



**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.*

*Ag. Econ. (pd.)*  
**A.E.A. (pd.)**

1969  
**proceedings**  
**NEW ENGLAND**  
**AGRICULTURAL ECONOMICS**  
**COUNCIL**



*WILLIAMS*  
**GIANNINI FOUNDATION OF**  
**AGRICULTURAL ECONOMICS**  
**LIBRARY**

**SEP 23 1969**

THE UNIVERSITY OF CONNECTICUT, STORRS

NEW ENGLAND  
AGRICULTURAL ECONOMICS  
COUNCIL

PROCEEDINGS  
1969 ANNUAL MEETING

UNIVERSITY OF CONNECTICUT  
STORRS, CONNECTICUT

JUNE 16, 17, 18, 19, 1969

Food Programs for Low Income Families—  
Welfare or Market Building? 1/

Harold F. Breimyer  
Professor of Agricultural Economics  
University of Missouri

On pages 507 to 511 of the May 1969 issue of the American Journal of Agricultural Economics are listed 121 titles of dissertations for which the Ph. D. degree in agricultural economics was awarded during 1968. The salad of subjects extends from economic evaluation of anadromous fish programs to the inevitable quadratic programming model (or variant thereon) for beef; from an assessment of how pioneers get along in Bolivia to what seems to be an appropriate complement, a cost-and-benefit study on going to school at Iowa State University. Nowhere among all those title is there a hint of attention to a program of the United States that is now carried on in all but 426 counties and is participated in by 7 million of our citizens, namely, the food programs.

The neglect is hard to understand. The programs have been in force for a generation, though not so extensively until recently. They have risen to near top standing in agricultural policy. Equally relevant, they are economic in nature and fall within the expertise of economists. They are peculiarly suited to economists' skills. For example, they combine several principles that are part of the content of most graduate programs in agricultural economics — principles embraced in price policy, consumption functions, and above all the economics of welfare.

The food programs that are our subject today also touch on issues that are sociological and psychological. The multi-disciplinary content ought to be welcomed. Yet the fact is that most of us do not handle multi-disciplinary problems very well; and we are prone either to disregard non-economic aspects of ourselves to pretend to a higher level of competence therein than we in fact possess.

#### Definitions

To begin with definitions is dull business but perhaps we will reduce misunderstandings if we do so. By food programs for low income families we essentially select from among the entire bagful of national

---

1/ Gratefully acknowledged is the debt owed to Harold G. Love in the preparation of this paper, including the opportunity to ransack his Ph. D. dissertation, "An Analysis of Supplementary Food Programs in Missouri."

food programs those programs that are particularly designed to aid families of low income. The two basic programs of this category are the direct distribution of food to families, sometimes called food donation, and the Food Stamp Plan. But some other programs are closely related. For instance, the School Lunch Program, the special school milk, and the pilot school breakfast programs include special provisions to benefit children of limited means. And the newest of all programs, the food packages for high risk health groups, is tailored for specific food needs among persons of low income.

For convenience I will direct most of my remarks to the two major programs, and will then add a few notes on the others.

Food donation is the simplest of all programs. Packages of food are made available to eligible families once or twice a month, without cost. However, the families must arrange to pick up the food at the central distribution point.

The Food Stamp Plan is strictly different. In it, eligible families are able to purchase food stamps that are redeemable at food stores for almost any foods. They pay a total price for the stamps that is approximately equal to the normal food expenditures for a family of its size (number of persons) and income. The stamps received have a face value greater than the number of dollars paid for them; that is, part of the value of the stamps is a bonus, the cost of which is borne by the federal government. The value of stamps issued is graduated not only according to size of family but also according to income. Thus a family of, say, four persons with an income of \$3,000 per year will receive a greater value of stamps than a similar family having a \$2,000-per-year income. On the other hand, the lower income families will pay less for the stamps it receives — less in both dollars and percent of face value. It follows that the government pays a higher fraction of the value of stamps for the lower income family than the higher. At the lowest of all income levels, that is, virtually no income, the cost of stamps is only 50 cents per person per month with a maximum of \$3.00 for a family. (Only in the pilot program of South Carolina are stamps made available to the lowest income families without any charge whatsoever.)

