8 Direct democracy

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Direct democracy is a process by which citizens make laws or public policies without involving their elected representatives. The idea of participatory law-making is well known from classical Greece, the Swiss *Landsgemeinde* in the Middle Ages, and American colonial town meetings, and the idea of villages and other small communities assembling to resolve public issues is a feature of societies from the distant past to the present. Many modern states have grown too large for all citizens to deliberate face to face, however, so direct democracy nowadays takes more structured forms; citizens go to the polls to register their views for or against a particular law or a proposed constitutional amendment. While town meetings continue to be used in small polities, the more structured forms of direct democracy – initiatives, referendums, and other ballot propositions – are now the most visible and important means of democratic governance, and are the focus of this chapter.[1]

1 TERMS

While the main forms of modern direct democracy all involve voters registering their opinions on a specific law or constitutional amendment, the different forms vary in two important ways: in who has proposal power, and in whether the voters are deciding to approve a new law or to repeal an existing one. Citizens may be allowed to propose a law or propose repealing an existing one through a petition process that requires a minimum number of signatures to qualify the proposal for the ballot. Alternatively, the government itself may be the proposer.

The terminology of direct democracy is not entirely standardized, and sometimes a term carries different meanings in different contexts. For the purposes of this chapter, I employ the following terminology that represents the most common usage.

An *initiative* is a new law proposed by citizen petition. Jurisdictions vary in what kinds of laws may be proposed. Some allow amendments to constitutions or other core documents such as city charters, while others allow only statutes, ordinances, and so forth to be put to popular vote. The initiative is the most potent form of direct democracy, the most visible in practice, and the subject of most research.

A *referendum* is a vote on existing law. The election may be called by citizen petition (sometimes called a 'popular' referendum) or it may be required by the constitution or other governing document (sometimes called a 'legislative referendum' or 'legislative' proposition). On legislative propositions, for example, many American states require voter approval for constitutional amendments and bond issues proposed by the legislature or governor. Sitting governments may also hold elections of an advisory nature, such as national votes on matters concerning European integration (sometimes called 'plebiscites'). 'Referendum' is perhaps the most elastic term in the dictionary of direct

democracy, as it is sometimes used to refer to any proposal on the ballot, that is, it is sometimes used as a synonym for a ballot proposition. The standard (but not universal) practice in the literature has become to use the plural form 'referendums' rather than 'referenda', following the *Oxford English Dictionary*.

The actual law that is to be decided by popular vote, as opposed to the process itself, is called a 'proposition', 'measure', 'ballot question', and so forth. There is enormous variation in the details of how the processes work, some of them material, but few are discussed in this chapter. For example, approval might require a majority or a supermajority; approval might require a favorable vote in one election or multiple elections; some subjects may be allowed and others prohibited; popularly approved laws might be amendable by the government under some conditions or not at all; and so on.

2 FOR BETTER OR WORSE?

From a public choice perspective, a central issue concerning direct democracy is how it affects the performance of public decision-making and, in particular, whether it leads to better or worse outcomes in some normative sense. Buchanan and Tullock (1962) and other foundational works in public choice were aware of direct democracy, and made some attempts to sketch out its benefits and costs, but for the most part these scholars seem to have considered direct democracy impractical for modern states, and the inquiries were not pursued in depth. Those early analyses focused on trade-offs between internal decision-making costs (essentially transaction costs involved in discussion, negotiation, and bargaining) and external costs (anticipated costs due to majority decisions that harm the minority).

Legal scholars have been the most active in attempting normative evaluations of direct democracy, usually reaching a negative conclusion. A recurrent weakness of much of that work, as well as much work that has a public policy motivation, is framing the question as a choice between direct democracy and representative democracy, that is, asking if it is better for citizens to make decisions directly or through their elected representatives. A limitation of this framework is that replacement of representative institutions by direct democracy is not feasible or proposed as an option. The important forms of direct democracy that are being considered – ballot propositions – are always and everywhere grafted onto existing representative institutions. Thus, the relevant choice is actually between representative democracy, on the one hand, and representative democracy with an overlay of ballot propositions on the other. As will be seen, it is important to frame the choices correctly to understand the role and consequences of direct democracy.

3 THEORY

The theoretical literature has identified several roles played by direct democracy when grafted onto a representative political system, and made significant progress in understanding the strengths and weaknesses of ballot propositions in that context:

3.1 Agency Problems

Perhaps the central theme running through the theoretical literature is principal–agent problems between the voters and their elected representatives. Owing to free-rider problems among voters and asymmetric information, it is difficult for citizens to monitor and control their representatives. Seen from this perspective, a key purpose of initiatives and referendums is to give voters an opportunity to override their representatives when the representatives fail to act in the voters' interests. This purpose was the main motivation for reform groups who brought the initiative and referendum to the United States around the turn of the twentieth century, and remains the main attraction for supporters of direct democracy.

The theoretical analysis of agency problems in the direct democracy context was initiated by Romer and Rosenthal's (1979) analysis of referendums. They introduced the idea of agenda control, a modeling approach to the idea that the outcome of political process depends on who has the power to make a proposal. The agenda control idea was first incorporated into a model of direct democracy by Gerber (1996), and extended to the important case of incomplete information by Matsusaka and McCarty (2001). A typical model in this literature is a spatial game in which the legislature moves first and establishes a status quo policy, then an outsider (a citizen, an interest group) has the option of incurring costs to challenge the status quo (propose an initiative or referendum), and if the challenge occurs, the citizens (median voter) make the final choice between the status quo and the challenger proposal.

