Article

Conditional Bureaucratic Discretion and State Welfare Diffusion under AFDC

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Abstract

In this article, I evaluate whether a state's level of bureaucratic discretionary authority with respect to welfare policy makes that state more or less likely to participate in policy diffusion with other states that share similar levels of bureaucratic discretionary authority. Using data on levels of access to welfare services in the late Aid to Families with Dependent Children (AFDC) era (1976–90), I find that bureaucrats across states who are granted high-discretionary authority engage in policy diffusion with one another. Diffusion based on similarity in discretionary authority is more pronounced when bureaucrats possess high compared with no discretion and does not occur when bureaucrats possess low discretion. Moreover, diffusion between high-discretion bureaucrats operates concurrently with geographic- and economic-driven forms of diffusion that have been well documented in the policy diffusion literature. Results demonstrate that a state's choice of how much discretion to give bureaucrats can open or close channels of diffusion that are available to policymakers in that state.

Keywords

state/local, federalism, legislative behavior, legislative politics, bureaucracy, executive politics, spatial analysis, quantitative methods, methodology, welfare policy, public policy

How does a state's level of bureaucratic discretion affect its propensity to base its own policy decisions on the policy decisions of other states? Scholars of policy diffusion,

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or the spread of policy and/or policy attributes from state to state, have long noted that policymakers in a given state are influenced in the policymaking process by the policy decisions of actors in other states. Policymakers in a given state have been shown to be extremely receptive across a multitude of policy areas to influence from policy decisions made in neighboring states (F. Berry and Berry 1990), states with similar economic and industrial profiles (Case, Hines, and Rosen 1994), and states with similar ideological makeups (Grossback, Nicholson-Crotty, and Peterson 2004; Volden 2006). However, scholars of diffusion have largely ignored study of how institutional factors within the states can affect the receptiveness of policymakers in the states to external policy decisions, there by facilitating or hindering policy diffusion depending on institutional context.

In this article, I seek to evaluate whether one specific kind of institutional factor—the level of policy discretion assigned to bureaucrats—affects whether and how policymakers in a given state are influenced by policy decisions made in other states. I outline how policymakers across the states are influenced by policy decisions made in states with similar bureaucratic discretion levels and test my theoretical hypotheses using a policy area well known to the study of policy diffusion in the American states: welfare access levels in the late Aid to Families with Dependent Children (AFDC) era. I argue here that a state's level of bureaucratic discretion substantially affects how policymakers in that state are influenced by external policy decisions when formulating their own policy choices and show that high bureaucratic discretion—in the form of the full delegation by a legislature of policymaking responsibility to bureaucrats—can produce high levels of policy diffusion between states that share high bureaucratic discretion. My finding indicates that institutional factors within states differentially affect the kinds of policy flows that occur across the states, suggesting that analysts of policy diffusion should account for variation in bureaucratic discretion when modeling policy diffusion processes.

Making Room for Bureaucratic Discretion in Studies of Diffusion

Studies of policy diffusion have focused on one central question: "What makes policymakers in a particular state likely to adopt a policy given that policymakers in some other state or states have already adopted the policy?" A staple of the policy diffusion literature, raised by Walker (1969), Gray (1973), F. Berry and Berry (1990), Karch (2006), and others, is that policymakers in a given state considering to adopt a policy look to policy decisions made by policymakers in other states to fill informational gaps that may exist within state. Policymakers in state *i* consider adopting some policy *X* but are unsure whether *X* will generate expected benefits in *i*. Therefore, policymakers in *i* observe how *X* performs in other states before adopting it in *i*.

Policymakers in *i* are not agnostic with respect to where they search for information regarding *X*. Rather, policymakers in *i* focus their search on states whom they consider to be peers. This is done on the premise that actions taken in peer states are comparable with those taken in *i*, suggesting that policies adopted in peer states may be appropriate

for adoption in *i*. Scholars who have studied policy diffusion across neighbors (Bailey and Rom 2004; F. Berry and Berry 1990; Pacheco 2012; Rom, Peterson, and Scheve 1998; Volden 2002b), across states with similar economic environments (Case, Hines, and Rosen 1994), across states with similar ideological environments (Grossback, Nicholson-Crotty, and Peterson 2004; Volden 2006), and across nonadjacent states sharing common metropolitan and settlement patterns (W. Berry and Baybeck 2005) have demonstrated that the definition of peer states can take all of these respective forms.

The extant literature on policy diffusion, however, neglects an important route through which diffusion occurs: when policymakers in *i* adopt policies that have been adopted in other states that share the same level of bureaucratic discretion as *i*. A legislature's decision to give discretion to bureaucrats is made on the basis of its informational needs and tolerance for bureaucratic drift (Huber and Shipan 2002). Similarly, the decision by policymakers in *i* to study the policy adoptions of policymakers in other states before adopting their own policies is driven partly by informational needs motivating the policymakers to look elsewhere for clues about policy ideas, successes, and failures (Volden, Ting, and Carpenter 2008). Given that the decisions to give discretion to bureaucrats and to study the policy choices of other states are both motivated partly by informational needs, it is likely that the level of discretion granted to bureaucrats affects where policymakers, who may be legislators or bureaucrats, look for information when they are observing policies that have been adopted in other states.

Preliminary evidence suggests that the level of discretion given to bureaucrats affects whom policymakers in a state look to when they are considering to adopt policies that have been adopted elsewhere. Volden (2006) demonstrates using CHIP (Children's Health Insurance Program) data that bureaucrats of state CHIP programs emulate CHIP policies that have been used by CHIP bureaucrats in other states to produce successful outcomes. And although he looks at municipal-level rather than state-level policy adoptions, Teodoro (2009) shows that bureaucrats who move diagonally (e.g., receive promotion) from one agency to another bring policy ideas to their new agencies of employment.

