Does the Citizen Initiative Weaken Party Government in the U.S. States?

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ABSTRACT

By placing lawmaking power directly in the hands of citizens, Progressive movement reformers hoped to undercut the ability of political parties to pursue their policy objectives. This article tests the expectations of reformers by examining whether direct democracy alters the ability of partisan legislative majorities and governors to shape the size of the U.S. state public sector. Using a large dataset, I estimate the determinants of state tax effort and compare across jurisdictions the effects of variables that measure the partisan control of government. The results demonstrate that while the partisanship of elected officials is an important predictor of tax effort in pure representative jurisdictions, the relationship between party and policy disappears among initiative states. This analysis not only adds to our understanding of U.S. state budgeting, but also suggests the widespread adoption of direct democracy as a possible explanation for the weak party effects observed in studies of state fiscal policy.

DURING THE PROGRESSIVE MOVEMENT, the citizen initiative was championed by reformers, including Hiram Johnson, Theodore Roosevelt, and Woodrow Wilson, as a popular check on the power of elected officials and political parties (Mowry 1951; Hofstadter 1955; Smith and Tolbert 2004).[1] Progressives had come to believe that parties were unresponsive to the demands of voters. They argued that corrupt party bosses used their control of conventional lawmaking institutions, particularly state legislatures, to act upon the narrow policy interests of their corporate backers while blocking long-needed social and governmental reforms (Cain and Miller 2001). By placing lawmaking authority directly in the hands of ordinary citizens, Progressives hoped to undercut the ability of political parties to pursue their policy objectives, as well as to improve the representation of voters in state government.[2]

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While Progressives succeeded in transforming the citizen initiative into a standard feature of the political landscape in many U.S. states, its ultimate impact on the power of political parties and their elected officials remains unclear. In this research, I evaluate the expectations of the Progressive reformers by examining whether direct democracy affects the ability of partisan legislative majorities and governors to shape public policy. Stated differently, this article asks: Does the citizen initiative weaken party government in the American states?

In the analysis that follows, I argue that direct democracy fundamentally reduces the capacity of partisan legislators and governors to bias policy outcomes in their favor. The initiative may do so both directly and indirectly. First, it allows voters to directly constrain the actions of the elected officials by enacting outright the policies they prefer or by proposing and passing ballot measures that either limit the policy choices available to lawmakers or rewriting the rules by which these actors set policy. Second, because voters can propose initiatives in response to unpopular legislation or legislative inaction, the mere existence of the citizen initiative may indirectly induce the legislature and governor to alter their policy choice as a means of averting an unwanted ballot measure.[3]

To examine the effects that the initiative may have on the ability of parties to set public policy, I develop an econometric model of the determinants of the policy choices made by state governments. Using the results of this model, I compare across jurisdictions the effects of variables that measure the partisan configuration of government. If policy is significantly more responsive to partisan variables among the non-initiative states than it is among initiative states, then, *ceteris paribus*, we can conclude that direct democracy weakens the ability of political parties to shape policy outcomes to their liking. On the other hand, if the estimations reveal few or no observable differences between the effects of party variables across these two subsets of states, then we can conclude that the citizen initiative has not weakened party government.

This approach differs from existing literature on the consequences of direct democracy institutions in an important way. Most efforts have generally asked whether and how laws are systematically different in states with and without the initiative process. Usually a measure of policy is regressed on several control variables and a dummy variable assigned a value of one for initiative states. If the coefficient on the dummy variable is significant, the researcher concludes that the initiative affects public policy. By contrast, I examine how the initiative process mediates the potential relationship between the partisan control of government and the policy outputs produced via the traditional legislative process.[4]

The focus of the empirical analysis is U.S. state fiscal policy over a 35–year period, 1970 through 2004. While many other policies could be employed in this article, such as various civil rights or regulatory laws, revenue policy is a natural starting point. Budgetary choices represent a dependent variable over which state politicians have almost complete control. State governments are endowed with broad powers of taxation and have the ability to tax and spend as they please, as long as they do not violate the Supremacy, Commerce, or Privileges and Immunities clauses of the U.S. Constitution. This means that within their jurisdictions they have relatively unfettered power to decide whom and what to tax, the revenue instruments to be employed, and the proportion of private wealth and income to be allocated to the state public sector. The states do not enjoy similar powers in many other policy areas. For instance, when it comes to welfare policy, state-elected officials share lawmaking responsibilities with the federal government and are often required to design policy in a manner that conforms to federal guidelines.

The Republican and Democratic parties also appear to have systematically different preferences with respect to fiscal policy, making this an arena in which the partisan control of state government should have measurable consequences for outcomes. Republican voters and party elites, on average, are believed to prefer a smaller public sector, and thereby lower levels of taxation, than their Democratic counterparts. This belief is well supported by both academic analyses and public opinion polls (Trilling 1976; Petrocik 1996; Jacoby 2000). Furthermore, numerous scholars have demonstrated that the disagreement between the Republican and Democratic parties over the appropriate size of the public sector is the defining feature of the partisan alignment that has dominated U.S. politics since the New Deal era (Ladd and Hadley 1978; Sundquist 1983; McClosky and Zaller 1984).

