COMMITTEE PRINT

THE FOOD STAMP CONTROVERSY OF 1975: BACKGROUND MATERIALS

PREPARED BY THE STAFF OF THE

CT COMMITTEE ON NUTRITION
AND HUMAN NEEDS
UNITED STATES SENATE

OCTOBER 1975

Printed for the use of the Select Committee on Nutrition
and Human Needs

U.S. GOVERNMENT PRINTING OFFICE
57-855 WASHINGTON : 1975

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 - Price 95 cents

SELECT COMMITTEE ON NUTRITION AND HUMAN NEEDS

GEORGE McGOVERN, South Dakota, *Chairman*

HERMAN E. TALMADGE, Georgia
PHILIP A. HART, Michigan
WALTER F. MONDALE, Minnesota
EDWARD M. KENNEDY, Massachusetts
GAYLORD NELSON, Wisconsin
ALAN CRANSTON, California
HUBERT H. HUMPHREY, Minnesota

CHARLES H. PERCY, Illinois
ROBERT DOLE, Kansas
HENRY BELLMON, Oklahoma
RICHARD S. SCHWEIKER, Pennsylvania
ROBERT TAFT, JR., Ohio
MARK O. HATFIELD, Oregon

ROBERT M. SHRUM, *Staff Director*
ALAN STONE, *General Counsel*

CONTENTS

STATEMENT OF SENATOR GEORGE McGOVERN, RELEASING SUPPRESSED CHAPTERS OF USDA FOOD STAMP REPORT, AUGUST 6, 1975

Today I am releasing the sections of the United States Department of Agriculture Food Stamp Report to the Senate which were suppressed by the Office of Management and Budget. These sections decisively refute current scare charges about food stamp trends. But the Ford Administration apparently does not want the truth to be told about food stamps. Instead the White House is moving to appease right-wing anger over Helsinki, detente, and Rockefeller by weakening the Food Stamp Program.

In pursuit of that political strategy, the Ford Administration has recycled discredited Nixon tactics.

First, the Ford Administration has adopted the Nixon tactic of censoring statistics and the analysis of professional experts in the civil service.

The suppressed portion of the U.S.D.A. Food Stamp Report shows:

That the number of persons eligible for the program is likely to decline through 1980, or at the outside limit to increase only marginally.

That the cost of the program in 1975 dollars is likely to remain approximately the same.

That the program's direct benefits to recipients also provide substantial economic stimulation to other sectors of the national economy in the form of job creation, farm income, commercial sales, and tax revenues in excess of administrative costs.

These findings flatly contradict unsupported and alarmist predictions underlying punitive measures such as the Buckley bill. That bill would deprive eight to ten million genuinely needy Americans of food stamps because they have little more than a sub-poverty income or fail an assets test which would disqualify most unemployed workers. The Buckley bill was drafted by Ronald Reagan's former State Welfare Director. Reagan himself has written a newspaper column attacking food stamps. Last Sunday, in a national television interview, the Secretary of Agriculture virtually endorsed the Buckley bill; in his July 25 food stamp message to the Congress, Mr. Ford strongly hinted that he favors this or a similar bill; and on August 1, the Wall Street Journal reported that food stamp cutbacks will be the Administration's first major domestic initiative this Fall.

It does not seem to matter that the facts do not justify drastic cutbacks. The Ford Administration knows the facts, but does not want the public to know. The White House does not want the facts to interfere with a political decision to support the reactionary policies of the Buckley bill. On the basis of the facts, these policies would be defeated. So political operatives have tried to make the truth inoperative—by withholding the objective findings of competent, nonpolitical economists.

Second, the Ford Administration has adopted the Nixon tactic of misleading Congress. Last week, during testimony before the Select Committee on Nutrition and Human Needs, Senator Percy asked Assistant Secretary of Agriculture Richard Feltner: "Are we in fact approaching the time when a third or a half of the American people—that would be 75 million to 110 million people—may be eligible for food stamps?" Feltner replied: "Yes, I think we are going in that direction." Mr. Feltner either has an incredible feeble memory or deliberately misled the Committee—since the suppressed sections of the U.S.D.A. Report, which was prepared in his own division of the Agriculture Department, forecast a likely total of 33.3 million eligible persons, and a maximum of 44.8 million, in 1980.

Mr. Feltner did not even hint at the possibility of contrary data compiled by U.S.D.A. He did not cite any other data to support his assertion, though I understand that U.S.D.A. economists have now been ordered to juggle the figures quickly in order to establish some basis for Feltner's statement. The game plan seems to be that if the facts cannot be withheld, they can be rewritten to suit political convenience. It is the Nixon tactic of twisting the facts to a preconceived conclusion.

To succeed at this statistical juggling the Administration will have to predict the failure of its own economic policies. Thus the Administration could inflate the projected number of persons eligible for food stamps—by predicting recurrent or prolonged recession, with millions of additional Americans out of work. Or projected costs could be inflated—by predicting runaway food price increases over the next five years. It will be interesting to see if the Ford Administration and its operatives will make such predictions for the purpose of rescuing an otherwise disproven case against food stamps. They can decide to admit in their next food stamp report that they accept permanent high unemployment and even higher inflation and expect a resulting explosion of food stamp costs and enrollments. I think the American people would find that admission a reason to change not food stamps but Presidents.

The Administration has attempted to deceive the Congress and the people not only about the content, but also about the existence of suppressed parts of the Food Stamp Report. In response to a letter which I wrote as Chairman of the Nutrition Committee to the Department of Agriculture, Deputy Assistant Secretary John Damgard denied that there were any intact deleted sections of the report. Mr. Damgard stated: ". . . it would be impossible to reconstruct any particular chapters which may not have appeared in the final product . . ." Clearly the attached reproductions of the missing chapters do not represent the achievement of the impossible. Indeed I am informed that in the face of mounting pressure from Congress and the media, the Agriculture Department was ready to release the missing sections last week—until another political decision was made to keep hiding the facts.

Third, the Ford Administration has adopted the Nixon tactic of playing politics with the needs of unemployed workers. The President has pursued a policy of high unemployment, which is one of the major reasons for the rise of food stamp rolls. First, they took their jobs away; now they are trying to take their food away. This is the most unfair, insensitive kind of political pay-off to an ideological faction of the Republican Party.

I am proud of the Food Stamp Program. It has alleviated malnutrition and prevented starvation. It has strengthened the agricultural economy and food marketing. Of course, I want to prevent any abuses which might occur; and when Congress reconvenes in September, I will introduce legislation to achieve responsible and equitable food stamp reform. But I will fight any administration strategy of food stamp wrecking, any attempt to barter the hunger of the poor and the unemployed for right-wing support of Mr. Ford's campaign.

I am appalled that under an Administration born of Nixon's downfall the Nixon tactics have been applied anew—that the facts of food stamps have been suppressed, that the Congress has been misled, that the economic well-being of millions of Americans has been consigned to the political auction block. I hope that now the cover-up of food stamp facts and the trumped-up charges against the food stamp program will end, so Congress and the Administration can cooperate in establishing a fairer, more efficient, more effective food stamp policy.

LETTER OF TRANSMITTAL

DEPARTMENT OF AGRICULTURE,
Washington, D.C., August 22, 1975.

Hon. NELSON A. ROCKEFELLER,
President of the Senate,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: On June 30, we submitted the study of the Food Stamp Program that this Department conducted in response to the request expressed in Senate Resolution No. 58.

Recently a claim has been made, in some quarters, that not all the information we had assembled had been provided to the Senate. It is correct that not all of the information originally assembled in our draft report was submitted in the final report, because we recognized that our report was very lengthy and we wanted to provide exactly what was requested in the Resolution.

However, we want to reaffirm our complete cooperation with the Congress in its examination of the Food Stamp Program. We are therefore providing herewith copies of that draft material. It includes evaluation material on the Food Stamp Program, some projections of participation in the Program and future costs, and discussion of nutrition benefits and of the benefits that the Program provides to agriculture and to the general economy.

Sincerely,

(Signed) RICHARD L. FELTNER,
Assistant Secretary.

57-855—75——2

SUMMARY OF PROGRAM EVALUATION

The Food Stamp Act of 1964 specified dual objectives for the Program: One was related to improving nutritional levels of low income persons and the second was concerned with effective use of abundant food supplies to expand the demand for farm food products. In recent years, the importance of providing food assistance to low income people has increased relative to food demand expansion. A later implicit objective of the Program to increase participation, contributes to the accomplishment of the 2 principal objectives. Emphasis on participation itself stresses the importance of the transfer of resources from the general population to the poor.

The Program has been at least moderately successful in meeting its objectives. Cost of program operation appear to be in the range of 10 percent of total budget. The Program gets high marks for meeting the evaluation criteria usually applied to transfer programs: National eligibility based on need, vertical equity with those at higher income levels, horizontal equity with persons at the same income levels, reasonable work incentives, and benefit levels associated with specific requirements.

The Program shares a common problem with other food and other Federal transfer programs in providing overlapping benefits. Participants are eligible for free school lunches and sometimes breakfasts. In addition, until December 1974 over one-half of the recipients received public assistance. One-third of the food stamp participants also participate in 3 or more other Federal assistance programs.

Family food program participation essentially stabilized between 1972 and 1974 at the 15 million level of participation. Most of the expansion in food stamps during that period resulted from project areas transfering from the Food Distribution Program. This fiscal year, the Program is resuming internal expansion as a result of the deepening recession and rising unemployment levels, and the addition of Puerto Rico to the Program. Puerto Rico participation in the Program currently is about double the previous level of participation in the Food Distribution Program.

Most likely projections point to a leveling of participation at 20–21 million in late FY 1975. Some edging upward is expected into FY 1977 as outreach efforts are intensified. But a decline to about 19 million participants is likely by 1980 as unemployment declines. Economic recovery should result in a return to more normal levels of unemployment, and incomes again are expected to rise more rapidly than food prices.

Increases in budget costs of the Food Stamp Program over recent years have reflected price escalators built into stamp issuance levels, as well as participants switching from food distribution. FY 1975 costs are projected at approximately $5 billion. Most likely projections of stamp issuance to 1980 show Federal costs exceeding $6 billion

through FY 1978 but dropping below this range as participation declines.

The Program is designed to provide the greatest benefits to the poorest of those eligible. Data for 1973 suggest that two-thirds of the entire population with family incomes below $2,500 were being served by the Program. Some of the remaining households in this low-income group would not be eligible because of asset limitations and small household size.

In December 1974, 17.3 million persons were participating in the Program. This level amounted to 59 percent of the 29 million persons estimated eligible to participate. Over the period of a year, many more people become eligible and many more participate in the Program. An estimated 41 million different people likely become eligible over the course of a 12-month period, and about 29 million of them likely participate, or about 72 percent of those eligible.

Projections suggest that income eligibility levels will rise significantly between now and 1980, because they are a function of food prices. However, Departmental projections suggest that average income levels will rise about twice as fast as food prices over the next 5 years. If this relationship holds for the low income sector, the number of eligible persons will decline by around 20 percent by 1980.

Benefits under the Program are difficult to measure. As a system to deliver food purchasing power to recipients, the Program appears reasonably efficient. Between 50 and 65 cents of each bonus dollar likely translates into additional food expenditures at retail. This rate is at least double the gain that would be expected from unrestricted cash transfer payments. The amount of this food spending that results in higher ingestion of vital nutrients is less easy to measure. Improved nutritional status and better health of recipients is even more difficult to document.

Studies suggest that the Program is more efficient than direct food distribution in raising nutritional levels of recipients. These studies document that at least under some situations, Program participants have an improved diet in comparison with nonparticipants in the same income group.

In addition, there are significantly tangible benefits of the Program to farmers and to the food marketing industry. Income and employment levels of the general economy are significantly raised as the result of increased economic activity attributable to the Program.

Chapter 5

PROJECTION OF PARTICIPATION AND COSTS, FY 1975–80

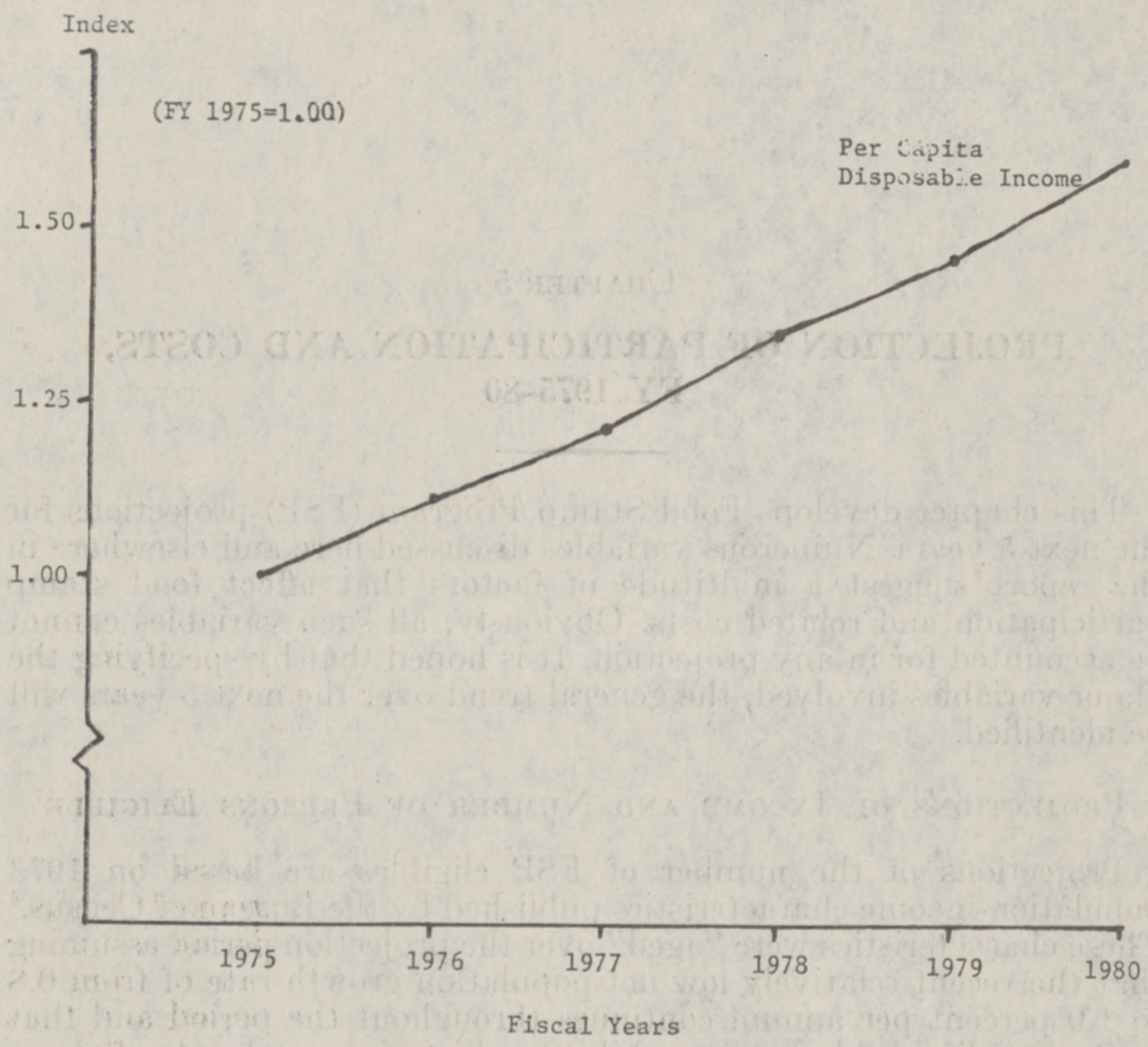
This chapter develops Food Stamp Program (FSP) projections for the next 5 years. Numerous variables discussed here and elsewhere in the report suggest a multitude of factors that affect food stamp participation and related costs. Obviously, all such variables cannot be accounted for in any projection. It is hoped that by specifying the major variables involved, the general trend over the next 5 years will be identified.

Projections of Income and Number of Persons Eligible

Projections of the number of FSP eligibles are based on 1973 population-income characteristics published by the Bureau of Census.[1] These characteristics were "aged" over the projection period assuming that the recent relatively low net population growth rate of from 0.8 to 1.0 percent per annum continues throughout the period and that per capita disposable income exhibits an historic growth rate of about 11 percent per year throughout the period. It is assumed that per capita disposable income will increase a total of 60 percent over 1975 levels by 1980 (figure 3).

[1] Bureau of Census, U.S. Department of Commerce, *Current Population Reports, Consumer Income*, "Money Income in 1973 of Families and Persons in the United States", Series P–60, No. 97, January 1975.

Figure 3: Projected Index for Per Capita Disposable Income, FY 1975-1980



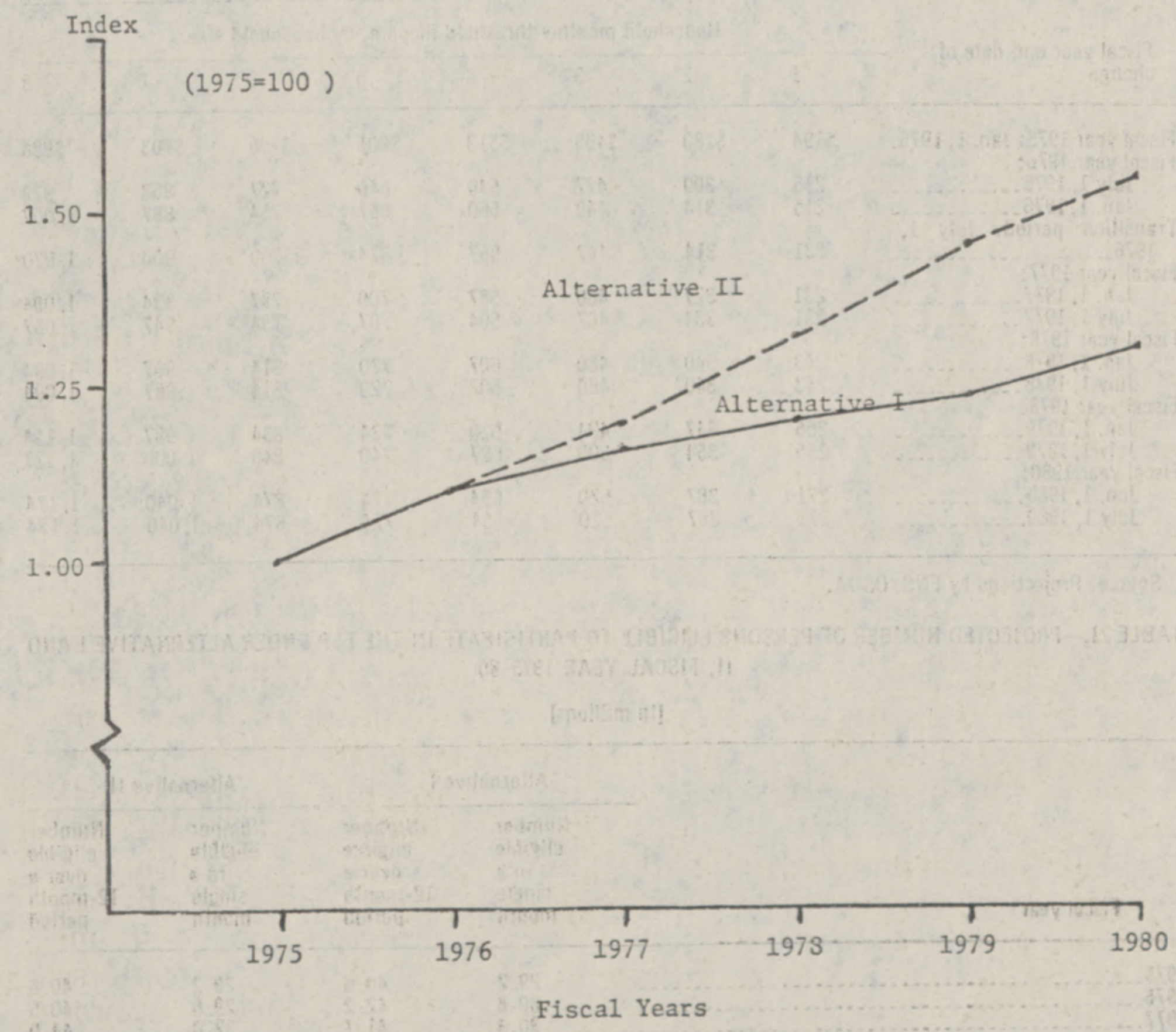
Threshold income levels for determining FSP eligibility during the period are projected under two sets of assumptions. Following an increase in food prices in FY 1975 of 10.2 percent over that of the previous year, it is assumed under Alternative I that the food price increases will drop to the more typical pattern of the late 1960's; prices would stabilize in the range of 3 to 5 percent annual growth rate from 1976 to 1980. These projections follow basically those developed by the Economic Research Service, USDA, as being the most likely. Tables 19 and 20 show the projected values of food stamp issuance and threshold income levels of eligibility under this set of assumptions.

