Business Interest Group Power and Temporary Assistance to Needy Families*

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Objectives. Our aim is to test the influence of business interest groups on Temporary Assistance to Needy Families (TANF) policy at the state level. *Methods.* We use the state TANF guarantee, the length of time recipients have before they lose their benefits, and the existence of a "family cap" as dependent variables in three models. Each of the models tests business interest group power and several other measures that represent possible influences on the dependent variable. *Results.* We find that business interest group power is significantly related to both the generosity of the TANF guarantee and to TANF time limits. However, it is not related to the presence of the family cap in state TANF policy. *Conclusions.* The evidence we found is consistent with the idea that those state TANF policies that are most intimately related to business interests are just those policies that are most affected by business group influence. States' TANF policies regarding maximum benefit and time limits both have a direct impact on wealth redistribution and labor-market behavior. On the other hand, business interest groups do not seem to have much influence on the presence of TANF family caps, policies that are arguably less the concern of business interest groups, and more connected to public attitudes toward families and children.

The landmark 1996 welfare reform, known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), symbolized a watershed in the history of both welfare policy and American federalism. It abolished entitlement to cash aid for poor families through the Aid to Families with Dependent Children (AFDC) program. In its place, PRWORA created Temporary Assistance to Needy Families (TANF). TANF transformed the welfare system from one focused on eligibility and cash assistance to one focused on employment.

In this study, we present a political analysis of the ways states responded to this new policy environment.[1] Specifically, the role of business interest groups in shaping the new TANF policies is assessed. This study builds on a

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long tradition of quantitative research studying why states adopt different welfare policies (Plotnick and Winters, 1985; Hrebenar and Thomas, 1993; Francis, 1998; Soss et al., 2001). The analysis presented here provides empirical evidence for an aspect of the debate not previously examined—the influence of business interest groups at the policy-making stage of states' TANF programs. Our findings confirm the strong role of business interest groups in TANF politics.

Literature Review and Theoretical Specifications

TANF has restructured the old state-level administration of cash aid under AFDC. With its new system of block grants, TANF ended the federal guarantee of matching funds and allowed states to pursue a wider variety of policy innovations (Soss et al., 2001). States gained more authority over eligibility rules and administrative procedures (Mettler, 2000). The resulting policy innovation in the states has been skewed in a restrictive direction, with the number of recipients receiving TANF decreasing, as well as real benefit levels going down (Mettler, 2000).

Under old AFDC guidelines, states still had limited autonomy to determine eligibility requirements and benefit levels; however, scholars have documented further welfare benefit cutbacks in states under TANF (Sawicky, 2002; Lens, 2002).

Diversified innovations of state welfare policies are also observed in a variety of other policy options. Soss et al. (2001) identify several key areas that policymakers sought to emphasize in TANF. For example, TANF tries to end long-term program dependency by creating a federal time limit of 60 months and allowing states to adopt shorter limits. TANF also focuses on social behavior, especially the reproductive behavior of poor women, and therefore allows states to adopt a "family cap" that denies additional benefits to children conceived by recipients.

There is a large body of literature discussing the determinants of welfare policy, including both AFDC and TANF. Soss et al. (2001) find that state policies have been shaped by a variety of social and political forces, but especially by the racial composition of families who rely on program benefits. Fellowes and Rowe (2004) confirm the strong role of race in TANF politics that Soss et al. (2001) reported, but they also find that other determinants have a consistent influence on welfare policy. These factors include public opinion liberalism, the unemployment rate, the unmarried birth rate, and state resources.

Gray et al. (2004) find evidence that organized economic interest groups do not detract from the role of public opinion in the public policy-making process in general, but several other studies suggests that business interest groups have an impact on AFDC in particular (Hrebenar and Thomas, 1993; Klarner, 1999). Klarner's research also confirms the central thesis of

Gray et al.—that public opinion is the foremost factor in shaping public policy even when the power of interest groups is taken into account. Nevertheless, because TANF is a relatively new program, the existing literature has not examined the role of business interest groups in TANF policy.

