Does the Citizen Initiative Undermine Party Government in the American States?

Justin H. Phillips
Department of Political Science
Columbia University
New York, NY 10027
jhp2121@columbia.edu

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Abstract
During the Progressive movement the citizen initiative was championed by reformers as a popular check on the power of political parties. This paper evaluates the expectations of Progressive reformers by examining whether direct democracy affects the ability of a partisan legislative majority to shape tax policy in a manner that is consistent with its preferences. Using an original data set data set of enacted tax measures, I estimate the determinants of changes state tax policy. These estimations provide consistent evidence that direct democracy weakens the link between the party that controls government and fiscal policy. While strong party effects are evident in pure representative states, these effects disappear almost entirely when citizens have access to the initiative process.

1. Introduction

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 political parties (Mowry 1951; Hofstadter 1955; Magleby 1988; 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 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 law-making 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 improve the representation of voters in state government.[2]

While Progressives succeeded in transforming the citizen initiative into a standard feature of the political landscape in many American states, its ultimate impact on the power of political parties remains unclear.[3] In this research, I evaluate the expectations of the Progressive reformers by examining whether direct democracy affects the ability of partisan elected officials to shape public policy in a manner that is

[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] Ironically, the Progressives often used existing political parties or formed minor third parties as a means of competing for and obtaining political office.

[3] Currently, 24 states provide for the citizen initiative – 15 allow both statutory and constitutional initiatives, 6 allow only statutory initiatives, and 3 allow only constitutional initiatives. Figure 1 maps these jurisdictions.

consistent with their preferences. Stated differently, this paper 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 elected officials 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 re-write 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 to alter its policy choice as a means of averting an unwanted ballot measure.[4]

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. I separately estimate this model for jurisdictions with and without the citizen initiative and compare (across estimations) the effects of variables that measure the partisan configuration of state government. If policy is significantly more responsive to partisan variables among the non-initiative states than it is among jurisdictions with the initiative (*ceteris paribus*), then we can conclude that direct democracy weakens the ability of political parties to shape policy outcomes to

[4] 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). However, 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 (2005) and Persily and Anderson (2005).

their liking. If, on the other hand, the estimations reveal that there are few or no observable differences between the effects of party variables across these two subsets of states, then we can conclude that the expectation of Progressives was incorrect and the citizen initiative has not weakened party government. As a robustness check on the results generated by this previous approach, I also estimate a steady-state model, using per-capita own-source tax revenues as the dependent variable.

The approach I use here differs from the existing literature on the effects of direct democracy institutions in an important way.[5] Existing 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 (*i.e.*, known determinants of policy) and a dummy variable that is 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.[6] 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.[7] In other words, rather than test for the direct effects of the initiative process on outcomes, I study the *interaction* between this institution and political parties.

The focus of the empirical analysis is the fiscal policy choices made by state governments over a fourteen-year period – fiscal years 1988 through 2001. While

[5] For a recent review of the direct democracy literature see Lupia and Matsusaka (2004).
[6] These studies often find that direct democracy leads to more socially and economically conservative policies across a wide range of policy areas, including abortion notification laws, state tax and expenditure policies, and civil rights laws (Matsusaka 1995; Gamble 1997; Gerber 1999).
[7] My approach is similar to that of Gerber 1996a.

there are many other policies that could be employed in this paper (including various civil rights or regulatory laws), revenue policy is a natural starting point. Budgetary choices represent a dependent variable over which state politicians have near complete control. American state governments face very few restrictions on their abilities to raise revenues. Generally speaking, the states are endowed with broad powers of taxation and these governments 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 and local) public sector.[8]

Additionally, the Republican and Democratic parties appear to have systematically different preferences with respect to revenue policy, making this a policy area in which the partisan control of state government *should* theoretically have measurable effects on outcomes. It is thought that Republican voters and party elites, on average, prefer a smaller public sector, and thereby lower levels of taxation, than their Democratic counterparts. This belief is well supported by academic analyses as well as public opinion polls (Trilling 1976; Petrocik 1996; Jacoby 2000; Alvarez and McCaffery 2003). 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

[8] The states *do not* enjoy similar powers in many other policy areas. When it comes to welfare policy, for instance, governors and legislators share lawmaking responsibilities with the federal government and are often required to design policy in a manner that conforms to federal guidelines.

dominated U.S. politics since the New Deal period (Ladd and Hadley 1978; Sundquist 1983; McClosky and Zaller 1984).

Moreover, there is a clear intersection between state fiscal policy and direct democracy. Since the passage of California's Proposition 13 in 1978, citizens and interests groups have frequently turned to the initiative process to resolve conflicts over state budgetary priorities as well as the size of the state public sector. According to the National Conference of State Legislators (NCSL) Ballot Measure Database, 137 citizen initiatives pertaining to state fiscal policy appeared on state ballots from 1990 through 2004, approximately 38 percent of which won voter approval.[9]

Finally, revenue decisions are among the most important policy choices made by state governments, making them substantively interesting for scholars and the public alike. Over time, the states have exercised their taxing authority to become crucial institutions in the allocation of societal resources. As of the 2000 fiscal year, the own-source revenues of state governments constituted just over ten percent of the country's GDP. Given the breadth and depth of the public sector in most states, state revenue policies undoubtedly have a noticeable affect on the distribution of societal resources, the quantity and quality of public goods provided by the state, and the overall functioning of state and local economies.[10]

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[9] http://www.ncsl.org/programs/legman/elect/dbintro.htm

[10] It is also worth noting that the recurrent nature of the budgetary process provides researchers with a wealth of data. While elected officials are usually at liberty to choose whether or not to place an issue on the state's legislative agenda, they have no choice when it comes to budgetary matters. All state governments are constitutionally required to draft and adopt a budget either annually or biennially. As a result, legislators are continually writing and re-writing state tax laws.

