

# DIRECT DEMOCRACY: New Approaches to Old Questions

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■ **Abstract** Until recently, direct democracy scholarship was primarily descriptive or normative. Much of it sought to highlight the processes' shortcomings. We describe new research that examines direct democracy from a more scientific perspective. We organize the discussion around four "old" questions that have long been at the heart of the direct democracy debate: Are voters competent? What role does money play? How does direct democracy affect policy? Does direct democracy benefit the many or the few? We find that recent breakthroughs in theory and empirical analysis paint a comparatively positive picture of the initiative and referendum. For example, voters are more competent, and the relationship between money and power in direct democracy is less nefarious, than many observers allege. More new studies show that the mere presence of direct democracy induces sitting legislatures to govern more effectively.

## INTRODUCTION

For better or worse, the institutions of direct democracy—initiative and referendum—have become an integral part of American democracy. At present, more than half of the states and cities in the United States provide for the initiative and referendum, and more than 70% of the population lives in a state or city where direct democracy is available (Matsusaka 2004). These institutions have been a part of American government for more than 100 years now, making them older than universal women's suffrage and direct election of U.S. senators, and there is reason to believe that they will become increasingly important in the future. No state with the initiative or referendum has ever chosen to do away with the procedure, and states without the procedures are gradually adopting them (at a rate of about one state per decade since the end of World War II).

Direct democracy is flourishing outside the United States as well. In Western Europe, ten countries allow initiatives (as do six of the post-Soviet states), most

countries use referendums<sup>1</sup> from time to time, and the proposed constitution for the European Union now includes a provision for initiative and referendum. It has become almost the norm to use referendums to make important public decisions; 29 elections have been held on European integration alone (see, e.g., Hug & Sciarini 2000, Hug 2002).

Despite its rise, however, direct democracy remains controversial. Most citizens like it—American and European surveys consistently reveal strong support for direct democracy. Many journalists and political elites, on the other hand, are deeply skeptical. Their main points of contention are almost proverbial: Are voters competent to make policy decisions? Is money too important in initiative campaigns? Does direct democracy allow special interests to subvert the policy process, or does it empower citizens to counteract special interest influence in the legislature? These questions were at the heart of the debate over direct democracy during the Progressive movement a century ago, and they remain the central questions today.

Scholars also address these questions. In fact, they have written hundreds of books and thousands of articles about direct democracy. Until recently, however, this literature was almost entirely descriptive or normative. Few scholars treated the questions as scientific propositions that could be evaluated theoretically and tested empirically. The historical obstacles to examining direct democracy scientifically have been the lack of formal language to filter competing arguments by their logical consistency and a high cost of computing that impeded all but the simplest empirical inquiries. In recent decades, these obstacles have eroded. The increasing sophistication of econometrics and the advent of low-cost computing make it possible to work with large data sets, isolate key effects, and establish robust empirical relations. At the same time, the development of powerful new theoretical tools, including formal modeling, allows more sophisticated examinations of direct democracy's strategic, informational, and policy-related aspects.

In this essay, we discuss the research engendered by the fortuitous confluence of breakthroughs in theory and empirical analysis. After a brief review of definitions and concepts in the next section, we focus on four “old” questions that have long been at the heart of the direct democracy debate:

- Are voters competent?
- What role does money play?
- How does direct democracy affect policy?
- Does direct democracy benefit the many or the few?

We address each question in two ways. First, we highlight the methodological foundations of the new studies in order to distinguish their approach from the largely descriptive and normative literature that preceded them. Second, we discuss the new literature's substantive findings.

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<sup>1</sup>We use “referendums” rather than “referenda” as the plural following the *Oxford English Dictionary* and the convention of the literature.

Although it is too early to draw definitive conclusions about all aspects of direct democracy, the new approaches challenge many old answers. The new insights paint a relatively positive picture of the initiative and referendum. They show that voters are more competent than many critics allege and that the relationship between money and power in direct democracy is far less nefarious than many “prescientific” authors contend. In other words, the new approaches’ results are more in line with the preponderance of public opinion than they are with the negative valence of many previous writings.

## DEFINITIONS AND CHALLENGES

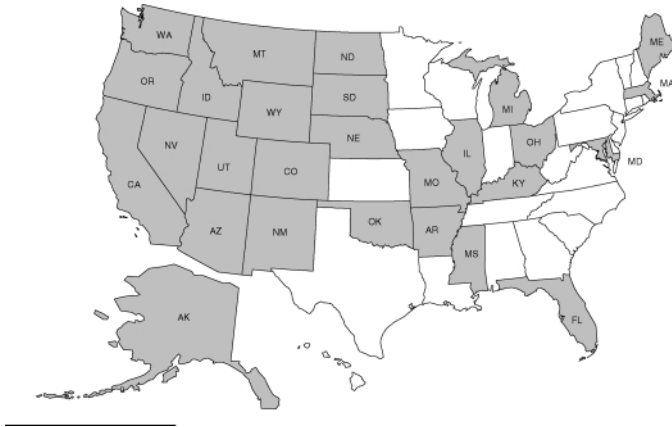
Our focus here is on new approaches to old questions about direct democracy, so we do not dwell on legal and institutional details except where they are important to answering the questions. However, it is useful to define a few terms and provide a little institutional context before proceeding. Direct democracy is a broad term that encompasses a variety of decision processes, including town meetings, recall elections, initiatives, and various forms of referendums. This essay focuses on the two most important and widely used processes, the initiative and referendum.<sup>2</sup>

