

Literature Review

Most studies that analyze the population eligible for food stamps fall into two categories. The first group of studies analyzes the impact of stamps on food spending. This type of study usually concerns itself with the marginal impact of food stamps on food spending in eligible households. A well-known finding is that the marginal propensity to spend from food stamps is greater than the marginal propensity to spend from cash for households that do not spend all of their food stamps in a given month. That is, they will spend all their cash first and keep some food stamps in reserve. Why this is so has never been fully explained, although several theories exist. An excellent review of studies of this type can be found in Fraker (1990).

The other type of study is concerned with food stamp participation. These studies usually examine the determinants of participation among low-income or food stamp-eligible households and usually employ multivariate analysis or compare the characteristics of participants and nonparticipants in the Food Stamp Program. Such studies have generated a fairly consistent set of findings: that food stamp participation rates are highest among nonwhite and nonelderly people living in households that are leased or rented, are low income, include children, and are eligible for the highest food stamp benefits. Gleason et al. (1998) is an excellent example of a study of this type.

Our study has a different focus and is a novel contribution to the food stamp literature. We look at the characteristics of the total population that meets the

income requirement for participating in the food stamp program, and we then estimate the importance of each demographic characteristic on several measures of poverty using a regression technique. The exercise allows us to identify which demographic characteristics are most typical of large numbers of the poor who are eligible to participate in the Food Stamp Program. In this way, private or government entities concerned with the alleviation of poverty can identify those household types to target with special programs, such as worker training or food stamp outreach, so as to have the most success in reducing poverty.

The technique employed in this report is an advance on the usual approach to studying income inequality. The usual approach to measuring the impact of a variable on the level of inequality is to use a decomposable inequality index. While widespread and useful, the technique of decomposition is not without limitations. For example, if one looks at income inequality and decomposes the Gini coefficient by race, then one completely ignores the correlations between race, education, age, and even region of residence. Hence, the decomposition technique does not lead the researcher to the “net effect” of the variable in question. As noted by Bishop, Formby, and Smith (1997), a decomposable index is appropriate when the intent of the researcher is to identify “gross” effects correlated among several variables. However, if the intent of the researcher is to present an uncorrelated effect, then a regression-based technique must be employed. By using regression analysis we are able to report the net effects of selected demographic variables on, in this case, four alternative measures of inequality.