These are the operating definitions. Now let us translate them into theoretical concepts.

Food donation is income in kind. It is the same as earmarked dollar payments. The extent to which it adds to consumption of food depends on various factors that will be discussed below. But it could more accurately be called a supplementary food income program than a supplementary program. Repeating, it is income in kind.

Though it does not alter this characterization, it is worth noting that the amount of food, and therefore the amount of income in kind, is graduated only according to size of family. So far as income determines eligibility, it is all or nothing: a family either qualifies for its allotments of food, or it does not qualify. This contrasts with the graduation of assistance that is built into the Food Stamp Plan.

The Food Stamp Plan is of different genre. Facile lumping of food donation and the Stamp Plan as paired alternates is unfortunate and can mislead. The Stamp Plan is truly a supplemental food program, for the two reasons that the Stamps are exchangeable only for food, and that the normal cash expenditures must be maintained. Some studies indicate that the program is in fact 80 to 90 percent effective in expanding food consumption. The studies were made before terms of purchase were liberalized. Also, inflation has altered the "real specifications" for cash cost vs. bonus. Hence, the efficiency percentage may be slightly lower now. But slippage has proved remarkably low.

I emphasize the feature of requiring a family to pay out its normal cash expenditures for food because this is the heart and soul of the Stamp Plan idea. In one sense the Plan fits in the conceptual category of price discrimination, or stratification of the market. Lower income families are enabled to buy food at a cost to them that is less than the price paid by other families. But it is discrimination under the terms that I have just stressed, making the program supplemental rather than substitutive. It resembles export sales of farm products under Title I of P. L. 480, whereby recipient countries are required to maintain normal cash purchases before they can buy wheat or cotton for their local currency. At the opposite pole among analogies is the druggist's 1-cent sale; and I quote the hoary line about the youth who wants to buy the 1-cent item alone because some proposals for changing the Food Stamp Plan bear a striking resemblance to it.

Not only are food programs properly brought within the compass of professional economists, but the Stamp Plan is pretty much their brain-child. More than anyone else Dr. Fred Waugh, once associated with this Council, must be regarded as intellectual godfather of the Plan.

#### Administrative System

Both food programs are administered by the U. S. Department of Agriculture. Twin features of their administration are their being entities separate from, and additional to, the various public assistance programs popularly called "welfare" programs; and the federal-state relationship that we subscribe to in principle and then get hung up on in practice. It is partly historical accident that the USDA has carried out all supplementary food programs, but an accident with meaning. And the location of the program administratively has helped to sustain the tenet that food aid should not be linked to Aid to Dependent Children, Old Age Assistance,

or other public assistance, and above all not substituted for them. Supplemental food programs are separate from and additional to welfare programs. Proposals to combine the two are one form of integration that has been combatted, thus far successfully.

This is not to deny that the welfare staff of local jurisdictions performs the certification-of-eligibility function in many instances.

Although all families on public assistance are automatically eligible to participate in food donation or the Stamp Plan, many other low income families not qualifying for welfare can meet the criteria for those food programs. Estimates are that the number of non-p.a. families eligible for those programs is at least as great as the number of p. a. families and it could be twice as large. One reason for this is the man-in-the-house rule, as food program rules are, shall I say here in New England, less puritanical than public assistance has been. Also, most jurisdictions have required one year of residency before public assistance can be given. Food programs have not carried this restriction. The fact that many non-p. families are eligible for food programs has helped to keep food aid from being substituted for public assistance payments.

Court decisions have undercut both practices. Public assistance rules are now less intolerant of an unemployed man-in-the-house. The abolishing of the requirement of a year of residency also reduces differences between public assistance and food programs; and it can put a strain on financing of public assistance in cities having a transient population.

Over the years food programs have been jointly federal and state and until very recently have kept inviolate the principle of local option. Although the federal government has paid all the food cost, the state and local governments have had to assume a substantial part of local administrative and distribution costs. Moreover, a program would be extended to a county or city only if the local government were to request it. Let me explain quickly that food donation has been open-ended, in that any jurisdiction requesting it (and assuming its share of administrative costs could obtain the program. The Stamp Plan, however, has been limited by the amount of funds the Congress appropriates, and it has not been possible to honor all requests for it. Thus some counties or cities that preferred the Stamp Plan have had to settle for donated food. Incidentally it is not possible, under present law, for any jurisdiction to have both programs. <sup>2/</sup>

Thus, when it is said that an area lacks a food program because the local government has been uncooperative, the statement applies to food donation, for only that program is always available on request.