Finally, by focusing on taxation, this analysis contributes to a well-developed literature regarding the political determinants of state budgets. For decades scholars have been working to systematically estimate and understand the relationship between the partisan control of state government and fiscal policy. The principal hypothesis in this literature is that the partisanship of government officials ought to be a key predictor of the size of the budget. Nevertheless, these efforts have produced unanticipated and vexing results. While a number of sophisticated investigations find no evidence of party effects (Dye 1966; Plotnick and Winters 1985; Garand 1988; Gilligan and Matsusaka 1995), other equally rigorous studies discover evidence, albeit relatively weak, that the partisan control of state government matters (Alt and Lowry 1994, 2000; McAtee, Yackee, and Lowery 2003; Phillips 2005). By considering whether the citizen initiative weakens party government, this article adds to our understanding of state budgetmaking and suggests the widespread adoption of direct democracy institutions as a possible explanation for the weak party effects that are observed in existing studies.

Overall, I find strong evidence that the existence of the citizen initiative weakens party government at the state level. Estimations of a model of fiscal policy show that among pure representative jurisdictions the partisan configuration of government strongly affects state taxation in significant and expected ways. The Republican control of government generally leads to a reduction in the tax burden, while Democratic control results in a larger state public sector, *ceteris paribus*. Among states that provide for the citizen initiative, however, the relationship between the partisanship of elected officials and policy disappears. These findings are robust to alternative specifications of the econometric model.

In the next section, I provide the conceptual framework for the analysis by exploring how the initiative process may alter the ability of partisan elected officials to set public policy in direct democracy states. Next, I estimate an econometric model of the determinants of a state's aggregate tax burden. Following the discussion of the results, I consider the possibility that estimated initiative effects are simply proxies for unobserved cross-sectional differences in the partisan environments of states with and without the initiative. The final section discusses the conclusions, as well as the implications, of my analysis for both state politics and direct democracy literature.

PARTY GOVERNMENT AND DIRECT DEMOCRACY

The citizen initiative and the legislative process are alternative mechanisms for generating public policy, each of which should bias outcomes toward the preferences of a different set of actors. The initiative process, at least in principle, is relatively open; in other words, agenda control is not restricted. Any citizen may propose any change to the status quo that he or she likes and, as long as a sufficient number of signatures are gathered, his or her proposal is put before the electorate for consideration. Once a proposal is placed on the ballot, citizens vote at large between the proposal and the status quo, with majority rule generally determining whether the ballot measure is adopted or the status quo remains unaltered. As a result of the open agenda and majority rule preference aggregation, outcomes of successful initiative elections tend to be median enhancing; that is, they closely reflect the preferences of the statewide median voter (Gerber 1996b, 1999).[5]

On the other hand, access to the agenda in the traditional legislative process is highly restricted. In U.S. state legislatures, just as in the House of

Representatives, the majority party usually possesses near monopoly control over the legislative calendar and uses this power to disproportionately bias legislative decisionmaking to the benefit of its membership (Rosenthal 1990, 1998). Majority party leaders, acting as agents of their party's caucus, can ensure that only those bills desired by fellow party members reach the floor for a vote, while those that would split the caucus or, if passed, displease its membership are kept off of the legislative calendar.[6] Ordinary citizens and, to a lesser extent, members of the minority party cannot place proposals before the legislature or prevent unwanted legislation from receiving a vote.

Once legislation reaches the floor, majority party leaders, through the use of selective incentives, are thought to be able to influence the roll-call votes of their fellow caucus members on procedural matters, amendments, and final passage. Party leaders have a number of tools at their disposal, including the power to make committee assignments, appoint and remove committee chairs, calendar and expedite the passage of a member's bill, and distribute perquisites such as office space or legislative staff (Rosenthal 1990). Equally as important, legislative leaders play a key role in raising and allocating campaign funds among the members of their party's caucus (Jewell and Whicker 1994; Jewell and Morehouse 2001). Collectively, these resources give leaders plenty of carrots and sticks with which to discipline party members who may be tempted to defect to the position of the minority party on key budgetary votes. These resources, combined with the majority party's near monopoly control over the legislative calendar, suggest that policy produced via the traditional legislative process will closely reflect the preferences of the majority party caucus. Since legislation requires the signature of the chief executive before becoming law, outcomes will also reflect the preferences of the governor.

In contrast to the public policies resulting from direct democracy, the outputs of the legislative process may be inconsistent with the preferences of the statewide median voter. In particular, they may lie well to the left or right of most voters' preferences. Theoretical and empirical research has shown that the need of politicians to garner and keep the support of activists works against the Downsian incentive for candidates and political parties to converge toward the ideological position of the median voter and instead encourages officials to adopt relatively extreme policy positions (Aranson and Ordeshook 1972; Aldrich 1983, 1995; Miller and Schofield 2003).

The polarizing influence of party activists is thought to derive largely from two sources. First, the votes of these individuals are often crucial for obtaining party nominations. Democratic and Republican nominees for political offices are usually chosen in low-participation primaries or caucuses.

