

## **Universal Basic Income in NYC: Working Paper on Macroeconomic Effects**

Khalil Esmkhani, Jack Favilukis, and Stijn Van Nieuwerburgh revise and expand their macroeconomic model of guaranteed income in NYC to examine new forms of financing

### *Press Release*

New York, NY — THURSDAY, MARCH 25 — A new working paper, supported by the Jain Family Institute (JFI), expands and develops the first model of UBI's general equilibrium effects at the city level. In "Universal Basic Income and the City," Khalil Esmkhani and Jack Favilukis of the University of British Columbia and Stijn Van Nieuwerburgh of Columbia University build on their 2019 working paper to explore the effects of a guaranteed income policy implemented citywide in New York City. During a campaign season with a number of NYC mayoral candidates supporting guaranteed income, the paper provides a view into how a long-term guaranteed income could increase equity and welfare in the city.

In addition to the flat and progressive income tax financing options explored in the 2019 work, the new paper examines new financing experiments (wealth tax, 50-50 wealth and corporate tax, exogenous funding from outside the city) for a \$5,000-per-household-per-year guaranteed income.

- The researchers find that guaranteed income leads to increased welfare for low-income households, and a more equal city overall.
- However, aggregate income, savings, and consumption all decline, as a consequence of higher taxes; reduced need for precautionary savings; and, potentially, fewer hours worked (depending on assumptions about labor supply response).
- Per-hour wages increase in proportion to experiment-specific declines in the labor supply.

- Financing method is also impactful. The biggest welfare gains come from an exogenously funded program of the kind experienced in Maricá, Brazil (oil revenues) or Stockton, CA (private donations). Next best is the wealth/corporate tax mix, followed by the across-the-board income tax increase, then the more progressive than status quo income tax.
- The research finds that UBI is not likely to lead to inflation. Only the scenario with exogenous funding leads to a small increase in rent. In all other scenarios rent goes down and housing affordability goes up (but ownership drops). This shows the importance of factoring in financing when discussing potential price effects.
- As taxes become more progressive, higher income households increasingly move out of the city center for the suburbs; the central districts become more affordable and hold a larger population of low-income households.

Using a Dynamic Stochastic Spatial Equilibrium (DSSE) model calibrated to the NYC metropolitan area, the researchers perform a general equilibrium analysis that takes into account the complex spillover and feedback effects of the cash, as well as the movements of residents between the business center of the city and the outer boroughs.

The Jain Family Institute provided a grant for this work to the researchers, and guided the development of the initial research question. [Read the full paper here.](#)

Dr. Stephen Nuñez, Lead Researcher on Guaranteed Income at the Jain Family Institute, commented:

“With this paper, Esmkhani, Favilukis, and Van Nieuwerburgh have provided the most complete picture so far of how a municipal guaranteed income would affect a large city. As local and national support for the idea grows, we are excited to see more research on macroeconomic effects, and

to continue to explore these crucial questions of how income, wealth, and home ownership change under guaranteed income.”

Read Nuñez’s summary and contextualization of the paper [here](#).

**About the researchers:**

Khalil Esmkhani is a PhD Candidate at the Sauder School of Business, University of British Columbia.

Jack Favilukis is an associate professor of finance at the Sauder School of Business, University of British Columbia.

Stijn Van Nieuwerburgh is Earle W. Kazis and Benjamin Schore Professor of Real Estate at Columbia University’s Graduate School of Business.

**About the Jain Family Institute:**

The Jain Family Institute (JFI) is a nonpartisan applied research organization in the social sciences that works to bring research and policy from conception in theory to implementation in society. Founded in 2014 by Robert Jain, JFI focuses on building evidence around the most pressing social problems. In guaranteed income, JFI’s research focuses on macroeconomic effects; meta-analyses of cash transfer studies around the world; and, most extensively, on policy design and implementation. JFI partners with governments in the US and abroad to build and implement pilots that will answer some of the most important remaining questions about direct cash transfers. JFI also collaborates with research institutions and universities from around the world to develop best practices to improve data-sharing and build the evidence base.

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