1. Title: Pandemics According to HANK

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3. Abstract
We provide a quantitative analysis of the trade-offs between economic and health outcomes associated with alternative policy responses to the COVID-19 pandemic, with a focus on distributional implications. We integrate an expanded SIR model of spread of the virus into a Heterogeneous Agent New Keynesian macroeconomic model with social consumption goods and regular consumption goods. In addition to income and wealth heterogeneity, we distinguish between individuals working in occupations that produce social vs regular goods, and occupations with different degrees of flexibility for working remotely. We also allow for home production to partially substitute for social goods. We map out a “pandemic possibility frontier”, which describes the economic consequences for different types of individuals of policies that yield different aggregate mortality rates. Our findings suggest that hand-to-mouth households working occupations that produce social consumption and can’t be performed remotely suffer the most adverse economic consequences.


5. JEL codes for the project: E0

6. Key-words: distributional effects, SIR model, HANK model, Pandemic Possibility Frontier