The works above document instances of when bureaucrats in one state are influenced by the policy choices of bureaucrats in other states. Yet, these works ignore discussion of how bureaucratic *discretion* affects policy *diffusion*. Giving discretion to bureaucrats is an intensely political process, driven as much by legislative preferences over policy as by needs for bureaucratic expertise (Epstein and O'Halloran 1999). Legislatures rarely give discretion to bureaucrats with no strings attached but expect that bureaucrats will locate policy in accordance with legislative wishes. Bureaucrats with substantial discretion face the challenge of needing to simultaneously satisfy legislative wishes but avoid making the wrong policy choices, which can lead to policy failure (Volden, Ting, and Carpenter 2008) and a loss of bureaucratic autonomy. Emulating the policy choices made by bureaucrats with substantial discretion in other states can reduce the risk associated with making a similar policy choice by bureaucrats in state *i* who also possess substantial discretion. Diffusion between high-discretion

bureaucrats of different states is a way for the bureaucrats to provide information to one another and reduce the chance of running afoul of their legislatures.

Here, I investigate how bureaucratic discretion affects policy diffusion by using data from a program (and time period) that has been heavily scrutinized: the AFDC program from 1976 to 1990. I choose this well-studied program for two reasons. First, states administered AFDC in three ways with respect to bureaucratic discretion: a first group of states gave *no discretion* to bureaucrats and managed AFDC program administration at the level of the legislature, a second group of states gave *advisory discretion* to bureaucrats but kept control of decision making in the hands of the legislature, and a third group of states gave *policymaking discretion* to bureaucrats and allowed bureaucrats to determine recipient entrance requirements and access levels for the AFDC program (Volden 2002a).[1] The existence of clear variation among the states with respect to bureaucratic discretion in AFDC policymaking makes this a useful policy area for the testing of my theory.

My second reason for using the AFDC data is that it has already been analyzed extensively. Scholars (Bailey and Rom 2004; W. Berry, Fording, and Hanson 2003; Peterson and Rom 1990; Rom, Peterson, and Scheve 1998; Volden 2002b) have leveraged AFDC data to show that policymakers across the states compete with one another by lowering welfare provision when neighbors have done so. I believe that establishing the validity of my story in an area where the neighbors-based race to the bottom (RTB) argument has been validated helps to show that policymakers can participate in many forms of diffusion within one policy area. My use of AFDC data answers an appeal by W. Berry and Baybeck (2005) to find ways besides neighbors-based diffusion in which policymakers in one state are influenced by those elsewhere when formulating welfare policy.

Before proceeding, I make a point of clarification. This article is not about the RTB in welfare provision but about how giving high discretion to bureaucrats engenders a form of diffusion in which high-discretion bureaucrats across states study the policy choices of one another to reduce the chance of making a choice that could incite backlash from legislative bosses. RTB is a different form of diffusion in which policymakers in the states adjust welfare provision downward in response to policymakers in other (usually neighboring) states doing so, driving welfare provision downward across a host of states. Policy diffusion among bureaucrats who share high discretion may sometimes appear to look like RTB diffusion but is not the same thing: first, high-discretion bureaucrats in one state who adjust welfare provision downward after observing that high-discretion bureaucrats elsewhere have done so may not be lowering provision to avoid becoming "welfare magnets," a central concern of the RTB story (Allard and Danziger 2000). Bureaucrats with high discretion may also adjust provision upward after observing bureaucrats elsewhere with high discretion pursuing the same action. My focus here is not to analyze RTB but explore how giving bureaucrats discretion can spark another form of diffusion that may sometimes resemble RTB.

The article unfolds as follows. In the section "A Theory of How Bureaucratic Discretion Affects Diffusion," I outline how giving high discretion to bureaucrats engenders policy diffusion between high-discretion bureaucrats across the states. In

the "Data and Empirics" section, I test my theory with the use of the AFDC data and a multiparametric spatiotemporal autoregressive (m-STAR) approach that allows for the examination of data exhibiting cross-sectional and temporal autocorrelation and permits the specification of multiple spatial lag variables (e.g., diffusion processes) within the same model (Franzese and Hays 2007; 2008; Hays, Kachi, and Franzese 2010). Finally, in the "Results" and "Discussion and Conclusion" sections, I review findings and tie them to my theory and the policy diffusion literature at large.

A Theory of How Bureaucratic Discretion Affects Diffusion

My explanation of why high-discretion bureaucrats in one state are influenced by the policy choices of high-discretion bureaucrats in other states is straightforward. High-discretion bureaucrats face a tough balancing act: they must use their substantial policymaking autonomy to placate legislative bosses but must simultaneously avoid angering these bosses by adopting policy that is at variance with legislative goals. High-discretion bureaucrats can generally predict how legislative bosses will receive bureaucratic decisions but cannot always make these predictions with high certainty. To take two examples, high-discretion bureaucrats deciding whether to adopt a new program provision may not know how legislative bosses will respond to their choice; or high-discretion bureaucrats administering a program in which state governments have wide latitude to set policy without strong federal guidance may not know exactly where legislative bosses stand regarding the setting of policy. When high-discretion bureaucrats in state i do not know whether a policy choice X_i will be received favorably by the legislature in i, high-discretion bureaucrats in i look to high-discretion bureaucrats in state j to see whether policy choice X_j was received favorably by the legislature in j.