In this paper, I operationalize state fiscal policy choices using an original data set of enacted tax measures. This data set consists of all legislatively adopted alterations to state tax policy that are expected to have an effect on revenue collections, either positively or negatively. Included are any changes in tax rates, deductions, and exemptions as well as modifications in user fees. By using enacted tax measures I am able to effectively isolate the policy choices made by elected officials and reliably estimate the determinants of government action.

Overall, I find strong and consistent evidence that the existence of the citizen initiative weakens party government at the state level. Estimations of the model of policy change that are limited to non-initiative states show that the partisan configuration of government affects annual changes in state tax policy in significant and expected ways. The Republican control of state government generally leads to a reduction in taxation, while Democratic control leads to the adoption of more and larger revenue enhancing measures, *ceteris paribus*. However, party effects disappear almost completely when the model is estimated on the subset of states that allow the citizen initiative. Furthermore, where party effects do exist among initiative states, the coefficients are approximately 75 percent smaller than they are among pure representative jurisdictions. These findings are robust to alternative specifications of the econometric model and alternative operationalizations of the dependent variable.

Interestingly, it is not only Democratic legislative majorities and governors that appear to be constrained in direct democracy states. The results reported in this paper indicate that fiscal policy in these jurisdictions is less responsive to *both* the Republican and Democratic control of government. This is particularly surprising in

light of the role that direct democracy played during the tax revolt of the late 1970s and early 1980s, which intuitively suggests that Democrats, but not necessarily Republicans, ought to be constrained.

The remainder of the paper is organized as follows. In the next section I provide the conceptual framework for the analysis by exploring, in greater detail, 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 annual changes in state tax policy and interpret the results. 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 the state politics and direct democracy literatures.

2. 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 towards 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 she likes and, as long as a sufficient number of signatures are gathered, 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).[11]

Access to the agenda in the traditional legislative process, on the other hand, is highly restricted. In state legislatures, just as in the United States House of Representatives, the majority party has near monopoly control over the legislative calendar and uses this power to disproportionately bias legislative decision-making to the benefit of its membership (Rosenthal 1990, 1998; Kim 2005).[12] Majority party leaders, acting as agents of their party's caucus, can ensure that only those bills that are 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.[13] 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 (Cox and McCubbins 1993). As a result, the policy that is produced via the legislative process will reflect the preferences of the *majority party caucus* and, since legislation requires the signature of the governor before becoming law, the preferences of the *governor* as well.

[11] 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.

[12] Policy-making in state legislatures closely resembles the party government model developed by scholars of the United States Congress (see Rohde 1991; Cox and McCubbins 1993; Aldrich 1995).

[13] There is some dispute over the *degree* to which leaders of the majority party can exercise control over the legislative agenda (see Finocchiaro and Rhode 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.

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, these policies may lie far to the left or right of most voters' preferences. Research has shown that the need of politicians to garner and keep the support of policy-motivated activists works against the Downsian incentive for candidates and political parties to converge towards the ideological position of the median voter, and instead, encourages officials to pursue relatively "extreme" policy (Aranson and Ordeshook 1972; Aldrich 1983; Cain 1984). These analyses are consistent with evidence showing that state-level electoral elites (and partisan activists) tend to be ideologically to the left or right of the state-wide median voter (Erikson, Wright, and McIver 1993).[14]

In states without direct democracy the majority party in the legislature should, by making use of its positive agenda setting powers and ability to discipline its members on roll call votes,[15] be relatively successful at setting public policy at its ideal point. 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.

[14] The aforementioned analyses are also consistent with evidence showing that since the 1970s activists have helped pull national-level political parties far apart on the ideological spectrum while most voters remain clustered somewhere in the middle (Jacobson 2000).

[15] Once a desired bill reaches the floor, majority party leaders rely upon a system of selective incentives to maintain party unity and secure the bill's passage. Leaders have a number of tools at their disposal to do so, including the power to make committee assignments, appoint and remove committee chairs, allocate perquisites (such as office space or legislative staff), and distribute campaign funds.

Direct democracy, however, 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 when it comes to setting the state's policy agenda, proposing policy alternatives, and ultimately making final policy choices (Cain and Miller 2001).[16] In states that allow direct democracy, 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 to do so 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 towards 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 policy-making authority to elected officials, but 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.

For example, 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

[16] Of course, the majority party still maintains its control of the agenda within the legislature.

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 constrained future lawmakers by limiting the yearly growth in property tax assessments to 2 percent and requiring that any new tax increases receive a two-thirds vote in the state legislature (Hansen 1983).

In addition to empowering voters to directly constrain the legislature, the citizen initiative has also been shown to have an *indirect* effect on policy outcomes. Game theory has illustrated that direct democracy may induce a median-enhancing change in the behavior of legislators, even if it is never used (Gerber 1996a). Interest groups or citizens can, in response to legislative inaction or unpopular legislation, threaten to pursue their policy goals via the initiative process. This threat may then spur the majority party in the legislature and the governor to alter its policy choices as a means of avoiding a ballot measure that would pull policy farther away from its ideal point. Even in the absence of an explicit threat, legislators may anticipate the behavior of potential initiative authors and draft laws in a manner that preempts 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.[17]

[17] 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.