This line of theory has established and clarified several ideas. It shows concretely how initiatives and referendums can ameliorate agency problems. Most obviously, if the legislature chooses a policy too distant from what the voters desire, the policy may be overridden by the voters. Less obviously, initiatives and referendums can influence legislative behavior simply by providing a threat. If the legislature dislikes being overridden, it may choose policies more appealing to the voters in order to deter the outsiders from challenging the status quo. One implication of this analysis is that initiatives and referendums may influence policy choices even if a proposition never appears on the ballot. This implication turns out to be important for empirical work in the area. The analysis also highlights the centrality to policy choices of petition and other costs required to qualify a measure for the ballot. The qualification cost establishes the cutoff point for a group to initiate a challenge, and therefore theory suggests that the legislature will tailor its policy choices more closely to voter preferences as qualification costs fall.

From a normative point of view, the basic complete-information model implies that voters are always better off in a world with direct democracy combined with representative democracy than in a world with representative democracy only.[2] This is because the effect of direct democracy is always to push policy closer to the voters' ideal point – either by overriding the government or by the government adjusting its policy choice to deter challenges. The initiative and referendum can never make policy more extreme than when the legislature has a monopoly because voters will not approve a proposal more extreme than the status quo, and the government will never respond to the threat of an initiative or referendum from an extreme group because it knows with certainty that the threatened proposal will be rejected if it goes to the voters.

However, this conclusion is too stark. Another implication of the complete information

model that highlights its limitations is that it predicts no initiatives or referendums in equilibrium – the government is always better off tailoring its policy to deter a challenge rather than being overridden, so no group ever finds it optimal to propose an initiative or referendum. The fact that we do see ballot propositions in practice points out the significant limitation of the complete-information model.

3.2 Information Problems

A second theoretical theme is asymmetric information, in particular, the idea that politicians have incomplete information about the preferences of their constituents (the principal–agent problem discussed above is based in part on the idea that voters have incomplete information about the behavior of politicians). Introducing the former kind of informational asymmetry leads to a number of additional insights about direct democracy.

Matsusaka and McCarty (2001) extend the model of Romer and Rosenthal (1979) and Gerber (1996) by introducing uncertainty about voter preferences. This changes the government's strategy because it means that the government cannot perfectly anticipate which initiative and referendum threats will be successful and which will fail. As a result, and in contrast to the complete information case, the government may respond to a threat from an extreme group by making its own policy choice more extreme, rather than run the risk that the group might happen to represent majority opinion. In this context, availability of the initiative and referendum can make the voters worse off by pushing the legislature to adopt more extreme policies than it would otherwise. (See Gerber and Lupia 1995 for a model with a similar conclusion, but adopting a different mechanism.)

A model with asymmetric information also allows initiatives and referendums to occur in equilibrium and thus generates a theory of initiative use. Matsusaka and McCarty develop this theory and provide some evidence showing that initiatives are more likely to be used when there is more informational asymmetry, consistent with their prediction.

Informational asymmetry is also important for the information aggregation properties of votes on ballot propositions. It has been recognized at least since Condorcet's jury theorem that one benefit of elections comes from pooling widely dispersed information to yield an informationally efficient collective decision, essentially allowing the law of large numbers to reveal the 'true' payoff from a proposed law (see Lupia 2001 for a simple exposition). Significant progress has been made in identifying conditions under which elections can and cannot effectively aggregate information, with the main insight being that information aggregation works well when voter preferences over the final outcome are highly correlated (what might be thought of as public good decisions) than when preferences are uncorrelated or negatively correlated (what might be thought of as distributional decisions); see Battacharya (2008). Most of this research has studied information aggregation in elections in general, and has not considered the specific institutional features of direct democracy. The only evidence related to this of which I am aware is Matsusaka (1992), who finds that initiatives are more common on issues where information aggregation is unlikely to work (distributional issues) than on issues where aggregation is effective, suggesting that ballot propositions are not being used primarily to aggregate information efficiently.

Another strand of literature focuses on the expertise of or information available to

elected officials (Maskin and Tirole 2004; Kessler 2005). These models augment the basic theory by observing that the consequences of alternative policies are not known with certainty, and that elected officials *choose* how well to be informed about the issues they consider. A negative consequence of direct democracy is that it dulls the incentives of officials to acquire information when they anticipate that their decisions may be overridden by voters. Direct democracy, via this channel, can lead to worse outcomes by degrading the effectiveness of representative institutions.

3.3 Bundling

A third theme that has received some attention is the ability of direct democracy to 'unbundle' issues. Candidates for office typically take positions on numerous issues, and voters are forced in effect to choose between a small number (often two) of competing bundles. Because voters are unable to select candidates on an issue-by-issue basis but rather have to choose between bundles of policies, candidates might not reflect voter preferences on every issue.

Besley and Coate (2008) provide models showing how the bundling of issues in candidates can prevent congruence between representative and voter interests. Non-congruence can occur (i) when there is a single issue that dominates an election, in which case minor issues might not be congruent; (ii) when there are single-issue voters who hold minority views; and (iii) when an interest group provides campaign support to candidates who will support its non-majority view on a particular issue. In these contexts, making initiatives available can improve congruence by allowing voters to override their representatives on non-congruent dimensions and by giving candidates an incentive to converge on the non-congruent dimensions. Conversely, when the representative system delivers convergence, introduction of initiatives can lead to a non-congruent outcome.