There are three reasons why high-discretion bureaucrats in i find it useful to observe outcomes of high-discretion peers in j before deciding on the feasibility of choice X_i. First, states i and j have similar structural environments, which afford high-discretion bureaucrats in i the opportunity to learn from the experiences of how peers in j navigated the structural contours of the bureaucratic–legislative relationship. If high-discretion bureaucrats in j wanted to adopt X_j but had to back down because they were viewed as overstepping the bounds of their authority by legislative bosses, then high-discretion bureaucrats in i could learn from events in j and choose to not pursue the adoption of X_i if they believe that the legislature in i would react similarly to the legislature in j. Conversely, high-discretion bureaucrats in i may have more confidence to pursue the adoption of X_i if colleagues in j were successfully able to adopt X_j without backlash from the legislature in j. The experiences of high-discretion bureaucrats in j provide a demonstration effect that is arguably most useful to out-of-state bureaucrats who face the closest structural constraints.

A second reason why policy diffusion occurs between high-discretion bureaucrats in i and j focuses on the limits of the ability of high-discretion bureaucrats to extract information from their legislative bosses. Legislatures often give high discretion to

bureaucrats based on the assumption that these bureaucrats are experts and expect that high-discretion bureaucrats will take primary responsibility in the policymaking process. Even if high-discretion bureaucrats in i wished to figure out whether the legislatures in i were supportive (or not) of policy choice X_i, they may not necessarily be able to extract this information from their legislative bosses. The legislature in i may not have a decisive opinion regarding policy choice X_i and may simply tell the high-discretion bureaucrats in i to make the final call. In this situation, i's high-discretion bureaucrats still face a quandary because they may incur the ire of the legislature if the implications of policy choice X_i prove to be unpopular. To avoid reputational problems with their own legislative bosses, high-discretion bureaucrats in i may observe whether X_j was received favorably by j's legislature before choosing to adopt X_i.

The third reason is one familiar to diffusion studies: network linkages. Just as networks exist among policymakers on the basis of geography, economic similarity, and ideology, networks exist among bureaucrats on the basis of possessing high discretion. Bureaucrats form networks with each other as a result of facing similar structural constraints, exchanging information, and facilitating career advancement (Teodoro 2009). High-discretion bureaucrats in i and j belong to multiple networks but tap into their existing network with one another to help determine whether choices X_i and X_j will be favorably greeted by legislatures in i and j. The above reasons point to the central hypothesis of the article.

Hypothesis 1: Policymaking bureaucrats diffusion hypothesis—High-discretion bureaucrats in a given state are influenced by the policy choices of high-discretion bureaucrats in other states when formulating their own policy choices.

Here, I emphasize that Hypothesis 1 does not imply that high-discretion bureaucrats in state i only learn from state j if bureaucrats in j possess high discretion. Rather, high-discretion bureaucrats in i are more likely to learn from j if bureaucrats in j possess high discretion. High-discretion bureaucrats look to states with institutional similarity to observe and potentially adopt policy choices that have already been tested in similar institutional environments. High-discretion bureaucrats certainly benefit in their decision making from looking to states that have similar geography, economic circumstances, and the like, as numerous studies on diffusion have shown. However, searching on the basis of institutional similarity allows bureaucrats to hedge their bets regarding the legislative favorability of potential policy choices.

Data and Empirics

I estimate my theoretical propositions using AFDC access data and state demographic and economic data that were used in Volden (2002b) and Bailey and Rom (2004). Data on the level of discretion in AFDC policy given to bureaucrats in each state come from Volden (2002a), in which bureaucrats possess no discretion, advisory (low) discretion, or policymaking (high) discretion. I focus on the 1976–90 time frame because it has

already been studied thoroughly and coincides with a period in which federal interactions with the states regarding AFDC were largely consistent, allowing for the reliable comparison of AFDC policy across states (Bailey 2005). I include 47 states in my analysis excluding Alaska and Hawaii as they are noncontiguous and Nebraska as it has a unicameral legislature (Volden 2002b).

I use an m-STAR model as discussed in Hays, Kachi, and Franzese (2010) to conduct empirical analysis. I use this method because it allows for the specification of multiple spatial lag variables within the same model and suffers from less simultaneity bias compared with the spatial-OLS (ordinary least squares) models common to diffusion studies in the event that spatial dependence in the y variable is not limited to contemporaneous panels (Franzese and Hays 2007; 2008).[2] The generic m-STAR model is displayed below:

$$\mathbf{y} = \rho_1 \mathbf{W}_1\mathbf{y} + \rho_2 \mathbf{W}_2\mathbf{y} + \phi\mathbf{M}\mathbf{y} + \mathbf{X}\beta + \varepsilon. \quad (1)$$

In Equation 1, $\mathbf{y}$ denotes a dependent outcome that occurs in units $i, j, \ldots, N$ (here, i and j are a pair of U.S. states while N is the set of U.S. states) while $\mathbf{W}_1$ and $\mathbf{W}_2$ are matrices of spatial connectivity between units $i, j, \ldots, N$. The parameters ρ_1 and ρ_2 are coefficients describing strengths of connectivity associated with $\mathbf{W}_1$ and $\mathbf{W}_2$ while $\mathbf{My}$ is a first-order temporal lag with coefficient ϕ. $\mathbf{X}\beta$ denotes the usual exogenous set of nonspatial variables with associated coefficients.[3]

The dependent variable used in this article is *average AFDC access per state* (AFDC access), which is defined as the number of AFDC recipients in state i in year t per 1,000 residents in poverty. AFDC access was created by Bailey and Rom (2004) and measured (without having this data) the number of individuals receiving AFDC benefits in a state/year given the number of individuals who are eligible to receive AFDC benefits in a state/year. While AFDC access does not identify specific instances in which bureaucrats in state i adopt a policy that has been adopted elsewhere, it captures diffusion by assessing how similar policy choices made by high-discretion bureaucrats in multiple states affect AFDC access levels in those states. High-discretion bureaucrats had the authority to enroll their states in the AFDC–Unemployed Parent (AFDC-UP) program, set state-level "standards of need" (the maximum income allowed for a family to be considered needy), and determine property restrictions for AFDC recipients.[4] Similarities in the setting of these policies across states where bureaucrats have high AFDC discretion would affect AFDC access levels and be indicative of diffusion.

