Party in the House?
Examining the Effects of Political Control on State Government Spending

by

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To my parents, Jim and Liz,
who love me so much that they will try to read this without any knowledge of statistics … and will enjoy it nonetheless.

To my advisor, Joyce,
who went far out of her way to help me with methodology and to distract me with Boggle during our thesis meetings.

To my girlfriend, Emily,
who happily listened to my complaints about models and regressions for many months, and still thinks that I'm cool.

Tests (full results not reported) confirm the presence of awesomeness in the above, with p*-values under 0.01.*

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Summary

In this study I test several assertions commonly made about Republican and Democratic spending preferences. Specifically, using annual data from 1971–2001, I examine how party control at the state level affects overall expenditure growth and the shares of expenditure allotted to various classes of programs, including education, welfare, healthcare, transportation, and public safety. I incorporate into my regressions a wide array of control variables and statistical corrections, including explicit modeling of spatial dependency.

My results generally align with political rhetoric and prior research. Democrats appear to spend significantly more on welfare and education and less on public safety than Republicans. However, I also find that Democratic control of government causes less expansion of the public sector, in opposition to what many believe. The robustness of this result is relatively low, though, and the coefficient may be simply an artifact of my methodology and sample choice.

CHAPTER 1

INTRODUCTION

MOTIVATION AND QUESTIONS

In modern American politics, vitriol and charged assertions against one's opponents are commonplace. Punditry includes, for instance, Republican calls that "tax and spend is all [that Democrats] know and all that they care about, even if the world is ending" (Ferrara 2011). Democrats shout back that "[Republicans'] strategy is to suffocate the economy" and "attack" effective institutions and services by slashing government outlays (Sargent 2011; Noble 2004).

Indeed, the two parties are identified, and often self-identify, as liberal and conservative on both economic and social policy. Polling data from the latter half of the twentieth century indicate that 86% of Americans expect Democrats to provide as much or more government services and spending than Republicans (Miller 1998). The label of "Republican" is more closely tied in the American consciousness to the concept of a balanced budget, while "Democrat" conjures thoughts of more government jobs (Bastedo & Lodge 1980).

There is another battle raging between the parties, one over the allocation of funds. Democrats claim to fight for "softer," welfare-oriented spending, such as education and health programs and subsidies to the needy (Noble 2004). Republicans, on the other hand, allegedly try to channel funds away

from these, instead pursuing "harder" programs, such as law enforcement (Hoenisch 2000). In the realms of both overall spending and expenditure allocation, "the concepts [of] 'Republican' and 'Democrat' are sharply defined inversions of one another" (Bastedo & Lodge 1980).

If such expectations hold true for actual appropriations, they have great implications for American fiscal policy. Fiscal decisions are especially important in the coming years, considering the short- and long-term budget crises currently faced by all levels of government; challenges to fiscal stability include federal entitlement programs like Medicare and Social Security, state welfare and employee pension plans, and mandates for state and local education, infrastructure, and healthcare systems (GAO 2007; Novy-Marx & Rauh 2009). Voters must decide between a larger or a smaller government, as well as between expenditure priorities among different policy areas. An important question then stands: does party control actually play a role in fiscal decisionmaking?

My study aims to answer this in two ways. First, I test if control of state government by Republicans or Democrats is associated with different rates of growth in overall expenditures. Second, I determine whether Republican or Democratic control of those governments affects the shares of spending allocated to several classes of programs, in an attempt to measure whether policy preferences vary between the two parties.

Why Study Spending?

In much the same way that an individual's checkbook reveals his or her priorities, a government's expenditures reflect the preferences of its lawmakers. Further, since "state budgets are essentially a zero-sum game," when a choice is made to fund one program it results in fewer outlays for others (Stucky et al. 2007). Therefore, spending patterns can be used to

statistically determine the desires of the majority ways that other, more subjective measures cannot.

Government expenditures in general are closely tied to revenue, and this is particularly true for the American states. Excluding Vermont, every state has a balanced budget rule, which is aimed at keeping appropriations equivalent to government income. However, there is great variation among these rules: some forbid deficits in the final budget bill, while others simply require balance in the version initially brought to debate; most are constitutional, though some are merely statutory; and their origins may be in either the legislature itself or a direct democracy citizen initiative (Besley & Case 2003; Bohn & Inman 1996; New 2010). On the whole, these balanced budget rules do result in relatively low deficits and near-equality between expenditures and revenues (Jones et al. 2009; New 2010). Because of this I only have to model one side of the fiscal equation, and can simply control for changes in the tax base and federal transfers when examining expenditures (Jackson 2012).

Why Study the States?

Focusing on American state governments, rather than those at the national or local levels, offers several methodological advantages. The states together provide a cross-section of data that is consistent over time, where all units face a "common institutional framework and cultural milieu" (Dye 1966 p. 11). This would not be available in a study of federal spending, and allows for the use of more powerful and precise econometric techniques; for example, I am able to eliminate from my regressions the perturbing effects of a state's culture, geography, and political history. State data also trumps that of local governments, which suffer from incomplete and highly disaggregated information. Especially pertinent to my study is the fact that the majority of municipalities hold nonpartisan elections; this would prevent

me from using an unbiased sample in my regressions (Ferreira & Gyourko 2009). Overall, little is sacrificed by choosing to study the states; the results of my study of state governments are largely applicable to local and federal ones as well, since in general there are great similarities in politics between different levels of American government (Gray et al. 1985 p. 89).

Beyond those statistical issues, state public policy is also worthy of analysis in and of itself. States provide residents with crucial public goods and services, such as welfare, higher education, and transportation infrastructure. Further, in light of an increasingly polarized and gridlocked Washington, in the coming years state governments will likely take on more importance in determining the economic and social future of the United States (Katz & Bradley 2011).

State Government

Hereafter follows a more detailed description of state governments, their responsibilities and abilities, and key areas of public expenditure.

History, Role, and Structure

From the early days of America, the states have been vested with significant power vis-à-vis the federal government. The tenth amendment to the Constitution states: "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people"; such powers include public health and safety, welfare, and morals (Dye & Zeigler 1975 p. 387). The states also have other abilities, such as the right to tax and spend, that are held by their national counterpart as well (Burns et al. 1998 p. 29). Another significant role with which the states are tasked is the creation of local government bodies to handle municipal issues.

State government structure is modeled similarly to the federal level, although the branches and officials have somewhat different roles. There is

the executive branch, led by the governor, who is expected to take a lead in policymaking and stand at the forefront of his or her state political party (Burns et al. 1998 p. 123). The legislature, organized into committees, generates and analyzes bills and proposals, confirms executive personnel, and manages regulations and bureaucracies (Burns et al. 1998 p. 101). States also have their own judiciaries, headed by the state supreme court, although I give this branch little attention in this study as it does not directly make spending decisions.

The Budget and Spending

One of the most important undertakings of state government is the budget process, wherein funds for most programs are allocated. Every year, the governor is tasked with proposing a spending plan for the coming fiscal period. This is then sent to the legislative branch where it is amended, sometimes quite significantly, and must pass before being returned to the governor (Besley & Case 2003). At this point the governor, as with most bills, can either choose to veto or sign the measure.

There are various exceptions to this textbook pattern of budgeting: some states write budgets only once every two years; in a few, the governor does not have the power to propose, and the legislature crafts the bill itself; and in a handful of states, the governor wields line-item veto powers, allowing the executive to reject specific spending measures while accepting the rest of the budget (Teaford 2002; Besley & Case 2003). It is also important to emphasize that not all government expenditures are included in the budget, and some programs are automatically appropriated each year.

Most state spending comes out of the general fund, or finances that have not been committed to any particular projects. The inverse, earmarked resources, are revenues that have been set aside for particularly enumerated expenditures; for instance, earmarked gas and vehicle license taxes provide

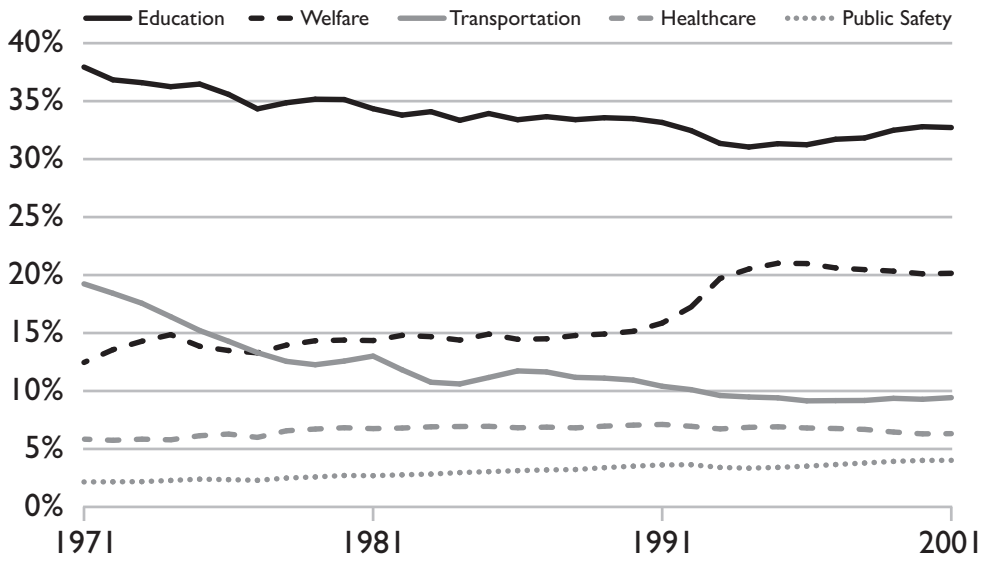

Figure 1.1: Shares of total state government spending allotted to selected classes of programs. Data include all states besides of Alaska, Hawaii, and Nebraska.

most of the funding for state highways (Gray et al. 1985 p. 402). Agnostic of these two categories but also noteworthy are intergovernmental transfers. States do not directly administer all of their outlays; around 35–40% of state spending is given to municipal governments, most notably school districts (Ansolabehere & Snyder 2003).

The five classes of expenditures to which state governments allocate the most funds are education, welfare, healthcare, transportation, and public safety. Together, these constitute roughly three quarters of all state spending (Census Bureau 2011). Relative expenditures on these five classes of programs are shown in Figure 1.1.

Education Education spending has consumed by far the greatest share of state funds during recent history. Over their lifetimes American public schools have served various ends, from spreading religious enlightenment, to eliminating illiteracy, to socializing immigrants, to providing vocational training (Gray et al. 1985 p. 303).

State education outlays generally serve two sets of institutions: public higher education, and public primary and secondary schools. The former are largely supported by the state itself, although they are independent from the executive branch, often managed by disinterested governing boards (Gray et al. 1985 p. 4; Burns et al. 1998 pp. 212–220).

State expenditures on primary and secondary schooling are also sizeable. These institutions were traditionally run and funded by municipal school districts, and indeed as late as 1900 states provided less than 20% of the operating funds for these systems. However, by 1964 this figure had risen to 40%, and has hovered between 40–50% since (Dye 1966 p. 87; Gray et al. 1985 p. 316). Following reforms in the 1960s, states have taken an active role in educational equity by skewing their funding towards poorer municipalities (Gray et al. 1985 p. 305). Primary and secondary school expenditures by states are largely transfers, as they are disbursed for direct use by local boards of education (Census Bureau 2011).

States also maintain their own bureaucracies to handle educational issues. One major responsibility of such bodies is to create and reshape school districts (Dye 1966 p. 85). Another, relatively newer task is to standardize teaching across districts through regulating curricula and specifications, which can include stipulations as specific as choice of particular textbooks (Gray et al. 1985 p. 321; Burns et al. 1998 p. 212).

Welfare As Gray et al. (1985) write, "welfare is a form of direct subsidy … to those who qualify according to specified criteria, [generally in the form of] income maintenance, child and family services, [and] vocational rehabilitation" (p. 374). For much of America's history, welfare was run solely by local governments; however, the New Deal swept in an era of dramatically increased state and federal involvement in such policy (Dye 1966 pp. 115–117). Modern welfare programs rely on federal and state

government funding and regulation, although municipalities do continue to be the direct suppliers of the resultant services (Gray et al. 1985 p. 6). All states have a human services or welfare department that oversees such local disbursement (Burns et al. 1998 p. 223). Note that welfare as a category does not include trust fund-based systems with dedicated taxes, such as workers' compensation, unemployment insurance, and retirement pensions.

One of Roosevelt's grandest creations, the Social Security Act of 1935, founded the Medicare, Social Security, and Aid to Dependent Children (ADC) assistance programs (Gray et al. 1985 p. 375). These were joined by Medicaid in 1965 and the Supplemental Security Income (SSI) system in 1974 (Ways and Means Committee 2004; Barrilleaux & Bernick 2003). Together, ADC, Medicaid, and SSI formed a safety net of joint state–federal programs that accounted for a large portion of state welfare expenditures during the late twentieth century. Under institutions like these, state governments have great leeway in implementation as well as regulation of eligibility. States can elect to fund most welfare programs beyond the minimum required levels, and often receive federal grants if they choose to do so (Gray et al. 1985 p. 377). Because of this flexibility, and the widely varying opinions on the deservedness of recipients, there have for decades been dramatic differences in welfare provision between states (Barrilleaux & Bernick 2003).

Healthcare State health programs, generally centralized under a department in the executive branch, handle several tasks. First, they must supervise and regulate local health programs and distribute grants to municipal organizations. Second, state health departments often maintain state hospitals and other such institutions that directly provide care and perform research (Dye 1966 p. 112). A third purpose is macro-level healthcare, as state health departments manage contagion, assist in securing the food

supply and clean water, and ensure the proper disposal of waste (Burns et al. 1998 pp. 226–227).

Transportation State transportation spending aims to aid in the mobility of people and products by enhancing "airports, rail facilities, and urban mass [transit], and especially through the use of roads and highways" (Gray et al. 1985 p. 374). This last category came into importance as standardized state highway systems emerged following World War II, and today these constitute the majority of transportation appropriations (Dye 1966 p. 152; Gray et al. 1985 p. 374). Dedicated departments of transportation are common among states, and manage most road construction, even that of federally-funded interstates (Gray et al. 1985 p. 404; Burns et al. 1998 p. 234).

Public Safety State public safety efforts entail both prisons and police. Out of the nation's "inmates, probationers, and parolees," the majority are under state government supervision, as local and federal systems are much smaller. Moreover, states control and directly administer most of the funding for these persons and the institutions in which they are held (Stucky et al. 2007). The role of state police varies greatly between governments; they range from elite law enforcement units to simply rural highway troopers. State law enforcement also includes "liquor … officials, fish and game wardens, fire wardens, detective bureaus, and special motor vehicle police." States also provide institutional assistance to municipal governments regarding specialty or large-scale criminal cases (Burns et al. 1998 p. 228).

Democrats and Republicans

The two major parties count among their members almost all elected officials in state government, and therefore play central roles in determining the spending measures outlined above. The Democratic and Republican

institutions can be traced far back into American history, both as national organizations and independent state affiliates.

Purpose of Parties

The Founding Fathers initially feared the existence of political factions in American government; John Adams famously stated that they should be "dreaded as the greatest political evil under our Constitution" (as cited in Avlon 2011). Despite this, such parties quickly developed, and exist today as organizations that serve key purposes in government. For instance, parties help to organize the actions of like-minded elected officials, as collective decisionmaking would otherwise bog down these individuals (Jones et al. 2009). Party labels are important in the electoral process, since they link candidates to policy positions (Woon & Pope 2007). Party organizations also work to redistribute resources and enhance publicity in order to maximize electoral victories.

Party Histories and Dynamics

The Republican and Democratic Parties have long histories in American politics, dating back to the mid- and early-1800s, respectively (Encyclopedia Britannica 2012a; 2012b). Since that time, however, there have been large shifts in each party's platform as the political, demographic, and social landscape of the United States has changed. Several eras of distinct party cleavages exist, in which Democrats and Republicans represent opposing sides of several major issues.

As recently as the 1950s, the main divide between the two parties was along economic lines, with Democrats supporting a greater public sector and Republicans a smaller one; social issues were generally ignored (Aldrich et al. 2004). However, due to a variety of political reasons, in the 1960s Democrats began addressing and taking a relatively liberal stance on social policy, and Republicans responded by shifting to the right (Polsby 2004).

And as the meanings of Democrat and Republican changed around that decade, many voting groups and politicians switched parties entirely. Most notably, the conservative South began shifting to the Republican Party after voting almost exclusively for Democrats since the Civil War (Aldrich et al. 2004). Since this mid-century realignment, the party system has remained fairly steady to the present day; Republicans continue to call for both economic and social conservatism, and Democrats liberalism.

State Political Parties

Just as state governments are of the same mold as the federal government, state parties are similar in structure to their national counterparts. All parties function as quasi-public agencies, with statutory regulations placed on their organization, primaries, nominations, and finances. The Democratic and Republican affiliate parties of each state are governed by a central committee and a chairman, which preside over most operations and design internal by-laws (Gray et al. 1985 pp. 69–71).

