

Food Stamp Corporate Welfare

If you think the SNAP food stamps debate is about poor people's need to eat, you're wrong. It's about big corporations' need to profit. "Xerox, JPMorgan Chase and eFunds Corporation have all successfully turned poverty into a profit center." So have Coca Cola, Kroger, Wal-Mart, Kelloggs and a large slice of the rest of the Fortune 500 corporations.

By Margaret Kimberley - October 20, 2013

"Discussions about government spending are inherently bogus because the elephant in the room, big business, is absent."

The federal and state governments operate under a system which is of the corporations, by the corporations, and for the corporations. Ordinary governmental functions which could easily be carried out with public money are instead privatized, depriving the public sector of revenue and jobs and making the neediest citizens unnecessarily dependent on the private sector. Governmental largesse on behalf of big business is focused primarily on poor people, the group most at the mercy of the system. Corporations collect child support payments and then imprison the poor people who can't pay. While imprisoned, another corporation provides what passes for medical care. The crime is a perfect one.

When the Republicans demanded cuts to the Supplemental Nutrition Assistance Program (SNAP), better known as food stamps, the debate revolved around human need versus the call for fiscal austerity. Scarcely anyone mentioned that JPMorgan Chase, Xerox and eFunds Corporation make millions of dollars off of this system meant to help the poor.

It all came to light on October 12th, when many SNAP recipients in the states of Alabama, California, Georgia, Iowa, Illinois, Louisiana, Maine, Massachusetts, Maryland, Mississippi, New Jersey, Oklahoma, Pennsylvania, Texas and Virginia were unable to make purchases with their Electronic Benefits Transfer (EBT) cards because of a computer system malfunction at Xerox.

It may at first have seemed odd for a Fortune 500 corporation to have anything to do with the SNAP program, but Xerox, JPMorgan Chase and eFunds Corporation have all successfully turned poverty into a profit center. Food stamps were once literally stamps until the 1996 welfare reform act required all state SNAP benefits to be digitized. At that point JPMorgan, Xerox and eFunds were quite literally in the money. Only the state of Montana administers its own SNAP program. Every other state pays one of these three corporations millions of dollars in fees to do what they could do themselves. Since 2007, Florida has paid JP Morgan \$90 million, Pennsylvania's seven-year contract totaled \$112 million and New York's seven-year contract totaled \$126 million.

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Food stamps are not the only government program that is administered by private corporations. WIC payments and child support collections are also moneymakers for Xerox and the rest of the financial services industry.

Like so many other debates in America, discussions about government spending are inherently bogus because the elephant in the room, big business, is absent. Millions of Americans are angry because food stamp recipients can use their benefits to buy junk food but don't realize that they are able to do so because corporate America wouldn't have it any other way.

Coca Cola, Kroger, Walmart, Kelloggs and other corporations have all lobbied the United States Department of Agriculture and congress to prevent any measures being put in place that would restrict SNAP use to healthy food choices. It isn't difficult to understand why this is the case. They want to make as much money as possible and won't abide anything that impedes their ability to keep turning huge profits. In just one year, nine Walmart Supercenters in Massachusetts received more than \$33 million in SNAP revenues, which is more than four times the amount of SNAP benefits received at all farmers' markets nationwide.

The recent congressional fracas about food stamp expenditures was like the shutdown debate, all for show. The Republican right wing advocates the most extreme anti-government positions in order to satisfy their base. Democrats rightly complain about cruelty to the poor but while the drama goes on the real welfare cheats keep cashing in, unlikely to be disadvantaged by either side after the dust settles.

If Americans knew that tasks easily carried out by their states were contracted out to big business, they would be very angry. That explains why no one tells them the truth. Governors, state legislators, and members of Congress are unlikely to expose their own timidity and corruption and the corporate media do as little reporting on serious issues as they can possibly get away with.

