

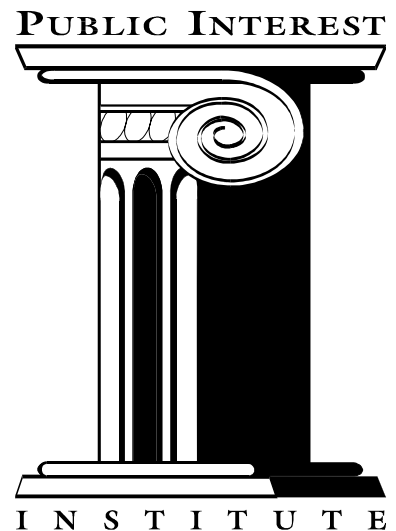
*The Decline in
Welfare Caseloads
in the
United States
and Iowa:
Reform or the
Economy?*

by
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The Decline in Welfare Caseloads in the United States and Iowa: Reform or the Economy?

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*The Decline in Welfare Caseloads
in the United States and Iowa:
Reform or the Economy?*

Executive Summary:

Both the United States and the state of Iowa have seen dramatic declines in welfare caseloads since the implementation of welfare reform in the 1990s. One ongoing controversy focuses on whether the decline is due to welfare reform or the strong economy of recent years. This study puts this question to an empirical test. The results are unambiguous: Welfare reform has had a strong impact on the decline in caseloads, while economic factors have had no significant effect at all. The results show it is incentives provided by welfare reform, and not “new jobs” created by the economy, that are the most important factor in compelling welfare recipients to change their behavior. The results also show that for future reform to achieve success, these incentives must be increased.

This study also examines the research on how families and individuals who have left the welfare rolls are faring. Despite what critics of welfare reform claim, the research is replete with positive findings. Former welfare recipients are earning more, and the majority of former recipients have lifted themselves out of poverty. The most heartening development is fewer children are now living in poverty in the United States than ever before. In short, welfare reform is one of the most important public policy successes of the last two decades. It is imperative that the new welfare reform law Congress adopts this year continues to build on that success.

Acknowledgments:

The author thanks these people: Professor Geoff Peterson, University of Wisconsin Eau-Claire, provided invaluable help with the data analysis. Linda Mount of the Iowa Department of Human Services provided tremendous insight into the intricacies of the Iowa welfare system. Thanks to Ann Wagner of Iowa Workforce Development for providing unemployment figures for Iowa. Special thanks to Ann H. Barbagallo at the Administration for Children and Families for tracking down data on welfare caseloads not available on the Internet. Finally, thanks to Susan Liang for her data entry.

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The Decline in Welfare Caseloads in the U.S. and Iowa: Policy Study

“Welfare was no longer an entitlement, but a limited benefit aimed at helping adults achieve self-sufficiency.”

The Decline in Welfare Caseloads in the United States and Iowa: Reform or the Economy?

The last decade has witnessed dramatic changes in welfare policy in the United States. Perhaps the best-known change occurred in 1996 when Congress enacted, and President Bill Clinton signed, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). PRWORA replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF) as the federal welfare program. It was a landmark change in welfare policy. Welfare was no longer an entitlement, but a limited benefit aimed at helping adults achieve self-sufficiency.

However, before there was action at the federal level, many state governments were already reforming their welfare programs. After receiving waivers from the federal government, states such as Michigan and Wisconsin implemented innovative welfare programs. These new programs included strict work requirements intended to move recipients from welfare to work.

In 1993, the state of Iowa enacted its own welfare reform legislation. Titled the Family Investment Program, it represented a dramatic shift in welfare philosophy. No longer would welfare in Iowa be merely a support program. Instead it would become a stepping stone

toward self-sufficiency. As Marvin Weidner, an official at the Iowa Department of Human Services, said, “We want to change the safety net to a springboard.”¹

As Congress will consider reauthorization of PRWORA in the near future, it is important to evaluate the effects of this reform. Specifically, information on the effectiveness of welfare reform must be provided to the public and policymakers in the state of Iowa and the nation.