The referendum is a process that allows citizens to approve or reject laws or constitutional amendments proposed by the government. Referendums come in several flavors. Petition referendums allow citizens to challenge laws approved by the legislature. Legislative referendums are measures referred to the voters by the legislature for their approval. Some legislative referendums are mandatory. Forty-nine states, for example, require that voters approve constitutional amendments. Other legislative referendums are less binding. At the extreme are advisory referendums. Governments use these referendums to gauge public opinion, but the outcomes of such elections have no direct implications for law or policy.

The initiative is a process that allows ordinary citizens to propose new laws or constitutional amendments by petition. The main difference between initiatives and referendums, therefore, is that citizens can write the former whereas only government officials can draft the latter. Some of the most famous recent uses of direct democracy, such as California’s Proposition 13 of 1978, were citizen-sponsored initiatives that became law despite broad opposition in sitting legislatures. Figure 1 indicates which states currently provide for the initiative and referendum.

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<sup>2</sup>The single most comprehensive source on the law and use of the initiative and referendum in America is the *Initiative and Referendum Almanac* (Waters 2003). Information on direct democracy in the states also can be found in Magleby (1984), Dubois & Feeney (1998), Matsusaka (2004), and the Web site of the Initiative & Referendum Institute (<http://www.iandrinstute.org>). Information on direct democracy in cities can be found in Schmidt (1989) and Matsusaka (2003). European information is reported on the Web site of the Initiative & Referendum Institute Europe (<http://www.iri-europe.org>).



**Figure 1** States with the initiative or referendum, 2003.

The most obvious difference between direct democracy and more traditional legislative processes is the direct participation of voters. However, scholars have increasingly turned their attention toward other procedural differences whose consequences are potentially important. We focus on three such differences: qualification requirements, the need to run an electoral campaign to pass a law, and the unique challenges of asking legislators and governmental actors to implement laws that they did not create. Before proceeding, we describe each of these factors briefly.

## Qualification

To put a policy proposal on the ballot, its advocates are required to demonstrate that it elicits at least a minimal degree of public interest. Signature requirements are the most common means for sponsors of initiatives and petition referendums to demonstrate such interest. If a predetermined number of signatures are collected, the proposal goes before the voters. The required number of signatures varies from place to place. In the United States the requirement ranges from a low of 2% of registered voters in North Dakota to a high of 15% of votes cast in the previous general election in Wyoming. In addition to mandating numbers, some states require signatures to be collected from multiple regions of the state—to avoid sponsors soliciting signatures in only a handful of densely populated areas. Massachusetts, for example, allows no more than 25% of signatures to come from the Boston area. Another important variable is the time allowed for signature collection. In California, sponsors must collect all of their signatures within a 150-day window. In Florida, sponsors can take up to four years. As we show below, qualification requirements are important in the new science of direct democracy because they affect what kinds of policy proposals get on the ballot and the role of money in determining ballot access.

## Campaigning

For many groups using direct democracy, the need to wage an electoral campaign in support of a policy proposal represents an even greater challenge than qualification. Numerous factors affect the cost of an initiative campaign. In many cases, reaching large segments of the population requires sizable purchases of advertisement time on television and radio. Many campaigns also engage heavily in direct mail. Other factors that affect the cost of waging a successful direct democracy campaign include the extent of underlying public support (i.e., whether the campaign seeks to mobilize existing support or change people's opinions; the latter is often more expensive) and the resources of the opposition (i.e., whether the campaign is competitive). When advocates run expensive campaigns, then those without resources may be increasingly disadvantaged.

## Implementation

If an initiative or referendum wins on Election Day, its impact on policy depends on how it is implemented. In some cases, implementation is easy (e.g., term-limits legislation often provides simple rules, such as a maximum of three two-year terms). In most cases, however, new laws require more complex interpretation and more complicated actions. Some initiatives, for example, offer vague implementation directions and mandate mild or no sanctions on those who choose not to follow existing directions. Policies passed by direct democracy are not always implemented as written and do not always affect policy in ways that their supporters anticipate (Gerber et al. 2001). Therefore, understanding when initiatives and referendums are most likely to be implemented as they were written is an important part of understanding direct democracy's ultimate policy impact.

With basic definitions and concepts in hand, we now turn to the task of describing what new approaches to the study of direct democracy imply about its old questions. We start with an important question about voters.