Despite operating in analogous institutional environments, state and national political parties are far from interchangeable; as Brown (1995) describes, "rather than one all-encompassing party system, we have instead a national party system that is related to, but also distinct from, a set of 50 different state party systems." Each set of Republican and Democratic Parties generally face similar political cleavages in the electorate. For instance, whites, Protestants, and high-income residents tend to be important Republican blocs, while females, blacks, and low-income voters mostly support Democrats (Brown 1995). State parties cannot stray ideologically far from their national affiliate, and issues and loyalties from the federal level often "push themselves powerfully into the politics of the states" (Gray et al. 1985 p. 89; Key 1956 pp. 38–39). However, especially in the presence of differing political cultures and interest groups, significant variation away

from the Democratic and Republican national platforms is not uncommon; as Key states, "it is an error to assume that the political parties of each state are but miniatures of the national party system" (Erikson et al. 1993; as cited in Dye 1984).

This heterogeneity makes for meaningful political differences between parties across states, the roots of which lie in demographic and cultural variety. This phenomenon is most easily observed when comparing Southern states with non-Southern ones; a great number of researchers highlight fundamental differences in political dynamics and demands between these two regions (Woon & Pope 2007; Grogan 1994; Alt & Lowry 1994; Erikson et al. 1989). The political culture of the South is generally to the right of the rest of the country, such that "a Southern Democrat is often as ideologically conservative … as a [non-Southern] Republican" (Grogan 1994). Although this is the most significant deviation within parties, it is far from the only one; minor differences in the "political complexion" of state Democratic and Republican organizations are common (Besley & Case 2003). I further address this variation and the methodological issues it poses in later chapters.

Conclusion

The American state governments serve many crucial functions for their residents. Within this institutional system, the Democratic and Republican Parties compete for influence, especially over which goods and services are provided. Expenditure patterns help to reveal these party preferences, and I leverage these in my statistical analyses below. Before that, however, I outline the prior studies of political scientists regarding parties and spending.

CHAPTER 2

LITERATURE

In this chapter I review the theoretical literature on government spending and party behavior, and also discuss the previous empirical results of researchers who have tackled the two questions of my study: how does political party control of state government affect the overall level and relative shares of public expenditures?

THEORETICAL LITERATURE

There are a great number of discussions on both party politics and government expenditure. In this study I focus on the especially relevant portion of these works.

Theories on Spending

Ringquist and Garand (1999) give a detailed overview of the theories behind public sector growth over time. Stronger control by economic liberals is, they state, just one of several possible causes of spending increases. The electorate itself may drive growth, since a more liberal polity or one with many self-interested state employees may demand greater appropriations. Voters may also be lured into supporting higher outlays by the "fiscal illusion": relatively opaque taxation and borrowing practices may cause the public to underestimate the true costs of services. Wagner's Law, derived from Adolf Wagner's nineteenth century work on industrialization, states

that a more complex society and economy requires a larger public sector for the purpose of public goods and regulation (Garand 1988). To this explanatory set, Gilligan and Matsusaka (2001) add the "rule of 1/n": larger legislatures should in theory generate more wasteful "pork" spending, and thus greater overall expenditures.

Several theories also exist that aim to explain government choices to shift spending from one program class to another. Constituent demands may change through immigration or aging, which should strongly influence expenditure shares. Shifts in earmarking or intergovernmental support may also affect the funding of a group of policies (Ringquist & Garand 1999). A fractured populace may also result in less spending on certain programs, since "when individuals have different preferences [regarding a good or service], they want to pull fewer resources together for public projects" (Alesina et al. 1999).

Theories of Party Behavior

In theory, how politicians vote on appropriations and other bills is significantly affected by their party. This influence on voting is largely derived from "legislators' desire for party resources and their desire to create a positive brand name for the party" for the purposes of reelection (Jenkins 2008). Further, coalition building between Republicans and Democrats has very high costs, giving politicians further reason to generate policy within their own parties (Krehbiel 1996). That said, members of one party are rarely in perfect agreement, and so members of the majority may still have reason to reach across the aisle on occasion (Coleman 1999).

The Strategic Party Governance theory enumerated by Lebo et al. (2007) perhaps best emulates how a politician reacts to the demands of his or her party. Under this theory, officials must optimize their level of "partisanness," taking into account both the preferences of their constituents and

the stances of their party. Supporting party-line legislation allows a politician to accomplish more, but it also likely entails shifting away from the median voter, which may harm reelection prospects. Erikson et al. (1993) pose a similar theory, observing that lawmakers are pulled away from the political center by party elites and drawn towards the center by a desire for reelection.

Empirical Literature

Empiricists draw from these and other theoretical frameworks of political science, and use them to build statistical models. I investigate the prior studies that have tested my research questions in such a manner.

Does Party Control Affect Spending Levels?

Whether or not control by Democrats or Republicans influences total expenditures is hotly debated in the literature, with ample support for both sides.

Party Control Doesn't Matter A sizeable body of work finds that non-political factors are responsible for public sector growth, and political party control has no affect. Some of this evidence comes from outside the realm of the states, making it less applicable though still worthy of consideration. For instance, studying the members of the Organization for Economic Cooperation and Development (OECD) from 1942–1996, Lambertini (2003) finds that public good provision does not have a political pattern with respect to the liberal–conservative dichotomy of political parties. In their analysis of American National Election Studies data from 1976 and 1978, Connover and Feldman (1981) note that party-based "ideological identifications are found to have largely symbolic meanings," with the divide between Republicans and Democrats having an insignificant affect on Congressional policy. And at the mayoral level, Ferreira

and Gyourko (2009) discover that party affiliation has no influence on government size between 1950–2000.

There is also noteworthy evidence at the state level suggesting that political parties have no effect on overall fiscal policy. Running regressions for each state from 1945–1984, Garand (1988) finds "virtually no support" for party control of government affecting expenditures. Gilligan and Matsusaka (1995) likewise conclude that the party in power has an insignificant effect on direct expenditures by state and local governments over the span of 1960–1990. Gilligan and Matsusaka (2001) further this by analyzing state expenditure data from 1902–1942 as well, and continue to find party control to be meaningless with regards to expenditure level, despite the differing time frame.

Party Control Does Matter Several other political scientists oppose the above results, and contend that there does exist a significant relationship between party control and levels of government spending. One strand of this literature is simply an analysis of unified control itself, agnostic of party; that is, do governments with either party in control of both the legislative and the executive branches spend at different levels than those that are politically divided? Regarding the national government, Coleman (1999) finds this to be the case; examining 1947–1994, he discovers that unified governments generate a greater number of major policy changes, whereas divided governments often result in simply incremental shifts. Poterba (1994) observes state governments between 1988–1992, and also concludes that there is a meaningful difference in fiscal activity, noting specifically that unified political control results in faster adjustment to deficits. Analyzing state expenditures from 1977–2001, Erler (2007) determines that divided governments spend more than unified ones.

The other strand of this literature consists of studies that have found one particular party to spend more than the other. In the case of this reviewed research, the Democrats are identified as higher-spending. Rogers and Rogers (2000) model state data from 1950–1990, concluding that "the Democratic Party is associated with bigger government" when in unified control. Alt and Lowry (1994) discover that Democrats prefer to spend a greater share of state income relative to Republicans, simultaneously estimating both revenue and expenditures from 1968–1987. With 1952–1995 expenditure data from non-Southern states, Alt and Lowry (2000) again determine that Democrats "target a larger share of state incomes for the public budget than Republicans" after controlling for the previous year's deficit. Besley and Case (2003) concur that greater Democratic control of state legislature results in more spending per capita during their study period of 1950–1998.

Does Party Control Affect Spending Shares?

There is some academic disagreement over whether or not party control affects the allocation of expenditures. However, most political scientists argue that there is a statistically significant effect. The majority of studies on spending shares are focused on welfare, due to the strong political rhetoric that surrounds the topic, as well as the large variation in welfare provision between governments.

Party Control Doesn't Matter A few studies provide empirical support for the notion that party control does not affect the relative sizes of expenditure shares. Post-World War II evidence from OECD countries as presented by Lambertini (2003) suggests that on an international level the welfare share of government outlays has no political pattern. Regarding the American states, only relatively early research finds that parties do not influence spending shares. Winters (1976), for example, concludes that

"there is no relationship between political party control and changes in the redistributive policies" of non-Southern states from 1950–1967. Dye (1984) also finds there to be "party–policy linkages" in fewer than half of states with regards to welfare expenditure between 1950–1980.

Party Control Does Matter A more recent and substantial set of analyses discover that political parties do have an effect on expenditure shares. Aldrich and Rohde (1997) find that "substantial differences in policy [and spending] preferences" are entailed by the party split, and illustrative votes along party lines are not uncommon. Anagnoson (1982) highlights that party control can influence other dimensions of spending, too, such as temporal distribution; in observing the outlays of two federal government offices between 1967–1979, he notes that payments to program recipients shift near elections in order to make the executive's party seem more appealing to voters.

Several empirical studies of welfare provision support the notion that party control does affect the distribution of expenditures. Besley and Case (2003) discover that unified Democratic control of a state government leads to more spending on family assistance during their 1958–1998 panel. Brown (1995), with 1976–1988 expenditure series, finds that Democrats allot more of the public sector to welfare than Republicans. Grogan (1994), modeling 1979–1989 state-level data, finds that "politicians' political ideology plays a significant role" in Medicaid funding decisions, specifically that Republicans opt to spend less than Democrats. The results of Gilligan and Matsusaka (1995) also show that Republican control of state government is tied to less welfare spending between 1960–1990.

These differing expenditure preferences are also found in other policy areas. In the same study referenced above, Gilligan and Matsusaka estimate that Democratic control of a state comes with a lessened focus on highway

infrastructure, for instance. The Republican Party's image as the "law and order" party is corroborated by Stucky et al. (2007), who note that the Republican percentage of a state's legislature is positively related to the corrections share of its spending between 1980–1998. Even education, a policy realm relatively less politicized, appears to be related to party power; McLendon et al. (2009) find that the Republican share of the legislature and control over the governorship are tied to less funding for higher education from 1984–2004.

Conclusion

There are several clear and theoretically enumerated reasons behind the growth of government spending, and as to why a political party may have influence over its members in terms of appropriations votes. The empirical evidence on whether Democratic or Republican control actually makes a fiscal difference is somewhat mixed, especially in terms of overall levels of spending. However, there is a significant body of literature that suggests "that there is still information in the party identities even after controlling for ideology" and demography (Besley & Case 2003). In the following chapter I borrow from these and other political scientists regarding data and methodological techniques in order to create a model that accurately measures party influences on state spending.

CHAPTER 3

METHODOLOGY

This chapter explains the means by which I test my research questions. I begin by enumerating the theoretical influences on state expenditure decisions, and forming a statistically testable model regarding these. This is followed by a discussion of the data involved in the estimation process, as well as specific techniques and concerns that are relevant to my econometric approach.

MODEL

In theory there are many factors that may influence state government expenditures. Empirically, many of these can be controlled for through econometric techniques, allowing for a clearer and more concise model to be estimated.

Theoretical Form

Besley and Case (2003) outline the variety of potential determinants of state spending levels and allocation. Perhaps the most important of these is the demographic and economic environment in which the government operates; industrial, income, and social affiliations play a major role in determining an electorate's demands, and the relative size, power, and fragmentation of these groups determine their sway over policy decisions. A state's economic performance also has an independent effect on spend-

ing; income and employment, through various causal chains, influence a government's tax revenue, the quantity of welfare outlays required, and other fiscal variables.

Institutions, or the conventions and rules that parameterize government activities, also mold and affect the spending process in theory (Poterba 1996). These may limit or enhance the powers of a legislature, political majority, or governor; examples of these institutions include supermajority requirements for passing appropriations or tax measures, line-item veto abilities, and balanced budget requirements (Besley & Case 2003). By nature, institutions are long-standing and fairly constant over time. Institutional change does occur on occasion, however. In these instances, the change is usually due to social or economic shifts, or to processes within the policymaking realm (Kousser et al. 2008).

As discussed in the previous chapter, political parties theoretically have an independent effect on spending choices as well. Whether the party is conceived of as a unitary body or as the sum of its members, policymakers seek its resources and are guided by the organization and the information it provides (Besley & Case 2003). The significance of party control on expenditure decisions is also subject to other determinants. Parties may pursue different appropriations in different time frames, for instance; the actions of newly-ordained majorities or parties with "lame duck" control may contrast with standard Democratic and Republican preferences (Tabellini & Alesina 1988; Poterba 1994).

A final driver of spending is a state's history, which is key in shaping political dynamics, public sentiment, and culture. For example, the members of the former Confederacy harbored a loathing of Lincoln's Republican Party long after the Civil War ended, voting almost exclusively for Democrats over the following century; this political swing has policy repercussions that stretch to the present day (Miller & Schofield 2008). The establish-

ment of an industry or the settlement of an ethnic group can likewise shift the values of voters for decades. The history of political control of a state government is yet another potential influence on expenditure decisions; the preferences of a previous majority can easily be forced onto later budgets (Rothwell 2011).

State spending choices can thus be represented by the following:

$$Expenditure = f(Demography, Economy, Institutions, Politics, History)$$

Estimated Form

Several changes must be made in order to statistically test the above model. Most significantly, state fixed effects can be incorporated as regressors; these control for factors within a state that do not vary with time. State fixed effects mitigate, for instance, the influence of line item veto powers, supermajority requirements, and other institutions that have not been altered in recent decades (Besley & Case 2003; Alt & Lowry 2000). Fixed effects likewise capture a state's history, which is unchanging by definition, and its political culture, which shifts very little. Similarly, year fixed effects are also included; these control for national- and international-level shocks to state spending, such as political movements, energy prices, wars, and trade disputes (Brace et al. 2004). The empirical appropriateness of these sets of dummies can be assessed through a Hausman test, which I leverage in the coming chapter. I also include a time trend to account for agnostic expenditure change over the course of my study.

After accounting for these effects, only heterogeneously time-varying factors need to be included in my model. Combining this criterion with data availability and the theories and findings of previous research, I can effectively select variables applicable and meaningful to the appropriation process. The following estimable equation is the result:

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$$Expenditure_{it} = \beta_0 + \beta_1(Political\ Control)_{it} + \beta_2(Demographic\ Environment)_{it} + \beta_3(Economic\ Environment)_{it} + \beta_4(Institutional\ Environment)_{it} + \beta_5(Political\ Environment)_{it} + \beta_6(Lagged\ Political\ Control)_{it} + \beta_7 t + \beta_8\delta_i + \beta_9\gamma_t + \varepsilon_{it}$$

where i denotes state and t the year. Terms in parentheses stand for vectors of variables, each fully enumerated below, and the β values are vectors as well. State fixed effects are denoted by δ, year fixed effects by γ, and error by ε.

Variables

Below I discuss the variables utilized in my estimated regression models, along with their data sources and, where applicable, how prior literature expects them to affect the public sector. Descriptive statistics are presented below, in Table 3.1. The selection of these variables and the exclusion of others is subjective by nature, but I have attempted to only choose those that are amply supported by political science theory and empirics.

Expenditure

The Census Bureau (2011) publishes disaggregated annual expenditure data for the 50 state governments. Out of this I exploit the "total expenditure" information for the first half of my analysis, the study of overall spending. Following New (2010), I construct my dependent variable by transforming this series into annual percent change in expenditures, since this yields more meaningful results; once deflated in this way, findings can be applied equally well to both low- and high-spending states.

The Census dataset also includes expenditure categories, and from these I calculate the spending shares of the five program classes discussed in my introductory chapter. These comprise the dependent variables used in the second half of my analysis; as they are already deflated by the overall expenditure level, they do not need to be adjusted to annual percent change.

Recall that these five categories do not cover all state government functions and thus do not total to 100%.

The Census defines these program classes as follows: education includes spending on "schools, colleges, and educational institutions [for the handicapped, and] educational programs for adults"; welfare consists of "support of and assistance to needy persons" including cash assistance and medical care subsidies but excluding "pensions … and other benefits not contingent on need"; transportation encompasses highway, air transport, parking, water transport, and mass transit outlays; healthcare includes outpatient health services such as hospital maintenance, public health administration and research, and clinics; and public safety is composed of state police and fire protection, correction, and inspection and regulation.

All of these spending data are collected by fiscal year instead of by calendar year. For almost all states, the fiscal year begins in July; that is, FY1990 in general lasts from July 1990 through June 1991 (Census Bureau 2011). This is unlike the temporal structure of any of my other variables, so to rectify this I choose to classify each fiscal year as being in the following calendar year. For instance, I classify FY1995 as calendar year 1996. This choice is made due to the nature of American politics and policymaking; with many deliberative veto points, policy systems in the United States are generally reactive as opposed to proactive (Jones et al. 2009). Further, most appropriation choices are made during the preceding fiscal year, when politicians only have current and not future conditions to guide their decisions (Besley & Case 2003).

Political Control

My key independent variable is derived from Klarner (2011b), who has compiled a set of historical series describing the control of a state's government. A party is considered to hold unified control if it has either a

veto-proof majority in both legislative houses, or the governorship and a simple majority in both houses. Thus I utilize two dummy variables, one for unified Democratic and one for unified Republican control.

