

# *Failures: Diffusion, Learning, and Policy Abandonment*

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## **Abstract**

Studies of the diffusion of policies tend to focus on innovations that successfully spread across governments. Implicit in such diffusion is the abandonment of the previous policy. Yet, little is known about whether governments abandon policies that have failed elsewhere, as would be consistent with states acting as policy laboratories not only for policy successes but for failures as well. This paper focuses on the possible abandonment of failing welfare-to-work policies in the formative years (1997-2002) of the Temporary Assistance for Needy Families (TANF) program across the fifty U.S. states. Using a dyad-based event history analysis, I find that, if both states in a pairing have a policy and one state's policy fails (in employing welfare recipients, reducing welfare rolls, or reducing overall poverty rates), then the other state is much more likely to abandon that failing policy. Moreover, such learning from the other state's experience is more common when the states are ideologically similar to one another and when the legislature in the potentially learning state is more professional.

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### *Failures: Diffusion, Learning, and Policy Abandonment*

Under what conditions do politicians abandon failing policies? Scholars have long been concerned that policymakers will refuse to admit their mistakes and reverse their ill-fated policies, lest voters see them as incompetent (e.g., Durr 2001, Fernandez and Rodrik 1991, Harrington 1993). Yet, federal systems may offer subnational governments a partial remedy to the problem of abandoning policy failures without prohibitively high political costs. In such systems, states and localities are often viewed as policy laboratories, in which policy experiments are tried and in which governments learn from one another's successes and failures. If such laboratories work as promised, policymakers should be able to point to others' failures as a justification for policy abandonment, even if their own policy has yet to fail or even if they do not wish to openly acknowledge their own failures.

There is substantial evidence that the subnational governments in federal systems do act as policy laboratories. For example, recent scholarship uncovers the rapid spread of successful innovations through a process commonly referred to as policy diffusion (e.g, Volden 2006, Meseguer 2006a, Gilardi 2010). Yet, much less is known about the systematic abandonment of policies and whether the concepts of policy laboratories and policy diffusion are relevant to policy failures as well as successes. Indeed, whether based on learning or on other mechanisms (Shipan and Volden 2008), studies of policy diffusion may be biased in that they tend to focus on new policies that spread broadly across governments. Across such areas as lottery adoptions (Berry and Berry 1990), antismoking measures (Shipan and Volden 2006), or pension privatization (Brooks 2005), scholars have examined policies that have been adopted widely, rather than failed policy experiments. The reason is simple – when looking for evidence of

policy diffusion, focusing on policies only adopted by a handful of governments and then abandoned does not generate enough data and variation to conduct strong statistical analyses.

In this context of examining only successful diffusions, finding geographic or other patterns of policy adoption is consistent with a story of learning from the successful policies of similar states and adopting a policy based on that information. For example, it is often thought that geographic neighbors adopting one another's policies is evidence of diffusion. However, if scholars were to focus on policies that failed to spread, perhaps geographic neighbors should be *less likely* to adopt one another's policies because those neighbors had a privileged, close-up view of just how bad that policy was (Mooney 2001).

And yet, any study of successful policy adoptions implicitly contains elements of a study of the abandonment of failed policies, for the new policy is replacing something that was no longer as attractive to policymakers. However, without explicitly examining the nature of the policies that are abandoned, we are left wondering: Do governments abandon policies that are seen to be ineffective in other polities? Is the learning about one another's policy failures a conditional process? For example, are the policy experiences of other *similar* governments more valuable to policymakers, perhaps because they share the same concerns, pressures, and outlooks? And are some governments better positioned to learn such lessons from others, perhaps because they have the resources to study and understand the details of failed experiments elsewhere?

This paper explicitly examines the role of policy diffusion in the abandonment of failed policies. Focusing on welfare policies across the U.S. states following the 1996 welfare reforms, I look at what policies are abandoned in attempts to formulate new and potentially more effective welfare-to-work programs. Specifically, I describe twenty-six components of states' welfare

policies that were likely to influence how successfully each state employed current welfare recipients, moved recipients off of the welfare rolls, and ultimately reduced poverty in the state. I then focus on all pairs or dyads of the fifty states to see which were utilizing policies that were similar on these twenty-six dimensions. Over time, one state in the pair may change its policies to abandon policy components that the two states shared or, on the other hand, to converge on still more policy components. I examine such policy changes to test whether the abandonment of shared policies by State A is related to policy failure in State B. Put simply, I seek to test whether, and under what circumstances, states abandon policies that were found to be unsuccessful in other states.

This work therefore follows the approach of dyad-based event history analyses recently embraced in policy diffusion studies that assess whether new policies are adopted when there is evidence of such new policies' effectiveness elsewhere (e.g., Volden 2006, Gilardi and Fuglister 2008, Boehmke 2009, Gilardi 2010). But it turns such an analysis on its head, studying not the new policies but those that have been abandoned in the process. If policy diffusion is based on learning about the effectiveness of policies and seeking more beneficial policies, then we would like evidence not only that policies found to be successful elsewhere are adopted but also that policies that fail elsewhere are abandoned. Taken together, such studies would reinforce scholarly views that policy diffusion is not only the adoption of similar policies by similar states but rather, at least in many cases, a learning process leading to more effective policies over time (Volden, Ting, and Carpenter 2008).

The paper proceeds as follows. I begin by developing a series of hypotheses about the abandonment of policy failures based on learning and policy diffusion. I next describe the context of welfare reforms and the variables needed to test these hypotheses in this context. I

then detail the results of those empirical tests before offering implications and conclusions. Throughout the paper, I will often be referring to governments as states. This is mainly due to the context of the data to be analyzed in later sections. It should be noted that the concepts developed here should likewise apply to learning and diffusion across countries, across localities, or in other contexts entirely, like the decisions to innovate by firms or farmers or physicians.

### **A Theory of Policy Diffusion and Policy Abandonment**

Because any new policy adoption is by implication an abandonment of the old policy, a theory of policy abandonment must contain the same elements as a theory of policy adoption.<sup>1</sup> In classical theories of policy adoption, policymakers are thought to pursue a variety of goals, from reelection and reappointment to gaining power and prestige to bringing about effective public policies. Whether motivated by electoral pressures or policy goals, such policymakers would, all else equal, benefit from adopting policies that more effectively address policy needs. In the context of policy diffusion, this means that policies found to be successful elsewhere should be more likely to be adopted if they are not in place already (Meseguer 2006a, Volden 2006). And policies that are found elsewhere to be ineffective should be abandoned. This simple idea can be expressed as follows.

***Abandoning Policy Failures Hypothesis:*** *Governments are more likely to abandon policies that are found to have failed elsewhere.*

Of course this hypothesis does not characterize an absolute rule. Some ineffective policies may have strong political backing, some alternative policies may be just as unattractive as the current failing policy, and some policymakers may be better able to learn from the

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<sup>1</sup> Lowry (2005) offers some possible differences between policy reversals and policy adoptions.

experiences of others. Indeed, rather than a universal law, the Abandoning Policy Failures Hypothesis proposes a pattern that is likely to be uncovered upon controlling for these other factors in the public policy process. Rather than ignore the complexities of that process, scholars may be able to form reasoned expectations about the mechanisms behind the abandonment of policies that fail elsewhere.

For example, if policies that fail in one polity are no more or less likely to fail elsewhere, there should be no learning from one government to the next. While it is unreasonable to believe that the effects of policies are uncorrelated across polities, it is likewise unreasonable to expect those correlations to be the same for any two governments chosen at random. Rather, governments facing similar political and policy environments are more likely to share political and policy consequences from adopting the same policies. Therefore, we might expect that the lessons of a policy failure elsewhere will be taken to heart across similar states than across divergent states.

Along similar lines, Volden, Ting, and Carpenter (2008) offer a game theoretic model of such learning and policy diffusion. In their model, states differ in a unidimensional space that could be thought of as political ideology, with some states drawn toward more leftist and some drawn toward more rightist policies. Policies are themselves located in this space, but with their levels of effectiveness unknown prior to experimentation. Upon policy adoption, the effectiveness of those policies may be discerned. For some states, such evidence is discounted because they prefer the extreme right or extreme left policy regardless of its effectiveness. But for other, more moderate states, evidence that a chosen policy is ineffective or that states with ideologically similar preferences abandon that policy is sufficient to lead those moderate states to

abandon the failed policy. It is the *combination* of ideological proximity and policy effectiveness that together explain whether new policies are adopted and old policies abandoned.

Taken together, these concepts provide the foundation for the following hypothesis.

