2020 because we wanted to?
- or because of high uncertainty and social distancing restrictions?

How do aggregate shocks affect welfare?

Model has to capture **income responses** and their **distribution**



Benchmarking aggregate income responses

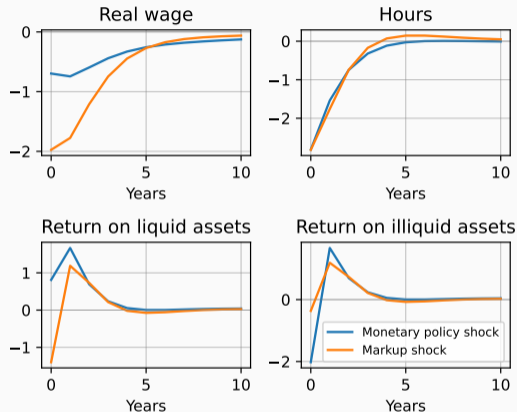


Figure 1: Brzoza-Brzezina & Rigato

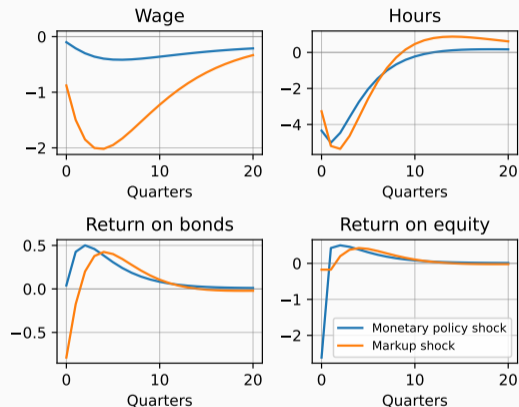


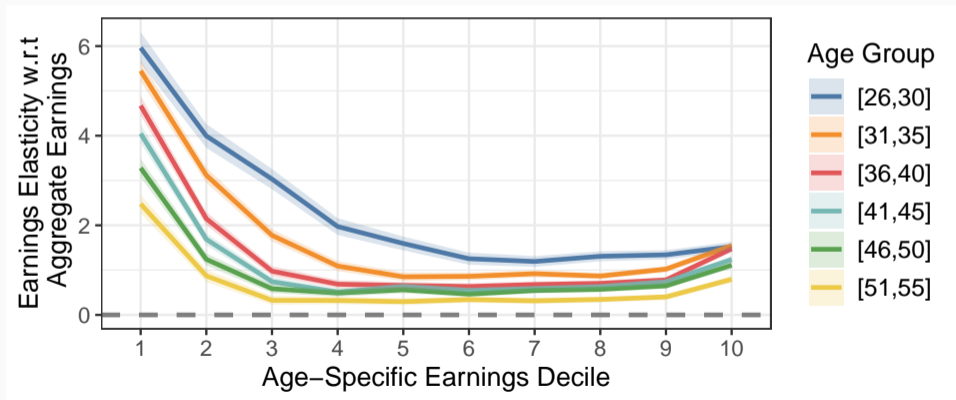
Figure 2: FR-HANK 2.0

This paper claims that monetary easing can undo markup shock; seems robust!

Worker betas

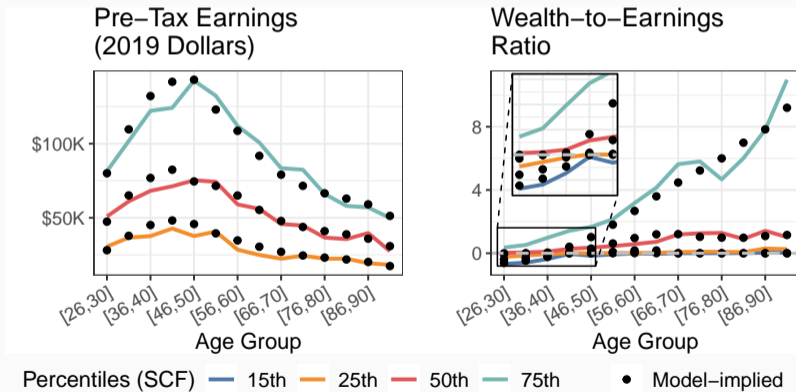
- Model assumes uniform worker betas
- We estimate big differences in Swedish labor income data

[Bardóczy-Savoia-Velásquez-Giraldo, 2025]



Wealth distribution

- Income inequality narrows, but wealth inequality widens in old age
- We rely on strong luxury bequest motive; does this 2-asset model work without?



Conclusion

Conclusion

- Beautiful example of using a HA model to shed light on important policy question!
 - filtered shocks are broadly consistent with empirical work
 - aggregate income responses are robust to variation in model features & estimation
- Welfare results are very reasonable; few suggestions for refinement:
 - include inputs of the household block among observables
 - **return on equity** often hard to match, **risk premium shocks** can help
 - **worker betas** & **luxury bequest motive** are key to capture distributional effects of monetary policy in FR-HANK 2.0
- Application to 2020-21 episode would be even stronger with a specialized model
 - **discount factor shocks** drive consumption with small effects on welfare
 - alternatives—**uncertainty, mortality, social distancing**—may fit the episode better and have very different welfare implications

References

- Bardóczy, Bence, Ettore Savoia, and Mateo Velásquez-Giraldo**, “HANK Comes of Age: Monetary Policy with Heterogeneous Overlapping Generations,” June 2024. SSRN Working Paper 4890035.
- , **Jae Sim, and Andreas Tischbirek**, “The Macroeconomic Effects of Excess Savings,” *Journal of Monetary Economics*, 2025, 156, 103847.
- Bergholt, Drago, Fabio Canova, Francesco Furlanetto, Nicolò Maffei-Faccioli, and Pål Ulvedal**, “What Drives the Recent Surge in Inflation? The Historical Decomposition Roller Coaster,” *American Economic Journal: Macroeconomics*, forthcoming.
- Giannone, Domenico and Giorgio Primiceri**, “The Drivers of Post-Pandemic Inflation,” Working Paper 32859, National Bureau of Economic Research August 2024.