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# Minnesota AGRICULTURAL ECONOMIST



## Food Programs, Politics, and the Poor

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Food stamps under the Food Stamp Program and food donations under the Commodity Distribution Program are the two major means through which this country attempts to improve the diets of poor families. Congress must now decide whether to continue the Food Stamp Program, to blend it with the proposed Family Assistance Plan,<sup>1</sup> or to do away with it entirely.

Food programs for the poor are very closely tied to agriculture for political and historical reasons. Moreover, they have been at the center of the recent political storm over the issue of hunger in America. Hence, a brief review of the recent history of these programs, an analysis of their various benefits and costs, and a few comments about their operation in Minnesota all are timely.

### THE FOOD STAMP PROGRAM

The Food Stamp Program attempts to improve the diets of poor families by selling food stamps to them. The families in turn redeem the stamps for food at licensed grocery stores.

Take, for instance, a family of four with a monthly net income of \$65.<sup>2</sup> After becoming certified by the local welfare office, such a family would purchase \$106 worth of stamps at a cost of \$13. The family can use the stamps to purchase \$106 worth of food at a local grocery store that is licensed by the USDA.

The coupon allotment and purchase requirements for one to four person families are shown in table 1. Families with more than four members receive more stamps and are eligible at higher net incomes than those shown in the table. The retail value of the coupon allotments is equal to the estimated cost of a nutrition-

ally minimum adequate diet in December 1969. Of course, inflation has eroded the real value of the stamps in the past year.

### THE COMMODITY DISTRIBUTION PROGRAM

The Commodity Distribution Program attempts to improve the diets of needy families by giving them specific amounts of food each month. The USDA provides 24 food items free to county welfare offices. County offices can select any of these foods to donate free to needy families. Few welfare offices choose to donate all 24 food items each month and in the maximum amount allowed. Table 2 lists the available foods and contains some information related to each item.

### FOOD, POLITICS, AND THE POOR

Food programs for the poor are creatures of the Depression, when U.S. agriculture had surplus food products and ruinous prices, while millions of unemployed people had no money to buy food. It was natural to try to devise programs that simultaneously helped prop up sagging farm prices and helped the unemployed eat better foods. The Commodity Distribution Program was one result. A Food Stamp Plan existed from 1939 to 1943. Both were viewed primarily as farm price support programs rather than welfare programs and so came to be administered by the USDA.<sup>3</sup>

### THE DECADE OF THE SIXTIES

When President Kennedy came to the White House in 1961, his first executive order directed the Secretary of Agriculture to expand the Commodity Distribu-

tion Program. One week later, he instructed the Secretary to initiate a pilot food stamp program.

These two actions initiated a decade of intense political activity and interest in the poor and the extent to which they were well fed. The decade began with food programs for the poor viewed as minor and ineffective parts of farm price support policy. It ended with them viewed as very important parts of welfare policy; if not in reality, at least in the minds of the general public.

What were the political forces that produced this large shift in emphasis and how did they work?

Rapid urbanization during the forties and fifties placed agriculture's supporters in Congress in a position in which they increasingly had to seek urban support for farm price support legislation if they were to continue. Food programs for the poor were the natural vehicles for gaining urban support for farm legislation. This was so for two reasons. First, food programs were administered by the USDA and controlled in Congress by the agriculture committees and hence were the only parts of the welfare program controlled by agriculture's supporters. Second, the White House, as well as urbanites, was interested in expanding welfare programs as part of the war on poverty.

Throughout the sixties then, arrangements were made by which support for various pieces of farm legislation was assured by initiating and expanding various food programs for the poor.

Prominent among these was the Food Stamp Act of 1964 and its increasing appropriations in subsequent years.

In 1967 the public was made aware that hunger and malnutrition existed among the nation's poor and especially among poor Blacks and Indian-Americans living in rural America.<sup>4</sup> The publicity added the political support of those concerned with malnutrition to those in favor of increased aid to poor people. This added support came at a time when the Vietnamese War had begun to attract attention away from the war on poverty. More importantly, it put increased pressure on the agriculture committees in Congress and on the USDA to make food programs for the poor available to all poor people and to increase benefits under the programs.