Some observers may feel that the above projections of food price increases may be too conservative. In an attempt to establish an outside limit of reasonableness in Program eligibility levels, a second set of projections of food prices were developed. Alternative II assumes

that food prices would increase over the next 5 years at the same annual growth rate as per capita disposable income. This rate resulted in significantly higher stamp issuance levels and threshold income levels during the latter part of the projection period (figure 4).

The number of persons eligible to participate in the FSP during each year of the projection period was estimated under each of the two alternatives. Table 21 summarizes the projections. They are based on fiscal year midpoints of December of FY 1975 and 1976 and March of the subsequent fiscal years. They include adjustments similar to those described in Chapter 4 that account for SSI ineligibles (at current levels), unemployment projections, and the numbers of eligible participants living in Puerto Rico and the Outlying Territories. In addition, as described in Chapter 4*, the number eligible in a given month as well as the number eligible over a 12-month period are projected under each assumption.

Figure 4: Projected Indexes for Average Threshold Income Under Alternative Assumptions, FY 1975-1980



*Chapters 1 through 4 were published in a Committee Print entitled *Food Stamp Program—A Report in Accordance With Senate Resolution 58*, by the Senate Agriculture and Forestry Committee, July 21, 1975, and can be obtained by sending $1.40 to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

TABLE 19.—PROJECTED LEVELS OF FOOD STAMP ISSUANCE, FISCAL YEAR 1975–80

Fisical year and date of initiation	Monthly household stamp issuance, by household size							
	1	2	3	4	5	6	7	8
Fiscal year 1975: Jan. 1, 1975	$46	$84	$122	$154	$182	$210	$238	$266
Fiscal year 1976:								
July 1, 1975	48	90	128	162	192	218	256	292
Jan. 1, 1976	50	94	132	168	200	226	266	302
Transition period: July 1, 1976	50	94	134	170	202	228	270	306
Fiscal year 1977:								
Jan. 1, 1977	52	98	138	176	210	236	280	316
July 1, 1977	52	100	140	178	212	238	284	320
Fiscal year 1978:								
Jan. 1, 1978	54	102	144	182	216	244	290	328
July 1, 1978	54	102	144	182	216	244	290	328
Fiscal year 1979:								
Jan. 1, 1979	56	104	148	186	220	250	296	335
July 1, 1979	56	106	150	188	222	252	300	338
Fiscal year 1980:								
Jan. 1, 1980	58	110	156	196	232	262	312	352
July 1, 1980	58	110	156	196	232	262	312	352

TABLE 20.—PROJECTED THRESHOLD INCOMES FOR FSP PARTICIPATION ELIGIBILITY, FISCAL YEAR 1976–80

Fiscal year and date of change	Household monthly threshold income, by household size							
	1	2	3	4	5	6	7	8
Fiscal year 1975: Jan. 1, 1975	$194	$280	$406	$513	$606	$700	$793	$886
Fiscal year 1976:								
July 1, 1975	215	300	427	540	640	727	853	973
Jan. 1, 1976	215	314	440	560	667	754	887	1,007
Transition period: July 1, 1976	231	314	447	567	674	760	900	1,020
Fiscal year 1977:								
Jan. 1, 1977	231	327	460	587	700	787	934	1,054
July 1, 1977	231	334	467	594	707	794	947	1,067
Fiscal year 1978:								
Jan. 1, 1978	243	340	480	607	720	814	967	1,094
July 1, 1978	243	340	480	607	720	814	967	1,094
Fiscal year 1979:								
Jan. 1, 1979	255	347	494	620	734	834	987	1,114
July 1, 1979	255	354	500	627	740	840	1,000	1,127
Fiscal year 1980:								
Jan. 1, 1980	271	367	520	654	774	874	1,040	1,174
July 1, 1980	271	367	520	654	774	874	1,040	1,174

Source: Projections by FNS, USDA.

TABLE 21.—PROJECTED NUMBER OF PERSONS ELIGIBLE TO PARTICIPATE IN THE FSP UNDER ALTERNATIVE I AND II, FISCAL YEAR 1975–80

[In millions]

Fiscal year	Alternative I		Alternative II	
	Number eligible in a single month	Number eligible over a 12-month period	Number eligible In a single month	Number eligible over a 12-month period
1975	29.2	40.6	29.2	40.6
1976	30.8	42.2	29.6	40.5
1977	30.4	41.7	32.0	44.0
1978	27.6	38.0	31.9	44.0
1979	25.7	35.5	32.9	45.5
1980	24.1	33.3	32.2	44.8

As might be expected, with food prices increasing at a much slower rate than income during the latter part of the projection period, the projected number of eligibles drops sharply from 1978 to 1980 under Alternative I. Of course, the maximum eligible population exhibits a similar growth pattern to that exhibited by the projected number.

Under Alternative II (i.e., food prices increasing at the same rate as per capita income), the projected number of eligibles remains relatively constant throughout the period, ranging from approximately 32 to 33 million persons during the average month.

Projections of FSP Participation and Costs

The number of people participating in the FSP is a function of the eligible population. However, the two are not synonymous. Studies have shown that, despite a person's awareness of the program and eligibility, many other factors enter into his decision to participate, as discussed in Chapter 2*. This study will rely upon an analysis of historical data in projecting participation in 1980. However, projecting FSP participation and costs are hazardous for several reasons. These include:

1. The Program has been in a growth pattern throughout its relatively short lifespan. Much of this growth has resulted from areas transfering from the Food Distribution Program. Some has also resulted from internal growth. The importance of the two sources are difficult to sort out mathematically.
2. Legislative changes have been dramatic and frequent. Certain of the changes have been quite fundamental and structural in their impacts upon the Program.
3. Increasing attention to outreach efforts add to the difficulty of projecting changes in the number of persons eligible for the Program that likely will participate. Recent experience suggests that an increasing percentage of eligibles is participating this year.

The projections of FSP participation are based essentially upon the same assumptions as those used to project the number of persons eligible for the Program. These assumptions are outlined as follows:

1. Unemployment will peak in the fourth quarter of FY 1975 at 9.5 percent and trend downward slowly to 4.5 percent by the end of FY 1980.
2. Prices for food at home (CPI) will average 7 percent higher in FY 1976 than in FY 1975 but thereafter the increases will drop to the range of 3 to 4 percent per year until 1980 for Alternative I. For Alternative II food prices will rise at the same rate as income.
3. Disposable income will grow about 12 percent in FY 1976 and will continue increasing near that rate until FY 1980. Further, it is assumed that income of Program participants will grow at the same rate as the balance of the population.
4. Population will grow at the relatively slow rate of the Bureau of the Census, Series E projection.
5. Internal growth of the Food Stamp Program will continue at the average rate of total Family Program growth between the third quarter of FY 1970 and the first quarter of FY 1975.
6. No significant legislative changes in the Program will be made before 1980.

---

*Chapters 1 through 4 were published in a Committee Print entitled *Food Stamp Program—A Report in Accordance With Senate Resolution 58*, by the Senate Agriculture and Forestry Committee, July 21, 1975, and can be obtained by sending $1.40 to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

57-855—75——3

To project Program participation, total family food assistance participation was disaggregated into public assistance and nonpublic assistance recipients. Each category was then projected independently of one another and summed together to form the final projection. Quarterly regressions models were developed that related the change in nonpublic assistance participation to changes in aggregate unemployment rates and the relationship between Program threshold to estimated average income of recipients. Participation in the public assistance category was related to the number of SSI and AFDC recipients, which is projected to remain stable over the period.

FSP participation is projected to stay in the range between 19 and 21 million persons until FY 1980. Under both Alternatives I and II, FSP participation will nearly stabilize in FY 1976, but edge upward through FY 1977. After that, larger increases in incomes relative to food prices and declining unemployment result in a decline in participation under Alternative I. But a continued slight increase in participation would be expected under Alternative II because of continued sharp increases in threshold eligibility levels.

Cost projections are the combination of projecting the average bonus level and multiplying times the projection of participation.

The average bonus value is related to:

1. Value of food stamp allotment;
2. Distribution of recipients by eligible income categories; and
3. Changes in household size.

Through historical data analysis, it was found that the "real" average monthly stamp bonus is a function of the ratio of the threshold eligibility level to average per capita income of recipients. Changes in the eligibility threshold are a function of the value of the food stamp issuance level which in turn is a function of retail food prices.

Based on these relationships, average bonus per person is projected to decline after FY 1977 under Alternative I when food prices would not be rising nearly as fast as incomes (Table 22). But under Alternative II, bonus levels would continue rising throughout the period, and reach $38 per persons per month by 1980.

Total Federal cost of the Food Stamp Program under Alternative I would actually decline slightly after reaching a high point of approximately $6.3 billion in fiscal 1977. If, however, food prices should increase at the same rate as income (Alternative II) then food stamp expenditures will continue increasing throughout the decade and reach approximately $10 billion in 1980, (Table 22).

TABLE 22.—PROJECTIONS OF FSP PARTICIPATION AND COSTS, FISCAL YEAR 1975-80

	Alternative I [1]				Alternative II [2]			
Fiscal year	Average bonus per person per month	Average participation (millions)	Bonus cost (billions)	Total program costs (billions)	Average bonus per person per month	Average participation (millions)	Bonus cost (billions)	Total program cost (billions)
1975	$21.55	17.5	$4.5	$5.0	$21.55	17.5	$4.5	$5.0
1976	23.09	20.6	5.7	6.2	25.02	20.6	6.2	6.7
Transition	23.69	20.6	1.5	1.6	26.29	20.6	1.6	1.7
1977	23.31	20.9	5.8	6.3	27.84	20.6	6.9	7.4
1978	21.67	20.9	5.4	6.0	31.43	20.8	7.9	8.4
1979	20.89	20.1	5.0	5.5	34.18	21.0	8.6	9.2
1980	20.29	19.1	4.7	5.3	38.00	21.3	9.6	10.2

[1] Alternative I based upon most likely projections of food prices and income.
[2] Alternative II based upon assumption that food prices would increase at the same rate as per capita income.

Source: Projection models of participation based upon changes in unemployment and the relationship of program threshold to average per capita income of recipients.

NUTRITIONAL BENEFITS OF FOOD STAMP PROGRAM

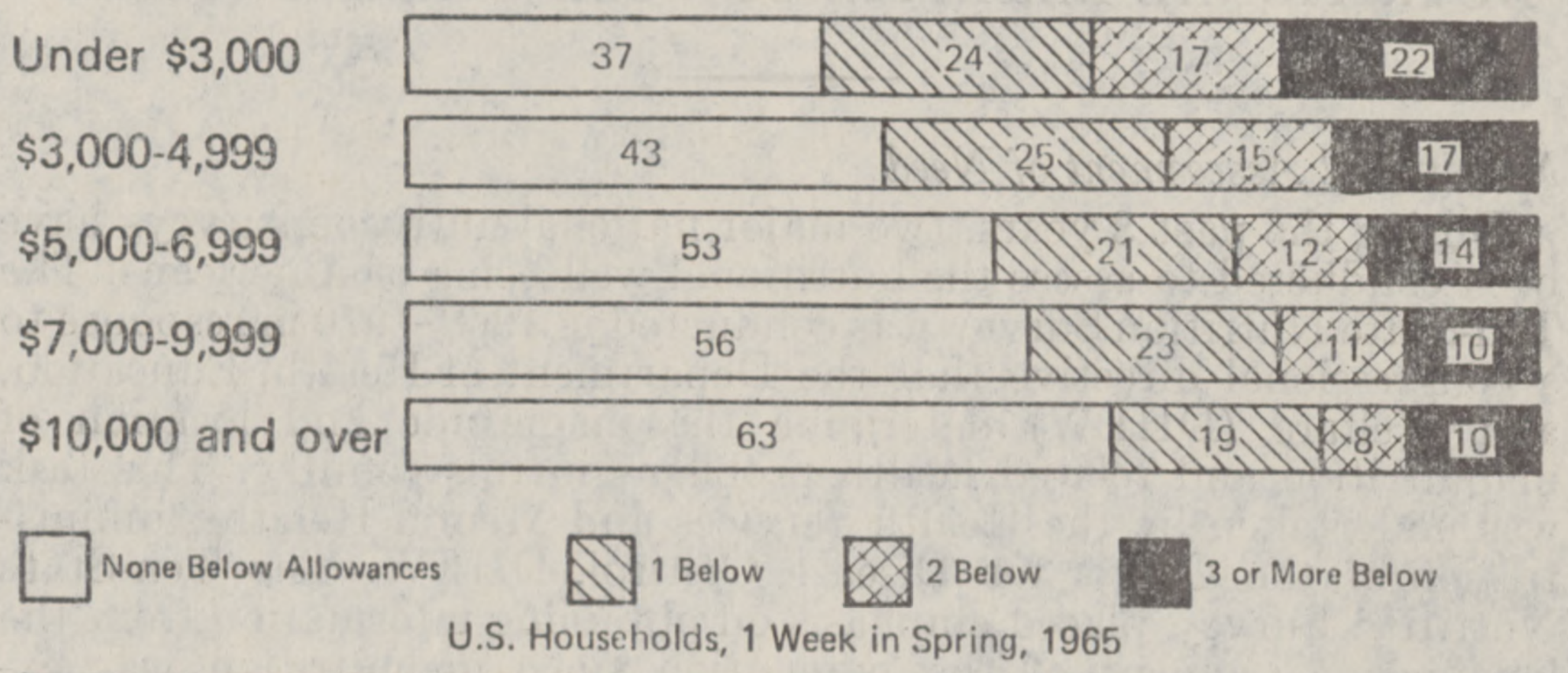
Nutritional Assessment of Need

During the past 8 years, two major national nutrition surveys have been conducted to assess the nutritional well-being of Americans. The Ten-State Nutrition Survey was conducted in 1968–1970 in response to a congressional directive that the Department of Health, Education, and Welfare (DHEW) determine the magnitude and location of malnutrition and related health problems in this country. This task was undertaken by the Health Services and Mental Health Administration of the Center for Disease Control, DHEW. The Ten-State Nutrition Survey placed emphasis on obtaining information from the low-income segment of the population since malnutrition was expected to be more prevalent in this population segment.

The second national nutrition survey, the Health and Nutrition Examination Survey (HANES), was initiated in 1971 by the National Center for Health Statistics, DHEW, in order to establish a continuing national nutrition surveillance system. The purpose of this system was to determine, on the basis of a representative sample, the nutritional status for the entire U.S. population and to monitor changes in status over time. This sample, which included over 10,000 persons, was designed to be representative of the U.S. civilian, non-institutionalized population in a broad range of ages, from 1–74 years. Provision was made, however, for subsamples permitting more detailed analysis of data for certain groups at high nutritional risks, including low-income groups.

An additional study of dietary adequacy in the United States was conducted by the Department's Agricultural Research Service (ARS) as a part of their 1965 Household Food Consumption Survey. The results, seen in Figure 7, indicate that dietary adequacy, measured by the percentage of diets meeting the Recommended Dietary Allowances (RDA) for seven nutrients studied, was related to family income. At successively higher levels of income, a greater percentage of households had diets that met the RDA. Another measure of relative quality of diets is the number of nutrients that were below the allowances. As seen in Figure 8, the percentages of diets with only one nutrient below the RDA were only slightly different by income, yet those with two and three or more nutrients below the RDA were twice as large at the lowest income level as at the highest income level. Calcium, Vitamin A, ascorbic acid were the nutrients most often below allowances.

Diets by Number of Nutrients Below Allowances,* by Income (Percent)

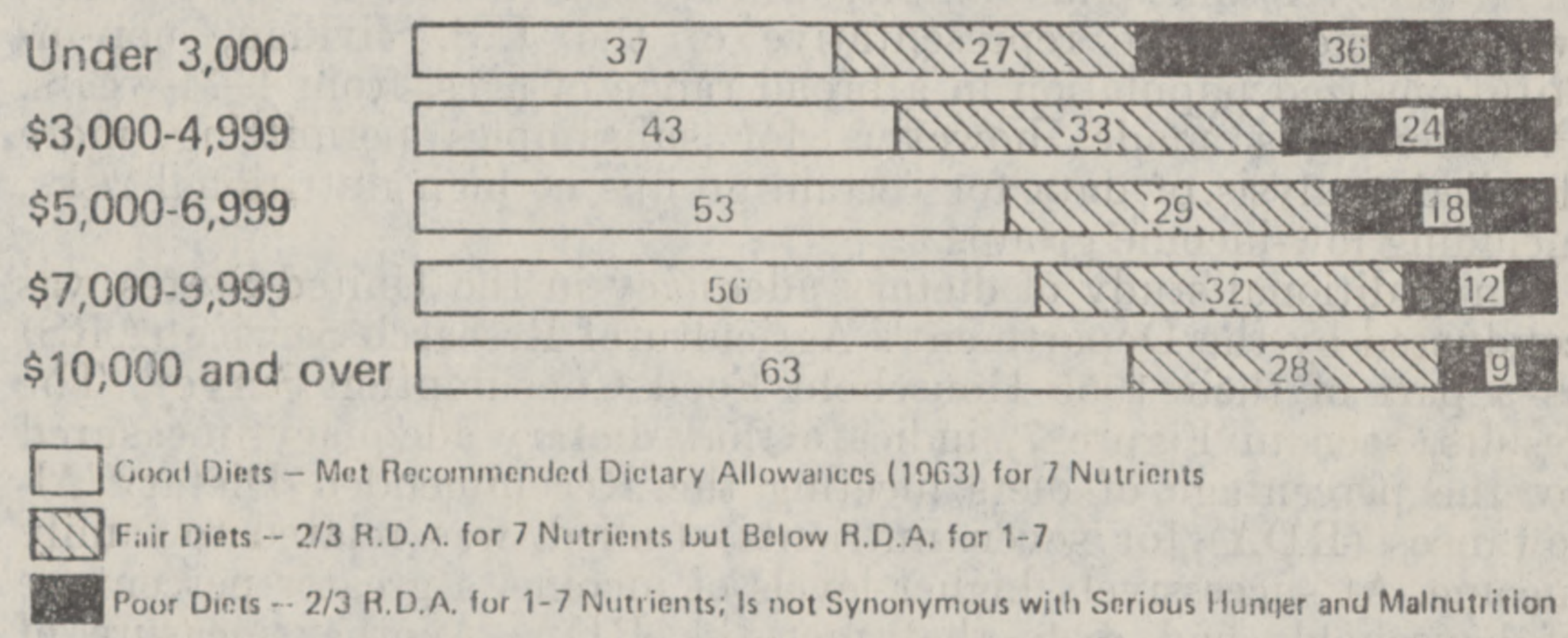


U.S. Households, 1 Week in Spring, 1965

Recommended Dietary Allowances (1963)

Figure 7

Diets at 3 Levels of Quality by Income (Percent)



U.S. Households, 1 Week in Spring, 1965

Figure 8

Adequacy of Issuance Level in Providing A Nutritionally Adequate Diet

Food stamp allotments are dependent upon household size and income. These allotments are based on the Economy Food Plan which is designed to provide a nutritionally adequate diet [1 2]. The foods which make up the plan reflect the general eating patterns of low

[1] U.S. Department of Agriculture, Agricultural Research Service: *Ideas for Leaders Working With Economy-Minded Families.* USDA Publication No. PA-937, 1973.
[2] U.S. Department of Agriculture, Agricultural Research Service: *Family Food Plans,* Revised 1964. USDA Publication No CA-62-19, 1969.

income households as determined through previous household food consumption surveys, modified to provide a nutritionally adequate diet. Nutritional adequacy is based upon the Recommended Dietary Allowances (RDA) [3] set by the National Academy of Science-National Research Council (NAS/NRC) in 1968 for all nutrients for which there are adequate reliable composition data. These nutrients include: energy, protein, calcium, iron, Vitamin A, thiamin, riboflavin, and ascorbic acid.

The Recommended Dietary Allowances are considered generous for judging the nutritional adequacy of diets. The Food and Nutrition Board of the NAS/NRC states: "Excepting calories, the allowances are designed to afford a margin above average physiological requirements." [4] Therefore, any food plan which provides the Recommended Dietary Allowances would also contain a built-in margin of safety above average requirements for nutrients. A family using food valued at the level of the Economy Food Plan will have a nutritionally adequate diet if foods of the kinds and quantities specified in the plan are selected.

Although the Economy Food Plan was reviewed in 1968 and found to meet 1968 RDA's, the last revision was made in 1964. Food consumption data from a Nationwide food consumption survey conducted by the U.S. Department of Agriculture in 1955 were used in developing the plan.