Demographic Environment

The demography of a state can act as a proxy for constituent preferences and demands, as well as a measure of the needs of the populace in terms of public services and goods.

Racial Fractionalization Shelton (2007) argues on a theoretical front that racial diversity is one form of preference heterogeneity. This phenomenon generally results in a diminished public sector, since residents have less in common and therefore less to gain from pooling their resources. Researchers like Alesina et al. (1999) and Rizzo (2003) empirically support this, finding that spending on public goods, from education to roads to correction, is affected by racial fractionalization.

Working from the methodology of Alesina et al., I utilize racial shares of the population to construct an index of fractionalization. These data are compiled by the National Cancer Institute (NCI) (2011) from Census Bureau records, and the categories are unfortunately but unavoidably coarse, consisting simply of "white," "black," and "other." The value of this index is equal to the following, resulting in a value between 0 and 1 that is positively related to the level of racial heterogeneity:

$$\textit{Racial Fractionalization Index} = 1 - \sum(race_a)^2$$

where *race* denotes the share of the population identified as a given race and *a* equals white, black, and other, at least with these data.

Youth and Elderly Share Demands for government services vary greatly based on age, with those outside of working age tending to require

the most assistance. Notably, the young depend on public education and the elderly on healthcare. Following the precedent of Shelton (2007), Besley and Case (2003), and Alesina et al. (1999), I construct variables for both the population share under 18 and the share over 64 using the NCI (2011) dataset. These previous studies have upheld the notion that high values in these variables should be associated with increased expenditures and altered spending allocations.

Educational Attainment I believe that educational attainment can be a proxy for societal complexity, and therefore according to Wagner's Law education ought to be positively related to the level of public spending. More educated residents may also have different values and thus demand different types of spending, such as a greater education share of appropriations (Alesina et al. 1999). To measure this, I use a pair of variables generated by Frank (2009) that measure the population shares that have at least a high school degree and at least a college degree.

Urban Share Needs for various public goods and services vary greatly between urban and rural areas; these residents ought to influence expenditure shares differently (Gilligan & Matsusaka 1995). Leight (2010) has compiled Census data on the urban share of the population; his is the variable I include.

Economic Environment

Similar to demographics, the employment and incomes of a populace have dual effects on government spending, both influencing voter preferences and indicating need of state resources.

Unemployment Rate Political scientists such as Alt and Lowry (1994) have highlighted state governments' cyclical spending patterns in reac-

tion to unemployment. State unemployment rates are extracted from the Bureau of Labor Statistics (BLS) (2011b) for 1976 onwards, and from the Labor Department (1975) and the Census Bureau (1976) for several years before that. The Census Bureau (1978) states that these series can be merged without adjustment.

Industry Shares of Employment The industrial makeup of an area can determine much about its economy. Certain industries require more coordination from the government or different public goods to operate; these can manifest themselves in state expenditure growth or shifts (Dye 1966 p. 7). By-industry shares of non-farm employment, delimited by Standard Industrial Classification (SIC) codes, are provided by the Bureau of Economic Analysis (2011b). Out of these I include as explanatory variables the most aggregated industry divisions: agriculture, construction, finance, government, manufacturing, mining, retail, services, transportation, and wholesale. I also include a variable from the same dataset measuring the farm share of total employment.

Union Membership The presence of unions tends to raise wage levels, and so accounting for these in my expenditure systems should be important; state governments have to spend more for the same labor, *ceteris paribus*, if unions have a strong presence (Blanchflower & Bryson 2004). States may also have to shift spending shares if unions are not homogeneously powerful or relevant in different areas of the public sector. Hirsch et al. (2010) provide each state's union membership rates over time.

Inequality Economic inequality, like several factors already described, is another cause of preference fractionalization. Shelton (2007) finds that, internationally, greater income heterogeneity is linked to a decrease in public good provision. More unequal states may also need to spend more

on welfare and other measures, as governments tend to actively shift funds from richer to poorer municipalities (Gray et al. 1985 p. 305). I use the Gini coefficient series of Frank (2008) to represent income inequality in my regressions.

Output Economic growth prompts greater and changing demands for public services; government provision acts in certain respects like a luxury good (Gray et al. 1985 p. 438; Shelton 2007). Further, a state's gross product acts as its tax base, and so growth in this respect allows for the revenue side of budgets to increase. As discussed in my introduction, states generally must have equivalent incomes and expenditures, and so larger revenues entail greater expenditures. The BEA (2011a) provides these gross state output data.

Federal Transfers In addition to taking the tax base into account, I must also control for the other main source of state revenues: the federal government. As Dye (1966) notes, "the national government [cannot] be treated as a constant, for it impinges on [states] in a very uneven fashion" (p. 43). New (2010), Alt and Lowry (1994), Ringquist and Garand (1999), and others find federal grants key in explaining both state spending levels and programmatic allocation. This series comes from the same Census Bureau (2011) dataset as the expenditure figures that constitute my dependent variables, and is adjusted from fiscal year to calendar year in the same manner.

Institutional Environment

While state fixed effects control for most rules and conventions regarding expenditures, some institutions of state governments have undergone shifts in recent history and must be accounted for.

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Taxation or Expenditure Limits Taxation and expenditure limits (TELs) are rules designed to control public sector growth. They do so by placing a ceiling on either revenue or expenditure increases, often tying them to growth in state economic output. TELs have their origins in anger over taxation in the 1970s following periods of inflation, and have continued to propagate since that decade (Gray et al. 1985 p. 308). By 2001, 28 states were operating under some sort of TEL. TELs are distinct from balanced budget rules, which require equality between government income and spending. New (2010) notes that most TELs have mixed levels of effectiveness in slowing expenditure growth, but can have a significant effect given favorable institutional environments. I create a dummy variable representing the presence of a TEL using information from the National Conference of State Legislatures (NCSL) (2008) and New (2010).

Term Limits When operating under term limits, politicians face different incentive structures than they would otherwise. Especially during but also in anticipation of their final years in office, legislators and governors have less incentive to heed the demands of voters. Research by Bowser (2005) has revealed that intra-governmental power dynamics shift and the influence of party leaderships is weakened in the presence of term limits; these effects have the potential to alter policy outcomes. List and Sturm (2006) and Bowser (2005) provide data on the passage of gubernatorial and legislative term limits, from which I construct a dummy variable for the existence of each.

Budget Cycle Frequency The frequency with which a state's budget is created and passed may have an effect on the appropriation plans therein. Traditionally budgets were crafted once every two years, but there has been a trend towards annual budgeting; in the face of larger and more complex systems of expenditures, state governments have had to professionalize

and spend more time on this process. Priorities may vary depending on a state's budget frequency (NCSL 2011). NCSL (2011) and Congressional Budget Office (1988) data are used to create a dummy variable that is 1 if a state passes a budget biennially and 0 if it does so annually.

Political Environment

A party's control of state government is not the only political factor influencing spending patterns. The majority may have other meaningful characteristics, and election cycles also affect decisionmaking.

Election Year Under political business cycle theory, incumbent policymakers may attempt to please constituents during election years by spending more, improving economic wellbeing purely in the short run. Poterba (1994) finds evidence of this at the state level, with state expenditures growing more quickly during gubernatorial election years. My election year variable controls for legislative election years, which occur biennially. Since not all states hold elections on even years, I consult Klarner (2011a) for information on the timing of votes.

Beginning of Control The first two years of a party's control over state government are often marked by particularly significant policy change (Coleman 1999; Alt & Lowry 2000). This "early momentum" is captured in a set of two dummy variables, one each for Republican and Democratic control.

End of Control Likewise, political parties often act differently when their control of government is coming to an end, notably within the last year. This phenomenon is documented both theoretically and empirically in state-level research (Persson & Svensson 1989; Wagner 2001). I calculate dummies for both Republican and Democratic last years of control.

Table 3.1: Descriptive Statistics, All Variables

Variable	Mean	Std. Dev.	Minimum	Maximum
Percent Change in Total Expenditure	0.026	0.050	-0.154	0.296
Education Share of Expenditure	0.340	0.066	0.161	0.508
Welfare Share of Expenditure	0.164	0.054	0.047	0.340
Healthcare Share of Expenditure	0.066	0.018	0.017	0.127
Transportation Share of Expenditure	0.118	0.043	0.041	0.338
Public Safety Share of Expenditure	0.031	0.011	0.009	0.070
Democratic Control	0.407	0.491	0	1
Republican Control	0.152	0.359	0	1
Racial Fractionalization Index	0.207	0.125	0.008	0.480
Population Share Under 18	0.281	0.034	0.219	0.397
Population Share Over 64	0.118	0.020	0.065	0.184
Population Share with High School Degree	0.443	0.091	0.197	0.607
Population Share with College Degree	0.113	0.039	0.040	0.248
Population Share Urban	0.679	0.147	0.322	0.949
Unemployment Rate	0.060	0.021	0.023	0.174
Agriculture Share of Employment	0.010	0.004	0.003	0.026
Construction Share of Employment	0.057	0.011	0.030	0.103
Finance Share of Employment	0.073	0.014	0.040	0.142
Government Share of Employment	0.170	0.035	0.105	0.299
Manufacturing Share of Employment	0.158	0.065	0.034	0.324
Mining Share of Employment	0.012	0.020	0.000	0.153
Retail Share of Employment	0.170	0.013	0.131	0.210
Services Share of Employment	0.254	0.052	0.162	0.435
Transportation Share of Employment	0.050	0.008	0.031	0.076
Wholesale Share of Employment	0.047	0.008	0.027	0.074
Farm Share of Total Employment	0.038	0.032	0.002	0.203
Union Membership Rate	0.172	0.078	0.033	0.424
Gini Coefficient	0.523	0.048	0.410	0.656
Gross Output (Per Capita, 2000 Dollars)	26.897	5.527	14.872	53.722
Federal Transfers (Per Capita, 2000 Dollars)	0.704	0.241	0.287	1.922
Taxation or Expenditure Limit	0.288	0.453	0	1
Gubernatorial Term Limit	0.603	0.489	0	1
Legislative Term Limit	0.095	0.293	0	1
Biennial Budget Cycle	0.382	0.486	0	1
Election Year	0.487	0.500	0	1
First Year of Democratic Control	0.032	0.177	0	1
First Year of Republican Control	0.025	0.155	0	1
Last Year of Democratic Control	0.037	0.189	0	1
Last Year of Republican Control	0.025	0.155	0	1

Data cover 1971–2001 for all states besides Alaska, Hawaii, and Nebraska. n = *1,457.*

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Lagged Political Control

Whichever party has control in a given year, their government is subject to prior spending commitments, which are often quite substantial (Alt & Lowry 2000). Therefore, I may lag the political control vector one or more times to reflect the relevance of past governments on current outlays. I determine the correct number of lags through Wald test optimization. Single-year lags would suffer from very high correlation within election cycles, so therefore lags in these tests are spaced at two-year intervals.

Deflators

Those series that are in nominal dollar terms are deflated to per-capita real year 2000 dollars. This standardization facilitates interpretation of the estimated coefficients from my regressions. The deflators used are state population from the NCI (2011) and the national urban consumer price index from the BLS (2011a).

Data Constraints

Despite the high quality and temporal breadth of the data above, there are several issues that result in the limitation of my study to 47 states for 31 years.

State Limitations

I exclude three states from my analysis: Alaska, Hawaii, and Nebraska. The first two are omitted due to missing data: Frank (2009) does not compute educational attainment rates for their residents. However, even if this were not the case Alaska and Hawaii are geographically far from the continental states, and this distance would cause distortions in the spatial modeling techniques that I introduce later.

The decision to exclude Nebraska from my regressions is made on institutional grounds. The state's government is unicameral, unlike any other in

the nation. Nebraska's legislators also do not affiliate with political parties, and without party control data the state cannot be included in my model (Klarner 2011a). Only one other state legislature has been nonpartisan in the past century: Minnesota's, through 1976. Unlike Nebraska, though, the Minnesotan party control value can still be determined for earlier years because "almost every member of the legislature before those [1976] elections" belonged to the Liberal or Conservative Caucuses, which correlate directly to the later Democratic and Republican state parties (Schaffner et al. 2001; Klarner 2003).

Year Limitations

Based on historical information and data constraints, my choice of study period is from 1971–2001. The political realignment of the 1960s is one major consideration, since the preferences of the parties shifted as their compositions and platforms changed (Polsby 2004; Miller & Schofield 2008). Starting my study after this turbulent period grants greater consistency to the meaning of Democrat and Republican control. A lack of data dictates the end of the study: the SIC-coded industrial employment series does not stretch beyond 2001.

Spatial Correction

Spending decisions are made in an interconnected system of state governments, which is not adequately modeled by pooled ordinary least squares (OLS) or even fixed effects (LeSage & Dominguez 2012). This is due to the presence of spatial dependence, common to public choice systems, in which the policy decisions of one state are influenced by those of its neighbors (Jackson 2011).

The theoretical case for spatial dependence in the realm of state expenditures is quite strong. In a federal system such as America's the states are seen as "policy laboratories"; governments around the country use different

policy tools to deal with the same public problems, and the best-performing solutions become widely adopted (Burns et al. 1993 pp. 24–25). Thus, as Erikson et al. (1993) describe, "the state policy process [is] a pattern of occasional innovation by some states followed by widespread copying by others" (p. 73). Spatial dependence may also be driven by competition for businesses or mobile residents, or by "policy spillovers," such as road infrastructure, through which one state's spending may encourage neighbors to invest complimentarily (Jackson 2011).

In spite of these theories, few empirical studies of state expenditure have incorporated corrections for spatial dependence, possibly due to its computational complexity. I explicitly model spatial dependence into my estimations, using a time-lagged spatially dependent system (Ward & Gleditsch 2008 pp. 85–86). This simply entails adding a regressor that takes the average of the previous period's regressand for the five states "nearest" to state *i*; that is:

$$\lambda_{it} = \Sigma(Expenditure_{jt-1})/5$$

for the five states *j* nearest to *i*. This leads to the following estimated model:

$$Expenditure_{it} = \beta_0 + \beta_1(Political\ Control)_{it} + \beta_2(Demographic\ Environment)_{it} + \beta_3(Economic\ Environment)_{it} + \beta_4(Institutional\ Environment)_{it} + \beta_5(Political\ Environment)_{it} + \beta_6(Lagged\ Political\ Control)_{it} + \beta_7 t + \beta_8\lambda_{it} + \beta_9\delta_i + \beta_{10}\gamma_t + \varepsilon_{it}$$

In my results chapter, I report the results of this model alongside the outcomes of the OLS and fixed effects specifications. Empirically, this spatially corrected system can be estimated using least squares without worries of endogeneity, since λ_{it} is determined in year *t*-1 and is therefore exogenous (Ward & Gleditsch 2008 p. 86).

As Ward and Gleditsch (2008) illustrate, the definition of "nearness" in a spatial model is important to its outcome (pp. 56–61). I estimate my

spatial model twice, utilizing a different metric for nearness in each. First, I use a measure of simple geographic proximity. Nearness here is taken to be the distance between year 2000 population centroids, taken from the Census (2000). Karch (2007) has highlighted that geographic closeness makes for overlapping media markets, similar population characteristics, and greater shared migration, and that these factors enhance communication and policy diffusion. My second metric for nearness stems from another suggestion by Karch (2007): industrial similarity. Theoretically, states with similar economies ought to face related problems and look to each other for policy solutions. Leveraging the BEA (2011b) data, I calculate the average shares of employment for each industry between in 1971–2001, and then calculate the Euclidean distances between each state's industrial composition for each year. These distances are used to judge nearness in my spatial calculations. Note that this nearness metric allows for change over time, as opposed to my geographic measure.

The parameters yielded by these two models are cleared of spatial dependence, and the resultant estimated effects of party control more accurately reflect the true values.

Econometric Concerns

Even after correcting for spatial, year-specific, and state-specific factors, there exist further methodological concerns regarding my data and models.

Heteroscedasticity and Autocorrelation

There is a possibility that my results could be made inaccurate by the presence of heteroscedasticity and autocorrelation. The former would affect the accuracy of the estimated standard errors, possibly making some coefficients seem significant when they are not; dissimilar variances are plausible given the fundamental differences in political dynamics between states. The latter would entail a misspecification of my model, as presence

of autocorrelation indicates a systematic error relationship between periods. Such a pattern is certainly possible in the context of state expenditures given that many programs carry through for or are reenacted over many consecutive years.

I check for both of these statistical phenomena in my basic fixed effects regressions, using a modified Wald test for panel heteroscedasticity and a Wooldridge test for first-order panel autocorrelation. If these are confirmed at the 95% level, panel-corrected standard errors (PCSEs) are used to manage heteroscedasticity and a Prais–Winsten (PW) estimation technique can control for autocorrelative effects.

Public Opinion

The political ideologies of a state's citizenry are an important causal factor in the appropriations process; how state legislators act is greatly a reflection of constituent opinions (Erikson et al. 1993 p. 119; McLendon et al. 2009). If ideology varies differently over states and over time, it would not be controlled for by year and state fixed effects and may result in bias (Besley & Case 2003).