I use AFDC access rather than the traditional state/year AFDC monetary payments dependent variable because high-discretion bureaucrats had greater freedom to manipulate AFDC access levels than they did AFDC monetary payments, which were set according to strict federal guidelines. Given that bureaucrats had greater discretion in setting access levels compared with monetary payments, a stronger pattern of diffusion among high-discretion bureaucrats may be observable if we focus on access levels instead of monetary payments. This focus also answers an appeal from Allard and Danziger (2000), Bailey and Rom (2004), and W. Berry and Baybeck (2005) to move beyond using AFDC payments as a dependent variable in the study of welfare diffusion.

The key independent variable in the article is *high-discretion states*, which tests Hypothesis 1. Using the notation from Equation 1, high-discretion states is the row-normalized weighting matrix $\mathbf{W}_{\mathbf{High}}$ multiplied against a vector of dependent outcomes, y.[5] $\mathbf{W}_{\mathbf{High}}$ is a $NT \times NT$ connectivity matrix in which each state (in period t) that gives high discretion to bureaucrats receives a weight from every other high-discretion state (in the same period t) that equals

$$\frac{1}{\text{No. of States } W \text{ / High Discretion} - 1}.$$

$\mathbf{W}_{\mathbf{High}}$ has zeros on its prime diagonal to reflect the assumption that no state influences itself. All states that do not give high discretion to bureaucrats receive weights of zero in $\mathbf{W}_{\mathbf{High}}$. The coefficient ρ_{High} captures the total influence of policy outcomes in the weighted index of states with high discretion on policy outcomes in other states with high discretion. A positive and significant ρ_{High} coefficient indicates similarity in the direction of influence across states with high levels of discretion while a negative and significant ρ_{High} coefficient indicates dissimilarity in the direction of influence across the group of states with high discretion.

I use multiple controls in the article. *Low-discretion states* and *no-discretion states* capture whether policymakers in states with low or no bureaucratic discretion are influenced by the policy choices of states with similar institutional environments. The low- and no-discretion variables are constructed analogously to the high-discretion variable, except that $\mathbf{W}_{\mathbf{Low}}$ and $\mathbf{W}_{\mathbf{No}}$ capture connections between states sharing low and no discretion, respectively. Coefficients ρ_{Low} and ρ_{No} have the same interpretations as ρ_{High}, with positive (negative) and significant values suggesting similar (dissimilar) directions of influence across states. If giving high discretion to bureaucrats engenders a form of policy diffusion that is unique to states where bureaucrats have high discretion, then we should not observe diffusion based on institutional similarity in states that give bureaucrats low and no discretion. The low- and no-discretion variables are thus placebos.

Next, I control for diffusion based on geographic and economic similarity with a *radial neighbors* variable. In the radial neighbors variable, the $\mathbf{W}_{\mathbf{Radial\ Neighbors}}$ matrix captures the influence that (1) all states located inside a 250-mile radius from the most populous city in state i and (2) all states located inside 250-mile radii from *other* cities in i that may not be the most populous in the state but are among the 100 most populous cities in the United States have on policy choices made in i. Unlike a *nearest neighbors* measure, which only considers how policymakers of geographically adjacent states influence those in i, a *radial* measure also captures economic influences on i. My radial measure captures how states sharing the same metropolitan region (e.g., Maryland and New Jersey), high rates of poverty (e.g., Alabama and Arkansas), and large manufacturing sectors (e.g., New York and Ohio) influence one another without prejudicing one aspect of economic similarity over all others. The radial neighbors measure also reflects W. Berry and Baybeck's (2005) finding that welfare policymakers in i learn from policymakers in states that may not be geographically adjacent but are located within some distance to cities in i.[6]

Weights in $\mathbf{W}_{\text{Radial Neighbors}}$ are row-normalized as in the cases of $\mathbf{W}_{\text{High}}$, $\mathbf{W}_{\text{Low}}$, and $\mathbf{W}_{\text{No}}$; however, here, I weight the influence of a state *j* located within a 250-mile radius of a city in *i* on state *i* based on a formula where

$$\frac{2}{3}W_{\text{Adjacent}} + \frac{1}{3}W_{\text{Nonadjacent}} = 1.$$

This weighting scheme gives states geographically adjacent to *i* two-thirds of the cumulative influence on outcomes in *i* while giving states nonadjacent to *i* a third of the influence on outcomes in *i*. I use the two-thirds/one-third scheme based on the idea that geographically adjacent states exert a greater cumulative level of influence on *i* than nonadjacent states.[7] Table 1 displays a portion of the $\mathbf{W}_{\text{Radial Neighbors}}$ matrix for Northeastern states for the 1970s decade. Full details on weights are available in the online appendix of this article. The coefficient $\rho_{\text{Radial Neighbors}}$ has the usual interpretation, with positive significance implying that policymakers in *i* adjust policy in the same direction as peers in states located within radial thresholds of population centers in *i*.

I include two more controls that take the form of spatial lag variables. *Ideological neighbors* captures the influence that states with similar ideological orientations have on policy choices made in *i*. I create this variable using measures of state ideology from Volden (2002b) to construct a row-normalized $\mathbf{W}_{\text{Ideological Neighbors}}$ matrix where states with ideological scores adjacent to that of *i* influence outcomes in *i*. *High-discretion radial neighbors* captures the possibility that high-discretion bureaucrats in *i* are receptive to choices made by high-discretion bureaucrats in states that are radial neighbors of *i* but not to choices made by high-discretion bureaucrats in states outside radial thresholds of population centers in *i*. Here, I row-normalize weights only for states that give bureaucrats high discretion and are radial neighbors of a state *i* that also gives bureaucrats high discretion. Coefficients $\rho_{\text{Ideological Neighbors}}$ and $\rho_{\text{High-Discretion Radial Neighbors}}$ are interpreted identically to the other spatial variables.