Lastly, it is important to note that 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.[18] Those initiatives that change state constitutional law can only be altered by a new constitutional amendment – a task that is quite difficult and usually requires the consent of 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. As is shown in Table 1, 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.[19] 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.

Table 1

Given the potential for citizens and interest groups to use direct democracy in a manner that constrains the actions of elected officials, I expect to observe systematic evidence that the majority party in the legislature has a weakened capacity to shape public policy in states that allow for the initiative. In particular, I anticipate that outcomes of the legislative process will be significantly *less* responsive to the partisan

[18] Additionally, previous research has shown that laws passed by citizen initiative are rarely altered, even when amendment of the initiative is allowed (Gerber and Phillips 2005).

[19] The state of California imposes the most severe restrictions on the legislature, disallowing *any* amendment or repeal of an initiative unless the text of the initiative expressly permits it.

configuration of government in states with the initiative than in those jurisdictions without this institution.

3. Evaluating the Effects of Direct Democracy on Party Government

Were Progressive 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 rigorously addresses these questions by modeling the determinants of tax policy change. The relative importance of "party effects" will be measured by separately estimating this model for states with and without the citizen initiative, and then comparing across estimations the effects of variables that measure the partisan composition of government.

For the bulk of my empirical analysis, I measure government policy choices using an original data set of enacted revenue measures – i.e., legislatively adopted changes to state fiscal policy. This data set consists of *all* changes in policy that were expected to have an impact on state revenue collections. Included are increases or decreases in tax rates, the creation or elimination of deductions and credits, the closing or opening of tax loopholes, changes in fees, and the creation of tax holidays.

The data on enacted revenue measures were culled from various issues of *The Fiscal Survey of States*, a publication of the National Association of State Budget Officers (NASBO). Each autumn, NASBO publishes a list of the tax increases and decreases enacted by each state for the succeeding fiscal year. In addition to reporting the specific revenue measures adopted, it provides an estimate of the net fiscal impact

of each. The net annual per-capita revenue increase or decrease for all tax changes (usually Table 7 in the reports) is the operationalization of the dependent variable that is used to test the hypotheses developed above. Since this figure is reported in current dollars by NASBO, I have converted the values for each year into 1996 dollars using the Consumer Price Index for all urban consumers (CPI-U).

Data on enacted revenue measures are available for fiscal years 1988 through 2001.[20] While this time period may strike readers as relatively brief there is sufficient variation on the dependent variable to generate reliable estimates of equation (3). The fourteen years included in this analysis witnessed a large number of changes to state tax policy. On average, thirty-three states per fiscal year enacted at least one change that was expected to have a noticeable effect on revenue collections, with an even larger number altering their tax policies during the recession of the early 1990s and the expansionary years in the latter part of the decade.

As a robustness check on the results generated using the aforementioned data, I re-estimate the econometric model using the annual per-capita change in total (own-source) tax revenues as the dependent variable. While this is a less direct measure of policy change since revenue collections often rise and fall for reasons that have little to do with the actions of lawmakers, its use enables me to more than double the number of fiscal years included in the empirical analysis. As a further robustness

[20] Any NASBO data on enacted revenue measures prior to fiscal year 1988 is unusable in this analysis because it does not include the net fiscal impact of tax changes. Similarly, the data reported after 2001 cannot be used because corresponding data for many of the control variables are not yet available from the U.S. Census Bureau.

check I also estimate a steady-state model, using per-capita own-source tax revenues as the dependent variable. Data on total revenue collections were gathered for fiscal years 1969 through 2000 using the World Tax Database. This database is compiled by the Office of Tax Policy Research at the University of Michigan Business School.[21]

In order to capture the effect that the partisan control of state government has on annual changes in revenue policy, the econometric model includes a number of partisan dummy variables – one for each of the possible configurations of the partisan control of state government. The variable measuring unified Democratic control serves as the reference category. While there are alternative approaches to measuring the strength of a political party in state government (see Smith 1997), the strategy that I utilize here reflects the insights gained from theories of party government. Additionally, cross-sectional variations in the timing of state budget processes were accounted for in order to ensure that these measures accurately reflect the partisan composition of state government at the time in which the budget was passed and signed into law.

In the steady-state model (i.e., the model that estimates the determinants of annual per-capita revenue collections) I employ a different measure of the partisan composition of state government. Since total revenue collections may more closely reflect the past partisan composition of government rather than its current composition, I construct two moving averages of prior control. The first is the weighted proportion of the total two-party seats held by Republicans in a state's lower

[21] These data have also been converted into 1996 dollars using the CPI-U.

and upper legislative chambers over the previous five fiscal years. For instance, the value assigned for state *i* at times *t* would be the weighted average of the Democrats seat share over years *t-1* through *t-5*. An identical measure is created for the partisanship of the governor. This technique is similar to that employed by Ansolabehere and Snyder (2002).