## ARE VOTERS COMPETENT?

Questions about voter competence are a common facet of direct democracy debates. Many people believe that ordinary citizens are incompetent because they base their political choices on limited factual foundations. Supporting this point of view are answers to what pollsters call "political information" questions (e.g., "Who is the Chief Justice of the Supreme Court?"). Citizens routinely provide incorrect answers to such questions on national surveys (Delli Carpini & Keeter 1996).

With such evidence abundant and widely publicized, it is difficult to imagine that voters are competent to make the kinds of policy decisions with which direct democracy confronts them. Yet, a frequent finding in new studies of direct democracy is that they do. To say that citizens are more competent than many critics allege is not to say that instances of voter incompetence are trivial or nonexistent.

However, techniques such as game theoretic communication models, laboratory experiments, and specially designed surveys now allow scholars to more accurately distinguish malignant informational contexts from benign ones.

The key insight on which this literature builds is that people base most of their choices, even complex and important ones, on very simple kinds of information. Making choices in this way leaves us vulnerable to mistakes, but we proceed in this fashion because we have no other option. Each of us has thousands of choices to make every day. We cannot know detailed information about, or conduct rigorous research on, the consequences of every choice we face. Because we cannot know everything, our choices are—as a matter of necessity—based on the few rules of thumb or heuristics that we adopt.

In one of the first direct empirical examinations of this phenomenon, Lupia (1994) demonstrated that voters can use simple pieces of information as substitutes for the detailed information that political surveys show them to lack. His findings are the result of an exit poll whose purpose was to determine whether relatively uninformed voters could use information shortcuts—specifically the identity of groups who supported or opposed the measures in question—to cast the same votes they would have cast if able to recite the ballot measures' details. The exit poll surveyed California voters who were confronted by five complex propositions regarding the regulation of the insurance industry. Three of the propositions had been placed on the ballot by the insurance industry, the other two by trial lawyers and consumer activists, respectively. Pollsters asked respondents how they voted on the propositions, some socioeconomic and insurance rate-related questions, and a series of questions about the propositions. These latter questions were intended to learn not only what respondents knew about the details of the insurance-reform debate but also to gauge respondent beliefs about the preferences of persons or groups who took public stands on the initiatives.

The data showed respondents sorting themselves into three categories. The first category contained voters who knew neither the answers to the detailed questions about the propositions nor the insurance industry's preferences. The second category contained "model citizens"—voters who consistently gave correct answers to detailed questions about the initiatives and who knew the insurance industry's preferences. The third category contained respondents who could not answer questions about the propositions' details but, like the model citizens, knew the insurance industry's preferences.

The study's central finding is that voters in the second and third categories voted in very similar ways, whereas voters in the first category voted quite differently. Voters in the third category voted as if they were model citizens. Such evidence supports the claim that voters with apparently low levels of political information can use information shortcuts to emulate the voting behavior they would have exhibited if they were as informed as the best-informed persons in the survey.

In a more expansive empirical analysis, spanning many states and elections, Bowler & Donovan (1998, p. 168) reveal that although voters are not "fully informed" about the details of most of the initiatives and referendums on which

they vote, many of these voters “appear able to figure out what they are for and against in ways that make sense in terms of their underlying values and interests. Failing that, others appear to use a strategy of voting *no* when information is lacking or when worries about general state conditions are greatest. Just as legislators do, these voters make choices purposefully, using available information.”

No scholar working in this area regards information shortcuts, such as interest group endorsements, as a panacea for the potential problems that limited information can cause for direct democracy. Results such as those offered above, however, suggest that voters are more competent than commonly portrayed. The lingering question is “When are such voters competent?”

New theoretical research (e.g., Lupia & McCubbins 1998) examines conditions under which voters who use information shortcuts cast the same votes they would have cast if they were better informed. These models draw from social psychological research on persuasion (e.g., Eagly & Chaiken 1993, Petty & Cacioppo 1986) and economic models of strategic communication (see, e.g., Farrell & Gibbons 1989, Farrell & Rabin 1996, Milgrom & Roberts 1986). This kind of research begins with the premise that a voter may lack the information she needs to vote competently. Although relying on others for information often requires less of the voter’s time and effort than does conducting her own investigation of the issues at hand, such dependence can also entail substantial peril. Not all people from whom voters can seek advice are trustworthy or knowledgeable.

Theoretical models built from such premises (Lupia & McCubbins 1998, Ch. 3–5) and associated laboratory experiments (Lupia & McCubbins 1998, Ch. 6–8) show that voters need not know many details of a ballot measure in order to vote as if they did. If voters have access to reliable advisers, then they can vote competently despite not knowing many details about the choice at hand. Indeed, voters have an incentive to seek advice from people who are credible and to avoid information providers who provide vague or misleading reports. But how do they do this? Theory shows that political institutions can do some of the work for them. If these institutions generate the forces that clarify others’ incentives in the eyes of voters (e.g., truth-in-advertising laws, perjury penalties, or incentives to be known as trustworthy, each of which can minimize the range of false statements made about a particular initiative), then voters can do a much better job of choosing good advisers. Therefore, voters can be competent while lacking information about those who provide them with information. Seen in this light, the requirements for voter competence in direct democracy can be quite minimal.