It is not difficult to link welfare policy with business power in previous literature (Piven and Cloward, 1993; Katz, 2001; Schram and Soss, 2001). The general idea that has been advanced by these authors is that welfare gives workers more bargaining power with their employers. If workers are being pulled out of the labor market by welfare, this will tighten wages and drive up labor costs for employers. Michael Katz, in his book *The Price of Citizenship* (2001), identifies three forces that have affected the social contract in the area of welfare policy. These include concerns about welfare dependence, the devolution of authority from the federal government to the states, and the application of market models to social policy (Katz, 2001). The first two factors are more related to conservative ideology (e.g., moral conservatism and localism, respectively), but an argument can be made that they are related to business interests (Schram and Soss, 2001). The third factor, on the other hand, directly refers to business interests.

Soss et al. (2001) argue that the welfare state is a social instrument that maintains social order and regulates the behavior of marginal populations. Piven and Cloward (1993) identify welfare systems as secondary institutions that function to meet the broader needs of states and markets, especially the labor market. When the economy is strong and more workers are needed, access to public aid is restricted in order to push potential workers toward available jobs. This then eases the pressure a tight labor market exerts on the wages employers must pay. In some places, welfare programs are creating large pools of employees that businesses can hire (Peck, 2001). This creates a strong incentive for business interests as a class to intervene in welfare policy.

The rationale explained above creates a payoff for business to use welfare to regulate the poor; it affects TANF provisions that are designed expressly to promote work, such as time limits and lower benefits. More generally, although the proportion of state budgets spent on welfare is small compared to other items, state welfare spending still influences labor-market conditions and is thus consistently resisted by business interests (Harrison and Kanter, 1978). Business interest groups frequently take stands on welfare reform. For example, the U.S. Chamber of Commerce identified passage of PRWORA as one of its key vote goals and viewed welfare reform as "one of its highest legislative priorities in 1996." Furthermore, the Chamber asserted that welfare reform would "ensure effective job training and job placement" (U.S. Chamber of Commerce, 1996:8). This statement from a prominent business organization highlights the fact that business groups are concerned with welfare policy and support policies that restrict welfare payments. This quote further illustrates that business groups are also motivated to keep welfare narrowly targeted, at least in part because of the interaction between TANF and labor markets. Accordingly, the TANF guarantee, time limits,

and family cap, directly or indirectly, are all driven by that unavoidable concern of all businesses—profit maximization (Piven and Cloward, 1993). According to this idea, the tension between social stability and acceptable profit rates determines the best mix of TANF policies that will maximize business interests.

Business interests clearly have an incentive to influence the shape of welfare policy. However, existing literature is ambivalent about whether business interest group power is significant enough to influence the policy-making process. On the one hand, Lindblom (1977) makes the case that business interests hold a privileged position in the politics of market economies. Examinations of 50 states by Morehouse (1982) in the late 1970s and in the 1980s by Hrebenar (1993) found business interests to be the most numerous and reputedly the most powerful. Klarner's (1999) empirical studies support the notion that mobilized businesses can influence the policy process.

In contrast, Herber (1988), Vogel (1987), and Wilson (1982) argue that business groups are one of a number of actors in a pluralistic policy-making process. They also argue that business involvement is important and desirable since such groups bring information and insight to the policy-making process (Herber, 1988). Gray et al. (2004) make solid empirical analyses of the relationships among public opinion, public policy, and organized interests, and find evidence that for-profit interests only modestly weaken the link between public opinion and policy. The challenge from Gray et al. to the business-bias thesis is especially salient since their data suggest a straightforward opinion-policy congruence, and also a weak link between economic interests and policy liberalism. Gray et al. (2004) further conclude that simply having many organized interests registered to lobby may promote more liberal policy. It should be noted that Gray et al.'s measure is of all *for-profit* interests, not only businesses with a specific interest in welfare policy.

In addition, that business groups are influential is well documented; that they are influential in welfare policy making is not. As Francis noted:

> The general lack of business participation . . . suggests the fallibility of untested assumptions about business behavior and welfare policy. Although business "control" over state policies is often alleged, it remains unclear why business should even be interested in welfare. Business and welfare-client populations seldom overlap by much; the amount of money spent on welfare is small relative to other items in state budgets; and other issues are far more salient than welfare to business leaders. (1998:158)

These divergent opinions and findings create a unique opportunity for an examination of the relationships between business interest group power and TANF, since previous studies of business interest group power either focus on AFDC (Hrebenar and Thomas, 1993; Klarner, 1999) or on general public policies rather than welfare programs in particular (Grady, 1991).