<sup>2/</sup> The High Risk Health groups program, however, can be additional.

However sound the federal-state cooperation principle may be by other standards, it runs into the paradox that although credit may be shared, blame tends to be singular. No clearer case of injustice came to light in the year 1968 than the showering of abuse upon Secretary of Agriculture Freeman for the failure of many localities in the nation to accept donated food. The USDA had begged, pled, cajoled, and even politicked to get recalcitrant counties and cities to see the light. Justice was wearing blindfolds when Secretary Freeman was raked over the coals during the demonstrations of the summer of 1968.

Not long after that unhappy episode, the USDA issued its famous 331 county announcement. It made known that the Department would thenceforth pay the local administrative costs for the food donation program in all of the 1,000 lowest income counties of the nation that did not then have either the donation or Stamp program. There were 331 such counties. But that was not all: if local authorities would remain unyielding even after the last penny of cost to them had been removed, the USDA itself would perform the distribution of food.

A few dozen counties did stay adamant.

Objection could be raised as to why the USDA did not take this further step earlier. It is a personal judgment, but I am convinced that the Secretary of Agriculture did not dare violate all the sacred admonitions of states-rights until events built up to a crisis.

#### Welfare and Market Building

The title of my paper asks whether food programs are primarily welfare activities or market building. There is no cause to quarrel with the program-maker, as that phrase is a common one. I have on occasion used it myself. Further, it gives the author a springboard to jump off into whatever millpond he wishes. Nevertheless, my overall response is that the proper question is not whether programs are one or the other, but in what manner and with what efficiency they play both roles.

It is true that to some extent the distribution-type programs originally came about because surpluses of farm products in government hands were becoming embarrassing. For years, almost all the food that was distributed was acquired by USDA either in price support or by Section 32 purchases. Only food classed as "surplus" was distributed in those years. Furthermore, the original Food Stamp Plan of 1939-42 likewise was confined to foods designated as surplus.

It is also true that over the years, concern for nutritional adequacy of the food to be distributed came to bear more weight, and during the last decade the needs of families getting the food have increasingly influenced our food policies.



But two counter arguments : can be cited to the established view that food programs once were aimed at surplus disposal but now are welfare. First, even in the earliest days the objective of providing food to families needing it was prominent. Moreover, officials administering discretionary activities such as the purchase of foods under Section 32 gave major consideration to the outlets available (primarily distribution to schools, institutions, and low income families). And second, what can an economist mean by asking, welfare or market building? At least since Walras we have been teaching our students that production and consumption functions are only the two sides of a single equation. In an exchange economy, rationally directed production is both in the service of consumers and the claim to reward.

Unless donated food is destroyed or Food Stamps are used to light cigars, both food programs have welfare aspects as well as market building aspects. The appropriate questions call for specification and quantification. Whose welfare — is there selectivity among families? What welfare, as food alone or the diffused benefit that comes from income in kind? Clearly, a truly supplemental food program boosts total demand for food, but income in kind spreads the market benefit over various items in living.

The issue before us that plagues all authorities who design food programs is simply how best we can employ our food producing resources so as to adequately reward the industry and maximize benefits to consumers.

Thus, we search for all hints as to how programs might be improved. We ask whether the Food Stamp Plan should gradually push donation into extinction, and bureaucratic side issues such as whether USDA or Health, Education and Welfare, should have the questionable privilege of administering food programs.

Interweaving all other debates is the fundamental question of whether earmarked aid to low income families is paternalistic behavior by the authorities and demeaning to the recipients, thereby earning the oblivion of replacement by direct cash grants.