The purpose of this study is threefold. First, it traces a brief history of both the Iowa and Federal welfare reform laws. Second, it examines the question whether the dramatic drop in welfare caseloads in Iowa and the United States during the 1990s was due to the booming economy or welfare reform. And third, it surveys the research on the effect that welfare reform has had on recipients.

History of Welfare Reform

Welfare reform in Iowa officially began in 1991 when Governor Terry Branstad appointed a bipartisan panel to draft a proposal. This panel presented its proposal to the Governor in October 1992. The Iowa Legislature debated the panel’s proposal during the 1993 legislative session. In late April,

the Iowa Legislature adopted a welfare reform program, called the Family Investment Program (FIP). Governor Branstad signed it into law on May 4. The more significant aspects of the reform included:

1. Replacing Aid to Families with Dependent Children (AFDC) with the Family Investment Program (FIP).
2. Setting a goal of a 30 percent reduction in Iowa welfare caseloads within ten years.
3. Requiring welfare recipients in Iowa to sign a “Family Investment Agreement” (FIA) with the state promising to take specific steps toward self-sufficiency.
4. Moving most adult recipients into the Promise Jobs Program, Iowa’s work to welfare program.
5. Imposing reduced benefits within three months and suspending benefits after six months for recipients unwilling to cooperate with an FIA.
6. Increasing the amount a welfare recipient may receive from a job and the amount a welfare recipient may have in assets without losing benefits.

In August 1993, the Federal Government granted the necessary waivers for Iowa to move ahead with FIP. FIP took effect in October 1993.

The critics of welfare reform quickly pounced. “It’s a loser,” claimed Mike Maddigan, a worker at a local office of the Iowa Department of Human Services.² “The design (of Iowa’s welfare-reform plan) is not driven by the success of families; it’s driven by dollars saved,” said Lana Ross, community resources director of the Marshalltown-based Mid-Iowa Community.³ Time, however, has not been kind to their comments.

Following the lead of states like Iowa, Michigan, and Wisconsin, the Federal Government instituted its own version of welfare reform in 1996. The Republican Congress took the lead, passing the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). President Clinton twice vetoed PRWORA before he finally relented and signed it into law in August 1996.

PRWORA replaced the old welfare system of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Children (TANF). It gave state governments greater flexibility in structuring their own welfare programs. Most significantly, it set a five-year lifetime limit for recipients of TANF.

Critics also disparaged PRWORA. Most notably Peter Edelman, an Assistant Secretary at the Department of Health and

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Human Services, resigned from the Clinton Administration in protest. Later, in an article he penned for the *Atlantic Monthly*, he claimed that the new law would throw a million more children into poverty. He also stated “There will be more malnutrition and more crime, increased infant mortality, and increased drug and alcohol abuse. There will be increased family violence and abuse against children and women.”⁴ Time has not been kind to Edelman’s predictions either.

Reform or the Economy?

Figure 1 displays the change in welfare caseloads in the United States from January 1977 until September 2001. From 1977 until about 1989, welfare caseloads remained relatively stable, varying between about 3.5 million to 3.8 million cases. In August 1989 caseloads began a precipitous rise, reaching a high of almost 5.1 million in March 1994. The remarkable decline that began thereafter is consistent with the institution of welfare reform in states like Iowa, Michigan, and Wisconsin. Figure 1 also suggests that the decline in caseloads was further accelerated by the welfare reform passed by Congress in 1996.

Figure 2 displays the change in welfare caseloads in Iowa over the same time period. Iowa does not display the same pattern as the national level from 1977 through 1990 (see Appendix for statistics.) Welfare caseloads varied considerably, from a low of

just over 31,000 in June 1977 to a high of over 43,000 in March 1981. Nor did Iowa begin the same precipitous rise in caseloads in the early 1990s, although it did experience a small increase. However, Iowa did follow the national pattern after April 1994, displaying a sharp decline that continued through September 2000. This suggests that the welfare reform enacted in Iowa in 1993 has reduced the caseload.