Matsusaka (2008) identifies a second channel through which initiatives can address bundling problems. Because a voter can cast only a single vote, elections are a crude tool for signaling voter preferences. A successful candidate who took positions on multiple issues in the course of his campaign cannot be sure exactly why the voters elected him. The inability of voters to send a sharp message to elected officials makes voting an ineffective disciplinary or communication tool. By taking some issues out of the hands of elected officials, initiatives and referendums allow voters to send stronger signals in candidate elections. Matsusaka reports some evidence that voters do link their votes more closely to specific issues in initiative states than noninitiative states. To the extent that elections can be more closely tied to past performance and expectations of future performance, the functioning of representative democracy will be improved.

3.4 Overall Assessment

The theoretical literature has made significant progress in capturing some of the more important forces at work within the realm of direct democracy. A general message that emerges is that the effects of direct democracy are likely to be fairly contextual. For example, spatial models, like that of Matsusaka and McCarty (2001), predict that direct democracy moves policy toward voter preferences when preference uncertainty is small, but can lead to more extreme policies when preference uncertainty is large. Unlike much

of the earlier literature in law and policy journals that tended to make strong normative claims about direct democracy (mostly negative) based on a priori arguments and little evidence, the recent theoretical literature indicates that the consequences of direct democracy depend on how, when, and where it is applied in practice, and, moreover, that it can both enhance and impair democratic governance, depending on the particulars of the situation. The conditionality of recent theoretical conclusions highlights the importance of empirical research for understanding and assessing the effects of direct democracy.

4 EMPIRICAL RESEARCH

Most research on direct democracy is empirical in nature, and revolves around a central set of questions. While these questions have been prominent in debates surrounding direct democracy for more than a century, in the last two decades researchers have made significant progress in answering some of the key ones.

4.1 Basic Facts for the United States

Most empirical research on direct democracy uses data from the United States and, to a lesser degree, Switzerland. Because so much of what we know about direct democracy is based on studies from the United States, it is useful to have a background sketch of direct democracy in the United States. Figure 8.1 identifies the American states that currently provide for the initiative at the state level, and the date of adoption. A list of states allowing popular referendums would look similar, with the difference being that Florida, Illinois, and Mississippi do not have the referendum, while Kentucky, Maryland, and New Mexico do. The first state to adopt the initiative and referendum was South Dakota in 1898. A burst of adoption activity followed over the next two decades mostly associated with the Progressive movement, so that by 1918, 19 states had adopted the initiative. As Figure 8.1 shows, the initiative is most popular west of the Mississippi River, but that it is not exclusively a California or western phenomenon, appearing in all regions of the country, from Maine and Massachusetts in the northeast to Arkansas, Florida, Mississippi in the south, and to Michigan and Ohio in the central region.

The process of submitting legislature actions to the voters is even older and more common. Massachusetts held an election in 1780 to approve its new constitution. Rhode Island made popular approval mandatory for constitutional changes in 1842. Popular votes on constitutional changes were the norm by the late nineteenth century, and today, only one state (Delaware) does not require constitutional amendments to be put before the voters. In the mid-nineteenth century, a series of state and local governments defaulted on public bonds that were used to finance banks and public works, such as railroads, turnpikes, and canals; in response, many states adopted provisions restricting the issuance of public debt and currently 21 states require a popular vote before state bonds can be issued (Kiewiet and Szakaly 1996).

The initiative appeared in American cities at about the same time it appeared at the state level. California counties gained initiative rights in 1893, and the cities of San Francisco and now-bankrupt Vallejo adopted the initiative in 1898. By 1910, all

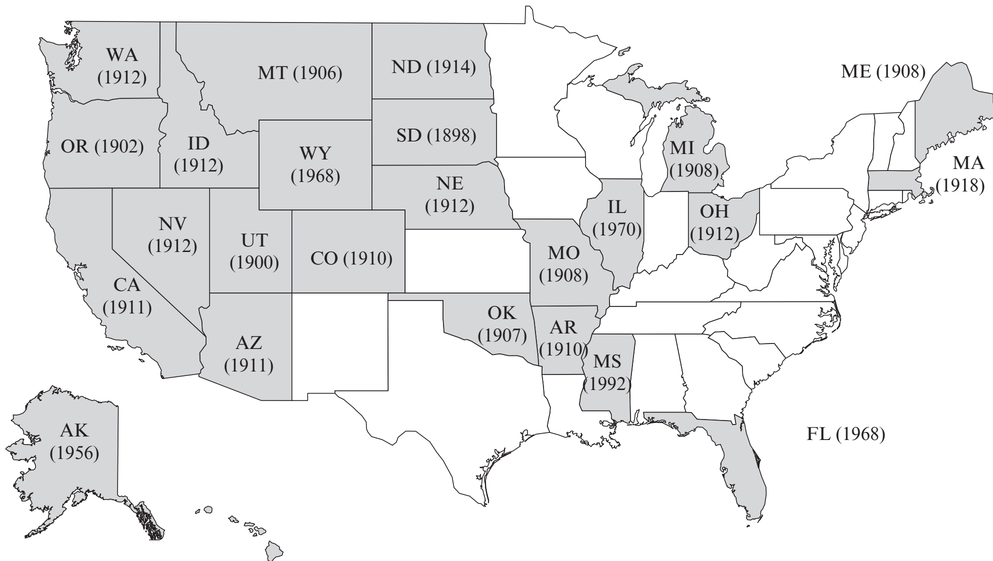

Figure 8.1 States with initiatives in 2010 (adoption year in parentheses)

or substantially all municipalities in 10 states had been granted initiative rights, and it was available in individual cities in at least nine other states. The best estimate on current availability is that 80 percent of all cities in the country now have the initiative (Matsusaka 2009).