Conventional ($\mathbf{X}\beta$) controls include *divided government*, which is 0 if the same party controls the legislative and executive and 1 otherwise. States with unified government have greater preference cohesion than states with divided government, suggesting that changes to AFDC access were easier to implement under unified government. *Board type* is a variable that receives a value of 0 if a state's legislature does not give bureaucrats any discretion, 1 if a state's legislature gives bureaucrats low discretion, and 2 if a state's legislature gives bureaucrats high discretion. This variable captures the effect that the amount of discretion granted to bureaucrats exerts on AFDC access and controls for the possibility that policymakers adjust AFDC access as a function of discretionary amount rather than a function of diffusion. I am agnostic about how board type should relate to AFDC access: in states with no discretion, legislatures may support higher AFDC access and view increased welfare use as a way to gain votes; however, bureaucrats may also use their discretion to push for higher levels of welfare access than are favored by legislative bosses.

A third control, *real legislator salary*, accounts for legislative professionalization and is included because states that pay legislators well may have positive attitudes about the role of government in solving social problems compared with states that do

Table 1. State-Pair Connections for Northeastern States in the 1970s Decade with Weights ($\mathbf{W}_{\text{Radial Neighbors}}$).

States	CT	DE	KY	ME	MA	MD	MI	NH	NJ	NY	NC	OH	PA	RI	VT	VA	WV
CT		+ 0.04		+ 0.04	X 0.22	+ 0.04		+ 0.04	+ 0.04	X 0.22			+ 0.04	X 0.22	+ 0.22	+ 0.22	
DE	+ 0.04				+ 0.04	X 0.22			X 0.22	+ 0.04	+ 0.04		X 0.22	+ 0.04	+ 0.04	X 0.22	+ 0.04
ME	+ 0.06				+ 0.06			X 0.66		+ 0.06				+ 0.06	+ 0.06		
MD	+ 0.05	X 0.16			+ 0.05				+ 0.05	+ 0.05	+ 0.05	+ 0.05	X 0.16			X 0.16	X 0.16
MA	X 0.13	+ 0.06		+ 0.06		+ 0.06		X 0.13	+ 0.06	X 0.13			+ 0.06	X 0.13	X 0.13		
NH	+ 0.08			X 0.22	X 0.22				+ 0.08	+ 0.08			+ 0.08	+ 0.08	X 0.22		
NJ	+ 0.04	X 0.16		+ 0.04	+ 0.04	+ 0.04		+ 0.04		X 0.16			X 0.16	+ 0.04	+ 0.04	+ 0.04	+ 0.04
NY	X 0.13	+ 0.03		+ 0.03	X 0.13	+ 0.03	+ 0.03	+ 0.03	X 0.13			+ 0.03	X 0.13	+ 0.03	X 0.13	+ 0.03	+ 0.03
PA	+ 0.03	X 0.11	+ 0.03		+ 0.03	X 0.11	+ 0.03	+ 0.03	X 0.11	X 0.11	+ 0.03	X 0.11		+ 0.03	+ 0.03	+ 0.03	X 0.11
RI	X 0.33	+ 0.04		+ 0.04	X 0.33			+ 0.04	+ 0.04	+ 0.04			+ 0.04		+ 0.04		
VT	+ 0.06			+ 0.06	X 0.22			X 0.22	+ 0.06	X 0.22			+ 0.06	+ 0.06			

Note: Rows correspond to each Northeastern state while columns correspond to states that are located within 250 miles of the largest city in each state *i* (in rows) or within 250 miles of any city in each state *i* (in rows) that is included in the 100 largest cities by population based on the 1970 U.S. Census. Delaware and Maryland are included as constituent parts of the Northeast even though the Census does not label these states as Northeastern. "X" denotes adjacent neighbors to each state while "+" denotes nonadjacent neighbors that are within the 250-mile radii. While I show only Northeastern states here, I use this weighting scheme on the full 47-state sample in the article.

not pay legislators well, suggesting that increases in legislator pay correspond to increases in AFDC access. *Percent change in state revenue* captures the effects of budgetary shocks and should relate negatively to AFDC access, as state revenue increases when the economy is strong and unemployment is low. *Change in state poverty rate* captures part of the demand for welfare services and should relate positively to AFDC access as those pushed into poverty seek welfare to bolster their situations. *Percent change in AFDC recipients* also should relate positively to AFDC access, as increases in caseload size should correspond to increases in AFDC access.[8] *Percent of AFDC caseload that is African American* should relate negatively with AFDC access based on a view (Gilens 1999) linking low welfare generosity to the racial composition of welfare recipients.

Three other controls represent substitutes that policymakers may consider when manipulating AFDC access. *Percent change in real food stamp payments* comes from Volden (2002b) and captures the possibility that policymakers use food stamps to substitute AFDC services; an increase in this variable thus should relate negatively to AFDC access. *Federal share* denotes the percentage of a state's AFDC costs that are paid for by the federal government through a matching formula. A positive relationship between federal share and AFDC access suggests that states rely on the federal government to pay for AFDC provision. A final substitute for AFDC access is state *retail wage*.[9] If potential welfare recipients work in the retail sector and if retail wages are a substitute for welfare, then increases in retail wages should correspond with decreases in AFDC access (W. Berry, Fording, and Hanson 2003). Two final controls are *lagged AFDC access* and *year* variables to account for temporal influences.

