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FOOD STAMP CASELOADS OVER THE BUSINESS CYCLE

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"Food Stamp Caseloads Over
The Business Cycle"

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WE USE A DYNAMIC model of food stamp caseloads with State data to estimate the effect of the business cycle on food stamp caseloads in the era of welfare reform. The macroeconomy has a substantial effect on food stamp caseloads: a 1-percentage point increase in the unemployment rate leads to a 2.3-percent increase in food stamp caseloads after 1 year. In

terms of welfare policy, a 10-percentage point increase in the share of a State's population waived from rules limiting food stamp receipt among able-bodied adults without dependents results in a 0.5-percent increase in caseloads. States with waivers from the Aid to Families with Dependent Children (AFDC) program in the mid-1990s had caseloads about 1.9 percent higher than non-waiver States. We also found a substantial dissipation of the relationship between AFDC caseloads and food stamp caseloads after welfare reform. The cyclical sensitivity of food stamp caseloads indicates the importance of food stamps in smoothing consumption during economic recessions.