Plans for Development of Food Stamp Food Plan

The Food and Nutrition Service is cooperating with Agricultural Research Service to develop a new food plan for use in determining the level of food stamp allotments. The plan will also be used as a basis for guidance materials for program participants and others who wish to economize on food. This plan will specify the amounts of foods that families might buy, or produce, to provide nutritious diets for family members for a week.

The new Food Stamp Food Plan will be based on more current nutritional and food consumption information than was available when the Economy Food Plan was last revised. Foods in the new Food Stamp Food Plan are to be chosen so that the plan meets the requirements of the newest (1974) revision of the RDA [5] for all nutrients for which adequate reliable food composition data are available for determining the nutrient content of the plan. Recommended amounts of some nutrients have been changed and allowances for additional nutrients have been designated in the 1974 revision of the RDA. Vitamin B_6, Vitamin B_{12}, and magnesium will be considered in the development of these plans for the first time.

Households in the latest Nationwide food consumption survey, 1965–66, that used food valued at or slightly above the cost of the economy plan are to be used as the starting point for determining the kinds and amounts of foods to include in the plan. Food patterns of these households are believed to represent a way of eating that would be preferred by program participants. For example, readymade

---

[3] National Academy of Sciences: *Recommended Dietary Allowances.* Washington, D.C.: National Academy of Sciences/National Research Council, Seventh Edition, 1968.

[4] National Academy of Sciences: *Recommended Dietary Allowances,* Washington, D.C.: National Academy of Science/National Research Council, Seventh Edition, 1968, p. ii.

[5] National Academy of Sciences: *Recommended Dietary Allowances,* Washington, D.C.: National Academy of Sciences/National Research Council, Eighth Edition, 1974.

bread will be included for the first time, rather than the ingredients for making bread which were previously listed.

Nutritive values of some foods have also changed since 1964 revisions of the food plans. For example, many ready-to-eat cereals are now fortified with one-fourth or more of the RDA for many nutrients. New information on the nutrient content of many foods has also become available in the last 10 years. Such information is helpful in calculating the nutritional value of today's diet and will be used in developing the Food Stamp Food Plan.

Nutritional Assessment of Food Stamp Program Benefits in Relation to Needs

Three studies have been conducted by the Department to determine the nutritional benefits of the Food Stamp Program to program participants. The first of these studies was conducted in 1969–71, in rural areas of Pennsylvania by J.P. Madden and M.D. Yoder of the Pennsylvania State University.[6] The primary focus of this study was to determine if the adequacy of low-income families' dietary intake improved through participation in one of the Department's family food assistance programs. Results indicated a nutritional benefit due to participation in the Food Stamp Program when at least 2 weeks had elapsed since a family had received their major income for the month. The most significant nutritional improvements were found in iron and thiamin intakes. The increased consumption of iron was most important since iron intakes were found to be inadequate (below two-thirds of the Recommended Dietary Allowances) in more than one-fourth of the 1,100 families interviewed. Similar improvements were found for protein, phosphorus, riboflavin, and niacin; however, these increases were judged not to be as important, since intakes already met adequate levels.

In 1973, the Economic Research Service, USDA, reported on a study to analyze the characteristics of low-income families participating in the Department's Expanded Food and Nutrition Education Program (Extension Service) in relation to families who did or did not also participate in USDA's food assistance programs.[7] Food consumption practices and the dietary adequacy of participants were also assessed. From a sample of over 10,500 families, results indicated that homemakers receiving food stamps had better diets than homemakers in the food distribution program and those eligible for, but not participating in, a food assistance program. Since per person food expenditures of participants and nonparticipants were similar but incomes were lower, the better diets of food stamp participants were judged to reflect benefits derived from the Food Stamp Program. (Table 31).

A recent study completed by Sylvia Lane of the University of California at Davis contrasted food consumption and nutritional achievements of participants of food assistance programs with that of nonparticipants and participation before and after implementation of the Food Stamp Program. Results indicate that diets of participants of the Food Stamp Program interviewed in this study, appear to be nutritionally superior to those of comparable nonparticipating low-income households.

---

[6] Madden, J. P., and M. D. Yoder: *Program Evaluation: Food Stamps and Commodity Distribution in Rural Areas of Central Pennsylvania.* Final report from the Pennsylvania State University, Department of Agricultural Economics and Rural Sociology, 1971.

[7] Feaster, J. G., and G. B. Perkins: *Families in the Expanded Food and Nutrition Education Program: Comparison of Food Stamp and Food Distribution Program Participants and Nonparticipants.* USDA Agricultural Economic Report No. 246, 1973.

TABLE 31.—FOOD CONSUMPTION PRACTICES OF HOMEMAKERS AND FAMILY CHARACTERISTICS AT TIME OF ENROLLMENT IN EXPANDED FOOD AND NUTRITION EDUCATION PROGRAMS, BY FOOD PROGRAM STATUS, 1969

Characteristic of family or homemaker	Food assistance program		Not participating in the food stamp program, but eligible	Not eligible for food program	Average or total
	Food stamp program	Food distribution program			
Monthly family income and food expenditures:					
Income	$198	$161	$166	$320	$221
Per capita	36	32	32	73	46
Food expenditures	76	59	69	93	76
Per capita	14	12	14	21	16
Income spent for food (percent)	38	37	42	29	34
Family size (number)	5.5	5.50	5.1	4.4	4.8
Families reporting (number)	1,270	2,031	2,306	2,494	[1] 9,424

[1] Includes those families whose food program status was not determined.

Participation in the Food Stamp Program resulted in diets which were nutritionally superior to those of comparable nonparticipating low-income households for some nutrients. Nutrients which showed the most improvement for food stamp participants were calories, calcium, thiamin, and riboflavin. These results were further illustrated when ethnic and urban areas were analyzed separately. Afro-American food stamp participant and nonparticipant households had characteristically lower mean nutritional levels for calcium and riboflavin, reflecting relatively low milk intakes. The lowest iron values were found for white urban food stamp participants and Afro-American rural farm nonparticipants. The most adequate nutrient levels were for protein and niacin.

In a paper summarizing the study presented at the American Agricultural Economics Association's annual meeting in August of 1974, Professor Lane stated that participation in the Food Stamp Program was associated with an increase in food consumption.[8] Statistical analysis showed the improvement in nutritional benefits to be greater for participants in the Food Stamp Program than for those in the Food Distribution Program.

The three studies cited were generally positive in finding some nutritional benefits associated with Food Stamp Program participation. The Program appeared to be superior to the Food Distribution Program in this regard. But these studies did not allow comparisons with an income supplement, and they were quite limited in scope.

Clearly, there is a need for broader scale, more definitive program evaluation to assess the impacts of the Program upon food purchasing and consumption patterns and nutritional levels of recipients. The Department is proposing to conduct a Nationwide consumer panel to obtain such information. Longitudinal data appears to be necessary to adequately answer the questions posed. This procedure would allow comparisons of household behavior before and after participation in the Program, and before and after major changes are made in benefit levels or program regulations.

[8] Lane, S.: *Food-Aid Program Effects on Food Expenditures and Levels of Nutritional Achievement of Low-Income Households.* Paper presented at American Agricultural Economics Association Annual Meeting, College Station, Texas, August 1974.

Chapter 7

BENEFITS TO AGRICULTURE[1]

Currently, food stamps account for about 5 percent of total U.S. expenditures for food at home. Bonus food stamps paid for by the government are equivalent in amount to 3 percent of home food expenditures. Fifty to 65 percent of the free or bonus stamps are estimated to result in expanded demand for food. In the absence of the Food Stamp Program, total U.S. expenditures for home foods would be reduced by roughly 1.5 to 2.0 percent. Although demand expansion for food generated by food stamps constitutes a small portion of the total home outlet for foods, removal of this market force would have direct impacts felt from the farm to the retail food store—in addition to the indirect economic multiplier effects of the Program reported elsewhere in this report.

Lack of more complete information on food quantities purchased and price interrelationships among foods in common usage by low-income families limit evaluations of Program effects on specific farm commodities. Information available on the demand expansion for foods resulting from food stamps and earlier food consumption patterns, however, provide general indicators regarding benefits derived by agriculture and the food industry from the Food Stamp Program.

Demand Expansion for Food

During the 3-months, October through December 1974, total U.S. expenditures for foods used at home stood at the $135.8 billion level and food stamps were issued at an annual rate approaching $6.7 billion. The total issuance of food stamps in this period was equivalent to 4.9 percent of total expenditures for home foods. With recent increases in participation and bonus levels, the total issuance of food stamps in January 1975 rose to an annual rate of nearly $7.75 billion. Currently, food stamps may be used in purchasing from 5 to 5.5 percent of all foods used in the Nation's homes.

Bonus food stamps paid for by the Federal Government now account for over 60 percent of all food stamps used, with less than 40 percent being purchased by recipients. In January 1975, bonus stamps were distributed at the annual rate of over $4.7 billion—up from $4.0 billion during the last quarter in 1974. Bonus food stamps are now being issued in amounts equivalent to 3 percent or more of total expenditures for home foods.

Participants spend an estimated 24 percent of their net income to receive food stamps in amounts adequate to provide them with a nutritionally adequate diet under the USDA Economy Food Plan.

[1] This section was prepared by the Economic Research Service.

57-855—75——4

Family food stamp purchases commit these funds to continued food buying. Families normally spending the same or less for food than they pay for stamps will use all of their bonus stamps in increasing food expenditures. Families usually spending more for food than they pay for stamps, however, have an option to use bonus stamps instead of family dollars in buying a portion of their food supply. When substitution occurs, bonus stamps liberate family dollars for expenditure at their discretion for food or nonfood items. In such instances, bonus stamp dollars are equivalent to a cash income supplement—although all the food stamps themselves are spent for food.

Economic Research Service estimates indicate that from 50 to 65 percent or more of all bonus food stamps may be spent for food which would not have been purchased in the absence of the program, with the balance having a cash income effect. As of January 1975, demand expansion for food generated from bonus stamps may have ranged between $2.4 billion to more than $3 billion (annual rate).

Most of the demand expansion for food derived from food stamps likely serves to support existing markets for food rather than generating new demand in competition for existing scarce food supplies. Food stamps have helped maintain food expenditures for the continuing poor at the same level through adjustments in issuance rates to compensate for higher food prices. For recent transferees from the Food Distribution Program, part of the food stamps they receive represents a replacement for donated foods. Families joining the program because of unemployment or financial reverses are enabled to minimize reductions in food expenditures at levels above those which might have been reached in the absence of the program. Some new demand expansion for food may have been created recently, however, through newcomers to the Food Stamp Program with low normal expenditure levels for food a very poor persons formerly receiving donated foods who now are receiving food stamps of greater value than the donated commodities previously obtained.

Demand expansion for food created by bonus food stamps is generated primarily among households in the lower and middle range of income eligibility. Such families receive the largest amounts of bonus stamps, at each household size level. They are most likely to have normal food expenditures at low levels, where all or a portion of the bonus stamps would be committed to expending food expenditures. Families normally spending at more adequate levels, who are found with greater frequency in the upper range of income eligibility, would have opportunity and tend to translate benefits into income supplements.

Expanded Retail Demand for Food

Food expenditures by households in successive levels in the low and lower-middle income groups provide indicators regarding the disposition of the additional food dollars resulting from the Food Stamp Program. Findings from the 1965 House Food Consumption Survey confirm that lower-income families tend to spend more dollars for food as their income rises. The proportions of each food dollar allocated among the major food groups remained relatively unchanged. There were substantial changes, however, within the several groups. In the meat (or protein) group, for example approximately 80 percent of the additional dollars were spent for red meats, mostly beef.

Rapid increases in prices for many staple foods, such as bread and cereal products, beans, sugar, fats and oil products may have resulted in shifts in allocations of low-income food dollars since 1965. The earlier pattern, however, is indicative of how additional food expenditures from food stamps may be allocated when current food supply pressures are alleviated. Estimates of expanded retail demand for food from bonus stamps, or alternatively stated, reductions in retail food expenditures which might be anticipated in the absence of the program are subject to the above limitations.

Table 32 shows that the meat group of foods likely is the major beneficiary of the $7.7 billion current annual rate of food stamp spending. About $2.9 billion additional spending of stamps would go for these foods over the period of a year. After allowing for the normal purchases of these foods, net additional demand would be expected to total somewhere in the range of $0.9 to $1.1 billion.

TABLE 32.—ESTIMATED ANNUAL ALLOCATION BY FOOD GROUPS OF PURCHASES MADE WITH FOOD STAMPS AND EXPANDED RETAIL DEMAND FROM FREE FOOD STAMPS AT ISSUANCE LEVELS IN JANUARY 1975

[In millions of dollars]

Food group	Share of food dollar	Total purchases with food stamps	Expanded retail demand from bonus food stamps[1]	
			Low	High
Meat group (meat, poultry, fish, eggs, dry beans and peas, nuts, and mixtures—primarily of meat)	$0.38	$2,940	$912	$1,140
Milk group (milk, cream, cheese, ice cream and other frozen desserts)	.13	1,010	312	390
Vegetable and fruit group	.20	1,550	480	600
Bread-cereal group	.12	930	288	360
Other food (fats, oils, sweets and all other)	.17	1,310	408	510
Total	1.00	7,740	2,400	3,000

[1] Data relate to net additional program expenditures after allowance for spending in the absence of the program.

Red meats, a part of the meat group, accounts for about 30 cents out of each additional food dollar. At this rate, demand expansion for red meat resulting from food stamps may be in the range of $720 million to $900 million.

In 1965, beef accounted for most of the expanded expenditures for red meats, amounting to roughly 19 to 23 cents out of each additional food dollar, and pork most of the balance.

If these relationships continue, bonus food stamps may now expand demand for beef in amounts ranging from a low of over $450 million to nearly $700 million. Expenditures for pork products may have been increased by $200 to $270 million.

The above increases in retail food expenditures estimated to result from bonus food stamps include both increased consumption and "upgrading" of foods purchased, in undetermined amounts. Food benefits from stamps, however, accrue primarily to families with low incomes and very low levels of normal food expenditures—persons anticipated to have the greatest needs for improved diets.

Increased Demand at Farm Level

During fourth quarter 1974, the farmer's share of the retail food dollar was 42 cents. If expanded retail food expenditures from bonus

stamps reflect a representative product mix, farm income may be augmented currently by the Food Stamp Program at the annual rate of $1 billion to $1.25 billion.

Indicators of the allocation of the above expansion in farm income, by product category, were derived by relating the estimated food demand created by bonus stamps (table 33) with USDA estimates of the farmer's share of retail food dollars for similar product categories during fourth quarter 1974 (table 33). Estimates of aggregate demand expansion developed by this method indicate that farmers are receiving about 42 cents out of each additional retail food dollar generated by the program.

Results indicate that nearly 80 percent of farm income flows into the animal products and fruit and vegetable sectors. Producers of cereal and other field crops, many of which are covered by agricultural stabilization programs, received a minority share of the supplemental farm income generated by bonus food stamps.

TABLE 33.—FARMERS SHARE OF RETAIL FOOD DOLLAR AND ESTIMATED FARM INCOME FROM EXPANDED DEMAND FOR FOOD, BY CATEGORY, FROM BONUS FOOD STAMPS AT ISSUANCE LEVEL IN JANUARY 1975

Food category	Farmer's share of retail dollar [1] (percent)	Estimated farm value of expanded food purchases from bonus food stamps	
		Low (millions)	High (millions)
Meat group:			
Meats, total	55.5	$405	$505
All other (poultry used as proxy)	57.3	105	130
Milk group: Dairy	46.3	145	180
Vegetable and fruit group:			
Fresh fruits	29.9		
Fresh vegetables	33.8		
Processed fruits and vegetables	20.0		
Proxy measure [2]	24.5	120	150
Bread-cereal group: All ingredients	25.8	75	95
Other foods groups:			
Fats and oils	47.7		
Miscellaneous	27.1		
Proxy measure [3]	37.4	150	190
Total		1,000	1,250

[1] USDA Market Basket 1974–IV quarter.
[2] Triple weight given processed fruits and vegetables and single weights each for fresh fruits and vegetables.
[3] Equal weights for fats and oils and miscellaneous foods.

Benefits to Retailers and Other Marketing Firms

An estimated 58 percent of the supplemental retail demand for food generated by food stamps is retained by the food marketing system. As of January 1975, $1.4 billion to $1.75 billion (annual rate) appears to be moving into the revenues of marketing firms as a result of program operations.

Retail food stores are a primary claimant to revenues derived from demand expansion for food as a result of the Food Stamp Program. An indicator of the gross income involved was derived from USDA estimates of gross in-store retailing margins of supermarkets during 1973—excluding warehouse and delivery costs and headquarters expense. The gross margin reported was 17.2 percent of total store sales—of which nearly 9 percent were direct and indirect labor costs, and 1.1 percent profit before taxes. Additional sales volume associated with Food Stamp Program operations currently may be increasing

gross revenues of retail food stores at an annual rate of roughly $415 million to $515 million.

Program associated increases in gross revenues of wholesalers, processors, warehousemen, transporters and other marketing agencies, excepting retailers should approach, in total, amounts received by farmers. Under assumptions previously cited, returns to marketers other than retailers should approximate $980 million to $1.25 billion.

Impacts on Agricultural Policy

Operating at the cross roads of agricultural, food and nutrition, and welfare policy, the development and evolution of the Food Stamp Program reflects interrelationships in these diverse policy areas. In considering program impacts on agricultural policy, however, attention is focused on today's Food Stamp Program rather than what has come before.

Expanding demand for agricultural products by the elimination of hunger and dietary inadequacies among the poor has been a long-standing agricultural goal. Low income families Nationwide now have the opportunity to purchase a nutritionally adequate diet at the Economy Food Plan level at a reasonable cost.

Low-income families are no longer a large-scale outlet for foods acquired by the Federal Government under price stabilization and surplus removal programs. During periods when many foods are high priced and in short supply, the advantages of the food stamp approach to food assistance have been demonstrated. Individual recipients of food stamps make their own buying choices that presumably maximize satisfactions from the foods available at the prices offered. Under a Government distribution system, operating similarly under a full-nutrition concept, many foods not in short supply would need to be purchased in order to obtain combinations of foods which would provide the basis for a nutritionally adequate diet. Volume purchases of specific food items are difficult to acquire in tight markets and major supply adjustments would result within specified relatively narrow product lines—with resultant price impacts on the total market. In such instances, smaller purchases from a wide range of generally comparable goods would tend to have less market impact than volume purchasing concentrated upon a few items.

Another alternative to food stamps is some form of cash assistance. The Food Stamp Program has been found to be twice as effective, or more, than comparable amounts of cash income supplements in expanding expenditures for food among low-income families.

Chapter 8

SECONDARY BENEFITS TO THE ECONOMY

Impacts Upon Total Business Output

Popular articles treating the Food Stamp Program often emphasize the direct changes in program participants' income due to their receipt of bonus stamps. Interest also has focused upon the food expenditures by stamp recipients. These "direct effects" are important as previous sections have shown. However, much of the payments made by participant households usually do not long remain in the pockets of the persons who sold them goods and services. Goods must be replaced and services maintained to sell to their next customers. Also, persons who supplied the goods and services to retailers must buy replacements from sectors which produced them, and these sectors in turn must buy raw materials and labor to produce the replacement items. Total income, of course, depends upon production; and a part of final demand is determined within an inter-industry framework. The level of output generated can best be determined through use of an input-output model, even though the assumptions underlying its use can be restrictive.

STUDY RESULTS

Two studies of the impacts of the Program on individual counties have been completed, and a broader study for the State of Texas and the United States as a whole is now underway by the Economic Research Service.

(1) In one of three individual counties studied in 1970, Haywood County, Tennessee, it was found that 6,400 recipients received a total of about $1.1 million in food stamp bonus during 1970. Total stamp sales of about $1.7 million accounted for nearly one-third of total food sales in the county. Local program costs amounted to about $35,000—about $16,000 of which was borne locally—and about seven additional employees handled the food stamp certification and issuance.

The $1.1 million in food stamp bonus increased value of the county's total business about $1.5 million, or about 43 times the local program costs of $35,000, based upon input-output analysis. The $16,000 cost borne by the local government was only 1 percent of the $1.5 million increase in total output. This rate was small compared with the 4 percent retail sales taxes in the county. The increase of seven welfare employees brought a total employment increase of about 60 persons in the county, after allowing for secondary impacts of increased food sales and other secondary benefits.

[1] M. Matsumoto, *Impact of the Food Stamp Program on Three Local Economies—An Input-Output Analysis,* Economic Research Service, ERS-503, May 1972.

The multipliers derived in this study measured only direct benefits accruing to the respective counties. Being rural areas, trade outside the county results in much lower secondary-benefits than would be true for larger areas.

(2) A study of two counties in California in 1972 was conducted using completely different methodology.[2] The researchers found the aggregative impacts on the economies of the two counties to be minimal, on the basis of interviews with the food trade. The Program had been operating there for several years and people could not relate to prior experience without the Program. The study concentrated upon local costs of administration—which they found to be quite different in the two counties—and impacts upon consumer purchasing patterns, which is reported elsewhere in this report.