***Learning from Similar States Hypothesis:*** *Governments are more likely to abandon policies that are found to have failed in states that are ideologically similar than in states that differ ideologically.*

Such a similar-states effect could arise through many different means. A theory based on bounded rationality, for example, might suggest that limited information is used to make decisions, and the heuristic of only considering ideologically similar states may be compelling.<sup>2</sup> Alternatively, perhaps policymakers tend to interact and learn the most from those with similar ideological views. Moreover, perhaps the experiences of ideologically different states are discounted because such states' populations and current policies differ in important ways that make the lessons of one state inappropriate for the other. All such arguments suggest that learning may be conditional on the ideological similarity between any two states.

While *other similarities* across states may be important in the learning process, the Learning from Similar States Hypothesis characterizes a key political similarity. One might likewise imagine that states with similar budgetary characteristics and demographics or states that are geographically proximate might be more likely to rely on evidence of policy failure from one another. Rather than characterize all such relations, the examination in this paper focuses on the key political aspect isolated in the Volden, Ting, and Carpenter article. Nevertheless, I note below which of these other similarities affects the learning processes across the states uncovered in the data analysis.

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<sup>2</sup> Meseguer (2006b) and Weyland (2006) consider rational learning and bounded rationality in policy diffusion.

The Learning from Similar States Hypothesis therefore posits that the nature of the relationship between pairs of governments influences the diffusion of information about policy failures. In addition, for such learning to take place, governments must have the *capacity* to learn. This may be more difficult than it sounds. Learning about the details of complex policies adopted by other governments and the effects of those policies on the target population may take some nontrivial research. Ideally, extensive policy research is conducted to uncover the effects of different policies. At a minimum, information about other governments' policy experiences is needed.

For professional legislators with well-established policymaking networks, this information may be readily available. Large staffs can gather information; full-time legislators can explore the implications of that information; and policy changes can work their way through the legislative process. However, in many state legislatures, legislators are unpaid, have limited staffs, serve only in short sessions, or only meet every other year. While attuned to dealing with pressing issues, these legislators may not be as well positioned to research the implications and effects of detailed policies found in other states. Therefore, one might expect that more professional state legislatures are more likely to learn from policy failures elsewhere. Such a hypothesis is consistent with Shipan and Volden's (2006) evidence of legislative professionalism facilitating the diffusion of antismoking policies from localities to states.

***Learning by Professional Legislatures Hypothesis:*** *States with highly professional legislatures are more likely to abandon policies that are found to have failed in other states than are states with less professional legislatures.*

While far from exhaustive, these three hypotheses outline the broad parameters of learning-based policy diffusion resulting in the abandonment of failing policies.<sup>3</sup> They provide the basis to answer the key questions: Do governments abandon policies found to be ineffective elsewhere? If so, which governments are best suited to policy learning? And from whom do they learn? Taken together, the answers to these questions will advance scholarly understanding about learning and policy diffusion beyond its current focus on the adoption of successful policies.

### **The Empirical Context of Welfare Policymaking**

To test the hypotheses developed in the previous section, I focus on the empirical case of welfare policymaking in the United States from 1997-2002. While many states experimented with their welfare policies via welfare waivers prior to the 1996 national welfare reforms, after these reforms state experimentation spread dramatically, especially during the first few reform years prior to states settling on their chosen policies and turning their attention elsewhere. The new welfare-to-work program, Temporary Assistance for Needy Families (TANF), ended the entitlement status of welfare, meaning that recipients could and would be removed from the welfare rolls after a short number of years (typically two continuous years, with a lifetime limit of five years). How recipients would most successfully move from welfare to the workplace was an open question, ripe for experimentation. Over the first six post-reform years, states modified various aspects of their welfare policies hundreds of times. This policy area therefore could be one in which states learn from the failures of other states in deciding which policy components to abandon in their quest for effective welfare policies. While major studies have examined the

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<sup>3</sup> Future work exploring other conditional learning effects may be fruitful. Where the role of political entrepreneurs or special interest groups can be captured (e.g., Balla 2001, Mintrom 1997), for example, these actors are likely to

policies adopted by the states following the 1996 reforms (e.g., Soss et al. 2001; Fellowes and Rowe 2004; Keiser, Mueser, and Choi 2004), scholars have not typically looked for evidence of diffusion in this area beyond geographic neighbors (but see Volden and Cohen 2010). Such a focus on geographic diffusion is largely a result of the significant debate over whether welfare politics has generated a “race to the bottom” in benefits and eligibility criteria (e.g., Peterson and Rom 1990, Volden 2002, Bailey and Rom 2004).

If welfare diffusion is based on learning about policy effectiveness, however, there is no reason to restrict examinations of potential diffusion relationships solely to geographic proximity. To test for learning processes, it is essential to carefully examine the most significant aspects of welfare policies and how they change across all the states over time. The Urban Institute recorded all states policies for welfare during this post-reform era in its Welfare Rules Database. The database, constructed from state policies specified in casebooks given to welfare caseworkers, contains hundreds of minute details of the state policies, ranging from who was eligible to what benefits were given to what activities met federal standards of engaging recipients in work-related activities. In identifying which of these hundreds of components to study, I relied on three criteria: (1) the policies needed to vary substantially across the states, (2) the policies needed to vary substantially over time, and (3) the policies needed to be broad and important enough that other states could discern whether they actively affected whether the program was succeeding or failing. In so doing, I isolated twenty-six components of each state’s TANF policy to study here.<sup>4</sup>

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prove important to the process of learning-based policy diffusion.

<sup>4</sup> The specific components investigated here are: number of unsubsidized weekly work-hours needed for the activities requirements exemption, case-by-case assessments of work-hour requirements exemption, minimum hours needed to meet activities requirements, GED or high school attendance meets activities requirements, post-secondary education meets activities requirements, job skills training meets activities requirements, job readiness activities meet activities requirements, job development and placement meets activities requirements, job search meets activities requirements, on-the-job training meets activities requirements, ineligibility is worst sanction for not

Put simply, these policy components represent a middle ground between broad-brush policies and detailed minutia. Broader categories, such as “Did the state require work activities of their recipients?” would not produce any significant variation across the states. Narrower categorization, such as “What is the state response for each month of violating certain types of work requirements?” would yield so much state-by-state variation that no two policies would look similar at all. Rather, the components studied here highlight the broad outline of any state’s welfare-to-work policies, ensuring comparability across these main significant elements of each TANF program. These policy components include such important choices as: the number of hours of work-related activities required to maintain eligibility, which activities count (from education through on-the-job training through job searches), benefit levels, time limits, and the use of family caps, transitional child care, diversion programs, waiting periods, and asset tests. As of 1996, it was unclear which of these components would best transition recipients from welfare to work, and potentially out of poverty. These components are similar to those used by earlier scholars focusing on key early decisions by states under the TANF program (e.g., Urban Institute 2000; DeJong et al. 2006).

### **Data Structure and Variable Construction**

Having isolated these twenty-six crucial TANF components, we need to analyze why states abandoned a particular set of policies in favor of a new alternative. One approach to such an analysis builds directly on the state-year event history analysis brought to the diffusion literature by Berry and Berry (1990). They study conditions under which states adopted lotteries.

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meeting activities requirements, unrestricted assets limit, limit on assets in individual development accounts, existence of diversion program, payment level for family of four, eligibility of pregnant women, waiting period for unemployed principal earner, existence of family cap, eligibility test relative to gross income, eligibility test relative to net income, school attendance required for dependent children, existence of lifetime limit or periodic limit or no

Their dependent variable takes a value of zero in each state in each year prior to lottery adoption and one in the year of adoption (with the state removed from the dataset thereafter because it was no longer at risk for an adoption). This dependent variable is then explained by internal state characteristics, such as political, demographic, and financial considerations, and by a geographic diffusion mechanism (a variable capturing the number of neighboring states that already had a lottery). Because the dependent variable is dichotomous – states either had a lottery or not – Berry and Berry’s explanation for the adoption of a lottery is also the explanation for the abandonment of the “no lottery” policy. Here, however, any of the twenty-six components of welfare policy could be abandoned – so a more complex data structure must be examined.

Specifically, instead of each observation being a state-year, we could examine each policy choice simultaneously by characterizing each observation as a state-policy-year, in which the state in any given year could change any of its twenty-six policies. This approach would be a form of repeated events analysis (Box-Steffensmeier and Zorn 2002), such as that utilized by Shipan and Volden (2006) to simultaneously study three different types of state antismoking legislation. The diffusion mechanism analyzed could again be those of geographic neighbors, or could alternatively capture state similarities based on demographics (Case, Hines, and Rosen 1993) or ideology (Grossback, Nicholson-Crotty, and Peterson 2004), depending how other states’ policies are deemed to affect one another. Such an approach has not, however, been used to study whether more successful or less successful policies spread differently across the states.

