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Research Paper 07-01 – January 2007

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# Faith in Reason: Voter Competence and Local Bond Propositions<sup>1</sup>

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January 16, 2007

## Introduction

Consider the results of three local bonds in the same county for improvements to hospital and health facilities. First, in November 2004, voters in seven communities of Northeast San Diego County approved Proposition BB, a general obligation bond of up to \$496 million for hospital, emergency care, and trauma center improvements for the Palomar Pomerado Health System. Proposition BB pays for most of a \$753 million building plan, and for the next 30 years, it will increase property taxes by about \$17.75 a year for every \$100,000 in assessed valuation.

Not two years later, in June 2006, the Tri City Medical District (in Northwest San Diego County) hired the same political consultant used for Proposition BB and proposed Proposition F, which, if passed, would have authorized up to \$596 million in general obligation bonds to repair and improve their medical facilities. Meanwhile, in the same election, the Grossmont Healthcare District in the southeast corner of the county won approval for Proposition G, which authorized a \$247 million bond for hospital improvements.

The justifications for these bond measures were the same: to accommodate population increases, to expand emergency services, and to retrofit facilities for earthquake safety. Voters not only had to assess the need for such facilities, in the context of simultaneous or closely related votes in other districts about funding similar health infrastructure, but they also faced a difficult policy choice influenced by numerous economic and social considerations. For example, San Diego has the fewest number of emergency room beds per capita of any county in California.<sup>4</sup> Emergency room bed capacity in San Diego County, however, increased six percent in the 1990s, and these beds experienced only “moderate visits per bed,” perhaps “due to the use of military medical facilities.”<sup>5</sup> Moreover, every emergency room in San Diego County lost money in 1999-2000, with county-wide losses totaling nearly \$22 million.<sup>6</sup> As a result, three San Diego emergency rooms closed in the 1990s, and more hospitals recommended the closure of their emergency rooms in 2005 and 2006. The simultaneous expansion of hospitals and

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<sup>1</sup>Paper prepared with a grant from the Keston Institute for Public Finance and Infrastructure Policy, University of Southern California. The views expressed herein reflect those of the authors and do not necessarily reflect the views of the staff, officers, or Board of the Keston Institute for Public Finance and Infrastructure Policy.

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<sup>4</sup> *Emergency Departments in the Health Care System: Use of Services in California Counties*. Published by California Healthcare Foundation. March 2003.

<sup>5</sup> Ibid.

<sup>6</sup> Office of Statewide Health Planning and Development. Hospital Financial Data Disclosure Report. 1999-2000.

emergency rooms in one district and the closure of emergency rooms in other districts further increase the complexity of financing healthcare facilities and locating them near populations that need them. These tradeoffs must be made in the context of the challenging national health care situation, with large numbers of uninsured patients seeking primary treatment in emergency rooms, a declining federal commitment to health care entitlement programs, and a burgeoning population of older Americans.

The hospital measures in San Diego represent just a fraction of the billions of dollars California voters are asked to approve for local infrastructure projects. City, county and municipal propositions are often used to raise funds for new infrastructure projects, but scant attention is paid to these local propositions by the voters or the media. The substantial fiscal and policy effects of these propositions make it important to understand the conditions of the information environment in which voters are asked to make their decisions. What are the conditions required for voters to make reasoned decisions, and are those conditions present in the political environment surrounding votes on local infrastructure bonds?

### **When Can Voters Make Reasoned Decisions?**

For voters to make a reasoned choice and improve their welfare, they must have correct beliefs about the consequences of their vote. Voters may be able to figure out the consequences of their vote on the basis of personal knowledge and experience, but often voters lack such knowledge or experience. In that case, voters must be able to learn from someone else – a knowledgeable, trustworthy endorser. They can then cast a reasoned vote, not relying on their own encyclopedic knowledge of a policy, but using cues provided by a knowledgeable, trusted endorser. If both personal knowledge and trusted endorsers are absent, however, then it is doubtful that voters can consistently make welfare-improving choices.