### BENEFITS AND COSTS OF FOOD PROGRAMS

Since it appears that the Commodity Distribution Program will gradually be replaced by the Food Stamp Program, only the Food Stamp Program and its variants will be discussed. The benefits and costs fall principally upon two groups of people: the poor and the taxpayer.

<sup>1</sup> See the August 1970 issue of the *Minnesota Agricultural Economist* for a discussion of the Family Assistance Plan.

<sup>2</sup> Net income is found by deducting taxes, school expenses, babysitting expenses incurred as a result of attendance at school or work, medical bills and/or insurance, and an allowance for rent from total family income.

<sup>3</sup> The history of these and similar programs from the thirties to 1959 is recorded in: Whetmore, Abel, Learn, and Cochran, "Policies for Expanding the Demand for Farm Food Products in the United States, Part 1, History and Potentials," Tech. Bull. 231, Minn. Agr. Exp. Sta., Apr. 1959.

<sup>4</sup> See: Nick Kotz, *Let Them Eat Promises: The Politics of Hunger in America* (Englewood-Cliffs: Prentice-Hall, 1969).

**Table 1. Monthly coupon allotments and purchase requirements for one to four person families under Food Stamp Program**

| Monthly net income | Monthly coupon allotment |                              |                           |                           |
|--------------------|--------------------------|------------------------------|---------------------------|---------------------------|
|                    | One person family, \$28  | Two person family, \$56      | Three person family, \$84 | Four person family, \$106 |
|                    |                          | Monthly purchase requirement |                           |                           |
|                    |                          | dollars                      |                           |                           |
| \$ 0 to 19.99      | \$ .50                   | \$ 1.00                      | \$ 1.50                   | \$ 2.00                   |
| 20 to 29.99        | 1.00                     | 1.00                         | 1.50                      | 2.00                      |
| 30 to 39.99        | 4.00                     | 4.00                         | 4.00                      | 4.00                      |
| 40 to 49.99        | 6.00                     | 7.00                         | 7.00                      | 7.00                      |
| 50 to 59.99        | 8.00                     | 10.00                        | 10.00                     | 10.00                     |
| 60 to 69.99        | 10.00                    | 12.00                        | 13.00                     | 13.00                     |
| 70 to 79.99        | 12.00                    | 15.00                        | 16.00                     | 16.00                     |
| 80 to 89.99        | 14.00                    | 18.00                        | 19.00                     | 19.00                     |
| 90 to 99.99        | 16.00                    | 21.00                        | 21.00                     | 22.00                     |
| 100 to 109.99      | 18.00                    | 23.00                        | 24.00                     | 25.00                     |
| 110 to 119.99      |                          | 26.00                        | 27.00                     | 28.00                     |
| 120 to 129.99      |                          | 29.00                        | 30.00                     | 31.00                     |
| 130 to 139.99      |                          | 31.00                        | 33.00                     | 34.00                     |
| 140 to 149.99      |                          | 34.00                        | 36.00                     | 37.00                     |
| 150 to 169.99      |                          | 36.00                        | 40.00                     | 42.00                     |
| 170 to 189.99      |                          |                              | 46.00                     | 48.00                     |
| 190 to 209.99      |                          |                              | 52.00                     | 54.00                     |
| 210 to 229.99      |                          |                              | 58.00                     | 60.00                     |
| 230 to 249.99      |                          |                              | 64.00                     | 66.00                     |
| 250 to 269.99      |                          |                              | 66.00                     | 72.00                     |
| 270 to 289.99      |                          |                              |                           | 72.00                     |
| 290 to 309.99      |                          |                              |                           | 76.00                     |
| 310 to 329.99      |                          |                              |                           | 80.00                     |
| 330 to 359.99      |                          |                              |                           | 80.00                     |
| 360 to 389.99      |                          |                              |                           | 82.00                     |

Source: Food and Nutrition Service, USDA.

**IMPACTS ON THE POOR**

Recall our example family of four with a monthly net income of \$65. To participate, it must buy \$106 worth of food stamps each month for \$13. It then redeems the \$106 worth of food stamps for \$106 worth of food. It has paid \$13 for what otherwise would cost \$106; food prices have been greatly lowered for the participating family. Clearly, greatly lowered food prices is the benefit received by participating poor families.

What are the costs of participation? There are costs imposed by the coupon allotment and purchase requirements, as well as costs imposed by the times and places at which stamps are sold and can be redeemed.