The Program was found to not adversely affect food store operations with respect to inventory and pricing policies. Stores in the two counties studied typically made no cost allocations to the Program, but costs were estimated to total less than one-half of 1 percent per dollar of stamp sales. The researchers pointed out that even though food stamp volume was relatively small in relation to total food store sales, profits from this additional business could be quite significant from a marginal standpoint.

(3) The study related to the State of Texas utilizing the input-output techniques covered calendar year 1972 when the State was only partially on the Program. A total of $63.9 million in bonus stamps was distributed that year.

In total, participant household expenditures of the $63.9 million of bonus stamps resulted in $232 million of new business which generated an estimated 5,031 new jobs for the Texas economy in that year. To this must be added $30 million in imports which came from other parts of the United States that contributed to the economic benefit of Texas. This additional business was estimated at $111 million after allowing for multiplier effects, which was assumed to be the same as the 3.64 multiplier found for Texas.

Interestingly, the results of this study—which show implied impacts on a sector-by-sector basis—indicate that increased business induced by the Food Stamp Program is spread far and wide beyond the food and agriculture business. As a result, nonparticipating households (the balance of the economy) come close to benefiting about as much from the Program indirectly ($49 million) as Program participants benefit directly ($64 million).

The Food Stamp Program as operated in Texas in 1972 resulted in additional tax collections estimated at $16.5 million, of which $4 million was received by State and local governments and $12.5 million Federal.

Table 34 shows the relationship between administrative costs and taxes collected in 1972 as a result of the Program in Texas. It shows that total costs to Texas, estimated at $1.8 million, made up only 45 percent of the taxes received by the State and local areas. USDA program matching costs of $.9 million were only 7 percent of the Federal taxes generated by the Program's operation in Texas that year; no estimate was made of the Federal operating expenses that could be attributed to the Texas operation.

---

[2] Logan, S. and D. B. DeLoach. *The Food Stamp Program: Del Norte and Humbolt Counties, California,* California Agricultural Experiment Station, Bulletin 860, March 1973.

TABLE 34.—ADMINISTRATIVE COSTS RELATED TO ADDITIONAL TAX RECEIPTS, CALENDAR 1972

[Dollar amounts in millions]

Government	Administrative costs	Additional tax receipts as result of Texas food stamp program	Administrative costs as proportion of added tax received (percent)
Texas	$1.8	$4.0	45
Federal	[1] .9	12.5	7
Total	2.7	16.5	16

[1] USDA share of Texas administrative costs only; Federal administrative costs are not included.

Chapter 10

ALTERNATIVE PROGRAM OPTIONS

Many observers have recommended that the Program be modified to eliminate the purchase requirement. Only this program alternative will be considered in this section. This change could take either of two forms, and would have differing results. (1) The current level of stamp issuance could be maintained and the Federal Government simply absorb the current cost of the purchase requirement, or (2) the level of stamp issuance could be reduced to consist only of the current bonus level.

Maintain Current Level of Issuance

Only by maintaining the current level of stamp issuance could the Program continue to have any measurable food or nutritional impact. By continuing current issuance, households under the Program could continue to purchase a nutritionally adequate diet. The major impacts of such a modification are as follows:

1. Greatly increased Federal transfer payments. Preliminary data for January 1975 show the total purchase requirement to be $252 million, or an annual rate of $3.0 billion. This would be the net additional cost with no changes in participation.

2. Greatly increased participation. The purchase requirement currently is the governing mechanism that targets the net program benefits to the poorest of those eligible. As indicated in an earlier Section, participation as a percentage of the population drops off sharply as income rises, even within the range of eligibility. No precise estimate of this response is possible, but it would be significant.

3. Vertical inequity would be sharply increased and work incentives decreased. Most of the net additional $3 billion in Federal benefits would be concentrated at the upper levels of the eligible population. Benefits would drop abruptly at the threshold level from $154 per month for a family of 4 to zero with the addition of $1 income at that point.

4. Reduced efficiency of nutritional benefits. The addition of $3 billion to the $4.7 annual rate of bonus at January 1975 levels would not increase the $7.7 billion rate of stamps issued, and consequently there would be no requirement for additional food to be purchased by recipients. The $3 billion would represent a cash supplement. Of course, it is possible that some of this $3 billion would be spent for food, but the amount would be quite small.

Reduce Stamp Issuance to Current Bonus Levels

Quite different results would be expected from a lowering of stamp issuance to the current level of the bonus value. The major impacts expected are as follows:

1. The objectives of the Program would need to be rewritten, deleting the requirement of providing opportunity for recipients to purchase a nutritionally adequate diet. The program would revert to a supplemental program that would provide little incentive for participants to increase food purchases. For example at the threshold level of eligibility, recipients would receive only $24 in stamps for a 4-person household, nearly all of which would free up dollar spending for other things.
2. Program costs would remain unchanged except as influenced by participation.
3. Participation likely would rise, but not to the extent of the first alternative. People now at the upper levels of eligibility would be more willing to participate if they did not need to commit such a large amount of money to food at one or two times during the month.
4. The Program would become in essence a cash supplement program. Since the food and nutritional objectives would have been removed, the Congress would be better advised to save the costs of printing, distributing and monitoring stamps and simply provide substitute cash supplements of some type.

ADDRESS BY HON. WILLIAM E. SIMON, SECRETARY OF THE TREASURY, BEFORE THE 32D ANNUAL JUNIOR ACHIEVERS CONFERENCE, BLOOMINGTON, IND., AUGUST 12, 1975

This is a very special and happy occasion for me. During the last three years that I have spent in Washington, I have come to believe more and more strongly in the need for fresh vision and vigorous, dynamic leadership in private industry. Today I am proud to come here and salute many of the young men and women who will provide that leadership in the future.

In speaking to you, I am reminded of a young man who was struggling during the middle of the nineteenth century to establish himself as a poet. To win recognition, he decided to send a manuscript of his poetry to the giant of American Literature, Ralph Waldo Emerson.

Emerson read the work, entitled *Leaves of Grass*, and sent this note back to the young man:

"Dear Mr. Whitman," he said, "I greet you at the beginning of a great career."

Emerson was right, of course; Walt Whitman went on to become one of the most cherished of America's poets.

And so, too, I greet you as members of Junior Achievement at the beginning of what in many cases will be great careers. Through your participation in organizations such as Junior Achievement, I know that you are learning not only the techniques of organizing and running a successful business venture but that you are also coming to appreciate the contribution that free enterprise makes to this great nation.

Your attendance at this year's convention of Junior Achievers comes at a particularly opportune moment because we will soon celebrate the 200th anniversary of the Republic. Coming here and meeting other young men and women from all corners of America, hearing the Southern drawl and the Midwestern twang, seeing the fashions from the East and hearing the spicy stories about what it's like out West, each of you must be deepening your understanding of America and the rich, incredible diversity which makes us such a restless and energetic people. This is a good time for all of us to reflect on the American experience and what it means.

Some of you may remember the first pilgrims who came to these shores. Crossing the Atlantic to Plymouth Rock, huddled together against the winds of adversity, they heard John Winthrop deliver one of the most famous sermons in our history.

In the New World, Winthrop told them, "we must consider that we shall be a city upon a hill. The eyes of all people are upon us . . . we shall be made a story and a byword through the world."

And that has been the American experience: to be that city upon a hill a bright jewel in the galaxy of nations that holds out to all mankind the dream of "life, liberty, and the pursuit of happiness."

What has made this such a great nation? What has made people talk about the American Dream? Has it been the land? To be sure, we have been blessed by an abundance of natural resources, but in the Soviet Union we see a land mass that is much larger than our own, is equally well endowed, and yet the Russian land yields a smaller harvest of goods for its people. Today the Soviets turn to the United States for the grain they so badly need.

Does our secret lie in the talent of our people? To be sure, we are blessed with one of the largest and most talented populations that the world has ever known, but in China we see a population that is four times as large as our own, whose civilization was developed far in advance of our own, and yet today their standard of living is far below our own.

Our land and our people, then, have both been essential parts of the American story, but they are not the whole story. A third ingredient—the ingredient that is missing in the Soviet Union and China, the ingredient that has always made us different—has been our freedom.

The early Americans streamed to these shores in search of freedom—freedom of religion, freedom of speech, freedom of the press, freedom of assembly, and freedom to seek their fortunes without fear or favor of the government. Each of these freedoms was planted firmly in our Constitutional soil; each grew and bore fruit; but each has become such a familiar part of our landscape that I now wonder whether we take them too much for granted.

Those of you who have had the privilege to travel in other lands have seen how precious freedom has become in the world today. Only a tiny handful of nations now permit their citizens the liberties we enjoy here. It is no accident that in every country where people have been given a free choice between communism and democracy, they have voted for democracy. And thousands of people have gladly risked their lives in desperate attempts to escape from tyranny into freedom.

There is nothing plastic or artificial about freedom, nor is there any guarantee of its permanency. As Dwight Eisenhower once said, "Freedom has its life in the hearts, the actions, and the spirits of men, and so it must be daily earned and refreshed—else like a flower cut from its lifegiving roots, it will wither and die."

I worry greatly today about the survival of one of the most vital but least understood of our freedoms in America: our freedom of enterprise. The free enterprise system is the foundation of our economy, the rock upon which we have built our earthly kingdom.

It is the system of free enterprise that has summoned forth the genius of our people—young men and women like you who wanted to make a difference in the world. One of our greatest inventors, Ben Franklin, was a printer's apprentice at 12, was writing and selling ballads at 15, and was publishing his own newspaper less than a decade later. Eli Whitney invented the cotton gin within a year after he graduated from college. By the age of 26, John D. Rockefeller had emerged from the obscurity of being a sales clerk to owning his own oil refinery. At the same time, 10-year-old Thomas Edison—expelled from school because his teacher thought he was retarded—was working in his own chemistry lab and by the time he was 30, had invented the phonograph. And at the age of 13, Andrew Carnegie went to work in a cotton factory—a poor immigrant from Scotland.

It is the system of free enterprise that has also provided productive jobs for the great majority of workers, fulfilled basic wants, enabled people to live more satisfying lives, and enriched the human experience. The cotton gin that Eli Whitney invented not only increased our cotton exports by more than a hundred fold within less than 20 years, but it also provided inexpensive clothing to millions of people. The mass production introduced by Henry Ford gave the world a cheap form of transportation that has been crucial for our industrial progress and has provided us with personal mobility that would have seemed impossible a century ago. And the little Brownie camera that George Eastman marketed in 1895 opened the way to a whole new art form that has given us all an extra sense of understanding and joy.

Nor have such advances been limited to work done by men. There have been a countless number of women whose stories are not as well known but have also been a vital part of our history—women such as Eliza Pinckney whose perfection of methods for growing the indigo plant gave the Carolinas a product that was the main staple of their economy before the Revolutionary War. Each of these men and women enjoyed and thrived on the freedom provided by our economic system.

It is, indeed, the system of free enterprise that has given this country the greatest prosperity and the highest standard of living ever known to man:

—In the last 15 years, poverty in this nation has been cut in half.

—Our farms today are harvesting more than twice as much grain as they were a quarter of a century ago—and with far fewer people to get the job done. Each American farmer now feeds as many as 50 of his fellow citizens with one of the most nutritious diets anywhere in the world.

—Our technology has made us the only nation on earth to place a man on the moon—and we've done that six times now.

—Our medical science has extended average life expectancy by more than 10 years since the turn of the century.

—Our technology has provided us with more leisure time—time for recreation, hobbies and for being with friends—than any society since the days of the ancient Greeks.

—And our economic wealth has allowed us to give other nations over $110 billion in food and economic assistance in the last 30 years—generosity that finds no parallel in world history.

It is also the system of free enterprise that has fired the imagination and determination of our people. No mountain has ever been too high nor has any ocean ever been too wide to cross. To cite but one example, you may recall that a century ago the Civil War practically destroyed the country's whaling fleet, bringing a collapse to the industry that provided the major source of lighting. Within a few years the price of whale oil shot up from a few pennies to over $2 a gallon. Cries went up across the land, "We are ruined."

What happened? Men with vision who had discovered a way to make kerosene began marketing kerosene lamps in place of whale oil lamps and before the end of the century two new industries—petroleum and electrical—were rapidly developing. As for whale oil lamps, they were sent to the museum—a useful reminder of how our system has been able to respond to crises.

It is also the system of free enterprise that has taught us never to give up, never to fall prey to the cynics, and the preachers of gloom

and doom. That fine old gentleman, Thomas Edison, is said to have tried 586 experiments to find the right filament for an electric light. None of them worked. "It's a shame," his assistant told him, "to have tried 586 times and failed."

"But we haven't had 586 failures," Edison replied.

"But, sir, we have," cried the assistant.

"No," said Edison, "we now know 586 ways that won't work and won't have to be tried again." Edison would not allow himself to be defeated, and eventually, of course, he made one of those breakthroughs that has changed the course of civilization. Edison was never a quitter. To him, as he once said, "genius is one percent inspiration and 99 percent perspiration."

Yet today, I submit to you that it is this same system of free enterprise—the system that has given us so much—that has been placed in greater danger than at anytime in my memory. For years America has been drifting away from her moorings, lured by the false promise of those who say that the government can do the job better than the people themselves and that we can no longer trust the individual to look out for himself.

We see the threat to free enterprise in the growing domination of government spending within our economy. Back in the 1920s, 12 cents out of every dollar spent in the United States was spent by the government. Today 33 cents out of every dollar is spent by the government. And if these trends continue, before the end of this century—when most of you will still be in the prime of life—the government could be spending as much as 60 cents out of every dollar. If we ever reach that dreaded day when you spend half of every day just earning money for the government, you had better have your hand on more than your wallet: you will also find that your personal and political freedoms may be stolen. As President Ford has said, "a government big enough to give us everything we want is a government big enough to take from us everything we have."

Why has government spending exploded? Because, I would suggest, we have been willing to assign to the government the responsibility for solving many of the problems that people should be solving for themselves. We begin with the best of intentions but wind up with social programs that are spinning out of control. The food stamp program began as a small, $14 million experiment in 1962. By 1976, it will cost over $6.6 billion a year—a 47,000 percent increase—and it is a well-known haven for the chiselers and rip-off artists. Only a few weeks ago, a national magazine advertised a booklet that told people how to obtain food stamps even if they earned as much as $16,000 a year. So much for the spirit of self-reliance.

We also see the threat to free enterprise arising in the army of government regulators that has been marshalled along the banks of the Potomac. The regulators are a little different from the traditional bureaucrat. There was a time when a story about Pope John rang true for Washington as well. The Pope was asked by a visitor how many people worked in the Vatican. He thought for a moment and answered, "I would say about half." The regulators are changing that tradition in Washington: they are all working full-time, and they seem to be working overtime on the business community.

Let's suppose for a moment that you lived in Chicago and borrowed some money to start a small trucking business to carry freight to

Cleveland, Ohio. That seems easy enough: Cleveland is not far from Chicago. Should you then rush out and invest in a few trucks? Sorry, the first thing you should do is file a request with the Interstate Commerce Commission. That will cost you $350 in filing fees, and you'll probably need a private lawyer to boot. Well, you say, the request must be only a formality and you can get started in a few weeks time. Sorry, but the request will almost inevitably lead to legal hearings and you will have to prove that existing service to Cleveland is inadequate and that existing carriers cannot be made to provide it. The average request now takes 10 months to process and some have been known to take over three years. Protests by existing carriers often lead the ICC to give only restricted approval to requests from new carriers and, especially along well-traveled routes, to deny many requests altogether. Undaunted, you wait it out, obtain your approval, and decide that the best way to get a break on your competitors is to reduce the prices you charge to your customers. Sorry, your proposed rate reduction will probably be protested by other carriers and then suspended by the ICC. In effect, the government will force you to charge higher prices, even though you could afford to charge lower ones. Nonetheless, even with the higher rates you win a few customers with exceptionally good service, and new customers appear, asking that you carry their goods from Cleveland back to Chicago. Good, you say, your business is expanding. Sorry, the ICC won't allow it unless your original certificate specifically authorizes you to carry those products on the backhaul to Cleveland. The ICC requires instead that you drive back to Chicago with an empty truck—a practice that is still frequent even in a day of high cost energy. Despite all of these problems, you persevere and customers soon want you to carry their goods not only to Cleveland but also downstate to Columbus, Ohio. Sorry, but your ICC certificate says you can only go between Chicago and Cleveland; to drive to Columbus, you'll have to get a new certificate, and that means you'll have to start the whole process all over again—lawyers, forms hearings, rate settings, the works. At that point, you might be justified in throwing up your hands and sending off for that pamphlet which tells you how to collect food stamps. I wish that I were exaggerating the complexities and frustrations of dealing with the government bureaucracy, but I'm sad to say that it's all true.

In this and a countless number of other ways, the Government's regulatory process has become so heavy handed that it is beginning to strangle the free enterprise system in this country. Nor do regulations provide much help for consumers, for they breed inefficiency and run up operating costs—costs that reflect themselves in the tens of billions of dollars of inflated prices. Your government has proven that it is simply not equipped to replace the private business system in this country. Even Ralph Nader, the arch critic of the auto industry, once noted that, "If there is one thing worse than GM producing cars, it would be the U.S. government producing them."

We can also see the threat to free enterprise in the climate of misunderstanding and hostility that now surrounds our business community. Most of our major public institutions in this country—the government, our schools and our places of worship—have all declined in public esteem in recent years, but none has suffered as severe a drop as business. Young people in particular show a dismaying lack

of trust in the business community: to many of your peers, profits are not properly understood as the basis for creating new jobs but as an example of human greed; corporations are thought to be raping the environment; and big oil companies are said to be conspiring against the consumer. The misconceptions that exist about business today are staggering. A recent poll conducted by George Gallup among college students found that the average estimate of business profits was 45 cents on every dollar; in reality, profits are only one-tenth that amount. It's that kind of misunderstanding which has led to laws in the United States that impose a heavier tax burden on corporations than do the tax laws of almost any other major country in the world.

Some two hundred years ago, when the founding fathers gathered in Philadelphia, there was a great deal of secrecy about the constitution they were drafting. As their meetings broke up, a woman rushed up to Ben Franklin and asked, "Well, Doctor, what have we got, a republic or a monarchy?"

Franklin looked at her a second and then answered, "A Republic, Madam, if you can keep it."

That, my friends, is the question we face today: can we keep this great free enterprise system that our forefathers helped to provide for us in the early days of our Nation? Two hundred years ago, when America fought for her independence, do you realize what that struggle was all about? Economic freedom—that was the central issue. Now, as we celebrate our Bicentennial, it is certainly ironic that economic freedom has become a central issue once again—and once again, we must fight to secure our liberties.

Let us not deny that there are flaws in this system. It does not provide all of the answers to our problems and it creates problems of its own. But it has proved over and over again in history that it provides greater opportunity for career development and personal fulfillment, greater material wealth for more people, and a better guarantee of our personal and political freedoms than any other system ever known.

Instead of blindly condemning the system, let us open our eyes to its faults and work to correct them. Instead of tearing down the foundations of America, let us build upon them. And instead of turning our backs and dropping out when the going is too rough for any one of us, let us unite and join forces so that we will have the strength of ten.

In many ways, I find that young people are way out in front of the rest of society. You insist upon straight answers. You will no longer accept rhetoric in place of reality, promises in place of performance. If I understand the voice of the young, you are saying that our loss of faith in our ideals does not mean that the ideals have failed but that we have failed to live up to them. And a growing number of young people are beginning to recognize the grave dangers which overweening governmental power poses to their own hopes for personal fulfillment. Through all the ages of man, one of the greatest threats to individual freedom and individual progress has been concentrated power—whether that power has resided in the State, the church, big business, big labor, or whatever. Now more young people are frequently telling us—and rightly so, I believe—that our democracy's vast and growing governmental machinery is rapidly becoming a new menace to individual freedom in the United States.

In my generation, there are many men and women who are struggling to reform and preserve the democracy that you will inherit. We are trying to introduce a greater sense of discipline in government spending so that our Nation will not drown in the red ink of budget deficits and there will be enough money to invest in the future. We are trying to lift the dead hand of governmental regulation so that the spirit of free enterprise can flourish again. And as we work to end those abuses which do exist in the business community, we are also trying to educate more Americans about the unparalleled virtues of our political and economic system.

Yet my generation knows full well that even if we can stop the tide running toward a government managed economy, it will be up to your generation to reverse that tide and to rebuild and revitalize our democracy for the twenty-first century. Our challenge is a great one, but yours perhaps will be greater still. The world will long remember the chapter that you write into human history.

