



Center for Public Policy Priorities

January 30, 2008

The Honorable Kay Bailey Hutchison  
The Honorable John Cornyn  
United States Senate  
Via E-Mail

Dear Senator Hutchison and Senator Cornyn:

The Senate is soon to take up an economic stimulus bill. We urge you to vote against the House bill to give the Senate an opportunity to produce a better bill. If the House bill is defeated, we urge you to vote for the proposal from the Senate Finance Committee. If an amendment to the proposal is offered for a temporary boost in food stamp benefits, we strongly urge you to support the amendment.

According to economists from across the political spectrum, temporarily increasing food stamp benefits would be a highly effective form of economic stimulus. Mark Zandi, chief economist of Moody's Economy.com, explains that a temporary increase in food stamp benefits is the *most* effective stimulus measure on the table; it would generate \$1.73 in increased economic activity for each \$1.00 in cost. (See: [http://www.economy.com/home/article\\_ds.asp?cid=102598](http://www.economy.com/home/article_ds.asp?cid=102598).)

Significantly for Texas, much of that economic activity would be in our important agricultural and food sectors. The USDA Economic Research Service reports that a \$5 billion rise in food stamp expenditures would result in a \$9.2 billion increase in economic activity and increase the number of jobs by 82,100. In addition, it would "*result in increased demand and production in the agriculture and food sectors, stabilizing economic activities in these key rural sectors during downturns in the economy.*" (See: "Effects of Changes in Food Stamp Expenditures Across the U.S. Economy," USDA ERS, Aug. 2002, <http://www.ers.usda.gov/publications/fanrr26/fanrr26-6/fanrr26-6.pdf>.)

A temporary increase would have a modest cost of \$5 billion, but would reach millions of low-income Americans. A temporary increase would be easy to implement. States already have the capacity to easily adjust the "maximum benefit levels" for a limited number of months. A temporary increase would be fast acting. Eighty percent of food stamp benefits are redeemed within two weeks, and 97 percent are redeemed within a month. In contrast, tax rebate checks would not reach anyone until late May, and many families would not receive the rebates until July or even August.

We appreciate your consideration of this effective economic stimulus.

Sincerely yours,

A handwritten signature in black ink that reads "F. Scott McCown". The signature is written in a cursive, slightly slanted style.

F. Scott McCown  
Executive Director

Enclosure—One Pager/Experts Speak on Food Stamps as Stimulus

# The Experts speak on Food Stamps As Stimulus

## **Goldman Sachs:**

"A moderate amount of such spending has strong policy justifications. Funds transferred through the food stamp program would face fewer administrative delays than tax rebates, and could boost demand among lower-income consumers [quickly]."

## **Mark Zandi, chief economist of Moody's Economy.com:**

"Extending UI and expanding food stamps are the most effective ways to prime the economy's pump. A \$1 increase in UI benefits generates an estimated \$1.64 in near-term GDP; increasing food stamp payments by \$1 boosts GDP by \$1.73 (see table). People who receive these benefits are very hardpressed and will spend any financial aid they receive within a few weeks. These programs are also already operating, and a benefit increase can be quickly delivered to recipients."

## **Peter Orszag, Director, Congressional Budget Office:**

CBO director Peter Orszag recently stated that "certain types of spending, especially [those that] involve transfer payments, for example, food stamps, ... do boost demand for goods and services pretty quickly and pretty effectively in the short run."

## **Martin Feldstein, a leading Republican economist who was chair of President Reagan's Council of Economic Advisers:**

"Food stamps strikes me as a pure cash transfer to people with a high propensity to spend and people who would not benefit from a tax cut."... "The goal is to target people with low incomes, the food stamp is a better way of doing it without any of these adverse incentives [of UI]."

## **USDA's Economic Research Service:**

"A \$5 billion rise in food stamp expenditures would result in \$9.2 billion increase in economic activity and increase the number of jobs by 82,100. "[food stamp stimulus spending] raises the budgets of food stamp recipient households, stabilizing recipients' food consumption and their well-being during economic downturns." In addition, it would "result in increased demand and production in the agriculture and food sectors, stabilizing economic activities in these key rural sectors during downturns in the economy."