For Propositions BB, F and G in San Diego County, government-provided voter guides contained statements for and against ballot propositions and rejoinders to these statements (and perhaps even rejoinders to the rejoinders). The existence of these guides and the presentation of arguments therein reflect a widely held faith in reason. The give and take of reasons is believed to produce enlightenment and welfare-enhancing decisions. Reasons alone, however, are not sufficient for informed decision making, as modern advertising vividly illustrates. Marketers may offer reasons for consumers to purchase their products, but people need more than just reasons.<sup>7</sup> The FTC found recently that nearly 55 percent of ads about weight loss products contained false statements. The advertisement for the “Fat Trapper,” for example, claims that the product, extracted from the shell of crustaceans, prevents the absorption of fat. This fallacious claim shows that merely having reasons for an action is not enough, people also need to know that those who make statements are informed and trustworthy for a reasoned choice to occur.<sup>8</sup>

In practice, the trust condition is the most difficult to meet. How can a consumer or a voter be certain that the person endorsing a product or candidate is credible? In most

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<sup>7</sup> *Deception in Weight-Loss Advertising Workshop: Seizing Opportunities and Building Partnerships to Stop Weight-Loss Fraud*. December 2003. Federal Trade Commission Staff Report.

<sup>8</sup> Arthur Lupia & Mathew D. McCubbins. 1998. *Democratic Dilemma*. Cambridge University Press.

examinations of trust, including Aristotle's *Rhetoric*,<sup>9</sup> a speaker's internal character (e.g., honesty, ideology, or reputation) is a necessary component of trust. If a speaker lacks the right character, then the speaker is considered unpersuasive and thus will be ignored. While trust can arise from a positive evaluation of a speaker's character, Lupia and McCubbins show that external forces can substitute for a speaker's character and generate trust, persuasion, and the possibility of learning in contexts where these outcomes would not otherwise occur.<sup>10</sup>

Political institutions are a common source of these external forces.<sup>11</sup> Many political institutions allow citizens to observe a speaker's costly effort, to subject a speaker to the threat of verification (i.e., cross-examination), or to know that the speaker faces penalties for lying. These institutions can give citizens the ability to make reasoned choices. These conditions for trust do not exist generally; rather, they must be established between a speaker and a specific audience. The fact that at one time a speaker and his audience face institutional conditions that create trust does not imply that when that speaker makes a statement to another audience, the conditions for trust are present there as well. Each relationship between a speaker and an audience must contain the conditions for trust – either institutionally created or through common interests – or the listener cannot trust what the speaker says and therefore cannot learn from his statement. Thus, even if a speaker meets the conditions for trust in one environment, this does not guarantee that he or she meets it in another environment with a different audience.

This analysis implies that voters can learn from an endorser (such as a politician, interest group or other knowledgeable speaker) with whom they identify.<sup>12</sup> Voters can also learn from endorsers if the previously discussed conditions for trust were present when he made his statement. If the conditions of the endorsement are not known (i.e. when it is unknown to whom a speaker was directing her statements or when a speaker's interests are unknown), then voters will rationally ignore the speaker's statements. Without the conditions for trust, voters will not be able to learn from knowledgeable endorsers even if the endorsers are telling the truth. For example, voters may know that a local governmental body recommended a bond measure, but they often do not know if this recommendation was an endorsement, a consequence of logrolling, or a vote to shirk the blame and have the issue decided by the voters. In other words, they do not know the conditions surrounding the recommendation and thus cannot, by virtue only of the endorsement, necessarily make a valid inference about the value of the proposal.

### **Conditions for Learning in the Real World: San Diego Bond Elections**

This understanding of the conditions for learning necessary to allow voters to make competent decisions can allow us to evaluate the information environment surrounding the three

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<sup>9</sup> Aristotle. 1954. *Rhetoric*. New York: Modern Library.

<sup>10</sup> See Chapters 6-8 of Lupia & McCubbins, 1998.

<sup>11</sup> As are legal and commercial institutions, see Lupia & McCubbins, 1998, chapter 10.

