

Recently, a lot of literature, both empirical and theoretical appeared, trying to tackle the phenomena of inequality. The most popular work, managing to transgress border between economic research and public opinion, was conducted by Thomas Piketty (Piketty, 2014). His work is appreciated mostly for unique composition of empirical data from multiple sources that shows growing socioeconomic inequality in the major world economies. The explanation for this phenomena, though provided, is not widely accepted. Piketty's work despite being influential does not address precise mechanisms, their environment and conditions under which they cause inequality.

The other side of this topic is, that inequality also affects how the economy functions. Analytically, the impact of wealth distribution on the mechanics of economy (general equilibrium) was firstly captured by (Krusell & Smith, 1998). They noticed that, compared to representative agent models, it is impossible to replicated both moments and dynamics with heterogeneous agents models. With respect to monetary policy, (Kaplan, Moll, & Violante, 2018) analyze how heterogeneous agents framework changes implications derived from New Keynesian General Equilibrium Model and conclude, that this modifications changes transmission mechanisms of the central bank interest rate policy from intertemporal choice to labor market demand. The model being extremely simplistic, the implication of this finding is very significant, as it means that central bankers had mostly wrong idea about mechanics with which the monetary policy affects the economy.

The problem with work done by Kaplan et al and many other is implementation of loanable funds theory. The reason why loanable funds theory is insufficient to explain financial phenomena is predominantly, that it assumes that financial market trades in real goods. Thus an financial asset cannot be created without corresponding activity in the real economy. Credit monetary creation correctly assumes, that when money is created, the corresponding debt does as well and no change in the real economy is necessary. The loanable funds fallacy in the economics results often in counterfactual outcomes in economic modelling. As an example, (Kumhof & Zoltan, 2015) show that this simple difference has profound implication for leverage. They show, that model incorporating loanable funds when simulating credit crash shows almost no change in financial leverage (and it actually raises). When credit monetary creation is considered leverage behaves as observed empirically.

It is not possible to track form where loanable funds fallacy comes, but it seems that it can be related to misconception of barter trade as genesis of money. As shown by (Zarlenga, 2002), even in the prehistorical times, according to anthropologists, monetary creation was always debt based, where initially role of bank was preformed by local priest or person of trust.

The proposed research builds on this two findings, combining heterogeneous agents framework and utilizing credit monetary creation in unique composition. This will allow to simulate not only household variation with respect to wealth but also with respect to interest rate exposure. This will furtherly affect their behavior leading to much more realistic representation of reality.