A disproportionate share of the voters who take part in these contests are policy-oriented activists (Ranney 1972; Aldrich 1995; Fiorina et al. 2005). Since activists tend to possess relatively extreme preferences (Ranney 1972; Erikson et al. 1993; Aldrich 1995), candidates for party nominations have strategic incentives to adopt policy positions often more liberal or conservative than those of the median voter.[7]

Second, activists and their organizations provide many of the campaign resources and services essential for winning elections (Fenno 1978; Miller and Schofield 2003), including endorsements, campaign contributions and fundraising, staff assistance, and voter registration. Because party activists generally participate in politics to further issue-oriented goals, the transfer of resources to a given candidate is often contingent upon his or her adoption of issue positions close to those of the activist. Once again, candidates who might otherwise prefer to stake out moderate policy positions might be forced away from the ideological center in order to secure resources to carry out a successful electoral campaign (Baron 1994; Stratmann 1995; Miller and Schofield 2003).

This is not to say that elected officials will disregard mass opinion in favor of the preferences of activists. Since the votes of moderates are crucial to winning general elections, candidates will undoubtedly also want to appeal to the large number of individuals who lie near the center of the ideological spectrum. As a result, we should anticipate a balancing act in which the stated policy positions of candidates and the policies they enact while in office reflect some compromise between the ideological preferences of partisan activists and those of the moderating forces needed to be elected (Erikson, Wright, and McIver 1993; Burden 2004). But because of the relative extremity of party activists, these compromise positions should still lie to the left or right of the median voter's ideal point.[8]

An additional force that may pull policy away from the ideological center is the policy beliefs of elected officials. Politicians are disproportionately drawn from the ranks of social movements, single-issue organizations, and party activists (Fiorina 1999). It is presumed that individuals with these experiences have strongly held preferences about public policy. If these beliefs are relatively immoderate, officials may enact policies that deviate from those preferred by the statewide median voter. For example, Calvert (1985) and Alesina and Rosenthal (1996), demonstrate that strong candidate policy preferences can prevent Downsian ideological convergence during elections. Similarly, Gerber and Lewis (2004) and Crespin and Gold (2006) show that, once in office, legislators' personal ideologies often lead them to vote in a manner that is more conservative or liberal than one would expect given their district's political leanings. Importantly, the effect of legislators' personal policy beliefs can exist independently of any pressure placed upon their policy positions by party activists.

In states without direct democracy, the majority party in the legislature should make use of its positive agenda-setting powers and ability to discipline its members on roll-call votes to set public policy in a manner that closely reflects its preferences, even if those preferences lie to the left or right of those of most voters. In these jurisdictions, voters have little recourse against unresponsive elected officials other than attempting to vote the incumbent party or the governor out of office during the next election. However, voters may be reticent to take this action since replacing the current majority party or governor with the alternative may simply mean exchanging one set of relatively extreme policy preferences for another.[9]

Nonetheless, direct democracy should fundamentally alter the balance of power between elected officials and the median voter. By allowing citizens to both propose and adopt changes to the status quo, the initiative process ends the monopoly that the legislature usually enjoys in setting the state's policy agenda, proposing policy alternatives, and ultimately making final policy choices (Cain and Miller 2001). In direct democracy states, citizens can use their access to the agenda to weaken the capacity of the legislative majority and governor to shape outcomes to their liking.

Generally speaking, the initiative empowers voters in two ways. First, it allows the median voter to directly constrain the behavior of elected officials. Using direct democracy, citizens can circumvent legislators and enact their preferred policy outright. By legislating in this manner, citizens are able to move policy away from the preferences of elected officials and toward that of the median voter. Similarly, voters can propose and pass ballot measures that either limit the policy choices available to lawmakers or rewrite the rules by which legislators set policy. Using this particular type of ballot measure, voters continue to delegate policymaking authority to elected officials, but they are able to guarantee at least in theory that policy will ultimately remain close to the median voter's desired outcome regardless of who controls the legislature or governorship in the future.

Both of these approaches were employed by California residents in their tax revolt of the late 1970s. Confronted with a high per-capita tax burden, a substantial budgetary surplus, and elected officials who either could not or did not want to agree on a set of tax relief measures, a large majority of voters passed Proposition 13, which had qualified for the state ballot under the leadership of Howard Jarvis and a group called the United Organization of Taxpayers. This ballot measure not only moved state tax policy closer to the preferences of voters by reducing property taxes by 57 percent, but it also constrained future lawmakers by limiting the yearly growth in property tax assessments to two percent and requiring that any new tax increases receive a two-thirds vote in the state legislature (Hansen 1983).

Voters also commonly constrain elected officials through the use of earmark mandates (Matsusaka 2005). Typically, these proposals obligate the state government to set aside a predetermined amount or share of its revenue for the purpose stated in the ballot measure. These purposes often include primary public education, anti-smoking campaigns, healthcare, environmental protection, and mass transit. As opposed to California's Proposition 13, which made it more difficult to raise taxes, earmark mandates lock in government spending, possibly making it difficult for legislators and governors to reduce the size of the state public sector, should they prefer to do so.[10]

Voter-adopted initiatives, whether they directly set policy or simply restrict the choices available to elected officials, are likely to have long-standing effects on outcomes. Once adopted, there is often little that elected officials can do to amend or repeal an initiative.[11] Those initiatives that change state constitutional law can only be altered by a new constitutional amendment, a difficult task that requires the consent of the voters. Furthermore, half of the states that allow for statutory initiatives impose restrictions on the ability of legislators to alter laws adopted via direct democracy. These states typically either forbid the legislature from modifying a citizen initiative for a set period of time or require a supermajority vote of the legislature to do so.[12] Moreover, even if legislators can make changes to laws adopted by voters, they may be reticent to do so for fear of inviting a more extreme initiative or being seen as opposing the expressed will of state voters.