In this article, I estimate nine specifications based on the generic model shown in Equation 1. In Model 1, I only include nondiffusion variables while in Models 2–6, I use specifications where each diffusion variable is included in its own regression equation. In Models 7–9, I provide the more robust empirical results of the article and estimate specifications where each bureaucratic discretion diffusion variable is included in the same regression equation as the radial neighbors and ideological neighbors variables, and where the high-discretion states variable is also regressed alongside the high-discretion radial neighbors variable. I do not include multiple bureaucratic discretion diffusion variables within the same model to limit simultaneity bias between the bureaucratic discretion diffusion variables (Hays, Kachi, and Franzese 2010).[10]

Results

Table 2 displays results for Models 1–6. Recall that in Models 1–6, I include only one diffusion variable at a time within each respective model.

Note that in Model 2, the high-discretion states variable is significant at the .10 threshold and relates positively with AFDC access. Also note that the result in Model 2 is robust to the inclusion of the board type variable, which does not exert a significant effect on AFDC access. These results give weak support to Hypothesis 1, suggesting that high-discretion bureaucrats in state *i* are influenced by the policy choices of high-discretion bureaucrats in other states even when the level of bureaucratic

Table 2. Results for Model Specifications 1–6.

Variable/model	1	2	3	4	5	6
AFDC access$_{t-1}$	0.18** (0.03)	0.18** (0.01)	0.18** (0.01)	0.18** (0.01)	0.15** (0.01)	0.18** (0.01)
High discretion		0.08* (0.04)				
Low discretion			−0.04** (0.02)			
No discretion				0.06 (0.04)		
Radial neighbors					0.41** (0.05)	
Ideological neighbors						0.04 (0.03)
Divided government	−0.72 (0.44)	−0.76* (0.40)	−0.75* (0.40)	−0.74* (0.40)	−0.50 (0.38)	−0.71* (0.40)
Board type	2.23** (0.60)	1.24 (0.83)	2.73* (0.64)	3.72** (1.20)	2.11** (0.56)	2.24** (0.59)
Real legislator salary	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.02 (0.02)	0.01 (0.02)
% change in revenue	−0.15** (0.04)	−0.16** (0.04)	−0.15** (0.04)	−0.15** (0.04)	−0.12** (0.03)	−0.15** (0.04)
% change in poverty	0.20 (0.28)	0.21 (0.29)	0.19 (0.29)	0.20 (0.29)	0.21 (0.27)	0.19 (0.29)
% change in recipients	0.15** (0.03)	0.15** (0.03)	0.15** (0.03)	0.15** (0.03)	0.11** (0.02)	0.15** (0.03)
African American AFDC share	−0.19** (0.05)	−0.18** (0.04)	−0.19** (0.04)	−0.19** (0.04)	−0.16** (0.04)	−0.18** (0.04)
% change in food stamp rate	−0.10** (0.04)	−0.11** (0.04)	−0.10** (0.04)	−0.11** (0.04)	−0.12** (0.04)	−0.10** (0.04)
Federal share	0.52** (0.08)	0.53** (0.08)	0.54** (0.08)	0.53** (0.08)	0.29** (0.08)	0.51** (0.08)
Retail wage	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Year	0.01 (0.08)	0.03 (0.08)	0.02 (0.08)	0.03 (0.08)	0.14* (0.08)	0.04 (0.09)
Observations	705	705	705	705	705	705
F test/Wald χ^{2a}	217.30**	7,574.84**	7,214.93**	7,826.00**	7,889.19**	7,496.99**

Note: AFDC = Aid to Families with Dependent Children; OLS = ordinary least squares.
a. Model 1 was estimated using simple OLS and evaluated using a *F* test. Models 2–9 are estimated using spatial maximum likelihood and evaluated using Wald tests.
*p = .10. **p = .05.

discretion is taken into account. In Model 3, the low-discretion states variable is significant at the .05 threshold and relates negatively to AFDC access while in Model 4, the no-discretion states variable is not significant and relates positively to AFDC access. A comparison of the ρ_{High} coefficient with the ρ_{Low} and ρ_{No} coefficients suggests that positive diffusion across states based on the similarity of discretion granted to bureaucrats across states is most prominent when bureaucrats across states possess high discretion but not low or no discretion. I see a threefold explanation for why this positive diffusion is most prominent when bureaucrats possess high discretion but not in the other cases. The first reason is central to Hypothesis 1: high-discretion bureaucrats are held accountable for policy choices by legislative bosses and study the policy choices of other high-discretion bureaucrats to increase the likelihood of selecting choices that will be received favorably by legislative bosses. Low-discretion bureaucrats and legislatures that do not give discretion do not face the same challenge as high-discretion bureaucrats: legislatures approve the

recommendations of low-discretion bureaucrats and can directly align AFDC access with policy preferences when they give no discretion to bureaucrats.

I attribute the finding of negative diffusion among low-discretion bureaucrats to the large heterogeneity that exists within the sample of states that give bureaucrats low discretion. If we rank-ordered the high-discretion, low-discretion, and no-discretion groups on the basis of within-group diversity with respect to AFDC access levels, we would find that the low-discretion group exhibits the most diversity followed by the no-discretion group and finally the high-discretion group. The large diversity exhibited within the low-discretion group means that any two low-discretion states *i* and *j* are likely to have dissimilar AFDC access levels from one another. The low-discretion states spatial lag variable captures the effect that changes to AFDC access in state *i* have on AFDC access in dissimilarly situated state *j*, thereby leading to a negative diffusion result.

Although it is slightly nonsignificant, the finding of positive diffusion among states that do not give discretion to bureaucrats is harder to explain. The within-group diversity argument does not sufficiently explain the no-discretion states result in Model 4 because the direction of diffusion is positive, and large within-group diversity should produce a negative coefficient on the spatial lag variable. I believe that the positive coefficient on the no-discretion states variable is driven by legislatures in these states exploiting network linkages with one another and venues like the National Conference of State Legislatures to exchange information about developments in AFDC policy.

