



Written by [Brian Koenig](#) on July 18, 2012

## Steny Hoyer: Food Stamps, Welfare Programs Stimulate the Economy

As a contentious “farm” bill rages in Congress, House Minority Whip Steny Hoyer (D-Md.) argued Tuesday that unemployment insurance and food stamps (which are included in the legislation) are the two “most stimulative” measures to boost economic growth.

With a [deadline](#) of September 30, the so-called farm bill has become a political debacle that has left congressional lawmakers with a decision to appease their money-hungry constituents or delay the ignition of the country’s seemingly inevitable fiscal time bomb. The 1,000-page bill, which would set U.S. food and agricultural policy for the next five years, intends to renew billions of dollars in farm subsidies while enacting cuts on a range of commodity, nutrition, and conservation programs.



But the legislation also contains a budgetary provision on the Supplemental Nutritional Assistance Program (SNAP), more commonly known as food stamps. And the stipulation is quite notable, as the bill addresses an annual budget of \$80 billion — or roughly four out of every five dollars in the legislation — in food stamp benefits.

In an effort to curb the nation’s mounting deficit, Republicans have sought meaningful cuts for the SNAP program, such as the now-extinct amendment of Sen. Rand Paul (R-Ky.) that would have [salvaged](#) \$322 billion over 10 years by slashing \$45 billion a year and transferring spending powers over to the states.

But congressional Democrats and some Republicans are having none of it. After Senate Democrats axed Sen. Paul’s proposal, conservative Republicans in the House offered an amendment to hike the cuts up to a total of \$33 billion. However, the proposal was [rejected](#) last week after House Agriculture Committee Chairman Frank Lucas (R-Okla.) led an effort to defeat the amendment, recruiting 13 Republicans along the way.

In commenting on the Bush tax cuts and the overall state of the economy, Rep. Hoyer told reporters on Tuesday that the continuance of funding government welfare programs is vital to a struggling economy. “If you talk to economists,” Hoyer [contended](#), “they will tell you there are two things that are the most stimulative that you can do — one’s unemployment insurance, the other’s food stamps, okay?”

“Why is that?” Hoyer posited. “Because those folks who receive those resources must spend them. And they’ll spend them almost upon receipt. Most economists with whom I talk believe that those with significant discretionary income — that that’s not the case.”



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Of course, the ideology that government spending, particularly in the area of welfare spending, helps stimulate economic growth is not a new phenomenon, as Hoyer has joined a growing list of other top Democrats who adhere to a similar philosophy. Hoyer exemplifies the tired old [Keynesian economic theory](#) first presented in *The General Theory of Employment, Interest and Money*, published in 1936. (The Keynesian theory stands in stark contrast to the traditional, free-market or Austrian school of economics advocated by [Ludwig von Mises](#).)

Take, for example, U.S. Agriculture Secretary Tom Vilsack, who has railed against Republicans for their efforts to trim the nation's food stamp program. Back in August, Vilsack [touted](#) the so-called "economic stimulants" that food stamps provide, arguing that such benefits curb unemployment and funnel millions of dollars into the hands of American business owners:

Well, obviously, it's putting people to work. Which is why we're going to have some interesting things in the course of the forum this morning.

I should point out, when you talk about the SNAP program or the food stamp program, you have to recognize that it's also an economic stimulus. Every dollar of SNAP benefits generates \$1.84 in the economy in terms of economic activity. If people are able to buy a little more in the grocery store, someone has to stock it, package it, shelve it, process it, ship it. All of those are jobs. It's the most direct stimulus you can get in the economy during these tough times.

And Hoyer and Vilsack are not alone in their welfare-driven economic ideologies, as House Minority Leader Nancy Pelosi (D-Calif.) offered a similar economic philosophy in July 2010, when she [asserted](#) that unemployment benefits generate jobs more quickly than almost any other program, because they "inject demand into the economy."

Pelosi's argument mirrors those of Hoyer and Vilsack in that she claims unemployment benefits are spent immediately, because impoverished families generally are more apt to spend the dollars they receive. Thus, the three Democrats concur, the government dollars welfare recipients receive are promptly soaked back into the economy. In an [article](#) last August, *The New American* exposed the flaw in the argument:

However, if for every dollar spent on food stamps creates \$1.84 in economic production, where are the jobs? And why aren't GDP numbers reflecting such extravagant growth? Critics answer with the redistribution theory, that every dollar the government dishes out to welfare recipients is a dollar confiscated from the private-sector where real economic growth lies.

So the dollars stripped from business owners, who create society's jobs, are recycled through a leaky government pipeline and thrust into the hands of SNAP recipients, who then spend these dollars in what Michelle Obama calls "food deserts" — low-income areas littered with fast-food chains and corner stores selling overpriced apples and oranges. Ironically, the Obama administration's welfare philosophy is obstructing the First Lady's "War on Obesity."

CNSNews.com explained why the allegation that government redistribution ignites productive economy growth is illusory, [asserting](#), "This claim, however obscures the fact that both saving and investment are also economically productive activities contributing to credit availability and business growth respectively." Further, it "ignores the fact that taxpayers whose money is used to fund food stamp programs may have spent their money on other things, including food, thus also contributing to the economy."



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