A number of state-level characteristics are also included in the analysis to control for potentially confounding influences. Previous research in the state politics literature has shown that socioeconomic factors are important determinants of public policy (Dawson and Robinson 1963; Hofferbert 1966; Dye 1984). I allow for these influences by utilizing measures of per-capita income, changes in both income and the unemployment rate, the percentage of residents with a bachelor's degree, and the percentage of the population that is black. Although I do not have formal predictions about the effects of these variables, I believe that per-capita income captures the capacity of a state to increase taxes (with a higher income level leading to more and larger tax increases); changes in per-capita income as well as the unemployment rate capture state economic health (with growth in income and reductions in unemployment leading to budget surpluses and a thereby greater likelihood of tax cuts); and education levels along with the relative size of the African American population capture the fiscal "generosity" of voters (with higher education levels and a smaller black population leading to a greater willingness to pay higher taxes).[22]

Furthermore, because we also have strong reasons to believe that state fiscal conditions, budgetary institutions, and public opinion shape decision-making, I utilize

a number of variables to measure these affects. To account for the overall fiscal condition of a state, I use the previous year's budget surplus as a percentage of state expenditures and a lagged measure of tax revenues per capita. Research has demonstrated that states with budget surpluses in the previous period as well as high-tax states are less likely to enact a revenue enhancing measure in the current period (Phillips 2004).[23] I allow for institutional influences by including a ten-point scale that measures the stringency of the state's balanced budget requirement and the legislative percentage that is required to pass a tax increase. Finally, to permit the possibility that states with liberal electorates are more likely to raise taxes, I utilize the state-level opinion liberalness scores developed by Erikson, Wright, and McIver (1989, 1993). Tables 2 and 3 report summary statistics and the source for each of the variables used in this analysis.

Tables 2 & 3

As with many other empirical investigations of state politics (Alt and Lowry 1994, 2000; McAtee, Yackee, and Lowery 2003), the econometric estimations reported here exclude the 11 Southern states that fought as members of the Confederacy during the Civil War. These states are dropped because they lacked a competitive two-party system for many of the years covered in this analysis.[24] I also

[22] Previous scholarship has shown that states with larger black populations enact more conservative policies (Hero and Tolbert 1996).
[23] Phillips (2004) shows that high tax states are less likely to raise taxes than their lower-tax counterparts out of a fear of driving mobile capital labor into competitor jurisdictions.
[24] Previous research has shown that coefficients on party variables do not pool across the country –*i.e.*, they are much weaker among southern states. This is also the case for the data set used here.

exclude Nebraska as a result of its nonpartisan legislature and Alaska and Hawaii due to their unique economic circumstances.[25]

Before splitting the sample into initiative and non-initiative states, I report an estimation of the econometric model that utilizes all observations in the data set. This estimation serves as the baseline to which I compare later results and provides insight into the effect that the partisan control of government has on outcomes across *both* types of states. Table 4 reports the results of this analysis. The model (Model 1) is estimated using OLS with panel-corrected standard errors (as are all subsequent models) and includes fiscal year fixed effects (not reported here).[26] Model 1 makes use of all of the independent and control variables discussed earlier. Additionally, a dummy variable is included to capture the existence of the citizen initiative. This dummy is employed to examine whether initiative states are any more or less likely to enact a revenue-enhancing measure than their counterparts without direct democracy.[27]

Overall, Model 1 performs well. Not only does the model explain a large proportion of the temporal and cross-sectional variation in tax policy change (approximately 29 percent), but many of the coefficients on the control variables are statistically significant and have their expected impact.

Table 4

[25] Furthermore, cases with an independent governor have been removed.
[26] Beck and Katz (1995) recommend using OLS with panel corrected standard errors to estimate time-series cross-sectional models.
[27] Existing research has found that initiative states, at least over the past 30 years, have significantly lower levels of revenues and expenditures per-capita (Matsusaka 1995, 2004). In light of this finding, it seems reasonable to expect that direct democracy states will be less likely to raise taxes, *ceteris paribus*.

Importantly, the model demonstrates that the preferences of the political party or parties that control the policy-making institutions of state government play a significant and systematic role in shaping state fiscal policy. When we consider the entire sample of states, the model finds a strong link between party and changes in tax revenues. The coefficients on four of the partisan dummy variables are statistically significant – three at the 95 percent level and one at the 90 percent level.[28] The negative signs on these coefficients also indicate that, on average, Republican control of state government leads to the enactment of fewer and smaller revenue enhancing measures than does Democratic control, *ceteris paribus*. According to Table 4, when Republicans win the governorship and the majority of seats in both legislative chambers the tax level they set is almost $32 lower per capita than it would be under unified Democratic government. Similarly, if Republicans control only the legislature or governor's mansion the tax level will be approximately $20 or $15 lower than it is when Democrats possess both branches.

Interestingly, Model 1 finds no evidence that the existence of the initiative is an important predictor of changes in tax policy. While the coefficient on the initiative dummy variable has a negative sign (as anticipated) it does not approach statistical significance. This result strongly implies (at least for the time period under consideration here) that, on average, initiative states do not have different preferences for taxation than do states without this institution.

[28] When Republicans control one legislative chamber and the governor is a Democrat, the changes to state tax policy are statistically indistinguishable from the prediction under unified Democratic control.

Table 5 presents three additional estimations of the econometric model, the combination of which test the expectations of the Progressives. Here, the sample is divided into two subsets: states that allow the citizen initiative and those that do not (*i.e.*, pure representative jurisdictions). These estimations allow us to examine whether the impact of the partisan control of government varies by type of state. Model 2 estimates the determinants of tax policy change for pure representative jurisdictions, while Models 3 and 4 do the same for states that allow the citizen initiative.

