New Deal, Same Compromise?

Measuring the Effect of Racially Linked Welfare Policies on Program Participation and Children's Development

Sheridan Fuller
Federal Reserve Board of Governors
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Motivation: Resources

Income supports matter for kids in the long run. What about for AFDC?

- Rich literature documents the importance of the social safety net for children's development. (Bailey et al., 2020, 2020; Barr et al., 2022; Bastian & Michelmore, 2018; Dahl & Lochner, 2012; Dave et al., 2015; East, 2020; Hoynes et al., 2015, 2016; Miller & Wherry, 2019; Goodman-Bacon, 2021).

- Limited evidence on whether cash welfare programs confer similar benefits as other programs, such as SNAP, Medicaid, and the EITC. (Akee et al., 2010, 2013, 2018; Aizer et al., 2016).

- Evidence on cash welfare programs focuses primarily on parent's employment (short term costs). (Blank, 2002; Bloom & Michalopoulos, 2001; Grogger & Karoly, 2005; Moffit, 2002; Ziliak, 2016).

- Evidence on the long-term impact of cash welfare on children would inform policy debates on cash welfare-like programs (e.g., expanded Child Tax Credit)

- What are the long-term impacts of changes in families' participation in cash welfare programs for children's development?

Motivation: Discrimination

Race and racism have proven to be stable and persistent features of the social policy landscape, specifically for the AFDC program.

- American Political Development literature highlights how race was relevant when AFDC and other New Deal programs were designed (Lieberman, 1995; Katznelson, 2006).

- Descriptive work suggests black households were underrepresented in the AFDC caseload and received lower levels of assistance (Lieberman, 1995)

- Contemporary qualitative observations suggest that caseworkers disparately enforced AFDC rules by race (Bell, 1965), and studies of the Legal Services Program show that access to legal resources disproportionately benefited Black households in challenging unfair program implementation (Cunningham and Goodman-Bacon, 2022),

- Race moderates public attitudes of the AFDC program and shaped caseworker enforcement of new welfare sanctions in a vignette experiment after the 1990s welfare reform (Gilens, 1995; Schram et al. 2009)

- Can we causally identify changes in families' access to resources resulting from suspected systematic discrimination? If race affects low-income families' access to resources, what are the long-term consequences of systematic discrimination?

My Paper

Exploiting Variation from AFDC "Man in the House Rules (MITH)"

- Leverage understudied variation in state-level welfare policy (Man in the House Rules) to identify exogenous changes in families' access to Aid to Families with Dependent Children.

- Assess whether changes in access to cash welfare impact children's development (educational attainment).

- The focal policy was believed to be differentially enforced among Black or "Non-White" households. I explore whether the policy has racially heterogenous effects on program participation and children's outcomes.

- DiD: State x Year (by Race)

Preview of Results

MITH Rules reduce AFDC participation & impact high school completion

- MITH states' adoption of MITH rules reduces "non-White" families' participation in AFDC by 37-20%, compared to 11-24% reduction for White families.

- High school completion declines by 1 percentage point among Black cohorts from MITH states.

- Built-in robustness check - Invalidation of MITH rules by the Supreme Court in 1968. Increases "non-White" participation in AFDC by 24%, and Black high school completion increases by 0.7 percentage points (relative to changes in white cohorts).

Policy Background

AFDC and MITH Rules

- AFDC was a national program molded after the state-led Mother's Pension program. Provided monthly assistance to low-income single-parent households with children. (Skocpol, 1992; Aizer et al., 2016; Leff, 1973).

- Eligibility: deprival of parental support due to death, continued absence, or incapacity of a parent (father).

- Federal-state partnership: design argued to be a function of racial politics and legislative strategy to maintain support from southern Democrats, carrying forward disparities under Mother's Pension. (Leiberman, 1996; Katznelson, 2013).
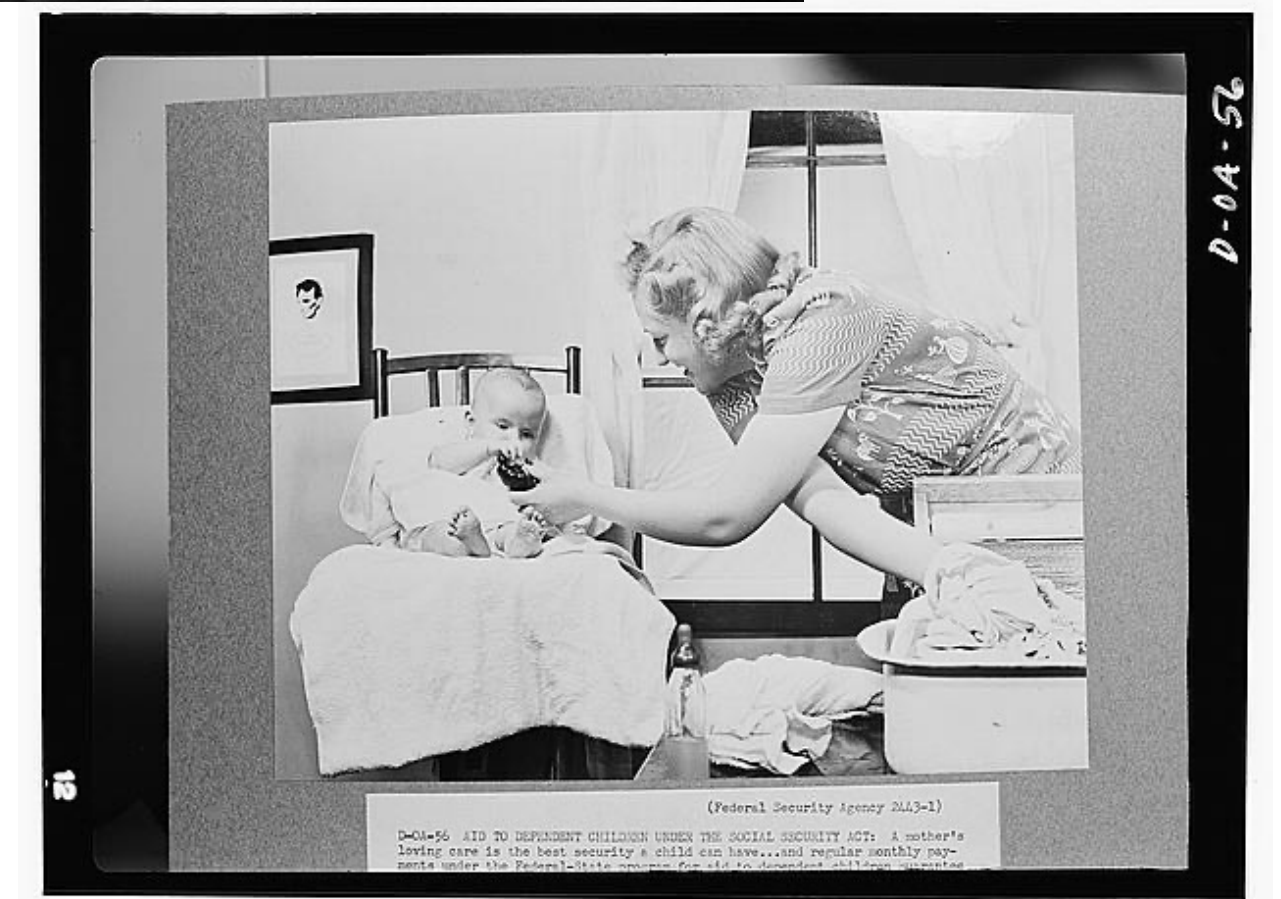
Policy Background

AFDC and MITH Rules

- MITH Rules: denied monthly benefits to families when frontline welfare staff "suspected" an AFDC household head, generally single mothers, of "cohabitating" in or outside the home with a non-disabled man (Bell,1965; King v. Smith [1968]).

- The presence of "substitute fathers" indicated lack of need or no "deprival of parental support."