In addition to empowering voters to directly constrain officials, the initiative has also been shown to have an indirect effect on policy (Gerber 1998; Gerber 1996a). Game theory has illustrated that direct democracy may induce a median-enhancing change in the behavior of lawmakers, even if it is never used (Gerber 1996a). In response to legislative inaction or unpopular legislation, interest groups or citizens can threaten to pursue their policy goals via the initiative process. This threat might then spur the majority party in the legislature and the governor to alter their policy choices as a means of avoiding a ballot measure that would pull policy farther away from their ideal point. Even in the absence of an explicit threat, officials may anticipate the behavior of potential initiative authors and draft laws in a manner that preempt future ballot measures. In either case, the changes in the policy choices of legislators that result from the existence or threatened use of direct democracy are likely to benefit the median voter.[13]

Given the potential for citizens and interest groups to use (or threaten to use) direct democracy in a manner that constrains the actions of elected officials and political parties, I expect to observe systematic evidence that the majority party in the legislature, as well as the governor, have a weakened capacity to shape public policy in states that allow for the initiative. In particular, I anticipate that outcomes of the traditional legislative process will be significantly less responsive to the partisan configuration of government in U.S. states with the initiative than in states without.

EVALUATING THE EFFECTS OF DIRECT DEMOCRACY ON PARTY GOVERNMENT

Were Progressive movement reformers correct to believe that the citizen initiative would weaken the ability of political parties to pursue their policy objectives? If so, to what extent has this become manifest in state fiscal policy? This section addresses these questions by first developing an econometric model of the determinants of state tax policy. The results of this model are then used to estimate and compare the magnitude of party effects in direct democracy and pure representative states.

The econometric model used here takes the following form:

$$Tax_{jt} = \beta_0 + \beta_1 P_{jt} + \beta_2 X_{jt} + \beta_3 I_{jt} + \beta_4 P_{jt} * I_{jt} + h_t + \varepsilon_{jt} \qquad (1)$$

Tax_{it} is the total tax burden where j is an index for states and t an index for years. I operationalize a state's tax burden as own-source revenue as a percentage or share of state-level personal income. I opt to use this particular measure of fiscal policy because, unlike many of the commonly employed operationalizations, it takes into account both the statewide tax burden and the tax-paying ability of a state's residents. My results, however, remain unchanged if the dependent variable is specified using one of the more traditional approaches, such as per-capita tax receipts or annual changes in revenue collection.[14]

P_{jt} is a vector of those state-level political characteristics that capture the partisan control of government. Partisan control is measured using two dummy variables. The first of these, *Republican government*, is coded one when the Republican party occupies the governorship and has a majority in both chambers of the state legislature. The second, *split government*, is coded one during periods in which the Democratic and Republican parties share power. Unified Democratic control serves as the reference category. Cross-sectional variation in the timing of state budget processes are accounted for in order to ensure that these measures accurately reflect the partisan control of state government at the time in which the budget was passed and signed into law.

I treat X_{jt} as a vector of state-level characteristics that are added to the econometric estimations to control for potentially confounding influences. Previous research in the state politics literature has shown that economic factors are important determinants of public policy. I allow for these influences by utilizing per-capita income measured in thousands of dollars. To control for the possibility that states may substitute federal grant money for their own revenues, I also utilize per-capita intergovernmental grants (Knight 2002).[15] The state-level opinion liberalism scores developed by Erikson, Wright, and McIver (1993) and a dummy variable for southern states are also included to capture the potential influence of voter ideology and the unique political culture of the U.S. south.[16]

I_{jt} indicates whether a state allows for the citizen initiative. The existing literature finds that, over at least the past 30 years, the initiative has resulted in smaller state public sectors (Matsusaka 1995, 2004). As a result, we should anticipate a negative sign on β_3. $P_{jt} \times I_{jt}$ is an interaction between the initiative and the vector measuring the partisan control of government.[17] If direct democracy weakens the ability of governors and legislative majorities to shape fiscal policy, as predicted in the above theoretical analysis, the sign of the coefficient on $P_j \times {}_tI_{jt}$ should be the opposite of that on the vector P_{jt}. Finally, h_t represents fixed-year effects and ε_{it} is an error term. The fixed-year effects control for common shocks that affect all states in a given year, such as changes in the national or global economy or changes in the national political environment. Table 1 reports summary statistics for all of the variables used in this analysis by type of state.

