

Institutions, Politics, and Legacies: State Generosity in the Twilight Years of AFDC\*

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6,255 Words

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## Institutions, Politics, and Legacies: State Generosity in the Twilight Years of AFDC

*Abstract: This study examines the relationship between theories of welfare state spending and the generosity of U.S. states in their Aid to Dependent Families and Children (AFDC) program. In this paper, I attempt to draw from both well established theories of welfare spending and from more nuanced arguments of welfare spending in an attempt to formulate a fuller conception of welfare generosity for a 61 year old social benefit in the years leading up to its demise. Using fixed effects pooled-time series regression, I analyze AFDC generosity in all 50 states from 1981-1996. The results show limited support for both of the classical theories of welfare spending and for two of the nuanced arguments – including an interactive hypothesis suggested in the literature – but fail to support one expected determinant of welfare spending. However, the results do suggest that a more specified model of welfare spending help explain AFDC generosity in the U.S. States.*

## Institutions, Politics, and Legacies: State Generosity in the Twilight Years of AFDC

The U.S. welfare state has undergone a dramatic transformation in recent decades. In the 1980s, it underwent a conservative shift with the election of Ronald Reagan and with a slowing economy. The Reagan administration reduced non-defense spending and increased the role of the states in domestic policy (Altman 1983, 104). The focus on the states was part of a trend towards so-called “New Federalism,” which had begun in the 1970s but became more fully developed under the Reagan Administration (Grant 1995, 851). New Federalism gave states increased responsibility in financing domestic policies, but also required them to bear a larger share of the tax burden (Grant 1995, 858).

One program most affected by the New Federalism was Aid to Dependent Families and Children (AFDC), a welfare benefit for women and children that provided states autonomy in “program formulation, benefit determinations, and administration” in providing “assistance to needy families”(Office of Family Assistance 2000). Although the size of the general welfare rolls remained fairly constant during the Reagan presidency (Rogers-Dillon 2004), the Reagan phase of New Federalism was marked by lower levels of economic support from the federal government to the states, which was coupled with greater state responsibility for funding, administering, and overseeing their social, economic and labor policies (Grant 1995). Under New Federalism states were allowed to apply for waivers through the Low Income Opportunity Advisory Board (Rogers-Dillon 2004, 138-39). These waivers “allowed states to test such changes as expanded earned income disregards, increased work requirements and stronger sanctions for failure to comply with them, time limits on benefits, and expanded access to

transitional benefits such as child care and medical assistance” (U.S. Department of Health and Human Services 2004). In 1995, President Clinton simplified the waiver process in order to use the states as a vehicle to test various approaches to welfare reform (Rogers-Dillon 2004, 144-45). Throughout this 16 year period state autonomy was thus “encouraged and provoked” by these federal policies (Zylan and Soule 2000, 630). This period of experimentation culminated with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 which ended AFDC and replaced it with Temporary Assistance for Needy Families (*TANF*) Program (U.S Department of Health & Human Services 2006). Surprising, little sociological research has considered the determinants of state welfare effort during this period of policy experimentation.

Much of the sociological work on social spending has either examined variations across affluent capitalist democracies (Hicks and Misra 1993; Huber, Ragin, and Stephens 1993; Pampel and Weiss 1983) or has looked at the evolution of particular social policies in one nation over time (Quadagno 1994; Quadagno 2005). Yet these studies tend to ignore the large intra-national variations that exist, especially in nations like the United States, where the decentralized polity provides considerable state autonomy in social spending. Aside from a few studies, sociological research has tended to ignore welfare processes in the states (for exceptions see Amenta, Caren, and Olasky 2005; Amenta and Halfmann 2000; Soule and Zylan 1997; Zylan and Soule 2000).

In this paper I employ welfare state theories that have been used to explain international variations in order to explain variations in AFDC generosity in the U.S. states between 1981 and 1996. I first examine two classical welfare state theories, the industrialization thesis and power resource theory. I then consider the institutional

politics thesis (Amenta 1998), path dependent arguments (Pierson 2004) and race-based accounts of social policy (Quadagno 1994). Specifically, I examine how the social, political, and institutional factors derived from these theories can account for variation in generosity of a crucial program for the poor over which the states have considerable administrative discretion. Bringing these perspectives to bear on the welfare processes in the states improves our understanding of this recent period of retrenchment and suggests several avenues for theoretical development on social spending.

## EXPLANATIONS OF SOCIAL SPENDING

### *Industrialization Thesis (Needs Based Argument)*

One of the first sociological theories of the welfare state suggests that burgeoning social expenditures are the product of need created by industrialization (Myles and Quadagno 2002, 36). The central argument was that industrialization created categories of people incapable of participating in the workforce. In order to assuage some of the inequities generated by the market, states intervened to maintain political stability and social cohesion (Devine 1985, 152). According to this argument, then, social spending is predicated upon shifts in demographic composition – particularly poor children and the elderly (Pampel 1994, 157-158) – and consider variation in welfare state efforts a product of economic development (Huber, Ragin, and Stephens 1993, 714).

Several cross-national studies have found support for the industrialization thesis. In a study of 18 countries from 1950 to 1975, Pampel and Weiss (1983) found that a decreased proportion of men working in agriculture led to a reduction of participation of men over the age of 65 in the workforce. Pampel and Williamson (1989) found partial support for the “Industrialism Theory” in their analysis of 18 industrialized nations from

1950 to 1980 and their analysis of 32 non-advanced industrialized non-“Eastern bloc” socialist nations from 1970-1975 (Pampel and Williamson 1989). In both studies they found a positive relationship between the percentage of the population over the age of 65 and social welfare spending.

In summary, the industrialization thesis argues that state actors respond to demographic pressures and shifts in the structure of the labor force by expanding the welfare state to accommodate the needs of people who cannot participate in the labor force. By this logic, areas with larger proportions of children and elderly, higher rates of manufacturing, and higher rates of unemployment should have increased levels of social spending.