Yet these figures are inconclusive. Many critics of welfare reform argue that the decline in welfare caseloads during the 1990s was due to a strong economy. For example, a recent editorial in the *Des Moines Register* stated, “Benefits and reduced numbers are likely due to a booming economy in the 1990s rather than the effects of legislative reform.”⁵ According to this argument, the economic boom of the 1990s created jobs at a record pace, providing employment for welfare recipients who otherwise would have been unable to find jobs. It was largely coincidence that welfare reform occurred during this period.

This study puts that contention to the test. It subjects the data on welfare caseloads in both the United States and Iowa to a rigorous statistical test. This will yield considerable insight into whether the decline in welfare caseloads was due to the economy or welfare reform.⁶

A commonly employed statistical method for estimating the impact of multiple variables on another variable over time is a

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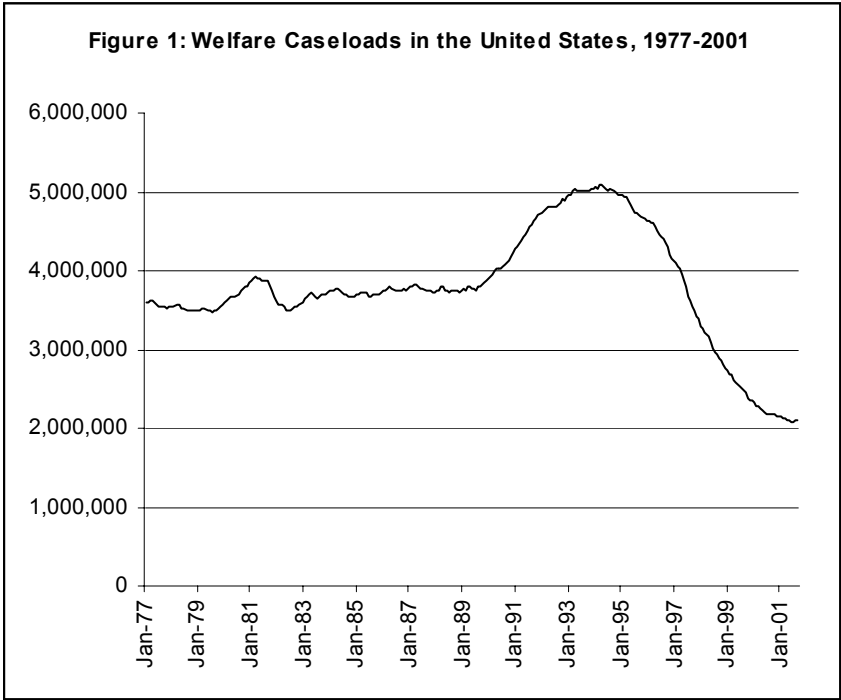
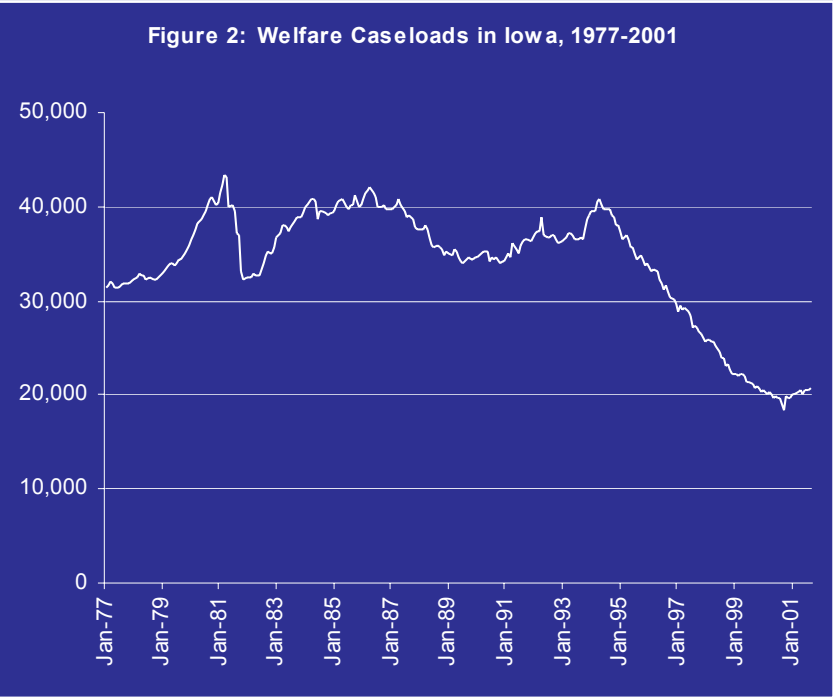


