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DISCUSSION: FOOD STAMPS, PROGRAM PARAMETERS AND STANDARDS OF LIVING FOR LOW-INCOME HOUSEHOLDS

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Stan Johnson and Mark Brown have given us an interesting application of the measurement over time of differences in standards of living based on two surveys of households expected to differ by only sampling error. I have only a few comments on their methodology, but I am concerned about the application to these particular data sets and the policy conclusions that can be drawn from the findings.

RESULTS

It is important to note at the outset that the body of the statistical analysis was conducted using data related to all households eligible to participate in the Food Stamp Program, rather than those actually participating during the times of the two surveys. It was only by analogy and comparison of group means afterwards that the authors drew implications for program participants. To the extent that there were shifts in the proportion of eligibles that actually participated during this period, the results could be quite misleading. In fact, that is exactly what happened. To be more precise, the title of the paper should relate only to households eligible to participate in the program.

The second point is that the population studied changed substantially between the two surveys, due to intervening changes in food stamp legislation. The very reason why the two surveys were taken was to measure the impacts on food consumption and expenditures of some major changes that occurred in food stamp legislation that went into effect during the early part of 1979. Three important features of those changes were (1) the elimination of the purchase requirement, which required recipients to put up some of their own money in order to receive a larger value of food stamps, (2) a lowering of the eligibility criteria to focus participation on lower-income households, and (3) shifting to a sizable standard deduction in lieu of several deductions based on actual expenses faced by individual households. This standard deduction had the intended effect of increasing benefits to the lower spectrum of those households that were eligible to participate and of lowering benefits to those at upper levels of eligibility.

The findings verify that these legislative changes in fact had their intended impacts. One should not regard the drop in standard of living that was found as either surprising, ominous, or indicative of a continuing trend. An important corollary is that the comparison made is between two samples of different households. It should not be implied that a given set of households became worse off during this period of time, but rather that households eligible for the food stamp program in 1979–80 were on the average a lower-income group than those eligible before the 1977 Food Stamp Act went into effect.

Thirdly, the finding that the food stamp bonus in 1979–80 was significantly higher on the average in real terms than in 1977–78 follows mainly from the above program changes. Three factors all contributed to the higher real benefit levels: (1) the lower average income level of those eligible as well as those participating in 1979–80, as discussed above, since benefits are scaled by income level, (2) the sharp increase in deductions from income due mainly to the new standard deduction, which itself was indexed with price changes, thereby reducing net income for purposes of calculating benefits, and (3) the substantial drop in size of households eligible for the program found in the 1979–80 survey, because benefits per person are increased more than proportionately as household size drops below size of four. In addition, of course, benefit schedules have been indexed over time along with food prices, as reflected in the Thrifty Food Plan.

Indexing on the basis of the total Thrifty Food Plan rather than benefits directly granted actually tends to over-index benefits over time because of its larger absolute size. Benefit reduction due to income, if unchanged, results in a flat amount, thereby allowing all of the increase due to indexing to accrue to program benefits.

METHODOLOGY

There are two technical points I would like to raise: (1) only households with food costs that exceeded food stamp benefits were included in the study, and, perhaps more importantly, (2) all households with unknown program participation status were classified in the study as eligible nonparticipants. This group comprised 28 percent of the total nonparticipant group. Even though the income level of this group apparently

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put it into the eligible category, many of these households may have been participants rather than nonparticipants. It would have been better to have omitted them from the analysis.

The result of these classification decisions was to greatly alter the comparison of the eligible nonparticipant group. For the total survey group of nonparticipant eligibles, household size increased from 3.2 to 3.5, whereas this study shows a decline from 3.1 to 3.0. Classification also affected the income comparison. This study shows a drop in income between the two surveys, whereas the total survey group of non participants experienced an increase of about 25 percent.

Some legitimate questions can be raised as to the representatives of the two surveys—particularly the follow-up survey—but it is doubtful if these classification decisions help make the sample more representative. They probably compounded the primary problem. It would have been useful if the authors had addressed the primary sampling problem, which appears to be rather severe.

In limiting the sample to households with food costs that exceed food stamp benefits, the authors appear to be focusing on those households expected to show no program impacts. However, the authors' related studies fail to support that hypothesis, and therefore this limitation should not be imposed on the analysis.

Finally, it would be useful to compare these study results with data from the annual food stamp characteristics surveys conducted by the Food and Nutrition Service of about 5,000 households participating in the Food Stamp Program. Those surveys, related to February 1978 and November 1979, which span the implementation of the 1977 Food Stamp Act, show gross income per household rising from $306 to $314 per month, net income (after allowable deductions for computation of benefits) declining from $226 to $196 per month, and total deductions rising from $90 to $132 per month. The benefit reduction in lieu of the purchase requirement dropped to $21 in November 1979 from the $57 average purchase requirement in February 1978.

REFERENCE

U.S. Department of Agriculture "Characteristics of Food Stamp Households: August 1980 with Comparisons 1975–80." Economic Analysis Staff, Food and Nutrition Service, 1981.