



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

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.

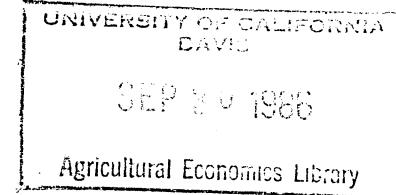
No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

1986

NEEDED DIRECTIONS IN DOMESTIC FOOD
ASSISTANCE POLICIES AND PROGRAMS*

June 1986

Carlton G. Davis
Benjamin Senauer**



*Invited paper prepared for presentation at the 1986 AAEA Annual Meetings's session on Hunger and Nutrition in America.

**Carlton G. Davis is a professor in the Food and Resource Economics Department, University of Florida. Benjamin Senauer is a professor in the Department of Agricultural and Applied Economics, University of Minnesota.

NEEDED DIRECTIONS IN DOMESTIC FOOD ASSISTANCE POLICIES AND PROGRAMS

This paper reviews alternatives to existing food assistance policy and discusses specific reforms of the current programs. Particular attention is given to the benefits and limitations of the alternatives and reforms. The emphasis of the paper is forward looking. The first section of this paper briefly discusses the dimensions of hunger and poverty in the U.S., providing a needed background. The second section examines several major policy alternatives to the existing programs. The third section reviews specific reforms of the current programs which would address certain problems and issues. The concluding section assesses the prospects for change.

BACKGROUND: HUNGER AND POVERTY

Hunger is frequently given a different meaning by those who claim its widespread existence in the U.S. and those who minimize the problem. The 1984 Report of the President's Task Force on Food Assistance considered two basic definitions of hunger. At the clinical level, hunger is "a weakened, disordered condition brought about by prolonged lack of food" (p. 34). By this definition, where there is hunger there is mal-nutrition. In common usage, hunger is considered as "a situation in which someone cannot obtain an adequate amount of food, even if the shortage is not prolonged enough to cause health problems. It is the experience of being unsatisfied, of not getting enough to eat" (p. 36).

The President's Task Force concluded that based on its clinical definition of hunger, that with the possible exception of the homeless,

"there is no evidence that widespread undernutrition is a major health problem in the United States" (p. 35). They acknowledged, however, that there is evidence of hunger, defined in terms of common usage, but claimed an "inability to document the degree of hunger caused by income limitations" (p. 39). In sharp opposition to these conclusions, the 1985 Physician Task Force on Hunger in America concluded that, "hunger in America is a national health epidemic" (p. 6). Furthermore, they stated that, "hunger is now more widespread and serious than any time in the last ten to fifteen years" (p. xix).

There are strong linkages between poverty and hunger. The poverty population of the U.S. increased by almost 10 million persons between 1978 and 1984. The 1984 poverty rate was 14.4% and the incidence of poverty is particularly high among blacks, at 33.8% , and other economically disadvantaged racial groups (Economic Report of the President). Furthermore, an increasing number of children now live in poverty. Three categories of the poor can be identified: (1) the traditional poor -- primarily elderly and single-parent households with historically high poverty incidence, (2) the new poor -- individuals and families experiencing extended unemployment and reduced incomes, and (3) the homeless -- individuals without permanent home addresses. Social assistance programs need to reflect these distinctions among the poor.

MAJOR POLICY ALTERNATIVES

This section considers major alternatives to the federal food programs as they are currently structured. In particular, consideration is given to general welfare reform and workfare, food assistance block grants, cash-out of food stamps, and private-sector initiatives.

General Welfare Reform and Workfare

In his 1986 State of the Union Address, President Reagan called for a comprehensive review of social welfare programs. He initiated a study of domestic poverty and possible welfare program reforms. Major welfare reforms would undoubtedly affect the food assistance programs, particularly the Food Stamp Program. However, the chances of enacting major reform must be judged very low. Both Presidents Nixon and Carter proposed comprehensive welfare reform programs, but without success.

The Food Stamp Program, in fact, embodies many of the principles advocated for the overall reform of the welfare system, such as uniform national eligibility standards and benefit levels, cost-of-living adjustments, federal financing, state and local administration, and work incentives. This last feature is particularly important given the emerging consensus that the most desirable approach to welfare is to move welfare recipients into the labor force. Most welfare recipients required to work for their benefits under state workfare projects give the programs high marks and like their jobs (Newsweek).