One remarkable development has been the explosion of citizen-initiated measures beginning in the late 1970s, sparked by California's tax-cutting Proposition 13 in 1978. Figure 8.2 shows the total number of initiatives by decade. The number of initiatives increased each decade from the 1960s through the 1980s, and then jumped to an historical high in the 1990s. Initiative use in the first decade of the twenty-first century continued at near the record level of the 1990s. In the years immediately after the passage of Proposition 13, some commentators speculated that the nation was undergoing a passing infatuation with direct law-making, but now it seems more likely that the United States has made a permanent shift toward more direct law making (Matsusaka 2005a).

4.2 Policy Consequences

A central question in the scholarly literature and in practice is whether direct democracy enhances or impairs democratic performance. As we have seen above, theory suggests that there is not a simple answer to that question, and the answer is likely to vary according to the circumstances. A good place to begin a review of the empirical evidence is with a simpler question: does direct democracy make a difference for policy outcomes at all?

The answer to whether and how direct democracy impacts the policy formation process might at first glance seem obvious. One only has to read the headlines on Election Day to see that voters regularly approve ballot propositions. However, the fact that ballot propositions are approved does not establish that they actually change policy.

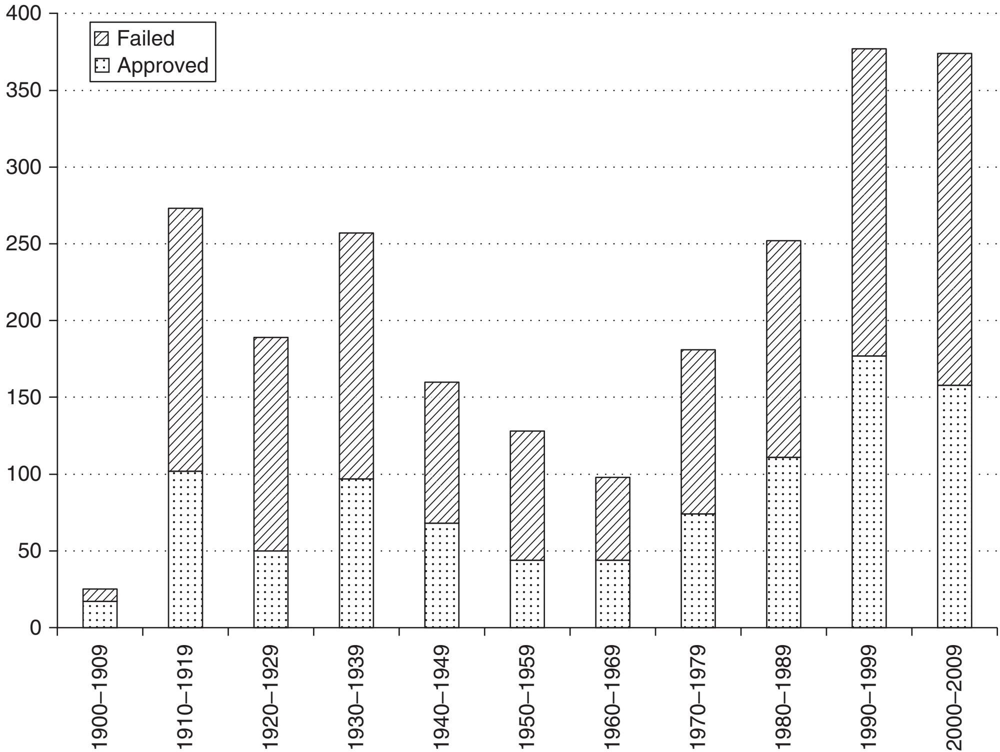

Figure 8.2 Number of state-level initiatives

It could be that the laws approved by voters would have been approved by legislatures if not for the ballot proposition. For example, while several states have approved bans on same-sex marriages through initiatives, other states have approved similar bans through the legislative process. A second reason we cannot infer their impact from the headlines is that direct democracy may influence policy choices even without measures appearing on the ballot, through the threat effect discussed above. It is theoretically possible for the presence of direct democracy to bring about material changes in policy without any measures appearing on the ballot. Yet another limitation of drawing conclusions from election returns is that a proposition might be approved by the voters but then nullified by a court or by a refusal of executive branch to enforce it, a possibility explored at length in Gerber et al. (2001).

To address these inference problems, most research on the policy effects of direct democracy employs a regression (or variant of a regression) of the form:

$$y_{it} = a_0 + a_1 D_{it} + a_2 X_{it} + e_{it}, \tag{8.1}$$

where y_{it} is a policy outcome (for example, government spending, or an indicator for a ban on same-sex marriage) in state (or city) i in year t, D_{it} is an indicator equal to 1 if the state allows direct democracy, X_{it} is a vector of control variables, e_{it} is an error term, and

a_0, a_1, and a_2 are parameters to be estimated. The parameter a_1 is intended to capture the effect of direct democracy on policy.

