



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

## HOW FAR SHOULD THE GOVERNMENT GO IN PROVIDING A MINIMUM LEVEL OF NUTRITION?

*G. William Hoagland  
Administrator  
Food and Nutrition Service  
U.S. Department of Agriculture*

"I hope we shall prove how much happier for man the Quaker policy is, and that the life of the feeder is better than that of the fighter. . . Let this be our office." (Thomas Jefferson to John Adams, June 1, 1822, Adams-Jefferson Letters, 579.)

It is an accepted tenet of civilized government that some minimum standard of material living should be enjoyed by all members of the society. The precise level of that standard can be and is today being debated, but the general tenet is quite clear. The topic of this paper, — "How far should the government go..." implicitly reflects the goal of some guarantee of a minimum standard of nutrition. The question is not whether government should provide for a minimum level of nutrition, the question is how far should it go in securing that minimum level? The topic raises difficult political, social, economic, and moral issues.

### **Public Expenditure Analysis in the Overall Problem**

The topic of this paper has been a classic problem in public finance for many years. Beginning with President Johnson's call for planning-programming-budgeting (PPB) in 1965, up to President Carter's zero-based budgeting (ZBB), the federal government has been involved in an ongoing analytical and budgeting exercise: how much should be spent on government programs to achieve a stated objective? The Reagan administration has, in many ways, forced all government agencies to reexamine this classic problem.

The basic theory of public expenditures would answer this general question (as well as questions about specific expenditures for defense, education, health, farm price-supports, etc.) by determining minimum cost methods to assure that society pays no more than is necessary to achieve given governmental goals. The dollar value of benefits, as well as costs, would be quantified, and marginal benefits

and marginal costs would be compared to assure that the only program expenditures undertaken would produce marginal benefits equal to or greater than their marginal costs. Government programs would be judged in terms of their social profitability, Pareto optimality, or economic efficiency, terms meaning essentially the same thing.

Surely no economist (supply-side or otherwise) would disagree with the spirit of benefit-cost analysis. However, as you are all well aware, once you move from theory to real-world application, numerous problems develop. How do you measure "social optimality?" How do you define the social welfare function and its technical properties? Given there are social costs and social benefits, how can they be measured? Given an accepted conceptual approach to measuring benefits and costs, are funds available for developing and conducting surveys to produce accurate estimates?

The resolution of these issues, unfortunately usually results in a complex nonsolution. Roland N. McKean in a 1966 Brookings Institution paper concluded that:

"Choices about government expenditures, then, are group choices for which there is no ultimately correct preference function — choices whose preferredness cannot be subjected to any ultimate test. . . . Actually, any government is guided by a complex mixture of rules, constraints, and discretionary authority. There is always an inherent uncertainty about the preference implied by a collective decision-making process. . . ."

The point I would make here is simply that the theory of public expenditure analysis tells us that the answer to the question—How far government should go in providing a minimum level of nutrition?—depends on answers to a number of other issues (not all unrelated) such as—how far should government go in providing a minimum level of housing, education, health, income, domestic and international security, and all the other socially desirable objectives? Clearly the Reagan administration views the decisions about these individual issues subservient to the broader policy goal of increasing economic growth and productivity, I agree.

I must admit, however, that if I were a dictator, my preference function might value income security and nutrition expenditures differently than Director Stockman; but the essence of our form of government supports Professor McKean's conclusion, that choices about government expenditures in a democratic society are group choices with no ultimately correct preference function.

### **Current Political and Economic Environment**

Why can I be supportive of an administration policy that would reduce my agency's nutrition budget by nearly 20 percent in one

year? And how can I in good conscience suggest that this government is still committed to the goal of maintaining a minimum standard of material living including nutrition? The answer lies not in the parochial interests of my individual programs, but in the broader context of government spending.

During the past five years (1976-1981), federal budget outlays have grown by almost \$300 billion. It is estimated that federal outlays will increase from nearly \$660 billion in the fiscal year ending this month to nearly \$950 billion in 1986—an increase of 44 percent. By fiscal year 1986, federal outlays will continue to represent nearly 20 percent of the total GNP.

The largest component of the growth in spending over this period has been and will continue to be benefit payments to individuals. They go to retired and disabled workers and their dependents, unemployed workers, veterans, and low-income families and individuals. These benefits (which include expenditures for nutrition assistance) make up nearly 48 percent of all federal outlays in 1981, and will continue to represent nearly 51 percent of all outlays in 1986. Expenditures for these programs will grow largely because of demographic shifts, and because these outlays are automatically indexed to inflation.

Many benefit programs developed from the Great Society programs of the 1960s. Professor Michael Lipsky has stated that American liberals fell into the habit of defining social pathology during this period as a condition in need of another social program. The programs of the 1960s were based on the expectation of a rapidly growing economy. For the period 1960 to 1973—often considered our post war economic golden age—our economic performance was excellent by U.S. standards. But for the period 1974 to 1980, when many of the social programs of the 1960s began to mature, our economic performance fell sharply by two-thirds of the 1960 to 1973 period.

Most of the slowdown in economic growth since 1973 has been due to slower growth in labor productivity. While the causal relationship is not clear, growth in benefit transfers from the productive segment to the non-producing segment of our society may account for some of the lost U.S. productive capacity. We know that for some able-bodied individuals benefit transfers can reduce work effort.

What has developed then in the early 1980s is an economy that has stagnated and continues to support a number of programs that were conceived in a period of rapid economic growth. Without a return to national growth in the 1980s, our ability to fund the basic necessities of a decent society will be materially taxed. I can support reductions in government spending that will lower the federal deficit, reduce inflation, increase capital investment, create jobs and income,

and thereby allow us once again to address the issue of providing a basic minimum level of nutrition to all citizens. It is within this context that decisions will be made about how much to expend on any social program.

