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# WORLD HUNGER:

## *A Solution With Food Stamps*

by Willis Peterson



An international food stamp program, here proposed, could augment the purchasing power of the world's poorest nations while stimulating the demand for agricultural commodities in the high income, food surplus nations. Farm prices in the high income countries and the world market would increase 30-35 percent, and commercial exports of agricultural commodities, 60 percent. The program would virtually eliminate hunger and malnutrition in the third world, where 40,000 people, by some estimates, die each day from lack of food. In addition, the rejuvenation of rural economies in both developed and less developed countries would stimulate world economic growth. And this could be accomplished for about the same amount of money now being spent by the world's high income nations on farm income support and foreign food aid programs.

### A Global Food Stamp Program

This international food stamp program would be similar in setup to the U.S. food stamp program. Pieces of paper, food stamp vouchers, would be distributed to the poorest people in the world's poorest nations. The recipients would use the stamps to buy food. Food vendors in these countries would redeem the food stamps for domestic currency; they would also be allowed to exchange them for hard currency to pay for imported food. The food stamps themselves could be distributed through a variety of institutions—religious institutions, health care facilities, schools, local units of government, or new institutions set up for the purpose.

Administration of the overall program could fall to any one of a number of international institutions such as the United Nations, U.S. AID, the World Bank, the International Monetary Fund, or a combination of agencies working together. Program funding would come from the 12 to 15 high-income countries of the world, each contributing according to its population and per capita income. The total cost for such a program would depend on how much the world's developed nations wish to support it. I've calculated that to bring the average per capita food consumption of the world's poorest countries up to the level that exists in the

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lower middle income countries, such as the Philippines and Morocco, the cost to the world economy would be about \$75 billion per year in current prices. That's a lot of money, but by coincidence, this is roughly what is spent each year by the world's wealthier countries to support farm incomes and food aid programs. If an international food stamp program were set up to operate at this level, traditional farm programs could be drastically cut back or even eliminated.

### Open Markets, Boost Demand

Countries which agree to receive the food stamps also would have to agree to open their borders to food imports from the world market. They would have the foreign exchange to import food because donor countries would finance the food stamp program with hard currencies. For example, if a country received \$100 million in food stamps, its central bank would receive \$100 million U.S. dollars or the equivalent in one or more hard currencies earmarked for food purchases—a food account. This would allow food importers to purchase hard currencies from this account that could be used to buy food on the world market. It is important that food vendors have the freedom to purchase their supplies from the cheapest sources—domestic or foreign.

Because of low per capita incomes in the third world contributing to a low demand for food, food prices in these countries are lower than world market prices. As a result, farming is relatively unprofitable, and farmers have an incentive to produce crops for export rather than for the domestic market. The food stamp program, however, would increase the domestic demand for food, thereby increasing the price and profitability of food crops. As a result the quantity of food available from domestic sources would increase as well.

This increased food purchasing power of poor people in the world would also increase the world demand for food. I've calculated that this increase in demand would increase the world market prices of agricultural products by 30-35 percent. Farm price support programs would be unnecessary because farmers would receive higher market prices for their products. In fact, the food stamp program would be better for farmers than traditional farm programs because farmers would be free to expand output in response to higher prices rather than having to take land or other resources out of production. Farm programs that pay farmers not

**> In spite of international food assistance over many years, large numbers of people in the world are hungry and many die from lack of food—as many as 40,000 each day!**

**A global food stamp program supported by high income countries would facilitate the purchase of food by poor people in developing countries, and, because of the increased economic demand for food, rural economies in both developed and less developed countries would be rejuvenated.**

to produce when millions of people in the world are malnourished, in my opinion, leave much to be desired.

Naturally, this proposal evokes many questions. Here we deal with nine that are most often asked.

• **Wouldn't a 30-35 percent increase in food prices in the world's developed countries meet with a lot of resistance from consumers in these countries?**

Food prices would not increase this much. Raw farm commodities comprise less than half of the cost of food in the developed countries. The rest is processing, packaging, transportation,

***Farm programs that pay farmers not to produce when millions of people in the world are malnourished, in my opinion, leave much to be desired.***

wholesaling, and retailing cost. I estimate that the program would cause food prices in the donor countries to increase about 12 percent to 15 percent. In the United States, food represents less than 15 percent of consumers' budgets. Thus we're talking about a two percent once and for all increase in the overall cost of living because of the program. I think most people would be willing to make this sacrifice knowing that the program would save thousands of lives lost to hunger-related death and disease every day.

• **Why not simply increase direct food shipments to the third world instead of constructing a whole new program?**

Increased food aid would probably make matters worse for two reasons. Surplus commodities such as dried milk or wheat may not have been a part of the traditional diet of people in the recipient countries. They may survive on these commodities, but consuming one commodity doesn't make for a balanced diet. An even greater problem is the impact of free or cheap food on farmers in recipient countries. Free or subsidized food causes prices of domestically produced crops to fall, making them less profitable. Third world consumers end up with no more total food, with a less varied diet, and with the danger of even less food if the food shipments stop. This kind of dependency is undesirable. Direct food shipments of the magnitude that would eliminate hunger in recipient countries would virtually destroy local markets. This is not a solution to the hunger problem. This food stamp program would increase the demand for food, which would make domestic food production more profitable and result in more food produced domestically.