It is no exaggeration to say that every policy decision in state capitols and Washington DC is made with the needs of big business in mind. Wars against drugs and dead beat dads may resonate with the public, but the end result always includes a means of increasing corporate profits.

No matter what happens after the shut down kabuki theater ends, Walmart will not lose one penny of its food stamp revenues. No one on Capitol Hill will mess with the 1%. The business of America is still business.

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McDonald's Low Wages Cost Taxpayers \$1.2 Billion Per Year: Study

By Jillian Berman - 10/15/2013

The fast food industry's low wages are costing us all, new research finds.

Taxpayers are shelling out \$1.2 billion a year to help pay workers at McDonald's, according to an estimate from the National Employment Law Project published Tuesday. The organization used estimated figures from a study by University of California-Berkeley and University of Illinois at Urbana-Champaign on how many fast food workers rely on public assistance programs like food stamps and Medicaid for its analysis.

Overall, low wages at the top 10 largest fast food chains cost taxpayers about \$3.8 billion per year, NELP found.

As Republicans in Congress fight to curb spending on entitlement programs like food stamps, the report offers an often overlooked solution: Companies could pay workers more to decrease their reliance on public assistance.

"A very easy policy fix here would be to raise the minimum wage," said Sylvia Allegretto, the co-chair of Berkeley's Center on Wage and Employment Dynamics and one of the authors of the Berkeley/UI study. "The firms that pay a large share of their workers at or near the minimum wage -- these workers disproportionately have to rely on public subsidies."

The National Restaurant Association, a trade group representing more than 500,000 restaurants, took issue with the reports. It argued that the Berkeley and UI researchers' decision to consider the Earned Income Tax Credit, a tax break given to working, low-income families, as a subsidy "inflates" the study's findings. McDonald's wrote in a statement that the company and its franchisees provide hundreds of thousands of jobs throughout the country that offer opportunities for advancement.

"As with most small businesses, wages are based on local wage laws and are competitive to similar jobs in that market," the statement reads.

To make its estimate, NELP used publicly available data about the fast food industry, like how many front-line workers each restaurant employs, along with the University of California-Berkeley/UI study.

The Berkeley/UI study found that 52 percent of families of front-line fast food workers -- defined as non-managers working more

than 11 hours a week and over 27 weeks per year -- rely on at least one government assistance program. The researchers used enrollment data from government programs like Medicaid and the Supplemental Nutrition Assistance Program (or food stamps), and cross-referenced that information with worker demographic data from the Bureau of Labor Statistics.

Pelhom Wiley is one of those workers. He's been mopping floors, taking out the garbage and changing the grease in the frier pans for about a year as a maintenance worker at a Chicago McDonald's. Wiley says his paycheck of \$8.25 an hour at just under 40 hours per week isn't enough for him to cover his about \$600 per month in expenses like rent and transportation.

So Wiley uses Illinois' food stamp program to fill in the gaps. He often comes up short.

"We get paid Mondays, and by Wednesday or Thursday my check is pretty much gone," he said. "It's not fair. I'm the one that has to keep up the store. All of the big restaurants make billions of dollars, and we make the least of what all the stores get." Representatives from the restaurant industry have said in the past that fast food eateries operate on thin profit margins. They've argued that any wage boost could put franchisees -- which run most fast food restaurants -- out of business, or hamper their ability to hire.

Industry representatives have also said that entry-level fast food jobs are meant to be just that -- and therefore workers will only be earning bottom-barrel wages for a short period of their careers.

But the new economic reality counters that claim. Nearly 70 percent of the jobs created in the recovery have been in low-wage sectors like fast food and retail, while half the jobs lost during the recession paid between \$38,000 and \$68,000 per year.

That means that in many cases, it's not just teenagers working fast food jobs for some extra cash. These low-wage workers are often older -- and in many cases are the breadwinners for their families.

"It's not just that we need more jobs," said Allegretto. "We need the jobs that we have and the jobs that are growing to be better-paying jobs and better-quality jobs."