Table 1. Summary Statistics

Variable	Initiative States Mean	Initiative States SD	Pure Representative States Mean	Pure Representative States SD	Source
Tax effort	8.36	1.72	8.64	2.05	(1)
Republican government	0.19	0.39	0.12	0.32	(2)
Split government	0.55	.50	0.46	0.50	(2)
Personal income	22.75	4.13	23.23	5.21	(3)
Inter-governmental revenue	0.79	0.33	0.75	0.29	(3)
Ideology	–14.80	8.36	–13.40	7.45	(4)
South	0.12	.33	.31	.46	

Sources: (1) U.S. Census Bureau, *Governmental Finances*; (2) Council of State Governments, *Book of the States*; (3) U.S. Census Bureau, *Statistical Abstract of the United States*; (4) Erikson, Wright, and McIver (1993).

The empirical analysis covers fiscal years 1970 through 2004 and includes all but three states. Alaska and Wyoming are not included because they both rely heavily on revenues from severance taxes on natural resources. The use of severance taxes results in fairly dramatic year-to-year variation in tax revenues. These variations are driven largely by the global commodities market as opposed to the budgetary choices of lawmakers (Matsusaka 2004). Nebraska is also excluded due to its nonpartisan legislature.[18]

In econometric estimations using panel data, a given state's standard errors are likely to be correlated across time (Moulton 1990; Snijders and Bosker 1999; Matsusaka 2004). A failure to correct for this correlation will result in estimates of the standard errors that are usually biased downward. This occurs because the standard errors that are normally reported in an analysis assume that each observation is independent of all other observations in the dataset. To the extent that this is inaccurate, each observation contains less additional or unique information, effectively reducing the sample size below what a simple count of the total number of observations would suggest. I address this particular type of correlation by clustering my standard errors at the state level. Since this approach has the effect of inflating the standard errors of coefficient estimates, it establishes a very high bar for statistical significance (Primo, Jacobsmeier, and Milyo 2007).

While it is also common to use fixed effects for models of state tax policy (c.f., Alt and Lowry 2000), doing so would drop from my model the initiative dummy variable. Not only is the coefficient on this variable substantively interesting, but it is necessary to calculate the party effects by state type that are presented in Table 3. It is these calculations that ultimately enable a thorough test of the article's central hypothesis. In results not reported here, however, I replicate Table 2 using state fixed effects in combination with clustered standard errors. The results generated via this alternative are not meaningfully different from those presented below.[19]

Table 2 displays the results of my estimation of equation 1. Overall the model performs reasonably well. Most of my control variables are statistically significant at the 95 percent level or higher. Per-capita *personal income*, the existence of the *initiative*, and the *south* dummy variable are all negatively related to state tax effort. Initially, the negative sign on per-capita income may seem counterintuitive, particularly since one of the most consistent findings in the state politics literature is that states with higher personal incomes tend to have higher per-capita revenues and expenditures. The difference between my results and those found elsewhere is likely a product of my operationalization of the dependent variable as state tax effort—i.e., revenue as a share of personal income. It is not surprising to discover that

Table 2. State Tax Effort, Fiscal Years 1970–2004

Republican government	–1.14**
	(.50)
Republican government × Initiative	.82*
	(.63)
Split government	–.30
	(.32)
Split government ×Initiative	.23
	(.38)
Initiative	–.84**
	(.46)
Personal income	–.23***
	(.07)
Inter-governmental revenue	2.66**
	(.88)
South	–1.28***
	(.45)
Ideology	.02
	(.02)
Constant	14.26
	(1.47)
N	1610
R^2	.44

***$p < 0.01$; **$p < 0.05$; *$p < 0.10$; one-tailed tests

Note: Estimated using clustered standard errors. All monetary variables are measured in constant 2000 dollars. Fixed year effects are included in the regression, but are not shown here.

as incomes rise state governments need to appropriate a smaller percentage in order to fund the state public sector, *ceteris paribus*. On the other hand, intergovernmental revenues are positively related to the size of the state public sector. Surprisingly, state opinion liberalism does not appear to have a meaningful influence on the dependent variable.

More importantly, the results in Table 2 support my hypothesis. First, I find evidence of party effects, at least among pure representative states. The coefficient on the *Republican government* dummy variable is negative and statistically significant. Since this coefficient captures the effects of the partisan control of government when I_{jt} is zero, it demonstrates that, in the absence of the citizen initiative, Republican governments set a meaningfully lower tax rate than do their Democratic counterparts. This finding coincides with existing analyses in the state politics literature that uncover evidence of party effects (Alt and Lowry 1994, 2000; McAtee, Yackee, and Lowery 2003; Phillips 2005). Even though the coefficient on the *split government* dummy fails to reach statistical significance, its negative sign indicates that divided governments also tend to set the tax burden lower than Democrats.

As theorized, the signs on the interaction terms are positive with the coefficient on the *Republican government* and *initiative* interaction reaching statistical significance at the 90 percent level. While these coefficients are difficult to interpret without calculating marginal effects, the positive signs provide preliminary evidence that Republican and split governments are less successful at setting a lower tax rate in the presence of the citizen initiative. In other words, fiscal policy appears to be less responsive to the partisan control of government in direct democracy states.[20]

To provide a more informative depiction of my results, I use the estimation of equation 1 to calculate differences in marginal effects by type of state. Specifically, I examine the average change in tax effort when moving from one pattern of partisan control to another (e.g., from unified Democratic to unified Republican control of government). I then calculate whether these differences in marginal effects are significantly larger in pure representative jurisdictions. This is the technique for interpreting interaction terms recommended by (Brambor, Clark, and Golder 2006). The results of this effort are shown in Table 3.

