

New Release: A Critical Review of Macroeconomic Models for Guaranteed Income & the Child Tax Credit

Part of JFI's white paper series on guaranteed income, the new report examines economy-wide impacts of these income support policies

Press Release

New York, NY, October 27, 2021 — A [new report](#) from the Jain Family Institute shares the lessons from six macroeconomic modeling analyses of the possible effects of a federal guaranteed income policy on the U.S. economy. The report also applies the studies' findings to the current Child Tax Credit.

“Model Behavior: A Critical Review of Macroeconomic Models for Guaranteed Income & the Child Tax Credit,” is the third in a [white paper series](#) providing in-depth, objective analysis of pathways to a guaranteed income in the U.S. This report examines the predictions from cutting-edge macroeconomic models on the long-term, economy-wide effects of regular cash transfer policy. The macroeconomic studies, which consider national programs, fill a research gap in microeconomic studies on local or state cash programs due to their limited scale. **Using the current Child Tax Credit (CTC) as a case study, the JFI report shows that considerable disagreements exist among macroeconomists about the effects on labor markets, business investment, educational attainment, and GDP.** Even so, the macroeconomic models are a useful addition to the current policy debates, particularly for identifying unintended consequences and the need for other supporting policies to mitigate them.

The authors of the report are JFI Senior Fellow [Claudia Sahn](#), Lead Researcher on Guaranteed Income [Stephen Nuñez](#), and Director of Research [Sidhya Balakrishnan](#).

Key takeaways include:

- Understanding the effects of guaranteed income on labor markets is paramount to understanding its effects on overall economic activity. Families who receive the income may change how much

they work and as those decisions ripple through labor markets it could affect other workers who do not receive the income support.

- Guaranteed income may change the savings behavior of some families because it gives them more financial stability than the current safety net. Less savings, than without the program, could translate into less business investment and less GDP.
- Predictions about the long-run changes in labor market and business investment in these studies hinge on numerous assumptions about how individuals and business owners will respond to changes in the economic conditions and financing of the programs. Macroeconomists disagree on the magnitude of these channels.
- As a result, it would be unwise to rely in policy discussions on the predictions from a single macroeconomic study. Policymakers, instead, should evaluate a range of approaches and assess the underlying beliefs about how people might respond.
- The feedback effects throughout the economy from a new guaranteed income program are important to consider carefully. Behavior will almost certainly change and we should consider how that might change the new opportunities and challenges it might create.

Read the [full report here](#). View the [series here](#).

Stephen Nuñez, Lead Researcher on Guaranteed Income at JFI, said, “We want to understand the macroeconomic effects of guaranteed income. Given recent interest in the topic, we now have a small number of models that investigate this. So we wanted to see what they say, engage with them, and try to learn from them—but also be clear where we thought the models themselves were deficient and why that matters.”

Claudia Sahm, JFI Senior Fellow and former Council of Economic Advisers to the Obama Administration, said, “The Child Tax Credit is an investment in our next generation, and we must make the program as effective as possible. Achieving that goal requires us to think about the macroeconomic effects over the long run. Macroeconomic models are powerful tools to inform those discussions.”

The white paper forms part of a larger JFI [applied research initiative](#) on guaranteed income in the US and abroad, including pilot, research, and policy design. The [first paper in the white paper series](#), “Building a Helicopter: Pathways for Targeting and Distributing a Guaranteed Income,” covered targeting and disbursement architecture; the next installment will consider the political economy of guaranteed income policy.

Alongside this series on national implementation, JFI builds the knowledge base for guaranteed income through applied engagements including the [Compton Pledge](#), an 800-recipient guaranteed income initiative; and the [Maricá Basic Income Evaluation](#), an over 42,000-recipient policy in Brazil.

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 2015 by Robert Jain, JFI focuses on building evidence around the most pressing social problems.

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