• **But wouldn't third world countries be better off if they could be independent and produce their own food?**

Yes and no. Yes, to the extent that they can increase their ability to produce and afford an adequate diet. This can only come from long-run economic growth. However, policies which aim at self-sufficiency are self-defeating. Countries that have cut themselves off from the world market by and large have not been successful in achieving sustained economic growth. The poorest people in countries with per capita incomes of \$100 to \$300 per year are too poor to afford an adequate diet. These countries need to at least join the ranks of the lower middle income countries having per capita incomes of \$1000 to \$1500 per year in today's prices. Average per capita income in the United States and other developed countries is 15 to 20 times that amount. The food stamp program would help spur long-run economic growth by making agriculture more profitable.

By increasing the demand for farm products, thereby increasing farm prices, the profitability of investing in agriculture and in the



*"By some estimates over 40,000 people in the world die each day from the direct or indirect effects of malnutrition. Most are children.*

*Courtesy World Vision International Photo Library.*

industries serving agriculture would increase. In a sense, third world countries are caught in a "catch-22" situation. Food is cheap because people are poor. People are poor because food is cheap. The cheap food makes it unprofitable to invest in agriculture and to use technologies to increase productivity and profit. Hunger and malnutrition exist today not because we don't have the know-how, but because hundreds of millions of people are too poor to buy enough food to maintain their health.

*"Human suffering from famine, war, and natural disasters captures our attention for a time on the evening news. But most deaths due to malnutrition occur out of sight of TV cameras in thousands of poor rural villages and urban slums throughout the third world."*

*Courtesy World Vision International Photo Library.*



• *Wouldn't there be a danger of food stamp recipients selling the stamps for cash rather than using them to buy food?*

We need to bear in mind that the people receiving the food stamps would be extremely poor, so poor that they could not buy sufficient food to keep their families alive. One would expect these people to use the stamps to survive before anything else. Granted, there would be some people who would prefer to buy something other than food. They may try to sell the stamps to others who want to buy more food. There is nothing wrong with this; it would be a mistake for a government to try to stop this practice. The harder it is to sell stamps, the greater the discount at which they sell. The poor who originally owned the stamps would lose income in the process. People who are starving could use the money to buy food, while those who had sufficient food, say, small farmers, could use the money to buy other things for the farm or home.

• *Isn't there a danger that massive amounts of money represented by the food stamps will end up in the hands of a few high-level government officials instead of millions of poor people?*

Money is always subject to theft. But because the stamps would be distributed in a decentralized manner to millions of people living in thousands of rural villages and poor urban neighborhoods, I think there is less danger of corruption than when actual commodities are given, or sold below market prices, to a single government agency. To minimize the chance of theft or corruption, the actual distribution of the stamps probably should involve a representative of the international donor agency as well as local officials. Also the food account could be audited periodically to ensure that the outflow of funds was matched by an inflow of equivalent value of food stamps.

• *After receiving food stamps, wouldn't poor people have a tendency to slack off and quit working?*

I don't think so. Since the poorest people in the third world tend to be segregated in poor rural villages and urban slums, recipients could be identified by place of residence rather than by family income. The value of stamps received by a family would depend on the income level of the community and the size and makeup of the family. One might expect some sharing among people, especially among relatives, where the better few helped those most in need. But, there would not be an individual income requirement as is true in the U.S. As a result more stamps could not be obtained by reducing one's income. Nor would stamps be decreased to those who increased their incomes. The incentives to work would still be there. As the price of agricultural products increased, so would the demand for workers in agriculture and agriculturally related industries. This would increase their wages and increase their incentive to work. Over the long run, as a community prospered and increased its average per capita income, the value of stamps would be gradually decreased. But no single individual could do anything to alter the value of his or her stamps.



*"Is a world of well nourished children worth a once and for all 2 percent increase in your cost of living?"*

*Courtesy Agency For International Development.*

• *A large proportion of people in rural areas of third world countries are either small, subsistence farmers or landless laborers who work for a share of the crop on larger farms. In other words, there is not an established market where people could spend their food stamp money. If there is no food to buy, what good are food stamps?*

It is common for rural villages to have a market day once a week. Small farmers and households may bring a small amount of products to sell to obtain a little cash to buy manufactured products. Food stamp money would add a little more purchasing power on the demand side of these local markets. If local producers are not able to satisfy the increased demand, entrepreneurs will bring in commodities from nearby villages, or even

from more distant points. Transport equipment may be primitive such as pack animals or river boats. It is easy to underestimate the ability of people to respond to market prices and incentives. Commodities move to where they can be sold when it becomes profitable to do so. Also the transport and food marketing industries would be sources of increased employment for people in the recipient countries. Investment in roads and bridges would take on a higher priority.

• *Wouldn't this food stamp program, by reducing hunger and malnutrition, lead to a population explosion in the third world that would intensify the hunger problem in years to come?*

It is possible that population growth would increase temporarily in the recipient countries. But the long run solution to high population growth in developing countries is economic growth. Without exception, the lowest birth rates occur in the world's high income nations. By promoting economic growth, the food stamp program also would contribute to a long-run solution to the population problem in low income countries.

• *Wouldn't this program intensify the inflation problem endemic to third world countries?*

Higher prices for agricultural products would increase the overall level of prices. But this would be a once and for all increase, not a continual increase in prices as occurs with inflation. Countries experience inflation when their governments spend more than is received through tax revenue. To make up the difference, they print money. When a nation's money supply increases more rapidly than its output of goods and services, inflation occurs. International food stamps would not increase a recipient nation's deficit and, therefore, would not cause inflation. In fact, the program could decrease third world inflation by decreasing the budgetary requirements of their governments. In the high income donor countries, the food stamp program could be financed by the money saved from reducing traditional farm and food aid programs and other programs that have not increased incomes of poor people in the third world. Thus the program would not increase overall government spending by donor countries, and therefore would not be inflationary for them either. □