The consistency of a state's voter ideology over time is debated in the empirical literature. Some panel measures of citizen opinions, such as those of Berry et al. (1998; 2007), find that heterogeneous shifts occur during my study period. However, Shor et al. (2007) take issue with the Berry methodology, as it incorrectly assumes that state-level parties have the exact same platforms and preferences as their federal affiliates. Less contested panel ideology measures come from Erikson et al. (1993) and Brace et al. (2004), and both of these studies conclude that the influence of opinion can be essentially mitigated by state and year fixed effects. Based on these results and the lack of an acceptable opinion measure for my study's duration, I opt to not include public opinion in my estimated model (Shor et al. 2007).

Lack of Variation

Another methodological concern is the lack of variation in the key dependent variable, political control, which is illustrated in Figure 3.1. One state, California, was under neither Democratic nor Republican control during any of the 31 years of my study. More concerning, between 1971–2001, Alabama, Georgia, Maryland, and West Virginia were controlled continuously by the states' Democratic Parties. Five more states were under Democratic control for 29 or 30 of the 31 years, meaning that over 20% of the states in my sample saw almost no deviations in either of their political control variables. More broadly, 11 of the 47 never experienced Democratic control, and 22 were never controlled by Republicans. Finally,

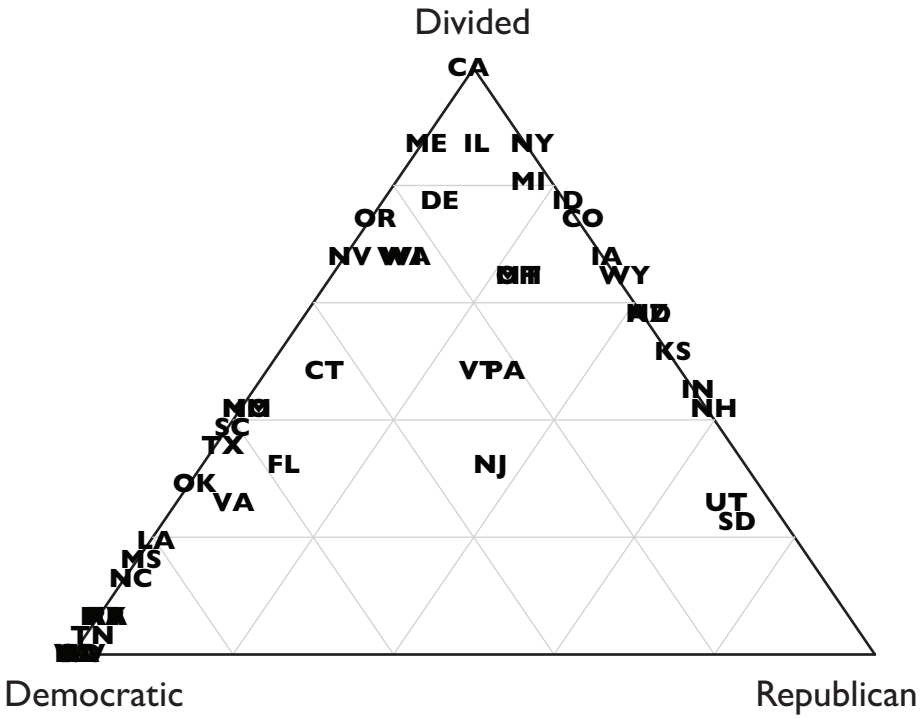

Figure 3.1: A trivariate plot displaying the average political control status of the 47 studied states over 1971–2001. The closer a state is to a corner, the more often it was under that particular form of control. So, for instance, California was under divided control for all years, Kansas was politically divided half the time and Republican-controlled for the other half, and New Jersey was under all three types of control for about the same duration.

political control switched directly from one party to another only twice in my entire sample, roughly 0.1% of all observations.

This lack of variation in political control is worrisome both as a symptom and as a problem in itself. First, it allows for the possibility of a fundamental difference in politics and spending patterns between the states with greater competition and those with consistent control. Researchers such as Alt and Lowry (1994; 2000), Winters (1976), and Fiorina (1994) cope with this issue by excluding the Democratic "solid South" from their analyses. Empirical findings on whether competition actually affects spending outcomes are mixed, though (Dye 1984; Rogers & Rogers 2000). Second, a total lack of political variation within a state causes the influence of party power to be captured by the state's fixed effect dummy as opposed to the Democratic or Republican variables. Therefore, my estimates of the linkage between party control and spending can only reflect outcomes in those states where control changes at least once between 1971–2001.

I attempt to mitigate this problem by utilizing an alternative measure of Republican or Democratic power to test the robustness of my findings. This political balance index offers more variation over time within each state. It is constructed as follows, giving equal weight to each of the two houses and the governorship, and ignoring vacant and third-party legislative seats:

Political Balance Index = [(*Lower House Democrats*) / (*Lower House Republicans* + *Lower House Democrats*) + (*Upper House Democrats*) / (*Upper House Republicans* + *Upper House Democrats*) + (*Governorship*)] / 3

where *Governorship* is coded as 1 for Democrat, 0.5 for third-party, and 0 for Republican. The political balance index is bounded by 0 and 1, with higher values indicating a greater Democratic presence. Descriptive statistics are presented in Table 3.2.

This alternative measure of political strength is somewhat troublesome, however. While it does offer greater variability than my main political control binaries, it is a less precise indicator of which party can actually pass legislation. For instance, the index could have a value well above 0.5 under a Democratic governor and two Republican supermajorities in the legislature, a situation under which the Republicans are truly in control according to theory and my main political control dummies. Therefore, the political balance index robustness tests must be interpreted with caution.

The models used for this robustness testing mimic those that the political balance index is being used to check; identical estimation methods and environmental controls are included, and lags of the political balance index replace any lags of the political control vector. The data needed to construct the political balance index are taken from Klarner (2011b). The nonpartisan status of Minnesota's legislature has prevented the coding of precise party makeups for most years in the 1930s and 1940s, and so this state must be excluded from the robustness tests since lags of that length may be needed.

Table 3.2: Descriptive Statistics, Political Balance Index

Variable	Mean	Std. Dev.	Minimum	Maximum
Political Balance Index	0.579	0.228	0.071	1.000

Data cover 1971–2001 for all states besides Alaska, Hawaii, Minnesota, and Nebraska. n = *1,426.*

Endogeneity of Federal Transfers

A final methodological concern is the partial endogeneity of intergovernmental revenue. Federal subsidies are not exogenous to state appropriation decisions; many state–federal joint programs are designed to grant matching funds for resources spent by a state (New 2010). Unfortunately, there is no way to disaggregate federal transfers into exogenous and endogenous categories based on whether they are unexpected or explicitly promised. I

opt to include the variable in my regressions regardless of this, since there is strong theoretical and empirical evidence for its necessity.

Conclusion

The literature discussed in the previous chapter provides ample direction in constructing both a theoretical and functional model of the determinants of state government spending decisions. Corrected for year and state fixed effects as well as for spatial dependency, my estimation ought to yield relatively accurate results, which are presented and described in the coming chapter.

CHAPTER 4

RESULTS

This chapter leverages the above research, and studies the empirical outcomes of my tests and models. I first utilize a set of diagnostic procedures to determine the precise regressions needed for each dependent variable. Then these final models are estimated and their statistical results discussed, with a focus on the political control variables.

MODEL AND TECHNIQUE DETERMINATION

In order to select the correct methods for my regressions, I perform the tests justified in the previous chapter on each of the dependent variables' models.

Hausman Test

I conduct a Hausman test for the appropriateness of the fixed effects model (FEM) in the case of both overall spending change and expenditure shares. Theory dictates that state and year fixed effects are needed to control for the differences between state cultures and for shocks to the nation as a whole. The Hausman tests attempt to provide empirical support for this assumption. And, concurring with theory, the Hausman results do indeed indicate that fixed effects are necessary, at the 99.9% level in all cases.

RESULTS

Heteroscedasticity

I use a modified Wald test to check for panel heteroscedasticity in these FEMs. The results show heteroscedasticity to be present in the case of each dependent variable, with all likelihoods above 99.9%. Therefore, my later regressions utilize PCSEs when applicable.

Autocorrelation

I also run a Wooldridge panel autocorrelation test on the fixed effects models of all six dependent variables.

Table 4.1: Wooldridge Test *p*-values for First-Order Panel Autocorrelation, All Dependent Variables

Change in Total Expenditure	Education Share	Welfare Share	Healthcare Share	Transportation Share	Public Safety Share
0.347	0.000	0.000	0.000	0.000	0.000

Gray shading indicates significance at the 95% confidence level.

As Table 4.1 reveals, while no evidence of first-order autocorrelation exists in the case of overall spending change, the Wooldridge tests on each of the expenditure share models indicate that these are in fact AR(1) processes. Because of this, I make use of Prais–Winsten estimators for those dependent variables.

Political Control Lags

Finally, I must determine the correct number of lags for the political control vector. As discussed above, these lags fall in two-year increments so as to coincide with the election cycle. Lags are added to the model cumulatively; for example, the second lag model contains two- and four-year lagged values for Republican and Democratic state government control, and the third lag model includes these as well as analogous six-year lags. I test lags of up to 34 years, or 17 periods, the most that the Klarner (2011b) dataset allows. For the six dependent variables, a Wald test is used to compare each of the

lag models to each other; the autocorrelation-corrected PCSE FEMs form the basis for these tests. Tables A.1–A.6 in the appendix display the results.

There are two methods for selecting the optimal number of lags. One could simply choose the lag model with the lowest *p*-value relative to the lagless model. An alternative methodology is to find the model with the least number of lags that is justified at the 95% level relative to the lagless model, and then find the least-lagged model that is superior to that model, and iterate the process until the number of lags cannot be increased with 95% confidence. The results are roughly the same under both of these optimization methods, as Table 4.2 reports.

Table 4.2: Optimal Number of Lag Periods, All Dependent Variables

Optimization Method Used	Change in Total Expenditure	Education Share	Welfare Share	Healthcare Share	Transportation Share	Public Safety Share
Lowest *p*-value Relative to Lagless Model	0	14	17	0	0	10
Iterated *p*-value Selection	0	12	17	0	0	10

Theory would seem to disagree with these empirical results, which call for 20, 24, or even 34 years of lags. Both common sense and the political science literature suggest that temporally distant political control should have little effect on expenditures in a given year; including a total of 34 lagged variables simply to control for the past political leanings of state seems extraneous. The question thus stands: should empirics or theory be followed in the cases of the education share, welfare share, and public safety share models?

The answer to this appears not to matter, at least with regards to the key regressors, Democratic and Republican control. Figure A.1 in the appendix illustrates this fact well, displaying the estimated coefficients and *p*-values for both of those variables under different numbers of lags. In those in-

stances where a political control variable is significant, its estimated effect and *p*-value are relatively stable as lags are added to or removed from the model. On this ground, I opt to follow the Wald test results and include lags in all my regressions. The number of lags used is as calculated through iterated *p*-value selection.

Summary

Based on the results of these diagnostic tests, I elect to use the following sets of regressions to analyze the data: for regressing change in total spending, I run an uncorrected pooled OLS as a baseline, a PCSE FEM, and two further PCSE FEMs, with one including a geographic spatial weight and the other an industrial spatial weight; for each of the expenditure share regressions, I use a pooled OLS, a PCSE FEM, a PW–PCSE FEM, and then two more PW–PCSE FEMs with geographic and industrial spatial effects. For those dependent variables that were found to need political control lags, namely education share, welfare share, and public safety share, I include the necessary lags in all of their regressions.

Results Regarding Overall Spending Change

My first set of regressions tackle the question of how political party control affects overall state government spending, in terms of year-to-year change. I first address the estimates of the other, non-political factors and then proceed to discuss the coefficients and significance of Democratic and Republican control. Full regression results can be found in the appendix, as Tables A.7–A.12.

Nonpolitical Results

In both the spatially uncorrected and corrected PCSE FEMs there are few demographic, economic, institutional, or political environmental variables that significantly affect total spending change. Those that are statistically

significant seem to have effects consistent with theory. For instance, greater racial heterogeneity does in fact seem to relate to slower public sector growth, possibly due to the preference fractionalization caused by diverse demographies. The revenue base, as measured by gross output and federal fund transfers, is positively linked to change in state spending once fixed effects and spatial controls have been incorporated; theoretically, such findings support Wagner's Law, as larger economies require increasingly complex public sectors. Lame duck Democratic control is also estimated to boost total expenditure growth. This may reflect a party preference to increase the size of government, revealed as the exiting majority rushes to pass appropriations and increase spending at rates above those publicly desired.

Overall, though, few environmental variables yield significant coefficients. For example, although political science suggests that budgeting rules and term limits ought to play a role in fiscal choices, this does not seem to hold empirically; the four institutional variables are not only each insignificant but fail a test of joint significance as well. Most of the employment share variables, which represent the structure of a state's economy, are also statistically insignificant on their own. Perhaps the prevalence of insignificance is to be expected given the dependent variable; changes in a system are generally more difficult to predict than levels, and much of the literature reviewed focuses simply on overall amounts of expenditures rather than growth.

RESULTS

Political Control Results

Table 4.3: Partial Regression Results, Political Control Independent Variables, Percent Change in Total Expenditures Dependent Variable, All Models

Control Variable	Pooled OLS	PCSE FEM	PCSE Geographic Weight	PCSE Industry Weight
Democratic	0.0004	-0.0071	-0.0069	-0.0071
	(0.93)	(0.10)	(0.11)	(0.10)
Republican	-0.0044	-0.0030	-0.0029	-0.0030
	(0.37)	(0.56)	(0.57)	(0.56)

Coefficient p-*values in parentheses.*

As Table 4.3 reveals, there seems to be no significance of political control at the 95% level regarding the change in total expenditures. There is some evidence at the less certain 90% level in the FEMs that Democratic control has a statistically significant effect. These estimates state that Democrats generate less spending growth, a result that is not in accordance with theory or rhetoric. Granted, these are in comparison to a divided government, not a Republican one; my finding may be indicating that governments with greater political division have to spend more in order to placate the desires of both parties (Shelton 2007). Table 4.4 illustrates that Democrat-controlled governments in my sample are more heavily Democratic than Republican-controlled ones are Republican, which would corroborate this explanation.

Table 4.4: Descriptive Statistics of Political Control Index, Given Democrat or Republican Government Control

Government Control Party	*n*	Mean	Minimum	Maximum
Democrat	593	0.768	0.370	1.000
Republican	221	0.266	0.071	0.657

There is also a possibility, though, that Democrats do actually cause slower spending growth, perhaps by thoroughly cutting Republican-instated appropriations while enacting fewer of their own.

An alternative question might be asked of these data: do Democrats and Republicans act differently from each other, as opposed to in relation to a divided government? I use a Wald test to compare the estimated effects of Democrats and Republicans, reporting the outcomes in Table 4.5.

Table 4.5: Wald Test *p*-values for Difference Between Republican and Democratic Control Coefficients, Percent Change in Total Expenditures Dependent Variable, All Models

Pooled OLS	PCSE FEM	PCSE Geographic Weight	PCSE Industry Weight
0.402	0.557	0.566	0.550

These tests discover no significant difference between the two parties, although such a finding does not conflict with my hypothesis regarding divided governments and Democrats.

The political balance index regression provides another check for the difference between Republicans and Democrats.

Table 4.6: Regression Results for Political Balance Index Variable, Percent Change in Total Expenditures Dependent Variable, All Models

Pooled OLS	PCSE FEM	PCSE Geographic Weight	PCSE Industry Weight
0.0030	0.0007	0.0008	0.0007
(0.69)	(0.93)	(0.91)	(0.93)

Coefficient p-*values in parentheses. Other regressors included in models but not reported.*

The estimated coefficients shown in Table 4.6 concur with my earlier findings, showing that the Democratic–Republican balance of a state has no influence on spending growth therein.

Results Regarding Expenditure Shares

If differences in policy preferences do exist between the Republican and Democratic Parties, the influence of political control on expenditure shares should be significant in regressions. Recall that the five categories of pro-

grams discussed in this section do not encompass all state appropriations, and that therefore changes among them are not necessarily zero-sum.

Nonpolitical Results

The effects of environmental variables in these regressions are myriad, although the coefficients generally fall in line with theory.

Education Share Two interesting contradictions are present in the results with regards to educational expenditures. First, the population share over the age of 64 has a significant negative effect on educational spending. However, the population share under 18, the main beneficiary of educational outlays, does not have a significant influence on such expenditures once the regression model is correctly specified. While the cause of this dynamic is unclear, this empirical finding is not unprecedented (Poterba 1997).

Second, in the Prais–Winsten models, gross output is found to be significant while federal transfers are not; the two sources of state revenue appear to have differing influences on educational expenditures. This discrepancy is easily explained, though, since the use of tax dollars and grant money are governed by separate rules. Most importantly, the two come with different levels of earmarking, which allows for divergence in their effects (Nesbit & Kreft 2009). The negative coefficient of gross output may indicate that the marginal returns or marginal popularity of public schooling diminish more quickly than those of other state programs.

