

In Focus

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FOCUS

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FOOD STAMPS: WHO GETS THEM AND WHAT DO THEY ACCOMPLISH?

One of the controversial components of the Carter Administration's new welfare reform proposal—the *Better Jobs and Income Program*—is the cashing out of the Food Stamp Program. Among other changes, this proposal would convert \$5 billion now going to low-income persons in the form of food stamps into a cash minimum income for all.

It is noteworthy that the U.S. Congress has never enacted into law a universal cash benefit program. We have, however, had a guaranteed minimum income for all in this country since 1974. It is not in cash, but in food purchasing power.

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The purpose of FOCUS is to acquaint a wide audience with the work of the Institute for Research on Poverty, by means of short essays on selected pieces of research.

The material in any one issue is, of course, just a small sample of what is being done at the Institute. It is our hope that these summaries will whet the appetite of the reader to learn more about the research itself, and more about other research on poverty—an area of vital social concern—by Institute staff.

The views expressed are those of individual members of the Institute; they do not represent the position of the Institute for Research on Poverty, the University of Wisconsin, the Department of Health, Education, and Welfare, or other funding agencies.

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FOOD, STAMPS, AND INCOME MAINTENANCE

by

Maurice MacDonald

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Why is the only universal guaranteed minimum income program in the U.S. provided in food stamps? Is it simply a result of historical circumstances, or is it because society places a special value on providing food purchasing power rather than general purchasing power? If the answer is the latter, what objectives did people have in mind and are these objectives being met?

Let us take stock, as Maurice MacDonald does in his book *Food, Stamps, and Income Maintenance*.

Early History

Food assistance to the needy in this country was initiated in legislation with the interesting title "The Potato Control Act of 1935." Nobody thought its primary aim was to help the poor. Rather, it was to dispose of surplus commodities in order to support farm prices—that is, to help the farmers. This initial objective is why the program was made the responsibility of the Department of Agriculture, and why its descendent is still administered by that department today—rather than the Department of Health, Education, and Welfare, as one might expect of a program that aids the poor.

In line with its main objective, the program took the form of direct distribution of those commodities that happened to be in surplus each month. This stimulated opposition from two sources: the recipients and their supporters, and the food retailers and their supporters. The former group complained that (1) the once-a-month distribution (even perishables were distributed monthly) created insuperable difficulties in terms of eating needs, and (2) what happened to be available determined what people ate, irrespective of nutritional need. The latter group had a

predictable grievance: that normal trade channels (and therefore the food distributors' markup) were bypassed by direct commodity distribution.

The lobbying efforts of the food distributors were successful; and 1939 saw the authorization of a food stamp plan whose purpose was to increase domestic food consumption through regular business channels. The foods that could be purchased with the subsidy were, however, still restricted to the monthly list of surplus commodities designated by the Secretary of Agriculture. The first food stamp program served four million people a year at an annual average cost of \$65 million. At its height in 1939, direct commodity distribution reached 12.7 million people at a cost of \$66 million. By 1943, the farm surplus had disappeared and the unemployment rate had dropped. Food stamps were terminated and direct commodity distribution, though formally retained, became extremely limited.

The conflict between disposing of surpluses to help the farmer and providing subsidies for food consumption to help the needy arose again after the war with the reappearance of farm surpluses. The direct commodity distribution program again expanded, continuing to grow until the disappearance of farm surpluses at the end of the 1960s—its scale largely determined throughout by the availability of surplus foods, and not the extent of need. Liberals made continuing efforts throughout the 1950s to revive food stamps, and in 1958 authorization was passed for a two-year pilot food stamp program. President Eisenhower, however, declined to take advantage of this invitation, and it was left to John F. Kennedy and the famous West Virginia primary to elevate the nutritional needs of the poor to high political priority.

