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The Economics of Federal Food Programs: Weighing the Costs and Benefits

Economics of Federal Food Programs
with Emphasis on the Supplemental
Nutrition Assistance Program (SNAP)

by Jean Kinsey

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Executive Summary

The Economics of Federal Food Programs: Weighing the Costs and Benefits*

The Public Benefits of Federal Food Assistance Programs Far Outweigh their Public Costs

The estimated cost of hunger in the United States is at least \$90 billion, including \$22.5 billion in direct health care costs and \$200 billion in lost productivity, while Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) payments that prevent and decrease hunger are less than that -- totaling \$75.3 billion in 2011

Every \$1.00 spent on SNAP generates about \$1.84 in additional employment and business.

Benefits of Public Food Assistance Take a Variety of Forms

Dollars spent on food assistance go directly and efficiently into the economy, spurring business, employment and economic growth.

More than 46 million people in the U.S. are living below the poverty line. Domestic food assistance programs help nearly 1 in every 4 Americans.

If the value of SNAP dollars was added to household incomes, the United States' poverty rate would be reduced by 4.4%.

Supplementing food purchases for the poorest households allows those in poverty to pay for other critical services such as health care and transportation to schools and jobs.

Food programs help assure better educational outcomes for low-income children and a more productive labor force.

Food Assistance Program Costs Vary in Concert with Business Cycles

When the U.S. economy is performing poorly, there are more people out of work, and food assistance costs go up because more households are entering poverty. When the general economy is performing well, food assistance costs go down because fewer households are in need.

During the four year period of economic growth (1996-2000) expenditure on all food assistance programs : fell 14% to \$32.6 billion (\$42.6 billion in inflation adjusted dollars). During a period of recession (2007-2011) expenditures rose 90% to \$103.3 billion including structural adjustments to the programs and levels of remuneration. The \$103.3 billion is 142% higher than the inflation adjusted spending in 2000.¹

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