A number of important findings emerge from these results. First, the estimation that is limited to pure representative states shows that policy in these jurisdictions is *highly* responsive to the partisan composition of government. In Model 2, the coefficients on the partisan variables, with one exception, are all statistically significant at the 95 percent level.[29] Moreover, they are, on average, approximately 75 percent larger than those in the baseline model and several times larger than those in Model 3.

Table 5

On the other hand, fiscal policy appears almost entirely *unresponsive* to the partisan control of government among states that allow the initiative. While the partisan variables in Model 3 have the anticipated sign, all but one – unified Republican government – is statistically insignificant. Additionally, the magnitude of the coefficient on this significant variable is much smaller than the size of its counterpart in Model 2. In pure representative states, Republicans set the tax level

$50 lower per-capita than do Democrats, while in states that allow the initiative Republicans only succeed at lowering the tax burden by $26. These results not only suggest that that elected officials have a weakened capability to set state fiscal policy at their ideal point in direct democracy states but that the party effects that were evident in the baseline model (*i.e.*, the estimations that included all states) were driven largely by the strong and robust relationship between the partisan control of government and tax policy among pure representative states.

Additionally, the results presented in Table 5 indicate that it is not just Democratic officials that are constrained in direct democracy states. In these jurisdictions policy is less responsive to *all* partisan configurations of government. Stated differently, both Republican and Democratic legislative majorities and governors appear to be less successful at moving fiscal policy in their preferred direction when citizens have access to the initiative process. This finding may surprise readers in light of the central role that direct democracy played in the "tax revolt" of the late 1970s and early 1980s. During these years, the initiative process was frequently used to pursue conservative fiscal policies such as revenue reductions, legislative supermajority requirements for tax increases, and tax and expenditure limitations, which suggests that Democrats, but not necessarily Republicans, ought to be constrained by the initiative process.[30]

To further explore the link between party and policy in direct democracy states, Model 4 (also presented in Table 5) includes a variable that captures cross-

[29] Once again, the insignificant category is Republican governor and Democratic legislature.

sectional variation in the number of voter signatures that are required to place a proposal on the ballot.[31] Matsusaka (1995) argues that states have different degrees of the initiative. For instance, states with a 5 percent signature requirement can be thought of as having "more of an initiative" than those with a 10 or 15 percent requirement since in these states it is easier for voters to place proposals on the state's agenda. By controlling for the ease of ballot access, the relationship between the partisan control of government and policy outcomes among direct democracy states may be strengthened.

The inclusion of this additional variable does appear to slightly increase the effect of the explanatory factors of interest. The coefficient on unified Republican government increases in magnitude (from 25.53 to 31.54) and the dummy variable for the existence of a Democratic governor and Republican legislature becomes significant that the 90 percent level. Nevertheless, tax policy remains relatively less responsive to the partisan control of government in direct democracy states. Interestingly, Model 4 demonstrates that a state's signature requirement is an important predictor of the policy choices of elected officials. This new variable has a positive and significant relationship to tax policy change, indicating that states with higher signature requirements are more likely to enact a revenue enhancing measure, *ceteris paribus*. While I do not have a conclusive explanation for this relationship, it

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[30] However, this finding is consistent with recent analyses which show that the initiative process is used by citizens and interest groups to enact both liberal and conservative changes to status quo fiscal policies (Matsusaka 2000, 2004; Phillips 2005).

[31] The signature requirement varies widely from state to state. This requirement is usually expressed as a percentage of the total votes cast in the preceding gubernatorial election and ranges from a low of two percent in North Dakota to a high of fifteen percent in Wyoming. As a general rule the signature requirement is higher for constitutional, as opposed to statutory, initiatives.

may be the case that there are fewer voter-imposed restrictions on the ability of legislatures to raise new revenues in states where access to the ballot is relatively difficult.[32]

Next, I examine whether the differences in party effects that we have observed between states with and without the citizen initiative are statistically significant. The estimations of the econometric model presented thus far demonstrate that the coefficients on the party variables are much greater among pure representative states than they are among direct democracy jurisdictions. However, it is not yet clear that these differences are statistically meaningful. To test for this possibility, I re-estimate the econometric model on my full sample of states (*i.e.*, all non-southern states) and add a series of interaction terms. Specifically, I interact my five measures of the partisan control of government with an initiative dummy variable. The results of this new estimation are reported in Table 6.

Table 6

As anticipated, the coefficients on all of the new interaction terms in Model 5 are positive. These positive coefficients suggest that Republicans are more successful at lowering taxation, or at least slowing the growth in tax revenues, in states without direct democracy institutions, *ceteris paribus*. Yet, none of these new terms reach statistical significance at either the 90 or 95 percent level.[33] As a result, they fail to

[32] It is also possible that in states with higher signature requirements legislators are less reticent to raise taxes because there is a smaller chance that their policy choices will be over turned via the initiative process.

[33] Although, the coefficient on the interaction between unified Republican government and the initiative dummy variable is significant at the 85 percent level.

provide evidence that party effects are meaningfully larger in pure representative states.