The first substantive column reports party effects in pure representative states. As one can see from the table, the average change in tax effort that is observed when moving from one pattern of partisan control to another is substantial. For instance, Democratic governments, on average, set tax effort 0.30 percentage points higher than their split government counterparts and 1.14 percent higher than unified Republican governments. Furthermore, two of three differences in policy are statistically meaningful at the 95 percent level or higher. These results provide the strongest evidence yet that tax effort is highly responsive to the partisan control of government in those jurisdictions without the citizen initiative.

The second substantive column reports estimated party effects for direct democracy states. Among these jurisdictions the relationship between the partisan control of government and policy appears to be, at best, very weak. When moving from one pattern of partisan control to another, there are no statistically meaningful changes in tax effort. Furthermore, the calculated changes in policy are comparatively small, averaging less than one-third of the size of those reported in the first column. This is confirmed by the final column of the table that calculates the disparity between the party effects estimated for pure representative states and those for direct democracy jurisdictions. These calculations show that the party effects observed among pure representative states are much larger across all potential partisan configurations of state government, and they are meaningfully larger when considering the calculated differences in tax effort between unified Democratic and

Table 3. Partisan Differences in Tax Effort by Type of State (Fiscal Years 1970–2004)

Tax Effort	Pure Representative States	Initiative States	Difference Between State Types
Difference between unified Democratic government and split government	.30 (.32)	0.07 (.22)	.23 (.38)
Difference between split government and unified Republican government	.84** (.44)	.25 (.29)	.59 (.50)
Difference between unified Democratic government and unified republican government	1.14*** (.50)	.32 (.43)	.82* (.56)

***$p < 0.01$; **$p < 0.05$; *$p < 0.10$; one-tailed tests.

Notes: Standard errors are reported in parentheses. Both the point estimates and standard errors were estimated using the *lincom* command in Stata.

The first row shows the effect of moving from divided control of government to unified Democratic control, first in pure representative jurisdictions and then in states that allow for the citizen initiative. The second row explores the effect of moving from unified Republican to split control of government, and the third row shows the effect of moving from unified Republican to unified Democratic control. The final column shows whether the party effects observed in pure representative states are significantly greater than those observed in direct democracy states.

Republican governments. I interpret this result as support for the hypothesis that the existence of the citizen initiative weakens the ability of governors and political parties to set tax policy in a manner that reflects their preferences.

IS PARTISAN COMPETITION DIFFERENT IN DIRECT DEMOCRACY STATES?

The results of the econometric model provide strong evidence that direct democracy weakens the ability of elected officials to shape U.S. state fiscal policy. While variables that measure the partisan control of state government are important determinants of outcomes among states without the initiative process, these measures are poorer predictors of policy in direct democracy jurisdictions. Nevertheless, skeptical readers may question whether the empirical analysis has truly identified initiative effects. It is possible that the citizen initiative is acting as a proxy for some hitherto unaccounted for variable or variables.

The most probable alternative explanation for the findings presented thus far is that inter-party conflict is systematically different in states with and without the citizen initiative. A number of recent analyses in political science have found that variations in state partisan environments account for cross-sectional disparities in the responsiveness of welfare policy to the partisan control of state government. In particular, this research suggests that a stronger party-policy linkage exists when partisan divisions (i.e., party cleavage structures) reflect class-based New Deal-type coalitions (Brown 1995), when competition between political parties is most intense (Barrilleaux, Holbrook, and Langer 2002), and when electoral polarization is high (McAtee, Yackee, and Lowry 2003). As a robustness check on the earlier results, Table 4 employs a series of difference-of-means tests to explore the possibility that pure representative and initiative states are significantly different from one another on each of these dimensions.

The first three rows of Table 4 test whether initiative and non-initiative states systematically differ with respect to the cleavage structures or coalitional configurations that define their politics. Previous research has identified the existence of three dominant partisan cleavages among the states (Brown 1995).[21] The most common of these is the *New Deal cleavage* in which economic class plays the defining role in differentiating the membership of state-level political parties. This is the cleavage that Brown found to be necessary for creating a robust relationship between the partisan control of government and public policy. The remaining coalitional configurations identified by Brown are the *southern* and *post-New Deal cleavages*. In the former, race constitutes the most prominent factor separating partisan coalitions, and in the latter, race and class play equally important roles.

Brown's data suggest few differences exist in the cleavage structures between direct democracy and pure representative states, and those that do would not account for my findings (assuming that Brown's theoretical and empirical analysis is correct). As Table 4 indicates, neither category of state is more likely to be characterized by the southern cleavage or the post-New Deal cleavage, which are both thought to weaken potential party effects. Interestingly, the table does show that the New Deal cleavage is more strongly associated with direct democracy states than pure representative jurisdictions.[22] This outcome suggests that party-policy linkages should be higher in states with the citizen initiative, which is inconsistent with my findings.

