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Information, Policy Tradeoffs and Direct Democracy: Do Initiatives Improve Public Infrastructure Investment?

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In 2005, voters in communities from Alaska to Maine decided on 25 transit initiatives, having approved 42 initiatives the previous year. Transit investments through initiative totaled more than \$60 billion in 2004 and 2005. There were 134 ballot measures in 2005 for parks and land conservation, and the total investment enacted by the measures passed was \$1.7 billion.

Public investment through ballot initiative is of growing national importance. But, what are the policy consequences of building public infrastructure in this manner? Because the people decide infrastructure investment initiatives in the voting booth, the question becomes, do voters have adequate information and are they capable of making decisions among competing claims for infrastructure investment?

To participate effectively in direct democracy requires that voters understand the consequences of their decisions. Voters must be able to determine if they prefer a proposed policy to the status quo. Doing so requires that voters have information about the likely consequences of an initiative. Voters face a difficult time improving their welfare through the initiative process because of the type of information they are provided and the difficulty of balancing tradeoffs through the initiative process. Each of these concerns is discussed in order.

Information Environment

It's no surprise to any Californian that the initiatives on a typical ballot ask voters to understand complicated issues. Although voters can often make such decisions and improve their welfare, it depends on the circumstances under which they learn about and vote on initiatives. Consider the circumstances under which voters can make informed decisions when they do not personally possess complete information about an initiative. Voters must 1) know the policy implications of an initiative and 2) be able to seek opinions of credible endorsers who can provide information about the initiative. The credibility of an endorsement requires that a voter can trust the information he or she receives, which typically requires the presence of two endorsers, each believed to be knowledgeable and each competing on opposite sides of the initiative. Given that the ability of voters to make informed decisions depends crucially on the type of information environment in which voters make choices, the relevant question becomes how likely is it that an initiative campaign will produce the conditions for trust that allow voters to use cues from endorsers as substitutes for full information?

It seems unlikely that the above conditions for informed decision making are likely to exist in most initiative campaigns, especially with respect to local initiatives where neither the supporters nor opponents may have the resources to mount an effective advertising campaign. Furthermore, advertising campaigns will generally not present voters with complete information about tradeoffs between initiatives (either across time or across items on the same ballot), which means that the campaigns are unlikely to satisfy the condition regarding knowledge of policy implications. Providing information about the tradeoffs among initiatives, or providing information about policy interactions, would seem unlikely to help one's campaign, while running the very real risk of creating opponents out of otherwise indifferent interest groups.

To get a sense of the diverse issues even at the local level of initiatives, consider the 1998 General Election in San Francisco in which voters faced ten local initiatives on their ballot. The topics ranged from requiring the city to complete a customer service plan, to increasing police officers' pensions, to replacing the central freeway. Even assuming that all of the initiatives had credible endorsers on both sides of them (which seems unlikely), these issues each affect the city and state's spending decisions and for voters to make an informed decision they need to understand the interaction between all the different measures. This seems difficult, if not impossible, to achieve in the example described. Because of problems with the type of information provided to voters, it seems unlikely they will be able to make informed decisions for most initiatives.

Policy Tradeoffs

The difficulty a voter faces in making welfare-improving decisions is further confounded by the one-dimensional nature of most initiatives—enforced by law for both local and statewide initiatives in California. These rules essentially guarantee that initiatives will only address a single issue, such as increasing school funding, without presenting voters with the other (obvious) dimensions of the policy change – increased taxes or decreased spending in another area. Second, even in the absence of a single subject rule or where it is loosely enforced, initiative sponsors will prefer to propose one-dimensional policies. The addition of a second, third, or fourth dimension is political suicide because it increases the possibility of generating opposition. Opponents of initiatives are more likely to be successful in their campaign than proponents; thus, there is a strong reason not to incite opponents. Because of this tactical concern, voters are likely to see one dimensional policy moves and be asked to make yes or no decisions about a multitude of single dimension ballot measures, which has important consequences for the results of the initiative process.

For voters to actually weigh prisons versus schools, for example, they must know not only the costs of each policy, but also how the two policies affect each other. We know that in the absence of a tradeoff between services or tax levels voters will prefer more of almost all government services or the same level and lower taxes. As an example of the difficulty in making trade offs, in 1990 the citizens of Oregon passed an initiative that reduced property taxes, and then, in 1996, they passed another measure that limited the revenue available for schools and other services that had been funded by property taxes. Just four years later in 2000, citizens passed an initiative that established a “sufficiency standard” for funding that required a significant increase in state spending on education. It’s easy to see that following multiple ballot measures to reduce taxes with one that instructs the legislature to increase education spending may be mutually inconsistent. Because of the single subject rule, at no point did voters actually have to directly compare lower taxes and greater education spending.

Conclusion

Although voters can frequently take advantage of the statements of credible endorsers and information cues (such as political party), the initiative process is often devoid of the conditions that create the ability to make well-informed welfare-improving decisions. In addition, with dozens of initiatives on the ballot it is nearly impossible for voters to understand the cumulative impacts of their votes. These two factors make it difficult for voters to improve their welfare through the initiative process and casts doubt on our ability to use initiatives, at least as the process is currently configured, to plan and construct needed infrastructure efficiently and effectively.

Further Reading:

Elisabeth R. Gerber, *The Populist Paradox: Interest Group Influence and the Promise of Direct Legislation* (1999).

Clayton P. Gillette, “Direct Democracy and Debt,” 13 *Journal of Contemporary Legal Issues* 365 (2004).

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Arthur Lupia, “Shortcuts versus Encyclopedias: Information and Voting Behavior in California Insurance Reform Elections,” 88 *American Political Science Review* 63 (1994).

Arthur Lupia & Mathew D. McCubbins, *The Democratic Dilemma: Can Citizens Learn What They Need to Know?* (1998).

John G. Matsusaka, *For the Many or the Few: The Initiative, Public Policy, and American Democracy* (2004).

John G. Matsusaka & Nolan M. McCarty, “Political Resource Allocation: Benefits and Costs of Voter Initiatives,” 17 *Journal of Law, Economics and Organization* 413 (2001).

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