A cost is imposed to the extent that the coupon allotment and purchase requirements force the participating family to spend more of its total income (cash plus stamps) on food than it would if its total income were in cash. Recall our example family of four with a before-program net income of \$65 per month. With the addition of the stamps, it has a total net income of  $\$65 + \$106 - \$13 = \$158$  in cash and stamps. Out of this total net income, it must spend \$106 on food. To

the extent that a family would prefer to spend less than \$106 on food and use the excess on other things, say housing, participation exacts a cost. If a family does not want to forego other things in order to consume a great deal more food, it does not participate at all.

Furthermore, if a family has many fixed commitments like the rent, light, and heat bills, it may simply not have cash enough to buy the stamps and hence not be able to participate in the Food Stamp Program. Those poorest of the poor are placed in a similar position: not having cash, they cannot participate; the cash cost is too high.

Other costs include the time and transportation costs involved in becoming certified to participate, in buying the stamps at the specific times and places each month, and in dealing in less convenient food stores if more convenient ones are not licensed to redeem stamps. All these costs appear to be a larger burden on rural than urban families.

Finally, as currently operated, the poor (principally the aged) who live in single rooms and eat in restaurants have no use for food stamps since they do not have cooking facilities. Again, the costs of participation are too high.

In sum, participation in the Food Stamp Program yields both costs and benefits. Until the past year the benefits were low enough relative to the costs so that participation was low. In the past year, participation has risen, partially because the benefits have been increased substantially, and partially because the program has been extended to more counties.

**IMPACTS ON TAXPAYERS**

Taxpayers benefit from any government program to the extent that the purposes of the program are fulfilled and to the extent to which they agree with the program's purposes. They lose to the extent of the added expense of the program, to the extent that some other purpose is frustrated, and to the extent that there are cheaper ways of accomplishing the same objectives.

The purposes of food programs originally were to improve the diets of needy families and to help raise farm prices. The latter purpose was dominant until the sixties, while the former purpose has been increasingly emphasized since then. The Food Stamp Program is rather ineffective in raising farm prices, because the effect of lower food prices on food expenditures is not great, even for low income families.

How does the Food Stamp Program score on the matter of nutrition? In all candor, until the past year the Food Stamp Program has not been operated to enable recipients to obtain nutritionally adequate diets. Only since December 1969 has the Food Stamp Program required recipients to purchase sufficient stamps to buy minimum nutritionally adequate diets. But it also must be admitted that its original objective was only to improve the diets of recipients, not to ensure the adequacy of their diets. However, rising public concern over malnutrition in the past 3 years indicates that the original purposes of the Food Stamp Act have been altered.

So far only the impacts on participants have been discussed. A program can fulfill its objectives only if the people for whom it is intended participate. If few participate, the purpose of the program is frustrated.

Participation in the Food Stamp Program has been low for two reasons. First, the program has not been available in many counties. While county participa-

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**Table 2. Quantities and estimated costs of food available per person per month, October 1, 1970, under Commodity Distribution Program**

| Food                                      | Distribution rate* | Estimated retail value per person† |
|---|--------------------|------------------------------------|
|   | pounds             | dollars                            |
| 1. Beans, dry                             | 2.000              | .382                               |
| 2. Bulgur‡                                | .500               | .100                               |
| 3. Butter                                 | 1.250              | 1.088                              |
| 4. Cheese                                 | 1.500              | 1.518                              |
| 5. Corn meal                              | 2.500              | .363                               |
| 6. Egg mix                                | .563               | 1.025                              |
| 7. Flour                                  | 5.000              | .590                               |
| 8. Fruit/vegetable juice                  | 2.953              | .487                               |
| 9. Grits‡                                 | .500               | .092                               |
| 10. Lentils/peas, dry, split              | .500               | .118                               |
| 11. Macaroni                              | 1.000              | .270                               |
| 12. Meat, chopped, canned                 | 1.875              | 1.776                              |
| 13. Meat/poultry, canned                  | 1.813              | 2.078                              |
| 14. Milk, evaporated                      | 1.813              | .344                               |
| 15. Milk, nonfat dried, instant fortified | 4.500              | 2.614                              |
| 16. Oats/wheat, rolled                    | 1.500              | .420                               |
| 17. Peanut butter                         | 1.000              | .640                               |
| 18. Potatoes, instant                     | 1.000              | .896                               |
| 19. Prunes‡                               | .500               | .255                               |
| 20. Raisins                               | 1.000              | .430                               |
| 21. Rice                                  | 1.500              | .318                               |
| 22. Shortening                            | 1.000              | .270                               |
| 23. Syrup, corn                           | 1.490              | .358                               |
| 24. Vegetables, canned                    | .989               | .247                               |
| Total                                     | <u>38.246</u>      | <u>\$16.679</u>                    |

\* Distribution rates are based on typical state distribution rates on a per person basis for a family of four.