Other patterns are also apparent in the results. The existence of gubernatorial term limits is related to greater educational appropriations. *Ceteris paribus*, the share of state spending allocated to education increases over time. Almost all of the non-farm employment shares are significant at the 90% level in the PW–PCSE models, indicating that the makeup of a state's economy is a strong determinant of its relative investment in education.

RESULTS

Welfare Share The determinant dynamics behind the welfare share of expenditures are somewhat more intuitive. Racial heterogeneity, in accordance with theory, inversely relates to welfare outlays; voters tend to care less about the wellbeing of those who are dissimilar to themselves, and so a diverse society would likely wish to minimize welfare transfers to other racial groups (Cutler et al. 1993). Federal transfers are positively linked to welfare expenditures, which is logical given the large volume of grants that are given to states that invest in these programs (Gray et al. 1985 p. 377). Tax and expenditure limits and gubernatorial term limits are estimated to have negative influences; the former may be a part of "starve the beast" efforts by fiscal conservatives trying force welfare cuts by diminishing fund availability (Eisner 2012 p. 131). Alternatively, the TEL coefficient could simply exist because welfare is more easily cut in a resource-strapped appropriations process than other classes of programs. The implications of the gubernatorial term limit estimates are vague, but may be related to dissatisfaction or wariness of voters in those states.

More curious are the significant negative coefficient on youth population share and the several instances of insignificance on theoretically meaningful variables. The population share under 18 years old is inversely related to the welfare share of overall spending; this is puzzling since major state–federal welfare programs like Medicaid are tasked with supporting impoverished youth. The insignificance of PW–PCSE FEM coefficients on the Gini, gross output, and unemployment variables is also confusing, since each of these should directly influence the amount of welfare transfers possible and the quantity needed at any given time.

Healthcare Share Once corrected for autocorrelation, heteroscedasticity, and year- and state-specific dynamics, only one regressor is significant at the 95% level: the geographic spatial weight. Further, the R^2 value

of this regression is 0.54, the lowest of any of my PW–PCSE models. Judging by these facts, it seems that state healthcare spending is difficult to explain with my regressors. Other factors must be driving the variance of healthcare's expenditure share, perhaps idiosyncratic outbreaks and public health crises or the relative prices of medical care.

Transportation Share My findings are generally straightforward on the matter of transportation spending. A biennial budget cycle negatively influences the share spent on transportation; biennial cycles are an indicator of a less professionalized legislature, and such governments may spend less on "pork" that often includes pet transportation projects (NCSL 2011; Dilger 1998). Most employment share variables significantly affect the spending allotted to transportation, showing that the need for such outlays is greatly shaped by a state's economic profile. The transportation share of employment is significant only at the 90% level, but has a relatively large, positive coefficient that aligns with theory. The time trend is significant and negative, following the decline in Interstate Highway construction over my study period (Federal Highway Administration 2012).

The racial fractionalization index result is the sole significant finding at odds with theory. A strongly significant positive coefficient is found in the PW–PCSE equations, which indicates that more diversity causes greater state spending on transportation. However, the literature consistently highlights that transportation outlays are not targeted at minorities; in theory racial homogeneity, not heterogeneity, should result in higher transportation expenditures (Sanchez et al. 2003; Bullard 2003). Perhaps the cause of this relationship lies in a high correlation between minority presence and other factors that do positively affect transportation outlays, such as international accessibility.

RESULTS

Public Safety Share The public safety share of spending PW–PCSE FEMs find several variables to be significant that were not so in the previous sets of regressions. For example, college degree attainment among residents is positively related to public safety expenditure; this may be a sign that Americans with higher levels of education place different demands on their representatives, or that states with more universities also tend to run larger prison systems. Unemployment rates increase with public safety spending, which dovetails with the literature linking joblessness to higher crime rates (Raphael & Winter-Ebmer 2001). The farm share of total employment also yields a positive and significant coefficient. This seemingly conflicts with the urban population share, which itself suggests that a state's increased rurality causes a decrease in the regressand. This juxtaposition can be explained by the insignificant but highly negative coefficient of the agriculture share of non-farm employment.

Other outcomes of these regressions are also of note. None of the non-farm employment shares are significant at the 95% level, meaning that industry makeup is orthogonal to the provision of public safety. Gubernatorial term limits increase public safety outlays, possibly since each new governor tries to appear tough on crime. State gross output is positively related to public safety programs; wealth seems to enhance demands to dissuade crime.

Political Control Results

Table 4.7: Partial Regression Results, Political Control Independent Variables, Percent Change in Total Expenditures Dependent Variable, All Models

Expenditure Share Dependent Variable	Control Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Education	Democratic	0.0005	0.0089	0.0066	0.0065	0.0066
		(0.90)	(0.00)	(0.01)	(0.01)	(0.01)
	Republican	-0.0149	0.0002	-0.0021	-0.0020	-0.0021
		(0.00)	(0.95)	(0.51)	(0.53)	(0.51)
Welfare	Democratic	-0.0040	0.0035	0.0021	0.0021	0.0022
		(0.23)	(0.10)	(0.31)	(0.31)	(0.28)
	Republican	-0.0093	-0.0071	-0.0051	-0.0051	-0.0050
		(0.02)	(0.01)	(0.06)	(0.05)	(0.06)
Healthcare	Democratic	0.0003	-0.0037	0.0001	0.0000	0.0001
		(0.77)	(0.00)	(0.90)	(0.96)	(0.90)
	Republican	0.0010	0.0033	0.0014	0.0015	0.0014
		(0.45)	(0.00)	(0.22)	(0.20)	(0.22)
Transportation	Democratic	0.0020	-0.0025	-0.0009	-0.0009	-0.0009
		(0.28)	(0.11)	(0.62)	(0.63)	(0.60)
	Republican	0.0080	-0.0020	-0.0020	-0.0019	-0.0022
		(0.00)	(0.33)	(0.42)	(0.43)	(0.37)
Public Safety	Democratic	0.0003	-0.0017	-0.0013	-0.0013	-0.0013
		(0.63)	(0.00)	(0.01)	(0.01)	(0.01)
	Republican	-0.0004	0.0008	0.0003	0.0003	0.0003
		(0.55)	(0.13)	(0.65)	(0.64)	(0.66)

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level.*

Political control of state government by Republicans and Democrats has significant effects on several of the spending shares in the PW–PCSE FEM estimates, as Table 4.7 shows. Unified Democratic state governments appropriate relatively more funds to education than do divided capitols. At the 94% level, the welfare spending share is diminished under Republican leadership. And Democrats appear to allot fewer funds to public safety than do divided governments.

Several other relationships between party control and expenditure shares appear in the PCSE fixed effects and pooled OLS models, but these are rendered insignificant by further correction. According to the naive OLS model, for instance, Republican governments spend less on education and more on transportation; however, both of these findings are eliminated once fixed effects are introduced, since the state- and year-specific contexts better explain the regressand's variance. Democrats and Republicans also, with opposite signs, appear to affect the healthcare share of spending with 99% confidence in the PCSE FEM. The Prais–Winsten correction renders these insignificant, however.

Table 4.8: Wald Test *p*-values for Difference Between Republican and Democratic Control Coefficients, All Expenditure Share Dependent Variables, All Models

Expenditure Share Dependent Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Education	0.023	0.033	0.038	0.043	0.039
Welfare	0.312	0.004	0.037	0.037	0.035
Healthcare	0.656	0.000	0.365	0.317	0.366
Transportation	0.026	0.858	0.725	0.728	0.682
Public Safety	0.443	0.001	0.049	0.049	0.049

Gray shading indicates significance at the 95% confidence level.

Reported in Table 4.8, Wald tests on the estimated effects of Republicans and Democrats enhance the findings of my PW–PCSE FEM results. In the realms of education, welfare, and public safety, I find that the two parties act significantly different from each other. Systematically when in control, Democrats spend significantly more than Republicans on education and welfare, and Republicans spend a greater amount on public safety.

Table 4.9: Regression Results for Political Balance Index Variable, All Expenditure Share Dependent Variables, All Models

Expenditure Share Dependent Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Education	0.0177	0.0090	0.0057	0.0053	0.0058
	(0.04)	(0.06)	(0.18)	(0.21)	(0.18)
Welfare	0.0105	0.0172	0.0098	0.0102	0.0098
	(0.11)	(0.00)	(0.01)	(0.00)	(0.01)
Healthcare	-0.0019	-0.0044	0.0007	0.0007	0.0007
	(0.34)	(0.01)	(0.62)	(0.62)	(0.62)
Transportation	-0.0145	-0.0051	-0.0034	-0.0034	-0.0032
	(0.00)	(0.05)	(0.27)	(0.27)	(0.30)
Public Safety	0.0016	-0.0021	-0.0001	-0.0001	-0.0001
	(0.18)	(0.03)	(0.92)	(0.94)	(0.93)

Coefficient p*-values in parentheses. Gray shading indicates significance at the 95% confidence level. Other regressors included in models but not reported.*

With results shown in Table 4.9, my political balance index regressions lend credence to only some of the above conclusions. The more Democrats there are relative to Republicans, the greater share of expenditures a state government assigns to welfare programs. Political significance is not found in the PW–PCSE FEMs that regress education and public safety spending. Recall, though, that this robustness test uses a fundamentally different, less precise measure of political control than the Klarner (2011b) dummies from my main regressions; my political balance index findings explain a different, albeit related, phenomenon.

Conclusion

In the realm of overall state government expenditure growth, my regressions find no significant differences between the effect of Republican and Democratic control. Some relatively weak evidence does suggest that Democrat-controlled governments do increase spending more slowly than those that are politically divided. Robust results show that Republicans spend relatively less than Democrats and divided governments on welfare

programs. Other analyses indicate that Democrats favor greater education outlays and lower public safety expenditures as a share of total spending. In my next and final chapter I discuss these outcomes and place them into a practical framework.

CHAPTER 5

Discussion

This chapter analyzes the implications of my statistical findings. This includes relating my regression outcomes to those of other political economists, discussing the meaningfulness of my results regarding Republican and Democratic control of state governments, and highlighting the practical significance that these coefficients have for voters and the parties themselves.

Comparison of Results

This study is simply one addition to a large pool of research, a body that is only partially examined in my literature review. It is therefore necessary to outline the differences between my work and that of others in terms of data, methods, and findings. This process helps to identify the potential value added to the field by my efforts.

Of my regressions suggesting that party control influences spending shares, all are generally consistent with prior studies and political rhetoric. My finding that Democrats spend more than Republicans on education mirrors the conclusions of researchers such as McLendon et al. (2009). The robust result that the parties spend differently on welfare is similar to the outcomes of studies by Gilligan and Matsusaka (1995) and Brown (1995). And Stucky et al. (2007) corroborate the significant positive link between Republican control and public safety expenditures. Political pundits and observers echo these sentiments, as outlined in my study's introduction;

Democrats are purported to favor more maternal policies, like education and welfare, while Republicans allegedly focus resources on "hard" issues, including public safety.

The results of my overall expenditure change analysis are more difficult to relate to previous work and public sentiments. No research reviewed in this field has found Democratic control to cause diminished public outlays; as my literature review presents, political economists attribute either no effect or a relatively positive one to Democratic governance.

One possible explanation for this disparity is my choice of sample. I utilize almost all states, which contrasts with a sizeable strand of the literature that excludes the whole of the South. Such work claims fundamental party differences between Democrats within and outside that region. My inclusion of these conservative Southern Democrats likely causes a negative shift in my estimate of that party's effect, since the Southern branch has historically preferred a smaller public sector (Eisner 2012 p. 83; Erikson et al. 1989). I may exacerbate this statistical phenomenon by analyzing the years 1971–2001; during that period the Democrats in the South lost power and at the same time moved leftward on the political spectrum (Miller & Schofield 2008). This pattern could create the illusion that Democrats are more fiscally conservative than they truly are. Indeed, estimating my total spending change PCSE FEM again while excluding states labeled as "Southern" by the Census results in the Democratic control variable dropping from 90% to 28% significance.

The somewhat unusual nature of my methodology may also explain why my results differ from the literature's standards. My choice of dependent variable, change in overall spending, is unlike that of most other studies; for instance, Gillligan and Matsusaka (1995) regress direct expenditure, Poterba (1994) uses deficits, and Alt and Lowry (1994) measure total appropriations as a share of state income. Out of the reviewed works, New

(2010) is the only other that analyzes the change in total government outlays. The use of Klarner's (2011b) party control binaries as indicators of Republican and Democratic power also sets my study apart. The majority of political scientists opt instead for less precise measures, similar to my political balance index. My regressions also control for more demographic, economic, institutional, and political factors than most other studies. It is possible that these regressors explain away most of the "Democratness" or "Republicanness" of a government, given that particular groups tend to support one party or the other, which would result in much less meaningful coefficients on the political control variables (Imai 2011). The statistical corrections that I leveraged, such as heteroscedasticity robustness and year and state fixed effects, are absent from a significant portion of the literature as well. These myriad statistical factors may explain in part my unprecedented finding regarding Democratic control and overall spending.

Practical Significance of Statistical Results

Although several of my regressions show political party control to be significant at the 95% level, this statistical significance does not necessarily impart practical meaning; even if a regressor has a very small *p*-value, the variable is inconsequential if its coefficient is likewise minute.

Regarding overall expenditure change, where unified Democratic control is linked to diminished government growth at the 90% level, the estimated coefficient in the PCSE FEM is -0.0071. *Ceteris paribus*, this equates to Democrats decreasing appropriations by 0.71% year-over-year relative to a divided government. While this may seem trivial at first, it is important to keep in mind that the average annual growth in state outlays is just 2.6%. The effect of Democratic control, though far less than one standard deviation of expenditure change, is still of a sizeable magnitude in this context; it does have a practical influence, especially when compounded over time.

DISCUSSION

Practical significance also seems to exist for the statistically meaningful effects of the parties on education, welfare, and public safety shares of spending. Democratic control causes a 0.66% increase in education's allotment of total appropriations. This is a relatively small portion of the mean value, 34.0%, and only one tenth of one standard deviation; nonetheless, a shift of 0.66% in the thousands of dollars spent per capita is not practically insignificant. Welfare outlays are decreased as a share of expenditures by 0.51% in the presence of a Republican government. In my sample, welfare accounted for 16.4% of spending on average, making the Republican change just 3% of this category's total funding. Similar to my conclusion regarding Democrats and education, it seems that Republican control's influence on welfare is meaningful, but to a limited degree. The effect of unified Democratic control on the public safety share of expenditures, a 0.13% decrease relative to a mean of 3.1%, also seems analogous to the two instances discussed above.

In these cases where political control is statistically meaningful, its effects are generally somewhat smaller than those of other significant variables. For example, a shift by one standard deviation in the construction share of employment causes one third of a standard deviation change in total expenditure growth, and 18% of one in the transportation share. Gross output has similar ratios, with one standard deviation in that variable linked to 30% of one in overall expenditure growth and 9% of one in the education share of spending. The racial fractionalization index seems to have a particularly strong influence. For this regressor, each standard deviation is linked to roughly an equivalent change in both total appropriations growth and welfare share of expenditures. The influence of Republican or Democratic control, in contrast to these, generally causes 2–10% of a standard deviation's change in the dependent variable for each standard deviation shift in party control. Thus, political power, *ceteris paribus*, may

not be as meaningful to government spending as other characteristics of a state, but it does still seem to exert a nontrivial influence.

Political and Policy Implications

My two sets of findings have implications for the ways in which voters ought to conceive of politicians and how the parties should act. Regarding preferences for the allocation of state funds between programs, the popular consensus appears to be confirmed; when in control of government, Democrats do support youth and the poor relatively more than Republicans through bolstering education and welfare, and Republicans do display tough-on-crime characteristics and tend to avoid progressively redistributive spending policies (Bastedo & Lodge 1980). On average and holding other factors constant, voters should feel confident that candidates will divide appropriations in a way that aligns with the public's expectations.

In terms of the overall size of the public sector, the political situation is less straightforward. Democratic control does appear in my study to cause slower growth, although this may be due to conservative Southern Democrats or methodological issues. What is perhaps more pertinent to the public discourse is that Republicans are not found to spend significantly less than, or differently at all from, Democrats. Since the Reagan era, wielding the slogan that government is the problem and not the solution, many voters have believed in a fiscally restrictive Republican Party, or at least one that aimed for less spending than Democrats (Eisner 2012 p. 10). My findings suggest that this is an invalid assumption. Unfortunately, such a belief may have led many to support one party or the other based on unrealistic fiscal expectations. The parties themselves may opt to continue espousing such rhetoric for the purposes of reelection, if such spending patterns are supported by their constituents.

DISCUSSION

These statements made, the realm of party preferences for government expenditures has experienced some changes in the past decade, which may prevent my findings from being extrapolated far into the future. Most notably, the recent Great Recession brought to light growing budgetary difficulties at the local, state, and federal levels. Democrats in Washington and the states have taken this opportunity to push Keynesian stimulus measures, for better or worse enhancing the "big government" label of the party. This stimulus has provided fodder for Republican-branded libertarians known as the Tea Party, who have gained ideological popularity on the right. With electoral victories nationwide in 2010, the Tea Party's demands for small government have arguably shifted the Republican platform as a whole towards diminished spending (Williamson et al. 2011). If these dynamics continue over the coming years, the Republican–Democrat divide on government spending may diverge from that which I found in this study.