### **Current Food and Nutrition Policies**

Government policy goals are often perceived as being at loggerheads with private sector goals. But the obvious deserves stating: nutrition is achieved through food consumption; basic nutritional needs will be met only when food is produced. An economy that carries high interest rates, and low returns for both capital and labor, can materially affect the producing agricultural sector and thereby our ability to meet minimum nutritional goals. To ensure a strong agricultural sector, government must go a long way to maintain a viable economy.

Let me now turn to the specific food and nutrition assistance programs administered in USDA.

USDA's mission is to ensure that there is an adequate, safe, nutritionally balanced and reasonably priced food supply available to all Americans regardless of income. The food programs that FNS administers were designed in part to fulfill this mission for low-income people. The major FNS programs include Food Stamps, School Lunch, and Breakfast Programs, the Child Care Food Program, the Summer Food Service Program, and the Special Supplemental Food Program for Women, Infants and Children — or WIC, as it is commonly called.

These programs have grown rapidly in the last decade, to the point where USDA will have spent about \$16 billion on them in the fiscal year that ends this month. About \$11 billion of this is for food stamps, \$4 billion for child nutrition programs and \$1 billion for WIC. The total represents nearly two-thirds of USDA's budget.

The speed at which these programs have grown, their present size, the continuing search for the answer to the cost and benefit question I alluded to earlier, combined, of course, with the necessity to find ways to reduce spending growth government-wide, led to a thorough reassessment of food assistance programs early in this Administration.

These are some examples of issues that surfaced in our review:

- Food stamp benefits per person have risen 21 percent in the last ten years after allowing for inflation.
- One person in ten in the U.S. receives food stamps
- According to a recent census report, more than one fourth of households using food stamps had incomes above 125 percent of the official poverty line
- More than 40 percent of households with students receiving free

or reduced price lunches had incomes above 125 percent of the official poverty line.

I am not suggesting that incomes of 125 percent of the poverty line are high or that the vast majority of people receiving benefits from FNS programs are not in need to some degree. I am suggesting that the policy decision about what constitutes "need" and who should benefit is necessarily a relative policy decision that is made and re-made frequently over the years based according to the overall perception of available budgetary resources.

The recommendations that emerged from our reappraisal of program costs, benefit levels, and eligibility limits are reflected in large measure in the Omnibus Reconciliation Act of 1981 signed into law last month. Budgetary savings from food stamps as a result of the new law will amount to about \$1.3 billion. About five percent of the current caseload, about 1 million persons, will lose eligibility because of a new limit on gross income.

Budgetary savings in child nutrition amount to about \$1.4 billion. The legislation eliminates about one-third of the federal support for school lunch among children from families above 185 percent of the poverty line next year. Lunches will continue to be served free to the neediest children and at reduced-price to those near the poverty line.

Our Women's, Infant and Children (WIC) program will spend about \$944 million in 1981. It has grown from \$386 million in 1978. Under the terms of the Reconciliation Act, there is no cut back in the program but its future growth will be limited by fixed authorization levels. Those levels provide for offsetting the cost of inflation and serving about the same number of persons, 2.2 million, now enrolled.

In addition to trimming the budgets, provisions of the new law support the administration's commitment to improve the efficiency and integrity of FNS programs. Actions authorized include:

- Moving rapidly toward improved verification of income eligibility in child nutrition programs; and
- improving and tightening anti-fraud provisions in the Food Stamp Program.

These budget reductions and administrative changes are the beginning, not the end, of policy analysis and redirection. Though no one can predict with certainty the future of these — or any other — programs, there are some general policy directions emerging and being actively debated.

In all programs we will likely see a continued sharpening of focus on those most in need. This can mean lowering the income eligibility levels or reducing benefits for those relatively better off or

setting priorities of service within eligible groups under fixed (not "entitlement" style) appropriations. All these ideas are being considered for our programs for the future.

We are also going to continue searching for ways to increase State and local discretion to tailor administration and benefit delivery to local conditions. Most administrations in Washington have said that for most programs in the last decade. Our recent regulatory actions in Food Stamps and our public task forces on rule simplification in child nutrition already prove that we are serious about this goal.

Finally, we will be looking rigorously at the rationales for the government's role in all our programs and in related activities in health and Human Services. It is not inconceivable, for example, that a new welfare structure will be found that is not Food Stamps, not AFDC, not medicaid, housing assistance or any of the other current systems. Intense budget pressures may finally bring about the rationalizing of the welfare system that a decade and a half of effort by previous administrations and Congresses could not.

## Summary

Whatever new approaches and whatever the funding levels, our role in FNS continues to be to concentrate on the food and nutrition needs of the nation, especially its low income citizens.

I have not tried to define "minimum level of nutrition" or "adequate" level or any other such term. No one definition could apply to all people and there are countless specific definitions we could use to target government program benefits. We are trying to increase the funds the poor have available to buy food and improve the opportunity for better nutrition for vulnerable populations — children and low-income mothers with health and other nutrition needs. The government's commitment to these efforts is unchanged.

Thomas Jefferson expressed the distinction between the fighter and the feeder and hoped we would come to value highly the feeder's place in our society. We cannot remove ourselves from the budget and policy-making quandary. Within that imprecise arena of balancing priorities, we can, and I assure you we do, heed Jefferson's call to look to our responsibility to provide food assistance and thus improved nutrition.

Views expressed in this paper are those of the author and do not necessarily reflect those of the Food and Nutrition Service, U.S.D.A.