† Retail prices were obtained from the Bureau of Labor Statistics, Aug. 1970, and Wash., D.C. retail trade sources where possible.

‡ Utilized by less than half the projects.

Source: Food and Nutrition Service, USDA.

tion has been growing slowly since the program began, not until 1970 did roughly half of the nation's counties make the program available to their needy families. Most of the others have offered the Commodity Distribution Program. And there has been a large group of counties, primarily in the Great Plains and midwestern states, that have not made either program available to their poor residents. Pressure from the USDA has reduced this last group of counties in the last 2 years.

The second reason for low participation in the Food Stamp Program is simply that the benefits of participating have been lower than the costs for large numbers of the poor. As of December 1969 this is no longer true; benefits have been raised substantially. In consequence, participation in the program has increased dramatically.

#### SOME CHANGES BEFORE CONGRESS

There are three major changes in the Food Stamp Program being debated by Congress. These are: (1) whether to allow the elderly to use food stamps to buy meals at specific kinds of restaurants,

(2) whether to allow families to buy the amount of food stamps they prefer up to a maximum of the present purchase requirements rather than force them to buy up to the present requirements, and (3) whether to require the states to pay a share of food stamp costs. Currently, states pay only certain administrative costs and part of the family certification costs.

The first proposed change would make the program useful to the elderly poor who have no cooking facilities and eat in restaurants. The effect would raise participation.

The second change would mean for our example family of four, for instance, that it could buy any quantity of stamps up to a maximum of \$106 at 12 cents per stamp. This would allow more of those who previously could not afford to participate to buy fewer stamps and so participate in the program.

The third change would lower the federal and raise the state shares of the total costs of the program. Since most states are in financial trouble already, such a change would do nothing to help them. This change probably would force the states to alter the eligibility standards un-

der their control and in general make it harder for the poor to participate. Fewer needy families would participate in the program if the third proposal is enacted.

#### FOOD PROGRAMS IN MINNESOTA

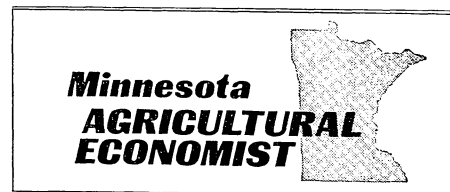
As of June 1970, 59 of the 87 counties in Minnesota offered the Food Stamp Program to needy families; 20 offered the Commodity Distribution Program; and 2 offered both (because separate parts of each offered one but not both of the programs). Six counties offered no needy family food program: Fillmore, Martin, Olmsted, Watonwan, Wilkin, and Winona. All these are designated as counties in which the Food Stamp Program will be initiated when federal funds become available.

As of June 1970, 105,845 persons participated in the Food Stamp Program in Minnesota, about double the participation in June 1969. Greatly increased benefits under the program, increased unemployment, and six counties coming into the program account for the rapid participation increase. In May 1970, 15,934 persons participated in the Commodity Distribution Program, up 3,200 from a year earlier. A net increase of two counties joining the program plus increased unemployment partially accounted for the increase.

#### A CONCLUDING NOTE

The Food Stamp Act most likely will be extended with a number of new features designed to lower the cost of participation and hence to raise participation per dollar of program cost. Also, more funds will likely be allocated for the program.

Perhaps it is time to debate whether an equivalent cash grant program would not achieve almost the same purposes set for food aid programs at considerably less cost to the taxpayers per dollar of benefit to needy families. In the author's opinion, this is the question that increasingly will be asked and increasingly will direct political discussion and action on food programs in the seventies. ■



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# IN PERSPECTIVE



## Welfare Or Workfare?

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In its proposal to reform the nation's welfare system, the Nixon administration has emphasized the transforming of welfare into workfare. The Family Assistance Plan, President Nixon said, "provides help to those in need and, in turn, requires that those who receive help work to the extent of their capabilities."