Potential Research Extensions

In the process of my research, I have come across several questions that deserve further attention. These include both expansions of my current models and application of my work to other fiscal decisions.

Historical Investigation

My research can be pursued for years before the 1971–2001 span selected here, although most of the data I utilize do not exist in the same quality before then (Grossman 2012). Significantly, Burnham (1984) has published state-level political makeup series dating back to 1834, near the beginning of America's two-party system (Sundquist 1983 p. 2). And while standardized, disaggregated, annual spending data may not reach that far into history, Sylla et al. (1993) show that state expenditure series can be extracted at the very least from decennial Census records through 1902. While these data and the corresponding environmental variables would by

no means be as clean or as frequent as those in my study, they would still allow for adequate regressions.

One particular reason to study political parties over a greater period of time would be to trace their shifts in expenditure preferences. American politics has seen a series of equilibria over its history in terms of party coalitions and relative control. For the most part, the political realignments separating these have occurred rapidly rather than incrementally (Aldrich 1999). Such fundamental shifts include the 1860 rise of Lincolnian Republicans and the construction of the New Deal coalition around 1932 (Sindquist 1983 p. 2). Taking these and other break points into account, it should be possible to compare state political parties not only within eras but across them; for instance, which party today is truly more similar to that of Lincoln? Arguments in the political sphere often hinge on analogies to past experiences and dynamics, and so the results of a historical analysis of party preferences would help to inform present day discourse.

Endogenous Modeling of Political Control

In my present study, political control is considered to be exogenous. However, this is not necessarily the case. For example, Erikson et al. (1989) and Stimson et al. (1995) demonstrate theoretically and empirically that public sentiment affects not only the leanings of state political parties but their electoral success as well. Opinion is a function of many of the regressors included in my study, such as racial makeup, industry shares of employment, and the unemployment rate, and therefore it may be possible to use these to predict electoral outcomes. If explicitly modeled, one could calculate the effects of these and other environmental variables on government control, and through that their indirect influence on government expenditures.

DISCUSSION

Modeling of Revenue Shares

While my analysis focuses on how party control affects state spending, it may be equally intriguing to investigate the means by which politics influence government revenues. A study might, for instance, look into revenue shares; that is, how do states balance their revenue between personal income, corporate, property, and sales taxes? The theoretical model behind this is analogous to my own for expenditures. Differently-structured economies and social groupings encourage legislators to design differing tax codes, so as to minimize electoral backlash. Republican and Democratic revenue decisions may similarly vary, as the parties and their supporters likely have distinct preferences and goals. Tax data could be regressed on political control and several environmental variables to reveal whether or not this logic holds in practice.

Conclusion

The results yielded by my regressions generally align with the literature and political rhetoric. Democrats seem to spend both statistically and meaningfully more on welfare and education and less on public safety than Republicans, as a share of overall appropriations. My finding that Democrat-controlled states experience less expansion of the public sector is less statistically confident, and is difficult to reconcile with prior research and general party labels; further investigation suggests that this phenomenon is somewhat an artifact of Southern dynamics and methodological choices, and does not accurately reflect the Democratic Party average.

Interesting developments have taken place since the end of my study period regarding the spending preferences of both Republicans and Democrats. These shifts as well as possible temporal and topical expansions of my study's regressions demand full inquiry in future research.

Appendix

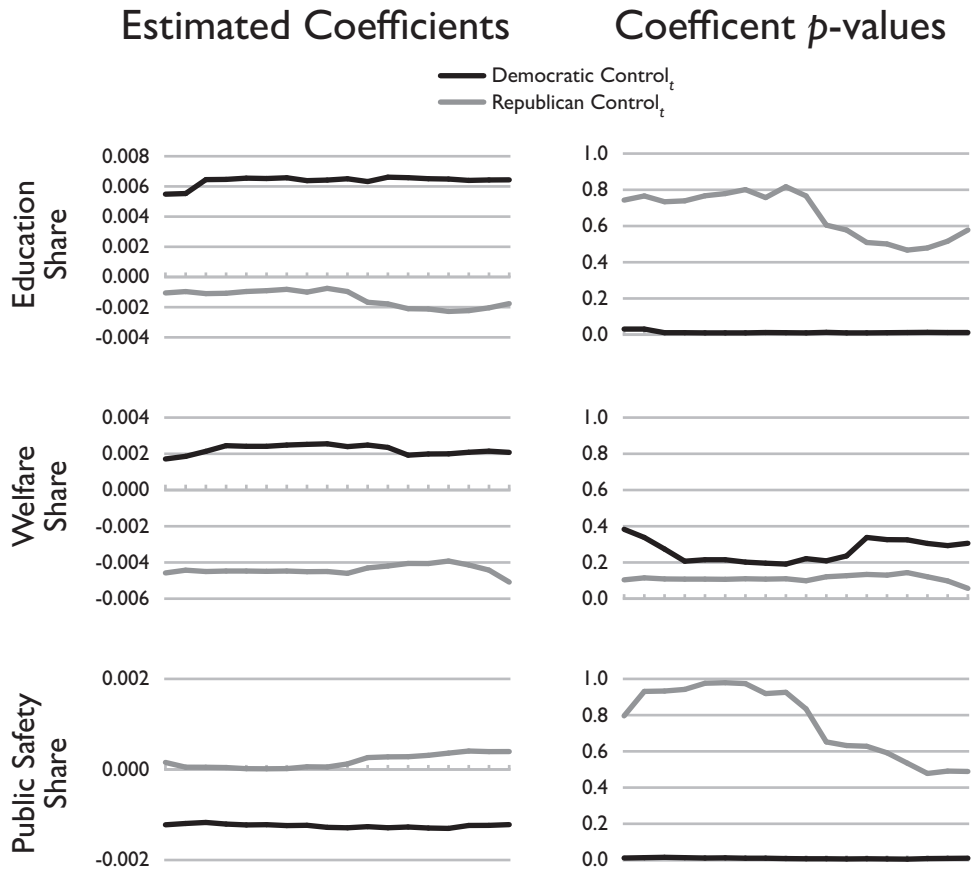

Figure A.1: Estimated coefficients and their p*-values for the three PW–PCSE FEM regressions for which Wald tests suggest the use of lagged political control variables. Note that there is little change in the estimated coefficients as lags are added or removed, especially for those with significant* p*-values.*

Table A.1: Wald Test *p*-values for Full Model Superiority over Restricted Model, Percent Change in Total Expenditure Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.552	0.841	0.863	0.858	0.900	0.950	0.924	0.923	0.875	0.724	0.677	0.625	0.582	0.217	0.274	0.288	0.349
1		0.892	0.860	0.833	0.885	0.947	0.915	0.921	0.876	0.707	0.652	0.589	0.547	0.198	0.252	0.273	0.333
2			0.618	0.665	0.775	0.891	0.844	0.857	0.802	0.598	0.546	0.491	0.461	0.143	0.192	0.220	0.278
3				0.519	0.699	0.862	0.813	0.839	0.773	0.501	0.468	0.420	0.394	0.098	0.137	0.162	0.214
4					0.656	0.876	0.788	0.799	0.729	0.432	0.396	0.366	0.341	0.079	0.115	0.139	0.191
5						0.852	0.686	0.703	0.647	0.341	0.331	0.292	0.291	0.061	0.094	0.118	0.166
6							0.386	0.498	0.467	0.216	0.232	0.208	0.221	0.039	0.064	0.084	0.126
7								0.456	0.446	0.197	0.228	0.206	0.225	0.051	0.085	0.114	0.163
8									0.342	0.139	0.174	0.163	0.177	0.044	0.082	0.112	0.162
9										0.099	0.138	0.148	0.168	0.034	0.068	0.102	0.148
10											0.330	0.360	0.346	0.075	0.150	0.215	0.289
11												0.340	0.374	0.051	0.117	0.172	0.241
12													0.370	0.045	0.125	0.181	0.246
13														0.017	0.078	0.130	0.195
14															0.944	0.874	0.825
15																0.562	0.594
16																	0.439

Gray shading indicates significance at the 95% confidence level.

Table A.2: Wald Test *p*-values for Full Model Superiority over Restricted Model, Education Expenditure Share Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model: 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.954	0.043	0.128	0.186	0.159	0.267	0.232	0.335	0.315	0.179	0.072	0.021	0.012	0.005	0.008	0.013	0.014
1		0.007	0.043	0.081	0.076	0.153	0.139	0.223	0.216	0.115	0.042	0.011	0.006	0.003	0.004	0.007	0.008
2			0.993	0.890	0.474	0.640	0.502	0.656	0.595	0.318	0.135	0.039	0.019	0.010	0.017	0.026	0.028
3				0.575	0.237	0.419	0.316	0.481	0.438	0.204	0.078	0.020	0.009	0.005	0.009	0.014	0.016
4					0.104	0.273	0.230	0.402	0.379	0.164	0.058	0.012	0.006	0.004	0.006	0.011	0.012
5						0.765	0.546	0.730	0.629	0.227	0.063	0.013	0.006	0.003	0.006	0.011	0.012
6							0.292	0.553	0.485	0.128	0.032	0.005	0.003	0.001	0.003	0.006	0.007
7								0.754	0.548	0.120	0.033	0.005	0.002	0.001	0.003	0.005	0.006
8									0.288	0.053	0.016	0.002	0.001	0.000	0.001	0.003	0.004
9										0.031	0.012	0.002	0.001	0.000	0.001	0.003	0.003
10											0.058	0.010	0.005	0.004	0.010	0.017	0.016
11												0.025	0.020	0.023	0.055	0.085	0.066
12													0.124	0.153	0.279	0.371	0.271
13														0.256	0.455	0.513	0.367
14															0.660	0.669	0.396
15																0.474	0.246
16																	0.154

Gray shading indicates significance at the 95% confidence level.

Table A.3: Wald Test *p*-values for Full Model Superiority over Restricted Model, Welfare Expenditure Share Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.017	0.026	0.013	0.040	0.085	0.144	0.182	0.287	0.189	0.028	0.006	0.000	0.000	0.000	0.000	0.000	0.000
1		0.256	0.097	0.229	0.382	0.514	0.607	0.743	0.506	0.123	0.021	0.000	0.000	0.000	0.000	0.000	0.000
2			0.080	0.269	0.490	0.641	0.697	0.835	0.632	0.187	0.049	0.000	0.000	0.000	0.000	0.000	0.000
3				0.929	0.988	0.989	0.972	0.993	0.830	0.319	0.103	0.000	0.000	0.000	0.000	0.000	0.000
4					0.925	0.950	0.916	0.976	0.714	0.204	0.058	0.000	0.000	0.000	0.000	0.000	0.000
5						0.751	0.747	0.915	0.542	0.127	0.030	0.000	0.000	0.000	0.000	0.000	0.000
6							0.557	0.860	0.406	0.084	0.021	0.000	0.000	0.000	0.000	0.000	0.000
7								0.967	0.314	0.059	0.017	0.000	0.000	0.000	0.000	0.000	0.000
8									0.093	0.016	0.005	0.000	0.000	0.000	0.000	0.000	0.000
9										0.026	0.010	0.000	0.000	0.000	0.000	0.000	0.000
10											0.054	0.000	0.000	0.000	0.000	0.000	0.000
11												0.000	0.000	0.000	0.000	0.000	0.000
12													0.144	0.151	0.045	0.028	0.000
13														0.234	0.054	0.031	0.000
14															0.083	0.051	0.000
15																0.117	0.000
16																	0.000

Gray shading indicates significance at the 95% confidence level.

Table A.4: Wald Test *p*-values for Full Model Superiority over Restricted Model, Healthcare Expenditure Share Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model: 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.663	0.569	0.445	0.653	0.736	0.854	0.834	0.826	0.881	0.886	0.852	0.872	0.773	0.612	0.657	0.465	0.236
1		0.355	0.276	0.513	0.620	0.786	0.751	0.753	0.831	0.856	0.807	0.833	0.711	0.548	0.593	0.400	0.188
2			0.217	0.522	0.647	0.832	0.806	0.796	0.869	0.894	0.840	0.851	0.742	0.566	0.605	0.394	0.168
3				0.881	0.847	0.959	0.906	0.897	0.941	0.957	0.903	0.902	0.770	0.608	0.638	0.445	0.223
4					0.551	0.857	0.770	0.784	0.868	0.905	0.824	0.832	0.683	0.498	0.532	0.339	0.152
5						0.914	0.696	0.726	0.833	0.882	0.798	0.810	0.648	0.432	0.458	0.268	0.113
6							0.349	0.481	0.660	0.754	0.666	0.695	0.516	0.313	0.346	0.187	0.072
7								0.549	0.763	0.830	0.749	0.792	0.592	0.353	0.408	0.234	0.082
8									0.745	0.848	0.737	0.820	0.569	0.311	0.379	0.215	0.068
9										0.672	0.561	0.700	0.392	0.195	0.262	0.137	0.038
10											0.342	0.549	0.257	0.106	0.165	0.077	0.019
11												0.618	0.206	0.068	0.123	0.056	0.013
12													0.087	0.030	0.067	0.031	0.006
13														0.072	0.166	0.068	0.018
14															0.588	0.183	0.040
15																0.074	0.016
16																	0.032

Gray shading indicates significance at the 95% confidence level.

Table A.5: Wald Test *p*-values for Full Model Superiority over Restricted Model, Transportation Expenditure Share Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model: 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.785	0.344	0.487	0.603	0.633	0.513	0.457	0.588	0.383	0.367	0.402	0.506	0.280	0.313	0.159	0.211	0.277
1		0.146	0.315	0.445	0.508	0.408	0.367	0.506	0.309	0.290	0.327	0.432	0.221	0.254	0.128	0.170	0.232
2			0.772	0.784	0.842	0.587	0.512	0.675	0.412	0.367	0.410	0.526	0.278	0.296	0.182	0.231	0.302
3				0.528	0.699	0.409	0.365	0.548	0.301	0.273	0.319	0.435	0.205	0.228	0.141	0.189	0.258
4					0.623	0.298	0.308	0.503	0.264	0.240	0.292	0.413	0.179	0.208	0.125	0.168	0.236
5						0.130	0.195	0.403	0.177	0.161	0.209	0.328	0.128	0.150	0.083	0.116	0.175
6							0.321	0.662	0.382	0.306	0.383	0.525	0.218	0.269	0.136	0.177	0.257
7								0.952	0.473	0.337	0.443	0.600	0.251	0.321	0.167	0.224	0.320
8									0.180	0.152	0.251	0.413	0.143	0.201	0.097	0.143	0.222
9										0.174	0.366	0.537	0.178	0.259	0.122	0.174	0.271
10											0.686	0.788	0.193	0.294	0.120	0.179	0.286
11												0.617	0.107	0.209	0.071	0.117	0.206
12													0.040	0.121	0.040	0.077	0.157
13														0.639	0.146	0.256	0.435
14															0.051	0.139	0.306
15																0.532	0.846
16																	0.947

Gray shading indicates significance at the 95% confidence level.

Table A.6: Wald Test *p*-values for Full Model Superiority over Restricted Model, Public Safety Expenditure Share Dependent Variable

Number of Lags, Restricted Model	Number of Lags, Full Model																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
0	0.000	0.003	0.008	0.003	0.009	0.011	0.004	0.003	0.002	0.000	0.000	0.001	0.001	0.001	0.000	0.000	0.000
1		0.829	0.763	0.506	0.697	0.698	0.322	0.206	0.136	0.026	0.049	0.078	0.050	0.063	0.027	0.042	0.017
2			0.473	0.307	0.538	0.574	0.218	0.133	0.085	0.013	0.027	0.046	0.029	0.039	0.016	0.025	0.010
3				0.202	0.477	0.550	0.163	0.100	0.073	0.009	0.020	0.036	0.022	0.029	0.011	0.019	0.009
4					0.837	0.734	0.184	0.091	0.071	0.010	0.021	0.038	0.024	0.031	0.011	0.021	0.010
5						0.415	0.071	0.037	0.033	0.004	0.010	0.021	0.013	0.017	0.006	0.011	0.005
6							0.025	0.014	0.017	0.002	0.006	0.013	0.007	0.010	0.003	0.007	0.003
7								0.053	0.064	0.011	0.027	0.045	0.038	0.045	0.017	0.034	0.017
8									0.167	0.020	0.058	0.103	0.115	0.144	0.054	0.099	0.052
9										0.011	0.045	0.088	0.102	0.148	0.052	0.100	0.058
10											0.454	0.700	0.681	0.715	0.268	0.411	0.228
11												0.796	0.619	0.691	0.192	0.328	0.176
12													0.368	0.535	0.102	0.216	0.097
13														0.460	0.069	0.185	0.094
14															0.020	0.092	0.043
15																0.803	0.397
16																	0.168

Gray shading indicates significance at the 95% confidence level.