It remains uncontested that (a) industrialization and a capitalist economy produce surplus population (non-workers) and (b) that this population requires assistance from the state to meet their basic needs (Myles 1989, 94). Yet the welfare state is not simply a product of demographic change and economic development. Theories of industrialization cannot explain variation in spending across nations with a similar amount of economic development. Rather, variations in welfare spending are also subject to political action by social actors.

#### *Power Resources Theory*

An alternative theoretical perspective, power resource theory, suggests that the welfare state is shaped by the efforts of organized labor, which mobilizes the working class in order to alleviate the economic disparities created by a market economy (Esping-Andersen 1990; Korpi and Palme 1998; Quadagno 1992, 617). To this end, the behavior of political institutions is shaped in part by partisan politics that result from class conflict.

Several cross national studies have found support for power resource theory. For example, in his analysis of 18 OECD countries from 1930 through the 1980s, Korpi (1989) found a positive relationship between an index of social rights in sickness insurance and the presence of “left party government” (Korpi 1989, 323). Likewise Hicks and Misra (1993) concluded that the presence of left leaning governments and working class actors led to an increased pressure on welfare effort (Hicks and Misra 1993). In his study of 19 wealthy democratic nations between 1967 to 1997, Brady (2003) also found that left political institutions, including actors both within and outside of the state, interact with welfare effort to reduce poverty.

Power resource theory has been largely based on the experience of working class political mobilization in Europe where the balance of power between capital and labor has been a critical factor in the welfare state formation (Quadagno 1990, 13). However, the U.S. has been characterized by the absence of a strong labor movement and the absence of a left/working class party and thus lacks favorable conditions for generous social spending (Esping-Andersen 1990). Furthermore, the American labor movement did not support some welfare programs so the kind of class based partisanship found in European nations may be absent as a factor fueling welfare expenditures in the U.S. (Soule and Zylan 1997, 748). Other scholars, however, contest the view that the working class in the U.S. lacks the capacity to mobilize on behalf of the welfare state (Allen and Campbell 1994; Radcliff and Saiz 1998). For example, in their study of state level welfare spending, Radcliff and Saiz (1998, 121) found that, on average, states with greater union density had higher levels of spending on welfare and education.

These studies suggest that while power resource theory may be useful in explaining variation in cross-national social spending, by itself it may be limited in explaining variation within the U.S. The most straightforward implication is that areas with greater union presence and domination by left (or center) parties, which in the U.S. means the Democratic Party, are more likely to have generous social spending.

### *Path-Dependent Arguments*

While the industrialization thesis and power resource theory were originally developed to explain welfare state formation, the path dependent approach is concerned with explaining welfare state retrenchment. A central concept is policy feedback where historical policy innovations or political legacies determine later outcomes (Pierson 1994, 39). Once legislation is passed, a “self-reinforcing” sequence is begun making it difficult for policy to reverse direction (Mahoney 2000; Mahoney 2004, 11).

The longer these self reinforcing paths persist, the more difficult they are to reverse (Bennett and Elman 2006a, 256; Bennett and Elman 2006b, 464). These outcomes may make it harder for advocates of retrenchment – as well as advocates of welfare expansion – to reverse policy direction once they have become “locked-in” to existing policies. This may be in part due to the increased cost of switching to a new policy, which in turn “inhibit[s] exit from a current policy path” (Pierson 1994). Furthermore, once a policy becomes enacted, it often motivates and provide resources for interest groups and it helps determine which groups will mobilize around it (Amenta, Bonastia, and Caren 2001, 221; Pierson 1994).

Proponents of path-dependence argue that it occurs for a couple of reasons. First, once a policy is established an economic equilibrium is developed, in part because

government programs have start-up costs in their establishment and learning curves in their administration (Pierson 2000, 254). Second, because programs create their own political constituencies, politicians who curtail welfare spending may face “electoral retribution” and therefore may be hesitant to do so (Pierson 1994). What this suggests is that once a state starts down a certain welfare path, it then becomes difficult to switch paths later on.

In a recent study, Jenkins, Leicht, and Wendt (2006) found some support for path dependence. They found that political legacies stemming from New Deal policies in the states conditioned the influence of class actors on state economic development policies in the 1970s and 1980s. This suggests that contemporary retrenchment efforts may be more limited in those states that enacted more generous provisions in the formative years of the welfare state.

### *Institutional Politics Theory*

Like power resource theory, the institutional politics perspective emphasizes the political mobilization of pro-spending actors, yet it extends this work in three useful ways. First, it delineates the institutional context in which pro-spending advocates are likely to succeed. Second, it specifies both class coalitions and reform oriented political parties as pro-spending actors. Third, it develops these arguments in light of the U.S. experience.

The institutional politics thesis “situates political parties and other pro-spending actors within the context of state political institutions and political party systems” (Amenta and Poulsen 1996, 34). It identifies the key actors as elected officials and social movement or non-governmental organizations (Amenta 1998, 14, 29). Like power resource theory, it views pro-spending actors as influential, but within a limited

institutional context (Amenta and Poulsen 1996, 35; Amenta 1998, 13). It suggests that these actors exist at the “margins of institutional politics,” and as such, they generally have limited influence. The effect of these actors on social spending policy is enhanced, however, when there are “reform oriented” political parties in power.<sup>2</sup> Reform oriented political parties affect spending levels in two ways. First, they may pass legislation that increases social spending. Second, they may “rationalize state bureaucracies,” thereby altering the institutional context for future political actors (Amenta 1998, 15). This perspective also borrows from path-dependent arguments and suggests that the original structure of social policies helps shape future changes to policy (Amenta, Bonastia, and Caren 2001, 220).

Because this approach views institutional conditions as important but slow to change, it emphasizes democratic procedures within these institutions (Amenta and Halfmann 2001, 253; Amenta 1998, 29). Institutional conditions are “the structure[s] and democratic practices of the political system and the character of its party system” (Cauthen and Amenta 1996, 428). One important institutional condition is the degree to which the legislature is professionalized, as measured by the length of congressional session and the amount legislators receive as compensation for their services. Highly professionalized state legislatures buffer legislators from electoral and economic pressures, while at the same time allowing legislators to have longer careers (Berry, Berkman, and Schneiderman 2000). As a result, professionalized legislatures may allow legislators the time to establish and pursue policy agendas and they produce more resources with which to pursue these agendas.