However, an alternative approach, suggested by Volden (2006), allows success and failure to be captured in a straightforward manner. Examining the Children’s Health Insurance Program (CHIP), Volden constructs a *dyad-year* event history analysis in which the unit of

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limit, months of lifetime limit, existence of transitional childcare program, months of transitional childcare available, and months of transitional Medicaid available.

analysis is each pair of states in each year. In his study, the dependent variable takes a value of zero if State A in the pair did not move its policy on the many CHIP policy components toward the policy in State B. If, however, State A adopted components found in State B, the dependent variable takes a value of one. Volden uses this approach to then test whether policies found to be successful in State B were more likely to be adopted by State A, whether similar states adopted similar policies, and so forth. Such an approach has recently been widely assessed and adopted to study many aspects of policy diffusion (e.g., Gilardi and Fuglister 2008, Boehmke 2009, Gilardi 2010).

Given how easily this dyad-based approach can capture the complexities of multi-faceted policy choices and how straightforward it is to incorporate evidence of success or failure in this context, I here rely on the dyad-year event history analysis approach. However, because the focus of this study is on policy abandonment, rather than policy adoptions, the dependent variable must be specified in a slightly different manner. Specifically, I again look at each pair of states. If State A adopts a policy change, altering any or all of its twenty-six TANF components, that change may include the adoption of a policy found in State B or the abandonment of a policy that had previously been shared by States A and B.<sup>5</sup> If a majority of components that are modified are abandonments of shared policies, then the dependent variable is given a value of one.<sup>6</sup> If, on the other hand, State A is not abandoning policies found in State B (or if it is moving closer to State B on a majority of component changes), then the dependent

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<sup>5</sup> For dichotomous policy components, this assessment is easily accomplished. For more continuous measures, such as the payment level for a family of four, the assessment is based on the relative position of State A's old and new policies to State B's existing policy. For example, if State A has a lower payment than State B at the start of the year, State A is characterized as moving away from State B *either* by lowering its payment level further *or* by increasing its payment level so substantially that State A's payment level now exceeds State B's by *more than* State B previously exceeded State A's payment level.

<sup>6</sup> The comparison is to State B's policy at the start of the year, based on the assumption that State A is relying on State B's prior experiences in deciding whether or not to abandon shared policies.

variable is given a value of zero.<sup>7</sup> Put simply, the dependent variable in this analysis classifies whether, through the abandonment of shared policies, States A and B move further apart. Given this dyadic approach, up to a total of 14700 observations are used (50 states × 49 potentially emulated states × 6 years).<sup>8</sup> Each of the fifty states may abandon policies in each year that have been attempted previously by any of the other forty-nine states.<sup>9</sup>

The key independent variables then classify whether the policies of State B had been effective in securing major welfare-to-work goals. If those policies had been failures, then the abandonment of previously shared policies should be more likely, according to the Abandoning Policy Failures Hypothesis. Given that the states may have had different goals for their welfare-to-work programs (e.g., Cancian and Meyer 2004; Lichter and Jayakody 2002; Meyers, Riccucci, and Lurie 2001), I here rely on three separate measures of policy failure. The first measure is *Proportion of Adult Recipients Unemployed* in State B. This variable, giving the ratio of current adult recipients not engaged in gainful employment to all current recipients, can clearly capture the initial failure of welfare-to-work programs. Employing recipients while still on the welfare program is necessary to eventually move them off of welfare, into the workforce, and potentially out of poverty.

A second failure measure is *Increase in Recipients* in State B. This is the proportional increase (or decrease, for negative values) in welfare rolls between 1996 and the current year of

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<sup>7</sup> Because there may be differences between making no policy change and making changes that move State A closer to State B's policies or further away, all analyses reported below were also conducted in a multinomial logit setting. Such analyses showed similar results for policy abandonment when comparing to the baseline of no policy change or the baseline of State A moving closer to State B. For ease of interpretation, the models reported here therefore show the results of comparing abandonment to all other policy choices.

<sup>8</sup> Somewhat fewer observations are used when including variables available only for a subset of years.

<sup>9</sup> Boehmke (2009) raises a concern that the dyad-based event history analysis approach may produce biased results if researchers do not control properly for the *opportunity* to emulate other governments. Specifically, if both governments in the dyad have identical policies, there is no opportunity for one government to move toward the other and such observations should therefore be removed from the analysis. In the present context, then, states that do not share at least one welfare policy component, which could then be abandoned, should be removed from the

the dataset.<sup>10</sup> Because welfare rolls were expected to decline following the reforms, and that decline was expected to be more substantial each year, especially during the early years of the program, I normalize this variable by subtracting off the average proportional increase in recipients across all states in each given year. The variable thus takes a mean value of zero; but states that are failing on this criterion relative to the average state in a given year will receive a positive value, while more successful states attain a negative value. The third failure measure is *Percent Increase in Poverty* in State B, characterizing the state's increase in its poverty rate between 1996 and the present, again normalized to zero in each year.<sup>11</sup>

For each of these three measures, a high score would indicate failure while a low score would indicate success. If policy failure in State B makes the abandonment by State A of their shared policies more likely, then a positive coefficient on these independent variables should result from the data analysis. The size of that coefficient would indicate the degree to which evidence of policy failure increases the probability of that failing policy being abandoned by other governments. Below, I discuss interactions between these key independent variables and such factors as the ideological similarities between dyad states and legislative professionalism in State A in order to test the Learning from Similar States Hypothesis and the Learning by Professional Legislatures Hypothesis.

To fully characterize the process of policy abandonment in this dyadic context, however, it is essential to also include variables that characterize the relations between State A and State B, as well as variables capturing the characteristics of State B and of State A separately. Dyadic

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dataset. However, given the complexity of the policy area at hand, no such pairings exist for the current study, and all dyads therefore offered the opportunity for State A to abandon a policy shared with State B.

<sup>10</sup> Specifically, this variable captures the number of current recipients minus recipients in 1996, all divided by the number of recipients in 1996, normalized to a mean of zero across the states as noted below.

<sup>11</sup> A fourth failure measure, capturing the proportion of welfare cases that were closed without the recipient finding gainful employment, was also analyzed. It showed no effect of failure in State B on policy abandonment in State A, and has been excluded here due to space considerations.

variables are included because it may be the case that State A is more likely to abandon policies found in other states that are similar or different from State A. Had this been a study of policy adoptions or policy convergence, rather than abandonments, it would be quite plausible that neighboring and similar pairs of states would adopt similar policies. Here, because of the analysis of abandonment or policy *divergence*, it may be plausible to suggest that dissimilar states will spread apart from one another. On the other hand, it may be a stretch to suggest that policymakers receive a significant benefit from actively distancing their policies from those found in different states; thus perhaps no correlation should be expected across similar states. Regardless, controlling for this possibility is essential to minimize the likelihood of omitted variable biases affecting our relationship of interest.

The first such dyadic control variable is *Geographic Neighbor*, which takes a value of one if the two states in the dyad are geographically contiguous and zero otherwise. If states are less likely to abandon policies that are shared by their neighbors, this variable would take a negative value; it would be positive if they are more likely to abandon policies of their neighbors. *Same Party Governor* takes a value of one if both states in the dyad have a governor of the same party; otherwise, it is zero. *Same Party Unified Government* similarly captures whether the two states share unified control of their legislatures and governorship by the same party. In both cases, a negative coefficient would indicate a policy divergence among dissimilar states on these political grounds.

*Absolute Difference in Government Ideology* is constructed by using an updated version of the government ideologies for each state developed by Berry et al. (1998) and finding the absolute difference between the governments on this 100-point scale. A positive coefficient would indicate that governments with different ideological positions diverge from one another

over time in their welfare policies. *Population Ratio* takes the larger state in the dyad and divides its population by that of the smaller state. A positive coefficient on this variable would indicate states with very different population sizes moving their policies apart from one another. *Absolute Difference in Minority Population* captures the absolute difference between the two dyadic states in the proportion of their populations made up of minorities. A positive coefficient would indicate that racially divergent states are more likely to diverge in policy as well, with State A abandoning State B's policy.

Absolute *Difference in Per Capita Income* takes a value based on the absolute difference between the two states in their per capita incomes, in thousands of dollars. *Absolute Difference in Debt Ratio* characterizes differences between the two states in their governmental debt relative to state government revenues. And *Absolute Difference in Percent Change in Revenue* captures the relative direction of each state's finances compared to the previous year. For all of these fiscal health variables, a positive coefficient would signify the abandonment by State A of policies found in states that differ from State A on these financial criteria. In sum, these dyadic variables control for the geographic, political, demographic, and budgetary similarities between each pair of states.

Beyond these dyadic relational variables, conditions in State B and in State A may help determine whether shared policies will be kept or abandoned. Numerous early studies suggested that larger and wealthier governments served as policy leaders (Crain 1966, Walker 1969, Grupp and Richards 1975), so it would be appropriate to also examine whether, in following these leaders, the policies of smaller and poorer states are abandoned. To do so, I include the *Log of Population of State B* and *Per Capita Income of State B*.<sup>12</sup> Negative coefficients on these

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<sup>12</sup> Alternative measures, such as the raw levels of population and per capita state government revenue, were explored with similar results for all hypotheses.

variables would indicate the abandonment of policies found in State B when that state is less populous and comprised of residents with lower incomes.