Figure 2: Welfare Caseloads in Iowa, 1977-2001



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“In none of the equations do the economic variables have a significant impact on welfare caseloads.”

Table 1: Average Percentage Change in Welfare Caseloads Since the Implementation of Welfare Reform

	U.S.	Iowa
Per Month	-1.26%	-.35%
Per Quarter	-3.63%	-1.17%

*Time Series Regression.*⁷ This method is employed to estimate the effects that welfare reform and the economy have on changes in welfare caseloads. Three regression equations are performed on U.S. welfare caseloads. (A detailed explanation of these equations is available in Appendix 1.)

The first equation uses month-to-month change in the national unemployment rate to measure economic performance. The second equation employs month-to-month change in the national rate of industrial production. The third equation uses quarter-to-quarter change in gross domestic product (GDP). All equations control for changes in welfare policy over time. The full results for these equations are in Appendix 1.

The results show some remarkable findings. In none of the equations do the economic variables have a significant impact on welfare caseloads. But in all three of the equations, change in welfare policy is highly significant.

The results from equations one and two show that, on average, welfare reform has resulted in a *per month* decline of 1.26 percent in welfare caseloads in

the U.S. The third equation shows that, on average, welfare reform has resulted in a *per quarter* decline of 3.63 percent in welfare caseloads. The average percentages change for both the United States and Iowa are displayed in Table 1.

Two regression equations are also performed on Iowa welfare caseloads. The first equation uses month-to-month change in the Iowa unemployment rate to measure economic performance. The second uses quarter-to-quarter change in state personal income. Both equations control for changes in welfare policy over time. The full results for these equations are in Appendix 1.

Again, the results are remarkable. Neither of the economic measures has a significant impact on changes in welfare caseloads in Iowa. But changes in welfare policy are significant in both equations. The first equation shows that welfare reform has resulted, on average, in a .35 percent decline *per month* in welfare caseloads in Iowa. The second equation shows that welfare reform, on average, has resulted in a *per quarter* decline of 1.17 percent in welfare caseloads in Iowa.

The results presented here show that the critics of welfare reform are wrong. It is welfare reform, and *not* the economy, that accounts for the reduction in welfare caseloads in the 1990s. Indeed, it appears that the economy has no measurable effect on welfare caseloads. These results also suggest that the claim of welfare critics that “welfare recipients want to work but there are not enough jobs” is bogus. There are usually ample jobs; welfare recipients simply need more motivation to find them. Welfare reform has provided that motivation.

Condition of Those Leaving Welfare

While it is heartening to discover that the recent decline in welfare caseloads is attributable to welfare reform, this does not present a complete picture of welfare reform. Any complete analysis must also examine how those who have left the welfare rolls are faring economically.

Recently the *Des Moines Register* editorialized that welfare recipients “are simply moving from being ‘welfare recipients’ to being the ‘working poor.’”⁸ The *Register* was referring to the findings of a Joyce Foundation study titled “Welfare to Work: What Have We Learned?”⁹ A more appropriate title might be “Welfare Reform: The Glass is Half Empty.” This study suggests that welfare recipients are not faring well because the work they find does not pay enough to lift them out of poverty.

For its section on Iowa, the Joyce Foundation Study relies heavily on a report from Mathematica Policy Research, Inc., titled “Iowa Families That Left TANF: Why Did They Leave and How Are They Faring?” Based on this report, the Joyce Foundation study claims that the “typical welfare leaver in Iowa earns \$7.44 per hour.”¹⁰ Actually, the Mathematica study shows that the average welfare leaver in Iowa earned \$7.54 per hour in early 2000.¹¹ (See Table 2). This is a minor inaccuracy, but it is indicative of the sloppiness that pervades the Joyce Foundation Study’s section on Iowa. Primarily, the study makes selective use of data that put a negative spin on the effects of welfare reform, while overlooking more positive evidence.