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Table A.7: Full Regression Results, Percent Change in Total Expenditures Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PCSE Geographic Weight	PCSE Industry Weight
Democratic Control	0.0004	-0.0071	-0.0069	-0.0071
	(0.93)	(0.10)	(0.11)	(0.10)
Republican Control	-0.0044	-0.0030	-0.0029	-0.0030
	(0.37)	(0.56)	(0.57)	(0.56)
Racial Fractionalization Index	-0.0047	-0.4655	-0.4655	-0.4675
	(0.82)	(0.00)	(0.00)	(0.00)
Population Share Under 18	0.3702	0.2393	0.2332	0.2331
	(0.00)	(0.33)	(0.34)	(0.34)
Population Share over 64	0.4166	-0.2377	-0.2085	-0.2482
	(0.00)	(0.49)	(0.54)	(0.47)
Population Share with High School Degree	-0.0172	0.0044	-0.0009	0.0055
	(0.78)	(0.96)	(0.99)	(0.95)
Population Share with College Degree	0.0272	-0.0838	-0.0768	-0.0836
	(0.78)	(0.55)	(0.58)	(0.55)
Population Share Urban	0.0007	-0.0493	-0.0478	-0.0494
	(0.97)	(0.54)	(0.56)	(0.54)
Unemployment Rate	-0.0762	0.2356	0.2424	0.2344
	(0.42)	(0.07)	(0.07)	(0.07)
Agriculture Share of Employment	0.1385	1.9255	1.9227	1.8926
	(0.80)	(0.09)	(0.10)	(0.10)
Construction Share of Employment	0.3499	1.4612	1.4205	1.4549
	(0.26)	(0.03)	(0.03)	(0.03)
Finance Share of Employment	-0.2264	-0.0848	-0.0957	-0.0907
	(0.44)	(0.89)	(0.88)	(0.88)
Government Share of Employment	0.1941	-0.0967	-0.0930	-0.1107
	(0.43)	(0.87)	(0.88)	(0.85)
Manufacturing Share of Employment	0.2449	0.3029	0.2970	0.2944
	(0.32)	(0.59)	(0.59)	(0.60)
Mining Share of Employment	-0.1474	0.1699	0.1942	0.1642
	(0.55)	(0.78)	(0.75)	(0.79)
Retail Share of Employment	0.4375	-0.1695	-0.1816	-0.1740
	(0.13)	(0.76)	(0.74)	(0.75)
Services Share of Employment	0.1980	0.3009	0.2995	0.2932
	(0.40)	(0.58)	(0.58)	(0.59)
Transportation Share of Employment	0.4944	-0.0788	-0.0657	-0.1050
	(0.26)	(0.92)	(0.93)	(0.89)

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Farm Share of Total Employment	-0.1694	-0.0467	-0.0377	-0.0525
	(0.05)	(0.85)	(0.88)	(0.83)
Union Membership Rate	-0.0238	-0.0538	-0.0552	-0.0524
	(0.47)	(0.35)	(0.33)	(0.36)
Gini Coefficient	0.0391	0.0630	0.0555	0.0651
	(0.57)	(0.50)	(0.55)	(0.49)
Gross Output (Per Capita, 2000 Dollars)	0.0021	0.0027	0.0027	0.0027
	(0.00)	(0.01)	(0.01)	(0.01)
Federal Transfers (Per Capita, 2000 Dollars)	0.0078	0.0469	0.0474	0.0470
	(0.41)	(0.00)	(0.00)	(0.00)
Taxation or Expenditure Limit	-0.0052	-0.0007	-0.0008	-0.0007
	(0.15)	(0.85)	(0.82)	(0.86)
Gubernatorial Term Limit	0.0007	-0.0020	-0.0019	-0.0021
	(0.86)	(0.71)	(0.73)	(0.70)
Legislative Term Limit	-0.0014	-0.0047	-0.0049	-0.0047
	(0.79)	(0.44)	(0.41)	(0.44)
Biennial Budget Cycle	-0.0022	-0.0103	-0.0100	-0.0104
	(0.50)	(0.13)	(0.14)	(0.12)
Election Year	0.0031	-0.0010	-0.0010	-0.0009
	(0.26)	(0.75)	(0.75)	(0.77)
First Year of Democratic Control	-0.0054	-0.0024	-0.0020	-0.0025
	(0.50)	(0.73)	(0.77)	(0.71)
First Year of Republican Control	-0.0030	0.0064	0.0064	0.0067
	(0.75)	(0.44)	(0.44)	(0.42)
Last Year of Democratic Control	0.0070	0.0132	0.0129	0.0131
	(0.35)	(0.04)	(0.04)	(0.04)
Last Year of Republican Control	-0.0040	-0.0107	-0.0105	-0.0106
	(0.67)	(0.22)	(0.23)	(0.22)
Time Trend	-0.0011	-0.0020	-0.0019	-0.0022
	(0.05)	(0.12)	(0.16)	(0.10)
Geographic Spatial Weight			0.0717	
			(0.28)	
Industrial Spatial Weight				-0.0475
				(0.47)
Political Control Lag Periods	0	0	0	0
n	1457	1457	1457	1457
R^2	0.06	0.44	0.44	0.44

Coefficient p*-values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

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Table A.8: Full Regression Results, Education Expenditure Share Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Democratic Control	0.0005	0.0089	0.0066	0.0065	0.0066
	(0.90)	(0.00)	(0.01)	(0.01)	(0.01)
Republican Control	-0.0149	0.0002	-0.0021	-0.0020	-0.0021
	(0.00)	(0.95)	(0.51)	(0.53)	(0.51)
Racial Fractionalization Index	-0.1123	0.1018	0.0846	0.0903	0.0851
	(0.00)	(0.10)	(0.38)	(0.35)	(0.37)
Population Share Under 18	0.4795	0.3434	0.1498	0.1231	0.1516
	(0.00)	(0.01)	(0.43)	(0.52)	(0.42)
Population Share over 64	-0.7023	-0.5971	-0.8083	-0.7781	-0.8044
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Population Share with High School Degree	0.3587	-0.0450	-0.0414	-0.0389	-0.0412
	(0.00)	(0.38)	(0.39)	(0.42)	(0.39)
Population Share with College Degree	-0.8439	0.0627	0.0823	0.0800	0.0824
	(0.00)	(0.37)	(0.17)	(0.18)	(0.17)
Population Share Urban	0.1300	0.0380	0.0528	0.0516	0.0525
	(0.00)	(0.46)	(0.49)	(0.50)	(0.49)
Unemployment Rate	-0.1072	-0.1651	-0.0308	-0.0201	-0.0305
	(0.18)	(0.01)	(0.67)	(0.78)	(0.68)
Agriculture Share of Employment	-0.4077	2.7594	1.6521	1.5909	1.6535
	(0.40)	(0.00)	(0.06)	(0.07)	(0.06)
Construction Share of Employment	1.5856	-0.2770	-0.3870	-0.4139	-0.3854
	(0.00)	(0.44)	(0.32)	(0.29)	(0.33)
Finance Share of Employment	1.0381	-0.8800	-0.8753	-0.8942	-0.8738
	(0.00)	(0.01)	(0.02)	(0.01)	(0.02)
Government Share of Employment	0.6471	-0.3804	-0.5994	-0.6236	-0.5999
	(0.00)	(0.19)	(0.09)	(0.07)	(0.09)
Manufacturing Share of Employment	0.4956	-0.7779	-0.7891	-0.8152	-0.7870
	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)
Mining Share of Employment	0.0335	-1.0488	-0.9621	-0.9923	-0.9604
	(0.87)	(0.00)	(0.01)	(0.01)	(0.01)
Retail Share of Employment	-0.5546	-0.1507	-0.5825	-0.6442	-0.5797
	(0.03)	(0.62)	(0.11)	(0.08)	(0.11)
Services Share of Employment	-0.1183	-1.0623	-1.1697	-1.1887	-1.1660
	(0.56)	(0.00)	(0.00)	(0.00)	(0.00)
Transportation Share of Employment	1.5147	-1.5925	-1.4612	-1.4265	-1.4660
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

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Farm Share of Total Employment	0.6222	-0.5459	-0.2079	-0.1728	-0.2073
	(0.00)	(0.00)	(0.17)	(0.26)	(0.17)
Union Membership Rate	-0.1708	-0.0807	-0.0285	-0.0266	-0.0281
	(0.00)	(0.01)	(0.35)	(0.38)	(0.36)
Gini Coefficient	-0.0324	0.0811	0.0542	0.0494	0.0548
	(0.58)	(0.06)	(0.23)	(0.27)	(0.22)
Gross Output (Per Capita, 2000 Dollars)	-0.0025	-0.0008	-0.0011	-0.0011	-0.0011
	(0.00)	(0.08)	(0.05)	(0.05)	(0.05)
Federal Transfers (Per Capita, 2000 Dollars)	-0.0870	-0.0409	-0.0059	-0.0053	-0.0060
	(0.00)	(0.00)	(0.49)	(0.53)	(0.49)
Taxation or Expenditure Limit	-0.0096	-0.0015	-0.0015	-0.0020	-0.0015
	(0.00)	(0.43)	(0.55)	(0.44)	(0.55)
Gubernatorial Term Limit	0.0014	0.0106	0.0074	0.0069	0.0074
	(0.64)	(0.00)	(0.04)	(0.06)	(0.04)
Legislative Term Limit	0.0034	0.0045	0.0052	0.0054	0.0052
	(0.47)	(0.11)	(0.18)	(0.16)	(0.18)
Biennial Budget Cycle	-0.0057	-0.0124	-0.0071	-0.0074	-0.0071
	(0.05)	(0.00)	(0.09)	(0.07)	(0.08)
Election Year	-0.0015	0.0008	0.0008	0.0008	0.0008
	(0.52)	(0.65)	(0.21)	(0.25)	(0.21)
First Year of Democratic Control	0.0087	0.0006	0.0002	0.0002	0.0002
	(0.25)	(0.89)	(0.93)	(0.93)	(0.94)
First Year of Republican Control	0.0119	0.0005	0.0006	0.0004	0.0006
	(0.17)	(0.91)	(0.83)	(0.90)	(0.84)
Last Year of Democratic Control	0.0061	-0.0034	-0.0021	-0.0021	-0.0021
	(0.33)	(0.32)	(0.36)	(0.37)	(0.36)
Last Year of Republican Control	0.0166	0.0008	0.0045	0.0045	0.0045
	(0.04)	(0.86)	(0.16)	(0.16)	(0.16)
Time Trend	0.0052	0.0001	0.0006	0.0006	0.0006
	(0.00)	(0.89)	(0.00)	(0.00)	(0.00)
Geographic Spatial Weight				0.1079	
				(0.09)	
Industrial Spatial Weight					0.0056
					(0.85)
Coefficient of Autocorrelation			0.6421	0.6421	0.6414
Political Control Lag Periods	12	12	12	12	12
n	1457	1457	1457	1457	1457
R^2	0.61	0.90	0.87	0.87	0.87

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

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Table A.9: Full Regression Results, Welfare Expenditure Share Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Democratic Control	-0.0040	0.0035	0.0021	0.0021	0.0022
	(0.23)	(0.10)	(0.31)	(0.31)	(0.28)
Republican Control	-0.0093	-0.0071	-0.0051	-0.0051	-0.0050
	(0.02)	(0.01)	(0.06)	(0.05)	(0.06)
Racial Fractionalization Index	0.0332	-0.4850	-0.3987	-0.4001	-0.3935
	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)
Population Share Under 18	-0.4255	-0.4845	-0.3353	-0.2885	-0.3332
	(0.00)	(0.00)	(0.01)	(0.03)	(0.01)
Population Share over 64	-0.2316	0.1335	0.2968	0.3102	0.2763
	(0.01)	(0.41)	(0.18)	(0.17)	(0.22)
Population Share with High School Degree	-0.4687	-0.0158	-0.0131	-0.0167	-0.0122
	(0.00)	(0.68)	(0.68)	(0.61)	(0.70)
Population Share with College Degree	0.3518	0.0958	-0.0145	-0.0078	-0.0156
	(0.00)	(0.10)	(0.76)	(0.87)	(0.74)
Population Share Urban	0.0339	0.0695	0.0454	0.0432	0.0461
	(0.01)	(0.04)	(0.36)	(0.38)	(0.35)
Unemployment Rate	-0.3295	0.0265	-0.0682	-0.0648	-0.0671
	(0.00)	(0.65)	(0.27)	(0.30)	(0.28)
Agriculture Share of Employment	0.6047	-2.0245	-0.8082	-0.7674	-0.7845
	(0.10)	(0.00)	(0.17)	(0.19)	(0.18)
Construction Share of Employment	-2.4341	-0.1418	0.2926	0.3597	0.3185
	(0.00)	(0.64)	(0.34)	(0.25)	(0.30)
Finance Share of Employment	-1.1883	-0.2218	0.2378	0.2845	0.2614
	(0.00)	(0.36)	(0.37)	(0.29)	(0.32)
Government Share of Employment	-1.1507	-0.3280	0.2874	0.3385	0.3205
	(0.00)	(0.14)	(0.28)	(0.21)	(0.23)
Manufacturing Share of Employment	-0.6156	-0.1834	0.2103	0.2553	0.2211
	(0.00)	(0.46)	(0.44)	(0.35)	(0.42)
Mining Share of Employment	-0.9308	0.0786	0.4122	0.4445	0.4136
	(0.00)	(0.76)	(0.18)	(0.15)	(0.18)
Retail Share of Employment	0.1298	-0.0723	0.5907	0.6253	0.6076
	(0.49)	(0.78)	(0.03)	(0.02)	(0.03)
Services Share of Employment	-0.4825	0.0396	0.5905	0.6163	0.5936
	(0.00)	(0.86)	(0.02)	(0.02)	(0.02)
Transportation Share of Employment	-0.2764	-0.0373	0.5151	0.5368	0.5246
	(0.33)	(0.91)	(0.20)	(0.18)	(0.19)

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Farm Share of Total Employment	-0.2738	0.1780	-0.0924	-0.0879	-0.1041
	(0.00)	(0.06)	(0.43)	(0.45)	(0.37)
Union Membership Rate	-0.0010	-0.0051	0.0242	0.0230	0.0236
	(0.96)	(0.87)	(0.31)	(0.34)	(0.32)
Gini Coefficient	-0.0290	0.1294	0.0463	0.0451	0.0484
	(0.52)	(0.00)	(0.19)	(0.20)	(0.17)
Gross Output (Per Capita, 2000 Dollars)	-0.0005	-0.0013	-0.0007	-0.0006	-0.0006
	(0.25)	(0.01)	(0.15)	(0.20)	(0.18)
Federal Transfers (Per Capita, 2000 Dollars)	0.0746	0.0729	0.0239	0.0237	0.0240
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Taxation or Expenditure Limit	-0.0153	-0.0052	-0.0058	-0.0058	-0.0061
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Gubernatorial Term Limit	-0.0201	-0.0260	-0.0106	-0.0101	-0.0104
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Legislative Term Limit	0.0200	0.0014	-0.0016	-0.0020	-0.0018
	(0.00)	(0.60)	(0.64)	(0.54)	(0.58)
Biennial Budget Cycle	-0.0129	0.0106	0.0040	0.0040	0.0041
	(0.00)	(0.00)	(0.10)	(0.10)	(0.08)
Election Year	-0.0007	-0.0003	-0.0004	-0.0004	-0.0005
	(0.67)	(0.79)	(0.47)	(0.53)	(0.42)
First Year of Democratic Control	0.0073	0.0026	0.0012	0.0012	0.0011
	(0.20)	(0.49)	(0.58)	(0.56)	(0.58)
First Year of Republican Control	0.0070	0.0009	0.0038	0.0041	0.0039
	(0.28)	(0.84)	(0.12)	(0.10)	(0.11)
Last Year of Democratic Control	0.0027	-0.0023	-0.0014	-0.0012	-0.0014
	(0.57)	(0.44)	(0.47)	(0.52)	(0.47)
Last Year of Republican Control	0.0107	0.0011	-0.0021	-0.0022	-0.0020
	(0.08)	(0.78)	(0.42)	(0.39)	(0.43)
Time Trend	0.0021	0.0004	-0.0000	-0.0000	-0.0000
	(0.00)	(0.36)	(0.99)	(0.78)	(0.92)
Geographic Spatial Weight				0.1210	
				(0.07)	
Industrial Spatial Weight					0.0607
					(0.09)
Coefficient of Autocorrelation	17	17	17	17	17
Political Control Lag Periods			0.6446	0.6452	0.6460
n	1457	1457	1457	1457	1457
R^2	0.67	0.89	0.76	0.76	0.76