  - Lives in the home with the child's natural/adoptive mother for the purpose of "cohabitation"

  - Visits frequently for the purpose of "cohabitating" with the child's natural or adoptive mother

  - "Cohabits" with the child's natural or adoptive mother elsewhere.
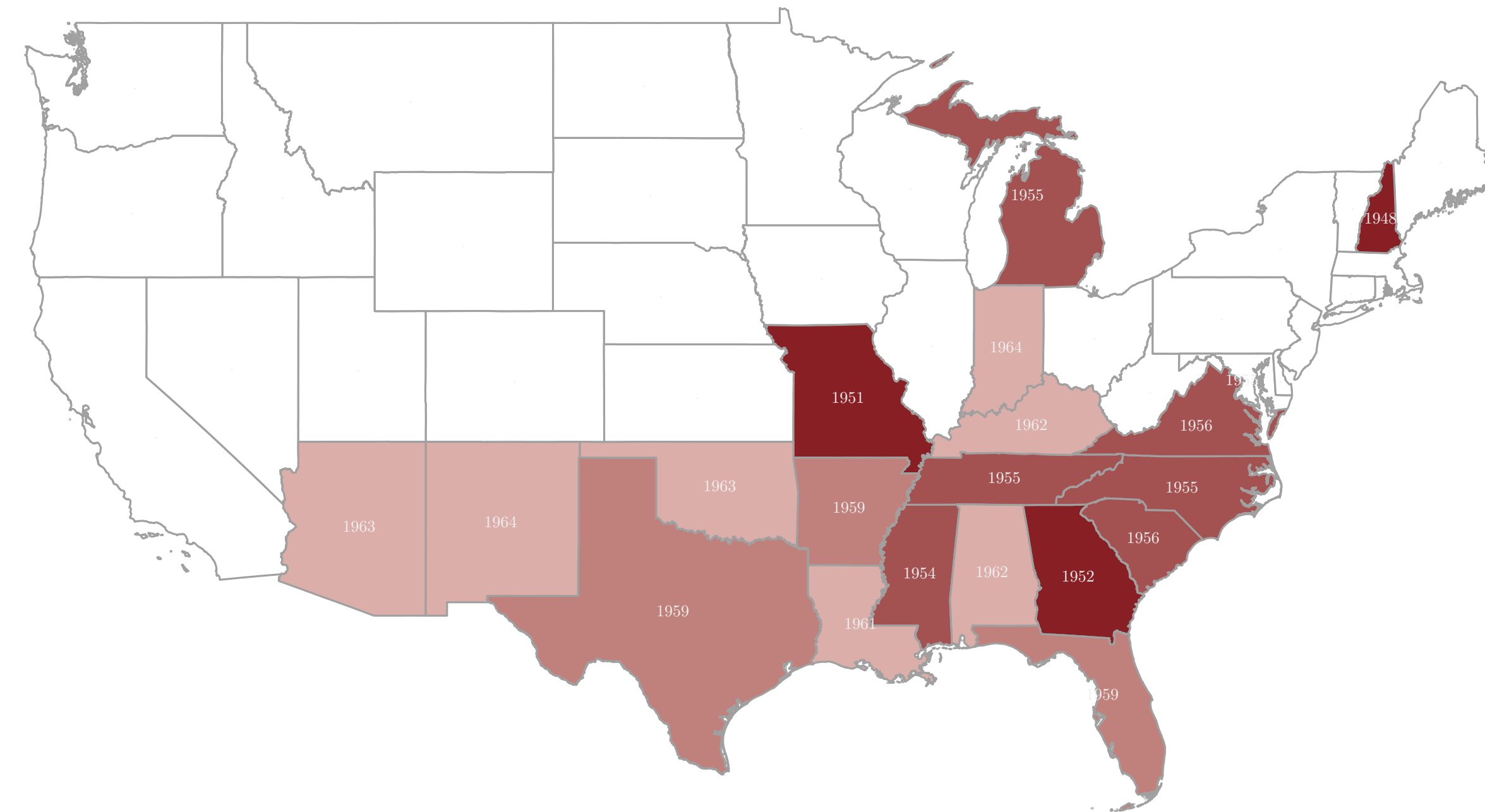
MITH Invalidation

Supreme Court invalidates use of MITH rules in 1968 via King v. Smith decision

The Supreme Court addresses stated motivations for MITH rules: fraud and limited resources, state interest in illegitimacy, and parity between informal and formal relationships.

- "Parents" are individuals with legal duty to support children

- Concern regarding fraud and abuse does not necessitate flatly denying AFDC benefits.

- Congress removed "worthy person" criteria through legislative amendments. Eligibility follows child eligibility, not parental "morality"

Syllabus.

KING, COMMISSIONER, DEPARTMENT OF PENSIONS AND SECURITY, ET AL. *v.* SMITH ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF ALABAMA.

No. 949. Argued April 23, 1968.—Decided June 17, 1968.

Under the Aid to Families With Dependent Children Program (AFDC) established by the Social Security Act of 1935 funds are made available for a "dependent child" largely by the Federal Government, on a matching fund basis, with the participating State administering the program in conformity with the Act and regulations of the Department of Health, Education, and Welfare (HEW). Section 406 (a) of the Act defines a "dependent child" as one who has been deprived of "parental" support or care by reason of the death, continued absence, or incapacity of a "parent," and insofar as relevant in this case aid can be granted under the provision only if a "parent" of the needy child is continually absent from the home. The Act requires that "aid to families with dependent children shall be furnished with reason-

MITH Invalidation

Supreme Court invalidates use of MITH rules in 1968 via King v. Smith decision

"All responsible governmental agencies in the Nation today recognize the enormity and pervasiveness of social ills caused by poverty. The causes of and cures for poverty are currently the subject of much debate. We hold today only that Congress has made at least this one determination: that destitute children who are legally fatherless cannot be flatly denied federally funded assistance on the transparent fiction that they have a substitute father"

- Chief Justice Early Warren (King v. Smith)

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Data

- Archival data on MITH implementation dates

- 1936-1980 state-level panel of AFDC cases and child recipients

- 1950-2000 Population Census and 2001-2019 American Community Survey (ACS)

- 1940 Census of Agriculture

- 1963-1974 National Vital Statistics System–Natality (NVSS-N)

- 1963-1974 Regional Economic Information System (REIS)

Identification Strategy

Event study framework

$$AFDC_{st} = \beta_0 + \sum_{n=-5}^{5} \gamma I\tau(t - \tau_0) + \eta_s(StateFE_s) + \lambda_t(YearFE_t) + \epsilon_{s_t}... + \phi_s(1940State * t)$$

$$Y_{icst} = \beta_0 + \sum_{n=-5}^{5} \gamma I\tau(t - \tau_0) + \eta_s(BirthState) + \theta_c(BirthCohort) + \lambda_t(SurveyYr) + \chi_i\beta + \epsilon_{s_t}$$

- s= state of birth

- t = calendar year /survey year

- i = individual

- c = cohort

- Event-study controls for year-to-year changes observed in non-adopting states

- Event-time relative to just before MITH (=-1) adoption or cohorts expected to graduate HS just before MITH (=-1).

- Observations binned 5 years/cohorts before and 5 years/cohorts after MITH adoption

Identification Strategy

Alternative Difference-in-Difference framework

$$ATT(g,t) = \frac{\sum_s \Delta Y_{sg-1}, 1(G_s = g)}{\sum_s 1(G_s = g)} - \frac{\sum_s \Delta Y_{sg-1}, 1(G_s = 0)}{\sum_s 1(G_s = 0)}$$

- Using the Callaway & Sant'Anna (2020) method for estimating average treatment effect of MITH rules for program participation and educational attainment.

- Aggregate the average treatment effects in event time, corresponding to:

  - AFDC: 5 years pre- and post-treatment

  - Education: Cohorts predicted to graduate high school 5 years pre- and post-policy implementation or cohorts born 5 years pre- and post-invalidation.