#### Seven Propositions

Rather than build up arguments I have chosen first to set forth seven summary propositions:

1. The Food Stamp Plan as now designed is truly a supplementary food program. Any major tampering with that design would undermine its purpose. If its basic principles were to be violated seriously it possibly should be ended.
2. The Plan allows full discretion as to choice of foods. It thereby avoids the tag of excessive paternalism and although it generally improves diets it does not always do so. Some families may not

always choose the best foods. This suggests a need for a companion program of education.

3. The Stamp Plan is expensive to the government; and the increase in farm level demand it generates, while real, is modest.
4. Donated food can replace the recipient family's normal expenditures for food, thus freeing dollars for discretionary spending. By virtue of this fact it, like the Stamp Plan, cannot be called highly paternalistic; but by the same token, it does not assure better diets. Much of the money saved goes for purposes other than buying more food. Yet if nutritious foods are distributed there is a good chance that diets will be improved, as those foods may replace plain foods and unbalanced diets; here too accompanying education can help.
5. Food donation is simple, and relatively inexpensive so long as farm products are in surplus.
6. Non-participation is high in both programs, but particularly so for Food Stamps. This fact may save the government money but raises question as to whether the design of either program prevents it from providing all the welfare benefits that are sought and are needed.

Moreover, experience with both programs has shown how exceedingly complex and heterogeneous are the circumstances in which low income families fight their battles for existence. This makes it hard to draw up programs to meet all intended objectives.

7. Source of political support for either or both programs is a relevant datum.

#### The Food Stamp Dilemma

Perhaps the seven propositions add to a little partiality for the food donation program. Certainly if the object is to give some lift to large numbers of people without excessive cost to government, while settling for only modest improvement in diets, donation wins the nod. It is income in kind, with nutritional side benefits and without unacceptable cost.

The Food Stamp Plan presents a difficult dilemma. In its present form it is truly supplemental and adds to diets of participating families. But the features that make it diet-improving keep participation low. So long as it is kept supplemental it will reach only a minor fraction of all eligible families. Yet if it were to be adulterated to price discrimination alone (including cost-free stamps to lowest income families), thereby reaching more families, it would achieve less nutritional benefit. No longer a supplemental food program, it also would then be income in kind —

a sort of prestigious, high-caste income in kind, and also an expensive form of it. 3/

In other words, it is not possible to design a program so as to be both income in kind and a major supplemental aid to diets. To the extent it is one it tends to lose effectiveness as the other.

Because of these fundamental differences in the two plans, I have never been convinced of the wisdom of denying a community the right to use both programs. I am therefore pleased that the Administration has proposed to repeal that restriction in the law. 4/

### Programs to Match the People

It is proper to consider the general principles of food donation and the Stamp Plan, but we need also to look at the design of each in relation to the people they are intended to serve.

Even though we found in Harrison County, Missouri that families tended to use food donations as a way to save money with which to pay medical, fuel and clothing bills (in that order), and improved their diets only very moderately, 5/ two caveats are in order. One, I am skeptical about some of the data, and I particularly hesitate to reach general judgment about food donation on the basis of one county's one-time experience. And second, more impressive than the overall findings are the differences revealed among various eligible families. Particularly did young families with children appear to be desperate for any source of income, and under pressure to keep food costs at a minimum in order to have dollars for other family expenses.

3/ Regretfully, this puts me in disagreement with one plan for Food Stamps offered by the Agriculture Committee of the National Planning Association. This is the Variable-Purchase Plan that would allow each family to decide on its level of purchase of stamps.

Essentially, the NPA proposes to retain the price discrimination feature of Food Stamps while dropping the supplemental food provision.

Cf., Dale M. Hoover and James G. Maddox, Food for the Hungry: Direct Distribution and Food Stamp Programs for Low-Income Families, National Planning Association Planning Pamphlet No. 126, 1969.

4/ Message of the President to the Congress of the United States, May 6, 1969.

5/ Harold J. Loyd and Harold F. Breimyer, Distribution of Food to Lower Income Families in Harrison County, University of Missouri, Agricultural Experiment Station, Special Report No. 104, February 1969.

Similarly, when Harold Love studied the operation of the Food Stamp Plan in Saint Louis, he found that not only was participation only about one-fourth of potential but turnover amounted to 100 percent a year. Further, he discovered that the families who remained in the program only briefly tended to fall into two distinct categories: white families that experience episodes of unemployment, some of it seasonal; and negro Aid-to-Dependent-Children families, father-less, that are so hard pressed to accumulate the cash necessary to buy stamps that they participate intermittently or give up after initial participation.