In Model 5, note that the radial neighbors variable is significant at the .05 threshold and relates positively with AFDC access, suggesting that policy choices made in state *i* are similar to policy choices made in geographically and economically similar states; the result here is not surprising in light of a vast literature that has demonstrated the existence of this type of diffusion in a number of policy domains. Finally, the ideological neighbors variable in Model 6 is nonsignificant.[11]

Results from Models 7 to 9 offer stronger support for hypothesis testing (Table 3). In Model 7, the coefficient on the high-discretion states variable increases in magnitude, now achieves significance at the .05 threshold, and remains robust to the inclusion of the board type, radial neighbors, ideological neighbors, and high-discretion radial neighbors variables. The robustness of high-discretion states to radial neighbors demonstrates that even after controlling for the overwhelming effect of geographic and economic similarity, high-discretion bureaucrats in state *i* respond positively to policy choices made by high-discretion bureaucrats in other states. In addition, the robustness of high-discretion states to high-discretion radial neighbors suggests that high-discretion bureaucrats in state *i* are influenced by the policy choices of high-discretion bureaucrats in *all* states that give bureaucrats such discretion. Results from Models 8 and 9 are also unchanged, except that the no-discretion states variable now achieves significance at the .10 threshold.

Estimation via m-STAR is not purely linear additive: coefficients represent predynamic impulses rather than effects. To determine the postspatial effect of a one-unit increase in a factor in state *j* on AFDC access in state *i*, an analyst should use the spatial multiplier given in Franzese and Hays (2008) and Hays, Kachi, and Franzese (2010).

Table 3. Results for Model Specifications 7–9.

Variable/model	7	8	9
AFDC access$_{t-1}$	0.15** (0.01)	0.15** (0.01)	0.15** (0.01)
High discretion	0.12** (0.06)		
Low discretion		−0.06** (0.02)	
No discretion			0.08* (0.04)
Radial neighbors	0.45** (0.05)	0.46** (0.05)	0.44** (0.05)
Ideological neighbors	−0.05 (0.03)	−0.05 (0.03)	−0.05 (0.03)
High-discretion radial neighbors	−0.03 (0.06)		
Divided government	−0.53 (0.38)	−0.52 (0.37)	−0.53 (0.38)
Board type	0.83 (0.77)	2.85** (0.59)	3.95** (1.12)
Real legislator salary	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)
% change in revenue	−0.13** (0.03)	−0.13** (0.03)	−0.12** (0.03)
% change in poverty	0.23 (0.27)	0.22 (0.27)	0.23 (0.27)
% change in recipients	0.11** (0.02)	0.12** (0.02)	0.11** (0.02)
African American AFDC share	−0.17** (0.04)	−0.16** (0.04)	−0.17** (0.04)
% change in food stamp rate	−0.12** (0.04)	−0.12** (0.04)	−0.12** (0.04)
Federal share	0.30** (0.08)	0.31** (0.08)	0.30** (0.08)
Retail wage	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Year	0.14* (0.08)	0.15* (0.08)	0.14* (0.08)
Observations	705	705	705
Wald χ^2	7,037.95*	7,203.51**	7,646.48**

Note: AFDC = Aid to Families with Dependent Children.
*p = .10. **p = .05.

$$y_t = \left[\mathbf{I}_N - \left(\sum_{r=1}^{R} \rho_r \mathbf{W}_r\right)\right]^{-1} \left[\mathbf{X}_t\beta + \varepsilon\right] \tag{2}$$

In Equation 2, $\mathbf{I}_N$ is an identity matrix while $\sum_{r=1}^{R} \rho_r W_r$ is the sum of each desired spatial coefficient multiplied against its associated weighting matrix. The effect of a shock in j on a y variable in i is found by issuing a shock in the row in vectors $\mathbf{X}_t\beta$ or ε corresponding to the unit(s) in which the desired shock is to occur. Here, I illustrate how AFDC access in Georgia—a state where bureaucrats possess high discretion—is affected by two hypothetical changes to welfare administration in Texas, another high-discretion state. First, I evaluate how a 10% increase in 1977 AFDC caseload size in Texas affects AFDC access in Georgia; and second, I evaluate how a five-point increase in 1977 AFDC access in Texas affects AFDC access in Georgia.[12] I compare both of these indirect effects against the direct effect of a 1% increase in Georgia's 1977 AFDC caseload size on Georgia's AFDC access to demonstrate the importance of the spatial effects. Georgia and Texas do not share geographic linkages with one

another through the radial neighbors variable: therefore, spatial effects between the states are driven mainly by discretion-based rather than neighbors-based diffusion.

When Texas's AFDC caseload size increases by 10%, Georgia experiences an increase of 0.03 points in its AFDC access level. This effect is significant at the .01 threshold and has a standard error of 0.0002. While 0.03 points may seem like a trivial quantity, consider that a direct 1% increase in Georgia's own AFDC caseload size increases Georgia's AFDC access level by 0.11 points: Texas's effect on Georgia's AFDC access level is 27% the size of Georgia's effect on its own level. Georgia could also simultaneously receive shocks from multiple high-discretion states, and the total size of the effects from all of these shocks could eclipse the effect that an increase in Georgia's caseload size has on its own AFDC access level. Finally, consider that a five-point increase in Texas's AFDC access level produces an increase in Georgia's AFDC access level of 0.14 points. This effect is significant at the .01 threshold and has a standard error of 0.004. Here, the size of Texas's effect on Georgia's AFDC access level surpasses the size of the effect that a 1% increase in Georgia's AFDC caseload size would exert on Georgia's AFDC access level (0.14 vs. 0.11 points).