As Lupia & Johnston (2001) argue, it may also be true that politics encounter issues for which experts are themselves not well informed. In this case, there are two possible scenarios. In the first scenario, no one in the polity is sufficiently well informed. In such a case, letting the voters choose policy by direct democracy rather than leaving it to the legislature causes no loss in competence. In the second scenario, some elites are knowledgeable, but the electorate’s experts are not. This scenario can occur in a closed society, where the channels of communication are centrally controlled, or in a society where effective channels of communication

do not exist. In such a situation, letting voters make policy by direct democracy can do considerable damage. European and North American states, however, are not closed societies. Each has access to modern forms of communication and competitive political environments. Therefore, if someone in a direct democracy debate has the opportunity to expose the opposing side's weaknesses, the competitive nature of politics provides a strong incentive to do so publicly. In such cases, it is possible, but unlikely, that competing elites will conspire to withhold important information from potential supporters in the electorate. In sum, if there are people who are willing to inform voters and if voters can use environmental factors such as institutions to better understand the motives of the people they listen to, then voters can cast the same votes they would have cast if more informed.

Research specifically devoted to questions of voter competence in direct democracy is a relatively new phenomenon, but much of the theory and evidence produced by political scientists so far reveal that common stereotypes about voter incompetence rely on shaky theoretical and empirical foundations.

## WHAT ROLE DOES MONEY PLAY?

Contemporary discussions of American democracy are preoccupied with the role of money. When it comes to elected representatives, the main concern is that campaign contributions lead to corruption and cause officials to adopt policies favored by contributors but contrary to the public interest. Corruption is a less significant concern with the initiative and referendum because voters only approve or reject a specific law; they do not place an official in a position to dispense favors to contributors. So when it comes to direct democracy, the concern is that wealthy interests "buy" legislation directly by placing measures on the ballot and campaigning for their approval. However, many new studies suggest that whatever the capacity of money to influence ballot proposition elections, it does not give narrow special interests any greater advantage than they already enjoy in the legislature, at least with regard to fiscal policy or the social policies that have been studied.

There have been numerous attempts to measure the effect of money on ballot proposition elections. The earliest studies (e.g., Lowenstein 1982; Magleby 1984, Ch. 8; Owens & Wade 1986) compared passage rates for small samples of initiatives in which one side heavily outspent the other to passage rates where spending was about equal. The general finding was that heavy spending against a measure tended to lead to the measure's defeat, whereas heavy spending in favor of a measure had a minimal effect.

That basic finding has held up well in studies using more sophisticated techniques (Garrett & Gerber 2001). For example, Gerber (1999) estimated regressions for a sample of 125 propositions in eight states to measure the effect of spending for and against a measure on the measure's success, controlling for the type



of spending and other variables. She found that spending against a measure had a large and statistically significant negative effect on the probability of passage, whereas spending in favor had a small and insignificant effect.

Gerber's empirical analysis is motivated by a model of interest-group behavior based on optimization principles from economic theory. She observes that different groups have different resources available to influence policy (e.g., citizen groups may have access to more volunteer labor, whereas business groups have more cash), and their efforts have different productivities (e.g., business groups may find it difficult to persuade voters if their motives are more suspect than those of certain citizen groups). As a result, campaign spending by some groups is likely to be more effective than spending by other groups. Consistent with this idea, Gerber finds that spending by business groups is particularly ineffective in gaining approval for measures but is particularly potent in defeating measures. In contrast, spending by citizen groups appears more effective in passing measures (Gerber defines citizen groups to include unions and other noncorporate public interest groups).

Such studies imply a role for money in direct democracy that cuts against popular stereotypes. Consider, for example, the implications of the role that money plays in groups' abilities to satisfy states' signature requirements. A fact beyond dispute is that qualifying a measure for the ballot can be expensive. Using paid signature gatherers to qualify an initiative in California, for example, now costs well over \$1 million. Professional signature collectors have always been a part of the initiative process (Magleby 1984, Ch. 4), but they are becoming nearly indispensable in many states. A popular stereotype is that the growing role of paid signature gatherers allows wealthy interests greater advantages in buying policy. Gerber's research shows that the stereotype is not quite right. Business groups regularly fail to pass the initiatives they sponsor. However, Gerber also finds that the ability to get on the ballot helps them in other ways. It can trigger a legislative response to stave off the initiative, and even if the measure fails, it may attract enough votes to signal the existence of a large constituency that might prompt the legislature to take some action on the issue—though these outcomes are likely only if the policy in question has substantial public support. Indeed, a survey of business groups reported by Gerber (1999) reveals that their primary reason for promoting initiatives is to send a signal to the legislature, not to achieve passage of the measure.