MITH Implementation
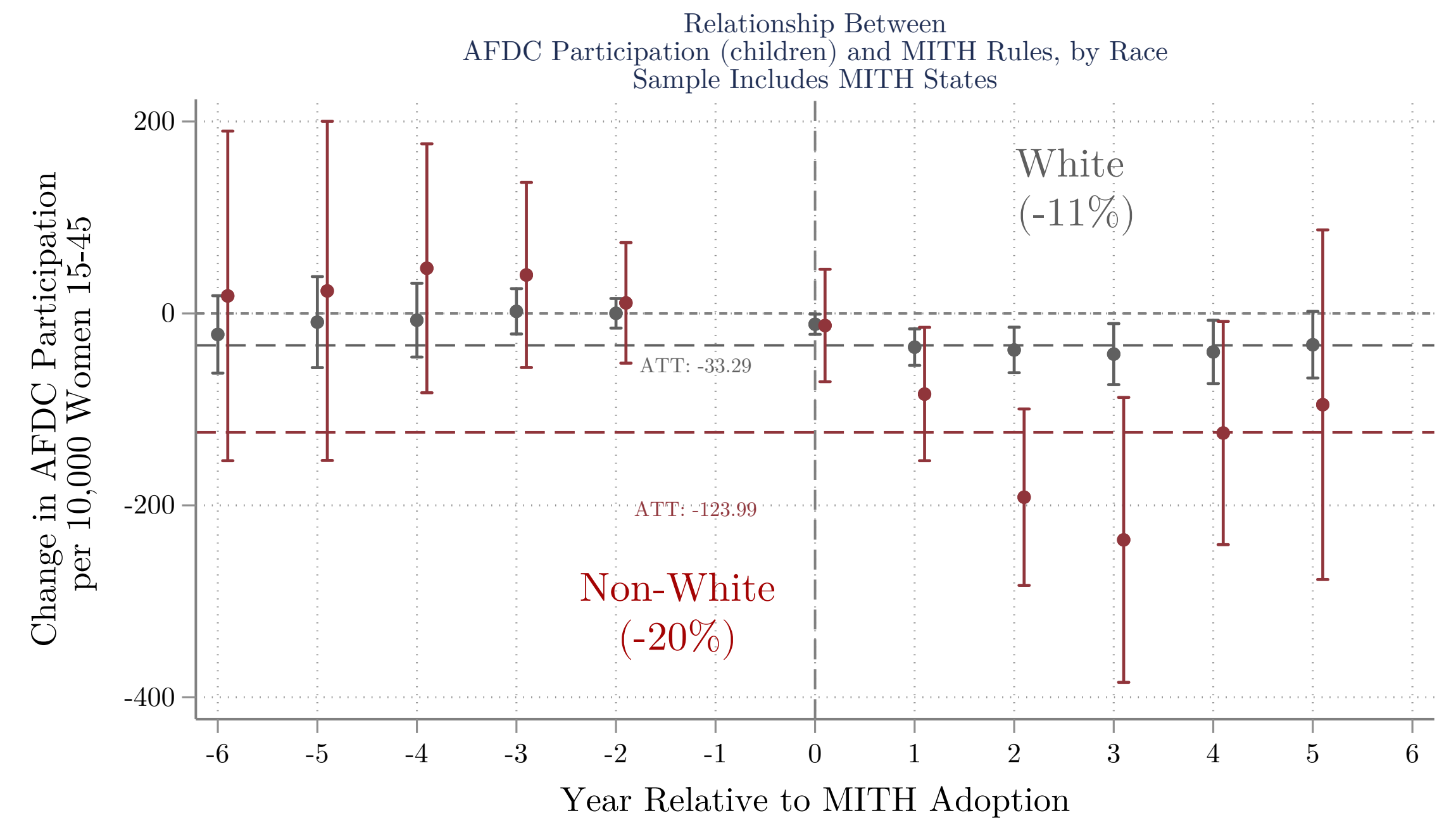
MITH rules disproportionately decreases Non-White participation in AFDC.

Relationship Between
AFDC Participation (children) and MITH Rules, by Race
Sample Includes All States

Relationship Between
AFDC Participation (children) and MITH Rules, by Race
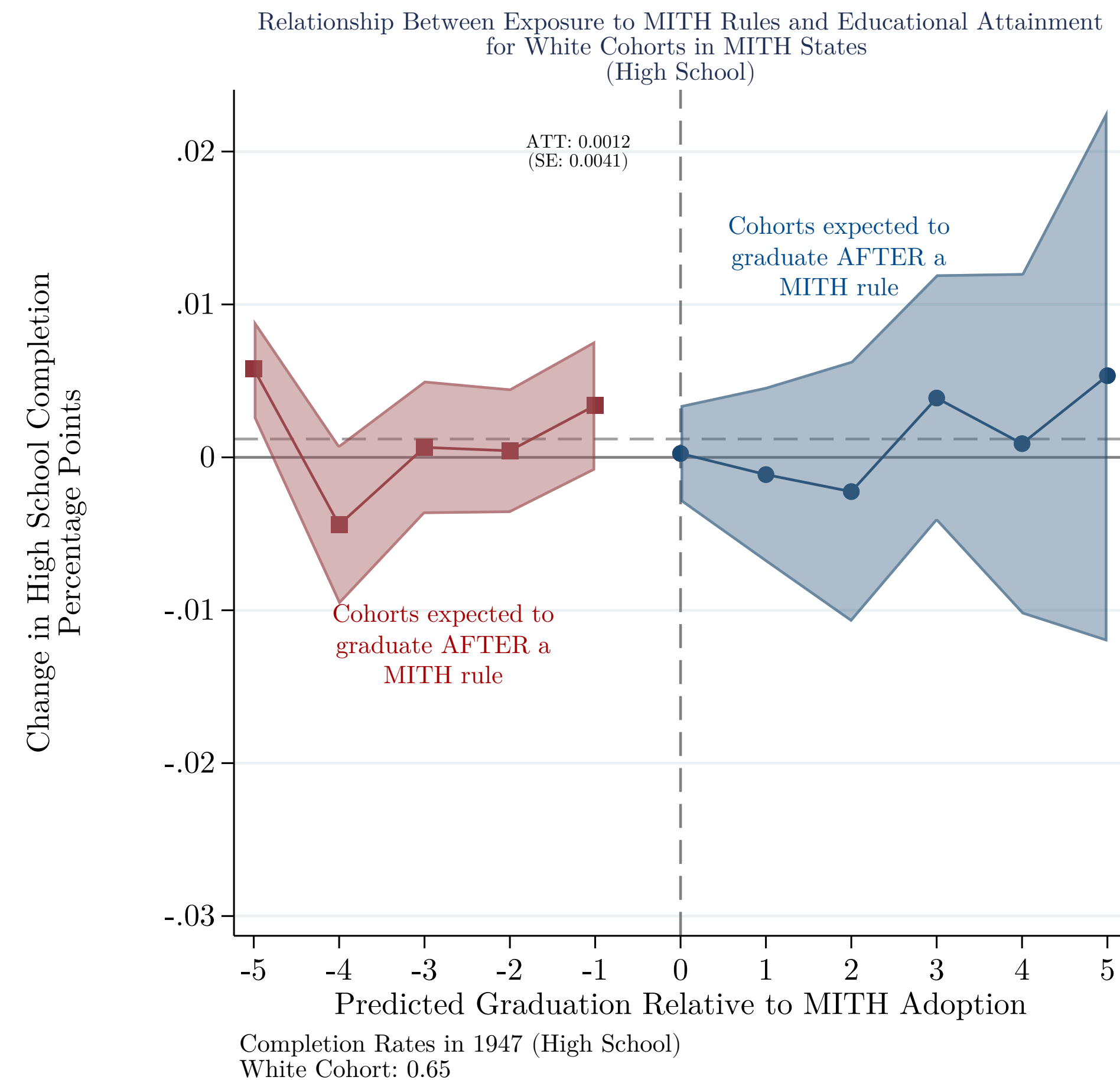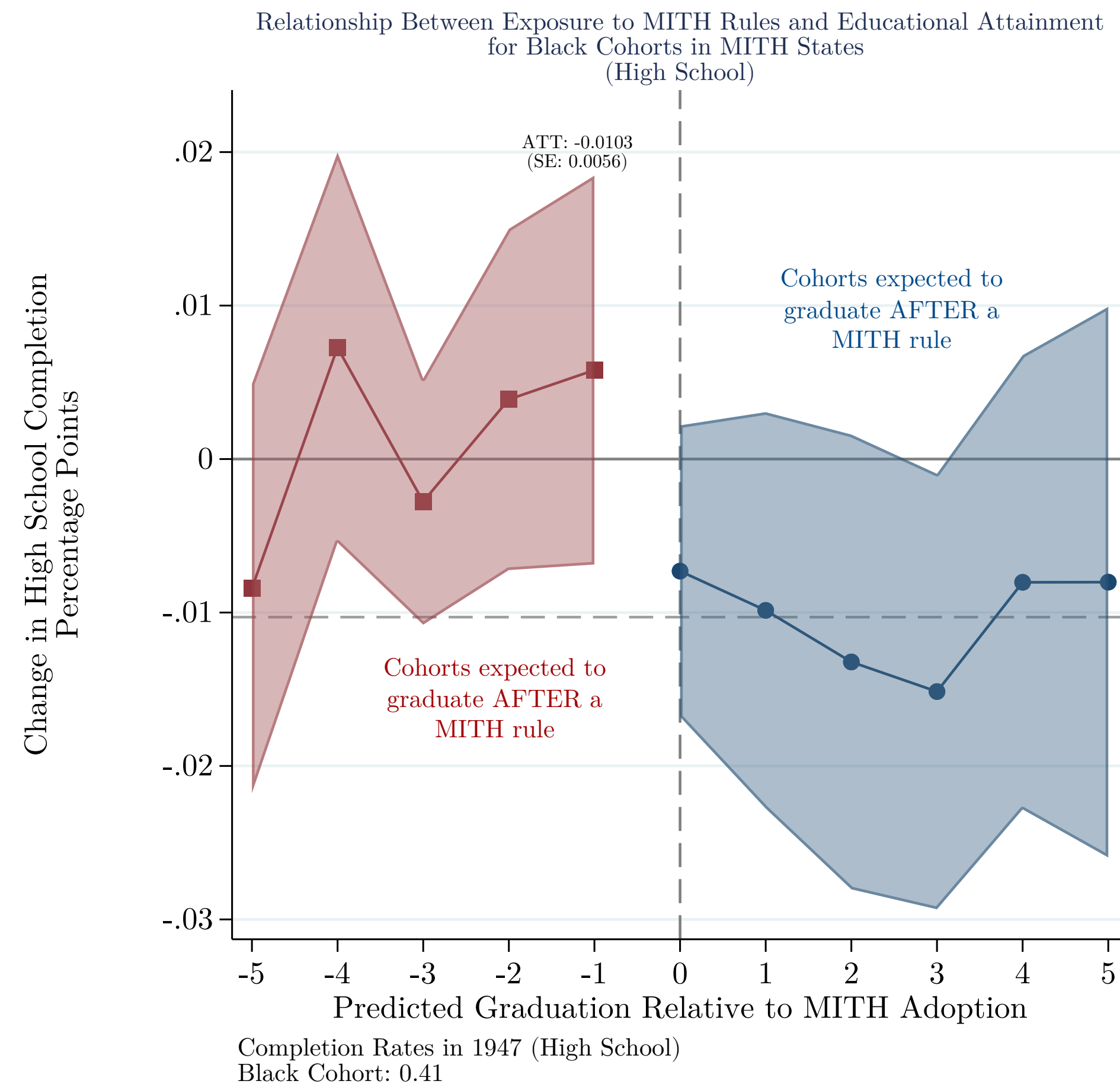Sample Includes MITH States
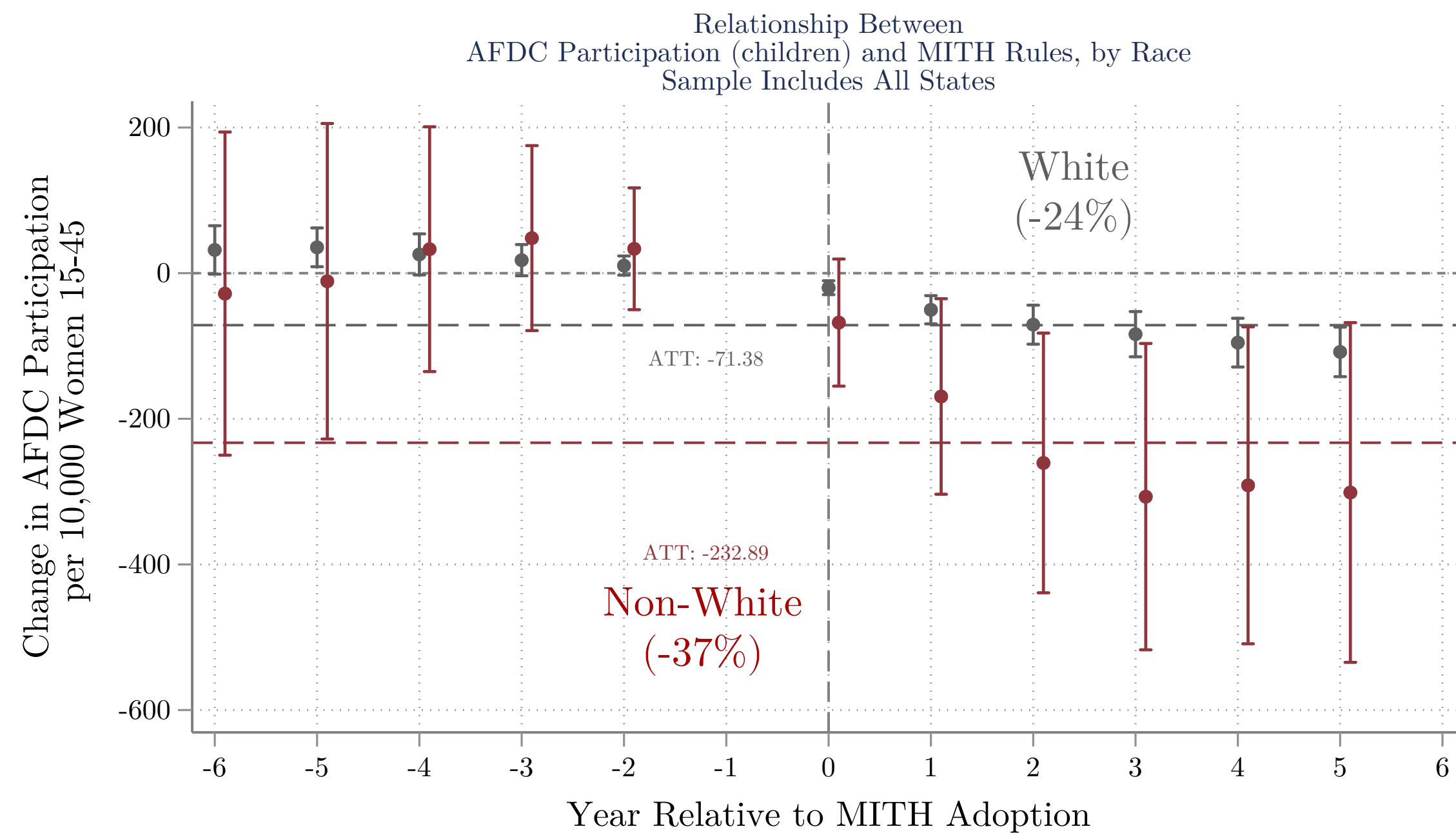
Baseline Participation Rates in All States in 1948 (children)
White - 290
Non-White - 633