This is to say, the motley mixture of circumstances makes it difficult to reach conclusive judgments about either donation or the Stamps. On the other hand, it is easy to form a point of view that the system of classifying families for participation and for the purchase of Stamps is highly suspect. (This extends -- gratuitously -- to all public assistance criteria as well.) Families are classified on size and money income, with account taken of assets held. Economists tend to exalt the significance of income; food program experience gives cause for apostasy. <sup>6/</sup> This is not to deny the credit due to the administrators of the Food Stamp Plan for adjusting their formulas for purchase requirements so as to take account of obligations low income families must meet, principally rent and medical expense. But if we are to continue to have supplementary food programs, we ought to develop more sophisticated measures of eligibility.

#### Why Not Just Dollar Aid?

Repeatedly, it is argued that the food programs are too paternalistic and that they should be replaced by substantially larger welfare payments in money.

I have already pled my case that neither donation nor the Stamps is as paternalistic as often alleged. More than that, earmarked economic aid is a hallmark of our whole economy. Aid for adult education in agriculture, aid for vocational job training, aid to highways, aid for airways, income tax deductions for interest, medical expenses, professional books -- a page could be filled with examples of earmarked aid and subsidy.

But more convincing to me is the argument that food aid is about ten times more politically feasible than is a big increase in cash welfare programs. This is a mighty powerful argument.

---

<sup>6/</sup> A considerable literature is building up disputing overreliance on income as clue to behavior. Cf., Wasson, Chester, "Is it Time to Quit Thinking of Income Classes?", Journal of Marketing, April 1969 pp. 54-57.

## Education Too

Still another issue deserves mention, though it is a sensitive one. Our graduate students studying the food programs in Missouri got a big fringe benefit in the form of some insight into the sociology of low income families, including those bunched in slum areas. Perhaps their most poignant observations can be summarized as, first, a respect for the efforts a high proportion of low income people, particularly mothers, make toward solvency and a touch of respectability; and second, an equally deep impression of the handicaps of environment and of ignorance. Aside from putting a low credence coefficient on the axioms that pass a middle class conventional wisdom, their commentary suggests that we can hope to translate food programs into substantially better nutrition only if an intensive service of education and counseling accompany them. The students would be partial, for example, to the Nutrition Education program the Extension Service recently expanded, using non-professional aides.

## Move Food Programs Out of USDA?

Of all the current controversies surrounding food programs the most pedestrian are those concerning whether their administration should continue to be lodged in the USDA, or whether the Department of Health, Education and Welfare should get them. I concur with C. E. Bishop's exception to the majority report of the NPA Agriculture Committee that recommended a transplant: "The location of the management of these programs is of secondary importance to the adequacy of the programs." <sup>7/</sup>

I also concur heartily in the words of Reuben Johnson, who dissented outright from the majority NPA view: "There are no administrators in government more competent than those currently administering food aid programs in USDA." <sup>8/</sup> I am convinced that future historians of agricultural policy will give the laurel wreath to the persons in USDA who guided the several supplementary food programs through their periods of trial during the 1960's. They were absolutely undeserving of the rebukes and abuse they absorbed in 1968, particularly via news media.

But efficiency of administration is not itself a sufficient reason for keeping the programs in USDA. More importance must attach to the form those programs will take in the future. If they remain food programs, not integrated with public assistance, there is good cause to keep them in USDA. And if educational efforts are stepped up and made successful, those programs can add more to nutrition than they now do.

<sup>7/</sup> Op. cit., p. vi.

<sup>8/</sup> Ibid.

The politics of funding is another consideration. One of the weighty features of food programs as contrasted with dollar welfare aid is that much of the latter is locally funded whereas all the cost of food (as such or in the form of stamps) is chargeable to the federal government. In view of the fiscal problems many local governments are experiencing, it seems self-evident that if food programs were to be made a part of HEW's welfare activities, the equivalent cost would have to continue to be borne entirely at the federal level. And unless that can be done, it would be best to keep them separate in USDA.