Thus we propose the following hypothesis to examine the role of business interests in the policy process when applied to TANF.

H_1: *States with stronger business interest group power will have less generous TANF provisions.*

Research Method

In this section, the measurement of both the dependent and independent variables will be explained, as will the nature of the empirical tests. Forty-eight of the 50 states are examined in a cross-sectional model. To allow the independent variables enough time to influence the dependent variables, all dependent variables are measured in 1998, while all independent variables are measured in 1997 or before.

Based on previous literature, we use three dependent variables to measure the generosity of TANF in states. We focus on these three variables because we believe they are the three most important aspects of TANF policy across the states. First, we measure each state's monthly TANF guarantee for a family of four in 1998.[2] This is the cash aid that a family will receive if it has no other source of income. Because the dependent variable here is continuous, regression analysis with ordinary least squares is utilized. This variable is deflated by a state-specific cost-of-living index created by Berry, Fording, and Hanson (2000).[3] Under TANF, block grants, from which welfare benefits could be paid, were given to the state, in contrast to the AFDC system, in which a fixed percent of a state's benefits was reimbursed. How states responded to this change in reimbursement structure tells us much about the political factors internal to a state.

Second, we look at state "time limits" policies in 1998.[4] "Time limits" refer to the number of years a recipient can receive TANF before being taken off the rolls. Federal law limits the time an adult can receive TANF benefits to a total of 60 months in a lifetime by not reimbursing states for welfare benefits paid after this limit. Some states have a time limit for the receipt of TANF benefits that is longer than 60 months. Other states have adopted the federal time limit. A third group of states mandate TANF time limits of fewer than 60 months. We code each 12-month period of benefits as 1; thus, 1 equals 12 months, 2 represents 24 months, 5 represents 60 months, and so

[2]Information on the TANF guarantee was obtained from the *2004 Green Book* (http://aspe.os.dhhs.gov/98gb/intro.htm).

[3]Updated data were provided by Richard Fording.

[4]Data on state time limits policies were obtained from Urban Institute (http://anfdata.urban.org/drsurvay/login.cfm?CFID=146801&CFTOKEN=23311185), the *1998 Green Book* (http://aspe.os.dhhs.gov/98gb/intro.htm), and the *Second Annual Report to Congress August 1999* (http://www.acf.hhs.gov/programs/ofa/opreweb/tanfreports/tan19995.pdf).

forth. States with no time limit are coded as 6.[5] Because the dependent variable here is ordinal, we use ordered probit analysis.

Third, we look at whether or not states adopted a family cap in 1998.[6] The term "family cap" refers to the practice of denying additional public assistance to families who have additional children while already receiving assistance. Federal law does not require a family cap. However, TANF provides states with the family-cap option. If a state has a family cap, the state is given a code of 1. We give states without family caps a code of 0. Because the dependent variable here is dichotomous, logistic regression analysis is utilized.

Focusing on state policies in 1998 provides a crucial test of what internal state forces are at work in shaping TANF policy. An analysis of the causes of how states reacted to PRWORA immediately after passage is especially telling because few changes were made in time limits or the presence of "family-cap" laws after the initial reaction to PRWORA. Between 1998 and November 2004, only four states altered their time limits. (This includes one state that went from two to three years, two states that went from three to five years, and one state that went from five years to no time limit.) During the same period, only two states altered their "family-cap" option.[7] Clearly, state TANF policy was set for at least the next six years in this crucial year after passage of PRWORA. Because policies in 2004 are so strongly determined by policies in 1998, it is best to look at political forces in 1997 if we wish to understand why states have the TANF policies they do. We also examine these policies separately to allow for the fact that different factors may play a role with some policies, but not with others. As will be seen, this turns out to be the case.

