

Research Department
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Stamps for Christmas

If Dickens were writing *A Christmas Carol* today, he would probably have Scrooge hassling Bob Cratchit over his food-stamp allotment, because food stamps provide most of the Christmas fare for the poorest of the nation's poor. This \$6-billion Federal program also provides much food for thought for the nation's lawmakers. Indeed, Congressmen have put about 160 separate reform bills in the Congressional hopper this year in different attempts to reshape this big, complex and expensive program.

Over the years, the program has lost much of its earlier constituency, with farmers in particular no longer relying on government programs to get rid of their surplus commodities, especially when the world market beckons so invitingly. Yet with the growth of the program to encompass 3 percent of the nation's total food spending, it has gained a wider constituency; today, about 60 percent of the U.S. Department of Agriculture's total budget is allocated to food stamps and related programs. To many observers, this method of upgrading nutrition and redistributing income represents a backdoor way of achieving what the Nixon Administration hoped to accomplish with the still-born Family Assistance Plan of 1971.

Stamps for the poor

The food-stamp program provides eligible households with monthly allotments of coupons that are redeemable for food. The value

of the monthly coupon allotment varies by household size and is based on the U.S.D.A.'s "economy food plan"—a basic quantity of food designed to provide a certain daily allowance of major nutrients. Participating households with little or no income receive their entire coupon allotment free, while households at the upper end of the eligibility range pay 75 to 85 percent of the value of the coupons received. The difference between the value of coupons issued to households and the amount households pay for them represents the value of "bonus" stamps—that is, the amount of the government subsidy.

According to the U.S.D.A., 87 percent of all food-stamp participants lived in households with take-home pay below \$6,000 a year in late 1973, while 97 percent were below \$9,000 a year. (About two-thirds of all participants had incomes of less than \$3,000.) Program participants included 58 percent of all four-person households with income under \$3,000, but only 1½ percent of all four-person households in the \$6,000-\$10,000 range. About 80,000 participating households had incomes of \$12,000 and over, in households which averaged seven persons in size.

Administration and Congressional critics have attacked those regulations which permit middle-income families to qualify for stamps, and a number of bills propose an upper income limit on

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participation in the program. Other points of criticism concern the distribution of stamps to striking workers and to middle-income college students. Criticisms of mismanagement appear less valid; according to a U.S.D.A. quality-control survey, 4.3 percent of all participating households have been wrongly declared eligible, mostly because of clerical errors. (Fraud was found in about 0.08 percent of all cases studied in the survey.) Indeed, errors are bound to arise in view of the program's immensely complicated eligibility rules, some 144 pages of single-spaced type.

The program's increasing complexity reflects the way it has expanded and shifted focus over the years. It was designed first as a means of disposing of farm surpluses, and then as a means of fighting malnutrition among the destitute—and now it has become also an income-supplement program for the working poor. Although welfare families are enrolled automatically in the program, working families recently have outnumbered welfare families among stamp recipients. In the 1974-75 recession, the food-stamp program—along with unemployment compensation and social security—played a major role as an automatic stabilizer, cushioning the recession's impact on family incomes.

Why it grew

Federal programs to feed the poor began in the 1930's and usually involved the distribution

of farm surpluses. (A minor-scale food-stamp program existed during the 1939-43 period.) The present program started as a modest pilot project in 1961, but in recent years it has grown to cover the nation, replacing other programs in the process. One such program, involving distribution of surplus commodities, supported about 7½ million people as late as 1962.

The food-stamp program has grown very rapidly in the present decade, with Congress rewriting the legislation to guarantee a "nutritionally adequate diet" to all possible needy applicants—and with Congress attaching a price escalator to offset the impact of the dramatic escalation in food prices. By the end of 1970, 4 million persons were on the rolls, but that figure doubled within a year and tripled within three years' time. In 1974 the rolls jumped to 14½ million people as Congress made the food stamp program mandatory nationwide, replacing the surplus-food program altogether. The advent of Puerto Rico into the program added almost 2 million people, or roughly 80 percent of the island's population.