There is an old, familiar story—perhaps you have heard it—about a wise man n Damascus who could answer any riddle in life. One day a young boy decided to play a trick on the old man. The boy said to himself: "I will capture a bird, hold it cupped in my hand, and ask the old man if it is dead or alive. If he says dead, I shall let it fly away, but if he says alive, I shall crush it in my hands. The old man shall certainly give me the wrong answer."

So the young boy caught a bird and went to the wise old man. "Is the bird dead or alive?" he asked.

"My son," said the man, "the answer to that question is in your hands."

Shall freedom live or perish in America? My friends, the answer to that question is in your hands.

Thank you.

AUGUST 15, 1975.

Hon. WILLIAM E. SIMON,
Secretary of the Treasury,
Washington, D.C.

DEAR MR. SECRETARY. The other day you spent a morning in Bloomington at the national convention of Junior Achievement. I am writing to invite you to spend perhaps two hours here in Washington with the Senate Select Committee on Nutrition and Human Needs testifying on statements you made before that convention with respect to the Food Stamp Program.

As you may know, the Congress, like the Administration, is engaged in a thorough review of the program. We need all available accurate and reliable information in order to make effective reforms. Therefore, during your testimony, it would be very helpful if you could discuss the factual and data base of the following specific statements in your Bloomington address:

A. It was reported that you characterized the Food Stamp Program as a "haven for the chiselers and rip-off artists."

1. What is your definition of "chiselers and rip-off artists" and how many recipients meet that definition?

2. Since Department of Agriculture surveys indicate that the rate of fraud is less than one tenth of 1%, what contrary data do you have which led you to conclude that there was widespread "chiseling?"

3. What factors account for whatever degree of "chiseling" in fact exists, according to data in your possession?

—Has the Department of Agriculture failed to administer the program efficiently; and if so, what recommendations would you make to the Congress and Secretary Butz to correct the nonfeasance of his Department?

—Alternatively, have state agencies mal-administered the program; and if so, would you recommend a strengthened federal role in administration, and in what specific ways?

B. It was reported that you cited the Food Stamp Program as an example of "government spending (which has) exploded," of "social programs that are spinning out of control."

1. As you certainly understand, virtually all growth of food stamp costs and coverage has been caused, first, by the program's expansion between 1962 and 1974 from a pilot program which included only a few counties to a fully national program to feed the hungry and the malnourished; and second, to a current rate of unemployment unprecedented since the Great Depression. Since Department of Agriculture data indicate a decline in the number of food stamp recipients between 1975 and 1980, and no further increase and perhaps a decrease in the total cost of the program, what contrary projections support your conclusion that the program is "spinning out of control"; and what are the predicted costs and coverage of the program in what specific years, according to those projections?

2. If Treasury Department or other projections which contradict the Agriculture Department data in fact exist, what unemployment and food inflation rates during what years do those projections assume?

C. It was reported that you cited a magazine advertisement "that told people how to obtain food stamps even if they earned as much as $16,000 a year."

1. Since Department of Agriculture statistics indicate that the number of food stamp recipients with incomes in excess of $10,000 is negligible as a percentage of the total program, what contrary data persuaded you to lend credence and the prestige of your high office to a magazine advertisement which Secretary Butz has referred to the FTC with a request to consider charges of misleading and deceptive advertising? (Indeed, if you possess such data, I suggest that you forward it to the FTC, so that the advertiser in question will not be prosecuted in the federal courts.)

2. What eligibility requirements for food stamps would you recommend?

—How many recipients would be eliminated?

—What is their employment status now, and what was it before the current recession?

D. It was reported that you cited the Food Stamp Program as an example of "willing(ness) to assign to the government the responsibility for solving many of the problems that people should be solving for themselves."

1. According to data in your possession, what percentage of food stamp recipients could provide a nutritionally adequate diet for their families without the assistance of food stamps?

2. Since you call for "self-reliance," how many unemployed food stamp recipients could obtain jobs now or in the immediate future in the "free enterprise system" which you define as "the foundation of our economy"?

I welcome your involvement in the food stamp dialogue. This Committee, and the Congress, need the benefit of your interest, your information, and your insight. Since your statements in Bloomington are sharply at odds with all other available data, your testimony can make a unique contribution.

I realize that you might not be familiar with previously suppressed chapters of the July, 1975, U.S.D.A. Food Stamp Report to the Congress, which contain the most recent food stamp statistics and projections and which my office released a week ago. I am enclosing a copy of the chapters, in case they were withheld from you as well as the Congress. If your Indianapolis address was drafted in ignorance of these data and statistics, which directly refute your remarks about food stamps, a simple retraction would make your testimony unnecessary. I can understand how a public official might be misled by careless or uninformed advice from his own department. Or perhaps you unknowingly misstated the facts at the direction of other officials in the Executive Branch, which recently seems to have engaged in a concerted campaign of false charges and scare tactics against the Food Stamp Program.

Of course, if your statements have a basis in fact, we look forward to hearing your testimony at the earliest possible date.

The usual format includes presentation of a statement by the witness, followed by questions from Committee members. We would appreciate receiving one copy of your statement at least 72 hours prior to the hearing.

A transcript of your testimony will be mailed to you for corrections and insertions the morning after your appearance. The corrected transcript should be returned to the Committee within 10 days of the date of the hearing.

The members of this Committee expect a retraction or some factual substantiation of your Bloomington attack on the Food Stamp Program.

Sincerely,

GEORGE MCGOVERN, *Chairman.*

FACTS ABOUT FOOD STAMPS

[By Senator George S. McGovern]

As submitted to the *Los Angeles Times* for the issue of August 31, 1975

Recently Treasury Secretary William Simon told a lie. No, this time it wasn't that the recession was over. It wasn't that gas prices were reasonable. This time Simon said that the Food Stamp Program was "a haven for chiselers and rip-off artists." In fact there have been substantial increases in food stamp costs. In fact they are not the result of "chiseling" and "rip-offs." In fact, and it may be a fact too uncomfortable for Mr. Simon to face, these increases are a direct consequence of recession, high unemployment and continuing food price inflation—in short, the Simon-Ford economic policy.

A review of the Food Stamp Program can be useful if it is based on facts. Instead the Ford Administration has made food stamps part of internal Republican politics. Unable or unwilling to yield to right-wing pressures against detente and Rockefeller, the White House apparently has decided that sacrificing food stamps may dampen the incipient revolt from the right. Now Executive Branch officials have joined Senator Buckley, Governor Reagan and their allies in slandering and subverting the Food Stamp Program. The President is campaigning for the Republican nomination by having his Administration campaign against food stamps.

The Administration has blamed recent food stamp increases on fraud rather than its own failing economic policies. Yet the Administration itself has admitted consistently that food stamp fraud is nearly non-existent. In June 1973, Assistant Secretary of Agriculture Clayton Yeutter testified before the Senate Select Committee on Nutrition and Human Needs that the Food Stamp Program has been "remarkably free from fraud." In the first three quarters of 1973, he said, "the percentage of fraud in the participating households . . . equaled 24/1000th of one percent." In 1974, the Department of Agriculture reported a fraud rate of 8/100th of one percent. In May 1975, the Department stated that the incidence of fraud remains negligible; indeed, it is so minor that it is difficult to measure.

A different but related charge is that taxpayers are footing the bill for food stamps for high income families. One advertisement in a national magazine was headlined: "Taxpayers Making Up to $16,000 A Year Now Eligible." Though the Federal Trade Commission is considering charges of false advertising, the false impressions created by the ad persist. The truth, however, is that 77 percent of food stamp recipients have incomes after taxes below $5,000 a year; 92 percent are below $7,000: virtually all earn less than $10,000. In fact, the Food Stamp Program continues to be what it is supposed to be: A low-income program to feed those who otherwise cannot afford to feed themselves and their families.

The program had been steady for some time at approximately fifteen million recipients. Then between August 1974 and June 1975, as the unemployment rate rose by 60 percent, food stamp rolls rose by 30 percent.

Millions of Americans who thought that they would never need food stamps suddenly found themselves with low or no income. They applied for food stamps, which they had paid taxes to provide for others in previous years. Today the program sustains their families through the worst recession since World War II, a national economic crisis which is a personal economic crisis for each of them.

Food stamps have increased in scope and cost not because the program is spiralling out of control, not because "wild-eyed liberals" have created another massive giveaway, not because of "chiselers and rip-off artists," but because nine million Americans are out of of work, and the program mandates that no Americans should be without food. Who will its opponents now pick to go hungry?

Administration officials have also stirred fears that the Food Stamp Program will soon involve unmanageable costs and perhaps a third or a half of the entire population. Part of this strategy of fear has been to suppress the facts. The July 1975, Department of Agriculture Food Stamp Report to the Congress was censored at the White House to remove statistical data which decisively refutes the Administration's scare predictions about food stamps. This censored material was released by my office early in August. It demonstrates that the number of persons eligible for food stamps is likely to decline through 1980, or at the outside limit to increase only slightly. It projects that the program in 1980 will cost approximately the same as it does now. These projections have already been proven to be conservative estimates. As a consequence of the slight decline in the unemployment rate since April, the number of food stamp recipients has fallen even faster than the Agriculture Department Report forecast.

It has never been my intention, or as far as I know the intention of others who support food stamps, to provide government subsidies for those who can provide for themselves. To the extent that the Food Stamp Act allows such individuals or families to participate, reforms are justified and essential and I will introduce them in this session of the Congress. Changes which guard against excess and abuse need not and must not deprive needy recipients of food stamps.

Of course the best solution to the increasing costs of food stamps, as to so many of our national problems, is the restoration of our national economy. For every one percent increase in unemployment, an additional 600,000 Americans are forced to turn to food stamps. The food stamp budget will continue to rise until the economy offers sufficient jobs for all who can work at decent wages which are not constantly devalued by inflation.

Administration slanders of the Food Stamp Program make only political sense; they rely not on statistics, but economic nonsense.

The Administration which created unprecedented unemployment now complains because the unemployed need food stamps to feed their families. The complaints are based on myths, and a self-serving desire to believe these myths are true. They are ransom for the right-wing of the Republican Party. The Ford Administration seems to think it can prove to the right wingers that it is sufficiently reactionary by attacking food stamps, and the facts be damned. The President

seems to think he can keep Rockefeller and Kissinger, and defeat Reagan, by taking food from those whose jobs have already been taken.

Secretary Simon's irresponsible and inflammatory remarks about "food stamp chiselers and rip-off artists" are simply untrue, and Mr. Simon knows they are untrue. He did not offer a single statistic to support his statements. I have invited him to testify before the Select Committee on Nutrition and Human Needs if he can cite any evidence at all for his assertions. Otherwise he should retract them because they unjustly impugn millions of Americans who would rather work at good wages than be on food stamps, who have no jobs, but have to eat. Mr. Simon has not replied to my invitation. Obviously he has nothing further to say. He cannot defend his charges because they are false.

These are the facts: Nineteen million people are free from hunger because of food stamps. These people are unemployed or poor, not "chiselers or rip-off artists." They are on food stamps not because they want to be, but because they have to be. Their numbers are likely to decrease, not increase—unless the Administration blunders from recession into a second Great Depression.

A rational evaluation and reform of food stamps is important. Equally important is that this be done fairly and factually. It cannot be done by scare words which are never defended when they are challenged, by empty slogans which do not save tax dollars, but merely serve narrow partisan purposes. Hunger is not a Republican or Democratic issue; it need not be an issue between the Administration and the Congress. Instead of making it a political issue, we should make food stamps as effective and efficient as possible on the basis of the facts.

FOOD STAMPS AND OTHER NONSENSE

[By Senator Bob Dole]

As submitted to the *Los Angeles Times* for the issue of August 31, 1975

If the Food Stamp Program makes sense at all, it makes sense only in the context of a confused public assistance system that doesn't.

The Program is only one part of the irrational web of Federal social programs which few, if any, Congressmen or Senators understand, which fewer of the needy can comprehend, and a decreasing number of taxpayers can defend. Clearly, the time has come for a fundamental re-examination of the $135 billion array of social welfare programs with an eye toward elimination of many, basic restructuring of others, and overall improvement in the coordination among all programs. Unfortunately, this rationalization of governmental efforts to help the poor, aged, and disabled is not likely to occur in the immediate future. In the short-term, Congress has an obligation to both the taxpayers and the needy to make existing programs fiscally responsible and responsive to human needs.

Over the past several months, an inordinate share of the debate over public assistance programs has been focused on the Food Stamp Program. This is not surprising in light of the fact that it has grown most visibly during the current recession, from about 14 million participants last summer to over 19 million today. Expenditures for the program are now running at an annual rate of around $6 billion, amounting to well over half of the total budget of the Department of Agriculture. In fact, the Food Stamp Program now ranks just behind Social Security as the Nation's most expensive social welfare program.

Despite many good intentions—such as work incentive and work registration provisions—the Food Stamp Program exemplifies the irrationality and overlap of Federal social welfare programs. Department of Agriculture statistics reveal that fewer than 7 percent of food stamp recipients receive food stamps alone, and no other welfare benefits. Nearly 30 percent of food stamp recipients also receive Federal benefits from one other program; another 30 percent get food stamps and benefits under two other Federal social welfare programs; another 30 percent of food stamp beneficiaries receive payments from three or more additional programs, such as Aid to Families with Dependent Children, Social Security, Supplemental Security Income, and the Free School Lunch Program.

Many food stamp recipients pay Federal taxes, of course. Taking from the rich and giving to the poor may be one thing. It is entirely another to take from the poor and then give it back—with or without instructions.

Criticisms of the program are widespread and wide-ranging. The common perception that the program is riddled with fraud and abuse has proved the most universal irritant. The $6 billion price tag alone prompts further public questioning. But conceptual arguments, too,

have been raised. For example, the program's reason for being presumably is the nutritional enhancement of poor people's diets. University of Virginia economist Kenneth Clarkson found recently in a study for the American Enterprise Institute for Public Policy Research, however, that there has been no evidence that the food stamps improve the nutrition of those families who use them. Instead, he reports vast increases in soft drink purchases and other foods of low nutritional value by program beneficiaries. In fact, in one county surveyed—Fayette County, Pennsylvania—the nutritional level of food stamp users actually declined because the families bought fewer milk products, eggs and grains; and more sweets and fatty foods. That trend, according to the Clarkson study, was also noted in a 1971 United States Department of Agriculture survey of two California counties. If these findings should prove generally applicable, they would be clearly the most damaging indictment of the program.

Since a "quick-fix" for Federal social welfare programs seems unlikely—each has built up powerful constituencies over the years—Congress should at least try to make the best of a bad situation by making the individual programs more efficient. And the Food Stamp Program is a good place to start since it seems to be the subject of so much of the current discussion over public assistance programs.

Originally conceived in the 1930s as a device to raise farm commodity prices, and, at the same time, to improve the diets of America's poor, the modern Food Stamp Program has been in operation since enactment of the Food Stamp Act in 1964. In truly nationwide operation only since last year, the program provides eligible households with a monthly allotment of coupons (stamps) which can be redeemed to purchase food at regular food stores. To qualify for food stamps, participating households must either receive other public assistance or meet income and resource levels established by the Federal Government.

Except for the very poor, eligible persons must purchase the stamps in accordance with their income and family size. For example, a family of four with an adjusted monthly income (gross income minus a series of itemized deductions) of $250 would pay $71 for a monthly allotment of $162 worth of food stamps. Families with less income pay less for the same stamp allotment and households with net income in excess of $250 pay more.

The surface simplicity of the program conceals the bureaucratic and administrative morass which has led to calls for a fundamental restructuring of the food stamp law by conservatives and liberals alike. Complex application forms and lax eligibility guidelines have permitted many non-needy persons to obtain food stamps while many truly needy families have been forced to wait up to two months to obtain assistance to which they are entitled. Long lines which often form before dawn at some urban food stamp application centers have angered supporters of the program. At the same time, Congressmen and Senators are bombarded by letters from understandably irate constituents who stand in supermarket checkout lines and watch their middle-class neighbors pay for their food with food stamp "currency."

Clearly, both of these situations call for immediate reform of the Food Stamp Act. Justice for the taxpayers and the needy demands

that even if Congress doesn't act on comprehensive social welfare reform, it should at least move swiftly to amend the Food Stamp Act so that public confidence in the integrity of the Government's food assistance efforts can be restored.

Top priority should be given to elimination of the present cumbersome system of itemized deductions which are used to determine a household's eligibility for food stamps. Under current program regulations, an applicant household is permitted to deduct from gross income a variety of expenses including Federal, State and local taxes, Social Security payroll taxes, mandatory union dues, certain medical expenses, court-ordered alimony and child support, and some shelter expenses (mortgage payments, rents, and utilities), educational expenses, including tuition and mandatory fees, and child care expenses.

The original purpose of allowing these deductions before computing eligibility for food stamps was to disregard the portion of a food stamp applicant's income which is spent on deductible items in order to determine the applicant's total resources available to purchase food. In practice the complex system of itemized deductions has permitted some households with income well beyond the scope of what is generally thought of as "needy" to qualify for food stamps. For example, a four-person household with gross (before deduction) income of $9,000 is able to qualify for food stamps if it has $2,520 in itemized deductions ($200 per month). Such a household, with $540 net monthly income may purchase $162 worth of food stamps for $138—the $24 "bonus" being picked up by the taxpayers. Obviously, itemized deductions are of greatest benefit to non-poverty households and some middle income households, not to the very poor. As the Department of Agriculture pointed out in a recent report to the Senate, itemized deductions are the "loophole through which households who would not be considered poor can gain entry into eligibility."

In addition to allowing the "non-needy" to qualify for food stamps, itemized deductions are a burden to many poverty level food stamp recipients. The complex itemized deduction formula necessitates an application form considerably more complicated than the standard "1040" income tax return. For example, the food stamp application form used in New York City is six pages long and contains scores of questions and calculations which must be filled in by the applicant. (In light of its complexity, it's perhaps surprising that a chain of commercial food stamp application preparers has not been established by some imaginative entrepreneur). No doubt, the lengthy application form is in the large part responsible for the high rate of error in the Food Stamp Program. In fact, the General Accounting Office recently reported that in a review of food stamp cases over a six-month period, errors relating to itemized deductions accounted for about 43 percent of all errors involving overpayment or underpayment of food stamp benefits.

Mandatory deduction of a fixed dollar amount from the after-tax income of a household regardless of gross income level should be substituted for the itemized deduction system. Such a system would provide larger benefits to the poorest recipients while curtailing outlays to less needy households. This "standard" deduction—probably somewhere between $100 and $150 per month—would reduce benefits

(and participation) to higher income households who claim deductions larger than the standard while increasing benefits to poorer households whose itemized deductions are not as high as the standard. One additional deduction for unusual disaster or casualty losses could be retained.

The simple standard deduction plan will also greatly reduce the red tape in the program by shortening substantially the application process which has caused unconscionable delays in getting food stamps to needy persons.

In addition, Congress should set absolute maximum income levels based on household size to further assure that middle-income households do not qualify for food stamps. Participation by such households not only runs counter to the express purpose of the program but is an insult to the American taxpayer who must foot the bill.

Of course, each of these suggested reforms in the Food Stamp Program serves merely as a stop-gap on the road to comprehensive welfare reform. In contrast to the morass of Federal social welfare schemes, these changes in one program amount to only so much elementary tinkering. But that does not mean they should be taken lightly. They will vastly improve the Food Stamp Program and can serve to restore a bit of the public's faith in the integrity of Government's efforts to help the needy. The urgent need for more comprehensive reform notwithstanding, in the short term taxpayers deserve a more efficient program expenditure of their tax dollars and the needy, at a bare minimum, deserve a two-page application form. In the irrational and fiscally inefficient world of Federal social welfare programs, such small steps to restore public confidence would be no small achievement.

PRESS REACTION

[From Chicago (Ill.) Sun-Times, Aug. 7, 1975]

McGovern Hits Ford on Food-Stamps

Washington (UPI).—Sen. George McGovern (D-S.D.), accusing President Ford of playing politics, Wednesday released previously suppressed administration figures that he said rebut contentions the food-stamp program is getting out of hand.

McGovern said that, contrary to administration claims, the Agriculture Department report indicates both the cost of the program and the number of participants are likely to dec ine by 1980.

He said those who knew what was in the suppressed section of the report continued to "mislead and deceive" Congress by indicating the program could expand until a third or half the American people could qualify for food stamps.

McGovern, who said he got sections of the report from Agriculture Department employes, said the material "decisively refutes current scare charges about food-stamp trends." He accused Ford of "political" motives in suppressing the material.

He said Ford's position is an attempt to gain conservative support, calling it an effort to give former California Gov. Ronald Reagan and other conservative Republicans "a bone by taking food away from hungry people."

McGovern, chairman of the Senate Select Committee on Nutrition and Human Needs, said Ford has strongly hinted he favors a bill by Sen. James F. Buckley (Conr-N.Y.) to cut the food-stamp program by $2 billion a year, eliminating unemployed persons and near-poverty households.