The most important explanatory concept tested in this article is that of business interest group power. According to previous literature, one method of measuring business interest group power is through the reputational method (Klarner, 1999; Hrebenar and Thomas, 1993; Grady, 1991). For example, officeholders and other notable politicians may be asked in surveys which groups in their state are most influential. Survey results are then used to score the power of various interest groups in those states. The problem with this method is that it allows too prominent a role for subjective opinions in determining business interest group power. A more serious problem is that experts may code certain groups as more powerful because of the policy milieu of a state. This introduces the threat of tautology. In this case, if a relationship is found between this measure of business interest group power and policy, it is merely because both are measuring the same thing. It

[5]Recoding this for any other amount (e.g., 7 or 8) has no impact on the results of the analysis, of course.

[6]Data on family cap were obtained from the Urban Institute's website (http://anfdata.urban.org.drsurvey/login.cfm?CFID=146801&CFTOKEN=23311185).

[7]Information on more recent policies was taken from the *Sixth Annual Report to Congress, November 2004* (http:www.acf.hhs.gov/programs/ofa/annualreport6/ar6index.htm).

is also not possible to use the reputational method in a study of TANF because no such survey of experts has been conducted since the mid-1980s.

In the present analysis, data from Gray et al. (2004) on the number of lobbyists in a state that lobby on behalf of specific groups are used to construct the measure of business interest group power. This method is more objective than the reputational approach since it is based solely on data, and not on subjective evaluations. Organized interests that were registered to lobby state legislatures in 1997 are examined. Because all state legislatures met to conduct their business in 1997, this provides enough time for legislative changes in TANF policy in 1998 to be influenced by business lobbyists. Business lobbyists are defined as organizational lobbyists representing banking, business services, communications, construction, hotels, insurance, manufacturing, and small businesses (Gray et al., 2004).[8]

Our research questions differ from those of Gray et al., and so we disqualify lobbyists representing agriculture, health, the legal profession, natural resources, transportation, and utilities because these types of lobbyists are usually not concerned with welfare policy. The dependent variable of Gray et al. (2004) is public policy in general. They treat for-profit interests differently than we do in this analysis. In contrast to Gray et al., we focus on welfare policy in particular. In doing so, we exclude some industries that are either arguably less anti-welfare than other industries or that are not responsive to the settings of our hypothesis. Agricultural and health interests have historically had reasons to be less anti-welfare than other business interests. Agricultural interests may support expansion of the food stamp program, while hospital interests may want to expand individual access to medical care (through Medicaid, through TANF). On the other hand, these sectors also have incentives to keep wages low. The net impact of all these incentives is arguably to make them indifferent to welfare policy relative to other sectors. The legal profession does not have its profits influenced by welfare policy and it has been recently associated with more liberal political interests. Natural resources, transportation, and utilities are high-wage industries that are not likely to have their profits influenced by welfare policy. Furthermore, TANF benefits are largely received by women, and few workers in these industries are women (Bureau of the Census, 2004:412). Nevertheless, in our findings we provide an alternative test that includes natural resources, transportation, and utilities in our measure of BUSINESS INTEREST GROUP POWER to test the robustness of our hypothesis, and find that the results of our analysis are substantively unchanged.

Thus our measure of business influence is the proportion of a state's registered lobbyists who represent business. Specifically, we divide the number of business lobbyists with a potential stake in welfare policy, as noted above, by the number of total lobbyists registered in the state who are

[8]Lobbyists registered as individuals are not included in Gray et al.'s data.

associated with all groups. We assume that the larger this proportion becomes, the greater the power of business interest groups.

To fairly assess the hypothesis presented above, several additional factors have to be controlled for. Previous studies of the generosity of welfare policy use several independent variables in addition to business lobbying power. First, the conservatism of the public of each state is included to control for the influence of public opinion on welfare policy. Numerous studies have suggested that public opinion is one of the foremost determinants of state public policy, including welfare policy (Erikson, Wright, and McIver, 1993; Gray et al., 2004). It is especially important to measure the conservatism of public opinion because more conservative states may have stronger business interest groups.[9] Controlling for "public opinion conservatism" guards against the possibility of a spurious relationship affecting our findings. We measure the percent of conservatives in a state minus the percent of liberals, using data aggregated from 1978 to 1996 from Gerald Wright's ideology data set.[10] We label this variable PUBLIC OPINION CONSERVATISM.