Discussion and Conclusion

The literatures on bureaucratic discretion and policy diffusion have independently contributed great knowledge to our understanding of policy processes but have not been connected to one another systematically. Here, I argue that granting high discretion to bureaucrats engenders policy diffusion between high-discretion bureaucrats of different states and find evidence for my theory, as well as evidence that an analogous form of diffusion does not occur when bureaucrats possess low discretion and is less pronounced when legislatures monopolize control of policy making. This finding can be applied to other contexts within American and comparative politics in which diffusion occurs.

A specific insight from this article is that high bureaucratic discretion is likely to drive diffusion precisely when bureaucrats lack guidance about how they should craft policy and thus face uncertainty about how their actions will be received by legislative bosses. Bureaucrats are likely to engage in diffusion in areas where the federal government leaves policy making to the states and does not give the states guidance in shaping policy. One example of such an area is state renewable portfolio policy: state governments have adopted renewable electricity generation requirements in spite of federal inaction, and public utilities commissions have often been empowered to craft and implement renewable standards (Rabe 2006). Bureaucratic discretion–based diffusion is also likely to occur when bureaucrats possess discretion over an issue area that is complex and cannot readily turn to legislative bosses for guidance because the legislature does not possess sufficient expertise to give detailed guidance. One example of such an area is state public pension administration: here, many state legislatures have implored state public pension administrators to increase assets and minimize losses while providing little in the form of guidance. In this environment,

administrators may view diffusion as a way to identify policies that are likely to fulfill legislative goals without generating byproducts that could upset legislative bosses.

The finding here raises the possibility that the movement of policy across cities, states, and nations in a single direction (e.g., races to the top or bottom) may be accelerated by granting high discretion to bureaucratic policymakers. High-discretion bureaucrats seeking to avoid reputational damage may exploit network ties and copy the policy choices of other high-discretion bureaucrats, pushing policy in the same direction across the set of places that give high discretion to bureaucrats. The theory set forth here suggests that policy stabilization can be achieved by giving bureaucrats low as opposed to high discretion. This theory also suggests preliminarily that certain diffusion pathways can be opened or closed to policymakers depending on the level of capacity that a policy maker possesses. A natural extension of the theory put forth here should examine how high capacity can give policymakers greater latitude for policy exploration and potentially increase diffusion opportunities compared with when capacity is low.

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Notes

1. In the article, I use "high discretion" to refer to policymaking discretion, "low discretion" to refer to advisory discretion, and "no discretion" to refer to no discretion.
2. The claim that spatial dependence in Aid to Families with Dependent Children (AFDC) provision is only exhibited within a contemporaneous panel is hard to justify considering that diffusion in welfare policy making describes an iterative process whereby policymakers in each state are influenced by developments that occur over time in other states.
3. My choice of a spatial lag model is confirmed by Anselin's robust Lagrange Multiplier (LM) test, which finds support for a spatial lag (but not spatial error) model.
4. AFDC–Unemployed Parent (AFDC-UP) was a supplementary program designed to help two-parent families in which the primary earner was unemployed (Winkler 1993). As of 1989, 9 out of 12 (75%) states where bureaucrats had high AFDC discretion chose not to enroll in AFDC-UP compared with 45% and 20% of states with no and low discretion.
5. Weights are "row-normalized" or summed to 1 to prevent exploding spatial effects.
6. W. Berry and Baybeck (2005) use a maximum distance threshold of 220 miles. I use the slightly larger threshold of 250 miles to account for connections between population centers

(e.g., Washington, D.C., and New York; Newark, New Jersey, and Boston; or Toledo, Ohio, and Chicago) that share linkages but lie outside the 220-mile threshold.

7. In addition to using the $\frac{2}{3}/\frac{1}{3}$ weighting scheme discussed here, I also used schemes of $\frac{3}{4}/\frac{1}{4}$ and to see $\frac{1}{2}/\frac{1}{2}$ if results were sensitive to the use of different weighting combinations. Results are robust to the use of different weighting combinations.
8. Results are robust to when change in state poverty rate and percent change in AFDC recipients are not included in estimation.
9. I also use change in retail wage as a substitute for retail wage and find that results are basically the same when either of these two variables is used.
10. Hays, Kachi, and Franzese (2010) state that simultaneity bias in the multiparametric spatiotemporal autoregressive (m-STAR) method leads to the overestimation of more endogenous diffusion variables at the expense of less endogenous diffusion variables when multiple diffusion variables are included in the same model. More endogenous diffusion variables are generally the most *extensive*, meaning that they have the most connectivities across states. Of the three bureaucratic discretion diffusion variables, high-discretion states is the *least* extensive, meaning that it would suffer the most from underestimation due to simultaneity bias.
11. Results from Models 2 to 6 again support my choice of AFDC access (rather than AFDC monetary payments) as the dependent variable. The bureaucratic discretion diffusion variables do not achieve significance when I use AFDC payments as the dependent variable. Furthermore, the strength of radial neighbors is cut by more than half (from 0.41 to 0.21). I believe that evidence of discretion-based diffusion (but *not* neighbors-based diffusion) is weaker using AFDC payments versus AFDC access due to stronger role of the federal government in regulating AFDC payment levels compared with AFDC access.
12. Franzese and Hays (2007; 2008) show postspatial effects by hypothetically shocking a desired variable in j and multiplying $\text{magnitude}_{\text{Shock in } j} \times \beta_{\text{Desired Variable}}$ against the spatial multiplier (Equation 2) denoting strengths (ρ) and weights ($\mathbf{W}$) of connectivities between i and j. I issue a shock to percent change in recipients because shocks to recipient numbers in Texas are arguably observable to policymakers in Georgia and changes in recipient numbers translate directly into changes in AFDC access.

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