A virtue of equation (8.1) is that the coefficient a_1 in principle captures both the direct and indirect (threat) effect of direct democracy. The net effect of direct democracy on policy – whether as the result of an actual measure appearing on the ballot or the legislature altering its behavior to avoid a threat – will appear as a difference in the final outcome between initiative and noninitiative states. Furthermore, if y_{it} is a measure of actual policy outcomes (such as actual spending levels), equation (8.1) also avoids some of the difficulties stemming from implementation – if a measure is struck down by a court, we will not see a difference in policy outcomes between initiative and noninitiative states.

Regression (8.1) has been used to demonstrate that direct democracy has an impact on policy formation across a wide range of issues. The best documented outcomes are fiscal policies. Numerous studies beginning with Matsusaka (1995) find that initiative states tax and spend less than noninitiative states, at least from about the middle of the twentieth century. The effects are not huge: estimated per capita reductions in spending and taxes run in the range of 5 percent to 10 percent. Initiative states also appear to decentralize spending more than noninitiative states, that is, a smaller fraction of spending occurs at the state than at the local level, and initiative states appear to rely less on broad-based taxes and more on user fees and charges for services. Many of these patterns appear in Swiss data as well (Feld and Matsusaka 2003; Feld et al. 2008) and to some extent in cross-country data (Blume et al. 2009). Education is one of the largest categories of spending for state and local governments. Berry (2009) finds that initiative states spend less on education than non-initiative states, all else equal.

Significant differences between direct democracy and representative-only states have also been documented for social issues. In these studies, the policy outcome is often dichotomous (for example, 1 = ban on same-sex marriage, 0 = no ban), so a qualitative response version of (8.1) is employed, typically a logit or probit specification. Studies in this vein generally find that direct democracy is associated with more conservative social policies (Matsusaka 2007). For example, initiative states are more likely than non-initiative states to restrict access to abortion (Gerber 1999), permit the death penalty (ibid.), and ban same-sex marriage (Lupia et al. 2010).

Other research investigates the connection between direct democracy and government performance. Matsusaka (2009) reports that cities with the initiative tend to have fewer public employees and to pay them less than cities without the initiative. One of the most pronounced patterns, documented in several studies, is that initiative states are much more likely than non-initiative states to impose term limits on legislators. Indeed, having the initiative process available is almost a necessary and sufficient condition for term limits. However, evidence is much weaker for the notion that initiative states are more likely than non-initiative states to adopt other political reforms – campaign finance regulations, open primaries, and non-partisan redistricting (Bowler and Donovan 2004; Matsusaka 2006). In terms of administrative performance, Dalton (2008) reports mixed evidence that initiative states score lower than non-initiative states on an index of administrative capacity constructed by Syracuse University's Maxwell School.

While this literature is large and many of its findings seem to be fairly robust, the research methods have some nontrivial limitations. One is that the dummy variable

approach in (8.1) assumes that initiative effects are uniform across jurisdictions. Theory suggests, on the other hand, that the effects of initiatives are likely to vary depending on the institutional features of the process. One important consideration is the ease of using the process. If the cost is low for a group to place an initiative on the ballot, its threat to do so is more credible, and the initiative should have a greater impact on policy. A simple approach to this issue is to allow interaction terms with the initiative dummy variable in (8.1). Matsusaka (1995) is an early attempt along these lines, which finds that the anti-spending effect of the initiative becomes stronger as signature requirements become less burdensome. Feld and Matsusaka (2003) report similar findings for Swiss cantons. However, signature requirements are only one dimension along which the rules implementing direct democracy vary. From a policy perspective it would be useful to identify the institutional features that are the most important, but typical samples do have enough degrees of freedom and the institutional characteristics tend to cluster, making it difficult to disentangle the various effects.

Another approach is to construct indexes that combine multiple institutional features. Bowler and Donovan (2004) is a pioneering effort in this direction that constructs two indexes – called 'qualification difficulty' and 'legislative insulation' – and shows that they are correlated with initiative effectiveness. Another index is proposed in Frey and Stutzer (2000). Existing indexes are ad hoc: different institutional features are simply assigned a score of 1 or 0 depending on whether the feature is present or absent, and the scores are summed to compute a total value. This approach makes two strong assumptions: the effects of the institutional features are (i) additive and (ii) have identical effects on policy. Both assumptions are surely false, but they could be close enough approximations to serve their purposes. A final limitation of indexes is that they obscure the precise features that drive the results, providing little guidance for policy-makers or reformers who are interested in improving the processes.

A related limitation of (8.1) is that it presumes that direct democracy pushes policy in the same direction in every state. For example, it presumes that initiatives either reduce spending in every state or increase spending in every state. This assumption is not supported by existing spatial models, which imply that the direction of effects depends on the relative positions of the legislature and of the median voter. For example, in the simplest models, if the legislature is to the left of the median voter, the initiative is predicted to push policy to the right, while if the legislature is to the right of the median voter, the initiative is predicted to push policy to the left. The coefficient a_1 in equation (8.1) should be interpreted as the *average* effect of direct democracy, and the fact that so many studies report coefficients significantly different from zero suggests that certain spatial configurations of legislators and voters are more common in the data studied. In particular, the evidence suggests that legislatures tend to be to the left of voters on most issues studied. Matsusaka (2004, ch. 7) explains why this configuration might be common in the post-1950 period that is most often examined. Underscoring the point that the directional effects of a_1 are not immutable but are likely to be context-specific, Matsusaka (2000a) finds that the spending and tax effects reverse sign (that is, initiative states spend and tax more than noninitiative states) in the early twentieth century, a period when legislatures were likely to have been more conservative than the median voter due to gerrymandering that favored rural interests.