<sup>12</sup> See Arthur Lupia. 1994. "Shortcuts versus Encyclopedias: Information and Voting Behavior in California Insurance Reform Elections." *American Political Science Review* 88: 63-76; Elizabeth Garrett & Daniel A. Smith. 2005. "Veiled Political Actors and Campaign Disclosure Laws in Direct Democracy." *Election Law Journal* 4: 295-328; Arthur Lupia & John G. Matsusaka. 2004. "Direct Democracy: New Approaches to Old Questions." *Annual Review of Political Science* 7: 463-482.

health infrastructure initiatives. Very few voters had personal knowledge sufficient to allow them to vote competently. Were they nonetheless able to find credible voting cues that they could use effectively? With respect to the successful Proposition BB in San Diego County, the political action committee supporting the proposition, Citizens for Better Health Care, raised \$1,470,000 for its campaign.<sup>13</sup> Significant contributors included real estate developers and managers, contractors, architects, banks and hospital supply companies. Although this provided evidence of costly effort, one key to voter competence is ensuring that the information that can create trust is available before the election. In this case, many reports of the involvement of economic groups did not emerge until after the election.<sup>14</sup> Moreover, there was no organized campaign against the proposition, and the single statement against the proposition in the voter's pamphlet was made by an unaffiliated individual about whom voters had no information.<sup>15</sup> The individual essentially argued that the proponents of the bond had not adequately explained the need for a new hospital. Sometimes citizens will vote "no" defensively on initiatives if they are concerned that they do not have enough information to ensure that the ballot proposition is in their interests.<sup>16</sup> Proposition BB did not fall victim to this defensive "no" reaction, perhaps because of the strong, unopposed spending by its supporters.

This example suggests that meaningful institutional reform could focus on providing voters and, perhaps more importantly, information entrepreneurs such as journalists, relatively easy access to information about the groups and individuals spending money in ballot measure campaigns. A significant portion of campaign funds are spent relatively early in the campaign so information is available in advance of a vote. California's Secretary of State provides timely information on campaign fundraising and expenditures; few, if any, localities have such resources.<sup>17</sup> The absence of timely, aggressive disclosure of the source of campaign funding is especially unfortunate in the context of local initiatives because often these campaigns are non-partisan and lack well-known endorsers.<sup>18</sup>

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<sup>13</sup> Andrea Moss. "Prop. BB Campaign Totals Over \$1.4M." *North County Times*. February 3, 2005. For earlier reports on spending, see, Craig Gustafson. "Hospital Officials See Acute Need for Prop. BB." *San Diego Union Tribune*. October 2, 2004.

<sup>14</sup> See references in Note 10, particularly Moss, 2005, which was not published until months after the election.

<sup>15</sup> In fact, the author of the only opposition argument in the voter pamphlet attempted to associate himself with the American Association of Retired Persons (AARP), but the AARP actually issued a public statement claiming no affiliation between the author and the organization. See Booyeon Lee. "AARP Says Use of Its Name is 'Misleading.'" *San Diego Union Tribune*. October. 30, 2004. For more on the appropriation of others' reputations in an election context, see Garrett & Smith., 2004.

<sup>16</sup> Bowler, Shaun and Todd Donovan. 1998. *Demanding Choices: Opinion, Voting and Direct Democracy*. University of Michigan Press.

<sup>17</sup> For a review of the arguments about the importance of disclosure requirements in direct democracy, see Elizabeth Garrett. 2002. "The William J. Brennan Lecture in Constitutional Law: The Future of Campaign Finance Reform Laws in the Courts and in Congress." *Oklahoma City University Law Review*. 27: 665-692; Elizabeth Garrett. 2003. "Voting with Cues." *University of Richmond Law Review*. 37: 1011-1048; Michael Kang, "Democratizing Direct Democracy: Restoring Voter Competence Through Heuristic Cues and "Disclosure Plus." *UCLA Law Review*. 50: 1141-1188.

<sup>18</sup> The only known critics were on the Escondido City Council. Escondido City Councilman Tom D'Agosta was publicly critical of the bond because the site for the new hospital was not yet known, which he argued made it difficult for voters to know what they are actually going to end up getting if the bond passed. As the bond moved forward, several Escondido City Council members expressed concerns about whether Escondido would benefit from

Thus, the conditions for learning are often weak or non-existent. Ken Lounsberry, an attorney who headed the Citizens for Better Health Care PAC, attempted to put a positive spin on this aspect of initiative campaigns: “This is nonpartisan. This is an across-the-board need. This is a chance for people to vote for themselves.” The idea that people can, should, or will think for themselves is based on a belief in reason – but it is not based on a realistic assessment of voters’ capabilities or interest.

