

The Supplemental Nutrition Assistance Program (SNAP) and the Economy: New Estimates of the SNAP Multiplier

Patrick Canning and Brian Stacy

What Is the Issue?

SNAP is the largest food assistance program of the U.S. Department of Agriculture, which spent \$65.3 billion on SNAP in fiscal year 2018 and served an average of 40.3 million individuals per month. The primary goal of SNAP is to reduce food insecurity, but the program also acts as an automatic stabilizer during economic downturns. As incomes fall, SNAP spending tends to increase as more individuals become eligible and enroll in the program. In addition, as SNAP enrollees spend their benefits, income is generated for all involved in the production, distribution, marketing, and sales of the final goods and products sold, creating a multiplier effect throughout the economy that may extend well beyond the initial money distributed for the SNAP benefit.

In this report, we estimate the impact that a hypothetical \$1 billion increase in SNAP assistance will have on gross domestic product (GDP), employment, and incomes across different U.S. industries, highlighting agriculture. The induced effects of Government spending on the economy are usually discussed in terms of multipliers. The specific type of multiplier we measure in this report is the short-run change in total GDP per \$1 increase in SNAP spending—“short-run” meaning roughly within 1 year of the spending increase.

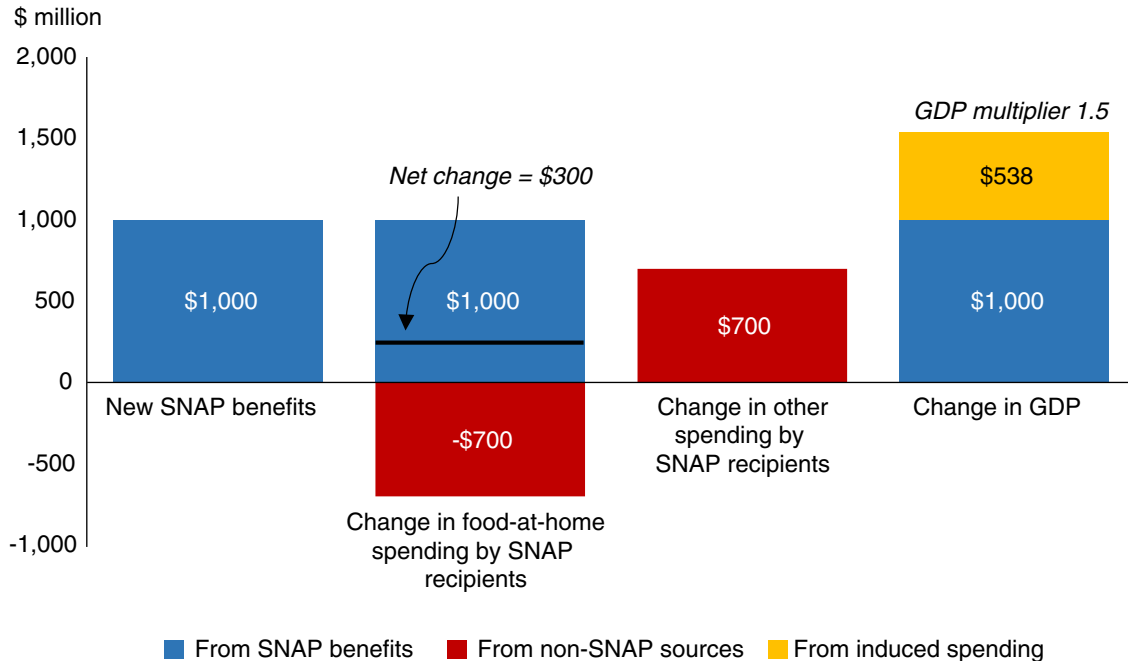
What Did the Study Find?

A survey of recent research shows that the multiplier values for temporary deficit-financed increases in Government spending range from 0.8 to 1.5. This means that \$1 of additional Government spending, paid for with \$1 of additional Government borrowing, increases GDP by around \$.80 to \$1.50. However, new research also suggests that programs like SNAP, where Government spending goes to low-income households, have relatively high multipliers with values up to \$2 of economic activity per dollar spent.

Our model estimates the GDP multiplier for SNAP to be 1.5. Specifically, we find that \$1 billion of additional monthly SNAP expenditures initially increases food spending from SNAP benefits by the full \$1 billion and causes the benefit recipients to repurpose \$0.7 billion of non-SNAP funds that were intended for food spending in that month to nonfood items. This leads to a \$0.3 billion net increase in food spending and a \$0.7 billion increase in spending on nonfood products. This total \$1 billion in new spending induces further new spending in the economy that collectively increases GDP by \$1.54 billion, supports 13,560 jobs, and creates \$32 million in farm income. These findings are derived from a model that is most appropriate to conditions during a slowing economy and may be interpreted as upper-bound estimates of impacts when the economy is at or near full employment.

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\$1 billion in new SNAP benefits raises GDP by \$1.5 billion



Notes: SNAP = Supplemental Nutrition Assistance Program. GDP = Gross domestic product. Induced Spending refers to spending occurring after the initial \$1 billion SNAP expenditure, which is derived from income generated for all involved in the production, distribution, marketing, and sales of the final goods and products sold. Results are reported in 2016 dollars.

Source: U.S. Department of Agriculture, Economic Research Service.

How Was the Study Conducted?

We develop a Social Accounting Matrix multiplier model, FEDS-SAM (Food Environment Data System-Social Accounting Matrix). This approach is an extension of an input-output model, is widely used, and is an effective framework for exploring the impact of changes in Government expenditures on economywide measures of economic performance. The FEDS-SAM is based on empirically estimated marginal consumption and saving behaviors of two representative households—one representing all SNAP-recipient households and the other all non-SNAP-recipient households. The advantage of modeling marginal consumption and saving behaviors is that they are representative of how households respond to new Government spending. By distinguishing between SNAP and non-SNAP households, the analysis provides greater detail about how these two groups are affected by the spending levels.

We use the latest data available for this type of analysis. This allows for a FEDS-SAM baseline model that is based on an annual 2016 summary of the entire U.S. economy. We allow for international trade (imports and exports) to adjust in the model; in 2016, international imports accounted for over 17 percent of U.S. food expenditures. Finally, a comprehensive sensitivity analysis of FEDS-SAM macroeconomic scenarios is conducted to measure the sensitivity of our model results to the values of key behavioral parameters of the model. This contributes to our overall assessment that the key findings of the model are robust.