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<sup>2</sup> Amenta (1998) suggests that reform oriented regimes are those with both “a president allied with pro-spending groups and a Congress in which left and center legislators dominate.”

Generosity in social spending, according to this perspective, is thus a product of a state's particular mix of institutional characteristics and pro-spending political actors. While useful, this argument has mostly been applied to the formative years of U.S. social spending. It is unclear whether similar institutional or political features are salient for more recent changes.

In their analysis of Works Progress Administration programs in the summer of 1939, Amenta and Halfmann (2001) found support for the institutional politics thesis. They found that voting rights, partisanship, and union density influenced decisions over the expansion of the program and its wage rates across states. They also suggest an interactive hypothesis, whereby social spending advocates are most successful in favorable institutional settings.

#### *Race and Social Policy in the U.S.*

Many studies have stressed the centrality of race, within the U.S., for the development of social spending and welfare policy outcomes (Jacobs and Carmichael 2001; Lieberman 1998; Quadagno 1994; Soule and Zylan 1997). The underpinning of these arguments is that southern states were historically opposed to any legislation that impinged upon "states rights" and threatened their control over social programs, particularly those that might usurp white hegemonic control of the economy (Quadagno 1994, 22-23).

When Aid to Dependant Children (ADC)<sup>3</sup> was first enacted as part of the Social Security act of 1935, it was designed as a means-tested program to provide relief to the "deserving poor." However, Southern states insisted upon states' rights in order to maintain administrative control over ADC benefit levels (Lieberman 1995, 179), so as a

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<sup>3</sup> Aid to Dependent Children (ADC) would become Aid to Families with Dependent Children (AFDC) in 1962 (Cauthen and Amenta 1996).

concession federal law dictated the classes of people who would be covered by ADC, but gave states substantial autonomy in how their individual programs were administered. States had the ability to determine their own thresholds of need, to specify benefit levels, and to administer the program (U.S. Department of Health and Human Services 2004). This compromise meant that ADC was structured in a way that “promoted racial discrimination in administration, which [in turn] inhibited the programs development and produced a legacy of retrenchment and intensified racial division” (Lieberman 1995, 183). Once these racially shaped policies became embedded into administrative institutions they “establish[ed] patterns of procedure, behavior, and expectations [had] an important impact on subsequent developments” (Lieberman 1995, 159-161).

Historically, African Americans have received substantially lower ADC benefits “than race-neutral administration would have predicted” (Lieberman 1995, 182-183; Manza 2000, 823). For example, Soule and Zylan (1997) found that states with larger percentages of African Americans were more likely to incorporate work requirements into their ADC/AFDC policies. More recently, Zylan and Soule (2000) found that the rate at which states submitted for waivers to experiment with their AFDC programs was positively related to the proportion of the states population that was African American and they suggested that this may represent using AFDC as an arena for “racial politicking.”

This perspective suggests that the racial structure of society was embedded into the institutions of policy administration during the formative years of social welfare policy. This could be considered a path dependent argument of racialized welfare policy, whereby a self-reinforcing sequence was begun that systematically excluded African

Americans from ADC benefits, and has become locked in to contemporary AFDC legislation. As such, this perspective expects that state spending for the poor should be the least generous in states with larger African American populations.

## **Data and Methods**

This study assesses explanations of welfare spending relative to AFDC generosity in the U.S. states using a pooled-time series design.<sup>4</sup> The data used in this study were gathered from various publicly available sources, all of which are presented in Appendix A. The data set contains sixteen years of observations for each of the 50 states,<sup>5</sup> resulting in a total of 800 state-years.<sup>6</sup> The period of observation captures an important period of welfare experimentation and retrenchment that led up to major national reform (Pierson 1994, 7; Quadagno and Street 2006; Rogers-Dillon 2004; Zylan and Soule 2000). This study begins with 1981 in order to allow one year for Reagan Administration policies to take effect and ends in 1996 when the Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), ending AFDC.

I use the fixed effects approach to pooled-time series regression – a strategy that offers a powerful control for unobserved heterogeneity. The fixed effects approach “introduce[s] dummy variables to account for the effects of those omitted variables that are specific to individual cross-sectional units but stay constant over time” (Hsiao 1986, 29). To accomplish this, the fixed effects option for pooled-time series in Stata effectively introduces one dummy variable representing each state into the model.

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<sup>4</sup> It is important to point out that this paper is assessing welfare generosity by using theories of spending, and therefore some slippage between theories and results is expected.

<sup>5</sup> This study use variables from 1980-1995 to predict outcomes in 1981-1996.

<sup>6</sup> Because Stata uses the Cochran-Orcutt method of correcting for first order auto-correlation, the first instance of each case is dropped from the model, thus the analysis only includes 750 state years.

Although both fixed effects and random effects are subject to their mathematical limitations (Hausman 1978),<sup>7</sup> the Hausman Chi-Square test in Stata indicates that the fixed-effects approach is preferable to alternative random-effects models for each of the analyses that follow.

Two notable consequences follow from the adoption of the fixed-effects approach. First, all time-invariant predictors are automatically dropped from the model (Hahn and Meinecke 2005, 455; Hausman and Taylor 1981, 1377; Kennedy 2003, 304). Second, the analysis loses degrees of freedom equal to the number of panel units minus one (Kennedy 2003, 304), which in this case is 49. For these reasons, I experimented with several other modeling strategies, none of which differed notably from the fixed-effects models with minor exceptions. I return to this issue in the findings section.

Because social spending outcomes are typically representative of recent conditions rather than present conditions – that is to say time takes place between when something happens and when policy can be enacted reflecting it – a one year lag is used so that 1981 spending levels are predicted by 1980 characteristics. Given persistent temporal autocorrelation common with this type of data, I include a correction for first-order autocorrelation (AR1).