Second, the percent of TANF recipients who are African American and Hispanic in 1997 is controlled for as two separate variables.[11] There is evidence that racism negatively influences TANF generosity (Soss et al., 2001; Fellowes and Rowe, 2004; Gilens, 1999). Such studies have found that states with more African-American recipients have less generous welfare systems. This is consistent with an extensive literature documenting evidence of the "racial threat hypothesis," which finds that white voters' preferences for public policy are altered in a racially biased way when more African Americans live in an area. Where there are more African Americans, limits on democratic institutions are instituted, as well as other forms of social control. In addition to the above studies, others have found that larger percents of African Americans in states are associated with stricter felon disenfranchisement laws (Manza and Uggen, 2004), earlier closing dates for voter registration (Hill and Leighley, 1999), lower voter registration rates among African Americans in southern states under Jim Crow (Hershey and Beck, 2003), and higher incarceration rates (Smith, 2004). We label these two variables PERCENT RECIPIENTS BLACK and PERCENT RECIPIENTS LATINO. Both variables are expected to be associated with lower TANF benefits, stricter time limits, and a higher probability of having a family cap.

Third, based on the labor-market hypothesis of Soss et al. (2001), we include the average unemployment rate of 1991 through 1996 to control for

[9]In our findings, we observe the opposite phenomenon, although the relationship is not statistically significant. We find that more conservative states actually have lower business interest group density, while more liberal states have higher concentrations of business interest groups. A plausible explanation could be that in states with more conservative public opinion, businesses feel less pressure and thus hire fewer lobbyists.

[10]Data on ideology are online on Gerald Wright's website (http://php.indiana.edu/~wright1/).

[11]Demographic data are available from the *1998 Green Book*, Table 7–24 (http://aspe.os.dhhs.gov/98gb/intro.htm).

the macro-economic environment of TANF policy making. We use 1991 as the beginning year for computing average unemployment rates since the American economic boom of the 1990s began taking place in that year. This variable is labeled AVERAGE PERCENT UNEMPLOYMENT.[12] The labor-market hypothesis predicts that states with lower unemployment rates will adopt more restrictive TANF policies—especially in the area of work requirements (Soss et al., 2001). The reasoning here is that such policy will relieve pressure on higher wages created by lower unemployment. In contrast, it might be argued that higher unemployment would cause policymakers to want to restrict welfare to relieve pressure on the state budget due to expanding welfare rolls. As a result, we have both a priori reasons to expect a positive and, alternatively, a negative relationship between this variable and the generosity of a state's TANF policy.

Fourth, based on the reproductive-behavior hypothesis of Soss et al. (2001),[13] the percent of all births in a state that are categorized as illegitimate is controlled for. Soss et al. (2001) have indicated that unmarried-mother birth rates have a particular impact on the family cap, a policy aimed squarely at reproductive behavior. Voters will have less tolerance for supporting families through TANF that they perceive were started "illegitimately," that is, out of wedlock. We label this variable PERCENT BIRTHS ILLEGITIMATE.[14] In states where there are more illegitimate births, we would expect to see the public react with preferences for lower TANF benefits, stricter time limits, and family caps.

Fifth, per-capita gross state product (GSP) is included to control for the ability of a state to pay for welfare programs.[15] If a state economy is doing better, there will be more tax money available to fund welfare programs. This variable is deflated with a state cost-of-living index created by Berry, Fording, and Hanson (2000). We label this variable DEFLATED PER-CAPITA GROSS STATE PRODUCT. States with more robust economies are expected to have more generous TANF systems.

Findings

In Table 1 we test our expectations for business interest groups vis-à-vis TANF policies. Our overall findings confirm the strong role of business

[12]Unemployment data were obtained from *Statistical Abstract of United States* of various years (http://www.census.gov/popest/estimates.php).

[13]The reproductive-behavior hypothesis predicts that more restrictive TANF policies will be adopted by states in which a higher percentage of all 1996 births were to unmarried mothers (Soss et al., 2001).

[14]Unmarried-mother births data were obtained from *Statistical Abstract of United States* of various years (http://www.census.gov/popest/estimates/php).