In the section on earnings, the study leaves the impression that those leaving welfare are trapped in poverty:

The typical welfare leaver in Iowa earns \$7.44 per hour. Nineteen percent of leavers earn \$9.00 or more, and 39% earn from \$7.00 to \$8.99 per hour. However, 41% earn below \$7.00. Based on the average wage, a mother with one child working full-time would earn enough to lift her family out of poverty, but a three-person family would remain poor. For those who earn below the average or don’t work full-time, their chances of

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Table 2: Characteristics of Primary Job, 2001 and 2002 Studies

	Average or Percentage:	
	Early 2000	Spring 2001
Average Weekly Hours	34	34
Usual Weekly Hours (%)		
Less than 20	9	8
20-29	18	14
30-39	23	30
40	38	36
More than 40	12	12
Average Hourly Pay	\$7.54	\$8.16
Hourly Pay (%)		
Less than \$5.15	14	7
\$5.16-\$6.99	27	21
\$7.00-\$8.99	39	40
\$9.00 or more	19	32

Table 3: Sources of Income, Wave-1 Survey, 2001 Study

	Average Per Month in Early 2000
Earnings	\$658
Government Assistance	\$147
Child Support	\$81
Other Household Income	\$554
Total Income	\$1,440
Total Income Per Year	\$17,280

Table 4: Sources of Income, Wave-2 Survey, 2002 Study

	Average Per Month in Spring 2001
Earnings	\$728
Government Assistance	\$169
Child Support	\$85
Other Personal Income	\$95
Other Household Income	\$614
Total Income	\$1,690
Total Income Per Year	\$20,280

Source: Mathematica Policy Research, Inc. For specific studies see endnotes 10 and 13.

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working their way out of poverty are slim. In addition, if we use average monthly earnings data, which accounts for variability in number of hours and quarters worked, it is clear that many welfare leavers who have gone to work in Iowa remain poor.¹²

However, the Mathematica study gives a more complete picture. Mathematica reports data for total household income — which includes all earnings, government assistance, and child support — not just a single earner’s wages. The average monthly household income is \$1,440, or \$17,280 per year.¹³ (See Table 3.) That is more than is needed to keep a family of four above the poverty line.

The Joyce Foundation study also overlooks a more up-to-date “Wave-2 Survey” study by Mathematica. This study updates the earlier study of welfare leavers in Iowa and finds that in spring 2001 they were making an average of \$8.16 an hour.¹⁴ That is a more than nine percent increase over less than an eighteen-month period. The findings are even better for total household income, which has increased to \$1,690 per month, or \$20,280 per year.¹⁵ (See Table 4.)

This is consistent with other Mathematica studies of Iowa’s welfare reform. These studies have shown that welfare leavers experience increased employment, higher average

earnings, and higher levels of self-esteem.¹⁶ It is also consistent with studies that have focused on welfare reform at a national level. For example, a Heritage Foundation study found that welfare reform has resulted in a dramatic increase in employment among single mothers, and has resulted in 4.2 million fewer people, including 2.3 million fewer children, living in poverty.¹⁷ Clearly, the glass is not half empty for welfare leavers in Iowa; it is at least half full and continues to fill all the time.

Conclusion

The primary lesson to be drawn from the above research is that *incentives matter*. Welfare recipients change their behavior when they are given incentives to do so. When Iowa reformed its welfare program to require recipients to take steps toward self-sufficiency as a condition for continued benefits, many recipients took steps toward self-sufficiency. When the federal government reformed its welfare program so that benefits would be subject to time limits, recipients took further steps toward self-sufficiency. It is this change in incentives that accounts for the decline in welfare caseloads.