During the campaign for Proposition BB in Pomerado the primary sources of information were the voter pamphlet and newspaper stories. There were a number of newspaper stories about the infrastructure initiative proposal. Many of these stories, like most newspaper stories, featured individuals on both sides of the campaign. Opponents routinely included citizens from the local community, and there were a few Escondido City Council members who expressed their doubts about whether the measure would benefit their city.<sup>19</sup> The primary reasons opponents opposed the measure were its cost and uncertainty about whether or not the hospital would be built in Escondido. In response to concern about the location of the hospital, Palomar Pomerado Health District officials signed a written pledge to put the hospital in Escondido, but the critics suggested that the pledge was non-binding, and after the election the District could do as its leaders pleased.

Thus, a fuller picture of the campaign – including newspaper stories as well as the voter pamphlet – reveals that voters were provided reasons from both sides of the campaign; moreover, both sides’ reasons could not be true because they were mutually exclusive. Voters therefore had to determine which speaker, if any, they believed was trustworthy. It is difficult to determine whether speakers on either side of the issue met the conditions for trust when they spoke to the *San Diego Union Tribune*. The various speakers did not take actions that were costly enough to induce trust. The most relevant costly action was by the (at the time unknown) donors to the pro-Proposition BB side who, in total, donated more than a million dollars. However, in the context of a nearly \$500 million proposition, it is not clear that this level of spending can generate enough of a cost to create the conditions for trust.

Furthermore, although there were newspaper stories about the bond measure, it is not clear that all voters could have learned from the stories. The problem with the newspaper stories is that they all featured interviews with city officials from Escondido. Voters in Escondido could have learned from these statements, because voters in the city limits have the ability to impose a

penalty for lying upon the city councilors. This threat of such a penalty could have been enough to create the conditions for trust between Escondido residents and their city councilors. However, the jurisdiction for the hospital board crosses multiple city lines, and, as we previously discussed, the conditions for trust are specific to the relationship

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the bond’s passage. Craig Gustafson. “Cost, Wording of Prop. BB Concerns Its Opponent.” *San Diego Union Tribune*. October 20, 2004.

<sup>19</sup> Craig Gustafson. 2004. “Cost, Wording of Prop. BB Concerns its Opponents.” *San Diego Union Tribune*. October 20.

between a speaker and his audience. For instance, voters in San Marcos, another city affected by the proposition, did not have a way to impose a penalty upon a city councilor from Escondido. The absence of a political institution to impose the conditions for trust is especially acute because voters in different cities may not share common interests when it comes to new infrastructure projects. If voters in San Marcos and other cities lack the ability to impose a penalty on speakers from Escondido, and they do not share common interests with Escondido residents, how do they learn from the statements of an Escondido city councilor? Given that newspaper stories may not meet the conditions for trust for at least some citizens, we cannot infer that the presence of news coverage generated the conditions for learning for all voters.

Instead of inquiring whether voters have the information to make reasoned decisions, perhaps we should simply trust the hospital or other governing board to refer only welfare enhancing proposals to voters. In that case we would be more certain that a proposal passed by voters actually improves public welfare. However, we do not believe officials on governing boards will necessarily act in the public interest. Hundreds of millions of dollars were at stake in these hospital elections. Were all three measures solely for the public benefit? Surely, there were considerable private interests at stake during these elections. We do not mean to question the public-spiritedness of the real estate developers, contractors and medical supply companies who gave money to support Proposition BB, but we suspect that the proposals have a (probably significant) measure of private interest attached to them. To believe government officials are only concerned with the public interest is akin to arguing that individuals who previously worked for their private interests decide that once they are elected to public office they serve only the public good. This seems contrary to common assumptions about motivations of politicians and the findings of previous scholarship.<sup>20</sup> Politicians are influenced by a variety of motivations – some that lead them to pursue their vision of the public interest and some that do not, and it may be difficult for voters to distinguish among the motivations.<sup>21</sup> Instead of believing that voters should blindly trust political actors to refer only measures that are in the public interest, we argue that voters must possess information or its substitutes to make reasoned decisions.

