# Roosevelt Institute Report: Modeling the Macroeconomic Effects of UBI | Basic Income News

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## Roosevelt Institute Report: Modeling the Macroeconomic Effects of UBI

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On August 29, 2017, the Roosevelt Institute released a report where researchers Michalis Nikiforos, Marshall Steinbaum, Gennaro Zezza model the macroeconomic effects of implementing Basic Income. (Marshall Steinbaum is a Research Director and a Fellow at the Roosevelt Institute. Michalis Nikiforos and Gennaro Zezza are both associated with the Levy Institute.)

The report presented by the Roosevelt Institute evaluates three different variations of Basic Income, $1000 a month to all adults, $500 a month to all adults, and a $250 a month child allowance. The researchers also analyzed two

The Roosevelt Institute, following the legacy of Franklin and Eleanor Roosevelt, presents itself as re-imagining "America as it should be: a place where hard work is rewarded, everyone participates, and everyone enjoys a fair share of our collective prosperity", and as building a "new economic and political system: one built by the many for the good of all".

different types of funding, increasing the federal debt and increasing taxes on households. The model is designed considering an eight year time period and Basic Income is progressively introduced throughout that period.

From their models of the three scenarios, the researchers conclude that, if funded by increasing the federal debt, each Basic Income policy would have a result of economic growth, the $250 child allowance would increase the GDP by 0.79%, while the $1,000 per adult would increase the GDP by 12.56%. When the Basic Income is financed by household taxes, the model forecasts no effect on the economy if the program was simply giving " with one hand what it takes away with the other". However, if the model is adapted using what the researchers call a "distributional model", it forecasts a beneficial effect on economic growth. As the researchers describe it, "the distributional model incorporates the idea that an extra dollar in the hands of lower income households leads to higher spending. In other words, the households that pay more in taxes than they receive in cash assistance have a low propensity to consume, and those that receive more in assistance than they pay in taxes have a high propensity to consume." The general idea is that lower income brackets tend to spend everything they earn, therefore consuming more, and higher income brackets tend to save part of their earnings, therefore, consuming less in relation to their potential as consumers. Therefore, if you take from the rich to give to the poor, the money will be flowing more than when it is simply accumulated by the few, and in this way, the economy will grow. The researchers (and this is the official position of the Roosevelt Institute as well) assume that our economy is "not currently operating near potential output" and this is so partly because of current gaping inequality, which is "one of the main reasons why the US economy faces the prospect of secular stagnation".

Besides assuming that the economy could be preforming better, the model used also incorporates two microeconomic assumptions: "(1) unconditional cash transfers do not reduce household labor supply; and (2) increasing government revenue by increasing taxes levied on households does not change household behavior." These assumptions have been promptly criticized in the media. However, the researchers themselves are aware that the assumptions are contentious, and have thus sought to establish them with evidence. They base assumption (1) on a survey of experiments done by Ionana Marinescu in a paper entitled "No Strings Attached: The Behavioral Effects of U.S. Unconditional Tax Transfer Programs" that estimates the microeconomic behavioral impact, using several experimental designs, results in labor supply remaining unchanged.