Will workfare work? The question of work incentives and work requirements is basic to much of the criticism of present welfare programs and plays a strategic role in the proposed Family Assistance Plan, recently rejected by the Senate Finance Committee. The Family Assistance Plan attempts to increase work incentives in two ways: by making the working poor eligible for cash assistance (except for individuals and couples without children); and by providing that cash grants will be reduced by less than a dollar for every dollar a family earns.

The administration's plan also includes a provision which, in one version of the bill, requires the first two members of a family to register for work or training. Exemptions from this work requirement would be allowed only for those incapacitated by illness or age, those under 16, and mothers of children under 6.

Public opinion about welfare programs and proposals for changing them reveal a strong belief that work is a proper and necessary requirement of all able-bodied Americans. Moreover, many people apparently believe that anyone who is willing to work hard can make it in this country. The inclusion of the working poor (although only those with children) in the Family Assistance proposal seemingly acknowledges that not everyone who works can earn an adequate income.

A national preference for work over welfare was clearly evident in a Gallup

Poll 2 years ago. In response to a question about providing every family of four a guaranteed income of \$3,200 a year, only 36 percent of those surveyed favored such a plan, 58 percent were opposed, and 6 percent had no opinion. However, when asked about providing sufficient work so that each family of four with an employable wage earner could earn at least \$3,200 a year, 78 percent were in favor, only 18 percent opposed, and 4 percent had no opinion.

Can more jobs and programs to upgrade the employment potential of the poor help reduce poverty and halt the upward spiral of our welfare budgets?

Unquestionably, rapid economic growth and a reduction in unemployment rates from the early sixties to 1970 were major contributors to the declining number of persons living below the poverty level. In 1959, about 39.5 million Americans (22 percent of the population) had incomes below the "official" poverty level. By 1969, the number of poor had dropped by 38 percent to 24.3 million persons (12 percent of the population). Also, the nation's unemployment rate in 1969 averaged only 3.5 percent of the work force, the lowest jobless rate since the Korean War.

More jobs obviously can help reduce poverty and move people from relief rolls to payrolls. And recent increases in unemployment rates should be a matter of concern. Unemployment averaged about 2.8 million in 1969, but by November of this year the number of persons out of work had climbed to 4.6 million. However, as a means of reducing poverty, economic growth helps some of the poor much more than others. From 1959 to 1969 the number of poor families headed by men dropped by 51 percent, while the number of poor, fatherless families declined by only 6 percent. There now are more poor children in families without fathers than there were 10 years ago.

Moreover, jobs do not assure above poverty level incomes for all wage earners. In 1969, more than half (56 percent) of the 4,950,000 families with incomes below the poverty level were headed by men and women who worked all or part of the year or were in the armed forces.

A myth persists that poverty is largely the result of an unwillingness to work. But many of the poor do work. For example, more than half of the men 25-64 years old who were the heads of poor families in 1968 worked at least 50 weeks during the year. And 95 percent worked all or part of the year or were ill or disabled, in school, or in the armed forces.

Many of the poor are unable to find and qualify for jobs in which the wage rate is high enough to provide an annual income above the poverty level. The poverty threshold for a nonfarm family of four in 1969 was a little over \$3,700. A person working 40 hours a week for a full year (52 weeks) at the federal minimum wage of \$1.60 per hour would earn only \$3,328. About 10 million jobs in this country pay at or below this level.

More and better paying jobs, training, and supportive services would undoubtedly benefit many of the poor, regardless of whether they are being aided by current welfare programs. But neither work incentives nor work requirements are likely to bring about a major reduction in the number of public assistance recipients. The U.S. Department of Health, Education, and Welfare reported that there were 1,667,000 adults receiving benefits under the program for Aid to Families with Dependent Children in the spring of 1969. Fewer than half of these adults (702,000) were potentially employable. The employable adults included 564,000 mothers and 138,000 unemployed fathers. About 50 percent of these potentially employable adults were mothers who already were working either full or part time or unemployed fathers who would need a year of training before they could enter the job market. One might reasonably conclude that work alone cannot eliminate the need for other programs to supplement the incomes of the poor and to provide supportive services. ■

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