The chapters McGovern released blame the recent rise in participation on "the deepening recession and rising unemployment levels" and on inclusion of Puerto Rico in the program.

The report said the program should level off at 20 million to 21 million participants this summer and increase slightly through fiscal 1977. It forecast a decline to about 19 million participants by 1980 as the economy recovers.

Federal costs of the program, now about $5 billion a year, should reach a high of $6.3 billion in fiscal 1977 but stabilize and decline after that, the report said.

[From the Milwaukee, (Wis.) Journal, August 10, 1975]

'Oh! er, that! Yes . . . I was going to mention it . . . Someday . . . maybe . . .'

[From Houston (Tex.) Chronicle, Aug. 7, 1975]

Contrary to Other Views

DIP IN FOOD STAMP ELIGIBILITY FORECAST

WASHINGTON (AP).—The Agriculture Department projects a decline of nearly 20 per cent by 1980 in the number of persons eligible for food stamps. This finding is contrary to top officials' assertions that the program faces future increases in the number of participants.

The department's projections were distributed Wednesday by Sen. George McGovern, D-S.D., after the Ford administration had refused to release them for more than four months.

Last week Asst. Agriculture Secretary Richard L. Feltner said that the number of Americans eligible for the stamps is growing and "it is not inconceivable" that it could go as high as half of the American population.

Further, President Ford, in urging Congress to tighten eligibility requirements, called the food stamp program "another massive, multibillion-dollar program, almost uncontrolled and fully supported by federal taxpayers."

The documents released by McGovern were part of the Agriculture Department's response to a Senate request for specific legislative proposals to revise the $5 billion-a-year program.

McGovern, chairman of the Senate Select Nutrition Committee, accused the administration of playing "presidential politics with the right wing by going after people without jobs and by giving (former California Gov. Ronald) Reagan and his crowd a bone" in discrediting the program.

The projections begin with the present eligible population of 40.6 million and assume the improvement in the economy that Ford predicts and also assume no basic changes in the program.

The projections show the number of eligible persons peaking this fiscal year at 42.2 million persons and falling to 33.3 million by 1980. The number actually participating last June was 19.2 million, down from the April peak of 19.6 million.

Feltner was asked last Thursday by Sen. Charles H. Percy, R-Ill., to respond to an assertion by Sen. James L. Buckley, Con-R-N.Y., that 75 million to 110 million Americans soon would be eligible for the stamps.

"Yes, I think we're going in that direction," Feltner replied. "It is hard to say exactly when we would reach that point, but the number of people has been growing each year, and I am not predicting that we will reach that point, but it is not inconceivable that we would."

McGovern said Wednesday, "Mr. Feltner either has an incredibly feeble memory or deliberately misled the committee. (He) knows damn well what is in their own study."

Feltner could not be reached for comment on McGovern's statements.

[From New York (N.Y.) Times, Aug. 11, 1975]

Food Stamp Reform

Concern about food stamps has increased sharply in the wake of large program increases caused by the recession. From a level of 15 million participants at an annual cost of $2.9 billion in the 1974 fiscal year, the program grew in recent months to 19 million participants at an annual cost of roughly $6 billion.

Critics argue that the program is out of control, with high-income families and college students exploiting it and costs nearing a level the country cannot afford. Assistant Agriculture Secretary Richard Feltner told a Senate committee last month that the program, for which 40 million persons currently qualify, is headed toward an eligibility level of 75 to 110 million.

By way of remedy, Senator James Buckley of New York and Representative Robert H. Michel of Illinois have introduced legislation which would lop off an estimated 30 to 50 per cent of the participants. The trouble is that the facts neither support the dire predictions nor warrant such a draconian cure.

The Administration's own figures, which the Department of Agriculture was sitting on when the Assistant Secretary testified, suggest a program trend exactly opposite to the one he forecast. The department's figures indicate that eligibility has already peaked and that by 1980 it will have declined to about 33 million persons. Even under the department's most pessimistic assumpt ons about the nation's economic recovery, eligibility would climb to only 44.8 million persons, not one-third or one-half the population as Mr. Feltner suggested.

Actually, a decline in participation is already apparently under way. In April and May, the last two months for which figures are available, the number of people in the program went down by half a million. The Senate Committee on Nutrition and Human Needs reported that 92 per cent of the families participating had incomes of less than $7,000 per year and that "there were virtually no families participating . . . with incomes of $10,000 a year or more."

Nevertheless, Senators George McGovern of South Dakota and Robert Dole of Kansas have recognized the obligation of Congressional supporters of the program to keep it under control. In line with that duty, they have promised to introduce a bill establishing a gross income limit for eligibility as soon as the Congressional recess ends. Such a measure would insure that the program retains its integrity as a guarantor of adequate nutrition for low-income families. It would provide realistic protection for both the taxpayers and the needy.

[From St. Paul (Minn.) Pioneer Press, Aug. 7, 1975]

Ford Food Stamp Politics Alleged

(By Lee Egerstrom)

Washington—Sen. George McGovern, D-S.D., released copies of a governmental study of the food stamp program Wednesday, charging the Ford administration suppressed the information because it shows the cost of the program leveling off and the number of food stamp recipients declining in the years ahead.

McGovern, chairman of the Senate's Nutrition Committee and a member of the Senate Agriculture Committee which has held hearings on food stamps, accused the White House of playing 1976 presidential politics with the nation's right wing by attacking the program.

"These sections decisively refute current scare charges about food stamp trends," McGovern said of the reports he released Wednesday.

"But the Ford administration apparently does not want the truth to be told about food stamps," he added. "Instead the White House is moving to appease right-wing anger over Helsinki, detente, and Rockefeller by weakening the food stamp program."

The Senate requested the Agriculture Department to file a report on the current program and offer its projections earlier this year when unemployment pushed the food stamp program to more than $5 billion with 19 million Americans receiving stamps.

The report was filed with the Senate on July 1. However, McGovern said employes leaked copies of four chapters of the study and two sections of other chapters to the Senate Agriculture Committee when that material was "suppressed" by the Office of Management and Budget (OMB).

McGovern accused the administration of adopting the "Nixon tactic of censoring statistics and the analysis of professional experts in the Civil Service."

The suppressed information shows, he said, that the number of persons eligible for the program will likely decline through 1980, or increase only marginally if the recession continues.

The cost of the program is likely to remain approximately the same in 1975 dollars as food costs likely increase.

And the report shows the program's direct benefits to recipients provide substantial economic stimulation to other sectors of the national economy through job creation, farm income, commercial sales and tax revenues in excess of administrative costs, he said.

"I think it is the best social program on the statute books with the exception of Social Security," McGovern said.

He credited the program with helping prevent starvation and social turmoil in American cities as the unemployment rate skyrocketed during this year's recession.

Citing recent hearings before his committee, McGovern said the administration purposely has misled Congress on the program.

Sen. Charles Percy, R-Ill., had asked Richard Feltner, assistant agriculture secretary, "Are we in fact approaching the time when a third or half of the American people—that would be 75 million to 110 million people—may be eligible for food stamps?"

Feltner answered last week, "Yes, I think we are going in that direction."

McGovern charged Wednesday, "Mr. Feltner either has an incredibly feeble memory or deliberately misled the committee since the suppressed sections of the USDA report, which was prepared in his own division of the Agriculture Department, forecast a likely total of 33.3 million eligible persons, and a maximum of 44.8 million, in 1980."

McGovern said the administration was "juggling" statistics to make predictions of additional costs and growing numbers of participants. A prolonged and recurrent recession would be necessary to inflate the number of people receiving food stamps, he said, and this is not the economic projection offered by Treasury Secretary William Simon and the Council of Economic Advisers.

McGovern said he wrote to the Agriculture Department asking about the suppressed portions of the report. Deputy Assistant Secretary John Dumgard answered in a letter also released by McGovern that there were no deletions and that it would be impossible to reconstruct chapters from earlier drafts of the report.

"Clearly the attached reproductions of the missing chapters do not represent the achievement of the impossible." McGovern said. "Indeed I am informed that in the face of mounting pressure from Congress and the media, the Agriculture Department was ready to release the missing sections last week—until another political decision was made to keep hiding the facts."

[From New York (N.Y.) Post, Aug. 13, 1975]

ENEMY OF THE PEOPLE

(By Harriet Van Horne)

In every Administration there are key bureaucrats the electorate quickly perceives as Enemies of the People.

Invariably, these presidential favorites are the men who tell interviewers they have entered public life "at tremendous sacrifice."

Invariably, too, they are the men we'd like to see pick up their attache cases and return to that place they hold so dear—the Private Sector.

This season's leading candidate for early retirement—if one can judge popular sentiment—is the Secretary of the Treasury, William Simon. Every time he makes a speech he offends several million Americans, most of them poor or aged or disabled. Or, as is usually the case, all three. His contempt for non-productive Americans goes deep. It is matched only by his suspicion of any social reform since the Tenement Law of 1901.

* * * * * * *

This week Simon denounced the food stamp program as a "ripoff." He praised free enterprise as "the rock upon which we have built our earthly kingdom." That the system has failed to share its fruits with 30 million impoverished Americans does not strike Simon as a government problem. By his credo, the needy can be forgotten and the expectation of the poor can perish forever.

How would Simple Simon, as his critics call him, solve the most serious economic recession in 50 years? Let him tell you in his own words:

"The best way to help the jobless is not to create vast numbers of temporary jobs on the public payroll, but to bring the economy back to good health," Simon wrote in the Saturday Review.

Let the government play a "neutral role" in the economy, he has stated. And let us, of course, practice "fiscal and monetary discipline." Think small, and don't squander the alms in your begging bowl.

I bid you, Mr. Secretary, to sit down with an unemployed father of six, say a man with a mortgage whose unemployment benefits are due to expire, and describe to him the advantages of "fiscal discipline." One hopes he'd respond with some choice words you might find instructive.

In his tirade against food stamps—which are now keeping 17 million Americans from serious malnutrition—Simon did not explore the reasons so many people have joined the program. The simple truth—"More and more people are hungry because the economy is getting sicker and sicker"—cannot be spoken by a Republican Secretary of the Treasury. And especially not before the Junior Achievers of Bloomington, Ind. (Talk about your hand-picked audience!)

Sen. George McGovern charged last week that the Ford Administration, in its obsessive drive to cut back on food stamps, suppressed certain vital facts in the programs favor.

The deleted material would have nullified certain arguments Simon and his right-wing supporters have been repeating with tiresome frequency.

For example: It has been shown that food stamps stimulate the economy by providing jobs, higher retail sales, tax revenues and a small bonanza for farmers who grow such basic stuff as wheat, corn and soy beans.

McGovern also pointed out that the food stamp program's cost is expected to remain constant over the next five years. (He might have added that there are millions of unemployed, eligible Americans who are too proud to apply for stamps.) McGovern's claim may be open to question, if Ford continues to veto bills that might stimulate the economy and reduce the numbers so pitifully dependent upon food stamps, welfare and Medicaid.

* * * * * * *

Simon and his flinty hearted admirers have dwelt righteously upon the alleged cheating by recipients of food stamps. No doubt there are some ripoffs, human nature being as imperfect as it is. But one could remind Simon that there are doctors who have amassed fortunes ripping off Medicare. There are welfare mothers who engage in prostitution. And there are captains of industry—highly respected in that genteel Private Sector—who have stolen billions from the poor they denounce as ripoff artists."

When Simon recently proposed to cut taxes on dividends by $14 billions (to "stimulate" the economy, of course), he was called a "liar" by Rep. Fortney Stark of the Ways and Means Committee. The epithet grew out of Stark's charges that the Secretary had no honest figures to bolster his case that the rich need the tax break.

From my reading about the food stamp program it would seem that the worst thieves, from Appalachia to East Harlem are the grocers. Their ripoff is to raise the price of the basic foods bought with stamps. In eastern Kentucky, for example, the price of a 25-pound bag of pinto beans rises by one third when the currency is food stamps.

In all his raging against food stamps, against poor people and price controls and social welfare, the Secretary of the Treasury has overlooked one development that might brighten the nation's economy at every level. That is, his resignation.

[From The Christian Science Monitor, Aug. 7, 1975]

Was Information Concealed?

FOOD STAMP DATA DECEPTION CHARGED

(By Louise Sweeney)

WASHINGTON—The Ford administration is the target of charges of attempting to discredit the food stamp program by suppressing information that would have "refuted current scare charges" about it and by offering deceptive information to Congress.

Sen. George McGovern (D) of South Dakota, chairman of the Senate Select Committee of Nutrition and Human Needs, charged that the administration was playing politics by suppressing through the Office of Management and Budget, four chapters and parts of two others of a U.S. Department of Agriculture (USDA) report on food stamps.

The sections, which he made public Aug. 6, show that the cost of the food stamp program (about $5 billion now) is likely to be the same by 1980, and that the number of participants (now about 19 million) is likely to decline by 1980.

The information which Senator McGovern says was suppressed, obtained by the McGovern committee through "a concerned professional" at USDA, also was said to substantiate the program's direct benefits on the economy to retail grocers, farmers, and in state taxes.

The USDA, asked to comment on Senator McGovern's charges, was unable to make any immediate statement about the issues involved.

Senator McGovern specified that USDA Assistant Secretary of Agriculture Richard Feltner had "tricked" the committee last week at hearings by stating that the country was approaching the time when a third or half of the American people—75 million to 110 million people—might be eligible for food stamps. Later another USDA official testified "from memory" to the contrary.

Senator McGovern was contradicted by the allegedly suppressed portions of the USDA's own report, which estimates that given even the most adverse conditions the number would be only half that or 44 million. He also noted that inquiries to USDA resulted in the subcommittee being told the information did not exist in any available form.

"The whole urban complex might blow sky high this summer if it were not for the food stamp program," said Senator McGovern. "Unemployment in some areas is as high as 40 percent." He cited as an example of high unemployment the Detroit area, which last week experienced two days of disturbances—a reminder of the '68 riots. He suggested that if the 9 million unemployed were also without food, "it's clear we would be in for a tragic situation."

"The administration has let millions of people go without jobs, and now they want to take their food away," said Senator McGovern. "They're playing presidential politics with the right wing. This is the new burning issue to replace the welfare cheat charge. They're playing presidential politics to buy off the right wing. . . ."

Senator McGovern was referring to the "Buckley Bill" supported by 70 members of Congress, a bill which was drafted by Ronald Reagan's former state welfare director, now on the staff of Senator William Buckley (Con-R) of New York. The bill would cut 10 to 12 million people out of the food stamp program. President Ford has suggested that he favors it, and USDA Secretary Earl Butz, says Mr. McGovern, "virtually endorsed" the bill on a television news program last weekend.

"The White House does not want the facts," says Senator McGovern, "to interfere with a political decision to support the reactionary policies of the Buckley bill. On the basis of these facts, these policies would be defeated." But he noted that the food stamp issue was "not an entirely partisan one," citing the efforts of those such as Republican Sens. Jacob Javits (R) of New York and Charles Percy (R) of Illinois who have supported it.

[From Boston (Mass.) Christian Science Monitor, Aug. 8, 1975]

CORRECTION

A story in the Aug. 7 edition of The Christian Science Monitor on food stamps read in part: "Senator [George] McGovern was contradicted by the allegedly suppressed portions of the USDA's [U.S. Department of Agriculture's] own report. . . ."

This is a typographical error, the paragraph should have read:

"Senator McGovern pointed out that this 'deceptive' information of [Assistant] secretary [of Agriculture Richard] Feltner's was contradicted by the allegedly suppressed portions of the USDA's own report."

[From New York (N.Y.) Times, Aug. 7, 1975]

FOOD STAMP DATA HELD SUPPRESSED

MCGOVERN CHARGES BUDGET OFFICE ASKED TO CURTAIL PROGRAM'S GROWTH

(By Nancy Hicks)

WASHINGTON, Aug. 6—The Ford Administration suppressed portions of a food stamp report by the Department of Agriculture that did not support the Administration's attempt to cut back the program, Senator George McGovern charged today.

The suppressed material was prepared for inclusion in a report on the program that was sent to the Senate last month, the South Dakota Democrat said in releasing the portions today. He contended that the portions had been ordered deleted from the report by the Office of Management and Budget, which has been recommending cuts in the $5-billion program. He said the material had been given to him by departmental staff members.

The program has come under increasing political attack in recent months as a result of its rapid growth, and it is portrayed by critics as a threat to the economy.

The deleted sections of the report maintain that the number of persons enrolled will decline by 1980—something that has already begun to happen—that the program's cost in constant dollars will remain about the same over the next five years, and that food stamps stimulate the economy by providing jobs, farm income, retail sales and tax revenues above administrative costs.

UNANSWERED CALLS

Administrators in the Department of Agriculture did not return telephone calls to answer questions raised by the material released this afternoon.

Whitney Shoemaker, a spokeman for The Budget Office, confirmed that the agency had directed the Agriculture Department to revise the report before sending it to Congress. He said that the budget agency had challenged "some material in the Agriculture draft report, suggesting they were made on questionable economic assumptions and some other parts were not germane."

At a briefing this morning, Senator McGovern said: "I think the food stamp program is the best social program we've got on the books, with the exception of Social Security, and I'm just fed up with the mounting attempts to discredit it.

"These [deleted] sections refute current scare charges about food stamp trends. But the Ford Administration apparently does not want the truth to be told about food stamps. Instead the White House is moving to appease right-wing anger over Helsinki, détente, and Rockefeller by weakening the food stamp program."

Conservative Republicans, who have been the most critical of food stamps, have criticized Mr. Ford for his participation in the 35-nation European security

conference that took place in Helsinki last week. They also have criticized his policy of détente with the Soviet Union and his refusal to drop Vice President Rockefeller from consideration for the 1976 Presidential ticket.

LOWER UNEMPLOYMENT SEEN

The Administration's attempts to scale down the program go back to the beginning of the year. At that time, the Agriculture Department announced that it would raise the purchase price of food stamps by 30 percent, effectively reducing the number of participants in the program.

Both houses of Congress voted overwhelmingly to freeze the price for the rest of 1975. The Senate accompanied its vote with a resolution asking the department to prepare a report on the program that could be used to make legislative changes to control abuses.

The deleted material assumes that the unemployment rate will drop from the recent 8.4 percent to 4.5 percent by the end of the decade, that disposable income will rise 12 percent each year, and that food prices will rise about four percent per year.

Under these conditions, eligibility would drop from 40.6 million persons this year to 33.3 million by the fiscal year 1980. Another, less optimistic projection, also in the deleted material, says that at most, eligibility would rise to 44.8 million but not to the 75-to-110-million figure that Assistant Agriculture Secretary Richard L. Feltner, cited as a possibility in Senate testimony last week.

Under these conditions, actual participation would stay between 19 million and 21 million persons, the deleted material says.

Spokesmen for the White House and the budget office contended that they "could find no historical precedent for the assumption" that disposal income would rise 12 percent a year, and they said that their unemployment projection for 1980 was 5.1 percent.

Participants in the program purchase the food stamps from the Government at reduced cost and redeem them at retail food stores. A qualified family of four is entitled to $162 in stamps each month. The amount it pays for the stamps is determined by a complicated formula that establishes net income.

[From Atlanta (Ga.) Constitution, Aug. 7, 1975]

Stamps Data Held Biased

(By Beau Cutts)

Washington—Sen. George McGovern charged Wednesday that the Ford administration suppressed portions of a federal report on food stamps favorable to the program.

At a news conference, the South Dakota Democrat declared, "I am appalled that under an administration born of Nixon's downfall the Nixon tactics have been applied anew—that the facts of food stamps have been suppressed, that the Congress has been misled, that the economic well being of millions of Americans has been consigned to the political auction block."

The senator said President Ford personally directed or approved of the alleged suppression of information on food stamps. A presidential spokesman later denied the charge.

"These sections decisively refute current scare charges about food stamp trends," he said, "but the Ford administration apparently does not want the truth to be told about food stamps."

The senator said the "suppressed portion of the USDA food stamp report" shows that the number of persons eligible for the program is likely to decline through 1980, or at the "outside limit" to increase only marginally.

The deleted sections, said McGovern, also show that the cost of the food stamp program in 1975 dollars is likely to remain approximately the same through this decade.

Assistant Agriculture Secretary Richard Feltner, whose staff prepared the report, said that "nothing was deliberately suppressed" from the public version of the study released last month.

However, a spokesman for USDA conceded that there was no information in the published report projecting the number of persons eligible for food stamps in the year ahead.

McGovern said he obtained the "deleted" sections from employes of USDA whom the senator did not identify.

In testimony last week before the Senate Select Committee on Nutrition and Human Needs, which McGovern chairs, Feltner gave misleading statements about the future size of participation in the food stamp program, McGovern charged.

Feltner denied the accusation.