The 1960s

The year 1961 witnessed Kennedy's executive order to institute 8 (which later grew to 43) pilot food stamp programs, in which all domestic foods could be purchased at participating retail outlets. By March 1964 these programs were serving nearly 400,000 people at a federal cost of \$29 million. New pilots continued to be added. Evaluations showed that the food consumption and nutrition of the poor increased; they also showed that, since the foods being bought were not predominantly what happened to be on the surplus commodity list, such programs could not eliminate the prevailing farm surplus.

A bill to authorize a nationwide program was introduced and ran into the familiar conflict, as MacDonald relates: "Southern Democrats and Republicans (especially farm bloc members) were reluctant to endorse a public assistance effort in the guise of an agricultural program. This obstacle was overcome by a willing arrangement between backers of wheat and cotton price supports and proponents of food stamps. The result was the Food Stamp Act of 1964."

With regard to helping the poor, the 1964 Act had loopholes (which undoubtedly helped its passage). Whether or not to establish a food stamp project was left to the discretion of the state agencies authorized to administer local public assistance. The act prohibited the operation of food stamps and commodity distribution in the same locality. The amount of subsidization varied by income level—the

poorer the participant, the lower the purchase price of a given quantity of stamps—and was uniform throughout the country. But setting the cutoff income level (above which people were no longer entitled to any subsidy) was left to the states.

These provisions predictably led to wide geographic variations in the amount of help the poor could get from the program. Even after taking eligibility variations into account, however, it became apparent as the sixties progressed that there were other unidentified sources of variation. It also turned out that when counties shifted over from commodity distribution to food stamps, the number of participants declined, on average, by 40%.

Food stamp proponents began to ask what was going on. In 1967, members of the Senate Subcommittee on Employment, Manpower, and Poverty traveled to the Mississippi Delta to investigate. The 1968 report *Hunger U.S.A.*, which was released by the self-appointed Citizens Board of Inquiry into Hunger and Malnutrition in the United States, was given wide publicity in a CBS television special. The ensuing controversy led Ralph Abernathy and the Poor People's Campaign to confront the Department of Agriculture directly. And the Senate established a Select Committee on Nutrition and Human Need, chaired by George McGovern.

In the 1968 elections, hunger in America was a major campaign issue, and in May 1969 Nixon pledged "to put an end to hunger in America itself for all time." He recommended several reforms in the food stamp program which, along with additional improvements, were passed by the Congress in 1971.

The 1971 Amendments included free stamps for the most needy, a ceiling of 30% of income for the purchase price for food stamp allotments, and uniform national eligibility standards dependent only on income and family size. This combination of reforms effectively doubled the average food stamp benefit. The federal share of the administrative costs of the program incurred by the states was also increased to 50%. Further amendments in 1973 mandated that all counties switch over from food distribution to food stamps by July 1974. "Thus by conscious congressional design," states MacDonald, "the food stamp program finally became available to all eligible low-income persons." It had taken nearly 30 years since the first efforts to distribute surplus food to the needy during the depression.

The food surpluses had disappeared, and so had any serious talk about food programs as a way to help agriculture. In fact, universalization of the food stamp program probably passed in partial response to the generally recognized need for welfare reform and some kind of guaranteed minimum for the poor—evidence of this general recognition being the narrow margin by which Nixon's Family Assistance Plan (FAP) was defeated in 1972.¹

The Present Food Stamp Program: Whom Does it Reach?

So we now have a guaranteed minimum income in food which is available to all low-income Americans. That it is
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Food Stamps

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available, however, does not mean that everyone takes advantage of it. In fact, as of 1976, less than half the eligible population availed themselves of food stamps. Who are the people who can but don't use food stamps? Why don't they? And what can be done about it? MacDonald addresses all these questions with the help of state participation rate estimates and a multivariate study of the household characteristics that are associated with low probabilities of food stamp use, using national survey data from the Michigan Longitudinal Panel Study of Income Dynamics.