New studies of voter decision making in direct democracy also reinforce Lowenstein's (1982) and Magleby's (1984) early results. As noted above, Bowler & Donovan (1998) show that when voters are uncertain about the likely policy consequences of a ballot proposition, they tend to vote against it. Voters prefer to stick with policies whose consequences they have experienced, namely the policies that continue when initiatives lose, rather than risk voting for a new initiative whose consequences might be very bad. Thus, spending vast sums of money to defeat an initiative may make voters sufficiently confused and uncertain that they vote against it. Convincing voters that an initiative represents an improvement over the

known status quo, by contrast, requires more than money. As Lupia (1994), Gerber (1999), and Lupia & Johnston (2001) show, it also requires the endorsements of well-known public figures and evidence of broad grass-roots support.

There are two upshots of these considerations. First, the deep pockets of business groups do not allow them to “buy” favorable policy, but they do provide leverage in fighting off measures the groups oppose. Second, citizen groups do appear to be able to use their wealth to gain approval for measures. Thus, it seems that money matters, but in a nuanced way. The spending evidence also suggests why the initiative process does not lead to policies contrary to the wishes of the majority (see below): Without preexisting public support, the financial resources of business groups are ineffective in changing the status quo, and the financial resources of most citizen groups are too scarce to bring about much change.

## HOW DOES DIRECT DEMOCRACY AFFECT POLICY?

### Policies and Performance

The most important question that might be asked about direct democracy is whether it affects public policy—and, if so, how? If direct democracy does not affect policy outcomes, then questions about factors such as voter competence and the power of money lose much of their relevance. A tricky issue in answering this crucial question is how to measure the effect of an initiative or referendum on policy. The earlier descriptive and normative literatures approached the issue by studying the content of measures that were actually approved by the voters and making a judgment call on their importance. Such an approach relies on several assumptions that are not generally valid, among them that (a) direct democracy affects policy only through the passage of measures, (b) policies brought about by the initiative would not have come about otherwise, and (c) measures approved by the voters are actually implemented.

Game theory has been instrumental in clarifying how to measure the impact of direct democracy on policy. The key insight is that the institutions of direct democracy can affect policy even if they are never used. Intuitively, the threat of an initiative by an interest group may be enough to induce a change in behavior of the legislature. The legislature, for example, may partially accommodate an interest group to stave off an initiative it considers to be even worse. If the legislature responds to a threat by altering its policy choice, then the initiative has changed the policy outcome even though a measure never appeared on the ballot. The most transparent development of this idea is that of Gerber (1996), who builds on the agenda-setter model pioneered by Romer & Rosenthal (1979). Gerber (1998) shows that the possibility is more than theoretical by discussing real cases in which the threat of an initiative did engender a legislative response. In short, the initiative has both a direct effect (measures approved by the voters) and an indirect effect (changes in legislative behavior), so its effect on policy cannot be measured by examining only the propositions that actually pass.

Theory implies that the mere availability of direct democracy can affect policy. A growing body of empirical work tests this claim directly. Some scholars use panel data for American states and cities and Swiss cantons and local governments. They then compare policy outcomes in states with and without the initiative process. A common approach is to regress a policy variable on a set of control variables and a dummy variable that equals 1 for states with the initiative process. If policy differences remain after controlling for other known determinants of policy outcomes, such as demographics and political variables, the differences are ascribed to the availability of the initiative process.

Such studies generally find that the initiative and referendum matter across a wide range of policies. Matsusaka (1995, 2000, 2004) and Matsusaka & McCarty (2001) find differences in tax and spending policies in American states and cities. Feld & Matsusaka (2004) and Schaltegger & Feld (2001) find differences in tax and spending policies among Swiss cantons and municipalities. Gerber (1996, 1999) finds differences in parental abortion notification and capital punishment policies, and Gerber & Hug (2002) find differences in minority rights policies across American states. Moreover, and again consistent with the theory described above, the studies generally find that the policy impact of initiative and referendum processes in states diminishes as the cost of using the devices rises (e.g., as the signature requirement increases).

Beyond observing that direct democracy matters, it is interesting to know *how* it matters. For example, does it tend to bring about conservative or liberal policies? When the initiative was first proposed by the Progressives early in the twentieth century, it was opposed by conservatives on the grounds that it would become the tool of socialists and other left-leaning groups: "If socialism is ever established in the United States—so far as it can be established—it will be through the initiative and referendum" (Boyle 1912, p. 29). More recently, the initiative has been associated with conservative causes, especially tax limitation. The older descriptive literature searched for ideological tendencies in direct legislation by subjectively classifying measures and then counting up the number of conservative and liberal measures that passed. The results were generally ambiguous (Cronin 1989). As discussed above, the counting-up approach is not generally valid because it ignores the indirect effects of initiatives and referendums. It also assumes that the measures are faithfully implemented—an assumption to which we return below.

