



	“Bare bone” NK Model	I Theory
Friction	Price/Wage stickiness	Financial friction
Manage	Price dispersion	Potential wealth shifts - Amplification/runs - Risk premia Balance sheet constraints ⁱ
	Linear around Steady State	Non-linearities
Transmission mechanism	Euler equation (STABLE) Substitution effect	Time-varying & depends on - {LM} ^{sectors} - Financial/mortgage contracts - Borrowers’ bank dependency Income/wealth effects - ex-post: redistributive - ex-ante: insurance ⇒ affects risk premia (Hanson-Stein on 10 year Tips)