

Inflation and the distribution of resources

Fabrizio Perri

Federal Reserve Bank of Minneapolis and CEPR
fabri.perri@gmail.com

January 2026

Abstract

The lecture is divided in three parts.

The first part is an overview of the literature on the distributional impact of inflation. In particular it discusses the impact of inflation and monetary policy shocks on income, consumption and wealth distribution. Key references for this part include [Doepke and Schneider \(2006\)](#), [Kaplan and Schulhofer-Wohl \(2017\)](#), [Amberg et al. \(2022\)](#), [Andersen et al. \(2023\)](#), [Jaravel \(2024\)](#), [Pallotti et al. \(2024\)](#), [Del Canto et al. \(2025\)](#).

The second part focuses on the United States over the period 1967-2024 and shows how inflationary shocks have affected the distribution of income, and in particular labor income. The analysis is based on macroeconomic data as well as micro data from the Consumer Population Survey (CPS) and the Panel Study of Income Dynamics (PSID). One important finding is that during inflationary shocks all workers experience a significant real wage reduction, but low skill workers experience a much larger reduction in hours worked, relatively to high skill workers. References include [Heathcote et al. \(2023\)](#), [Piketty et al. \(2017\)](#), [Jaimovich et al. \(2025\)](#).

The third part presents a simple macroeconomic model with sticky wages and different labor supply elasticities across workers, that can help understand the differential impact of inflation on employment across workers of different types. References include [Michaillat and Saez \(2015\)](#), [Huo and Rios-Rull \(2020\)](#), [Graves et al. \(2023\)](#), [Afrouzi et al. \(2024\)](#), [Jaimovich et al. \(2025\)](#), [Barro \(2025\)](#).

References

- Afrouzi, H., A. Blanco, A. Drenik, and E. Hurst (2024). A theory of how workers keep up with inflation. NBER Working Paper 33233.
- Amberg, N., T. Jansson, M. Klein, and A. R. Picco (2022). Five facts about the distributional income effects of monetary policy shocks. *American Economic Review: Insights* 4(3), 289–304.
- Andersen, A. L., N. Johannesen, M. Jorgensen, and J.-L. Peydro (2023). Monetary policy and inequality. *The Journal of Finance* 78(5), 2945–2989.
- Barro, R. J. (2025). The old keynesian model. Working Paper 33850, National Bureau of Economic Research.
- Del Canto, F., J. Grigsby, E. Qian, and C. Walsh (2025, 06). Are inflationary shocks regressive? a feasible set approach. *The Quarterly Journal of Economics* 140(4), 2685–2747.
- Doepke, M. and M. Schneider (2006). Inflation and the redistribution of nominal wealth. *Journal of Political Economy* 114(6), 1069–1097.
- Graves, S., C. K. Huckfeldt, and E. T. Swanson (2023). The labor demand and labor supply channels of monetary policy. Working Paper 31770, National Bureau of Economic Research.
- Heathcote, J., F. Perri, G. L. Violante, and L. Zhang (2023). More unequal we stand? Inequality dynamics in the United States, 1967-2021. *Review of Economic Dynamics* 50, 235–266.
- Huo, Z. and J.-V. Rios-Rull (2020). Sticky wage models and labor supply constraints. *American Economic Journal: Macroeconomics* 12(3), 284–318.
- Jaimovich, N., F. Perri, and N. Vincent (2025). Inflation and the distribution of real income. Working paper.
- Jaravel, X. (2024). Distributional Consumer Price Indices. CEPR Discussion Paper 19802.
- Kaplan, G. and S. Schulhofer-Wohl (2017). Inflation at the household level. *Journal of Monetary Economics* 91, 19–38.

- Michaillat, P. and E. Saez (2015, 02). Aggregate demand, idle time, and unemployment. *The Quarterly Journal of Economics* 130(2), 507–569.
- Pallotti, F., G. Paz-Pardo, J. Slacalek, O. Tristani, and G. L. Violante (2024). Who bears the costs of inflation? euro area households and the 2021-2023 shock. *Journal of Monetary Economics* 148.
- Piketty, T., E. Saez, and G. Zucman (2017). Distributional National Accounts: Methods and Estimates for the United States. *The Quarterly Journal of Economics* 133(2), 553–609.