[15]GSP data were obtained from *2000 Statistical Abstract of United States* (http://www.census.gov/popest/estimates/php).

TABLE 1

Determinants of TANF Policy in the States: 1998

Independent Variable	1 TANF Guarantee	2 Time Limits	3 Family Cap
Business interest group power	−7.055*	−0.080*	0.009
	(3.131)	(0.048)	(0.097)
Public opinion conservatism	−11.997**	−0.061*	0.020
	(1.808)	(0.028)	(0.054)
Percent recipients black, 1996	−0.474	0.004	0.044*
	(0.798)	(0.012)	(0.025)
Percent recipients Latino, 1996	1.253	−0.016	0.035
	(0.984)	(0.015)	(0.030)
Average percent unemployment	−32.509**	0.136	−0.406
1991–1996	(12.632)	(0.198)	(0.429)
Percent births illegitimate, 1995	−4.308	−0.031	−0.010
	(3.192)	(0.047)	(0.091)
Deflated per-capita gross state	−4.870	−0.067	0.070
product, 1996	(3.143)	(0.048)	(0.097)
Constant	1409.234**		−2.512
	(220.523)		(6.913)
Cut 1		9.116	
		(3.445)	
Cut 2		−7.546	
		(3.413)	
Cut 3		−7.347	
		(3.409)	
Cut 4		−7.280	
		(3.407)	
Cut 5		−4.708	
		(3.313)	
R^2	0.695	—	—
Standard error of the estimate	78.912	—	—
Percent predicted correctly	—	58.33	72.9
Percent reduction in error	—	—	38.1

$* = p < 0.05$; $** = p < 0.01$, all tests are one tailed, save for AVERAGE PERCENT UNEMPLOYMENT and the constant.

NOTE: Cell entries are coefficients, followed by their standard errors in parentheses. $N = 48$.

interest groups in welfare politics that Klarner (1999) and Hrebenar and Thomas (1993) reported. Our analysis suggests that business interest group power is related to both the generosity of the TANF guarantee and TANF time limits in a statistically significant sense, but is not related to the presence of the family cap. In general, the results in Table 1 support the hypothesis of business interest group influence, although with some interesting variations.

Model 1 of Table 1 tests our expectations for the approach states have adopted toward the TANF guarantee. BUSINESS INTEREST GROUP POWER is strongly associated with the amount of the TANF guarantee. For every

1 percent more business lobbyists that exist in a state, the monthly TANF guarantee for a family of four is $7.06 lower. The percent of business interest groups ranges from 31.9 to 60.2 among states (the mean is 44.6 with a standard deviation of 5.33). This means that a change from a state with the lowest level of business power to one with the highest level of business power is associated with a $199.65 decrease in monthly TANF benefits. These findings are statistically significant at the 0.05 level.

Table 1, Model 1 reports the results from the strict definition of business interest groups, which excludes natural resources, transportation, and utility lobbyists. When an alternative indicator of business power is examined that includes these types of groups, it also attains statistical significance at the 0.05 level.[16] This finding increases our confidence that the higher the concentration of business interest groups in a state, the lower the TANF guarantee.

In Model 2 of Table 1, we turn to our ordered probit analysis of TANF provisions in the form of time limits. The results suggest that a state's TANF time limits are shorter as the percent of business interest groups is greater, and attains statistical significance at the 0.05 level. Ordered probit coefficients do not give one an intuitive grasp of the impact of independent variables. The impact of one independent variable is contingent on the values of the other independent variables. If all other independent variables are set at their means, the impact of BUSINESS INTEREST GROUP POWER can be assessed on the probability of observing a given time limit. Such a state with the lowest observed level of business power (see above) is predicted to have a 4.4 percent chance of having a two-year time limit. In contrast, such a state with the highest level of business power has a 60.2 percent chance of having a two-year limit. The predicted probability of observing a five-year time limit goes from 79.7 to 20.4 percent when we go from the lowest to highest observed levels of business power. These are substantial impacts. Again, when the alternative indicator of BUSINESS INTEREST GROUP POWER mentioned above is examined, findings are not appreciably different, although only attaining weak statistically significance ($p < 0.10$). Again, these findings indicate robust support for the hypothesis of business interest group influence.