The 1985 Food Security Act (Farm Bill) requires all states to set up job training and job search programs to help find employment for jobless food stamp recipients. The state programs may include workfare for able-bodied heads, 16 to 60 years old, of food stamp households. In addition, the rate of food stamp benefit reduction per additional dollar of earned income, which is 30%, is low enough to not discourage expanding job earnings. However, for a household also receiving general welfare assistance the marginal benefit reduction rate can be high enough to create a strong work disincentive.

Food Assistance Block Grants

The most controversial recommendation of the President's Task Force on Food Assistance was a block grant proposal. States could discontinue the federal programs and instead receive a food assistance grant. The decision on how to distribute the assistance would then be made by the state. The main rationale for this proposal was to increase local flexibility and reduce administrative red tape. Supporters argued that with block grants programs could be more responsive to local needs.

The block grant proposal aroused strong opposition and received little support in Congress. The National Governors' Association and the U.S. Conference of Mayors both objected to the proposal. These groups argued that food assistance is rightly a federal responsibility and that the block grant proposal would be a first step toward shifting the responsibility for funding food assistance to state and local governments. The Task Force did recommend that block grants should maintain current federal funding levels and that funding should be increased as food prices rose or unemployment rates climbed. In addition, the critics of the proposal argued that block grants could be the end of nationwide uniformity of program eligibility and benefits. Over time the kind of wide disparities between states which currently exist in Aid to Families with Dependent Children (AFDC) could also occur in food assistance benefits. For example, AFDC benefits as of November 1984 for a family of four were \$120 per month in Mississippi and \$611 per month in Minnesota (Physician Task Force, Appendix B).

In 1981, the Food Stamp Program in Puerto Rico cost \$1 billion and accounted for 8% of the Commonwealth's personal disposable income (Andrews and Pinchuk). As part of the 1981 Food and Agricultural Act

(Farm Bill), the program was discontinued in Puerto Rico in 1982. The Commonwealth instead began to receive a block grant for food assistance. The federal funds going to the island for food assistance were reduced to only 75% of the 1981 costs of food stamps in Puerto Rico. Yearly funding increments for the Puerto Rican block grant, which will start in 1987, were enacted in the 1985 Farm Bill.

Cash-Out of Food Stamps

Over the years, some have argued for eliminating the use of food coupons and simply giving benefits to recipients in cash. The major arguments for cash-out are that administrative costs would be reduced and according to the advocates, food spending would be little changed. The social stigma resulting from the use of food stamps would also be reduced. Furthermore, cash-out would be a back-door approach to general welfare reform, introducing a federal non-categorical cash transfer program. Cash-out has probably gained proponents since the food stamp purchase requirement was eliminated in 1979, which was perceived as weakening the link between food stamps and food purchases, and thereby the link to nutrition and agriculture.

A key question in the consideration of cash-out concerns the relative impact of money income versus food stamps on food expenditures. A substantial body of empirical work has found a substantially higher marginal propensity to spend for food out of food stamps than out of money income. These results hold even after the elimination of the purchase requirement. However, these studies compared the impact of food stamps with ordinary income. An evaluation of the demonstration project which cashed-out food stamp benefits for elderly Supplemental Security Income recipients found the impact of the cash assistance on

food spending was not significantly different from that of food stamps. In addition, the Nutrition Assistance Program, which Puerto Rico formulated under its block grant, replaced food stamps with direct income payments. An evaluation found no significant difference between the marginal effect of the previous Food Stamp Program in Puerto Rico and the current cash benefits. In both cases the marginal propensity to consume for food was higher than for ordinary income.

These studies raise the question of why recipients should treat unrestricted cash transfers differently than ordinary income. In the same vein, recent research at Minnesota focused on inframarginal food stamp recipients, for whom food stamps represent an unrestricted transfer since their previous food expenditures exceed their food stamp benefits. The study found that food stamps have a greater impact on food spending than ordinary cash income, even for inframarginal recipients. Further research on this issue is clearly needed.

Private-Sector Initiatives

There has been a sharp increase in recent years in the number of people seeking assistance from private organizations which provide free meals or groceries. An extensive network of private institutions providing food assistance has developed. There are currently more "soup kitchens" which provide free hot-meals to the destitute, than at any time since the 1930's. A growing number of families with children are eating at these "soup kitchens." Regional "food banks" collect outdated, unsalable, and surplus food from food processors, wholesalers, and retailers for distribution to local "food shelves," which distribute the food to the needy. The growth of "food banks" is partly attributable to tax provisions which allow corporations to deduct food

contributions. The demand at "food shelves" is particularly great toward the end of the month when families have exhausted their food stamp benefits. In addition, the "new poor" who are not eligible or are unwilling to apply for food stamps turn to "food shelves." "Food shelves" in Minnesota filled about 900,000 requests in 1985, up from fewer than 200,000 in 1982 (Minnesota Food Education Center).