The new research, which is based on theoretically justified estimates of the full effects (direct plus indirect), provides a fairly clear picture of the ideological tendency of the initiative and referendum. For fiscal policies over the past several decades, the evidence points almost uniformly to a conservative effect of the initiative (see Matsusaka 2004 for evidence and a review of the literature). Initiative states taxed and spent about 4% less than noninitiative states (all else equal), adopted less redistributive financing schemes (relying more on user charges and fees and less on broad-based taxes), and decentralized expenditure from state to local governments. Similarly, evidence from Swiss cantons shows that the initiative and referendum reduce spending (Feld & Matsusaka 2004, Schaltegger &

Feld 2001). For social policies, Gerber (1999) finds that initiative states are more likely to require parental notification when minors seek abortions and are more likely to use capital punishment. It is easy to find examples of particular initiatives that promote liberal causes, such as funding for mass transit, but the statistical evidence shows that these are isolated cases that run against a more general trend: Over the past four decades, the initiative has tended to bring about more fiscally and socially conservative policies at the state level than would occur otherwise.

The reverse was true earlier in the twentieth century. Matsusaka (2000) documents that the initiative increased state spending during the period 1902–1942, particularly spending on public education and welfare programs. The initiative also appears to have driven up spending in cities over the past few decades (Matsusaka 2004). Thus, it would be wrong to conclude that direct democracy is inherently conservative. Rather than thinking of direct democracy as ideologically predisposed in a particular direction, it is better to think of it as a “median-reverting” institution that pushes policy back toward the center of public opinion when legislatures move too far to the right or left.

A more common question is whether the initiative and referendum lead to better or worse policy decisions. Although many people offer opinions on this matter, their conclusions usually tell us more about their own policy preferences than about the desirability of the resulting policies as seen from broader or different normative perspectives. Of course, it is difficult to come up with an objective definition of a good or bad policy, and the new research, with its positive focus, has tended to shy away from normative assessments of the institutions of direct democracy. Yet some interesting steps in this direction have been taken.

One criticism of direct democracy is that voters are myopic: They will approve new spending programs while at the same time cutting their taxes. The evidence generally rejects the notion that voters do not understand that budgets must balance over time. Although initiatives tend to bring about both lower taxes and lower spending, neither initiatives nor referendums have a significant effect on the amount of debt issued (Matsusaka 1995, 2004; Kiewiet & Szakaly 1996). At least in this respect, the initiative process does not lead to *prima facie* irrational public policies—particularly when you compare such results to the deficit spending patterns of many professional legislatures.

A scattering of studies has attempted to measure the quality of public decisions using economic indicia. These studies face the familiar problems associated with nonexperimental data, and the techniques to resolve those problems are still being developed, so the findings should be viewed as preliminary. An early study by Pommerehne (1983) found that municipal services such as trash collection are more efficient (output for a given level of expenditure) in cities with direct democracy than in cities without direct democracy. Feld & Savioz (1997) estimate an aggregate production function for the economies of Swiss cantons and find that those with direct democracy enjoy a higher total output for a given level of labor and capital inputs than those without. One explanation could be that direct democracy cantons are using their public funds more productively than cantons

without direct democracy. Blomberg et al. (2001) also adopt a macroeconomic approach and find that American states with the initiative experience faster growth in output per capita than those without. They also suggest that public spending is less wasteful in states with the initiative than in those without. Frey & Stutzer (2000) approach a similar question in a different way. They study survey data in which people indicate their "happiness" (subjective well being) and find happier people in cantons with more direct democracy, after controlling for income and other demographics.

Other potential benefits of direct democracy have been highlighted recently. Mendelsohn & Cutler (2000), in a study of a Canadian referendum, find that voters pay more attention to the media and learn more as campaigns progress, even among the most poorly informed segments of the electorate. Tolbert and her coauthors (2003, p. 23) use 1996, 1998, and 2000 American National Election Studies to show that "exposure to ballot initiatives increases the probability of voting, stimulates campaign contributions to interest groups, and enhances political knowledge." Again, each of these studies should be viewed with some caution because they use data from specific contexts, but they do lay down a few tracks toward measuring the quality of public policies under direct democracy. It seems worth noting that every such study to date points to higher-quality (or no worse) decisions when the institutions of direct democracy are available.

## The Implementation Problem

The literature documenting that direct democracy changes policy is complemented by another strand of research that investigates the channels through which the policy changes occur. New research integrates delegation models, econometric analyses, and case studies to clarify what happens in direct democracy's implementation stage. It shows that implementation is a particularly thorny issue for initiatives.

The focal empirical result is that great variation exists in how legislators, bureaucrats, and other government employees react to winning initiatives. Some measures, once passed, take full effect, whereas others are reinterpreted or ignored (Gerber et al. 2001). These variations occur because the people who create and support winning initiatives are not authorized to implement and enforce them. Instead, they must delegate these tasks to legislatures and bureaucrats.

