

## Macro Roundup Article

**Headline:** [The Impact of Unconditional Cash Transfers on Consumption and Household Balance Sheets: Experimental Evidence from Two US States](#)

**Article Link:** <https://www.nber.org/papers/w32784>

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**Tweet:** An experiment giving 1,000 individuals \$1k per month for 3 years raised spending on housing as well as consumption, but also increased indebtedness, suggesting transfers may have little impact on the financial health of young, low-income households.

**Summary:** We provide new evidence on the causal effect of unearned income on consumption, balance sheets, and financial outcomes by exploiting an experiment that randomly assigned 1000 individuals to receive \$1000 per months. The spending impact is positive in most categories, and is largest for housing, food, and car expenses. The treatment increases housing units and neighborhood mobility. Figure 5 shows how net worth and its three components, real assets, financial assets, and debt, evolved over the course of the study for the treatment group and the control group. Total real assets actually rise somewhat by year two but then decline to negative point estimate by year three. Debt follows a different pattern and steadily rises over the course of the study, rising from \$700 higher at midline to \$1600 higher at endline. Combined, these patterns result in net worth treatment effects that slightly rise by \$1000 by year 2 but then fall to roughly -\$2800 by year three of the transfers. This pattern is consistent with households somewhat building up their assets at the start of the transfers but then spending down those assets by the end of the transfers.

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**Primary Topic:** Unemployment/Participation

**Topics:** Academic paper, Database, Fiscal Policy, Government Spending, Politics, Unemployment/Participation, Very Important, Weekly, Workforce

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