Conditions in State A might also help determine whether policies are abandoned by that state. Because the welfare policies being considered here do not move in a consistently liberal or conservative direction – with some increasing the restrictiveness of welfare policies and some decreasing their restrictiveness, some increasing program costs and others cutting costs – it is unlikely that many of these variables will achieve statistical significance. Nevertheless, once again, because a plausible theoretical story could be offered for their inclusion in explaining policy change and abandonment, these variables are here included as controls. In most cases, these variables match those of the State B and dyadic variables described above.

Most interestingly, the above measures describing the policy failures in State B are included for State A as well. To the extent that failing on these criteria yields a policy change in State A, we would expect a positive coefficient on *Proportion of Adult Recipients Unemployed*, *Increase in Recipients*, and *Percent Increase in Poverty*. A dummy variable for *Democratic Governor* in State A is included, with the expectation of a positive coefficient if Democratic governors are more active in altering their welfare policies. *Government Ideology* in State A, using the Berry et al. measure discussed above, should take a positive value if more liberal states (with higher values on this measure) more actively replace their old policies with new ones.

*Log of Population* in State A and *Proportion White* in State A control for whether demographics influence the likelihood of policy change. *Per Capita Income*, *Debt Ratio*, and *Percent Change in Revenue* capture financial and budgetary considerations in State A that might allow more policy experimentation. Finally, *Legislative Salary* in State A measures the

level of professionalism among state legislators.<sup>13</sup> About ten states offer no legislative salaries; the mean salary is just over \$20,000; and a small number of states offer salaries sufficient to discourage second jobs, making full-time legislators. These differences reflect the time and dedication that legislators give to developing and adopting new policies. A positive coefficient would indicate a greater level of policy change among more professional state legislatures. All variable descriptions, sources, and summary statistics are given in the Appendix.

### **Data Analysis Results**

As discussed above, the unit of analysis is all pairs of states between 1997 and 2002, with the dependent variable capturing whether State A abandoned policies previously shared by States A and B.<sup>14</sup> Because this variable is dichotomous, a logit analysis is used.<sup>15</sup> Given concerns about temporal dependence (e.g., Beck, Katz, and Tucker 1998), year dummies are included to account for different hazard rates over time. Data are clustered by State A to account for the possibility that dyadic observations for the same state are not independent across pairings with various other states in a given year as well as across those pairings over time.<sup>16</sup> Huber/White robust standard errors are used to account for the possibility of heteroskedasticity. All analyses were carried out using Stata 10.1.

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<sup>13</sup> Scholars of U.S. state politics often use this measure, given its good variability and clear interpretability, rather than Squire's (1992) aggregated measure of professionalism (e.g., Shipan and Volden 2006). Inserting Squire's measure (which also accounts for staff size and session length, and scales these values relative to those of the U.S. Congress) instead of salary yields largely similar results.

<sup>14</sup> Running the analyses only on the subset of observations in which State A makes a policy change yields substantively similar results to those reported below.

<sup>15</sup> Results are robust to the use of alternative functional forms, such as probit or complementary log-log.

<sup>16</sup> In Models 1 and 2 the data are clustered by dyad, because no State A variables are included. The theory behind clustering by State A upon inclusion of State A variables is that the actions of State A vis-à-vis each other State B are not independent of one another (for instance, inaction by State A yields a dependent variable value of zero for all of State A's 49 dyads in that year). Clustering instead by dyad or by State B results in significantly deflated standard errors for the State A independent variables. Such alternative clustering, while not theoretically motivated (each State A could respond independently to the conditions in any given State B), has relatively little effect on the results for the hypotheses of interest discussed below.

[Insert Table 1 about here]

The three models in Table 1 explore the impact of Proportion of Adult Recipients Unemployed on policy abandonment. Model 1 reports the results of a regression including only year dummies and this single failure measure, which is available for the years 1999-2002.<sup>17</sup> The significant and positive coefficient on Proportion of Adult Recipients Unemployed in State B indicates that evidence of a failing policy in State B is associated with State A's abandonment of State B's policies. Specifically, each percentage increase in adult recipient unemployment rates in State B corresponds to an increase of nearly half a percent in the odds that each State A will abandon State B's policy in a given year.<sup>18</sup> Put another way, compared to an average state, if State B is one-standard-deviation above the mean in adult recipient unemployment, the likelihood of State A abandoning policies shared with State B is 7.4 percent greater. Different readers may judge this effect to be large or small. But it is worth considering that this effect is something of a ripple across states and over time. This state's failing policy has about seven-and-a-half percent greater odds of being abandoned by each and every other state sharing that policy in each year in which State B's policy continues to fail. Such a cumulative learning effect is quite sizable when considered in this light.

Model 2 adds control variables for similarities across the pairs of states and for conditions in State B. The results indicate that, controlling for these other considerations that could influence policy abandonment, failure to employ recipients in State B is still strongly associated with abandoning the failing policy in State A. Most of the control variables have coefficients taking signs in line with expectations. Six of the nine dyadic similarities variables show greater

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<sup>17</sup> Because of this limited availability, models with the Percent Adult Recipients Employed in State B variable contain 9800 observations, rather than the 14,700 observations of the other models.

<sup>18</sup> The relevant calculation here is  $e^{(0.01)(0.398)} = 1.004$ , which is equivalent to a 0.4% increase in odds of abandonment for each percent rise in adult recipient unemployment in State B.

abandonment of policies shared by dissimilar states, and two of those coefficients attain statistical significance. Specifically, states that diverge from one another in government ideology and in population are more likely to abandon one another's policies, according to Model 2. Such findings provide modest support for the view that different states naturally diverge in their policies over time. Below, in interacting these differences with evidence of policy failures, we see that part of this divergence is due to state policymakers dismissing the experiments of very different states as irrelevant examples. Also from Model 2, consistent with the idea of leaders and laggards among policy innovators, State A is more likely to abandon the policies of State B when State B has a lower per capita income. This is in line with the idea that states tend to emulate other wealthier states (and in so doing move away from the poorer states).

Model 3 instead offers controls for the circumstances in State A that might lead to policy abandonment. Once again, with these controls, strong support remains for the abandonment of the failing welfare-to-work policies of State B. In addition, Model 3 displays support for the idea that more liberal governments are more active in abandoning old policies in favor of new ones. More professional state legislatures, with high legislator salaries, are also more likely to take an active role in modifying their policies to a greater extent over time.

Perhaps surprisingly, the coefficient on Proportion of Adult Recipients Unemployed in State A is negative and significant. This indicates that, when State A has a failing policy – one that does not successfully employ a large percentage of its own adult welfare recipients – it is less likely to modify its policy, all else equal. This is an unexpected finding, as one would imagine that states would learn from their own failures as well as from those in other states in order to determine whether or not to abandon their present policies. Yet, there may be a variety reasons for such a finding. First, perhaps other, political pressures influence whether policy

modification is desirable, and then evidence from other states' experiments weigh into which policies should be kept and which should be abandoned. Second, perhaps failure in one's own state is assessed *relative to expectations*, which are modified by one's own previous success with the policy (and which therefore are not adequately captured by the operationalization used here). Third, perhaps incumbent politicians, prone to emphasizing their own successes and downplaying their failures, are unlikely to change their policies in the face of their own failings. Fourth, perhaps such entrenchment is more likely for more ideologically extreme policymakers than for moderates. Some of these possible explanations are given an initial assessment below.

[Insert Table 2 about here]

Model 4 in Table 2 combines all of these control variables into a single model to show the effect of failure to employ current adult welfare recipients on policy abandonment upon accounting for other determinants of abandonment. The evidence in support of the Abandoning Policy Failures Hypothesis remains as strong as ever. Consistent with earlier models, each percent increase in adult recipient unemployment in State B is associated with about half a percent rise in the odds of State A abandoning policies found in State B. The rest of the control variables remain in line with those discussed above, with the exception of the dyad similarities measures, all of which lose their statistical significance in Model 4. While their signs are still largely in line with the idea that dissimilar states are diverging in their policies, this effect is weak at best. Perhaps it is best described as policymakers in State A being *indifferent* to their similarities with State B in determining whether to keep or abandon shared policies. Instead, they base this decision on evidence of the policy's failure in other states.