To some these developments indicate a healthy private-sector initiative which is reducing overdependence on public welfare. Others see the increasing need for private food assistance as an unhealthy indicator of the inadequacy of the federal programs and the growing number of hungry. A key problem faced by the private food system is that charitable donations can be unreliable. Donations increase when media attention is focused on the issue of domestic hunger and decline when the issue is not before the public. In addition, significant geographic disparities exist in private assistance efforts, between a state such as Minnesota which has an extensive private-sector network and others in which the private efforts are nil.

People running the private programs say the demand is so great that it threatens to overwhelm the system. Private programs which were meant to respond to emergency food needs are becoming a long-term food source for many families. There are clearly limits to what can be expected from private-sector initiatives. Private charity can respond to emergency needs and special local requirements, filling small gaps in the public programs. However, the major responsibility for food assistance must continue to rest with the federal government.

SPECIFIC MARGINAL REFORMS

Political realities are such that major changes in the food programs are unlikely in the near future, and quite possibly undesirable. For this reason, consideration needs to be given to marginal reforms of the existing programs. Particular attention should be given to the problems confronted by the three, previously outlined, poverty groups in obtaining food assistance.

Program Administration

There has been strong public support for administrative reforms to counteract perceived widespread program abuse and fraud, despite the weak data base for such allegations (McDonald). Within this climate, an important issue is the potential benefits and limitations of administrative reforms in the food programs. To the extent that such reforms reduce the costs associated with program abuse and operational inefficiencies, such changes would facilitate improved targeting of program benefits to the truly needy. An important indirect benefit of cost reducing and benefit targeting administrative reforms would be the potential for increased political support for food assistance programs.

The major administrative mechanisms used to control alleged program misuse are: (1) tightening of program eligibility standards, (2) imposition of error rate targets for states, and (3) "procedural denial" of program benefits to eligibles. While these procedures have undoubtedly resulted in some reduction in program costs, the Physician Task Force questions the social and private costs of such measures. The Task Force argues that one general effect of these administrative actions is to create a bureaucratic system which intimidates the recipients and discourages application by eligible non-recipients.

Asset Eligibility Reforms and the New Poor

The poverty and hunger plight of America's "new poor" shows the need for the social welfare safety net to provide for both the temporarily and permanently needy. This realization has highlighted some of the conflicting goals of the present welfare system. One set of conflicting goals affecting the welfare of the "new poor" is how to provide "adequate support and simultaneously offer incentives to leave the system" (Duncan, p. 89).

Many of the "new poor" are families experiencing reduced income as a result of extended unemployment. Their income losses place them in a poverty category in which they would be "income eligible" for food stamps. However, according to food stamp eligibility requirements, they could be "asset ineligible" for benefits. Food stamp regulations impose a \$4,500 asset value on a family car and an additional \$2,000 limitation on cash assets for non-elderly households. Alterations of the asset restrictions for households experiencing short-term or transitional poverty could make them eligible for food stamp benefits. The question is whether the marginal net social benefit of such reforms outweigh the marginal net social cost. Given the relatively high incidence of hunger and poor nutrition among the "new poor," there is an indication that the benefit-cost ratio could be favorable (Physician Task Force).

Reform Initiatives for the Elderly and Children

In 1984 the poverty rate for the elderly was lower than the rate for the rest of the population. However, the elderly are not a homogeneous group. The elderly with spouses are, on the average, more financially secure than the non-elderly. On the other hand, for the elderly living alone, particularly women, the poverty incidence is

relatively high. Also the poverty rates for elderly blacks and the very old are high (President's Task Force). These subcategories of the elderly experience poverty-associated hunger and malnutrition. The President's Task Force found that "elderly feeding programs are not closely targeted at the low-income elderly" (p. 138).

Since food program participation rates are particularly low among the elderly, reforms should be directed to this problem. The participation of the elderly could be significantly improved by the following changes: (1) provide cash in lieu of food stamps as a means of reducing the stigma and at the same time providing increased flexibility for those with mobility problems, (2) permit the use of food stamps to purchase prepared meals, and (3) expand the funding for the Congregate Meals and the Meals on Wheels Programs.