This research also yields insights into what the future of welfare reform should be. The welfare reform plan advanced by the Bush Administration moves in the right direction. It contains many proposals which provide more incentives for welfare

recipients to become self-sufficient.

Two are worthy of note here. First, the Bush Plan sets aside money for states to promote marriage among welfare recipients.¹⁸ This proposal will reallocate funds initially used for reducing illegitimacy to establish programs that promote family formation and healthy marriages. It is well established that marriage has a dramatic effect on child poverty. The poverty rate for children in married-parent families is 8.2 percent; for children in single-parent families, the poverty rate is 35.2 percent.¹⁹ States have shown great success with experiments in many aspects of welfare reform. It is now time for states to experiment with marriage promotion programs.

Second, the Bush Plan increases the work requirement for welfare recipients to forty hours per week.²⁰ These forty hours must consist of “constructive activities” that lead to self-sufficiency. States are given flexibility in determining what constitutes such activities. Critics complain this is too tough on welfare recipients.²¹ It should be remembered that such critics made similar remarks about welfare reform back in 1996. Yet the work requirements set forth in the welfare reform of 1996 have proven a considerable success. Strengthening those requirements will likely produce even greater success.

The Iowa delegation in the United States House of Representatives and Senate should support the Bush Plan as it

will increase incentives for welfare recipients to become self-sufficient. Furthermore, Iowa Governor Tom Vilsack and the State Legislature should consider proposals for strengthening incentives in Iowa’s own welfare law. It is these proposals that will lead to continued progress in helping welfare recipients become self-sufficient.

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Endnotes:

¹ “Highlights of Iowa’s New Welfare Plan,” *Des Moines Register*, May 16, 1993, Sec.B, p.6, col. 1.

² Thomas A. Fogarty. “Iowa Welfare Reform Already Hits Snags,” *Des Moines Register*, May 16, 1993, Sec.B, p.3, col 1.

³ Thomas A. Fogarty. “Critics: Lack of Money Will Doom Iowa’s Attempt at Welfare Reform,” *Des Moines Register*, December 30, 1993, Sec.M, p.2, col 1.

⁴ Peter Edelman, “The Worst Thing Bill Clinton Has Done,” *The Atlantic Monthly*, Vol. 279, No. 3, March 1997, pp. 43-58.

⁵ “Editorial: Off Welfare, But Still Poor,” *Des Moines Register*, March 18, 2002, <<http://desmoinesregister.com/news/stories/c5917686/17606625.html>> (March 18, 2002).

⁶ Three other studies have examined the reform vs. economy debate. They are: June E. O’Neill and M. Anne Hill, “Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work,” Center for Civic Innovation at the Manhattan Institute, No. 17, July 2002, <http://www.manhattan-institute.org/html/cr_17.htm> (May 27, 2002); Robert E. Rector and Sarah E. Youssef, “The Determinants of Welfare Caseload Decline” The Heritage Center for Data Analysis, May 11, 1999 <<http://www.heritage.org/library/cda/cda99-04.html>> (May 27, 2002); and Michael J. New, “Welfare Reform That Works. Explaining the Welfare Caseload Decline, 1996-2000.” *Policy Analysis*, Cato Institute, No. 435, May 7, 2002. However, this study differs from those three previous studies in some important respects. First, this study examines total welfare caseloads, while the Manhattan Institute study only examined single mothers. Second, this study examines changes over time, while the Heritage Foundation and Cato Institute studies only examined the change in one time period.

⁷ David McDowall, Richard McCleary, Errol E. Meidinger, and Richard A. Hay, Jr., *Interrupted Times Series Analysis* (Newbury Park: Sage University Press, 1980). Michael S. Lewis-Beck, *Applied Regression: An Introduction* (Newbury Park: Sage University Press, 1980). Michael S. Lewis-Beck, *Data Analysis: An Introduction* (Newbury Park: Sage University Press, 1995).

⁸ “Editorial: A Safety Net Is Essential,” *Des Moines Register*, April 27, 2002, <<http://desmoinesregister.com/news/stories/c5917686/18027711.html>> (April 29, 2002).