### *The Dependent Variable*

Scholars have measured AFDC generosity in a variety of ways. Some studies use state maximum family benefit levels (Garrett and Glied 2000, 283), some have looked at money *available* to eligible recipients by a certain family size (Butler 1996, 103), while

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<sup>7</sup> By including a dummy variable for each individual (in this case state) the fixed effects approach is generally more consistent than a random effects approach. However, a liability of the fixed effects approach is that it is less efficient (has larger standard errors) than random effects.

others have used “the average AFDC payment per family in each state” (Moller 2002, 471). Because I am interested in *actual* generosity in social spending rather than *potential* generosity, I use a measure that is most similar to that used by Moller (2002): the average monthly benefit for the average sized recipient family. This measure is therefore standardized across states and, after adjusting for inflation, is standardized across time as well. To paint a general picture of this measure, eighty percent of the fifty least generous states were former members of the civil war south and all were in the 1980s whereas non of the fifty most generous states were former members of the civil war south and a third were in the 1990s. This measure is derived from the U.S. House Ways and Means Committee’s semiannual publication *The Green Book*. Descriptive statistics for AFDC generosity and for key independent variables and their predicted effects are presented in Table 1.<sup>8</sup>

[Table 1 About Here]

### *Independent Variables*

This study looks at five sets of independent variables, with each set representing one of the theoretical perspectives at issue. Three variables are used to capture the Industrialization Thesis, which suggests that state actors respond to demographic pressures, and specifically that industrialization created categories of non-workers who rely on the state for social benefits (Pampel and Weiss 1983, 370, 371). *Population Under 15* measures the percent of the population that is fifteen or younger.

*Manufacturing* measures the rate of all employees employed in manufacturing within a state. *Unemployment* measures the percent of the state’s civilian labor force that is unemployed.

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<sup>8</sup> More detailed summary statistics of AFDC generosity are also available in appendix B.

Two variables are used to measure Power Resource Theory, which views social spending as influenced by the attempts of leftist political parties and class coalitions to redistribute wealth through the state (Korpi 1989). *Union Density* measures the rate of union membership as a percentage of total nonagricultural workers. *Democratic State* is a dichotomous measure coded “1” for those states that have both a Democratic governor and a legislature that is majority Democratic. I expect all of the Industrialization Thesis and Power Resource Theory variables to have a positive relationship with state level AFDC generosity.

I include four variables to assess the Institutional Politics Thesis, which suggests that spending outcomes are a function of a particular state’s mix of institutional conditions and pro-spending actors (Amenta 1998). *Governor’s Election Year* is a dichotomous measure scored “1” for those years in which a gubernatorial election is held. *Professionalism* uses the sum of the z-scores for the length of legislative session and amount of legislative salaries, with larger numbers representing a more professionalized legislature (Bowman and Kearney 1988; Jenkins, Leicht, and Wendt 2006, 1141). *Centralized Authority* measures the strength of powers bestowed upon the governor within a state by summing the z-scores for veto powers, joint election of lieutenant governor, and the number of consecutive terms a governor may serve, with larger numbers representing more power vested in the governor (Bowman and Kearney 1988; Jenkins, Leicht, and Wendt 2006, 1141). As measures of more rationalized state administration and of greater capacities for policy-development, I expect the institutional structural measures of Centralized Authority and Legislative Professionalism to be associated with more generous welfare spending.

*Citizen Ideology* is Berry et al's (1998) measure which was calculated by using an ideology score for a given district's incumbent legislator and for the incumbent's challenger.<sup>9</sup> That information was then weighed by the rate of votes each candidate received. The district level results were then averaged to generate a measure of citizen ideology by state where higher numbers represent more liberal states (Berry, Berkman, and Schneiderman 2000, 331; Jacobs and Dixon 2006, 126). This measure is used to gauge the extent to which a state's citizenry supports pro-spending actors and also citizen preferences for social spending outcomes, which has been emphasized in more recent work (Brooks and Manza 2006). In either case, I expect this measure to exhibit a positive effect on AFDC generosity.

Finally, I include measures to assess race-based and path dependent accounts. First, I use *Percent African American*, the percent of the state's total population that is African American. Previous research suggests this will have a negative effect on social spending. The measure of Path Dependence used in the analysis is a dummy variable representing those states that submitted for *Waivers* to experiment with their AFDC programs.<sup>10</sup> This measure comes from Zylan and Soule's (2000) analysis of welfare retrenchment, and states are first coded "1" once they submit for a waiver. I had initially included two historical measures in my analysis of path dependence arguments. I examined those 10 states that had the best quality ADC programs in 1939 (see Cauthen and Amenta 1996) and those states that Amenta and Halfmann (2000) identified as most

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<sup>9</sup> These ideology scores are made up of the rankings interest groups assign to legislators.

<sup>10</sup> Although this measure of path dependence does not meet the criterion for path dependence as advocated by Pierson (2004) or Mahoney (2000), it does seem to meet the criterion of shifting institutional patterns that help determine generosity levels. Even though this measure neither occurs in the early period of AFDC, nor does it appear to be occurring independently of initial conditions (see Zylan and Soule 2000), it does seem that if there is a relationship between submitting for waivers and AFDC generosity a self reinforcing sequences may be taking place.

likely to favor generous social benefits. Neither exhibited any effect when I attempted to include it in the model by interacting it with institutional politics variables or by interacting it with the waivers measure. So for the sake of parsimony, I left both out of the analysis presented here.

### *Control Variables*

This analysis uses two control variables. This first is a dichotomous measure coded “1” for the years of the *Reagan* presidency. It is used to help account for the sizable decline in generosity across all states during these years. The second control is per capita *State Income*. This is used to ensure that the effects of key explanatory variables on generosity are not simply an artifact of state wealth and is reported in thousands of dollars.<sup>11</sup>

### **Results**

Table 2 shows the results from regression analyses of AFDC generosity. The first four models in Table 2 show state AFDC generosity regressed on the variables derived from five theories of welfare spending, while models 5 and 6 assess the interactive hypotheses suggested in the welfare literature. Model 1 shows the industrialization thesis and power resource theory variables. In this model the percent of manufacturing significantly increases state AFDC generosity while both the percent of children under the age of 15 and democratic state have no significant relationship to generosity.