Baseline Participation Rates in MITH States in 1948 (children)
White - 290
Non-White - 633

MITH Implementation

Lower high school completion rates among Black cohorts in states that adopt MITH rules

Relationship Between Exposure to MITH Rules and Educational Attainment for Black Cohorts in MITH States (High School)

ATT: -0.0103
(SE: 0.0056)

Cohorts expected to graduate AFTER a MITH rule

Cohorts expected to graduate AFTER a MITH rule

Change in High School Completion Percentage Points

Predicted Graduation Relative to MITH Adoption

Completion Rates in 1947 (High School)
Black Cohort: 0.41

Relationship Between Exposure to MITH Rules and Educational Attainment for White Cohorts in MITH States (High School)

ATT: 0.0012
(SE: 0.0041)

Cohorts expected to graduate AFTER a MITH rule

Cohorts expected to graduate AFTER a MITH rule

Change in High School Completion Percentage Points

Predicted Graduation Relative to MITH Adoption

Completion Rates in 1947 (High School)
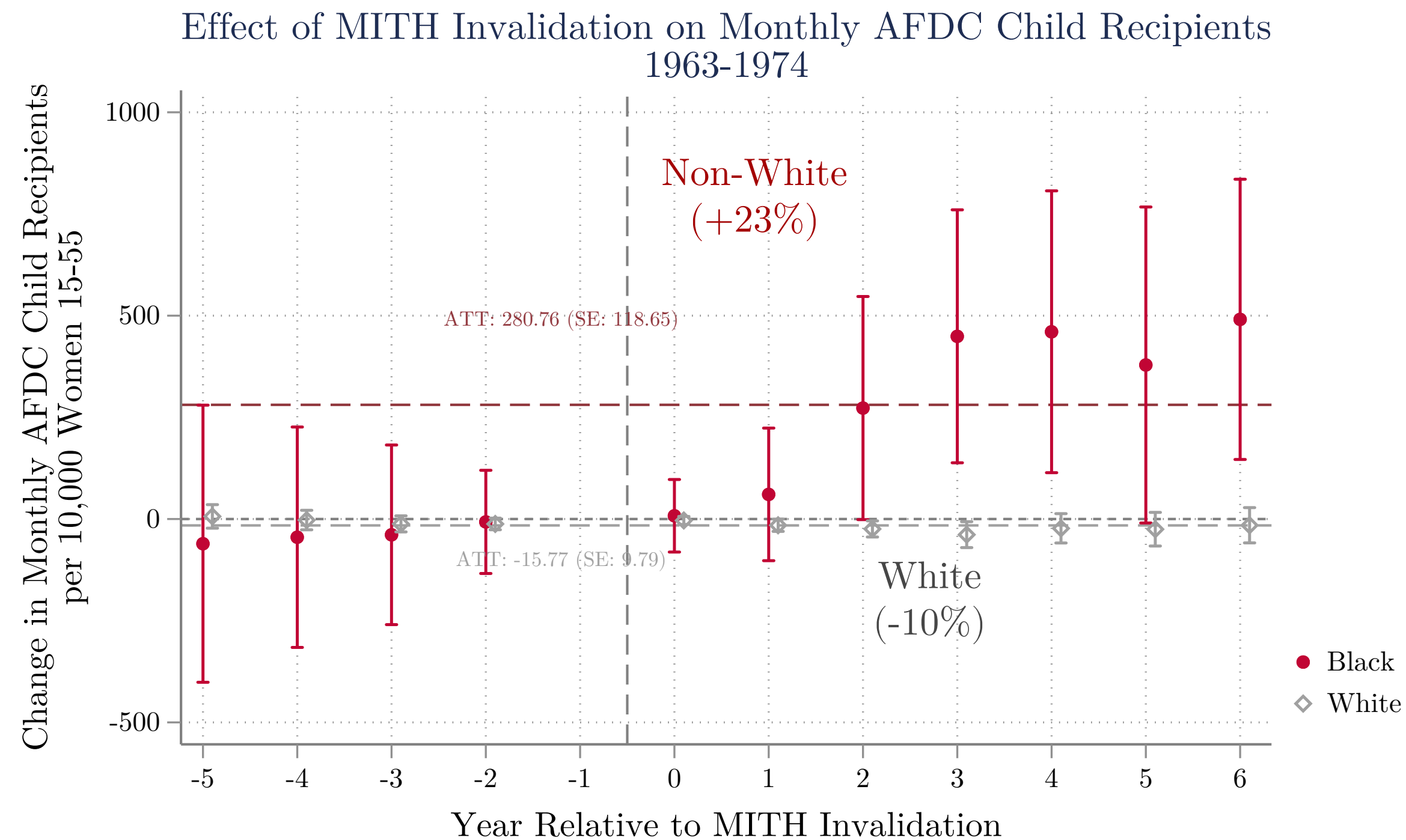White Cohort: 0.65

Plausibility

Is a 1% decline in high school completion too big an effect?