Perhaps the most serious issue with (8.1) concerns whether a_1 can be interpreted as a

causal effect. While there is significant variation in direct democracy processes across space (states, cities, cantons), there is little variation across time in most studies. As a result, the parameter a_1 for the most part is estimated based on the cross-sectional variation. The danger is that there could be an unmeasured factor correlated with initiative status that also drives policy choices.[3] A natural candidate for an omitted variable is voter ideology or culture: it could be that direct democracy states happen to be more conservative politically and that that their conservativism is what drives their policy choices, not the initiative process per se. This particular source of spurious correlation can probably be ruled out: Matsusaka (2004) reports a large number of different public opinion measures, none of which show an important difference in political ideology between initiative and non-initiative states. Other known demographic differences, such as income, usually are controlled for in the regressions. I am not aware of any other candidates that have been proposed as possible omitted variables that create a spurious correlation, so the current state of knowledge seems to be that the obvious candidates can be rejected. As such, it seems appropriate at least provisionally to accept the existing estimates of a_1 as causal effects until other candidates for spurious correlation have been proposed.

4.3 For the Many or the Few?

A central claim by proponents of direct democracy is that initiatives allow voters to reestablish majority rule in the event that legislators become captured by special interests and therefore are unresponsive to public opinion. Despite the centrality of this argument – the idea of direct democracy loses much of its appeal if it is not effective in making policy more responsive to citizen interests – attempts to evaluate the argument rigorously have begun to appear only recently.

At first glance, it might seem that direct democracy brings about majoritarian outcomes by definition since a majority of voters is required to approve a ballot proposition. But there are several reasons why direct democracy might actually lead to policies that favor the few ('special interests') rather than the many. First, some pundits believe that citizens can be deceived by campaign advertising to vote against their interests, and may inadvertently approve policies that harm the majority. While a popular view among some journalists and politicians, its logical foundations have not yet been worked out by scholars. Second, some groups might be better at activating their members and getting them to vote than other groups. A longstanding theme in political economy (Olson 1965; Stigler 1971; Peltzman 1976) is that small groups are more effective politically than large groups because they are better at solving free-rider problems associated with active participation. According to this view, ballot propositions may garner a majority of votes from citizens turning out on Election Day, but the participants might be unrepresentative of the majority of the population.[4] Finally, and less often recognized, direct democracy has indirect effects, as discussed above, and theory suggests that the threat it poses to legislative decisions can lead elected representatives to adopt more extreme policies. In short, even though the majority rules on ballot propositions, it is possible in principle for availability of the initiative to enhance the power of special interests and bring about policies contrary to the interests of the majority.

Which of these effects – pro-majority or pro-interest group – dominates in practice is

an empirical question, and in principle it is a straightforward one. Answering the question requires comparing policy outcomes with the preferences of voters and determining whether the majority prevails more or less often when direct democracy is available. However, the research task is complicated considerably by the limitations of public opinion polls. Perhaps the most extensive attempt to determine whether policy choices favor the many or the few is Matsusaka (2004), which studies fiscal policies. That study supplies evidence that the initiative process pushes state policy in a fiscally conservative direction – toward lower taxes and spending, toward decentralization of spending from state to local governments, and away from broad-based taxes to selective taxes and user fees – and shows (using a variety of survey data) that a majority of citizens express support for moving fiscal policies in these directions. My approach in that study is to assemble a variety of disparate sources of empirical evidence and to argue that there is only one reasonable way to fit the pieces of the puzzle together; but the evidence for a pro-majority effect is essentially indirect.

Another line of research attempts to determine whether direct democracy increases majority representation by estimating regressions of the form:

$$y_{it} = b_0 + b_1 D_{it} + b_2 O_{it} + b_3 D_{it} O_{it} + b_4 X_{it} + e_{it}, \tag{8.2}$$

where the variables and subscripts are the same as in equation (8.1) above, except that O_{it} represents a measure of public opinion in state i in year t. Public opinion might be a direct measure of opinion about policy (for example, Gerber 1999 studies the death penalty and uses state-by-state survey data from the National Election Study) but more often it is a general measure of a state's 'ideology' (such as the measure in Erikson et al. 1993). In this line of research, the focus is on the coefficient b_3, and it is argued that $b_3 > 0$ implies that direct democracy states are more responsive to public opinion than non-direct democracy states (for example, Lascher et al. 1996; Camobreco 1998).

The argument is incorrect, however. While a value of $b_3 > 0$ does indicate a correlation between public policy and public opinion at the margin, it does not imply that initiative states choose policies closer to voters' opinion. This point initially was observed by Erikson et al. (1993) and developed in the direct democracy context by Matsusaka (2001). Intuitively, it is possible that direct democracy states as a group choose policies farther from the median voter's ideal point than legislature-only states, but show more responsiveness at the margin to changes in opinion (or conversely). As demonstrated in Matsusaka (ibid.), there are simple examples in which initiative states have chosen more congruent policies than non-initiative states with $b_3 > 0$, $b_3 < 0$, or $b_3 = 0$.

