Journal of Economic Behavior & Organization 143 (2017) 45–57

Contents lists available at ScienceDirect

Journal of Economic Behavior & Organization

journal homepage: www.elsevier.com/locate/jebo

It's a cruel summer: Household responses to reductions in government nutrition assistance☆

Lorenzo Almada[a], Ian M. McCarthy[b,*]

[a] Georgia State University, USA
[b] Emory University & NBER, USA

ARTICLE INFO

Article history:
Received 10 April 2017
Received in revised form 11 August 2017
Accepted 14 August 2017
Available online 14 September 2017

Keywords:
Food expenditures
Supplemental Nutrition Assistance Program
Food stamps
National School Lunch Program
School Breakfast Program

ABSTRACT

The appropriate size and scope of government nutrition assistance programs is a regular source of debate among policy-makers, and with calls to reduce government benefits, a clear understanding of household responses to any proposed benefit reduction is critical. Exploiting the design of U.S. nutrition assistance programs, we examine how low-income households reallocate their budgets following an exogenous reduction in nutrition assistance benefits. The magnitude of our results suggests that the budget for an average low-income household with children is severely inflexible and likely unable to absorb more than a $2 to $3 reduction in nutrition benefits per child per week.

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1. Introduction

A variety of state and federal nutrition assistance programs are currently available for U.S. households meeting the relevant eligibility criteria, including the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the National School Lunch Program (NSLP), and the School Breakfast Program (SBP). The largest of these programs is SNAP, formerly known as the Food Stamp Program. As of 2016, over 44.2 million individuals participated in SNAP at a total estimated cost of approximately $71 billion.[1] Additional benefits may be available through WIC for households with infants, young children, and pregnant or postpartum women, and households with school-age children (SAC) may also have access to free or reduced-price school meals through the NSLP and SBP. Collectively, across these and other nutrition assistance programs, spending in 2016 totaled nearly $100 billion.

Many households participate in one or more programs concurrently, and as such, policy changes in one program will naturally influence the effectiveness of other programs. For example, children of SNAP households automatically qualify for in-school nutrition assistance programs (Hoynes and Schanzenbach, 2015). SNAP benefit levels (or allotments) are also determined solely by household size and net income, and otherwise unchanged within a given year. As a result, households with SAC who also participate in SNAP will receive additional benefits via in-school nutrition assistance programs during

☆ We thank Craig Gundersen, Elton Mykerezi, Pierre Nguimkeu, Rusty Tchernis, and participants at the 2016 Western Economic Association Annual Conference for insightful comments and suggestions. We are also grateful to Jaehyun Nam for excellent research support.

* Corresponding author at: Emory University, Department of Economics, 1602 Fishburne Dr., Atlanta, GA 30322, USA.
E-mail address: ian.mccarthy@emory.edu (I.M. McCarthy).

[1] Data available at www.fns.usda.gov.

http://dx.doi.org/10.1016/j.jebo.2017.08.009
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the school year, and these additional benefits are suspended during the summer. Such households must therefore pay for additional meals with the same SNAP allotments during extended school breaks.

The current paper exploits this interaction between NSLP/SBP and SNAP in order to identify household responses to reductions in the overall generosity of government nutrition assistance programs. For example, how do households reallocate their budgets when confronted with an increased (out-of-pocket) food burden? Can households absorb a decrease in nutrition assistance benefits, or are budgets sufficiently constrained such that there is little to no flexibility to maintain pre-existing food expenditures? In answering these questions, our analysis contributes to the growing literature on the effects of government nutrition assistance; however, rather than studying the extensive margin effects of program *participation*, we are interested in the intensive margin of changes in overall generosity of government nutrition assistance. We are also interested in the overall household response across several expenditure categories rather than the change in a single area of expenditures.

Our analysis is based on data from the Consumer Expenditure Survey (CE), which allows for a longitudinal analysis of household expenditures. To exploit the exogenous change in overall benefit generosity during the summer months and to identify effects on the intensive margin, we must limit our sample to households participating in NSLP/SBP and some other nutrition assistance program(s). Since the CE does not provide data on NSLP/SBP participation directly, we limit our sample to SNAP-eligible households with SAC and SNAP-participating households with SAC, as such households are automatically eligible for NSLP/SBP. We estimate the effects of an increased food burden during the summer months using standard fixed effects (FE) regression models as well as fractional multinomial logit (FMlogit) models, the latter of which account for the inherent correlation in expenditure shares across different categories for a given household (Papke and Wooldridge, 1996; Mullahy, 2015). We also consider the influence of potential misreporting of SNAP participation with a Monte Carlo study in which SNAP-eligible households who do not report receiving SNAP benefits are randomly assigned as SNAP participants.

We find significant increases in the share of household budgets spent on food at home during the summer. This effect exists for all households with SAC, but the largest effects occur for SNAP-eligible or SNAP-participating households. Among such households, we also estimate large reductions in expenditure shares on entertainment and "other" expenditures. Collectively, the results comport with standard economic theory, wherein an exogenous reduction in nutrition assistance generosity leads to a reduction in expenditures among relative luxury goods (in this case, entertainment and "other" expenditures) and an increase in expenditures on food at home. However, the magnitudes of these effects are small, with less than a $2 per child per week increase in food expenditures at home during the summer months. Assuming that SNAP households are attempting to cover the cost of meals that would otherwise be provided through school meal programs, the small magnitude of this effect suggests that households cannot fully recover the cost of school meals from a reallocation in household budgets. Indeed, $2 per child per week falls well below the USDA's estimated minimum cost per week of a nutritious diet for a school-age child (over $30 per week),[2] and similarly below the $25 per child per week value of school breakfast and lunch programs (Almada and Tchernis, 2015).

While access to summer meal programs may help offset a reduction in benefits experienced during the summer, programs such as the Summer Food Service Program have historically only reached 17% of children participating in NSLP/SBP.[3] Households must instead absorb the benefit reduction through some other means. Recent research from Moffitt and Ribar (2016) suggests a form of intra-household nutritional transfers, by which the oldest children forego meals in order for younger children to maintain some level of food security. Households may also rely more heavily on debt in the form of credit cards or payday loans. For example, a 2012 survey from the Pew Charitable Trusts found that 69% of households using payday loans did so for a recurring expense, with 5% explicitly using the loan for food purchases.[4] The nature of our CE data do not allow a complete characterization of these different mechanisms; however, the magnitude of our estimated coefficient for expenditures on food at home is consistently small across a variety of specifications, which we interpret as evidence of a largely inflexible budget wherein households likely cannot maintain comparable levels of nutrition during periods of reduced government nutrition assistance.

Our analysis offers three important contributions to the existing literature and policy discussion. First, our results are not limited to a single government program but instead reflect responses to an overall reduction in generosity of benefits across possibly several nutrition assistance programs. As suggested in Millimet et al. (2010), nutrition assistance programs do not operate in a vacuum, and examining the isolated effect of a single program may offer misleading results.

Second, understanding how benefit *levels* (as opposed to program participation) affect overall household expenditures is highly relevant to current policy. For example, a recent Institute of Medicine report calls for "further research examining food security and access to a healthy diet among program participants and estimating the impact of SNAP benefits on these outcomes" (Caswell et al., 2013). Our contribution to this literature is threefold: (1) causal estimates are more cleanly identified due to exogenous variation in benefit generosity induced by school breaks; (2) we consider other areas of household

[2] See Official USDA Food Plans, 2014.
[3] Data from the USDA, available at www.fns.usda.gov/sfsp/summer-meal-expansion.
[4] Survey results summarized at www.pewtrusts.org.

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