New research (see, e.g., Gerber et al. 2001, Bali 2003, Gerber et al. 2004) addresses the question, "When will these governmental actors use their delegated powers to weaken the impact of laws they dislike?" It reveals that initiatives face more difficult implementation problems than many policies passed by professional legislatures. The initiative process is a very expensive way to seek policy change; it is cost effective only for people who seek policy changes that the government refuses to provide (Gerber 1999). It is not surprising, therefore, that many initiatives propose policy changes that reflect dramatic departures from the status quo (e.g., overhauling a state's property tax system), that legislators are unwilling to impose on themselves (e.g., term limits and certain types of campaign finance reform), that

the major parties dislike (e.g., open primaries), that cut across existing political cleavages (e.g., bilingual education), that offend important legislative constituencies (e.g., tort reform), or that are considered too hot to handle (e.g., immigration policy and gay marriage).

The challenge for supporters of such initiatives, a challenge that many laws passed by legislative majorities do not face, is that the same governmental actors who once blocked the policies from proceeding through traditional legislative channels may be in a position to influence, or even determine, the extent of their postelection implementation and enforcement. In other words, laws passed by voters against the wishes of legislative majorities or governors face powerful postpassage opposition that laws passed by these government entities do not.

Moreover, when a professional legislature passes a law, rarely is its next move to disband. Although some legislatures pass laws just before a new batch of legislators is sworn in, the legislative body itself continues. Therefore, it is in a relatively good position to oversee those charged with implementing its edicts. Organizations that pass initiatives, by contrast, often disband soon after the election. They cease raising money, they cease recruiting supporters, they shut down their offices—they cease to exist. Compared with professional legislatures, such entities are in a relatively bad position to oversee those charged with implementing their edicts.

A game theoretic model that builds in these postelection features of the initiative process shows that the policy changes that are most likely to prevail as initiatives (as opposed to prevailing in a standing legislature) are less likely to be implemented and enforced, all else staying constant (Gerber et al. 2004). This result is important because many public and scholarly observers of the initiative process believe that a victory at the polls implies a direct policy change. The new research turns this common wisdom on its head. Much of what is important to understanding the initiative process's policy consequences occurs after Election Day.

## DOES DIRECT DEMOCRACY BENEFIT THE MANY OR THE FEW?

The Progressives promoted the initiative and referendum as ways to counteract special interest influence in state legislatures. One of the most prominent criticisms of these processes, then and now, is that they actually have the reverse affect: They allow wealthy, organized interests to subvert the policy process (e.g., Broder 2000). The evidence in support of the subversion criticism is largely circumstantial. Special interests are active in qualifying measures for the ballot and in campaigning for their approval. It is expensive to collect the signatures required to place a measure on the ballot (more than \$1 million in California), making it difficult for groups without access to significant resources to make proposals.

However, the circumstantial argument rests on assumptions that are not generally consistent with evolving theory. For one thing, the dominance of the proposal process by narrow groups does not imply the process works to the disadvantage

of a majority of citizens. In the agenda-setting models of Gerber (1996) and Matsusaka & McCarty (2001), only policies favored by the majority will be approved if they come to the ballot. If voters are sufficiently well informed, they will reject any policies that they find worse than the status quo. In such cases, voters are always better (or no worse) off having an initiative or referendum available, even in the extreme case where proposals are entirely monopolized by special interests. Intuitively, the voters are better off if the interest group offers a proposal that the voters prefer to the status quo provided by the legislature, and they are no worse off if the interest group offers an inferior policy because they will simply reject it. Put differently, a majority of voters can gain when they have the opportunity to choose between two policy options instead of having to accept the decision of the legislature.

The conclusion that the majority is always better off having the initiative and referendum available is a fairly general property of complete information models but does not necessarily hold with incomplete information. For example, Matsusaka & McCarty (2001) show that when the legislature is uncertain about the preferences of the majority of voters, the voters might be worse off having the initiative available because the legislature will cater to special interests in an effort to avoid the risk of an initiative campaign. Similarly, Gerber & Lupia (1995) show that when voters are uncertain about the policy implications of a referendum and are also unwilling or unable to seek the advice of credible experts, then direct democracy can produce policy outcomes worse than the status quo. In sum, when voters or legislators have information sufficient to make simple binary comparisons such as “better” and “worse,” then direct democracy can be an effective way to improve policy—and the studies cited in our earlier discussion of voter competence suggest that voters have sufficient information more often than critics allege.

Another problem with the circumstantial argument is that it neglects the influence of special interests in the legislature. It is probably fair to say that wealthy, organized interests are more influential than disorganized interests both in the legislature and in initiative campaigns. The question, then, is whether special interests are *relatively* more influential in the legislative or in the initiative process. It could be, for example, that the direct democracy playing field is tilted in favor of special interests but less so than the playing field of more traditional legislative processes.

