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STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON PENDING HOUSE TAX CUT AND HOUSE COMMITTEE SNAP BENEFIT CUTS

The House majority is pursuing legislation this week that makes no economic sense.

The full House will pass a \$46 billion tax cut that's advertised as a "job-creating" measure, while the House Agriculture Committee approved a plan today to save \$36 billion by cutting the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps). Virtually the entire tax cut as well as about \$8 billion of the SNAP cuts would take place in 2012-2013.

That's simply wrong-headed.

The \$8 billion in SNAP cuts over the next year would do more damage to economic growth and job creation than any stimulus that the \$46 billion in tax cuts could generate, according to standard "multiplier" or "bang-for-the-buck" estimates like those from the Congressional Budget Office (CBO) and Moody's Analytics.

CBO ranks policies like SNAP and unemployment insurance (UI) as among the most effective ways to boost economic growth and job creation in a weak economy — and business tax cuts like those in the House bill as among the least effective. That's because SNAP and UI benefits go to low-income and struggling Americans who will spend virtually every additional dollar they get to pay bills and buy necessities, while the main problem businesses face is that too few customers are spending too little money — and that won't be fixed by giving the businesses themselves a tax cut. Mark Zandi, Chief Economist of Moody's Analytics, reaches similar conclusions. Based on their estimates, it would take between roughly six and eight dollars of business tax cuts to generate the same economic growth and job creation as one dollar of SNAP benefits (or UI).

With regard to jobs in particular, any gains over the next year or two from increasing the budget deficit with the \$46 billion small business tax cut are completely wiped out by the initial \$8 billion (of the \$36 billion) cut to SNAP benefits that the House Agriculture Committee deems necessary for deficit reduction. Moreover, SNAP benefits go to people struggling to make ends meet in a tough economy, while the Tax Policy Center estimates that nearly half (49 percent) of the tax cut will go to those making more than \$1 million a year — including many affluent doctors, lawyers and stockbrokers who are not what most people mean by "small business."

The economic arguments strongly support SNAP and similar policies over small business tax cuts to boost a weak economy, so why is the House moving in precisely the opposite direction? Is it really more politically appealing to cut taxes for millionaires and increase the budget deficit than to maintain food benefits for the poor that also give an extra boost to the economic recovery?

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