Models 5 and 6 look at alternative measures of policy failure than the employment of current adult recipients. In particular, in Model 5 changes in the welfare rolls are used to

determine whether the policies are failing or not. Although one might also like to assess whether the welfare rolls declined due to successful transition into the workforce or due to less desirable circumstances, here the broad aggregate measure of rising or declining welfare rolls is used as a rough indicator of policy failure. Consistent with the Abandoning Policy Failures Hypothesis, a larger than average increase in welfare rolls in State B (or a smaller than average decrease) is linked with State A's abandonment of the policies it shares with State B. Specifically, each additional percent increase in the welfare rolls in State B is associated with a 0.37-percent increase in the odds of State A abandoning their shared policies.<sup>19</sup> Put another way, compared to the average state, when State B is one-standard-deviation less effective in moving recipients off of the welfare rolls, its policies have just over a five-percent greater likelihood of being abandoned by each other state paired with State B in the analysis. Once again, most of the control variables for dyadic similarities, State B characteristics, and State A conditions do not attain statistical significance.

Model 6 extends the analysis to evidence of policy failure in addressing poverty in the states. Again in line with previous analyses, this model is consistent with learning from policy failures in other states. The coefficient on Percent Increase in Poverty in State B is positive and statistically significant at  $p = 0.076$ . Each percent increase in poverty in State B, relative to the average state, is associated with a one-percent rise in the odds of State A abandoning policies shared by the two states.<sup>20</sup> Because there is not a large variance in poverty rate fluctuations across the states over this time period (standard deviation for this variable is 1.96, as detailed in the Appendix), the overall effect of poverty changes on policy abandonment may be small. Nevertheless, it is important to note that evidence of rising or falling poverty rates in other states

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<sup>19</sup> The relevant calculation here is  $e^{(0.01)(0.372)} = 1.0037$ .

<sup>20</sup> The relevant calculation is  $e^{(1.0)(0.0100)} = 1.01$ .

seems to be taken into consideration when policymakers are determining which of their current welfare policies to abandon or modify. Taken as a whole, the evidence from the three models in Table 2 is very supportive of the idea that states learn from the policies failures of others in line with the Abandoning Policy Failures Hypothesis.

The curious result from Model 3 noted above, is once again evident in the models in Table 2. Specifically, while failures in State B are associated with the abandonment of policies shared by States A and B, there is little evidence of the abandonment of policies found to fail in State A itself. In fact, both Proportion of Adult Recipients Unemployed in State A and Percent Increase in Poverty in State A have negative coefficients, although only the former is statistically significant. In the introduction and in the discussion of this initial result above, it was speculated that policymakers do not wish to admit to their own failings. A policy abandonment would vividly display such a failure to voters (e.g., Durr 2001). However, new politicians would not be subject to such concerns, and should be able to change their government's failing policies. One way to preliminarily explore this idea is to subdivide the dataset based on whether the party in control of the state legislature or the governorship changed.

Doing so shows some support for this idea that politicians do not wish to admit their own failures. For example, replicating Model 4 only among governments with no party turnover, the Proportion of Adult Recipients Unemployed in State A variable takes on a coefficient of -1.91. However, where any of the House, Senate, or governor changed parties, this failure variable takes a coefficient of 0.795, consistent with abandoning the state's own failed policies (and perhaps gaining a partisan advantage in so doing). While suggestive, these differences are not robust across the other two variables capturing failure in State A, and should be studied in greater detail in future work with a dataset designed to characterize the responses to policy

failures over a longer period of time (to thus contain greater turnover among politicians), rather than the current dataset designed to capture a program during a period of dramatic reinvention. Moreover, with respect to learning from State B's failures, the subset of the data containing no partisan turnover of State A policymakers had a coefficient of 0.621 on the Proportion of Adult Recipients Unemployed in State B variable, compared to 0.388 for the subset with some degree of party turnover in State A. This indicates that, while turnover in policymakers may lead to a greater ability to admit to mistakes in one's own state and to make changes, such turnover also may undermine the ability to learn from other states, which likely comes with greater experience.<sup>21</sup>

### ***The Conditional Nature of Learning and Policy Abandonment***

Having established the baseline result that states abandon policies shared with failing states, it is crucial to take the next steps in determining whether such learning is a more nuanced process than one in which all states learn approximately the same lessons from all other states. One might imagine that some states are better positioned to learn from others and that not all other states' experiments should be of equal value. As suggested by the Learning from Similar States Hypothesis, we might suspect that state policymakers are more likely to rely on the experiments of other states that share similar characteristics. And as raised in the Learning by Professional Legislatures Hypothesis, state legislators who treat their legislative position as their main job may dedicate more time and effort to determining which policies will successfully transfer to their states.

[Insert Table 3 about here]

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<sup>21</sup> In a separate assessment, also not detailed here due to space considerations, suggestive evidence emerges that ideologically extreme states are also less likely to abandon their own failures, a finding consistent with the

To test these hypotheses, I interact key control variables with the main independent variables accounting for policy failure in State B. In all such models, I continue to control for all of the variables detailed in Table 2. Specifically, as reported in Table 3, I first build on the earlier models by interacting each of the failure variables with Absolute Difference in Government Ideology. If learning from the failures of other states is conditional on the two states being ideologically similar, we would expect a *larger effect* of high recipient unemployment, rising welfare rolls, and increasing poverty in State B on policy abandonment in State A *for similar states* than for dissimilar states. In terms of coefficients, we would therefore anticipate a positive coefficient on the main failure effects and a negative coefficient on the interactions – as the learning effect would fade for more dissimilar states.

[Insert Figure 1 about here]

This pattern is precisely what we find in Models 8 and 9 of Table 3, although no such conditional effect is found in Model 7. According to the results of Model 8, for a dyad in which State A and State B share the exact same political ideology, reduction in welfare rolls has a very strong effect. The size and significance of the effect is illustrated in Figure 1a. For such states, shown on the left of the figure, each percent rise in welfare recipients in State B is associated with just over a 0.7-percent increase in the odds of State A abandoning their shared policies. This is about twice the effect of learning from the failures of a randomly paired state, as demonstrated in Model 5 (or in Figure 1a) upon noting that the average Absolute Difference in Government Ideology between any two dyadic partners is 30.3. Moreover, where the two states are very dissimilar – where their governmental ideology scores are about 70 points apart on the 100-point ideology scale, evidence of failure to reduce the welfare rolls in State B has no effect

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theoretical model of Volden, Ting, and Carpenter (2008).

on the decision of State A to abandon or keep their shared policies.<sup>22</sup> This means that conservative states learn substantially from the effects on welfare rolls of policies in other conservative states, learn only somewhat from lessons of moderate states, and learn not at all from experiments in liberal states. Likewise, liberal states learn most significantly from experiments in ideologically similar states.

Model 9 also demonstrates strong support for the Learning from Similar States Hypothesis, this time for evidence of failure with respect to poverty rates. The results of this model are illustrated in Figure 1b. When the dyadic pair shares the same governmental ideology, evidence of failure in reducing poverty is very potent in bringing about policy abandonment. For such states, each one-percent rise in poverty in State B increases the odds of abandonment by State A by five percent. This is five times the learning effect for an average pair of states. And, as illustrated in the figure, for states that differ in ideology by about 30 to 60 points, the learning from failures effect become indistinguishable from to zero. These findings are all consistent with the Learning from Similar States Hypothesis.<sup>23</sup> Somewhat surprisingly, the right part of the figure shows ideologically dissimilar states abandoning one another's successes rather than their failures. This anomaly, however, is likely to be a product of the fact that there are very few highly dissimilar states, that those that do exist (such as the Utah-Massachusetts dyad) tend to only share policies that nearly all states share, and thus that they are unlikely to abandon those few shared policies. Failures in these paired states might well be treated as evidence that State B's already dissimilar policies are the cause of their failures, thus reaffirming that State A is on the right path and does not need a policy change at all.

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<sup>22</sup> Statistically, there is no significant learning effect when the ideological difference between states exceeds 35 points, as illustrated by the confidence intervals in Figure 1a.

<sup>23</sup> Other similarities between the two states in the dyad may also influence the effects of learning on policy abandonment. For example, analyses not reported here due to space considerations uncovered evidence that per

[Insert Table 4 about here]

Finally, to test the Learning by Professional Legislatures Hypothesis, I interact the three failure measures with Legislative Salary in State A. Theoretically, the more professional states (which provide higher legislative salaries) are better able to learn from and act upon the policy failures in other states. If this is the case, we would expect a positive coefficient on the interactive variable. As seen in Table 4, such a positive interaction does emerge in a statistically significant manner in Models 10 and 11, for evidence of failure to employ welfare recipients and failure to reduce welfare rolls (while there is no evidence that professionalism affects learning from the poverty effects of welfare policies).<sup>24</sup> Now the coefficients on the non-interacted failure variables indicate the learning effects in the ten states with the least professional legislatures, those that provide no legislative salary.

