Recession Ready: Fiscal Policies to Stabilize the American Economy

A new book by The Hamilton Project and Washington Center for Equitable Growth, titled *Recession Ready: Fiscal Policies to Stabilize the American Economy*, offers detailed proposals from leading economists and policy experts for better fiscal policy responses to recessions. These proposals aim to strengthen our automatic stabilizers: policies that inject money into the economy in a downturn and withdraw stimulus when the economy is strong.

Strengthening SNAP as an Automatic Stabilizer

A proposal by Hilary Hoynes of the University of California, Berkeley and Diane Whitmore Schanzenbach of Northwestern University aims to strengthen the Supplemental Nutrition Assistance Program, or SNAP, as an automatic stabilizer. Specifically, the authors propose two reforms:

- **Limit or eliminate SNAP work requirements**, which are provisions that require able-bodied adults without dependents to work in order to retain SNAP benefit eligibility, to ensure that SNAP participation can expand during recessions.
- **Automatically increase SNAP benefits by 15 percent during economic downturns** to increase resources available to individuals and localities impacted by recessions.

Issue Overview

- **SNAP has well-established and far-reaching positive effects on recipients.** It provides vital nutrition support, improves health among infants and children, and helps participants avoid medical hardship—in addition to decreasing the risk of financial insecurity, both during and after periods of eligibility.
- **SNAP boosts the economy, especially during economic downturns.** Recipients quickly spend their SNAP benefits, which provides a rapid fiscal stimulus to the local economy. SNAP is designed to automatically expand when the economy contracts, disbursing larger payments to more people as unemployment rises and family income falls.
- **Work requirements limit the stabilization benefits of SNAP.** At a minimum, timely suspension of work requirements during downturns is necessary to avoid dampening the countercyclical impact of SNAP.

The Challenge

The Supplemental Nutrition Assistance Program provides voucher money for food via an electronic benefit transfer card that is automatically loaded with money every month. Research shows that every dollar in new SNAP benefits spurred $1.74 in economic activity during the deep recession in the first quarter of 2009, showing SNAP's benefits to the wider economy. Because eligibility is based almost solely on families' economic need, program participation and expenditures increase during recessions and decline in good economic times.

Work requirements for SNAP eligibility can be a difficult hurdle for people who lose their jobs or otherwise experience labor market volatility through no fault of their own. Recent research on the effects of waivers from work requirements has found that work requirements have little or no impact on employment, but a very large impact on the number of SNAP participants.

The Path Forward

As a response to these problems, Hoynes and Schanzenbach propose automatically expanding SNAP in times of recession—both by increasing SNAP benefits and removing obstacles to SNAP eligibility. Their proposed reforms include:

1. Three paths to address SNAP work requirements, listed in descending order of ambition.

    a. **Eliminate SNAP work requirements.** As research shows a large share of nondisabled SNAP participants are in the labor force and that work requirements limit participation but have little impact on work, they could be eliminated to ensure they do not interfere with SNAP participation, especially when the economy slows.

    b. **Automatically reduce work requirements during downturns.** A national trigger would suspend work requirements once the three-month moving average national unemployment rate rises at least 0.5 percentage points above its low in the prior 12 months. Current rules provide waivers too slowly and can interfere with SNAP expansion during downturns in the economy.

    c. **Avoid work requirement expansions.** Recent legislation has suggested expanding the population that would be subject to work requirements by increasing the eligible age range to 18 to 59 from 18 to 49. This would limit SNAP participation and should be avoided.

2. **Increase SNAP benefits by 15 percent during downturns.** This increase would be governed by the same national trigger described above. SNAP benefits would be maintained at these nominal levels until food inflation returns benefits to their normal inflation-adjusted levels.

To ensure the Supplemental Nutrition Assistance Program delivers its core benefits for families, as well as macroeconomic benefits as an automatic stabilizer, the program first and foremost should be protected from changes that would fundamentally undermine its benefits, such as expanded work requirements or the proposed block granting of SNAP. Existing work requirements should be eliminated entirely or at least immediately loosened during recessions. In addition, SNAP benefits should be automatically boosted during times of high unemployment, when need and program effectiveness are highest.

About the Authors

Hilary Hoynes is a professor of economics and public policy and holds the Haas Distinguished Chair in Economic Disparities at the University of California, Berkeley.

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