- 1945 Cohort in Alabama → Expected to graduate high school in 1963

- In 1962 approximately 439,275 women 15-55 in Alabama → 10,235 to 5,447 fewer AFDC child recipients

- 5,447 fewer children → 320-602 fewer Non-White AFDC children from the 1945 cohort

- 27,901 Black children in the 1945 cohort → 26,239 alive in 1963

- The decline in AFDC cases represents 1.22-2.3% of the Black Alabama cohort, which requires an assumption that 84% of 45% of impacted children do not graduate high school.
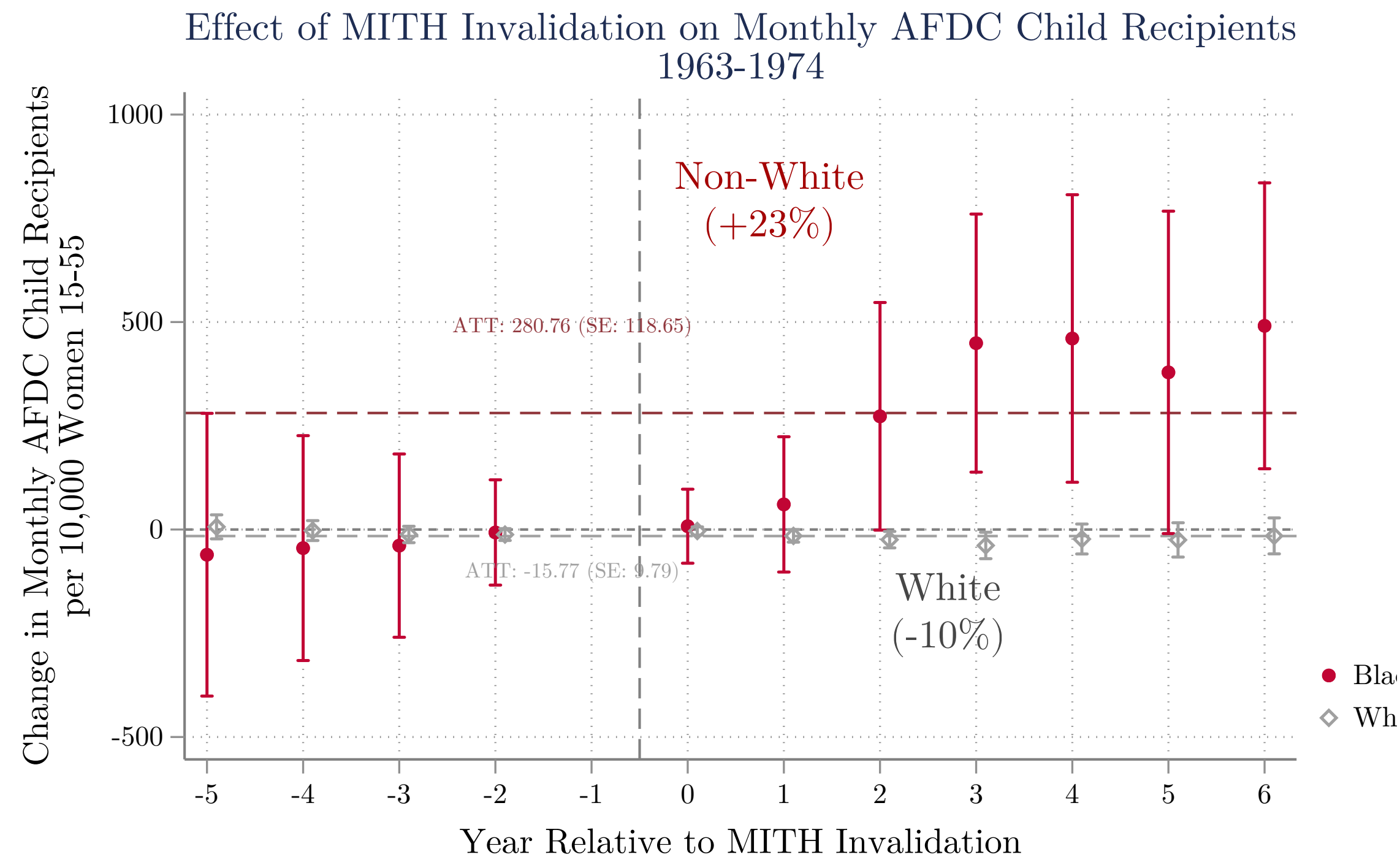
MITH Invalidation

King v. Smith expands "Non-White" participation in AFDC and corresponds with increases in Black high school completion.

Effect of MITH Invalidation on Monthly AFDC Child Recipients
1963-1974

Non-White
(+23%)

ATT: 280.76 (SE: 118.65)

ATT: -15.77 (SE: 9.79)

White
(-10%)

● Black
◇ White

Change in Monthly AFDC Child Recipients
per 10,000 Women 15-55

Year Relative to MITH Invalidation

Average Non-White Monthly AFDC Child Recipients in 1966 in MITH States: 1,229
Average White Monthly AFDC Child Recipients in 1966 in MITH States: 165

MITH Invalidation

King v. Smith expands "Non-White" participation in AFDC and corresponds with increases in Black high school completion.

Effect of MITH Invalidation on Monthly AFDC Child Recipients 1963-1974

Non-White (+23%)

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White (-10%)

● Bla

◇ Wh

Change in Monthly AFDC Child Recipients per 10,000 Women 15-55
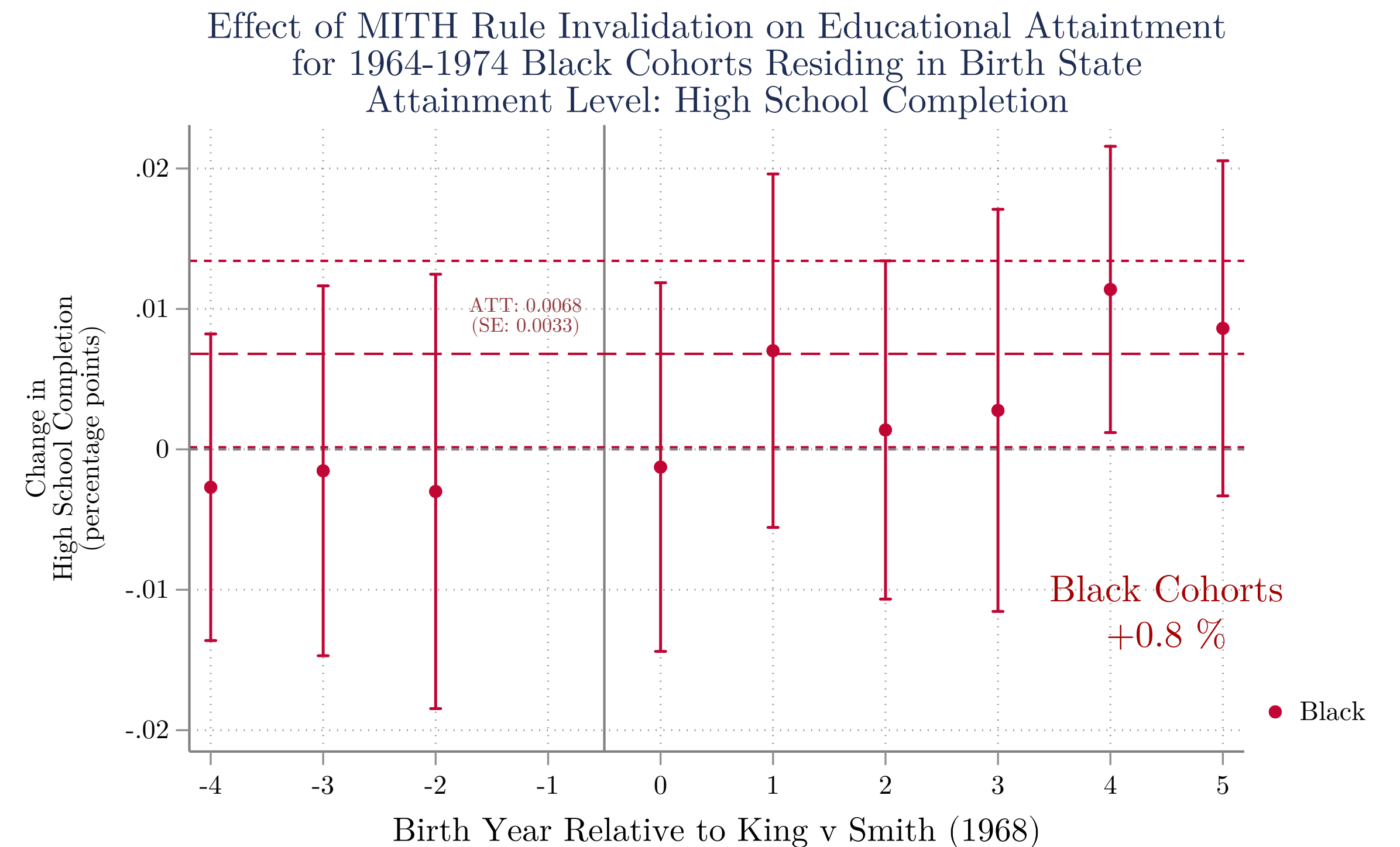
Year Relative to MITH Invalidation