Neither the circumstantial evidence nor theory provides a clear answer as to whether special interests gain from the initiative process. The only way to find the answer is by examining the evidence of how direct democracy has functioned in practice. The most extensive attempt to answer the question is that of Matsusaka (2004), who studies data spanning the entire twentieth century at both the state and local level and asks whether the initiative has brought about policies favored by special interests or by the majority. (A special interest is defined as an interest contrary to the majority’s interest.) The core evidence in Matsusaka’s book concerns fiscal policy of state and local governments over the past several decades. The research strategy is first to document how the initiative changed fiscal policy and then to compare those changes with public opinion surveys to see if a majority

of people opposed the changes, as the special interest subversion view implies, or favored the changes. Over the past three decades, three fiscal effects of the initiative are documented (Ch. 3): (a) The initiative cut spending and taxes, (b) the initiative decentralized spending from state to local governments, and (c) the initiative shifted revenue out of broad-based taxes and into user fees and charges for services. Matsusaka (Ch. 4) examines a variety of opinion data in which people expressed their preferences about spending, taxes, the division of spending between state and local governments, and revenue mix. The opinion evidence consistently shows that a majority of people favored the changes brought about by the initiative. In no case was there a majority opposed to the changes. The idea that the initiative allows special interests to subvert the policy process to the detriment of the public is not supported by any of the evidence.

Gerber's (1999) finding on parental abortion notification and death penalty policies points in the same direction. Although she examines only a single year, and her analysis does not focus on this point directly, it can be shown that her estimates imply that policies in initiative states were more likely to be consistent with majority opinion than policies in noninitiative states (see Matsusaka 2004, Appendix 4).

Lascher et al. (1996) and Camobreco (1998) also adopt a scientific approach to the problem. Both studies attempt to compare the responsiveness of policy to public opinion in initiative and noninitiative states across a number of policy dimensions. They find little effect. However, their results are generally statistically insignificant, preventing strong inferences from being drawn, and in any case rest on a problematic methodology (Matsusaka 2001).

To summarize, it appears that direct democracy has not led to special interest subversion when it comes to fiscal policies and certain social policies over the past several decades. There may be other policy dimensions not yet studied in which the special interest subversion view is correct. However, the fact that none of the existing evidence supports that view argues for its rejection until confirmatory evidence appears.

The picture that emerges is of the initiative as a majoritarian device. As discussed above, the initiative has pushed policy in a conservative direction over the past several decades. If we put the facts together, the implication is that, over the past several decades, legislatures have tended to deliver policy to the left of majority opinion, and the initiative has provided the majority with a way to correct what they see as the mistakes of their representatives. Matsusaka (2004, Ch. 7) reports additional evidence that supports this view. It turns out that the antitax effect of the initiative was especially strong in the 1970s and 1990s, two periods during which public opinion was drifting in a conservative direction (e.g., Stimson 1999), but the initiative did not affect taxes in the 1980s, a period when public opinion was shifting in a liberal direction. One interpretation is that direct democracy causes policy to react more swiftly to changes in public opinion than does policy making by legislatures.

The view of the initiative as a way to correct nonmajoritarian policies of the legislature can also explain why the initiative drove up spending in the early twentieth



century.<sup>3</sup> In the decades surrounding the turn of the nineteenth century, the economy underwent a dramatic shift from a rural to an urban economy. Urban voters wanted increased government spending on education, roads, sewers, welfare, old-age pensions, and so on. However, rural interests controlled the legislatures because district lines tended to overweight the countryside (this was before the one-person one-vote principle was established). In the face of recalcitrant legislatures, the initiative allowed the new urban majority to directly approve its new spending programs.

## CONCLUSION

This essay describes a new approach to research on direct democracy that has emerged in recent years in the wake of breakthroughs in theory and empirical analysis. We have not attempted to be comprehensive. Indeed, to highlight what the new science of direct democracy can do, we have also chosen to highlight findings that are in stark contrast to the largely negative conclusions of writers in previous decades. Much of the new research paints a comparatively positive picture of the initiative and referendum. For example, voters are more competent and the relationship between money and power is less nefarious than many observers allege. Other evidence suggests that the mere presence of direct democracy makes policy more responsive to public opinion.

The same research also demonstrates, however, that direct democracy is no panacea. If voters cannot find effective information shortcuts, then direct democracy may end up producing outcomes that they later regret. Despite substantial evidence that the mere presence of direct democracy induces more median-oriented policy outcomes (whether through direct means or the indirect means identified by scholars such as Gerber and Matsusaka), median outcomes may not always be a good thing. Indeed, much of the Constitutional apparatus of American government is intended to prohibit median outcomes when the majority threatens the rights of the minority. In addition, the historical record reminds us that the process can also be abused if run in conjunction with intimidation or manipulation at the ballot box (see, e.g., Lupia & Johnston 2001 for an examination of the litany of abuses associated with referendums in the Napoleonic era).

To limit such abuses and to increase the likelihood that direct democracy serves the public well, it is essential to understand how it works. Scientific approaches can help. Empirical research can help weed out theories that sound reasonable but are contradicted by the data, while strengthening theories that survive empirical evaluations. Theoretical research can help distill seemingly persuasive but logically inconsistent conclusions from claims that truly follow from concrete observations. Collectively, such endeavors can help societies more accurately understand

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<sup>3</sup>This paragraph is based on Ch. 7 of Matsusaka (2004).

and more effectively adapt to the challenges posed by direct democracy's "old questions."

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