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<sup>11</sup> In developing this paper I ran several other models that included variables that measured the proportion of the Hispanic population, voter turnout, the proportion of a state in poverty, and whether or not a state was in the U.S. south. None of these measures were significant, nor did they alter other findings, so they were dropped from the models for the sake of parsimony.

The rate of union membership also has a positive and significant effect on AFDC generosity. Although unions may seem like unlikely champions of AFDC given that their primary constituents gain little direct benefit from a program for poor mothers and children, it may be that while unions themselves have little interest in AFDC policies, their general interest in social spending helps create a pro-spending orientation within a state. If this were the case, it seems reasonable that, net of partisan control and citizen ideology, an increase in union presence would lead to more generous AFDC spending levels. Further, these findings are consistent with those of others who find that AFDC benefit levels increase with higher rates of union membership (see for example, Radcliff and Saiz 1998, 121; Sander and Giertz 1986, 7).

[Table 2 About Here]

Another interesting and unexpected finding is that an increased rate of unemployment within a state is significantly associated with lower average monthly benefits. Although the industrialization thesis predicts that total spending levels would increase as unemployment goes up, higher unemployment also means that a finite amount of resources are distributed across a greater number of people. Thus, if the number of AFDC recipients raises along with unemployment, it seems reasonable that such an increase would be associated with a decrease in generosity.

Model 2 displays the effects of the institutional politics variables on generosity. While governor's election year and centralized authority have no significant relationship to AFDC generosity, both legislative professionalism and citizen ideology are associated with increased levels of AFDC generosity. This is consistent with the general theme of the institutional politics theory which points to both institutional characteristics – in this

case the presence of a professionalized legislature – and the presence of pro-spending actors – in this case a liberal citizenry – as meaningful in the formation of states’ social policies. It may be that since a more professionalized legislature is associated with a greater ability for policy development that it also insulates legislators so that they feel freer to develop more generous social spending policies despite pressure from the federal government to do otherwise (Berry, Berkman, and Schneiderman 2000). If this is the case, then it makes sense that greater levels of professionalism allow state policymakers to enact more generous welfare benefits.

Model 3 introduces the percent of the states’ population that is African American and the measure of path dependence. The coefficient of percent African American is in the expected direction but is not significantly associated with state AFDC generosity. The lack of a significant relationship here is somewhat surprising in that it is inconsistent with other reports that find that a larger African American population is associated with less generous welfare policies (Lieberman 1995; Lieberman 1998; Soule and Zylan 1997). However, in considering this non-finding, it is important to return to the limitations of fixed effects pooled time-series regression.<sup>12</sup> Because this approach effectively includes a dummy variable for each state, the comparisons being considered are over time rather than between states. Given that most of the variation in the percentage of African Americans within states is cross-sectional, it is not surprising that

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<sup>12</sup> The over time standard deviation for the rate of African Americans within a state is 0.40, while the between state standard deviation is 9.29. This informs us that most of the variation in racial composition is occurring between states rather than over time. So, one may expect that a different relationship would be expressed when employing a modeling strategy that does not model out between state variations. In fact, when using several other modeling strategies, instead of fixed effects pooled-time series, to explore this relationship, the rate of African Americans within a state was associated with a decrease in AFDC generosity. However, because the Hausman test returned results indicating that a fixed effects approach is appropriate, that is the modeling strategy employed in this paper.

this variable does not reach statistical significance with the fixed-effects approach. As expected, the path dependence measure suggests that once a state submitted a waiver to experiment with AFDC, it experienced a significant reduction in AFDC generosity which continued in subsequent years.

Model 4 simultaneously shows all of the variables that were presented in separate models from model 1 through model 3. It shows that there is little change in the relationships between the predictor variables and AFDC generosity. All of the measures that were significantly associated with AFDC generosity remain significant and maintain the same direction of association. Further, in all of the models, the effects of both control variables remain consistent. Wealthier states are associated with greater levels of AFDC generosity, while the years of the Reagan presidency have no significant association.

Taken as a whole, the first four models of Table 2 suggest two major themes. The first is that, with the exception of the race based accounts, there is some evidence to support each theoretical explanation of state AFDC generosity. The second is that each explanation exerts its own effect. Yet while these models show the additive effect of these theoretical explanations of welfare spending, they do not consider the interactive hypotheses suggested by the literature.

[Figure 1 About Here]

In model 5, the interaction effect between Democratic state and legislative professionalism is introduced and is associated with increased levels of generosity. In model 6 the interaction between legislative professionalism and presence of a waiver is introduced and is associated with a decrease in AFDC generosity. Taken together, these findings suggest that those legislatures that are more highly professionalized provide a

medium for state actors to experiment with a social policy agenda. This experimentation can vary in its consequences. On the one hand, Democratic states that lack a highly professionalized legislature produce *less generous* AFDC spending levels than do Democratic states with a highly professionalized legislature.<sup>13</sup> This supports the interactive hypotheses suggested by Amenta and others (Amenta and Halfmann 2000, 507; Amenta 1998, 15, 38; Jenkins, Leicht, and Wendt 2006; Leicht and Jenkins 1998, 1339). Furthermore, Figure 1 shows that the degree to which a state is professionalized has a larger impact on Democratic States than it does on non-Democratic states. This suggests that professionalism matters more when comparing states like Michigan in 1988 (which was both highly professionalized and controlled by a democratic Senate and Governor) and New Mexico in 1994 (also controlled by Democrats but with low levels of legislative professionalism) that it does when comparing states like California in 1986 (highly professionalized and without democratic control) and New Hampshire in 1982 (low levels of professionalism and also without democratic control).