These insignificant results, however, may be driven by the fact that my current operationalization of tax policy change (using enacted revenue measures) only allows us to consider the fiscal behavior of states governments over a fourteen-year period. To investigate this possibility, I re-estimate Model 5 using an alternate dependent variable – the annual per-capita change in total tax revenues. This new operationalization, while a more indirect measure of the policy choices made by elected officials, is available beginning in 1969 and allows the econometric model to be estimated with over thirty years of data, more than doubling the number of observations. The results of this new estimation, Model 6, are reported below in Table 7.

Table 7

The results of Model 6 demonstrate the robustness of many of my previous findings. Just as in my baseline model, this new estimation shows that (when we consider the entire sample of states) the partisan control of government is an important predictor of changes in tax policy. More importantly, the coefficients on all of the terms that interact the partisan control of state government with the existence of the citizen initiative remain positive. Furthermore, three of the coefficients are now statistically significant – two at the 95 percent level and one at the 90 percent level – indicating that Republican governors and legislative majorities are, on average, significantly less successful at slowing the growth in tax revenues in states that allow

the citizen initiative. For instance, Table 7 shows that when Republicans win control of government in pure representative states they are able to set taxation approximately $36 lower per-capita than it would be under unified Democratic government. On the other hand, in states that allow the initiative Republican control of both the legislature and governorship results in only a $10 reduction in taxes when compared to the base-line case. In other words Table 7 provides strong evidence that the relationship between the partisan composition of government and policy change is *significantly* weaker in direct democracy jurisdictions.

As my final (and perhaps most convincing test), I estimate a steady-state or equilibrium model of state tax policy. In this estimation the dependent variable is total per-capita tax revenue as opposed to a measure of policy change. The new model employs most of the previously used independent variables. However, instead of measuring the partisan control of state government through a series of dummy variables, I now employ two moving averages of prior control. The first is the weighted proportion of the two-party seats held by Republicans in a state's legislature over the previous 5 years. The second is a similar measure for the governorship. Additionally, rather than including the change in the state-level unemployment rates and per-capita personal income as right-hand-side variables, I now measure include an aggregate measure of each.

Table 8

The results of this new estimation are reported above in Table 8. Once again I find strong support for my expectation that direct democracy weakens the relationship between the partisan control of government and public policy. In Model 7, the

measure of legislative partisanship is statistically significant. As the proportion of legislative seats held by Republicans (over the previous five fiscal years) increases, per-capita taxation falls. This relationship is statistically significant at the 95% level. Moreover, as anticipated, the coefficient on the variable that interacts Republican seat share with the existence of the citizen initiative is positive and significant. In fact, the coefficient on this term has approximately the same magnitude (but in the opposite direction) as that on the term measuring Republican seat share. This suggests that the reduced taxation resulting from the Republican control of the legislature disappears entirely in states with direct democracy.

V. Are Initiative States Different?

The results of the econometric model provide strong evidence that the citizen initiative weakens the ability of elected officials to shape 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 poor predictors of policy in direct democracy jurisdictions. Skeptical readers, however, 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 primary reason to suspect that an alternative explanation exists is that the initiative is clearly not randomly distributed among the states (Matsusaka 1995). The vast majority of direct democracy jurisdictions are found in the west. Of the states that are located west of the

Mississippi River, sixteen allow the citizen initiative while only seven eastern states have adopted this institution.

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 differences in state partisan environments account for cross-sectional variation in the responsiveness of public policy to the partisan control of state government. In particular, this research has demonstrated 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 9 (below) 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 9 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).[34] 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 are the southern and post-New Deal cleavages. In the former, race constitutes the most prominent factor separating partisan coalition, and in the latter, race and class play equally important roles. According to Brown's data, direct democracy jurisdictions are slightly more likely than pure representative states to be characterized by the southern and New Deal cleavages. However, these differences are small and statistically insignificant.

Table 9

The fourth row of the table replicates this analysis with respect to inter-party competition. Here, I compare the mean Ranney competition score of initiative states to the mean of their pure representative counterparts.[35] The Ranney competition index is a widely employed and long-standing indicator of the intensity of inter-party competition over the partisan control of state government. Scores on this index are allowed to range from .5 (which indicates the complete absence of partisan competition) to 1 (which suggests "perfect" competition).[36] The results presented here show that the partisan environment in pure representative states is slightly more competitive than it is among states without the citizen initiative. Once again,

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[34] Brown identifies the existence of these cleavages by disaggregating (by state) data collected in a series of CBS News/*New York Times* national polls conducted from 1976 through 1988.

[35] This measure is also commonly referred to as the "folded" Ranney index.

[36] The folded Ranney index is calculated as: 1 – |*unfolded Ranney index* – 0.5|. The unfolded Ranney index is computed by averaging together (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.

however, the difference between the two is quite small and fails to approach statistical significance.[37]

Finally, I test for the existence of systematic differences in partisan polarization. Logically, we 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 within-state 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 that allow the initiative, this could explain the stronger party-policy linkage within these jurisdictions. The final row of Table 9 explores this possibility by comparing, by 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/*New York Times* surveys, and measures the distance between the mean Democratic and mean Republican ideology in each state. Higher values on this index represent larger within-state ideological differences. The results presented here provide little evidence of a meaningful difference in polarization.[38] 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.[39]

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[37] The values of the Ranney competition index used in this analysis were calculated for the time period 1985 though 1998.

[38] The IMP scores generated for use in this analysis are based upon survey data from 1976 through 2000. These data are available at the following website: http://mypage.iu.edu/~wright1/

[39] Interestingly, the higher polarization scores in direct democracy states suggest that policy volatility, and thereby party-policy linkages, should be highest in these jurisdictions.