Last, in Model 3 of Table 1, a logistic regression of the determinants of the family cap is examined. Unlike our results for the TANF guarantee and time limits, BUSINESS INTEREST GROUP POWER was not associated with this aspect of welfare policy. The presence of a family cap is not associated with BUSINESS INTEREST GROUP POWER. However, there are plausible reasons to explain why BUSINESS INTEREST GROUP POWER is related to TANF benefit levels and time limits, but not to the family cap. Previous research has found that the birth rate of women receiving AFDC is actually quite low. For example, one study finds that the annual birth rate for women on AFDC is only 12 percent (Argys, Averett, and Rees, 2000). Furthermore, recent research on

[16]Results not shown for reasons of space constraint.

the impact of family caps on birth rates among recipients indicates that the family-cap provision simply does not help reduce birth rates among women who receive welfare (Rodgers, 2006:190). This means that the reductions in the TANF rolls because of lower benefits caused by a family cap—and the corresponding influx of cheap labor into the market—would be small. Instituting a "family cap" on welfare benefits would arguably have little impact on business profits. As a result, lobbyists representing business would have little concern over whether such a policy was adopted. This is one explanation of why the first two aspects of TANF policy examined here are related to BUSINESS INTEREST GROUP POWER while the presence of a family cap is not.

Like Erikson, Wright, and McIver (1993), we also find a strong relationship between public opinion and public policy, in the form of the TANF guarantee as well as for time limits. In both Models 1 and 2 of Table 1, PUBLIC OPINION CONSERVATISM is statistically significant at the 0.05 level, and in the expected direction. Benefits are lower and time limits are shorter where publics are more conservative. States with more conservative publics are also more likely to have family caps, although this relationship may be the result of chance. PUBLIC OPINION CONSERVATISM does not attain statistical significance in Model 3 of Table 1.

Most other control variables in the models are not statistically significant, with a few notable exceptions. PERCENT RECIPIENTS BLACK is not related to either the TANF guarantee for a family of four or the presence of stricter time limits in Models 1 and 2 of Table 1. However, Model 3 of Table 1 indicates that the percent of African-American recipients is the only statistically significant determinant of the family cap. PERCENT RECIPIENTS LATINO is not related to TANF generosity in any of the three models of Table 1. This is consistent with research that has found that mass beliefs about African Americans being members of the "undeserving poor" are related to welfare policy attitudes, while such beliefs about Latinos are not (Gilens, 1999:220).

The fact that PERCENT RECIPIENTS BLACK is associated with the presence of the family cap but not benefit levels or time limits is noteworthy. Although implementation of family caps has little real impact on the provision of welfare (see above), it is a powerful symbolic policy, making a statement about the recipients of this program and their "deservingness." Many white voters believe that African Americans are sexually promiscuous (Hill Colins, 2004), and a firm statement that they will not "pay for this behavior," in the form of a family cap, is therefore more likely in states where there are more African Americans.

The lack of a statistically significant relationship between PERCENT RECIPIENTS BLACK and TANF benefit levels is not consistent with other work (Gilens, 1999), although it should be noted that the sign of the coefficient associated with PERCENT RECIPIENTS BLACK is in the expected direction. One explanation for these null findings is that controlling for PUBLIC OPINION CONSERVATISM is masking the impact of race because race is causally prior to

public opinion (Allison, 1999:60–62). The possibility presented here is that states with a higher percent of African Americans in their populations will have more conservative publics, as a result of the reaction of white voters to their presence. In fact, this is the case ($p < 0.05$, analysis not shown). Unsurprisingly, states with larger populations of African Americans have higher percents of TANF recipients who are African American ($p < 0.01$). When PUBLIC OPINION CONSERVATISM is dropped from the model, PERCENT RECIPIENTS BLACK attains statistical significance, although only weakly ($p < 0.10$). Consistent with this explanation, Soss et al. (2001), who found that race has an impact on TANF policy, did not control for public opinion (Soss et al., 2001).

