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
March 7th, 2023

*Views and opinions presented are my own and do not necessarily reflect the views of the Federal Reserve Board of Governors, the Federal Reserve system, or the United States.
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"
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)
Data

- Archival data on MITH implementation dates
- 1936-1980 state-level panel of AFDC cases and child recipients
- 1940 Census of Agriculture
- 1963-1974 Regional Economic Information System (REIS)
Identification Strategy

Event study framework

\[ AFDC_{st} = \beta_0 + \sum_{n=-5}^{5} \gamma I_\tau(t-\tau_0) + \eta_s(\text{StateFE}_s) + \lambda_t(\text{YearFE}_t) + \epsilon_{st} \ldots + \phi_s(1940\text{State} \times t) \]

\[ Y_{icst} = \beta_0 + \sum_{n=-5}^{5} \gamma I_\tau(t-\tau_0) + \eta_s(\text{BirthState}) + \theta_c(\text{BirthCohort}) + \lambda_t(\text{SurveyYr}) + \chi_i \beta + \epsilon_{st} \]

- \( s \) = 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 effects 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.

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

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

Non-White (-37%) (ATT: -232.89)

White (-24%) (ATT: -71.38)

Non-White (-20%) (ATT: -400)

White (-11%) (ATT: -200)

Change in AFDC Participation per 10,000 Women 15-45

Year Relative to MITH Adoption
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)

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)

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.

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

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

-500

0

500

1000

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 Attainment for 1964-1974 Black Cohorts Residing in Birth State

Attainment Level: High School Completion

Effect of MITH Invalidation on Education Completion

Birth Year Relative to King v Smith (1968)

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

Black Cohorts +0.8 %
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

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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
# Appendix

## Bacon Decomposition: High School Completion

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

<table>
<thead>
<tr>
<th>Exposure Definition: Expected HS Graduation</th>
<th>Black Cohorts</th>
<th>White Cohorts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative to MITH Year</td>
<td>Treat-Never</td>
<td>Early-Late</td>
</tr>
<tr>
<td>MITH Exposure</td>
<td>0.072</td>
<td>-0.024</td>
</tr>
<tr>
<td>(0.014)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>1,296,394</td>
<td></td>
</tr>
</tbody>
</table>

**Panel A: All States**

**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.

[Diagram showing the relationship between AFDC benefit levels and MITH rules in all states. The diagram illustrates a decrease in average AFDC benefits following MITH adoption, with a baseline benefit level of $437 per month in 1948.]

Baseline Benefit Level in 1948 - $437 per month

Change in Average AFDC Benefits

Relationship Between AFDC Benefit Levels and MITH Rules in All States

Year Relative to MITH Adoption

Pre-Policy

Post-Policy

ATT: -31.20 (SE: 15.61)
Marital Status Mechanism:

Larger changes in high school completion for Black cohorts.

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

<table>
<thead>
<tr>
<th>Panel A: All States</th>
<th>Black Cohorts</th>
<th>White Cohorts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Women</td>
</tr>
<tr>
<td>1950-1959 MITH</td>
<td>0.0001</td>
<td>0.0004</td>
</tr>
<tr>
<td></td>
<td>(0.0009)</td>
<td>(0.0012)</td>
</tr>
<tr>
<td>Observations</td>
<td>138,602</td>
<td>73,811</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Panel B: MITH States</th>
<th>Black Cohorts</th>
<th>White Cohorts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1959 MITH</td>
<td>0.0017</td>
<td>0.0016</td>
</tr>
<tr>
<td></td>
<td>(0.0010)</td>
<td>(0.0015)</td>
</tr>
<tr>
<td>Observations</td>
<td>116,299</td>
<td>61,986</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel C: Southern MITH States</th>
<th>Black Cohorts</th>
<th>White Cohorts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1959 MITH</td>
<td>-0.0009</td>
<td>-0.0009</td>
</tr>
<tr>
<td></td>
<td>(0.0016)</td>
<td>(0.0021)</td>
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<tr>
<td>Observations</td>
<td>98,875</td>
<td>52,700</td>
</tr>
</tbody>
</table>

Note: This table presents results for the effect of states' adoption of MITH rules on cohabitation rates. Each coefficient reports TWFE DiD estimates of changes in cohabitation rates after states adopt MITH rules. In these analyses 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**

<table>
<thead>
<tr>
<th></th>
<th>Black Cohorts</th>
<th></th>
<th>White Cohorts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Women</td>
<td>Lower Educated Women</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0043)</td>
<td>(0.0470)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0019)</td>
<td>(0.0025)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0045)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>138,602</td>
<td>73,811</td>
<td>46,136</td>
<td>1,158,856</td>
</tr>
<tr>
<td></td>
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<td>590,144</td>
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<td>259,493</td>
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<table>
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<th>White Cohorts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Women</td>
<td>Lower Educated Women</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0016)</td>
<td>(0.0113)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0028)</td>
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</tr>
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<td></td>
<td></td>
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<td>(0.0061)</td>
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<tr>
<td>Observations</td>
<td>116,299</td>
<td>61,986</td>
<td>40,344</td>
<td>516,167</td>
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<tr>
<td></td>
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<td></td>
<td>264,812</td>
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<td>134,276</td>
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<table>
<thead>
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<th>Black Cohorts</th>
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<th>White Cohorts</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Women</td>
<td>Lower Educated Women</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0016)</td>
<td>(0.0073)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0043)</td>
<td>(0.0058)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0087)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>98,675</td>
<td>52,700</td>
<td>35,420</td>
<td>282,417</td>
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<td>146,195</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>80,506</td>
</tr>
</tbody>
</table>

*Note: This table presents results for the effect of states’ adoption of MITH rules on never rates. Each coefficient reports TWFE DiD estimates of changes in never 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. Column 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

<table>
<thead>
<tr>
<th>Panel</th>
<th>Type</th>
<th>MITH</th>
<th>All</th>
<th>Women</th>
<th>Lower Educated Women</th>
<th>White Cohorts</th>
<th>All</th>
<th>Women</th>
<th>Lower Educated Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Panel A: Marriage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MITH</td>
<td>-0.0241</td>
<td>0.0045</td>
<td>-0.0278</td>
<td>0.0062</td>
<td>-0.0070</td>
<td>0.0119</td>
<td>-0.0060</td>
<td>0.0016</td>
<td>-0.0045</td>
</tr>
<tr>
<td><strong>Panel B: Divorce</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>MITH</td>
<td>0.0013</td>
<td>0.0020</td>
<td>0.0030</td>
<td>0.0031</td>
<td>0.0065</td>
<td>0.0051</td>
<td>-0.0016</td>
<td>0.0006</td>
<td>-0.0023</td>
</tr>
<tr>
<td><strong>Panel C: Never Married</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MITH</td>
<td>0.0292</td>
<td>0.0045</td>
<td>0.0293</td>
<td>0.0060</td>
<td>0.0257</td>
<td>0.0113</td>
<td>0.0071</td>
<td>0.0015</td>
<td>0.0056</td>
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<tr>
<td><strong>Panel D: Cohabitation</strong></td>
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<tr>
<td>MITH</td>
<td>-0.0015</td>
<td>0.0019</td>
<td>-0.0033</td>
<td>0.0027</td>
<td>-0.0078</td>
<td>0.0055</td>
<td>-0.0065</td>
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<td>Observations</td>
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<td>209,945</td>
<td>41,323</td>
<td>3,446,182</td>
<td>1,753,752</td>
<td>192,287</td>
<td></td>
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</tbody>
</table>

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.