Overall, the partisan environments of states with and without the citizen initiative do not appear to be meaningfully different. Data show that these states have similar party cleavage structures, levels of interparty competition, and ideological polarization. In short, Table 9 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.

VI. Conclusion

Progressive reformers championed the citizen initiative as a check on the power of "unresponsive" 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, the discipline of political science knows relatively little about the ultimate effect that direct democracy has on the capacity of parties to shape policy. This paper helps close this gap by investigating whether the citizen initiative has weakened party government in the American states.

Overall, I find strong evidence that the citizen initiative reduces the capacity of parties to shape public policy. Estimations of my econometric model that include all states or that are limited to pure representative jurisdictions find a strong link between the political party that controls state government and policy outcomes. In particular, I find that Democratic control of state government leads to larger annual revenue increases than does Republican control. However, in those estimations that are limited

to states that allow for the citizen initiative, the link between party and policy becomes significantly weaker and, in some instances, disappears entirely. Importantly, these findings are replicated in alternative specifications of the dependent variable.

These results have important implications for the study of politics at the state level. First, the finding of much weaker party effects among direct democracy states suggests that, in the presence of the citizen initiative, political parties may have a difficult time meeting the policy demands of party activists or other key constituent groups. Since the preferences of these groups are generally thought to lie far to the left or right of those of the most citizens, the initiative may have a moderating effect on policy outcomes. Stated differently, by weaken the ability of parties to set policy as the please, direct democracy may better represent the interests of citizens with preferences closer to those of the median voter.

Second, this paper suggests that even though the partisan control of state government is an important determinant of policy outcomes, party influence is not constant. The results of the econometric analysis presented here demonstrate that party effects vary cross-sectionally and that a good deal of this variation can be attributed to differences in policy-making institutions. Stated differently, the partisan control of state government matters, but the extent to which it matters is a function of state-level political institutions. In the ongoing search for party-policy linkages among the states, researchers must recognize this reality and incorporate it into their theoretical and empirical analyses.

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Figure 3.1. Citizen Initiative in the United States

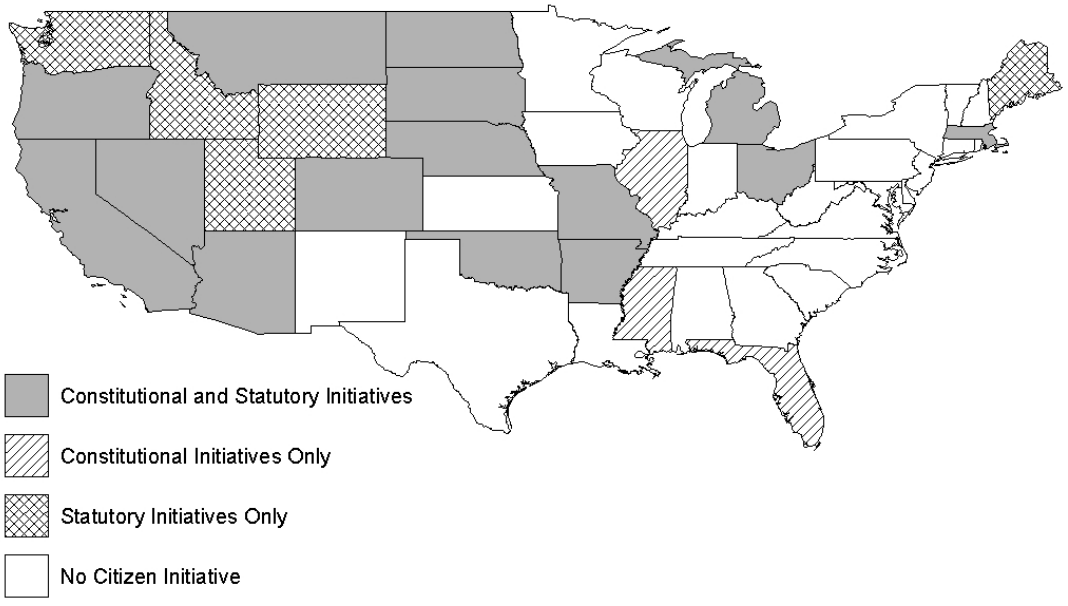

Table 1. Restrictions on the Legislature's Power to Amend Statutory Initiatives

State	Restriction
Alaska	No repeal within two years; amendment by majority vote anytime thereafter
Arizona	No repeal; ¾ vote to amend; amending legislation must "further the purpose" of the measure
Arkansas	2/3 vote to amend or repeal
California	No amendment or repeal unless the initiative permits it
Michigan	¾ vote to amend or repeal
Nevada	No amendment or repeal within three years of enactment
North Dakota	2/3 vote required to amend or repeal within seven years of effective date
Oregon	2/3 vote required to amend or repeal within two years of enactment
Washington	2/3 vote required to amend or repeal within two years of enactment
Wyoming	No repeal within two years of effective date; amendment by majority vote any time thereafter

Source: National Conference of State Legislatures

Table 2. Summary Statistics
(For Analyses in Tables 4, 5, & 6)