[Insert Figure 2 about here]

The findings from Models 10 and 11 are illustrated in Figures 2a and 2b, respectively. As can be seen in Figure 2a, states with legislative salaries below \$10,000 (shown on the far left of the figure below a value of 1) are not statistically likely to learn from failing employment policies for TANF recipients in State B, using a 95 percent confidence interval. In contrast, the average state's legislative salary is just above \$20,000. For such a state, each percent increase in welfare recipient unemployment rates in State B is linked with a 0.5-percent rise in abandonment of the failing policies by State A. Finally, the most professional state legislatures pay their legislators upwards of \$100,000 per year. Such a State A, illustrated on the right of Figure 2a,

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capita income similarities and budgetary similarities between dyadic states facilitated learning from one another's experiments, especially for the indicator of reduced welfare rolls.

<sup>24</sup> Perhaps this lack of an interaction effect for poverty rates indicates that poverty information is readily available even to the least professional legislatures.

increases its odds of abandoning State B's policies by over 1.0 percent for each percent rise in unemployment among State B's welfare recipients.

Such a pattern of enhanced learning by more professional state legislatures is also evident in Model 11 for overall welfare rolls. Consider a State B that is one percent less successful in reducing its welfare rolls than the average state. This failing state's policies are more likely to be abandoned by other states. But the degree to which such learning and abandonment takes place is closely linked to the legislative professionalism of the learning states (State A). For the least professional states, below \$15,000 as illustrated on Figure 2b, this failing state's policies have no statistically significant larger likelihood of being abandoned than those of the average State B. For moderately professional states (salary of \$20,000), however, the odds of abandonment are nearly half a percent higher. And for the most highly professional states (salary of \$100,000), the odds of abandonment are almost a full percent more likely given each percent increase in State B's welfare rolls. An even stronger effect of professionalism is found by interacting Percent Increase in Recipients with Squire's aggregate professionalism measure (not shown here due to space considerations).<sup>25</sup> These results strongly support the Learning by Professional Legislatures Hypothesis.

### **Implications and Conclusions**

Scholars studying policy diffusion offer a variety of different reasons why policies of one government might spread to other governments. Perhaps the economic effects of some policies might spill across jurisdictions, pressuring surrounding governments to adopt similar policies. Perhaps less developed countries or states wish to appear more modern by imitating the policies

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<sup>25</sup> Interactions of this alternative professionalism measure with the other failure variables provide little additional evidence that professionalism enhances learning based on those measures.

adopted by leaders. Or perhaps adoptions are based on learning about policy effects of the experiments of other governments. To the extent that learning is driving policy diffusion, it is important to realize that the success or failure of the *current policy* being abandoned may be as influential in policy decisions as is evidence of the success or failure of the *new policy* to be adopted.

This paper establishes that evidence of policy failure by one government is closely linked to policy abandonment by other governments. Specifically, in the area of welfare reform in the United States, states with policies that failed to employ welfare recipients, failed to reduce overall welfare rolls, and failed to reduce poverty were more likely to have their shared policies abandoned by other states. However, such abandonment of failing policies was not uniform across all states. Policy failures in ideologically similar states were particularly influential in determining which aspects of a state's welfare policies should be altered and abandoned. And states with more professional legislatures were better able to learn from (and act upon) the experiences of others. These results indicate that at least part of the policy diffusion process is based on learning, and specifically on learning about what policies do not work elsewhere.

The conditional nature of these learning effects could be due to states finding the most relevant experiments from which to learn. However, such conditional effects also point to the likelihood of *inefficient* learning. Less professional state legislatures learn very little from others' experiments, and the experiences of ideologically distant states are broadly dismissed. Such limitations on learning may point to a prescriptive role for central governments, interest groups, and political entrepreneurs who could disseminate information about effective policies found elsewhere. Of course, given their own political agendas, such intermediary involvement may result in additional biases in the learning process, ripe for exploration in future studies.

While these findings are important to scholarship on policy diffusion both within the comparative politics and American state politics literatures, they also have significant implications for American federalism and for the politics of welfare reform in the U.S. As in discussions about many policy areas, the arguments surrounding policy devolution in the 1996 welfare reforms were frequently couched in terms of state experimentation. By giving states broader control over the details of their welfare policies, national policymakers would be allowing states to act as policy laboratories. Proponents of devolution argued that states would try a variety of policies, would abandon the failures, and would adopt successful policies found elsewhere. This paper suggests that such a story rings true. Policies that did not meet expectations for moving welfare recipients off of welfare, into the workforce, and out of poverty were more likely to be abandoned. The lessons from the multitude of experiments flowed across the states, especially to the most professional legislatures and to ideologically similar states. The result was the abandonment of policies that failed, as well as the adoption of policies that worked elsewhere (e.g., Volden and Cohen 2010).

## Appendix: Data Descriptions and Sources

Variables	Description	Mean	Std. Dev.
Abandonment (dependent variable) <sup>a</sup>	Dummy = 1 for dyad in which State A adopts a policy change with more components moving away from the policy present in State B at start of year than toward	0.331	0.471
Proportion of Adult Recipients Unemployed <sup>b*</sup>	Proportion of adult TANF recipients in State B who are not presently employed	0.534	0.180
Increase in Recipients <sup>b*</sup>	Proportional increase in welfare recipients since 1996 in State B minus average increase in all states for given year	0.00	0.143
Percent Increase in Poverty <sup>c*</sup>	Percent increase in poverty since 1996 in State B minus average increase in all states for given year	0.00	2.07
Geographic Neighbor	Dummy = 1 for dyad of contiguous neighbors	0.087	0.282
Same Party Governor <sup>d</sup>	Dummy = 1 if governor in both states in dyad is from same party	0.504	0.500
Same Unified Government <sup>d</sup>	Dummy = 1 if there exists a unified government of the same party in both states in dyad	0.079	0.270
Absolute Difference in Government Ideology <sup>e</sup>	Absolute difference between the two states in the dyad on the governmental ideology scale	30.3	21.3
Population Ratio <sup>f</sup>	Population ratio of larger state divided by smaller state in dyad	4.93	6.27
Absolute Difference in Minority Population <sup>f</sup>	Absolute difference between the two states in the dyad in the proportion of population made up of minorities	0.137	0.121
Absolute Difference in Per Capita Income <sup>g</sup>	Absolute difference between the two states in the dyad in per capita income in thousands of dollars	4.46	3.52
Absolute Difference in Debt Ratio <sup>d</sup>	Absolute difference between the two states in the dyad in ratio of state debt to revenue	0.334	0.308
Absolute Difference in Percent Change in Revenue <sup>d</sup>	Absolute difference between the two states in the dyad in percent change in government revenues from previous year	4.31	4.67
Log of Population <sup>f*</sup>	Natural logarithm of population in State B	15.1	1.01
Per Capita Income <sup>g*</sup>	Per capita income in State B (in thousands of dollars)	27.2	4.63
Democratic Governor <sup>d</sup>	Dummy = 1 if State A governor is a Democrat	0.380	0.480
Government Ideology <sup>e</sup>	State A score on government ideology scale	43.6	26.0
Proportion White <sup>f</sup>	Proportion white among State A population	0.795	0.128
Debt Ratio <sup>d</sup>	Ratio of debt to revenue in State A	0.599	0.319
Percent Change in Revenue <sup>d</sup>	Percent change in revenues in State A from previous year	5.61	4.84
Legislative Salary <sup>d</sup>	Annual salary of legislators in State A (in tens of thousands of dollars)	2.16	2.05

<sup>a</sup>Calculated by author from Urban Institute's Welfare Rules Database.

<sup>b</sup>Calculated by author from HHS Administration for Children and Families website.

<sup>c</sup>Calculated by author from U.S. Census Bureau website.

<sup>d</sup>Calculated by author from *Book of the States*, various years.

<sup>e</sup>Calculated by author based on Berry, Ringquist, Fording, and Hansen (1998) approach, data on ICPSR website.

<sup>f</sup>Calculated by author from U.S. Census Bureau, Current Population Survey, various years.

<sup>g</sup>Calculated by author from data available on U.S. Bureau of Economic Analysis website.

\*Similar description, sources, mean, and standard deviation for State A version of this variable as for State B.