Individual states differ strikingly in their participation levels, ranging in 1974 from a low of 14.9% in Wyoming to a high of 55.7% in California. The ten with the lowest rates are all midwestern states with substantial farming activity. The ten highest are coastal and/or highly industrialized states. These differences lead one to suspect that geography, social attitudes toward public assistance, and the historical influence of the farm lobby (in favor of commodity distribution rather than food stamps) may account for the difference. And certainly these factors are important.

But participation differences appear at the local level as well. MacDonald points out, for instance, that "the counties along Wisconsin's northern border . . . have markedly different participation rates [from one another]. There is even substantial variation across Wisconsin [urban] areas, ranging from a low of around 25% in Madison to 40% in Milwaukee and over 45% in Superior." Similar variation has been found in other states. Such differences among localities with highly similar eligible populations suggest that administrative practices (including outreach activities) vary from jurisdiction to jurisdiction.

What about the argument that low participation rates really reflect relative need—that those who qualify but whose incomes are not much below the cutoff point (and who do not, in consequence, qualify for much of a bonus) do not apply because the bother is greater than the value of the bonus? MacDonald finds that this does not entirely explain the existing situation. Although half the nonrecipients are missing out on less than \$200 a year by not participating, over 11% are missing out on more than \$800 and 7% are missing out on more than \$1,000 a year.

Why do people fail to take advantage of these relatively substantial sums? Until MacDonald's study, answers to this question have been based mainly on conjecture, supplemented by rudimentary survey information. The major reasons usually advanced are (a) the stigma associated with using the stamps, (b) the time and trouble it takes to get certified for, purchase, and use food stamps (user costs), and (c) ignorance of how to apply for and use the stamps.

MacDonald's study has found (using 1971 data) that all these factors probably play substantial roles. First, households receiving welfare had a high probability of purchasing food stamps. These households, of course, have already had to overcome the stigma and user costs associated with welfare. And because they are on welfare their access to information about the food stamp program is likely to be good.

Second, those over 65 were distinctly less likely to use food stamps than other age groups. Older people are generally more conservative, leading us to expect them to feel the stigma costs associated with food stamps more than younger people whose social values may be changing. They are also less likely to be receptive to information about new programs.

Third, those households whose heads were not in the labor force had much higher participation rates (47%) than those with a head either employed or looking for work (35%). This supports the view that the "working poor" are a low-participation group and is consistent with the view that stigma is an inhibiting factor—an important point when it is remembered that food stamps constitute the only income support program for which most of the working poor are eligible.

How Can Participation Be Improved?

To the extent that nonparticipation stems from ignorance of one's eligibility, increasing participation entails that the Department of Agriculture strictly enforce its own guidelines for outreach, namely, "inform all low-income households eligible to receive food stamps of the availability and benefits of the program." MacDonald also finds that access to sources of general information does not help explain participation, suggesting that outreach should provide very specific information about benefit entitlements and how to get stamps.

To the extent that it stems from the time and trouble involved, streamlining the efficiency of local agency operations should help somewhat, although having to go to the food stamp outlets to get the stamps constitutes an irreducible user cost. (The need for having the money on hand to buy the stamps has been eliminated by the very recent food stamp amendments.)

To the extent that it stems from stigma—and the evidence is consistent with the view that stigma is important—it is difficult to predict what policy reforms might increase participation. "Stigma is a question of attitudes and personal perceptions of how one is viewed by others." We know little about how attitudes become ingrained or about how they change.

The most straightforward way to remove all these barriers, of course, would be to abolish the *food stamp* component altogether and simply replace it with cash. A cash entitlement is easy to advertise, could be readily mailed to recipients, and would not identify recipients as they purchased food. But efforts in this direction have failed thus far.

Why this opposition? It seems to stem from three possible sources, which all come down to using food stamps to *restrict* the benefits to food purchases: (a) taxpayers wanting to prevent "welfare bums" from wasteful spending, (b) liberals wanting to ensure adequate food consumption by the poor, and (c) food distributors wanting the sale of food to be subsidized to their benefit.

Do food stamps influence food buying patterns? That is the question to which we now turn.