Matsusaka (2010) proposes a direct approach to measuring congruence. I focus on a set of issues with dichotomous policy outcomes (for example, permit or do not permit the death penalty) and for which state-by-state measures of public opinion are available. With such data, each state can be classified as either 'congruent' (choosing the policy outcome favored by the majority of voters = median outcome) or 'non-congruent' (choosing the policy favored by the minority). Studying 10 issues in 50 states, I find that overall congruence is only 59 percent, but that initiative states are 18 to 19 percent more likely to be congruent. This is the most direct evidence to date, and suggests that the majoritarian effect of the initiative outweighs whatever advantages it might offer to special interests.[5]

While the idea that majority rules is central to democracy, another important democratic value is that the majority does not use its power to deny the basic rights of or to 'tyrannize' the minority. One fear about direct democracy is that by empowering the majority (as the evidence suggests that it does), it may threaten the rights of minorities. So far, research has focused on the rights of racial, ethnic, and sexual-orientation minorities. Too much of the literature on these issues employs unconvincing research designs and draws conclusions that are not merited by the evidence. Hajnal et al. (2002) is one of the notable exceptions. That study documents that ethnic and racial minority voters are only 1 percent less likely than white voters to be on the winning side of a ballot proposition vote. This finding suggests that although minority voters may lose on some issues, they are not likely to be hurt overall by the process any more than other voters. Consistent with this interpretation, opinion surveys show that minority voters are strong supporters of the initiative process, as are white voters (Matsusaka 2004).

4.4 The Role of Money

Related to the issue of interest group influence is the role of money in ballot proposition campaigns. As with elections in general, many observers are uncomfortable with the amount of money spent on ballot proposition campaigns, and are concerned that wealthy groups might be able to 'buy' favorable legislation.

The evidence on the impact of money is mixed. The first careful study, Lowenstein (1982), established one of the stylized facts in the literature, namely, that money is effective in opposing a ballot measure, but much less effective in supporting it. That is, rich groups can defeat a measure they do not like, but cannot buy favorable legislation. This basic pattern was confirmed in subsequent studies, such as Gerber (1999). However, most estimates of the relation between money and votes are vulnerable to the problem that afflicts the literature on campaign spending in general; endogeneity of the amount of money spent. For example, if supporters tend to spend more money when their proposition is in danger of failing, it would induce a negative relation between spending and votes. Recent studies have tried to address the endogeneity problem. Stratmann (2005a, 2006a) uses advertising spending at the metropolitan level and controls for a variety of fixed effects, and de Figueiredo et al. (2009) employ instrumental variables. These studies find that campaign spending matters, but contrary to the conventional wisdom, do not find a difference between supporter and opponent spending.

4.5 Voter Competence

Voter competence is another central concern for direct democracy. When voters make laws directly, it is important that they are able to choose wisely. Unfortunately, a large literature in political science demonstrates that many voters are uninformed about politics – they cannot identify their representatives and cannot answer basic questions about government. While this evidence is the basis for criticisms of direct democracy, it would seem to undercut the idea of representative democracy as much if not more so; a ballot proposition asks voters to decide a single issue, while a candidate election asks voters to decide on a bundle corresponding to all of the issues that the candidates might be called on to decide if elected.

However, recent research shows that voters might not need detailed, substantive knowledge about the issues before them in order to cast informed votes. If voters have access to information cues or, more simply, endorsements, they may be able to vote their interests without acquiring detailed substantive knowledge about ballot propositions. For example, an environmentalist may be able to vote his interests on a 'Forest Preservation Measure' without reading the text of the measure and independently forming an opinion on whether the measure preserves forests or is in fact a disguised attempt to allow timber companies to cut more trees, by observing the position of the Sierra Club and other environmental organizations on the issue. From this perspective, a 'competent' vote is a vote that reflects the person's interests and does not require substantive knowledge of the proposition.

While the idea that voters might be able to use information cues or endorsements to vote competently (in the preceding sense) is intuitive in principle, whether it works in practice is an empirical question. The most remarkable demonstration that endorsements can allow ordinary citizens to vote as if they were substantively informed is Lupia (1994). Lupia studies votes on five insurance regulation measures on the ballot in California in 1988. Those measures were highly technical in nature, and the differences between some of them were subtle. They were sponsored by an array of interest groups, including consumer activists, insurance companies, and trial lawyers. Lupia reports that voters who had access to simple information cues, such as the positions of Ralph Nader and the insurance industry but were uninformed about the substance of the measures, were able to replicate the voting pattern of voters who knew the details of the propositions.

Lupia's study establishes that voters are able to make competent decisions even on highly technical issues if they have enough cues. Subsequent research has attempted to identify the conditions under which cues are likely to be available. As shown in the path-breaking analysis of Crawford and Sobel (1982), informative communication is likely to be difficult when the information sender and receiver have divergent interests even when communication is costless. Lupia and McCubbins (1998) extend this analysis specifically to the case of communication in elections and identify conditions that must hold for informative communication to take place. On the empirical side, Bowler and Donovan (1998) provide a variety of evidence that voters are influenced by endorsements, and are often able to register their interests. A number of studies summarized in Kahn and Matsusaka (1997) show that aggregate votes tend to reflect the underlying interests of the electorate, suggesting that voters are able to use cues effectively. For example, Kahn and Matsusaka find that those who stand to lose economically if a proposition is approved are significantly more likely to vote against it.