The food stamp program provides a government subsidy to offset all or a portion of the cost of food based on the size and economic situation of a participating family.

Because of the rapid increases in number of participants and in the cost, the program has been criticized heavily in recent months. There have been charges of widespread fraud and many errors in administering the program.

McGovern said he would guess that only about 1 per cent of those on food stamps are actually ineligible. Approximately 19 million Americans are now drawing food stamps and the cost is "a little over $5 billion" a year, said McGovern.

According to USDA, the nationwide June participation in the food stamp program was 19.2 million persons—almost one out of 10 Americans. The annual cost estimated by USDA was $8.4 billion.

McGovern said the food stamp program was "superb" and has kept "the cities from blowing wide open" this summer in urban areas where unemployment reaches 40 percent.

"While people are unemployed, at least they're not hungry," he said.

Reading from the material he obtained, McGovern said, "Data for 1973 suggest that two-thirds of the entire population with family incomes below $2,500 were being served by the (food stamp) program."

Noting the administration's lack of enthusiasm for the program and pending legislation to reduce it, McGovern said, "What are you going to do with those people if this program is knocked in the head?"

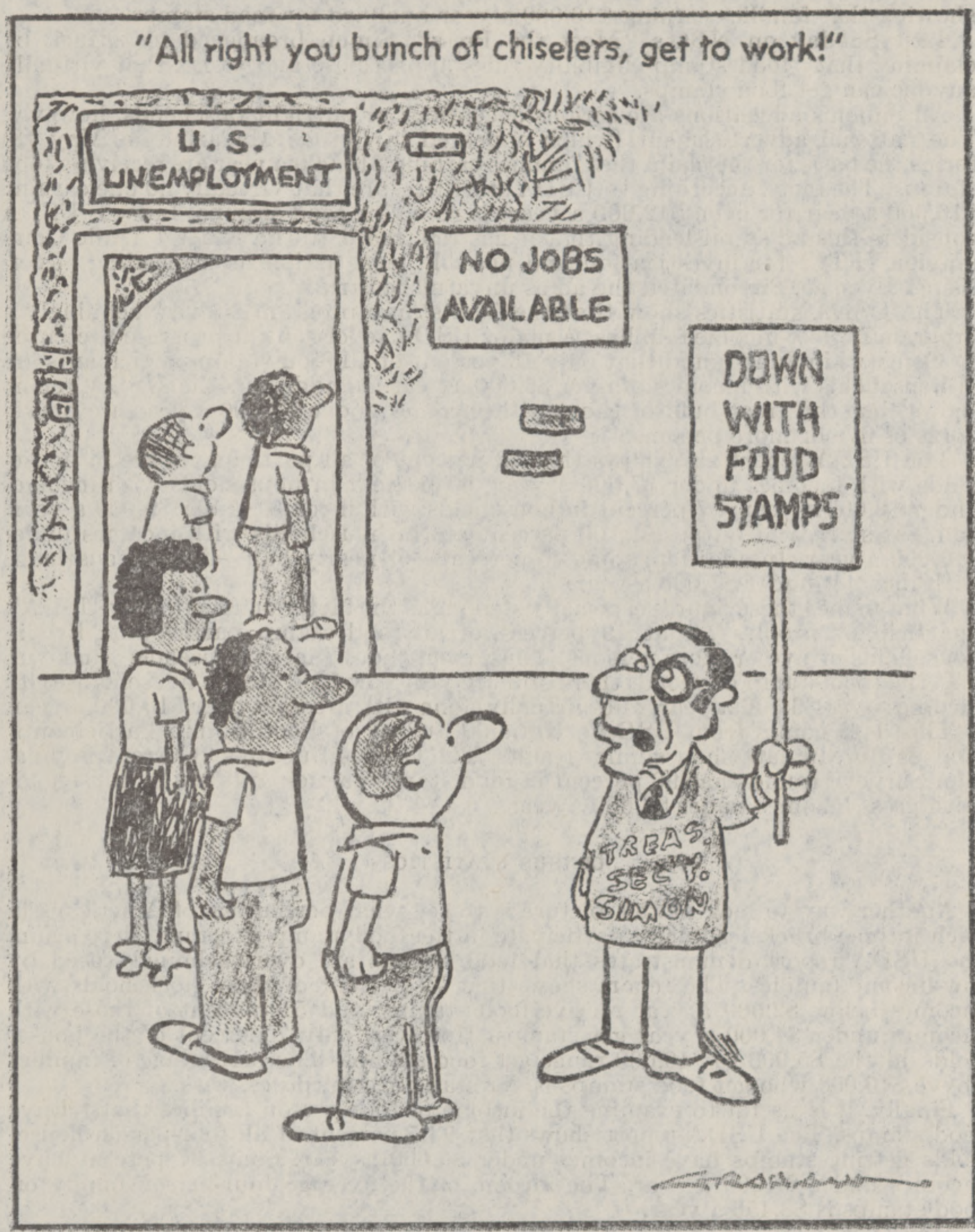
He said USDA privately calculated economic conditions likely to exist through 1980 and determined that the number of persons eligible for food stamps would decline from 40.6 million in 1975 to 33.3 million persons. If economic conditions grew to a "worse case" condition, the eligibility number would grow from 40.6 million to 44.8 million in 1980, McGovern related.

In response, Feltner of USDA said the calculations may have been "in an early rough draft of that report."

[From the Charlotte (N.C.) Observer, Aug. 14, 1975]

[From the Richmond (Va.) Times-Dispatch, Aug. 17, 1975]

[From the Little Rock (Ark.) Gazette, Aug. 14, 1975]



[From the CNI Weekly Report, Sept. 11, 1975]

Lies and Distortions Mark Food Stamp Attack

In recent weeks there has been a tremendous amount of misinformation about the food stamp program disseminated by Ford Administration spokesmen and supporters of the Buckley-Michel bill, a legislative proposal that would cut at least 10 million Americans out of the food stamp program and would ravage the working poor (see CNI Vol. V:32).

The current campaign against food stamps is based on several erroneous beliefs:

That families of four earning up to $16,000 a year are eligible for food stamps;

That the food stamp program is wildly out of control.

That the food stamp program is filled with cheaters and chiselers

The campaign against food stamps reached a zenith several weeks ago when Treasury Secretary William Simon charged that the food stamp program has

grown 47,000 percent since 1962, has gone out of control, and provides a "well-known haven for chiselers and rip-off artists." Simon also cited an advertisement showing that families earning $16,000 a year qualified for food stamps.

Last Sunday on NBC's "Meet the Press", Simon broadened his attack by claiming that "food stamp eligibility rules are so loose and so lax that virtually anyone can get food stamps."

All Simon's allegations are serious deceptions or outright falsehoods, however. The national advertisement (which appeared in *Parade* Magazine on May 18) forms the basis for the claim that families earning $16,000 a year are receiving food stamps. The facts, according to USDA statistics, are that virtually no one earning $16,000 a year (or even $12,000 a year) is receiving food stamps. Indeed, USDA considers this ad so misleading that it has referred it to the Federal Trade Commission (FTC) for investigation and possible legal action as misleading advertising. Even so, Simon cited the ad as unvarnished truth.

The USDA statistics show that the food stamp program is overwhelmingly a program for low-income families. A major USDA report on the program presented to Congress in June found that only 13 percent of all food stamp participants are in households with incomes of over $6,000 a year. In addition, the USDA report shows that the great bulk of those with incomes above $6,000 a year are households of five or more persons.

The USDA report also shows that 92 percent of all participants are in households with incomes under $7,000 a year; 95 percent in households with incomes under $8,000 a year; 97 percent in households with incomes under $9,000 a year; and, for statistical purposes, 100 percent are in households with incomes under $10,000 a year. In addition, some 45 percent—or nearly half—live in households with incomes under $3,000 a year.

What makes these figures especially striking is the fact, documented by USDA's "participant profiles", that 49 percent of all food stamp participants live in households of five or more persons. Thus, even though large households make up half the food stamp caseload, there still are very few food stamp households with incomes over $6,000 a year, and virtually none with incomes over $10,000 a year.

This data comes from USDA's National Survey of Food Stamp Participants. Census Bureau data show similar results. The Census Bureau's "Current Population Survey" found that 90 percent of food stamp participants are in households with gross incomes under $6,000 a year.

CENSUS STATISTICS

Another way to look at this picture is to see what percentage of Americans in each income bracket actually participate in the food stamp program. Here again, the USDA report demonstrates that food stamps are overwhelmingly used by low-income families. The report shows that 72 percent of those households with incomes below $2,000 a year receive food stamps, and 51 percent of those with incomes under $4,000 a year get stamps. However, only 7 percent of the households in the $5,000 to $10,000 range get food stamps. The percentage of families above $10,000 who get food stamps is, for statistical purposes, zero.

Finally, it is useful to examine the income of four-person families that receive food stamps. The USDA report shows that 93.5 percent of all four-person households getting stamps have incomes under $6,000 a year. Some 97 percent have incomes under $7,200 a year. The income of the average four-person family on food stamps is $3,456 a year.

Moreover, while 58 percent of all four-person households with incomes under $3,000 a year participate in the food stamp program, only 1.6 percent of all four-person households with incomes in the $6,000 to $10,000 range participate in the program.

These statistics clearly show why the USDA report concluded: "Participants tend to be the poorest of the poor," and "highest rates of participation are shown by the extremely needy." (Of course, one reason why this is the case is the food stamp benefit structure. The higher a household's net income, the more the household has to pay for its stamps and the smaller the benefit it receives. Households of four that just manage to qualify for food stamps have to pay out $138 in cash each month to get back $162 in stamps. As the USDA report notes, "At the top of eligibility, the program is designed to be only marginally attractive. For this reason, participation is relatively high at the lowest income levels and low at the highest levels."

Simon also charged that the food stamp program is "out of control," citing as evidence the "fact" that the program has grown 47,000 percent since 1962.

This statement, although not strictly untruthful, is extremely deceptive and misleading. It fails to explain that the food stamp program operated in only eight counties in 1962, while today it is a nationwide program operating in over 3,000 counties. The statement also fails to explain that in the 1960s the principal federal food assistance program in the U.S. was the "surplus commodity distribution program," not food stamps. In 1962 commodity distribution served nearly 7.5 million Americans. Since the 1960s, Congress has terminated the commodity program and switched millions of commodity recipients to food stamps. Those who claim the program has grown explosively since the 1960s fail to explain that 7.5 million of the people counted as part of this "growth" were simply transferred from one federal food program to another.

An accurate picture of the growth of food programs in this country tells a different story from what the critics are claiming. USDA records show that the commodity program served 12.7 million Americans in 1939 during an earlier period of high unemployment. In the early 1960s, the food stamp program was established on a pilot basis alongside the far larger commodity program, which then served over seven million persons. By the end of 1962, the food stamp program operated in eight counties, and the commodity program in 1,741 counties. About 1,300 counties had no food relief program whatsoever for their low-income populations.

EXPERIMENTAL STATUS

In 1964 Congress passed the Food Stamp Act, and the program left its experimental status behind. Still, by 1965 the program ran in only 110 counties. The commodity program then operated in 1,864 counties. Over 1,100 counties still had no food program. Between 1965 and 1971, nearly all of these 1,100 counties started a food program. As a result, by December 1971 there were 14.9 million Americans participating in the food stamp program or the commodity program. Over 1,000 counties still had commodities rather than food stamps at this point.

Once the programs had extended to virtually all counties, program growth came largely to a halt. From December 1971 to August 1974, the size of the programs remained close to 15 million. In August 1974, some 14.9 million persons participated in the programs, the same number as in December 1971. This lack of growth is particularly striking, because during this period food prices rose by enormous margins (22 percent in 1973 alone), making more Americans eligible for stamps and increasing the average food stamp benefit.

In addition, in many states (particularly in the South) new federal income eligibility limits for food stamps replaced old state income limits that had been substantially lower. In spite of these higher income limits, little growth occurred in the programs.

Then, a year ago, the recession hit with full force. Unemployment rose from 5.4 percent last August to 9.2 percent this spring. During this period, the food programs grew substantially—for the first time in nearly three years—from 15 million to 19.5 million persons in April. As unemployment grew by more than 70 percent, the food programs grew by about 30 percent. Then, as unemployment began to abate, food stamp rolls began to decline. In July, only 19.1 million persons received food stamps, the lowest number since February.

Thus, the growth in the food stamp program since the early 1960s appears due almost entirely to three factors:

The entry of many counties into a food program for the first time;

The transfer of nearly 2,000 counties from the commodity program to the food stamp program;

The sharp rise in unemployment since mid-1974.

Additional USDA data provides further evidence that the food stamp program is not "out of control". The USDA report to Congress observes that under the "most likely" economic conditions, the number of persons eligible for food stamps in fiscal year 1980 will be 20 percent *lower* than the number of persons eligible today, because of expected improvements in the economy. The USDA report also projects that the food stamp program will cost less in fiscal 1980 than the $5.8 billion it is expected to cost in fiscal 1976.

REASONABLE NUMBERS

In addition, the number of persons nationwide who currently receive food stamps is not inordinately large, despite the critics' charges. Today, 17.7 million Americans receive food stamps (with an additional 1.4 million persons participating in the program in Puerto Rico, Guam, and the Virgin Islands). According to the Census Bureau, the number of U.S. residents who lived below the poverty line

in 1974 was 24.3 million, with this number likely to be higher today due to increases in unemployment since 1974.

Moreover, the number of food stamp recipients nationwide is significantly less than the number of persons receiving welfare or unemployment insurance. Some 10.8 million Americans receive Aid to Families with Dependent Children (AFDC), even though this program is limited to fatherless families with children. An additional 500,000 persons receive assistance through a companion program run in 25 states for families with children in which the father is present but is incapacitated or unemployed.

Some 4.2 million aged, blind and disabled poor receive Supplemental Security Income (SSI), and the HEW Department estimates that more than seven million persons are needy enough to qualify for this program.

Finally, some 7.8 million Americans are now unemployed, according to the Department of Labor, and over 6 million are drawing unemployment insurance benefits. Many of these unemployed workers have families to support, so the number of persons affected by unemployment is probably well in excess of 10 million.

The fact is that large numbers of Americans remain poor. Given the present state of the economy, it is not unreasonable for 17.7 million Americans (and 1.4 million persons in American territories) to be using food stamps. The large majority of food stamp recipients are AFDC beneficiaries (who constitute about 45 percent of the food stamp caseload), SSI recipients, or families whose main wage-earner is unemployed.

Secretary Simon's final claim was that the food stamp program is a well-known haven for chiselers and rip-off artists. This statement is a falsehood. USDA reported to the Senate Agriculture Committee in May that the percentage of households fraudulently receiving food stamps is only 0.08 percent.

"ERROR RATE" ANALYZED

There is an "error rate" that is much higher, but much of the error rate is due to procedural errors by food stamp caseworkers. For example, USDA is planning to release shortly the latest "error rate" tabulations, which will show that about 17 percent of the non-welfare participants in the program are ineligible. However, about half of those who are supposedly "ineligible" received this designation only because a work registration card for them could not be found in the proper file. In every other respect, these people were found to be fully eligible.

Several additional percentage points of this 17 percent figure are due to persons termed "ineligible" because of a technicality such as no signature at the bottom of an application or a caseworker's worksheet.

As a result, the percentage found to be ineligible for substantive reasons is about 5 to 8 percent, not 17 percent. And since this applies only to nonwelfare households (because welfare households are automatically eligible for food stamps), it means that only 2.5 to 4 percent of the total food stamp caseload is involved.

In addition, USDA says that about 7 percent of those who are denied food stamps are improperly denied and thus actually eligible. This figure is about the same as the percentage of non-welfare recipients who are getting stamps but are ineligible for substantive reasons.

Charges are also being made that the food stamp program is filled with middle-income students. However, virtually every politican and magazine making this charge has failed to explain that Congress recently passed an amendment to deal with this issue. The amendment makes any student ineligible for food stamps if the student is claimed as a tax dependent by a household that is not itself eligible for stamps. The amendment takes full effect this month when colleges reopen for the new school year.

In addition, USDA's National Survey of Food Stamp Participants shows that even before this new amendment passed, only a tiny percentage of the food stamp caseload consisted of students living away from their families. The survey found that in 99 percent of the food stamp households, all members of the household are related. The remaining one percent with unrelated members includes low-income persons (such as the elderly) who are sharing living quarters, as well as students or members of communes. Thus, only a fraction of one percent of the food stamp caseload consists of groups of students or of communes.

Some students do receive food stamps as one-person households, but the number of such students is small. The USDA survey found that less than 0.1 percent of the food stamp caseload consists of persons under 22 who live in one-person

households. The number of persons aged 22 to 44 who receive food stamps as one-person households is only 0.6 percent of the caseload, and many of these persons (especially in the 30 to 40 age bracket) are not students.

Thus, the percentage of students in the food stamp program (other than students who live with their families in cases where the entire family is genuinely poor) appears to be only one percent or less of those receiving stamps.

A final point concerns the powerful effect that the food stamp program plays in stimulating the national economy. When USDA's Economic Research Service (ERS) conducted a study of the effect of food stamps on the economy of Texas in 1972, it found that the $63.9 million in food stamp benefits distributed in the state that year had generated $232 million in new business and 5,031 new jobs for the Texas economy. Applying the same "multiplier effect" to the U.S. as a whole, one can estimate that the food stamp program is responsible for generating $19.6 billion in new business and 425,000 jobs each year.

The Texas study also showed that the new business generated by food stamps in that state created $4 million in new federal tax revenues and $12.5 million in new state tax revenues. This $16.5 million in new tax revenue represents six times the amount of money spent to administer the program in Texas in 1972. The ERS report concluded:

> Increased business induced by the Food Stamp Program is spread far and wide beyond the food and agriculture business. As a result, nonparticipating households (the balance of the economy) come close to benefitting about as much from the Program indirectly as program participants benefit directly.

The ERS study thus indicates that the food stamp program plays a major anti-recessionary role in stimulating the economy and preventing the unemployment rate from rising to even higher levels.

In other words, critics to the contrary, food stamps are good business as well as good government.

QUALITY CONTROL PROGRAM

News—U.S. Department of Agriculture

USDA REPORTS ON FOOD STAMP QUALITY CONTROL PROGRAM, FOR JULY-DECEMBER 1974

Washington, September 11—The U.S. Department of Agriculture (USDA) today reported the results of quality control activities, in the administration of its food stamp program, during the half-year from July through December 1974.

Quality control measures the extent to which participating households are eligible, and the appropriateness of the amount charged and total amount of coupons issued to the non-public-assistance sector of the food stamp program. State agencies which cooperate in administering the food stamp program are required to draw a sample of the non-public assistance households taking part in the program, to make a careful analysis of the certification of those cases, and to report the results to USDA's Food and Nutrition Service (FNS), the federal agency which administers the food stamp program.

A total of 91.2 percent of the households reviewed were verified to be eligible for participation based on satisfying financial and other basic program criteria, but 8.8 percent of the households reviewed were determined to be ineligible for these reasons.

Of the bonus dollars issued, a total of 91.6 percent were issued to households determined to be eligible on the basis of satisfying financial and other basic program criteria, but 8.4 percent of the bonus dollars were issued to households found ineligible for these reasons.

An additional 8.5 percent of the households reviewed were determined ineligible because of administrative complexities such as work registration, arithmetic computation, and procedural omissions. These problems were directly responsible for an additional 9.1 percent of the total bonus dollars issued to ineligible households.

Errors were found in determining the stamp allotments to which eligible households are entitled, and establishing their purchase requirements for these stamps, but the dollar amounts involved were relatively small. Twenty-six percent of the sample households had either paid too little for their stamps or had received more stamps than they were entitled to, but these errors represented only 8.4 percent of the bonus dollars issued. A total of 10.7 percent of the sample households had either paid too much for their stamps or received fewer stamps than they were entitled to, but the dollar value of these errors was 2.6 percent of the bonus dollars issued.

In quality control, the kind of errors made are analyzed to help states to take corrective action, and identification is established of who made the errors—agencies or recipients. Errors in income data accounted for 43 percent of all errors, and errors in deductions accounted for another 29 percent.

Of the sample cases with errors, 45.5 percent of the errors were attributed to the agencies; they involved such matters as policy interpretation, failure to take required appropriate action, or miscellaneous arithmetic and procedural errors. The remaining 54.5 percent of the errors were attributed to food stamp recipients who supplied incorrect or incomplete information or failed to notify the food stamp office of changes which would affect their allotments or purchase requirements.

The quality control program also reviews "negative actions," which deny food stamps to an applicant or terminate participation of a household already in the program. A total of 7.3 percent of the negative actions that were reviewed were found to be in error.

The complete Food Stamp Quality Control Report, for July–December 1974, includes both nationwide and state results. Copies are available from the Information Division, Food and Nutrition Service, U.S. Department of Agriculture, Washington, D.C. 20250.