⁹ “Welfare to Work: What Have We Learned?” The Joyce Foundation, April 24, 2002, <<http://www.joycefdn.org/news/news-pr-fs-new5.html>> (April 24, 2002).

¹⁰ *Ibid*, p. 53.

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¹¹ Jacqueline Kauff, Lisa Fowler, Thomas Fraker, Julita Milliner-Waddell, “Iowa Families That Left TANF: Why Did They Leave and How Are They Faring?” Mathematica Policy Research, Inc., February 2001, p.14.

¹² “Welfare to Work: What Have We Learned?” The Joyce Foundation, April 24, 2002, p. 53, <<http://www.joycefdn.org/news/news-pr-fs-new5.html>> (April 24, 2002).

¹³ Jacqueline Kauff, Lisa Fowler, Thomas Fraker, Julita Milliner-Waddell, “Iowa Families That Left TANF: Why Did They Leave And How Are They Faring?” Mathematica Policy Research, Inc., February 2001, p.33.

¹⁴ Jacqueline Kauff, Lisa Fowler, Thomas Fraker, and Julita Milliner-Waddell. “Iowa Families That Left TANF: How Are They Faring Two Years Later?” Mathematica Policy Research, Inc., February 2002, p.6.

¹⁵ Ibid, p.19.

¹⁶ Merrile Sing, Heather Hill, and Linda Mendenko, “Work, Welfare, and Family Well-Being,” Mathematic Policy Research, Inc., July 13, 2001. Thomas M. Fraker and Jonathan E. Jacobson, “Iowa’s Family Investment Program: Impacts During the First 3-1/2 Years of Welfare Reform,” Mathematica Policy Research, Inc., May 2001.

¹⁷ Robert Rector and Patrick F. Fagan, “The Good News About Welfare Reform,” *Backgrounders*, The Heritage Foundation, September 5, 2001, No. 1468.

¹⁸ “Working Toward Independence—The President’s Plan to Strengthen Welfare Reform,” February 2002, p.20, <<http://www.whitehouse.gov/news/releases/2002/02/welfare-reform-announcement-book.html>> (March 4, 2002).

¹⁹ Robert Rector, Kirk A. Johnson, and Patrick F. Fagan. “The Effect of Marriage on Child Poverty,” *A Report of the Heritage Center for Data Analysis*, The Heritage Foundation, April 15, 2002.

²⁰ “Working Toward Independence—The President’s Plan to Strengthen Welfare Reform,” February 2002, p.16, <<http://www.whitehouse.gov/news/releases/2002/02/welfare-reform-announcement-book.html>> (March 4, 2002).

²¹ For example, see “Editorial: Don’t Carry Welfare Reform Too Far,” *Des Moines Register*, April 23, 2002, <<http://desmoinesregister.com/news/stories/c5917686/17985708.html>> (April 23, 2002). Also see, “Reforming Welfare Reform,” *New York Times*, April 8, 2002 <http://www.nytimes.com/2002/04/08/opinion_08MON1.html> (April 8, 2002).

Appendix 1

Table 5: Regression Coefficients for Determinants of Change in Welfare Caseloads in the United States			
	Model		
	1	2	3
Welfare Reform	-1.25***	-1.26***	-3.63***
Unemployment Rate	.02	-	-
Industrial Production Rate	-	-.01	-
GDP	-	-	-.08
F	70.61***	65.35***	31.05***
Adjusted R²	.32	.33	.39
N	291	259	95

Table 6: Regression Coefficients for Determinants of Change in Welfare Caseloads in Iowa		
	Model	
	1	2
Welfare Reform	-.35**	-1.17**
Unemployment Rate	.56	-
Personal Income Growth Rate	-	-.23
F	3.96*	5.23**
Adjusted R²	.02	.08
N	274	96

* Significant at $p < .05$

** Significant at $p < .01$

*** Significant at $p < .001$

Appendix 1 — Continued

Explanation of Variables

Dependent Variable:

Change in Welfare Caseloads. This is the dependent variable for all of the models. Total caseloads in the United States are employed for models in Table 5. Caseloads in the state of Iowa are employed for models in Table 6. The change is calculated as a percent. For month-to-month change, the percent is calculated as $((\text{Current Month Caseloads} / \text{Previous Month Caseloads}) - 1) * 100$. For quarter-to-quarter change, the percent is calculated as $((\text{Current Quarter Caseloads} / \text{Previous Quarter Caseloads}) - 1) * 100$.