[Figure 2 About Here]

On the other hand, states with a history of less generous social programs, as measured by waiver submissions, may work with a professionalized legislature to produce *less generous* levels of AFDC spending. This finding supports the inclusion of waivers as a measure of path dependence, because it shows that states with political legacies of less generous support also had increased capacity for policy development. In other words, there was both an initial effect of submitting for waivers, as well as subsequent and sequential effects. However, Figure 2 suggests that professionalism

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<sup>13</sup> Post estimation analysis of suggests that this interaction is only significant at low levels. The results of this analysis are not presented here, but are available upon request.

mattered more for states that did not submit waivers for AFDC experimentation than it did for those that did. What does remain clear is that, among those states with high levels of legislative professionalism, those that submitted waivers had less generous AFDC spending levels than those states that did.

In light of these two interaction terms, institutional conditions can be viewed as tools that provide policymakers with enhanced control over policy creation (Jenkins, Leicht, and Wendt 2006, 1132). However, while past research has shown that institutional conditions create opportunities for pro-spending actors, these results suggest that rather than creating opportunities for expansion the structure of state institutions a highly professionalized legislature limits opportunities for retrenchment in some instances and provides opportunities for retrenchment in others.

## **Discussion**

This study explores the relationship between explanations of welfare spending and AFDC generosity in the U.S. states during the last decade and a half of the program's existence. Aside from the work of Amenta and colleagues on the formative years of the welfare state, there has been little sociological research examining changes in social welfare programs across states. My work examines the applicability of welfare state theories to the case of the U.S. states during this especially important period of transition, which bore witness to the devolution of economic burden and social policy responsibility from the central government to the states and was a period of innovative policy experimentation, culminating with the demise of a 61 year old welfare benefit.

This paper finds limited support for both of the classical explanations of welfare spending. The positive effect of the population under fifteen supports the contention of the industrialization thesis that the welfare state responds to demographic shifts (Pampel 1994). Although the industrialization thesis would predict that unemployment would have a positive impact on AFDC spending, the negative relationship found here may be explained as an increased burden on a limited amount of funds. So while this finding is unexpected, it does not necessarily refute the premise of the industrialization thesis. This paper also finds evidence that class mobilization, as measured by union presence, is an important factor in developing generous welfare state policies. These results are consistent with research that suggest that the U.S. labor movement does not lack the capacity to mobilize behind welfare (Allen and Campbell 1994; Radcliff and Saiz 1998) and generally offers support for power resource theory. Taken together, this suggests that AFDC generosity is both a response to demographic shifts and the result of the mobilization of class actors within a state. However, a states ability to fund AFDC is limited so that an increase in unemployment may strain budgets, thus resulting in reduced benefit.

This paper also finds some support for both the institutional politics thesis and for arguments about path dependence. Three of the four variables used to measure the institutional politics thesis came through in the expected direction (although governor's election year only came through in the model that included the interaction between legislative professionalism and submitting for a waiver). What this suggests is that not only does state structure matter for the generosity of AFDC policy, but that, net of partisan composition of government, policymakers are responsive to the will of the

people they represent, as measured by citizen ideology. Although it is important to recognize that some scholars would argue that the waiver measure used in this paper is not a true measure of path dependence (Mahoney 2000; Pierson 2000), it does suggest that past policy experimentation helps shape future AFDC generosity levels. So while these findings may not offer support for path dependence as defined by some social theories, it does suggest that past policies may meaningfully impact current ones. This extends the work of others, notably Soule and Zylan (2000) who investigated the determinants of submitting for AFDC waivers, by showing that submitting for these waivers did indeed lead to a reduction in average benefit levels in the years leading up to the end of the AFDC program.

There is little support for those arguments that suggest that the racial composition of a state impacts the generosity of its social policy (Lieberman 1995; Lieberman 1998; Quadagno 1994). But as mentioned above, this may be explained by the limitations of fixed effects pooled time-series analyses. This remains an area for further explorations, employing different statistical techniques.

The two interaction effects used in this paper provide a more detailed understanding of the role that state structure plays in determining generosity levels. What these results suggest is that a more professionalized legislature not only increases spending levels in Democratic states but that it also works as a means for those who engage in policy experimentation to continue down a path of less generous welfare policies. While the literature has frequently associated higher levels of legislative professionalism with progressive social policies, this study finds that legislative professionalism is a mechanism that can be used to achieve both progressive social

policies within democratic states and restrictive social policies among states that had a history of AFDC experimentation.

The findings presented here are not without limitations. In fixed effects pooled-time series estimation, measures that are time invariant are dropped from the model. As a result, the effects of measures that have little variation within one state over time (like the proportion African American) have difficulty reaching statistical significance. Because this modeling strategy is not particularly efficient, the results that do reach statistical significance are doing so through an especially conservative method of estimation.

Given the applicability of these theories to welfare processes in the states and the findings of others on a variety of state policy innovations during this important period of welfare history (Jenkins, Leicht, and Wendt 2006; Zylan and Soule 2000), sociologists might continue to look toward the states as an important arena for policy innovation and experimentation for a variety of areas over which states have discretion. Examples of these would be Medicaid reform, prescription drug policies, the State Children's Health Insurance Program, education reform, and health insurance and coverage just to name a few.

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**Table 1. Summary Statistics and Predicted Associations.**

<b>Variable</b>	<b>Predicted Association With AFDC Generosity</b>	<b>Overall Mean</b>	<b>Overall Standard Deviation</b>	<b>Cross-State Standard Deviation</b>	<b>Over-Time Standard Deviation</b>
<i>Dependent Variable</i>					
AFDC Average Benefit	=	271.89	144.40	101.50	103.64
<i>Independent Variables</i>					
Population Under 15	+	22.41	2.23	2.14	0.68
Manufacturing	+	17.58	7.00	6.73	2.12
Unemployment	+	6.67	2.17	1.45	1.62
Union	+	16.50	6.90	6.38	2.78
Democratic Control	+	0.42	0.49	0.32	0.38
Governor's Election Year	+	0.27	0.44	0.06	0.44
Legislative Professionalism	+	0.26	1.78	1.67	0.66
Centralized Authority	+	0.02	1.90	1.84	0.54
Citizen Ideology	+	47.93	15.12	13.81	6.43
% African American	-	9.57	9.21	9.29	0.40
Waivers	-	0.12	0.32	0.10	0.30
<i>Control Variables</i>					
Reagan		0.56	0.50	0.00	0.50
State Income		\$25.27	\$4.2	\$3.7	\$2.04