The fourth row of the table replicates this analysis with respect to interparty competition, by comparing the mean Ranney closeness of control score of initiative states to the mean of their pure representative counterparts. The Ranney index is a widely employed and long-standing indicator of the intensity of interparty competition over the partisan control of state government (Ranney 1976; Holbrook and Van Dunk 1993). Scores on this index range from 0.5, which indicates the complete absence of partisan competition, to

Table 4. State Cleavage Structures, Competitiveness, & Polarization Scores (Difference of Means Tests)

	Initiative States	Pure Representative States	t-Statistic
Southern cleavage	.15	.31	–1.24
	(.08)	(.09)	
	N = 20	N = 26	
New Deal cleavage	.55	.27	1.97**
	(.11)	(.09)	
	N = 20	N = 26	
Post-New Deal cleavage	.25	.35	–0.69
	(.10)	(.10)	
	N = 20	N = 26	
Ranney index	.86	.87	–.11
	(.02)	(.02)	
	N = 20	N = 27	
Index of mass polarization	36.35	34.28	.76
	(2.25)	(1.66)	
	N = 20	N = 26	

**$p < 0.05$; *$p < 0.10$; two-tailed tests.

Note: Standard errors are reported in parentheses. *N* represents the number of states falling into each category.

1, which suggests perfect competition.[23] The results presented here show that the partisan environments in pure representative and direct democracy states are virtually identical with respect to closeness in control.[24]

Finally, I test for the existence of systematic differences in partisan polarization. Logically, one might expect to see a greater discrepancy between the fiscal policies adopted under Republican and Democratic control of state government, and thereby stronger party effects, where the intrastate ideological divide between political parties is largest. If the ideological difference between the Democratic and Republican parties in pure representative states is greater than it is in their counterparts with the initiative, this could explain the stronger party-policy linkage within these jurisdictions. The final row of Table 4 explores this possibility by comparing, through type of state, the average score on the *index of mass polarization* (IMP). This index was developed by Erikson, Wright, and McIver (1993) using data from CBS News/*The New York Times* surveys, and it measures the distance between the mean Democratic and mean Republican ideology in each state.[25] Higher values on this index represent larger intrastate ideological differences. The results presented here provide little evidence of a meaningful difference in polarization.[26] While the IMP scores do suggest that partisan polarization is slightly, and unexpectedly, greater in direct democracy states than it is among pure representative jurisdictions, the difference is not statistically significant.

Overall, the partisan environments of states with and without the citizen initiative do not appear to be meaningfully different or at least are not different in ways that would account for my findings. Data show that these states have relatively similar party cleavage structures, levels of interparty closeness of control, and ideological polarization. In short, Table 4 does not produce compelling evidence that the finding of a greater party-policy linkage in pure representative states is driven by anything other than the existence and use of the citizen initiative.

CONCLUSION AND IMPLICATIONS

Progressive movement reformers championed the citizen initiative as a check on the power of unresponsive elected officials and political parties. These reformers hoped that by giving ordinary citizens the power to both propose and pass changes in state law, voters would be better represented in government and political parties would have a weakened capacity to pursue their policy goals. While the initiative has come to play an important role in state politics, political scientists know relatively little about the ultimate effect that direct democracy has on the capacity of parties to shape policy. This analysis helps close this gap by investigating whether the citizen initiative has weakened party government in the U.S. states.

Overall, I find strong evidence that the citizen initiative reduces the capacity of parties (i.e., governors and legislative majorities) to shape public policy. Estimations of my econometric model find a strong link between the political party that controls state government and policy outcomes, among pure representative jurisdictions. In particular, I find that Democratic control of state government leads to a higher tax burden than does Republican or divided control. Nevertheless, in direct democracy states the link between party and policy disappears.

The absence of significant party effects among direct democracy states has important implications for the study of subnational politics. First, these results provide a new, rigorous understanding of when we may expect to observe policy-relevant differences between state-level political parties. Political scientists have produced a substantial body of research examining the impact of Republican and Democratic control of state government across a range of policy areas, including welfare, health, education, and fiscal policy. Many studies, particularly those that focus on welfare policy, have found evidence of party effects, but they ultimately conclude that these are conditioned upon features of the electoral environment, such as a state's cleavage structure, the intensity of inter-party competition, and the degree of inter-party polarization. The results presented here add to this list by demonstrating that state-level political institutions, particularly the existence of the citizen initiative, also condition the relationship between the partisan identification of lawmakers and outcomes. Correspondingly, my results indicate that the widespread adoption of the citizen initiative may account, in part, for the surprisingly weak party effects usually observed in empirical studies of state budgeting.

Finally, the lack of strong party effects among direct democracy states suggests that the responsible party government model may not be an accurate depiction of policymaking among these jurisdictions. For proponents of responsible party government, the results presented here are likely to be troubling and interpreted as evidence that citizens do not possess substantial operational control over state government. However, if political parties tend to move policy far to the left or right of the preferences of the median voter (in order to satisfy members of their core constituencies), the absence of strong party effects might be much less troubling. Furthermore, to the extent that constraints on party government exhibit a moderating effect on policy outcomes, they might result in public policies that better represent the interests of individuals with preferences closer to those of the median voter.