[U.S. Department of Agriculture, Food and Nutrition Service, Food Stamp Division—September 1975]

QUALITY CONTROL IN THE FOOD STAMP PROGRAM

Nonpublic-Assistance Households, July–December 1974

Summary

1. Participation in the Food Stamp Program, and the value of bonus coupons during the period covered by this report were (preliminary estimates) as follows:

	Total participation	Nonpublic assistance	Value of bonus stamps
Month of:	(persons)		
July 1974	13,955,948	6,457,499	$289,851,295
August 1974	14,322,545	6,748,348	296,404,210
September 1974	14,522,040	6,871,814	299,302,097
October 1974	15,233,226	7,403,978	315,136,830
November 1974	15,930,631	7,978,286	333,871,733
December 1974	17,254,117	9,145,480	364,171,659

2. A Quality Control Program has been implemented in the nonpublic-assistance segment of the total Food Stamp Program to ensure that households receiving food stamps are legally eligible to receive them, are receiving the correct allotment, and are charged the correct purchase amount. This is carried out by reviewing a randomly selected sample of households in each State for each six-month period. This report presents the sample findings for July-December 1974.

3. Of the 29,674 sample households reviewed, 17.3 percent were found to be ineligible for participation in the Food Stamp Program compared to 21.6 percent a year earlier.

Twenty-six percent of the sample households were eligible for food stamps but had either been issued too many or charged too little, i.e., "overissued." On the other hand, 10.7 percent had either been charged too much or had not received the full stamp allotment to which they were entitled, i.e., "underissued."

4. Some of the errors inadvertently made in issuing food stamps involve only small dollar amounts. In terms of bonus dollars issued to the sample cases, 17.5 percent was made to ineligible households, 8.4 percent overissued to eligible households, and 2.6 percent underissued to eligible households.

5. The complexity of the Food Stamp Program gives rise to a wide variety in the kinds of errors which can occur. For the sample cases

where errors were found, 43 percent resulted from miscalculated or incomplete income data, and another 29 percent from incorrect information on deductions (medical expenses 12.8 percent, shelter costs 12.0 percent, other deductions 4.0 percent). Financial resources and household composition accounted for 9 percent of the errors; residency and cooking facilities for less than 1 percent.

Lack of work registration accounted for 9 percent of the error cases although the households were otherwise eligible to receive food stamps. If these errors had not occurred, the ineligible error rate would have been 12.5 percent instead of its actual level of 17.3 percent.

Progress has been made in reducing work registration errors. They comprised 9 percent of the errors found in this sample for the last half of 1974 compared to 11 percent in the sample for January through June 1974.

6. Errors in food stamp issuance may occur by mistakes of the issuing agency in interpreting policy, failing to take some appropriate action, or simple errors in arithmetic. They will also occur if the recipient supplies incorrect or incomplete information, or fails to notify the agency of changes in his circumstances which would affect his stamp allotment or purchase requirement. Of the sample cases with errors, 45.5 percent were attributed to the issuing agency, 54.5 percent to the recipient.

7. A "negative action" is one which denies food stamps to an applicant or terminates participation of a household already in the program. For every household denied or terminated, approximately 19 households are authorized to participate.

Among the 19,449 sample negative actions reviewed as part of the quality control system, 7.3 percent were denied or terminated incorrectly. Corrective action aimed at reducing this rate is another safeguard for ensuring that the Food Stamp Program reaches all eligible families in need of food assistance.

Background

The Food Stamp Quality Control Program is administered by the U.S. Department of Agriculture and carried out by the States in accordance with uniform national policies and procedures. A random sample of nonpublic-assistance households is selected in each State and all elements of eligibility are verified to establish that those who are receiving food stamps are legally eligible to receive them, are receiving the correct allotment, and are charged the correct purchase amount. A sample of housholds denied food stamps is also reviewed to verify that the reasons for denial were proper and valid.

The Food Stamp Quality Control Program is presently carried out only for nonpublic-assistance households, but plans are being developed to extend the coverage to all households receiving food stamps. The nonpublic-assistance segment of the program has increased from 34 percent of all food stamp households in July 1973 to 55 percent in December 1974.

The quality control sample of cases described in the following sections of this report consists of 29,674 non-assistance households which purchased food stamps from July through December 1974 in 50 States and the District of Columbia. The average household consists of between three and four persons; the average monthly

caseload from which the sample cases were selected consisted of 2,366,000 households.

This quality control sample provides a management tool for both the States and the national office to identify problem areas and to distinguish between those shared by all Regions and those arising out of special situations. With this information, sound planning can be made for corrective action to reduce errors. A reduction in errors holds down program costs, at the same time it ensures that families in need of food assistance receive full benefits of the program.

The data presented here must, however, be interpreted carefully. The complex, changing nature of the Food Stamp Program raises many administrative and sampling problems which have not yet been fully resolved. Furthermore, all States did not enter the program at the same time and various start-up and staffing problems have impeded full implementation of quality control. As a result, the sample data reported are not equally valid for all States and Regions and differences must be evaluated accordingly.

Caseloads

State monthly non-assistance caseload averaged 46,393 households, and ranged from 1,660 households in Wyoming to 236,362 households in Texas.

Table 1, on page 80, shows the regional distribution of caseloads, ranging from a monthly average of 285,000 households in the West to 690,000 households in the Southeast. There are eight States in each of these two Regions but the West contributes 12 percent of the national caseload, the Southeast 29 percent.

Error Rates—Number of Cases

The quality control review process focuses on identifying the kinds and sources of errors made in determining a household's eligibility for the Food Stamp Program, whether it receives the correct allotment of stamps, and whether it pays the correct amount for them. With this information available, corrective and preventive action can be taken where it is most needed to improve the overall level of program administration.

Of the 29,674 sample cases reviewed, 17.3 percent were found to be ineligible, continuing the downward trend from 21.6 percent a year earlier and 18.2 percent during the first half of 1974.

The West-Central Region had the lowest eligibility error rate, 11.4 percent compared to the national average of 17.3 percent; the Midwest Region had the highest eligibility error rate, 22.4 percent. Corresponding rates are shown in Table 1 for each administrative Region and in Table 2 for each State.

Sample households which were eligible for the program but in which errors of overissuance were found, (i.e., too many stamps allotted or too small purchase charges), made up 26.0 percent of the cases reviewed, the same proportion as a year ago. On the other hand, in 10.7 percent of the sample cases the recipients were either overcharged for the stamps issued or the allotments of coupons were less than those to which they were entitled. These latter kinds of error, resulting in losses to the recipients, declined from 12.1 percent a year earlier.

Error Rates—Bonus Dollars

Some of the errors made in issuing food stamps involve only small dollar amounts. For stamps issued to ineligible households, the dollar error is the total value of the bonus stamps issued to those households, but errors in the allotment or purchase requirement for eligible households may amount to only a few dollars.

The monthly bonus dollars issued to all households in the sample amounted to $1,905,285. Bonus dollars issued to ineligible households accounted for 17.5 percent of this amount. That number is approximately the same as the proportion of sample cases found to be ineligible, 17.3 percent.

However, 8.4 percent of the bonus dollars issued were overissued in error to eligible households (undercharges and overallotments) compared to 26.0 percent of the sample cases found to contain this type of error. Similarly, underissued bonus dollars are 2.6 percent of all bonus dollars issued, compared to the corresponding proportion of sample cases reviewed, 10.7 percent.

Zero-Purchase Cases

A "zero-purchase" household is one to which food stamps are issued at no cost to the recipient. Such households have little or no reported income or high deductible expenses. These factors, in relation to the number of persons in the households, place them in the lowest financial bracket. Households which are apparently eligible at zero-purchase level and are in immediate need of food assistance may be certified for up to one month pending future verification. Concern over potentially high error rates among these households is partially borne out by findings in the quality control sample. The proportion of zero-purchase households found to be ineligible for food stamps is 20.1 percent compared to the corresponding overall rate of 17.3 percent. In terms of bonus dollars, the eligibility error rate is 17.5 percent—the same for zero-purchase households as for all households.

However, these relations are not uniform in all parts of the country, as Table 1 shows. The Northeast and Southeast Regions have lower eligibility error rates among zero-purchase households than among other households. In the Northeast Region the zero-purchase error rate is 12.3 percent compared to the overall rate of 18.1 percent; and, in terms of bonus dollars, the corresponding rates are 10.4 percent and 17.3 percent.

Sources of Error

Responsibility for case errors is seldom a clear-cut decision. The agency issuing food stamps may apply the established policies incorrectly, fail to take appropriate action, or make arithmetic and other miscellaneous mistakes. Recipients may supply incorrect or incomplete information on which the amount and cost of stamps is based, or they may fail to notify the agency of changes in their circumstances which would alter their stamp allotment or payments (e.g., changes in income, and/or shelter costs). If a combination of factors contributes to an error and the major responsibility is doubtful, the error is assigned arbitrarily to the issuing agency rather than to the recipient.

Nevertheless, Table 1 shows that more than half, 54.5 percent, of the error cases in the quality control sample were attributed to

recipients, about evenly divided between their reporting incorrect or incomplete information and not reporting changed circumstances which would affect their eligibility or purchase requirement. Among errors attributed to the issuing agency, the primary cause was failure to take some action required by the program rules and regulations.

Errors caused by recipients are usually unintentional, arising from carelessness or lack of knowledge concerning the program.

Types of Error

Table 1 lists some of the major elements which contributed to errors in the quality control sample. Calculation of income accounted for 43.3 percent of the errors, and deductions (primarily medical expenses and shelter costs) another 28.8 percent. Financial resources and household composition made up 9 percent of the errors; residency and cooking facilities less than 1 percent. The remaining errors resulted from failure to comply with the work registration requirements, procedural errors such as unsigned applications, etc., and arithmetic mistakes.

Many of the errors in this last group could be eliminated by additional staff training. For example, in this sample of cases, if no work registration errors had occurred, the ineligible error rate would have been 12.5 percent instead of its actual level of 17.3 percent. Progress has been made in this direction as evidenced by a decreasing proportion of work registration errors. In this sample they comprised 9 percent of all errors, compared to 11 percent in the previous sample for January through June 1974.

Time of Errors

Quality control reviews the accuracy and status of cases as of the month from which the sample cases are selected. Since households are certified for food stamps for varying periods of time up to a year, errors can occur not only at the time of certification but at any time thereafter. In addition to information concerning the sources and kinds of errors being made, the time when they occur is also relevant in giving direction and emphasis to those areas where corrective action will prove most effective.

Although data are not available on the time lapse between certification and review for all sample cases, reports by 21 States indicate that 57 percent of their errors occurred at the time the households were certified. Again, additional staff training is strongly suggested—in this instance, of certification workers at the local agency level.

Negative Actions

A "negative action" is one which denies food stamps to an applicant or terminates participation of a household already in the program. Households which do not apply for further participation after their current certification has expired are not considered to be "negative actions."

For every household denied or terminated from participation in the program, approximately 19 are authorized to receive food stamps.

State monthly negative actions during July through December 1974 averaged 2,463 cases, compared to an active or participating caseload of 46,393. Nationwide the monthly number of negative actions averaged 123,159 cases.

Review of negative actions for quality control purposes consists of determining whether the reasons for denial or termination are correct: it does not indicate that all households in this category are ineligible for food stamps. For example, an applicant who has insufficient information on hand and is requested to return with additional records frequently fails to do so and, after a reasonable time, his application is closed.

Table 3 shows that among the 19,449 sample negative actions reviewed, 7.3 percent were in error. Corrective action aimed at reducing this rate is another safeguard for ensuring that the Food Stamp Act is effectively implemented in reaching all families who request and are in need of food assistance.

TABLE 1.—CASE CHARACTERISTICS BY ADMINISTRATIVE REGION

Characteristic	Total	Northeast	Southeast	Midwest	West central	Western
Number of States (including District of Columbia)	51	14	8	10	11	8
Average monthly caseload:						
Number of households (thousands)	2,366	415	690	447	529	285
Percent	100.0	17.5	29.2	18.9	22.4	12.0
Number of cases reviewed:						
Total	29,674	6,588	7,607	6,301	5,762	3,416
Percent with errors: [1]						
Ineligible	17.3	18.1	18.5	22.4	11.4	13.3
Eligible-overissue	26.0	29.8	28.8	22.6	24.9	20.1
Eligible-underissue	10.7	13.8	13.6	8.4	7.4	7.8
Bonus dollars issued to reviewed cases (monthly):						
Total	1,905,285	380,391	561,048	344,002	378,779	241,065
Percent in error: [1]						
Ineligible	17.5	17.3	19.2	22.3	13.9	13.1
Eligible-overissue	8.4	10.0	8.6	8.2	7.9	6.4
Eligible-underissue	2.6	3.4	3.1	2.3	1.6	2.0
Reviewed cases having zero-purchase costs:						
Number	2,513	382	540	403	485	703
Percent of cases ineligible	20.1	12.3	16.5	33.3	19.4	20.1
Bonus dollars issued (monthly)	277,778	41,915	63,011	55,101	52,991	64,760
Percent of dollars ineligible	17.5	10.4	16.7	24.1	20.8	14.4
Percent distribution of error cases by source of error [2]:						
Agency	45.5	36.5	44.0	59.2	39.5	54.7
Recipient	54.5	63.5	56.0	40.8	60.5	45.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Agency errors:						
Policy incorrectly applied	15.0	9.4	16.6	22.2	13.3	11.5
Failure to take indicated action	21.9	20.2	20.2	26.4	17.7	29.4
Arithmetic/transcription	4.7	4.6	2.6	5.4	4.9	10.6
Other	3.9	2.3	4.6	5.2	3.6	3.2
Recipient errors:						
Information incorrect or incomplete	28.3	26.6	28.0	21.9	40.5	27.7
Change in circumstances not reported	26.2	36.9	28.0	18.9	20.0	17.6

See footnotes at end of table.

TABLE 1.—CASE CHARACTERISTICS BY ADMINISTRATIVE REGION—Continued

Characteristic	Total	Northeast	Southeast	Midwest	West central	Western
Percent distribution of error cases by type of error [3]:						
Income:						
Earnings	19.6	20.1	21.9	15.4	19.1	21.5
Social security/pensions	17.6	22.5	13.7	19.5	16.7	13.7
Other income	6.1	7.1	5.0	4.6	7.2	8.8
Deductions:						
Medical expenses	12.8	10.6	14.8	8.8	20.4	8.8
Shelter costs	12.0	15.7	12.2	10.5	7.2	12.2
Other deductions	4.0	4.2	2.8	3.8	4.2	7.2
Resources	4.2	6.7	2.5	4.1	3.8	3.7
Household composition	4.8	4.8	5.2	5.4	4.3	3.3
Residency/cooking facilities	.7	.7	.6	.7	1.0	.7
Work registration	9.0	4.4	12.3	10.0	8.7	9.1
Arithmetic/procedural	9.2	3.2	9.0	17.2	7.4	11.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Percent distribution of error cases by time error occurred [4]:						
At certification	57.0	47.8	47.3	71.5	75.9	79.7
Less than 30 days later	12.8	8.8	18.3	11.0	6.2	5.5
30 days but less than 3 mo later	14.6	15.7	18.2	8.8	9.3	6.9
3 mo but less than 6 mo later	9.4	10.9	11.8	5.1	5.8	3.2
6 mo or more later	6.2	16.8	4.4	3.6	2.8	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] Ineligible errors do not necessarily reflect households which are not in need of food stamp assistance. The errors include work registration and procedural errors where the households were otherwise eligible. For example, if errors due to the absence of work registration are excluded, the ineligible error rate becomes 12.5 percent compared to 17.3 percent when they are included. Overissue erros represent an overallotment of stamps or an undercharge for their purchase cost. Underissue errors represent an underallotment of stamps or an overcharge for their purchase cost.

[2] Bonus dollars underissued are not available for all states as indicated in table 2. Percents are based on reported data.

[3] Based on 15,699 cases for which data are available.

[4] Based on 5,631 cases for which data are available.

TABLE 2.—ERROR RATES BY STATE

State	Percent of cases reviewed			Percent of bonus dollars issued to reviewed cases		
		Eligible			Eligible	
	Ineligible	Overissue	Underissue	Ineligible	Overissue	Underissue
Total	17.3	26.0	10.7	17.5	8.4	2.6
Alabama	15.3	32.9	13.8	16.6	8.7	(1)
Alaska	17.6	21.6	9.8	13.0	4.5	2.8
Arizona	12.6	23.0	7.0	12.7	6.2	.8
Arkansas	10.4	29.1	8.1	13.4	8.6	1.4
California	17.1	21.1	11.6	14.1	6.7	3.3
Colorado	22.3	29.0	5.7	21.5	8.3	1.5
Connecticut	24.0	36.1	15.3	25.0	12.5	(1)
Delaware	22.2	37.8	14.4	28.8	17.7	2.6
District of Columbia	17.9	47.7	8.4	20.5	13.0	2.5
Florida	25.6	27.3	15.7	24.6	7.3	2.7
Georgia	31.3	23.6	13.1	33.5	7.9	3.8
Hawaii	9.5	34.3	9.5	8.3	11.5	6.1
Idaho	2.3	23.3	8.5	1.7	6.7	1.2
Illinois	51.5	12.9	5.0	43.8	4.7	(1)
Indiana	9.4	19.7	7.6	8.6	6.3	(1)
Iowa	14.8	26.6	11.5	19.2	7.7	(1)
Kansas	14.6	22.3	5.1	16.6	9.7	1.1
Kentucky	15.4	25.5	10.3	16.0	890	(1)
Louisiana	11.4	31.5	8.5	14.5	8.8	1.3
Maine	9.1	22.9	10.4	6.3	8.5	.3
Maryland	24.2	32.9	12.8	25.4	10.9	3.1
Massachusetts	50.0	30.4	13.0	41.0	16.0	4.2
Michigan	20.4	18.1	7.5	22.4	7.2	1.5
Minnesota	28.6	29.0	12.5	29.1	9.1	3.2
Mississippi	9.2	25.9	13.1	10.5	6.9	1.9
Missouri	12.3	26.0	7.7	17.4	11.5	2.5
Montana	35.1	22.8	4.1	41.5	6.0	.9
Nebraska	10.0	21.1	8.3	16.2	6.4	2.3
Nevada	8.8	25.0	3.8	10.2	6.2	.9
New Hampshire	17.8	39.7	17.8	21.4	13.1	8.1

See footnotes at end of table.

TABLE 2.—ERROR RATES BY STATE—Continued

State	Percent of cases reviewed			Percent of bonus dollars issued to reviewed cases		
		Eligible			Eligible	
	Ineligible	Overissue	Underissue	Ineligible	Overissue	Underissue
New Jersey	14.7	37.1	17.4	17.2	13.6	4.5
New Mexico	28.7	22.3	3.2	27.8	7.2	.8
New York	25.6	23.8	17.8	22.1	7.6	5.3
North Carolina	14.4	30.7	19.1	15.2	10.3	4.7
North Dakota	7.6	15.2	3.0	7.6	3.5	.2
Ohio	19.6	29.2	10.5	21.8	8.7	(1)
Oklahoma	2.5	15.1	6.1	3.1	6.3	2.3
Oregon	26.1	22.1	6.9	24.0	7.6	1.6
Pennsylvania	20.9	31.6	10.7	21.7	11.3	2.9
Rhode Island	23.6	48.6	12.3	28.7	17.2	5.9
South Carolina	27.8	41.1	14.6	26.8	12.2	2.8
South Dakota	7.0	19.0	15.0	7.9	23.5	14.6
Tennessee	14.2	28.2	9.9	18.5	8.8	(1)
Texas	7.7	26.5	9.2	8.2	7.4	(1)
Utah	3.1	25.5	8.2	2.1	7.1	
Vermont	19.5	32.3	14.0	17.9	14.1	3.7
Virginia	11.1	28.5	12.7	13.7	10.2	(1)
Washington	5.2	13.8	5.5	6.9	4.9	1.2
West Virginia	6.3	20.1	13.6	4.9	6.2	2.3
Wisconsin	16.2	18.4	13.2	15.6	7.7	(1)
Wyoming	14.8	22.2	9.9	19.0	6.2	1.6

[1] Not available.

TABLE 3.—NEGATIVE ACTIONS BY ADMINISTRATIVE REGION

Characteristic	Total	Northeast	Southeast	Midwest	West central	Western
Number of States (including District of Columbia [1]	50	13	8	10	11	8
Average monthly actions:						
Number of households (thousands)	123	33	28	22	20	20
Percent	100.0	26.8	22.7	17.9	16.3	16.3
Number of actions reviewed:						
Total	19,449	4,672	4,669	3,708	3,455	2,945
Percent with invalid decision	7.3	6.6	12.3	7.5	5.4	2.4

[1] Massachusetts did not report data for negative actions.