**Table 2. Fixed Effects Estimates of State AFDC Generosity, 1981 - 1996**

	(1)	(2)	(3)	(4)	(5)	(6)
<i>Industrial &amp; Power Resource Theories</i>						
Population Under 15	26.94*** (7.47)			25.44*** (7.48)	26.58*** (7.47)	29.39*** (7.69)
Manufacturing	0.51 (3.84)			-3.87 (3.73)	-4.15 (3.71)	-4.84 (3.74)
Unemployment	-24.24*** (3.37)			-26.33*** (3.25)	-26.12*** (3.24)	-27.25*** (3.27)
Union	4.90** (2.09)			4.46** (2.03)	4.28** (2.03)	4.04** (2.03)
Democratic Control	-2.50 (9.71)			-10.18 (9.48)	-14.32 (9.69)	-11.59 (9.46)
<i>Institutional Politics</i>						
Governor's Election Year		5.70 (7.22)		11.18 (7.01)	10.85 (7.00)	12.03* (7.01)
Legislative Professionalism		13.39** (5.55)		13.90*** (5.26)	10.65* (5.50)	17.05*** (5.48)
Centralized Authority		-2.63 (7.02)		-4.71 (6.58)	-5.16 (6.56)	-5.03 (6.55)
Citizen Ideology		1.04* (0.59)		1.50*** (0.57)	1.42** (0.57)	1.47*** (0.57)
<i>Race &amp; Path Dependence</i>						
% African American			-7.87 (13.94)	-0.52 (13.89)	-1.09 (13.83)	1.78 (13.86)
Waivers			-43.05*** (13.32)	-40.62*** (13.27)	-39.32*** (13.24)	-37.49*** (13.31)
<i>Interaction Effects</i>						
Democratic State* Legislative Professionalism					9.69* (5.03)	
Legislative Professionalism* Waivers						-11.85** (5.90)
<i>Controls</i>						
State Income	14.32*** (4.64)	18.92*** (2.89)	22.51*** (3.01)	8.76* (4.64)	8.55* (4.62)	7.68* (4.65)
Reagan	-5.22 (10.71)	-6.24 (10.69)	-12.14 (11.04)	-15.97 (10.71)	-16.77 (10.68)	-14.41 (10.69)
Constant	-607.82*** (213.54)	-252.56*** (65.19)	-204.48* (111.89)	-395.83* (229.07)	-398.18* (228.75)	-448.60* (229.91)
R <sup>2</sup> (within)	0.20	0.14	0.14	0.25	0.25	0.25

Note: Standard errors in parentheses. N=750 State-Years. Corrected for first order autocorrelation

\*  $p < .1$ ; \*\*  $p < .05$ ; \*\*\*  $p < .001$  (two-tailed tests)

Fig. 1. – Predicted values of AFDC Generosity by Democratic states (solid line) and non-Democratic states (dashed line) across values of legislative professionalism.

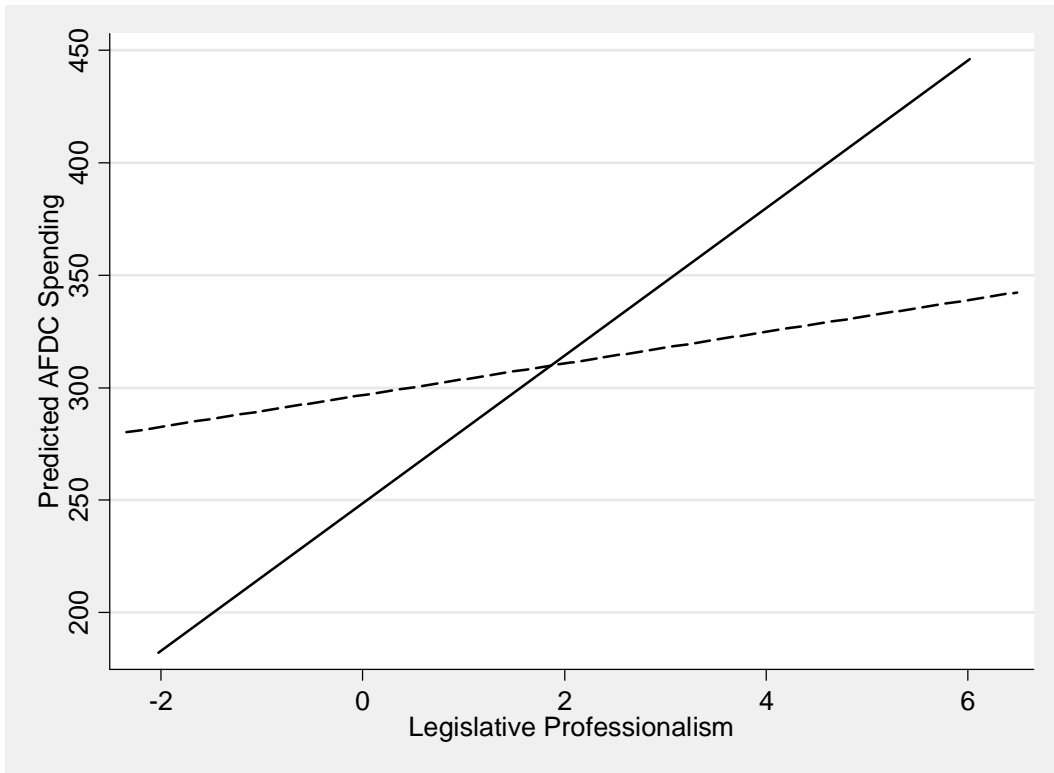
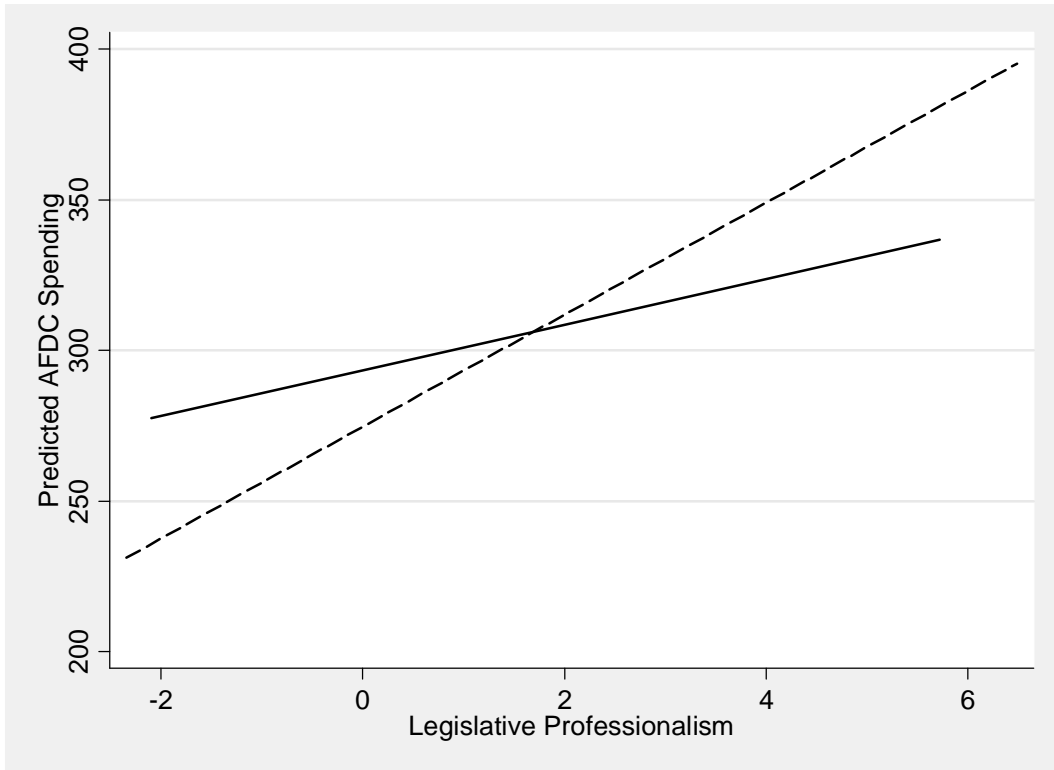