Independent Variables:

Welfare Reform. This is a counter variable, tracking each change in the welfare law. For Table 5, the variable is coded zero for all the months and quarters preceding the enactment of national welfare reform (PRWORA) in January 1997. All months and quarters from January 1997-present are coded one. For Table 6, the variable is coded zero for every month and quarter previous to the enactment of Iowa's welfare reform (FIP) in October 1993. Every month and quarter from October 1993-December 1996 is coded one. Every month and quarter from January 1997-present is coded 2 for the enactment of the national welfare reform law.

Unemployment Rate. This is a month-to-month variable calculated as percent change for both the United States and the state of Iowa. The percent change is calculated as $\text{Current Month Unemployment Rate} - \text{Previous Month Unemployment Rate}$.

Industrial Production Rate. This is a month-to-month variable calculated as percent change for the United States. The percent change is calculated as $\text{Current Month Industrial Production Rate} - \text{Previous Month Industrial Production Unemployment}$.

Gross Domestic Product Growth Rate. This is a quarter-to-quarter variable calculated as percent change for the United States. The percent change is calculated as $\text{Current Quarter Gross Domestic Product Growth Rate} - \text{Previous Month Gross Domestic Product Growth Rate}$.

Personal Income Growth Rate. This is a quarter-to-quarter variable calculated as percent change for the state of Iowa. The percent is calculated as $((\text{Current Quarter Personal Income} / \text{Previous Quarter Personal Income}) - 1) * 100$.

Data Sources

Change in Welfare Caseloads. Caseload data for October 1977-June 1997 available from the Department of Health and Human Services at <http://www.acf.dhhs.gov/programs/opre/afdc/afdc.htm>. Caseload data for October 2000-September 2001 available from the Department of Health and Human Services at <http://www.acf.dhhs.gov/news/stats/familiesL.htm>. Caseload data for July 1997-September 2000 available from the Office of Family Assistance at 202-401-5239.

Unemployment Rate. Month-to-month unemployment rate for the United States can be found at the Bureau of Labor Statistics website at <http://data.bls.gov/cgi-bin/surveymost?lf>. When at this page select "Unemp.

Appendix 1— Continued

Rate - Civilian Labor Force 16-19 Yrs. - LFS21000800.” Unemployment rate for the state of Iowa obtained from the Iowa Workforce Development at 515-281-5109.

Industrial Production Rate. Change in month-to-month industrial production can be available from the Federal Reserve at http://www.federalreserve.gov/releases/G17/download.htm#data_retrieval. When at this page, scroll down and click on any of the links provided under the heading “Additional series.”

Gross Domestic Product Growth Rate. Data on quarterly change in Gross Domestic Product available from the Bureau of Economic Analysis at <http://www.bea.doc.gov/bea/dn1.htm>. When at this page, scroll down and click on the link “Percent change from preceding period.”

Personal Income Growth Rate. Data on quarterly personal income in Iowa available from the Bureau of Economic Analysis at <http://www.bea.doc.gov/bea/regional/data.htm>.

Analysis of Regression Models

The variables which account for changes in welfare policy perform remarkably well in all of the models. They are robust predictors of change in welfare caseloads. The high level of significance of these variables strongly suggests that these variables would prove effective predictors regardless of the statistical procedure employed.

This is further evidenced by the R-squares in the Iowa models. The low R-squares in these two models are likely the result of serial auto correlation in the residuals of the dependent variable, which is not uncommon in time-series data. Serial auto correlation should not only lessen the value of the R-squares, but also the significance of the independent variables. That the welfare reform variables achieve high levels of significance in those two models further attests to their predictive power.

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Edited by Dr. Donald P. Racheter, President of Public Interest Institute, and
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