### **Reforms to Improve Voter Decision Making**

In our research, we have found that the initiative information environment varies across California, but in a great number of elections, voters face an information environment without credible endorsers, making it very difficult and/or unlikely that they can make a reasoned choice. There is no reason to believe, in these cases, that voters’

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<sup>20</sup> For instance, the authors of *The Federalist Papers* argued that elected officials were not angels and there needed to be mechanisms to control politicians. See Federalist No. 51, Hamilton, Alexander, John Jay and James Madison. 1961. *The Federalist Papers*. (1787-88). New York: The New American Library of World Literature. See also, Charles J. Schultze. 1977. *The Public Use of Private Interest*. Brookings Institution Press: Washington, D.C.

<sup>21</sup> In *Congress: The Electoral Connection* (Princeton University Press, 1974), David Mayhew argues that politicians can be understood as re-election seekers. Richard Fenno contends in *Congressmen in Committees* (Foresman & Company, 1973) that in addition to seeking re-election, some members are also motivated by the desire for power within the House and for good public policy.

choices are likely to improve welfare. To improve the initiative information environment, reforms are necessary to allow voters to learn from the statements of credible endorsers and to make decisions as if they were fully informed. Given the paucity of credible information, institutions that structure the information environment to credibly bring forward endorsers who are relatively likely to meet the trust and knowledge condition is an effective mechanism to improve voter decision making. One group that could assist voter decision-making is elected politicians, but all voters affected by a proposition must access to statements by elected officials who meet the conditions for trust in order to improve voter competence. Unlike the situation surrounding the vote on Proposition BB, where only voters in Escondido could learn from politicians who met the conditions for trust, requiring politicians from all affected areas to take positions helps to ensure that far more voters can learn from these endorsers. Therefore, state and local elected officials (city councilors, county supervisors, state assembly and senate members, etc.) should be required, or at least strongly encouraged by institutional structures, to go on record as either supporting or opposing a proposition if any of their constituents will be affected by the change in infrastructure or tax rates. If more elected officials take public stances on bond measures, it should increase the probability that a voter either can identify the interests of the speakers or understand the institutional conditions in place when the speaker made the endorsement, thereby improving the conditions for learning and reasoned decision making. These endorsements can be publicized through webpages maintained by government entities and through the voter information pamphlets mailed out before an election.

A second reform is to require broad dissemination of information about the finances of the bonding authority. Two mechanisms are available to accomplish this. First, prior to a bond election, the bonding authority could be required to make available information about the authority's bond rating. This would give voters easy-to-understand information about how well the organization sponsoring the bond has previously managed its finances. Second, localities could require that any proposed bonds be evaluated by a bond rating organization and the rating for the new bond then publicized to voters through Internet disclosure and voter information pamphlets. These changes in disclosure could provide voters with easy to understand and useful information, produced by third parties with reputations that enhance credibility, about the financial aspects of a bond measure.

Finally, aggressive disclosure laws revealing which groups and individuals have provided significant financial support for and against the proposition would improve voter competence. This information should be made available periodically throughout the campaign and well before the election. As we discussed above, knowing who paid for campaigns can be an important and credible voting cue for voters in direct democracy. Because localities may not have the resources to provide this information in a timely way over the Internet, the state could provide the infrastructure for disclosure and encourage, or require, localities to enter the information. State officials might also need to provide workshops and training about the mechanics of disclosure. Fortunately, California has one of the most accessible methods of providing information about campaign spending in

candidate and ballot measure campaigns at the state level; that expertise should be used to improve disclosure about spending on local initiatives and referendums.<sup>22</sup>

In short, improving voter competence in local bond and other ballot measure elections requires thinking seriously about the information environment in which voting decisions are made. Information has to be provided to voters in a timely way and in a structure that provides the voters the tools to assess the credibility of the data, without expecting them to become experts on every ballot measure before them. Only then can we become more confident that decisions at the ballot box are likely to enhance overall welfare.

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<sup>22</sup> Basic information about local propositions (notice of intent to collect signatures, title, and summary) must be published in a local newspaper of record prior to the collection of signatures. There are a number of other requirements that local initiatives must meet, but disclosure about campaign spending does not appear to be one of them. (see the California Election Code, sections 9100-9126 and 9200-9226)