Average Non-White Monthly AFDC Child Recipients in 1966 in MITH States: 1,229
Average White Monthly AFDC Child Recipients in 1966 in MITH States: 165

Effect of MITH Rule Invalidation on Educational Attaintment for 1964-1974 Black Cohorts Residing in Birth State
Attainment Level: High School Completion

ATT: 0.0068 (SE: 0.0033)

Black Cohorts +0.8 %

● Black

Change in High School Completion (percentage points)

Birth Year Relative to King v Smith (1968)

Black HS Completion in MITH States for the 1966 Cohort: 0.89

Robustness Checks

Program participation and education outcomes robust to different approaches

- MITH Adoption:

  - Controls for 1940 state characteristics x time trend for AFDC outcomes

  - Alternative DiD estimation for MITH Adoption on AFDC outcomes

  - Decomposing effects on education outcomes

  - Restricting all analysis to "non-moving" samples

- MITH Invalidation:

  - Built-in robustness check

  - Controls for state characteristics and per capita spending on other government transfers

Contributions

- Reasonably exogenous changes in program participation correspond with changes in children's educational attainment with disparate effects for Black cohorts impacted by the policy.

- Adds to our understanding of 1) the long-term impacts of income support programs 2) whether contractions and expansions in social policy have commensurate effects.

- Presented a rigorous test of whether policies believed to be racially linked led to disparate changes in access to AFDC.

- Linking political processes to changes in economic resources for children from low-income households.

Thank you

Sheridan.Fuller@frb.gov

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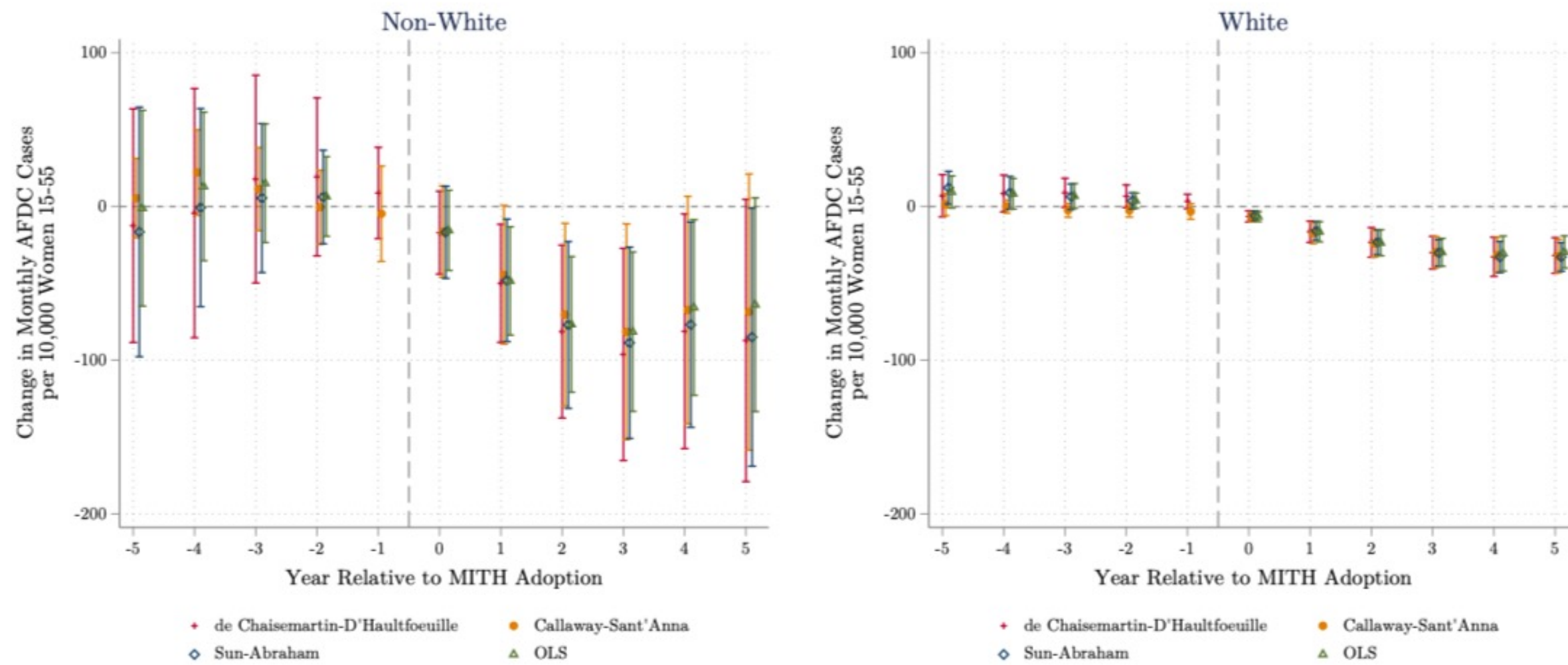March 7th, 2023

