



INVESTING IN PEOPLE & PUBLIC SERVICES PROVIDES A MUCH BIGGER BANG FOR THE BUCK THAN DO TAX CUTS

Moody's Analytics estimates that for every \$1.00 spent on state and local government services the economy grows by \$1.39. That is an immediate 139% return on the dollar. By comparison, on average for every dollar spent on tax cuts, the economy grows at a significantly slower rate. For example, \$1 spent on a corporate tax cut returns just 51 cents—an increase of only 51%. Moreover, the benefits of many tax cuts—such as corporate tax cuts—go mostly to the wealthiest Americans. Working families are most helped by investments such as spending on food, infrastructure and aid to state and local governments.

FISCAL STIMULUS MULTIPLIERS	Bang for the Buck
INVESTMENTS	
Unemployment Insurance Benefits	1.66*
Supplemental Nutrition Assistance Program (SNAP)	1.64*
Infrastructure	1.50*
General Aid to State and Local Governments	1.39*
TAX CUTS	
Child Tax Credit, ARRA Parameters	1.35
Earned Income Tax Credit (EITC)	1.23*
Payroll Tax Holiday for Employees	1.14
Payroll Tax Holiday for Employers	1.03
Across-The-Board Tax Cut	0.98
Individual Tax Cut	0.57*
Accelerated Depreciation	0.52
Corporate Tax Cut	0.51*
Make Dividend and Capital Gains Tax Cuts Permanent	0.38
Net Operating Loss (NOL) Carryback	0.27
<p>Note: The bang for the buck is estimated by the one-year \$ change in GDP for a given \$ reduction in federal tax revenue or increase in spending. Figures presented are for recessionary or early cycle expansion periods in the business cycle.</p>	
<p>Sources: Items marked with an * are from Moody's Analytics, "Struggling Through: Household Finances In the Pandemic," (Oct. 12, 2020), Table 1, p. 4. https://www.moodyanalytics.com/-/media/article/2020/struggling-through-household-finances-in-the-pandemic.pdf Other items from Moody's Analytics, "Written Testimony of Mark Zandi, Chief Economist, Moody's Analytics Before the Congressional Oversight Commission," (Sep. 17, 2020), Table 1, p. 4. https://coc.senate.gov/sites/default/files/2020-09/MLF%20Testimony%20-%20ZANDI.pdf</p>	