Yet we must admit that if food programs were gradually to fade as an identity and to be converted and merged into a single welfare package, the argument becomes sounder for shifting them to HEW. It is significant that HEW Secretary Finch, who would like to welcome supplemental food programs to his agency, also favors increased dollar aid over earmarked aid. 9/

#### New Kinds of Food Aid

All the above has related to two old faithfuls, food donation and the Food Stamp Plan.

In the last year several new food distribution programs have been put into force. They generally are pinpointed to very specific needs. Already referred to is the Supplemental Food Program for High Risk Health Groups. This will make food packages available to pregnant and nursing mothers, to infants and to pre-school children. They are to be issued when specifically prescribed as being needed. Secretary of Agriculture Hardin had recently said that he hopes to distribute the packages through commercial channels. 1

Also changed materially in recent years, and in process of further change are the child feeding programs. Once largely confined to the school lunch, with inadequate provisions for free or cut-rate lunches for needy children, in a variety of ways feeding has been extended to those children not only in school lunches but also at breakfast, summer camps, and elsewhere.

---

9/ Secretary of Agriculture Hardin will not fail to make a fight to keep the programs. By all dependable signs, interpretable by the Washington glossary, this is the meaning of his taking the administration of those programs out of the Consumer and Marketing Service and putting them in a new Food and Nutrition Service.

10/ Remarks of Secretary of Agriculture Clifford M. Hardin before the 23rd Annual Honor Awards Ceremony, May 20, 1969, USDA 1607-69.

## Prognosis 11/

These remarks are far from complete. Many other policy issues will harass designers and administrators of programs. For example, should the value of Stamps issued to families be graduated according to income --- ought a \$2,000-income family of four receive fewer Stamps than a \$3,000 family of the same size? Should a 6-month old baby and a husky teenager be counted equally in program specifications? These are nuisance questions, not unimportant yet not the issues on which overall policy should be based.

Even though the Food Stamp Plan is enjoying much of the limelight just now, it may present the more unsettling policy problems, for reasons that have been set forth. It may be asked to perform two missions, and this it cannot do. Sociologically, the Stamp Plan is made to fit middle class mores, including family budgeting. One possible explanation is that the Plan was developed during the depressed 1930's, when many low income people were established families who had suffered reverses. Whether the Food Stamp Plan as now conceived can serve the chronically poor is open to serious doubt. Or, we may wonder if it alone can meet all food aid needs of that group.

In all likelihood, food programs will continue to be supported. They will probably become more diversified in design. They will win urban support politically, and will have a good deal of agricultural backing as well. The agricultural endorsement will be based only in part on market-building benefits. The other basis for appeal is that the programs help immeasurably to fend off pressures for an urban cheap food policy. Perhaps any national policy for supporting prices of farm products requires, politically, some kind of two-price system for food directed toward low income groups.

My guess is that not for many years will food programs be replaced by vastly expanded dollar aid. It seems likely that the American public

---

11/ Testimony of Secretary Hardin before the Senate Committee on Agriculture and Forestry, May 27, 1969 presents many significant points, including strong language of dedication to food programs. The 1970 budget includes "sufficient funds ... to enable use to reach every needy child with lunch and/or breakfast if local authorities will gear up to get this done." In the Food Stamp program, it is proposed to increase value of Stamps so as to assure for each family "a nutritionally complete diet": yet no family would pay more than 30 percent of its income for food. And households with little or no income would get stamps without cost. Furthermore, "... we intend to make the food stamp program the single system for family food assistance." But also, "meanwhile, of course, we shall continue to offer a variety of nutritious foods under the donation program."

will be willing to grant earmarked aid to low income families -- aid for food, housing, clothes, medical expense, even education -- long before it will finance a big increase in public assistance programs generally. Moreover, if drawn up well and accompanied by counseling, food programs can improve nutrition to some degree even though it is neither possible nor desirable to eradicate all their income-in-kind (substitutability) aspects.

It is perhaps axiomatic yet relevant that food programs can serve a useful purpose if not too much is expected of them. But their failure to perform heroics is no cause for disparagement. And they deserve more penetrating appraisal than the aphorisms and cliché's that all too often are applied to them.