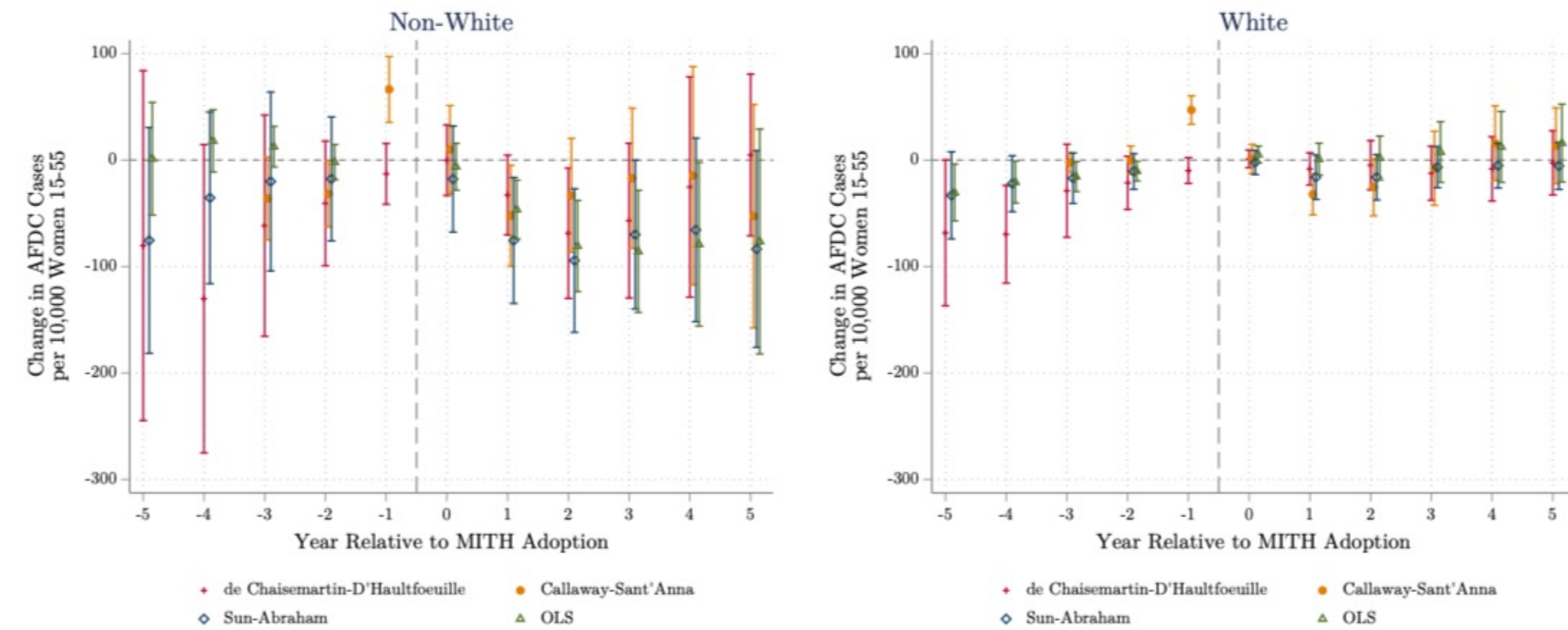# Appendix

Alternative DID: AFDC Cases

Panel A

MITH Rule Effect on Monthly AFDC Cases
Across Alternative DID Estimations

Panel B

MITH Rule Effect on AFDC Cases
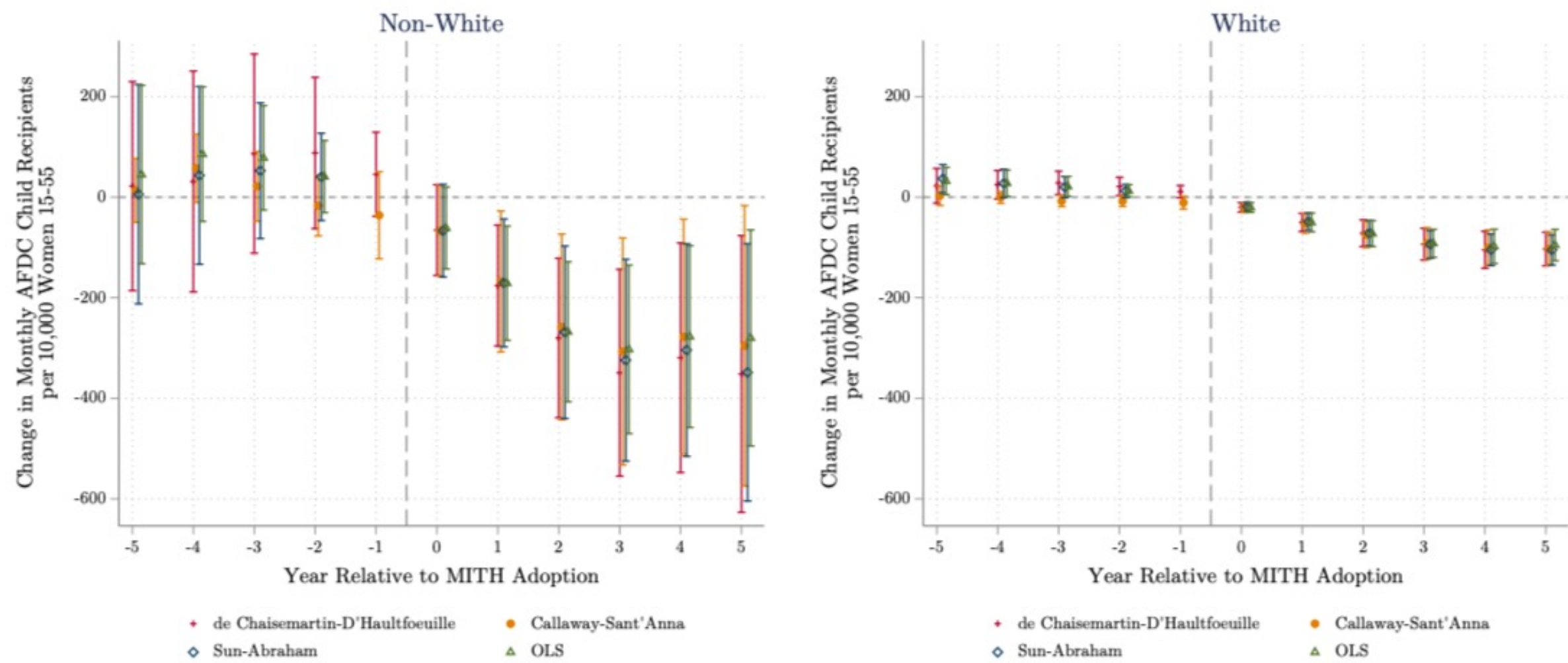Across Alternative DID Estimations
(MITH States)

Appendix
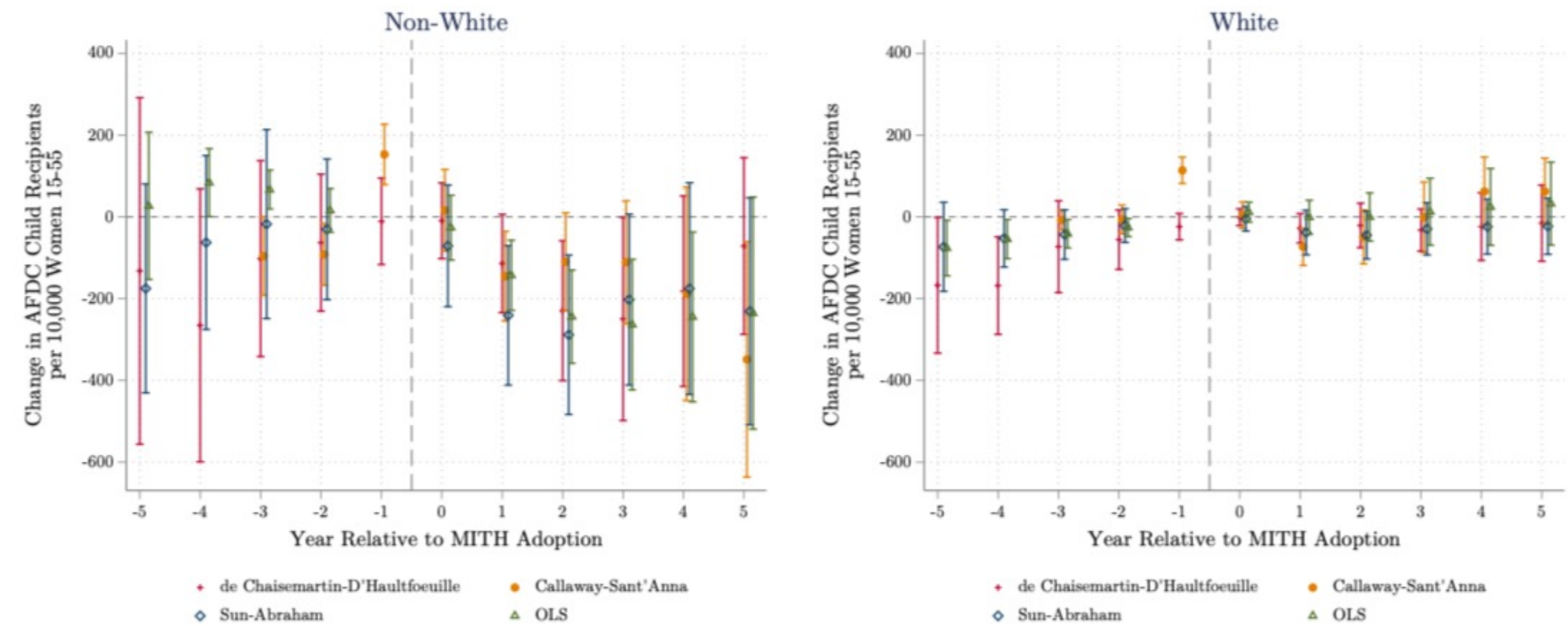
Alternative DID: AFDC Child Recipients

Panel A — MITH Rule Effect on Monthly AFDC Child Recipients Across Alternative DID Estimations

Panel B — MITH Rule Effect on AFDC Child Recipients Across Alternative DID Estimations (MITH States)

Appendix

Bacon Decomposition: High School Completion

Table 18: Effect of MITH Rules on High School Completion using Goodman-Bacon Decomposition

Exposure Definition: Expected HS Graduation Relative to MITH Year	Black Cohorts			White Cohorts		
	Treat-Never	Early-Late	TWFE	Treat-Never	Early-Late	TWFE
Panel A: All States						
MITH Exposure	0.072	-0.024	0.040	0.040	-0.003	0.039
			(0.014)			(0.009)
Observations		1,296,394			12,046,415	
Panel B: MITH Adopting States						
MITH Exposure		-0.024	-0.010		-0.003	0.004
			(0.008)			(0.011)
Observations		932,567			4,166,977	
Panel C: Southern MITH Adopting States						
MITH Exposure		-0.028	-0.016		-0.002	0.003
			(0.008)			(0.005)
Observations		727,111			1,777,122	