4.6 Education, Information, and Happiness

A recent strand of research investigates how direct democracy affects the knowledge and attitudes of citizens. Some supporters of direct democracy hope that by involving citizens more intimately in law-making, ballot propositions will cause citizens to be more informed, feel more efficacious, and otherwise be more satisfied with their government. Early research in this area reported a correlation between direct democracy and several behaviors that are considered to be civic virtues: when direct democracy is used, citizens

appear to be more likely to vote, more informed about politics, express a greater sense of efficacy, trust government more, and report being more 'happy' (Smith 2002; Smith and Tolbert 2004; Frey and Stutzer 2000).

More recent research raises some questions about the robustness of the early findings. Spurious correlation is a risk in many of the studies. Turnout might be higher and citizens might be more informed in initiative states because citizens in those states are traditionally politically active, not because of initiatives – indeed, it could be the political activism of the citizenry that leads to adoption and use of direct democracy. The marginal statistical significance in some of the earlier studies also raises questions about robustness. Taken as a whole, the recent research employing more sophisticated empirical techniques casts doubt on the idea that there are important educative effects of direct democracy.[6]

4.7 Direct Democracy and Other Political Actors

Direct democracy is only one feature of the governance structure in any state or city. There is also a legislature, a chief executive, courts, administrative agencies, bureaucrats, and a constellation of interest groups. While much research has investigated the connection between direct democracy and the legislature, the connection with other parts of the governance structure is less well explored.

Courts can play an important role in direct democracy by removing issues from the ballot before an election, or striking down any approved measure. Manweller (2004) and Miller (2009) provide an overview of the amount of intervention into direct democracy by courts in American states over time, and frame many of the issues. Some research focuses on the 'single-subject rule', a legal requirement of some practical importance in many states that ballot propositions must confine themselves to one issue only. Lowenstein (1983) initiated the systematic study of this rule, noting that its theoretical underpinnings are weak, and suggesting that judges would be forced to use their subjective partisan inclinations to make decisions concerning the rule. Matsusaka and Hasen (2010) and Gilbert (2009) show that single-subject rulings indeed are often driven by the partisan leanings of the judges, with over 40 percent of judicial behavior attributable to their partisan inclinations in states with aggressive enforcement.

On the executive branch, Matsusaka (2008) provides a model showing how direct democracy can enhance or reduce the power of the executive branch, depending on the configuration of preferences of various actors. Ballot propositions are not subject to executive veto, which undercuts the executive's powers (when he or she has the veto power), but the executive's ability to drive the agenda can be enhanced by ballot propositions. In terms of administration, Dalton (2008) reports that non-initiative states adopt 'better' practices than initiative states, according to ratings by public administration scholars. Matsusaka (2009) shows that in cities, direct democracy serves to counteract the power of public employee unions; cities that allow initiatives tend to pay lower wages to municipal workers and have a smaller public sector work force. On the subject of interest groups, Boehmke (2005) provides an extensive analysis of the connection between initiatives and interest groups, and finds that initiative states have more interest groups, and in particular, more citizen groups and economic groups.

4.8 Conducting Research on Direct Democracy

Several reliable data sources are available concerning direct democracy. Information describing the institutional details of American states can be found in the appendixes of Gerber (1999) and Matsusaka (2004). Initiative status in a sample of over 1,500 American cities is in the Legal Landscape Database, available at www.iandrinstitute.org (city data from ICMA – the International City/County Management Association, sometimes used in research, are not reliable as far as the institutions of direct democracy are concerned, and should be avoided). Institutional information on initiatives and referendums in Swiss cantons is available in Trechsel and Serdült (1999), with much of the information summarized in English in Feld and Matsusaka (2003). The Initiative and Referendum Institute's Historical Database, available at www.iandrinstitute.org, is a comprehensive listing of initiatives in the American states. Partial lists of initiatives and other ballot propositions going back two or more decades are available at www.ncsl.org. A variety of other information on American states is collected in Waters (2003), although some of that information is now becoming dated.

NOTES

1. In order to keep the number of references manageable, I have not cited every relevant book or paper on this topic. For more comprehensive references, see the surveys by Lupia and Matsusaka (2004), Matsusaka (2005b) and Garrett (2010).
2. More precisely, in a complete information world direct democracy always makes the median voter better off. If voters are heterogeneous, direct democracy has distributional implications – it helps some individuals and hurts others – and any normative conclusions depend on a theory of how to trade off benefits to one group against costs to others.
3. Endogeneity is a perennial concern in research on institutions – institutions might be adopted specifically in order to bring about policy outcomes – but it is unlikely that there is an unmeasured factor that is driving initiative availability and policy choices because most states and cities with direct democracy adopted the process decades before the period studied.
4. Kenny (Chapter 24 in this volume) argues that the median voter in a special school bond election is more supportive of public education than is the median voter in a general election.
5. Lax and Phillips (2010) employ similar methods to study congruence on a larger number of issues than Matsusaka (2010), but use imputed public opinion rather than direct measures of it. They find low overall congruence as well, but do not find a positive connection between congruence and direct democracy. It is hard to know how to interpret their finding because their regressions with direct democracy as an explanatory variable also include a variable for term limits. Having term limits, as noted above, is an almost perfect predictor of having the initiative process, so it seems possible that the term limits effect they find (increasing congruence) is actually capturing an initiative effect.
6. For example, see Schlozman and Yohai (2008), Dyck (2009), and Dyck and Lascher (2009) on efficacy and trust; Childers and Binder (2010) on turnout; and Blume et al. (2009) and Dorn et al. (2008) on happiness.