Despite these changes, the combined enrollment in all Federal food programs changed hardly at all from late 1971 to late 1974. Then came the recession; as unemployment soared by 70 percent, food-stamp participation jumped

30 percent to 19½ million people. However, in the early months of recovery, participation fell by about 700,000, indicating the strong cyclical nature of the program.

Will it grow?

Will the food-stamp program continue to grow at its recent pace? A U.S.D.A. analysis, relying on the disappearance of the recession-created bulge, argues that participation could decline 10 percent by 1980. At the same time, the escalator provision would insure that any future rise in food prices is reflected in the overall cost of the program.

On the other hand, several forces could expand participation even above 1975 levels. Given the way the regulations are written, there may be just as many eligible people not enrolled in the program as there are recipients, even though nationwide coverage has already been achieved. In fact, the U.S.D.A. is under two court orders to recruit some 20 million "missing" participants. This feature reflects the open-ended nature of the program, since unlike other public-assistance programs, it has no arbitrary upper limit on income eligibility. Under present regulations, a complicated series of income-tax-style deductions make it possible for people with relatively high incomes to qualify for food stamps. However, most major reform bills now before

Congress would end this feature by imposing a ceiling on the total income permitted for eligibility.

Program costs could also soar because of the legal language which says that the food-stamp allotment must provide "a nutritionally adequate diet." The present coupon allotment is based on the U.S.D.A.'s "economy food plan," which costs 20 to 25 percent less than the U.S.D.A.'s "low-cost" food budget. But according to the Department's nutrition survey, less than half of all families spending at the economy cost level can achieve even two-thirds of their recommended dietary allowances. Consequently, a U.S. district court last June ordered the U.S.D.A. to issue more adequate allotment schedules—and this decision (if enforced) could as much as double the program cost.

The nation's experience with food stamps may influence its future actions with other types of income supplements. Housing allowance experiments are now going on in 13 locations throughout the country. Educational vouchers are being tested in a demonstration program in California. Some groups also have proposed energy or gasoline stamps, and others have proposed clothing stamps. As the Washington Post recently noted, "The trump will be played if and when the U.S. Treasury proposes the stamp stamp—they might call it money." In that case, the Family Assistance Plan will have become reality after all.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT
(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 12/10/75	Change from 12/03/75	Change from year ago	
			Dollar	Percent
Loans (gross, adjusted) and investments*	88,511	+ 1,136	+ 2,213	+ 2.56
Loans (gross, adjusted)—total	65,785	+ 328	- 1,989	- 2.93
Security loans	1,856	+ 254	+ 99	+ 5.63
Commercial and industrial	23,287	+ 27	- 1,336	- 5.43
Real estate	19,630	- 1	- 358	- 1.79
Consumer instalment	10,114	+ 7	+ 291	+ 2.96
U.S. Treasury securities	10,015	+ 766	+ 4,487	+ 81.17
Other securities	12,711	+ 42	- 285	- 2.19
Deposits (less cash items)—total*	88,887	+ 994	+ 6,310	+ 7.64
Demand deposits (adjusted)	24,723	+ 590	+ 1,074	+ 4.54
U.S. Government deposits	415	- 76	+ 61	+ 17.23
Time deposits—total*	61,821	+ 481	+ 4,688	+ 8.21
States and political subdivisions	6,110	+ 154	- 15	- 0.24
Savings deposits	21,794	+ 24	+ 3,804	+ 21.15
Other time deposits‡	30,297	+ 226	+ 957	+ 3.26
Large negotiable CD's	16,441	+ 410	- 69	- 0.42
Weekly Averages of Daily Figures	Week ended 12/10/75	Week ended 12/03/75	Comparable year-ago period	
Member Bank Reserve Position				
Excess Reserves	72	81		50
Borrowings	1	1		26
Net free (+) / Net borrowed (-)	+ 71	+ 80	-	24
Federal Funds—Seven Large Banks				
Interbank Federal fund transactions				
Net purchases (+) / Net sales (-)	+ 2,351	+ 1,767	+ 1,761	
Transactions of U.S. security dealers				
Net loans (+) / Net borrowings (-)	+ 1,154	+ 707	+ 879	

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

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