Do Food Stamps Get People to Eat More? Eat Better?

Research on food consumption and income levels is in general agreement that, at least up to relatively comfortable income levels, increases in income are accompanied by increases both in calorie intake and in the nutritional quality of the food consumed. The question becomes, therefore: Do food stamps stimulate food consumption and nutritional intake *more* than an equivalent cash benefit would?

MacDonald addresses this issue in some detail, reviewing evidence from other studies as well as examining data himself, and he concludes that neither the quantity nor quality of the food consumed by food stamp recipients is very different from those of people at the same income level who do not get food stamps.

First, MacDonald pursues the question of the amount of food purchased by dividing food stamp users into three groups—those whose food expenditures exceed their food stamp allotment, those whose food expenditures are equal to their stamp allotment, and those whose food expenditures are less than their stamp allotment. The first group is clearly unconstrained in their expenditures by the existence of food stamps. They buy the food they would anyway, using the full food stamp bonus and only adding extra cash as necessary—saving an amount equal to the bonus, which they can then spend on anything they like. The second group may or may not be constrained, depending on whether the food stamp bonus exactly equals what they would have spent without it or whether it has made them buy more food than they otherwise would. The third group is clearly constrained. They may not buy more food than they otherwise would, but they would certainly use the unused bonus on nonfood items if it were cash. Using the Michigan data, MacDonald finds that 71.3% are in the first category, 4.7% in the second, and 24% in the third. For more than two-thirds of recipients, therefore, food stamps are clearly synonymous with cash.

MacDonald also examines the extent to which the constrained households spent *more* on food than they would out of a cash transfer equivalent (as opposed to simply leaving some stamps unused, thereby forgoing the bonus). His lower-bound estimate is that only ten cents of every bonus stamp dollar spent by these households actually goes for food they would not buy if they got the benefit in cash. Accounting for the unconstrained households as well yields the estimate that only eight cents of every bonus food stamp dollar goes for food that would not be purchased otherwise—meaning that 92% of the total food stamp bonus is in fact equivalent to cash for the recipient households.

If total expenditures on food are not affected much, what about the kinds of food bought? The food stamp program has no provisions directing food purchases toward better

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nutrition. But does having more purchasing power directed toward food lead to better nutrition in any case? The evidence reviewed by MacDonald allows no such conclusion. A study of California shows some nutritional improvement among food stamp recipients as compared with nonrecipients. But this finding is suspect because there were many other ways in which the two groups differed from each other—including the fact that the total incomes (cash and in-kind) of the nonparticipants were on average \$43 a month less than those of participants. A study of rural Pennsylvania—with better research controls—showed no effect, except in temporary periods of unusual cash shortages on the part of the families. In contrast, interestingly enough, evidence from the North Carolina sample of the rural negative income tax experiment (strictly a cash transfer program) showed that the group receiving the cash transfers did significantly improve the nutritional quality of their diets. This is probably because the North Carolina families were distinctly poorer than most other groups that have been studied and may, therefore, have had a greater margin for dietary improvement (which could as conceivably have come about with food stamp bonuses, instead of cash).

Conclusion

Food stamps constitute America's only universal minimum income program. There is distinct variation according to demographic group in the proportion of eligible households that avail themselves of these benefits. The aged and the working poor use them less than other groups, which is consistent with the view that the stigma associated with the program is holding people back.

To the extent that public support for a minimum income in the form of food stamps, rather than an equivalent one in general purchasing power, stems from a desire to constrain the purchases of the poor and/or to increase the quantity and quality of the food they consume, the program is largely unsuccessful. Less than ten cents per bonus dollar seems to go for food that would not otherwise be purchased.

Then why not give cash and eliminate the hassle and unpleasantness of the stamp negotiation process? The answer must lie in the politics of income support. Perhaps the time will soon come when we no longer have to ask it.

¹FAP would have cashed out food stamps and provided a guaranteed minimum income in cash to all families with children.

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