Fig. 2. – Predicted values of AFDC Generosity by states that have submitted for waivers (solid line) and states that have not submitted for waivers (dashed line) across values of legislative professionalism.



## Appendix A. Descriptions and Sources for AFDC and Key Independent Variables

Variable	Measure and Source
<b>Dependent Variable</b>	
AFDC	Average monthly AFDC benefit for average sized family (House Ways and Means Committee's Green Book)
<b>Independent Variables</b>	
<i>Needs Based Argument</i>	
Population Under 15	Percent of state population that is under the age of 15 (Census Bureau Population Estimates)
Manufacturing	Percent of the labor force employed in manufacturing. (Statistical Abstract of the United States)
Unemployment	The rate of unemployment within a state (Statistical Abstract of the United States)
<i>Power Resource Theory</i>	
Union	Percent of non-agricultural workers in unions (Statistical Abstract of the United States)
Democratic Control	Scored "1" if Democratic Governor and majority Democratic legislature (Statistical Abstract of the United States)
<i>Institutional Politics Theory</i>	
Governor's Election Year	Scored "1" if gubernatorial election year (Book of the States)
Legislative Professionalism	The sum of the z-scores for the length of legislative session and amount of legislative salaries. Larger numbers represent a more professionalized legislature. (Book of the States)
Centralized Authority	The sum of the z-scores for a governor's veto power, the number of consecutive terms of terms a governor may serve, and whether or not a governor is elected with a lieutenant governor. Higher numbers represent more power vested into the governor. (Book of the States)
Citizen Ideology	Ideology score based on interest group ratings for a given district's incumbent legislator and for the incumbent's challenger, which is then weighed by the rate of votes each candidate received. The district level results were then averaged to generate a measure of citizen ideology by state. A higher number represents a more liberal ideology. (Berry et al. 1998)
<i>Race Based Accounts</i>	
% African American	Percent of a state's population that is African American (Statistical Abstract of the United States)
<i>Path Dependency</i>	
Waivers	States that submitted waivers to experiment with welfare policy. This variable is scored "1" in the year a state submits a waiver, and in all subsequent years for that state. (Zylan and Soule 2000)

**Appendix B. Summary Statistics of AFDC Generosity by Region**

<b>Region</b>	<b>Overall Mean</b>	<b>Overall Standard Deviation</b>	<b>Cross-State Standard Deviation</b>	<b>Over-Time Standard Deviation</b>	<b>States in Region</b>
Pacific West	383.09	153.02	82.26	137.15	3
Alaska and Hawaii	493.66	194.02	82.25	184.81	2
Mountain West	247.98	93.18	34.40	87.40	8
West Midwest	280.66	115.76	59.93	101.46	7
East Midwest	292.23	132.93	83.15	109.86	5
New England	364.32	143.69	58.70	132.92	7
North Atlantic	351.67	142.11	65.63	134.06	2
South West	160.57	73.05	46.20	60.91	4
South East	126.07	54.88	35.65	45.21	4
South Atlantic	206.01	79.82	32.20	73.87	8

*Notes:*

*Pacific:* Washington, Oregon, and California

*Alaska and Hawaii:* Alaska and Hawaii

*Mountain West:* Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona, and New Mexico

*West Midwest:* North Dakota South Dakota Minnesota Iowa Nebraska Kansas Missouri

*East Midwest:* Wisconsin, Michigan, Illinois, Indiana, and Ohio

*New England:* New Jersey, Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont, and Maine

*North Atlantic:* Pennsylvania, and New York

*South West:* Texas, Oklahoma, Arkansas, and Louisiana

*South East:* Kentucky, Tennessee, Mississippi, and Alabama

*South Atlantic:* West Virginia, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, and Florida