In contrast to the examination of TANF benefit levels, when PUBLIC OPINION CONSERVATISM is dropped from the analyses of time limits, PERCENT RECIPIENTS BLACK does not attain statistical significance. Although future empirical tests must be conducted to assess why this is the case, it is possible that white voters are more likely to think that both African-American and white recipients are apt to stay on welfare for "too long." In contrast, they may be more likely to believe that African-American recipients are more likely to have more children to get more benefits in contrast to white recipients. Again, this is a possibility that must be addressed with future research.

Unlike theories advanced by Soss et al. (2001), Model 1 indicates that the unemployment rate (AVERAGE PERCENT UNEMPLOYMENT) is negatively related to TANF generosity. However, it is not statistically significant in either Model 2 or 3 of Table 1. This negative relationship supports the notion that concerns about budgetary problems in the face of high unemployment may cause policymakers to reduce benefit levels. In none of the models of Table 1 is PERCENT BIRTHS ILLEGITIMATE statistically significant at conventional levels, although it does attain weak levels of statistical significance in Model 1 ($p < 0.10$). DEFLATED PER-CAPITA GROSS STATE PRODUCT is never statistically significant in any of the models of Table 1.

In summary, our primary hypothesis is strongly supported by Models 1 and 2 of Table 1, but fails to be supported in Model 3. The discussion of the divergent findings for the three indicators of TANF generosity highlights the fact that there is much to be gained by looking at TANF policies separately. The measure of BUSINESS INTEREST GROUP STRENGTH utilized here is associated with TANF benefit levels and TANF time limits, but not with the family cap. PUBLIC OPINION CONSERVATISM displays the same pattern. PERCENT RECIPIENTS BLACK is only statistically significantly related to the family cap, and not to the first two measures of welfare generosity. Different forces internal to a state have an impact on some aspects of TANF policy, but not on others.

Conclusion

The results of our cross-sectional analysis indicate that TANF benefit levels are lower in states where business is more strongly mobilized. Second,

evidence was found that states with more business lobbyists mandate shorter periods of time before TANF recipients lose their benefits. Last, no evidence was found that states with stronger business interest groups are more likely to have TANF family caps. The findings are highly consistent with our expectations. State policies on maximum benefit and time limits have a direct impact on wealth redistribution and labor-market behavior, which are intimately related to business interests. The family cap, on the other hand, is arguably more of a symbolic policy that has to do with public attitudes about abuse of the welfare system by having more children. The family cap has less to do with control over labor markets because of the small impact this policy has on benefit levels and, therefore, caseloads. The previous literature has pointed out that family-cap policy is mostly related to issues of "dependency" and "illegitimacy." These concerns are highly associated in the public mind with attitudes about African Americans (Gilens, 1999), which explains why that variable is a key determinant of family-cap policy.

The study also confirms the idea that business interest group power has a fairly important role in shaping state TANF policies, although business is sometimes thought to not be interested in welfare programs. Compared with previous studies on business interests and welfare policy or public policies, our research is more focused—on business interest groups and TANF programs. This "niche" gives our study certain advantages in exploring the previous literature's divergent findings. We use data from Gray et al. (2004) but arrive at conclusions similar to those of Hrebenar and Thomas (1993) and Klarner (1999), whose conclusions are somewhat divergent from those of Gray et al. We tailor our definition of business interest groups to make it germane to the settings of TANF policy making, thus enhancing the internal validity of our research. As a result, we find that TANF, although a small budgetary item overall, is under significant pressure from business interest concerns.

The findings of this study highlight the possibility that certain aspects of the American political system are undemocratic. Although TANF is received by millions of families, and millions more are "at risk" for receiving it, the interests of a small, mobilized group have a substantial impact on TANF policy. The organizations hiring the lobbyists highlighted in this study represent firms that are not ruled by democratic governance structures. Although corporate organization is arguably a very efficient way to structure private business within our economy, it does not follow that the same hierarchies that dominate American business should determine American public policy. Such a state of affairs is made possible by a political system whose elections are funded in the main by corporate contributions. One result of such support, of course, is that welfare policies favored by corporations are looked on with favor by state legislatures, while the views of those who need or benefit from those policies are ignored or overlooked. The lack of a significance presence of organizations in our society that represent the interests of the poor means that there are few countervailing

forces to raise objections to the implementation of the corporate view of welfare (Jacobs and Skocpol, 2005).

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