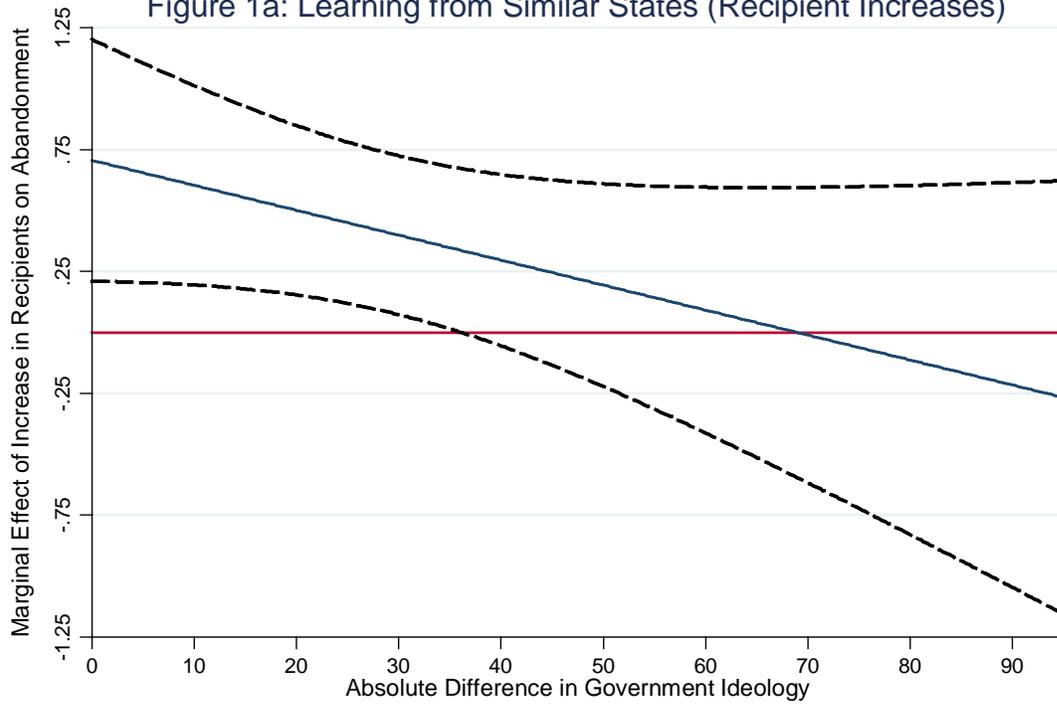
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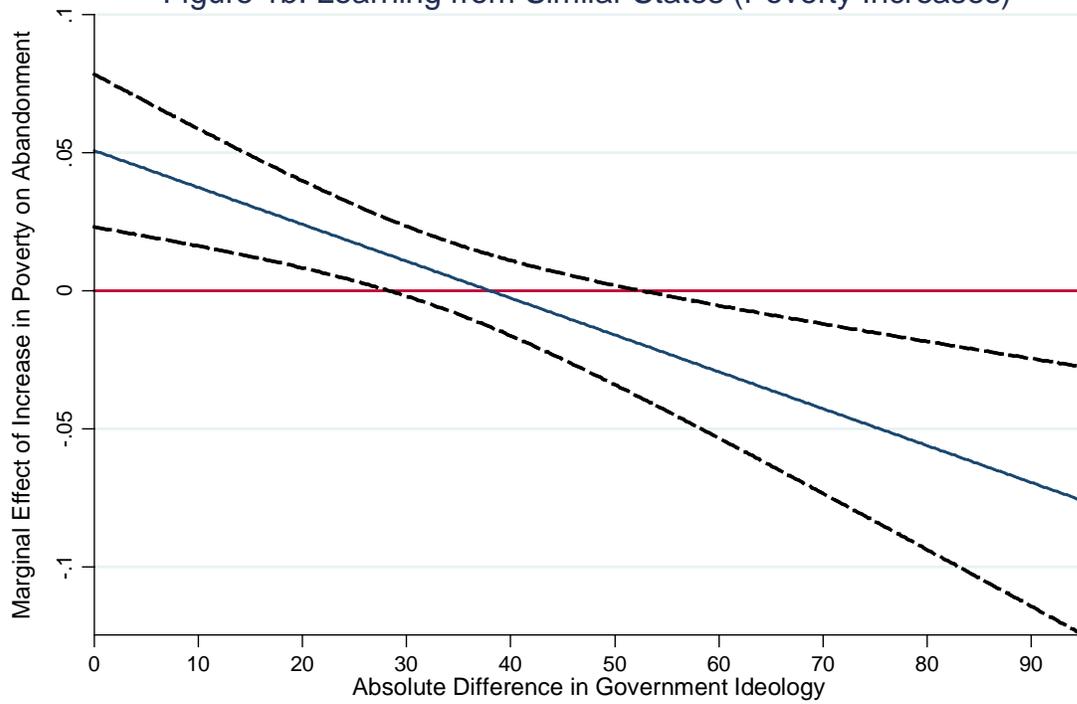
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Figure 1a: Learning from Similar States (Recipient Increases)



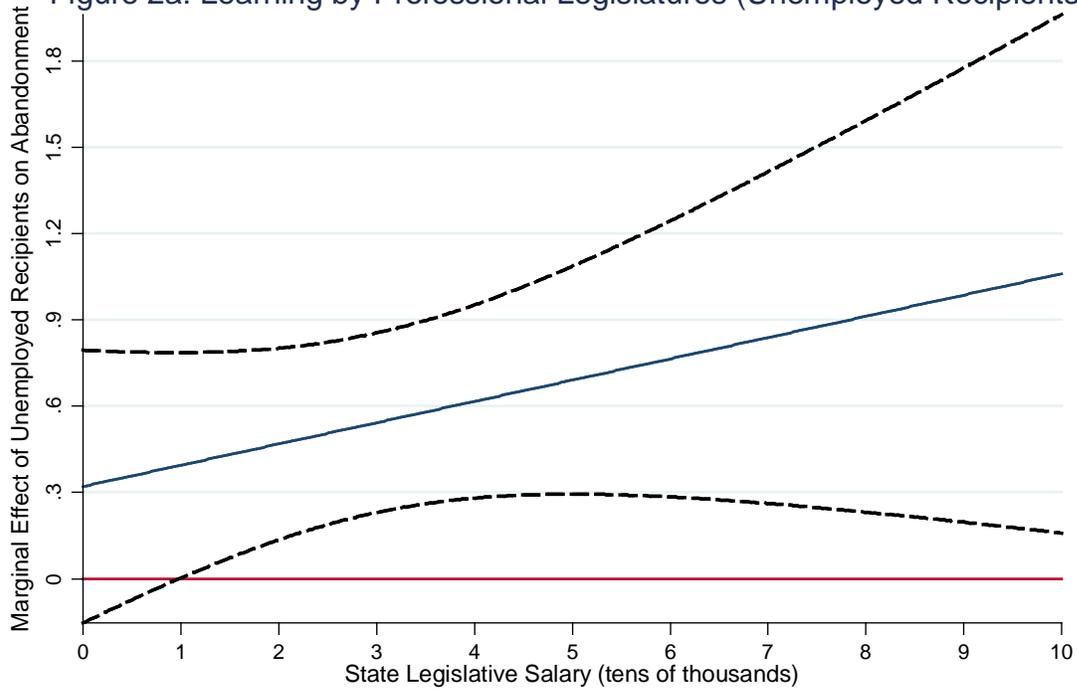
Dashed lines give 95% confidence interval.

Figure 1b: Learning from Similar States (Poverty Increases)



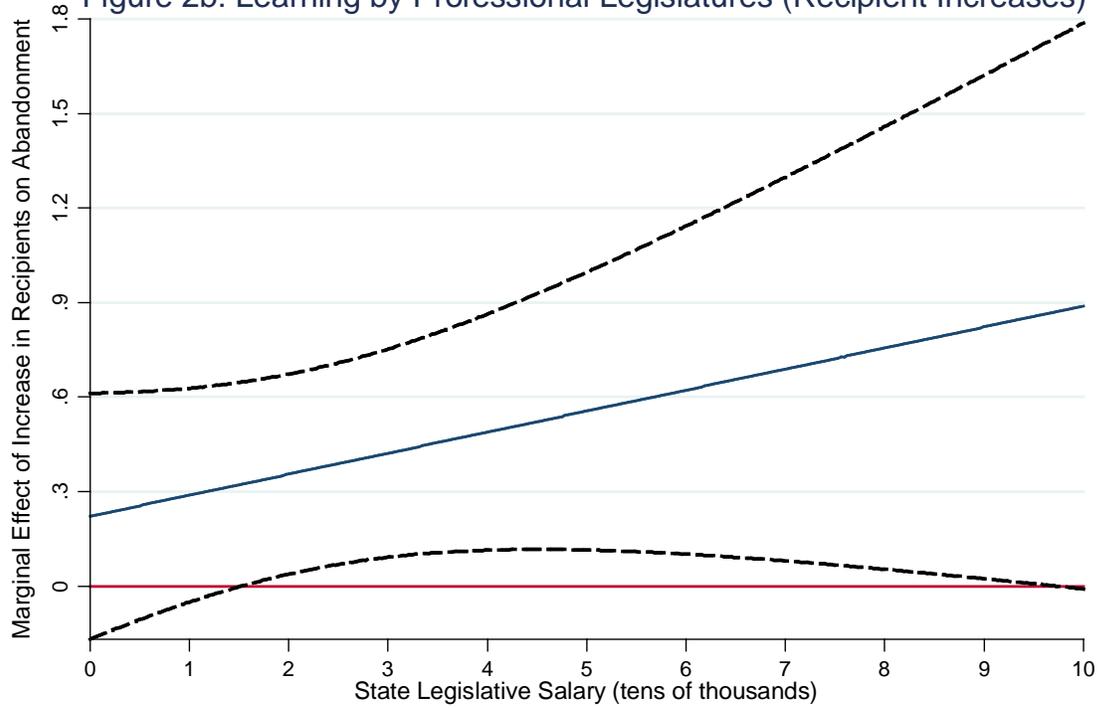
Dashed lines give 95% confidence interval.