Estimates are that 40% of all poor people in America are children (under age 18) and that the number is growing steadily. One of every five children under the age of six lives in poverty. The comparable figures for racial minorities are even higher, with one of every two black children less than six years old living in poverty (Physician Task Force). Given the magnitude of the hunger and malnutrition problem among poor children, several reforms are suggested. One reform is the expansion of the Special Supplemental Food Program for Women, Infants and Children (WIC) to cover all eligible mothers who wish to participate. Current funding of the WIC Program does not permit coverage of all who wish to participate. Additional suggestions are to increase the funding for other child feeding programs and to restore the eligibility for free and reduced price meals for children removed from these benefits by the tightening of program eligibility standards.

Special Efforts for the Homeless

Estimates of the number of homeless persons in America range from one-half million to over two million. Both the President's Task Force and the Physician Task Force agree that hunger and malnutrition are widespread within this group. Although most of the homeless would be eligible for food stamp benefits based on income criteria, they experience procedural denials in many states for not having a fixed household address. However, recent federal regulatory changes require that state agencies provide a method to certify and issue coupons to eligible persons who have no permanent dwelling or fixed address. The nutritional status of this group would probably also be improved if they were allowed to use food stamps to purchase low-cost prepared meals.

Need for Outreach and Nutrition Surveillance Initiatives

Outreach efforts are needed to increase program participation among those eligible for program benefits. The need for outreach efforts is particularly acute for the Food Stamp Program in which the number of participants has declined as the poverty population has increased. The outreach program for food stamps was eliminated in 1982, and states were prohibited from using federal funds for outreach activities. Some private outreach efforts have been initiated recently. The Washington based Committee for Food and Shelter started funding a national food stamp outreach program with private donations through the Advertising Council. Basic food program outreach efforts, however, should be the responsibility of the public sector.

Finally, action should be taken to improve the existing data base relating to hunger and malnutrition in America. At the present time, the data base is fragmented, variable, and infrequent. There is need

for a permanent, continuous means for monitoring the nutritional status of the American population.

CONCLUSIONS

Political realism suggests little likelihood of major changes in the federal food assistance programs in the near future. Although there is a growing consciousness regarding the problem of hunger in the U.S., there is also a strong concern about the federal budget deficit. On the other hand, even though recent polls reveal strong public support for reductions in federal spending, those polled reject almost every specific proposal to cut spending. Reduced spending on social programs for the poor was opposed by 69% (Hume).

A political equilibrium exists concerning the food programs. Some conservatives in Congress and the Administration would like to reduce food program expenditures from their present levels. Many liberals would support expanded food assistance efforts. In between these two positions, moderates from both political parties defend current spending levels. Congress indicated that it would not go along with the food program cuts contained in the President's 1987 budget proposal. The major food programs were also exempted from mandatory cuts under the Gramm-Rudman deficit reduction legislation. A realistic assessment suggests a maintenance of the status quo concerning federal food assistance policy with only minor program changes.

REFERENCES

Andrews, Margaret, and Robert Pinchuk. "The Puerto Rican Nutrition Assistance Program." Consumer Demand and Welfare: Implications for Food and Agricultural Policy, ed. Jean Kinsey, pp. 22-30. North Central Regional Research Publication No. 311, March 1986.

Duncan, Greg J. Years of Poverty, Years of Plenty. Ann Arbor, Michigan: University of Michigan Press, 1984.

Economic Report of the President. U.S. Government Printing Office. Washington, D.C., February 1986.

Hume, Ellen. "Ambivalent Voters: Americans See Deficit as a Disease, But They Balk at Proposed Cuts." The Wall Street Journal, February 11, 1986, p. 1.

McDonald, Maurice. "The Role of Multiple Benefits in Maintaining the Social Safety Net: The Case of Food Stamps." J. of Human Resources 20(1985):421-436.

Minnesota Food Education and Resource Center. Homegrown Hunger, Minneapolis, December 1985.

Newsweek. "Workfare: A Fair Deal." 17 Feb. 1986, p. 5.

Physician Task Force on Hunger in America. Hunger in America: The Growing Epidemic, Middletown, CT: Wesleyan University Press, 1985.

President's Task Force on Food Assistance. Report of the President's Task Force on Food Assistance, Washington, D.C., January 1984.