ENDNOTES

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1. The initiative is a direct democracy institution that empowers citizens to both propose and approve changes in constitutional and statutory law. In addition to the initiative, direct democracy institutions also include the referendum (in which legislation is drafted and approved by the legislature and then placed on the ballot for voter ratification) and the recall (which allows citizens to remove elected officials from office prior to the end of their statutory term).

2. Coincidentally, the Progressives often used existing political parties or formed minor third parties as a means of competing for and obtaining electoral office.

3. The initiative process may also be used to pass ballot measures that overtly weaken or limit the autonomy of political parties (*e.g.*, measures that require open primary elections). An investigation into the effect of direct democracy on party organizations is beyond the scope of this paper. For such an analysis see Bowler and Donovan (2004) and Persily and Anderson (2005).

4. My approach is similar to that of Gerber (1996a).

5. In theory, voters will accept any proposal that moves the status quo closer to the median voter's ideal point, while any ballot measure that moves policy farther away will be rejected.

6. Some dispute has occurred over the degree to which leaders of the majority party can exercise control over the legislative agenda (see Finocchiaro and Rohde 2002). However, a broad consensus exists that the majority party possesses greater agenda-setting powers than does the minority party and that these powers can be used to disproportionately benefit its membership.

7. Unlike party professionals or pragmatists, activists are also relatively unwilling to compromise on their policy goals to ensure current or future partisan electoral victory (Kirkpatrick 1976; Aldrich 1995; Fiorina et al. 2005; Layman et al. 2006).

8. In particular, candidates will face pressure to moderate their stances after winning a primary election. But moving away from commitments made to party activists during the primary will be difficult. Changing policy positions is likely to be criticized as flip-flopping and may raise non-policy concerns about an individual's character and reliability (Burden 2004). Furthermore, politicians who renege on promises made to party activists may, during future elections, face strong primary challengers.

9. In pure representative states, voters may be able to force fiscal policy to the middle of the ideological spectrum by voting for divided government. It is not clear, however, whether voters can overcome the coordination problems necessary to do so. Additionally, this may be difficult in a multi-dimensional issue space where voters are selecting candidates on the basis of their preferences for social as well as fiscal policy.

10. Between 1990 and 2004, 16 percent of all fiscal policy initiatives that appeared before state electorates proposed a reduction in taxation, 23 percent proposed revenue enhancements or tax increases, and 20 percent proposed an earmark mandate. Of these three categories, earmark mandates were adopted at the highest rate (National Conference of State Legislators 2005).

11. States do have some ability to avoid full implementation of adopted ballot measures (c.f., Gerber et al. 2001).

12. The state of California imposes the most severe restrictions on the legislature, disallowing any legislative amendment or repeal of an initiative unless expressly permitted by the text of the ballot measure.

13. The formal model developed by Gerber (1996a) shows that when a legislature is constrained by the threat of an initiative proposal it passes laws that are closer to, and never further from, the ideal point of the median voter.

14. The financial data gathered for this analysis are converted into 2000 dollars using the regional consumer price indices developed by the U.S. Department of Labor.

15. Measured in thousands of dollars.

16. In estimations not reported here, I also included a dummy variable for western states. The inclusion or exclusion of this variable does not have a substantive effect on the results. Ultimately I decided not to include it in my final estimation since the term is so highly correlated with the existence of the citizen initiative.

17. Currently, 23 states provide for the initiative: 15 allow both statutory and constitutional initiatives, six provide only for statutory initiatives, and two allow only constitutional initiatives. In my empirical analysis, I do not differentiate between the statutory and constitutional variants of direct democracy since both are routinely used to alter state fiscal policy. Additionally, I do not treat Illinois as a direct democracy state since state law prohibits fiscal ballot measures (Matsusaka 2004).

18. Minnesota is also excluded for fiscal years 1970–73. During these years, the state's legislature was nonpartisan.

19. If anything, the estimations that utilize fixed effects actually provide stronger support for my hypothesis than those reported here.

20. When the model is estimated with both fixed effects and clustered standard errors, the coefficients on the split government dummy variable as well as the split government-initiative interaction term are statistically significant.

21. Brown identifies the existence of these cleavages by disaggregating state-level data collected in a series of CBS News/*The New York Times* national polls conducted from 1976 through 1988.

22. Partisan conflict in three of the states included in my empirical investigation—Arkansas, Kentucky, and West Virginia—do not conform to any of the three cleavage structures identified by Brown (1995). I code each of these states as a zero for all three categories. Additionally, Brown excludes Hawaii from his analysis entirely.

23. The folded Ranney index is calculated as: 1—|*unfolded Ranney index*—0.5|. The unfolded Ranney index is computed by averaging, over a specified period of time, the proportion of seats held by Democrats in the upper and lower houses of the legislature, the Democratic proportion of the gubernatorial vote, and the percentage of the time that the governorship and legislature were both controlled by the Democratic party.

24. The values of the Ranney index used in this analysis were calculated from 1970 through 2004.

25. This data is not available for the state of Hawaii.

26. The IMP scores generated for use in this analysis are based upon survey data from 1976 through 2000.

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