Figure 2a: Learning by Professional Legislatures (Unemployed Recipients)



Dashed lines give 95% confidence interval.

Figure 2b: Learning by Professional Legislatures (Recipient Increases)



Dashed lines give 95% confidence interval.

**Table 1: Effects of Failure to Employ Welfare Recipients**

<u>Independent Variables</u>	<u>Model 1</u> Failure in State B	<u>Model 2</u> Controlling for Similarities and Leaders	<u>Model 3</u> Controlling for State A Conditions
<i>FAILURE IN STATE B</i>			
Proportion of Adult Recipients Unemployed	0.398 (0.157)***	0.529 (0.166)***	0.395 (0.123)***
<i>DYAD SIMILARITIES</i>			
Geographic Neighbor	----	0.0524 (0.0894)	----
Same Party Governor	----	-0.0443 (0.0556)	----
Same Party Unified Government	----	0.140 (0.094)	----
Absolute Difference in Government Ideology	----	0.00274 (0.00147)*	----
Population Ratio	----	0.0154 (0.0037)***	----
Absolute Difference in Minority Population	----	0.239 (0.210)	----
Absolute Difference in Per Capita Income	----	0.00023 (0.00809)	----
Absolute Difference in Debt Ratio	----	-0.0392 (0.103)	----
Absolute Difference in Percent Change in Revenue	----	0.00648 (0.00452)	----
<i>POTENTIAL LEADER STATES (STATE B)</i>			
Log Population of State B	----	-0.0179 (0.0309)	----
Per Capita Income of State B	----	-0.0434 (0.0078)***	----
<i>ADOPTING STATE (A) CHARACTERISTICS</i>			
Proportion of Adult Recipients Unemployed	----	----	-1.36 (0.733)*
Democratic Governor	----	----	-0.482 (0.424)
Government Ideology	----	----	0.0182 (0.00917)**
Log of Population	----	----	-0.244 (0.192)
Proportion White	----	----	0.423 (1.00)
Per Capita Income	----	----	0.0292 (0.0507)
Debt Ratio	----	----	-1.00 (0.942)
Percent Change in Revenue	----	----	0.0193 (0.0341)
Legislative Salary	----	----	0.163 (0.0704)**
N	9800	9800	9800
LogL	-4995.1	-4953.0	-4823.4
$\chi^2(k)$	216.3***	301.4***	48.7***

Robust standard errors in parentheses. Data clustered by dyad for Models 1 and 2, by State A for Model 3. Year dummies and a constant are included in the analysis, but are not reported in table.

\*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01 (two-tailed).

**Table 2: Different Failure Criteria**

<u>Independent Variables</u>	<u>Model 4</u> Proportion of Adult Recipients Unemployed	<u>Model 5</u> Increase in Recipients	<u>Model 6</u> Percent Increase in Poverty
<i>FAILURE IN STATE B</i>			
Proportion of Adult Recipients Unemployed	0.505 (0.156)***	----	----
Increase in Recipients (Normalized)	----	0.372 (0.156)**	----
Percent Increase in Poverty (Normalized)	----	----	0.0100 (0.0056)*
<i>DYAD SIMILARITIES</i>			
Geographic Neighbor	0.0827 (0.0691)	0.0784 (0.0506)	0.0725 (0.0498)
Same Party Governor	-0.0327 (0.0665)	-0.0465 (0.0657)	-0.0530 (0.0644)
Same Party Unified Government	0.172 (0.231)	0.378 (0.207)*	0.351 (0.205)*
Absolute Difference in Government Ideology	0.00162 (0.00394)	0.00370 (0.00350)	0.00326 (0.00351)
Population Ratio	0.00935 (0.00700)	0.0132 (0.00563)**	0.0133 (0.00572)**
Absolute Difference in Minority Population	0.126 (0.436)	0.406 (0.362)	0.461 (0.354)
Absolute Difference in Per Capita Income	-0.00461 (0.0167)	-0.00791 (0.0137)	-0.0129 (0.0144)
Absolute Difference in Debt Ratio	0.151 (0.256)	-0.0398 (0.193)	-0.0216 (0.201)
Absolute Difference in Percent Change in Revenue	0.0145 (0.0132)	0.0121 (0.0143)	0.0114 (0.0144)
<i>POTENTIAL LEADER STATES (STATE B)</i>			
Log Population of State B	-0.00134 (0.0360)	0.0355 (0.0280)	0.0326 (0.0285)
Per Capita Income of State B	-0.0475 (0.00968)***	-0.0471 (0.00868)***	-0.0446 (0.00878)***
<i>ADOPTING STATE (A) CHARACTERISTICS</i>			
Proportion of Adult Recipients Unemployed	-1.41 (0.740)*	----	----
Increase in Recipients (Normalized)	----	0.173 (0.767)	----
Percent Increase in Poverty (Normalized)	----	----	-0.0570 (0.0527)
Democratic Governor	-0.538 (0.420)	-0.192 (0.358)	-0.135 (0.349)
Government Ideology	0.0189 (0.00920)**	0.00340 (0.00786)	0.00299 (0.00747)
Log of Population	-0.206 (0.193)	-0.0107 (0.143)	-0.0216 (0.145)
Proportion White	0.500 (1.05)	0.993 (0.857)	1.17 (0.813)
Per Capita Income	0.0281 (0.0516)	-0.0146 (0.0413)	-0.0122 (0.0409)
Debt Ratio	-1.05 (0.939)	-0.479 (0.615)	-0.426 (0.594)
Percent Change in Revenue	0.0189 (0.0306)	0.00548 (0.0242)	0.00238 (0.0236)
Legislative Salary	0.150 (0.0670)**	0.0947 (0.0640)	0.0930 (0.0640)
N	9800	14700	14700
LogL	-4786.8	-7648.0	-7636.1
$\chi^2(k)$	120.4***	438.3***	457.3***

Robust standard errors in parentheses. Data clustered by State A. Year dummies and a constant are included in the analysis, but are not reported in table.

\*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01 (two-tailed).

**Table 3: Learning from Ideologically Similar States**

<u>Independent Variables</u>	<u>Model 7</u> Proportion of Adult Recipients Unemployed	<u>Model 8</u> Increase in Recipients	<u>Model 9</u> Percent Increase in Poverty
<i>FAILURE IN STATE B</i>			
Proportion of Adult Recipients Unemployed	0.374* (0.250)	----	----
Proportion of Adult Recipients Unemployed × Absolute Difference in Government Ideology	0.00390 (0.00587)	----	----
Increase in Recipients (Normalized)	----	0.706*** (0.239)	----
Increase in Recipients (Normalized) × Absolute Difference in Government Ideology	----	-0.0103** (0.0061)	----
Percent Increase in Poverty (Normalized)	----	----	0.0508*** (0.0133)
Percent Increase in Poverty (Normalized) × Absolute Difference in Government Ideology	----	----	-0.00134*** (0.00036)
N	9800	14700	14700
LogL	-4786.7	-7646.7	-7631.8
$\chi^2(k)$	125.3***	463.7***	521.4***

Robust standard errors in parentheses. Data clustered by State A. All control variables detailed in Table 2 are included in the analysis, but are not reported in table.

\*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01 (one-tailed).

**Table 4: Learning by Professional Legislatures**

<u>Independent Variables</u>	<u>Model 10</u> Proportion of Adult Recipients Unemployed	<u>Model 11</u> Increase in Recipients	<u>Model 12</u> Percent Increase in Poverty
<i>FAILURE IN STATE B</i>			
Proportion of Adult Recipients Unemployed	0.321* (0.230)	-----	-----
Proportion of Adult Recipients Unemployed × Legislative Salary in State A	0.0739* (0.0582)	-----	-----
Increase in Recipients (Normalized)	-----	0.222 (0.188)	-----
Increase in Recipients (Normalized) × Legislative Salary in State A	-----	0.0668* (0.0515)	-----
Percent Increase in Poverty (Normalized)	-----	-----	0.0160** (0.0080)
Percent Increase in Poverty (Normalized) × Legislative Salary in State A	-----	-----	-0.00268 (0.00199)
N	9800	14700	14700
LogL	-4786.2	-7647.5	-7636.0
$\chi^2(k)$	125.7***	444.5***	478.7***

Robust standard errors in parentheses. Data clustered by State A. All control variables detailed in Table 2 are included in the analysis, but are not reported in table.

\*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01 (one-tailed).