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

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Table A.10: Full Regression Results, Healthcare Expenditure Share Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Democratic Control	0.0003	-0.0037	0.0001	0.0000	0.0001
	(0.77)	(0.00)	(0.90)	(0.96)	(0.90)
Republican Control	0.0010	0.0033	0.0014	0.0015	0.0014
	(0.45)	(0.00)	(0.22)	(0.20)	(0.22)
Racial Fractionalization Index	0.0362	0.0179	-0.0579	-0.0547	-0.0581
	(0.00)	(0.50)	(0.17)	(0.19)	(0.17)
Population Share Under 18	-0.1201	0.0789	-0.0098	-0.0068	-0.0095
	(0.00)	(0.06)	(0.89)	(0.92)	(0.89)
Population Share over 64	0.1597	0.1739	0.0645	0.0853	0.0644
	(0.00)	(0.01)	(0.58)	(0.46)	(0.58)
Population Share with High School Degree	-0.0209	-0.0045	-0.0155	-0.0147	-0.0155
	(0.20)	(0.78)	(0.23)	(0.26)	(0.23)
Population Share with College Degree	0.0640	-0.1025	-0.0008	-0.0022	-0.0008
	(0.01)	(0.00)	(0.97)	(0.91)	(0.97)
Population Share Urban	0.0259	-0.0672	-0.0227	-0.0324	-0.0227
	(0.00)	(0.00)	(0.52)	(0.36)	(0.52)
Unemployment Rate	0.0118	-0.0770	0.0218	0.0224	0.0220
	(0.64)	(0.01)	(0.42)	(0.41)	(0.42)
Agriculture Share of Employment	-1.1608	0.2111	-0.0227	-0.0191	-0.0220
	(0.00)	(0.32)	(0.94)	(0.95)	(0.94)
Construction Share of Employment	-0.1972	0.0493	0.2019	0.1775	0.2017
	(0.02)	(0.67)	(0.17)	(0.23)	(0.17)
Finance Share of Employment	-0.2698	0.0654	0.1138	0.1032	0.1137
	(0.00)	(0.49)	(0.41)	(0.46)	(0.41)
Government Share of Employment	-0.0236	0.0994	0.0944	0.0733	0.0941
	(0.72)	(0.31)	(0.49)	(0.59)	(0.49)
Manufacturing Share of Employment	-0.1045	0.1424	0.1433	0.1160	0.1427
	(0.11)	(0.08)	(0.26)	(0.36)	(0.26)
Mining Share of Employment	-0.2277	0.1014	0.0680	0.0434	0.0676
	(0.00)	(0.24)	(0.65)	(0.77)	(0.65)
Retail Share of Employment	-0.0355	0.2518	0.1136	0.0937	0.1131
	(0.65)	(0.01)	(0.40)	(0.49)	(0.40)
Services Share of Employment	-0.2624	-0.0457	0.0073	-0.0030	0.0071
	(0.00)	(0.58)	(0.95)	(0.98)	(0.96)
Transportation Share of Employment	-0.3470	0.1640	0.1295	0.1071	0.1284
	(0.00)	(0.22)	(0.53)	(0.60)	(0.53)

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Farm Share of Total Employment	-0.1144	0.0177	0.0829	0.0748	0.0833
	(0.00)	(0.62)	(0.18)	(0.23)	(0.18)
Union Membership Rate	-0.0432	-0.0025	0.0114	0.0112	0.0113
	(0.00)	(0.86)	(0.29)	(0.29)	(0.29)
Gini Coefficient	0.0502	0.0386	0.0104	0.0108	0.0103
	(0.01)	(0.05)	(0.58)	(0.56)	(0.58)
Gross Output (Per Capita, 2000 Dollars)	0.0001	0.0003	-0.0003	-0.0003	-0.0003
	(0.50)	(0.25)	(0.21)	(0.24)	(0.20)
Federal Transfers (Per Capita, 2000 Dollars)	0.0010	0.0051	-0.0010	-0.0007	-0.0010
	(0.69)	(0.13)	(0.76)	(0.83)	(0.76)
Taxation or Expenditure Limit	0.0007	0.0031	0.0011	0.0011	0.0011
	(0.46)	(0.00)	(0.25)	(0.24)	(0.25)
Gubernatorial Term Limit	-0.0027	0.0020	-0.0006	-0.0005	-0.0006
	(0.00)	(0.09)	(0.71)	(0.75)	(0.71)
Legislative Term Limit	0.0027	-0.0011	0.0004	0.0001	0.0004
	(0.07)	(0.38)	(0.82)	(0.93)	(0.82)
Biennial Budget Cycle	-0.0008	0.0009	0.0019	0.0019	0.0019
	(0.33)	(0.55)	(0.10)	(0.10)	(0.10)
Election Year	-0.0001	0.0002	0.0004	0.0004	0.0004
	(0.86)	(0.69)	(0.10)	(0.11)	(0.10)
First Year of Democratic Control	-0.0022	0.0003	-0.0002	-0.0002	-0.0002
	(0.29)	(0.82)	(0.80)	(0.79)	(0.80)
First Year of Republican Control	-0.0009	-0.0022	-0.0011	-0.0012	-0.0011
	(0.72)	(0.26)	(0.31)	(0.28)	(0.31)
Last Year of Democratic Control	0.0014	0.0028	-0.0002	-0.0002	-0.0002
	(0.48)	(0.03)	(0.80)	(0.83)	(0.80)
Last Year of Republican Control	-0.0019	-0.0004	-0.0012	-0.0012	-0.0012
	(0.46)	(0.81)	(0.28)	(0.27)	(0.28)
Time Trend	-0.0001	0.0009	0.0000	0.0000	0.0000
	(0.56)	(0.00)	(0.94)	(0.88)	(0.94)
Geographic Spatial Weight				0.1341	
				(0.04)	
Industrial Spatial Weight					0.0046
					(0.91)
Coefficient of Autocorrelation			0.7629	0.7632	0.7631
Political Control Lag Periods	0	0	0	0	0
n	1457	1457	1457	1457	1457
R^2	0.45	0.75	0.54	0.55	0.54

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

Table A.11: Full Regression Results, Transportation Expenditure Share Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Democratic Control	0.0020	-0.0025	-0.0009	-0.0009	-0.0009
	(0.28)	(0.11)	(0.62)	(0.63)	(0.60)
Republican Control	0.0080	-0.0020	-0.0020	-0.0019	-0.0022
	(0.00)	(0.33)	(0.42)	(0.43)	(0.37)
Racial Fractionalization Index	0.0008	0.5515	0.5741	0.5725	0.5666
	(0.93)	(0.00)	(0.00)	(0.00)	(0.00)
Population Share Under 18	0.3612	-0.2326	-0.2382	-0.2380	-0.2442
	(0.00)	(0.03)	(0.16)	(0.16)	(0.15)
Population Share over 64	0.5596	0.4164	0.3185	0.3120	0.3249
	(0.00)	(0.01)	(0.14)	(0.16)	(0.13)
Population Share with High School Degree	-0.0660	-0.0848	-0.0145	-0.0144	-0.0149
	(0.02)	(0.01)	(0.68)	(0.69)	(0.67)
Population Share with College Degree	0.3158	0.1266	0.0852	0.0847	0.0863
	(0.00)	(0.01)	(0.07)	(0.07)	(0.07)
Population Share Urban	-0.0737	0.0141	0.0052	0.0061	0.0025
	(0.00)	(0.65)	(0.91)	(0.90)	(0.96)
Unemployment Rate	-0.3382	-0.1451	-0.0434	-0.0427	-0.0385
	(0.00)	(0.00)	(0.47)	(0.48)	(0.52)
Agriculture Share of Employment	0.5198	0.7258	-0.2690	-0.2550	-0.2624
	(0.04)	(0.11)	(0.68)	(0.69)	(0.69)
Construction Share of Employment	1.4973	1.0762	0.7150	0.7174	0.6854
	(0.00)	(0.00)	(0.02)	(0.02)	(0.02)
Finance Share of Employment	1.2183	0.9375	0.7318	0.7339	0.7179
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Government Share of Employment	1.0593	0.7314	0.4761	0.4785	0.4469
	(0.00)	(0.00)	(0.06)	(0.06)	(0.07)
Manufacturing Share of Employment	0.9062	0.5831	0.4327	0.4379	0.4257
	(0.00)	(0.00)	(0.07)	(0.07)	(0.07)
Mining Share of Employment	1.2678	1.0155	0.8104	0.8161	0.7848
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Retail Share of Employment	0.8757	0.3751	0.4932	0.4993	0.4576
	(0.00)	(0.06)	(0.05)	(0.05)	(0.07)
Services Share of Employment	1.0463	0.9138	0.6915	0.6952	0.6816
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transportation Share of Employment	1.8335	1.2561	0.7329	0.7405	0.7033
	(0.00)	(0.00)	(0.07)	(0.07)	(0.07)

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Farm Share of Total Employment	0.2828	0.1618	0.1287	0.1266	0.1300
	(0.00)	(0.05)	(0.25)	(0.26)	(0.25)
Union Membership Rate	0.0782	0.1186	0.0585	0.0584	0.0605
	(0.00)	(0.00)	(0.02)	(0.02)	(0.01)
Gini Coefficient	-0.0265	-0.1695	-0.0645	-0.0638	-0.0668
	(0.42)	(0.00)	(0.13)	(0.13)	(0.12)
Gross Output (Per Capita, 2000 Dollars)	0.0005	0.0001	0.0001	0.0001	0.0001
	(0.10)	(0.74)	(0.90)	(0.92)	(0.85)
Federal Transfers (Per Capita, 2000 Dollars)	-0.0197	0.0129	0.0034	0.0033	0.0034
	(0.00)	(0.05)	(0.67)	(0.67)	(0.66)
Taxation or Expenditure Limit	-0.0007	-0.0021	-0.0011	-0.0010	-0.0010
	(0.70)	(0.08)	(0.53)	(0.55)	(0.57)
Gubernatorial Term Limit	0.0087	0.0076	0.0053	0.0053	0.0053
	(0.00)	(0.00)	(0.12)	(0.12)	(0.12)
Legislative Term Limit	-0.0122	-0.0013	-0.0014	-0.0014	-0.0015
	(0.00)	(0.57)	(0.60)	(0.60)	(0.59)
Biennial Budget Cycle	0.0004	-0.0104	-0.0070	-0.0070	-0.0070
	(0.79)	(0.00)	(0.00)	(0.00)	(0.00)
Election Year	-0.0008	-0.0002	-0.0004	-0.0003	-0.0003
	(0.53)	(0.85)	(0.51)	(0.51)	(0.52)
First Year of Democratic Control	-0.0038	0.0000	-0.0021	-0.0021	-0.0021
	(0.31)	(0.99)	(0.24)	(0.24)	(0.24)
First Year of Republican Control	-0.0048	0.0023	0.0008	0.0008	0.0010
	(0.28)	(0.50)	(0.75)	(0.76)	(0.71)
Last Year of Democratic Control	-0.0094	-0.0004	0.0002	0.0002	0.0002
	(0.01)	(0.84)	(0.91)	(0.92)	(0.89)
Last Year of Republican Control	-0.0030	0.0018	0.0029	0.0029	0.0032
	(0.50)	(0.55)	(0.21)	(0.21)	(0.18)
Time Trend	-0.0022	-0.0055	-0.0002	-0.0003	-0.0002
	(0.00)	(0.00)	(0.03)	(0.03)	(0.04)
Geographic Spatial Weight				0.0123	
				(0.83)	
Industrial Spatial Weight					0.0740
					(0.11)
Coefficient of Autocorrelation			0.5827	0.5828	0.5781
Political Control Lag Periods	0	0	0	0	0
n	1457	1457	1457	1457	1457
R^2	0.71	0.88	0.82	0.82	0.82

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

Table A.12: Full Regression Results, Public Safety Expenditure Share Dependent Variable, All Models

Variable	Pooled OLS	PCSE FEM	PW–PCSE FEM	PW–PCSE Geographic Weight	PW–PCSE Industry Weight
Democratic Control	0.0003	-0.0017	-0.0013	-0.0013	-0.0013
	(0.63)	(0.00)	(0.01)	(0.01)	(0.01)
Republican Control	-0.0004	0.0008	0.0003	0.0003	0.0003
	(0.55)	(0.13)	(0.65)	(0.64)	(0.66)
Racial Fractionalization Index	0.0187	0.0114	-0.0070	-0.0082	-0.0056
	(0.00)	(0.35)	(0.70)	(0.66)	(0.76)
Population Share Under 18	-0.0815	-0.0504	-0.0282	-0.0262	-0.0288
	(0.00)	(0.05)	(0.49)	(0.51)	(0.48)
Population Share over 64	-0.0975	-0.0439	-0.0293	-0.0342	-0.0270
	(0.00)	(0.21)	(0.62)	(0.56)	(0.64)
Population Share with High School Degree	-0.0091	-0.0127	-0.0069	-0.0066	-0.0070
	(0.25)	(0.20)	(0.44)	(0.46)	(0.43)
Population Share with College Degree	0.0682	0.0163	0.0254	0.0253	0.0252
	(0.00)	(0.22)	(0.02)	(0.02)	(0.03)
Population Share Urban	0.0055	0.0504	0.0414	0.0416	0.0414
	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)
Unemployment Rate	0.0054	0.0261	0.0313	0.0305	0.0318
	(0.65)	(0.03)	(0.02)	(0.03)	(0.02)
Agriculture Share of Employment	0.4998	-0.0434	-0.2247	-0.2180	-0.2245
	(0.00)	(0.66)	(0.11)	(0.12)	(0.11)
Construction Share of Employment	0.3955	0.2358	0.1331	0.1331	0.1388
	(0.00)	(0.00)	(0.07)	(0.07)	(0.06)
Finance Share of Employment	0.3695	0.0486	0.0370	0.0383	0.0391
	(0.00)	(0.29)	(0.59)	(0.58)	(0.57)
Government Share of Employment	0.3090	0.1647	0.0779	0.0780	0.0821
	(0.00)	(0.00)	(0.24)	(0.23)	(0.21)
Manufacturing Share of Employment	0.2828	0.1176	0.0517	0.0527	0.0554
	(0.00)	(0.01)	(0.40)	(0.39)	(0.37)
Mining Share of Employment	0.2046	0.1115	0.0482	0.0496	0.0520
	(0.00)	(0.03)	(0.49)	(0.48)	(0.46)
Retail Share of Employment	0.3645	0.0604	-0.0026	-0.0026	-0.0015
	(0.00)	(0.21)	(0.97)	(0.97)	(0.98)
Services Share of Employment	0.2912	0.1370	0.0653	0.0680	0.0682
	(0.00)	(0.00)	(0.31)	(0.29)	(0.28)
Transportation Share of Employment	0.3334	0.3192	0.1813	0.1793	0.1856
	(0.00)	(0.00)	(0.07)	(0.07)	(0.06)

APPENDIX

Farm Share of Total Employment	-0.0204	0.0884	0.0644	0.0633	0.0654
	(0.06)	(0.00)	(0.02)	(0.03)	(0.02)
Union Membership Rate	-0.0150	0.0043	-0.0015	-0.0014	-0.0017
	(0.00)	(0.50)	(0.80)	(0.80)	(0.77)
Gini Coefficient	-0.0026	-0.0242	-0.0120	-0.0122	-0.0118
	(0.76)	(0.01)	(0.19)	(0.18)	(0.19)
Gross Output (Per Capita, 2000 Dollars)	0.0003	0.0005	0.0003	0.0003	0.0003
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Federal Transfers (Per Capita, 2000 Dollars)	-0.0118	-0.0020	-0.0030	-0.0030	-0.0030
	(0.00)	(0.17)	(0.06)	(0.06)	(0.06)
Taxation or Expenditure Limit	0.0011	0.0001	0.0010	0.0010	0.0010
	(0.01)	(0.81)	(0.07)	(0.06)	(0.06)
Gubernatorial Term Limit	0.0026	0.0021	0.0017	0.0017	0.0017
	(0.00)	(0.00)	(0.04)	(0.04)	(0.04)
Legislative Term Limit	0.0007	0.0009	0.0006	0.0006	0.0006
	(0.31)	(0.22)	(0.54)	(0.53)	(0.53)
Biennial Budget Cycle	-0.0004	0.0004	0.0002	0.0002	0.0003
	(0.37)	(0.50)	(0.68)	(0.69)	(0.68)
Election Year	0.0001	0.0000	0.0001	0.0001	0.0001
	(0.85)	(0.96)	(0.66)	(0.65)	(0.67)
First Year of Democratic Control	-0.0004	0.0005	0.0010	0.0010	0.0010
	(0.73)	(0.52)	(0.02)	(0.02)	(0.02)
First Year of Republican Control	0.0010	0.0005	0.0001	0.0001	0.0001
	(0.41)	(0.56)	(0.82)	(0.83)	(0.84)
Last Year of Democratic Control	-0.0012	0.0006	0.0003	0.0003	0.0004
	(0.20)	(0.37)	(0.43)	(0.44)	(0.41)
Last Year of Republican Control	0.0005	0.0001	0.0007	0.0007	0.0007
	(0.69)	(0.86)	(0.20)	(0.20)	(0.21)
Time Trend	0.0001	0.0005	-0.0000	-0.0000	-0.0000
	(0.06)	(0.00)	(0.45)	(0.43)	(0.42)
Geographic Spatial Weight				0.0467	
				(0.48)	
Industrial Spatial Weight					-0.0375
					(0.38)
Coefficient of Autocorrelation			0.6742	0.6710	0.6712
Political Control Lag Periods	10	10	10	10	10
n	1457	1457	1457	1457	1457
R^2	0.72	0.87	0.65	0.65	0.65

Coefficient p-*values in parentheses. Gray shading indicates significance at the 95% confidence level. Wholesale share of nonfarm employment is excluded to avoid multicollinearity.*

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