MITH Adoption

Suggestive evidence that the exclusion of lower-income families reduces average benefit payments.
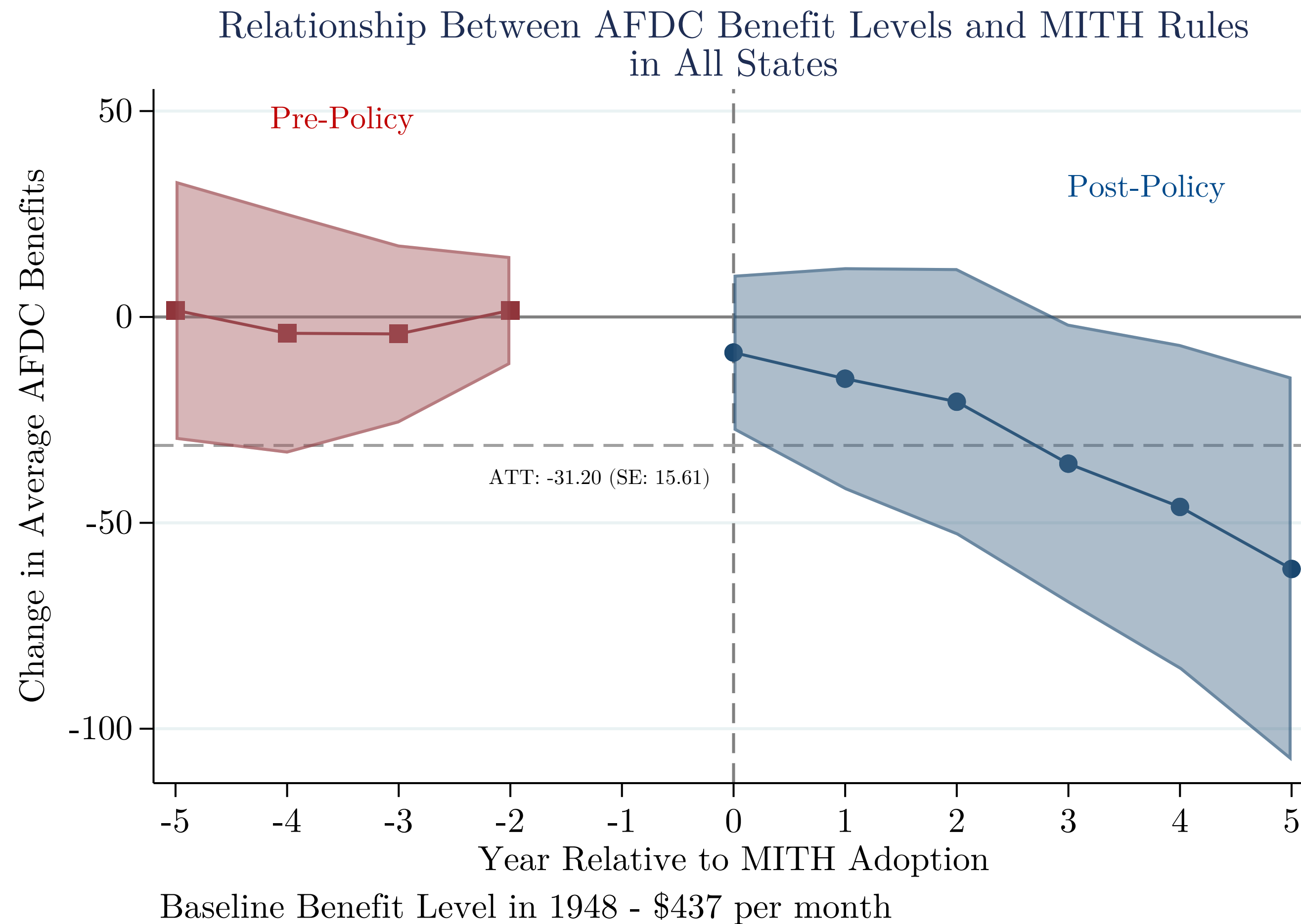
Relationship Between AFDC Benefit Levels and MITH Rules in All States

Pre-Policy

Post-Policy

ATT: -31.20 (SE: 15.61)

Change in Average AFDC Benefits

Year Relative to MITH Adoption

Baseline Benefit Level in 1948 - $437 per month

Marital Status Mechanism:

Larger changes in high school completion for Black cohorts.

Table A23: Effect of MITH Rules on Cohabitation Rates 1940-1960

| | Black Cohorts | | | White Cohorts | | |
	All	Women	Lower Educated Women	All	Women	Lower Educated Women
Panel A: All States						
1950-1959 MITH	0.0001	0.0004	-0.0015	0.0006	0.0006	0.0005
	(0.0009)	(0.0012)	(0.0018)	(0.0001)	(0.0002)	(0.0004)
Observations	138,602	73,811	46,135	1,158,856	590,144	259,493
Panel B: MITH States						
1950-1959 MITH	0.0017	0.0016	-0.0016	0.0005	0.0005	-0.0001
	(0.0010)	(0.0015)	(0.0020)	(0.0002)	(0.0003)	(0.0006)
Observations	116,299	61,986	40,344	516,167	264,812	134,276
Panel C: Southern MITH States						
1950-1959 MITH	-0.0000	-0.0009	-0.0029	-0.0004	-0.0007	-0.0025
	(0.0011)	(0.0016)	(0.0021)	(0.0004)	(0.0006)	(0.0010)
Observations	98,675	52,700	35,420	282,417	146,195	80,506

Note. This table presents results for the effect of states' adoption of MITH rules on cohab rates. Each coefficient reports TWFE DiD estimates of changes in cohab rates after states adopt MITH rules. In these analysis states that adopt MITH rules between 1950-1959 are defined as treated states. Columns 1 and 4 report results for the entire sample of Black and White respondents. Columns 2 and 5 report results for Black and White women, respectively, while Columns 3 and 6 report results for Black and White women in the bottom 25

Marital Status Mechanism:

Larger changes in high school completion for Black cohorts.

Table A22: Effect of MITH Rules on Never Married Rates 1940-1960

| | | Black Cohorts | | | White Cohorts | |
	All	Women	Lower Educated Women	All	Women	Lower Educated Women
Panel A: All States						
1950-1959 MITH	0.0226	0.0250	-0.0033	0.0343	0.0470	0.0094
	(0.0053)	(0.0072)	(0.0102)	(0.0019)	(0.0025)	(0.0045)
Observations	138,602	73,811	46,135	1,158,856	590,144	259,493
Panel B: MITH States						
1950-1959 MITH	0.0024	-0.0062	0.0075	0.0162	0.0113	0.0186
	(0.0066)	(0.0089)	(0.0118)	(0.0028)	(0.0038)	(0.0061)
Observations	116,299	61,986	40,344	516,167	264,812	134,276
Panel C: Southern MITH States						
1950-1959 MITH	-0.0076	-0.0167	0.0047	0.0016	-0.0073	-0.0001
	(0.0072)	(0.0097)	(0.0126)	(0.0043)	(0.0058)	(0.0087)
Observations	98,675	52,700	35,420	282,417	146,195	80,506

Note. This table presents results for the effect of states' adoption of MITH rules on nevm rates. Each coefficient reports TWFE DiD estimates of changes in nevm rates after states adopt MITH rules. In these analysis states that adopt MITH rules between 1950-1959 are defined as treated states. Columns 1 and 4 report results for the entire sample of Black and White respondents. Columns 2 and 5 report results for Black and White women, respectively, while Columns 3 and 6 report results for Black and White women in the bottom 25

Marital Status Mechanism:

Larger changes in high school completion for Black cohorts.

Table A24: Effect of *King v. Smith* on Marital Status Rates 1960-1980

| | Black Cohorts | | | White Cohorts | | |
	All	Women	Lower Educated Women	All	Women	Lower Educated Women
Panel A: Marriage						
MITH	-0.0241	-0.0276	-0.0070	-0.0060	-0.0045	-0.0259
	(0.0045)	(0.0062)	(0.0119)	(0.0016)	(0.0022)	(0.0052)
Panel B: Divorce						
MITH	0.0013	0.0030	0.0065	-0.0016	-0.0023	-0.0022
	(0.0020)	(0.0031)	(0.0051)	(0.0006)	(0.0010)	(0.0021)
Panel C: Never Married						
MITH	0.0292	0.0293	0.0257	0.0071	0.0056	0.0315
	(0.0045)	(0.0060)	(0.0113)	(0.0015)	(0.0020)	(0.0048)
Panel D: Cohabitation						
MITH	-0.0015	-0.0033	-0.0078	-0.0065	-0.0076	-0.0121
	(0.0019)	(0.0027)	(0.0055)	(0.0003)	(0.0004)	(0.0014)
Observations	388,446	209,045	41,323	3,446,182	1,753,752	192,287

Note. This table presents results for the effect the Supreme Court's *King v. Smith (1968)* decision on marital status rates. Each coefficient reports TWFE DiD estimates of changes in rates after states adopt MITH rules. Columns 1 and 4 report results for the entire sample of Black and White respondents. Columns 2 and 5 report results for Black and White women, respectively, while Columns 3 and 6 report results for Black and White women in the bottom 25