

# THE FOOD STAMP ISSUE

When he first gave his ideas on graduated pricing to then Secretary of Agriculture Henry Wallace, little could Fred Waugh know that his proposals would become the backbone of this Nation's biggest welfare program.

Waugh didn't use the words "food stamps" in his memorandum of January 20, 1938, to Secretary Wallace. An official of the Treasury Department came up with the food stamp notion as the best way to put into practice Waugh's theories on graduated pricing.

"I do not claim credit for inventing a new idea," Waugh wrote Secretary Wallace. "Briefly, my proposal is that our farm relief programs put more emphasis on selling part of the crop at high prices and distributing the remainder, or 'surplus' among low-income groups, charging them whatever they can afford to pay, or are willing to pay."

## Good combination

Wallace bought the concept, and for obvious reasons. Farmers' incomes had sunk to new depths because of food surpluses, while millions of poor Americans were going hungry. Food stamps offered the appealing combination of solving the surplus problems of agriculture and the

stomach problems of the needy.

Rochester, N.Y., was selected as the city to try out food stamps. Low-income families welcomed them. The program enjoyed immense success until 1943, when World War II had turned food surpluses into shortages. The food stamp program was suspended, not to be revived until 1961.

By the early sixties, the farmer's old headache of surplus production pained again, and again food stamps were prescribed as the remedy for helping farmers on the one hand and the Nation's poor on the other.

## Nagging poverty

In the late sixties, however, the plight of the needy took precedence. Farm surpluses had been whittled down, but the ranks of the poor had not.

So the lawmakers in 1970 made changes in the food stamp program, making it easier for more low-income families to take part. By mid-1974, over 13½ million persons were getting the stamps, an increase of over fourfold from 1969, although admittedly some of this was due to the phase-out of the commodity distribution program and the surge in food prices.

Meantime, taxpayers have been asking this question: Why not just hand poor

families a blanket check to spend as they please?

Otherwise known as a cash income supplement, this approach doesn't seem to insure that poor families will indeed use the money to buy food, so say studies made by

the U.S. Department of Agriculture's Economic Research Service (ERS).

ERS's latest analysis of the food stamp issue confirms earlier reports - that food stamps are about twice as effective as cash income

supplements in terms of building food demand.

## Stamps' merits

Unlike cash handouts, bonus stamps can only be redeemed for food. Bonus stamps are those given free to program participants over and above stamps bought through the purchase requirement.

For example, consider a family of four with a monthly income of \$200 and a monthly foodbill of \$100. Under the food stamp program, this family would pay \$59 a

month for \$150 worth of food stamps. The family is now able to up food purchases by \$50 a month, or 50 percent, leaving an extra \$41 to spend on food or other items.

Findings from an unpublished 1969 study by the Office of Management and Budget-and this was conducted before the food stamp program was liberalized in 1970-indicate that poor families spent for food only about 20 cents of each dollar of cash income they got from

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