Variable	Mean	SD	Minimum	Maximum	Data Source
Enacted Tax Measures	$8.10	53.79	-449.72	376.01	(1)
Unified Democratic	.16	.37	0	1	(3)
Unified Republican	.24	.42	0	0	(3)
Dem. Gov. & Rep. Leg.	.10	.30	0	1	(3)
Dem. Gov. & Split Leg.	.19	.39	1	1	(3)
Rep. Gov. & Split Leg.	.13	.33	0	1	(3)
Rep. Gov. & Dem. Leg.	.20	.40	0	1	(3)
Revenue Per-Capita$_{t-1}$	$1,548	332	642	2,718	(2)
% Surplus$_{t-1}$	7.38%	6.74	-18.5	41.4	(1)
ΔUnemployment	-.05	.81	-2.3	3	(4)
Income Per-capita	$22,637	3,792	15,942	36,651	(4)
ΔIncome Per-capita	$316	488	-1.832	2,264	(4)
Opinion Liberalness	-12.49	7.42	-28	-.2	(5)
% Black	6.22%	5.95	.3	28.2	(4)
% Bachelors	22.59%	4.66	11.75	38.7	
Balanced Budget Stringency	7.83	2.79	0	10	(6)
Legislative Vote	53.67%	6.07	51	75	(7)
Initiatives	.54	.50	0	1	(3)
Signature Requirement	6.95%	3.02	2	15	(3)

Data sources: (1) National Association of State Budget Officers, *The Fiscal Survey of States*; (2) World Tax Database, http://wtdb.org; (3) Council of State Governments, *Book of the States*; (4) U.S. Census Bureau, *Statistical Abstract of the United States*; (5) Erikson, Wright, and McIver 1993; (6) ACIR (1987); (7) Knight (2000).

Table 3. Summary Statistics
(New Variables Used for Analyses in Tables 7 & 8)

Variable	Mean	SD	Minimum	Maximum	Data Source
ΔTotal Tax Revenue	$8.10	53.79	-449.72	376.01	(1)
Total Tax Revenue Capita	$28.04	75.07	-485.4	801.73	(1)
Unified Democratic	.33	.47	0	1	(2)
Unified Republican	.14	.35	0	1	(2)
Dem. Gov. & Rep. Leg.	.11	.31	0	1	(2)
Dem. Gov. & Split Leg.	.11	.32	0	1	(2)
Rep. Gov. & Split Leg.	.09	.28	0	1	(2)
Rep. Gov. & Dem. Leg.	.20	.40	0	1	(2)
Revenue Per-Capita$_{t-1}$	$1,244.60	344.11	478.59	2,686.81	(1)
% Republican Past 5 Years	46.41%	14.94	12.55	86.86	(2)
ΔUnemployment	.03%	1.23	-6.5	7.3	(3)
Unemployment	5.93%	2.10	1.8	18	(3)
ΔIncome Per-capita	$349.01	546.41	-2,737.28	5,383.08	(3)
Income Per-capita	19,991.41	4,138.38	9,906.52	37,714.67	(3)
% Black	9.70%	9.36	6.25	38.7	(3)
% Bachelors	17.23	5.49	6.25	38.7	(3)

Data sources: (1) World Tax Database, http://wtdb.org; (2) Council of State Governments, *Book of the States*; (3) U.S. Census Bureau, *Statistical Abstract of the United States*

Table 4. Determinants of Enacted Annual Revenue Changes
Fiscal Years 1988 – 2001
All States

Variables	**Model 1**
Unified Republican	**-32.19****
	(7.73)
Dem. Gov. & Rep. Leg.	**-19.71****
	(9.89)
Dem. Gov. & Split Leg.	-4.02
	(6.58)
Rep. Gov. & Split Leg.	**-21.96****
	(9.26)
Rep. Gov. & Dem. Leg.	**-15.23***
	(9.04)
% Surplus_{t-1}	**-1.54****
	(.41)
ΔUnemployment	1.09
	(4.04)
Income Per-capita	.003
	(.002)
ΔIncome Per-capita	**-.02****
	(.01)
Revenue Per-Capita_{t-1}	**.02***
	(.01)
Opinion Liberalness	.07
	(.60)
% Black	**-1.29****
	(.61)
%Bachelors	-.65
	(.82)
Balanced Budget Stringency	**1.76***
	(.96)
Legislative Vote	**.52***
	(.29)
Initiatives	-2.60
	(6.14)
Constant	10.63
	(35.31)
N	490
R^2	.29

***p<.05; *p<.10*

Table 5. Determinants of Enacted Annual Revenue Changes
Fiscal Years 1988 – 2001
By Type of State

	Model 2	**Model 3**	**Model 4**
	Pure Representative Sates	**Direct Democracy States**	**Direct Democracy States**
Unified Republican	**-49.83****	**-25.53****	**-31.54****
	(10.53)	(9.98)	(9.93)
Dem. Gov. & Rep. Leg	**-38.84****	-5.51	**-13.92***
	(18.66)	(8.37)	(8.01)
Dem. Gov. & Split Leg	-8.10	-4.29	-3.35
	(8.92)	(10.45)	(10.47)
Rep. Gov. & Split Leg	**-33.47****	-15.50	-16.68
	(12.86)	(11.25)	(11.26)
Rep. Gov. & Dem. Leg	**-29.46****	-2.11	-3.21
	(12.81)	(12.16)	(12.00)
% Surplus_{t-1}	**-2.25****	**-1.93****	**-2.24****
	(.74)	(.45)	(.46)
ΔUnemployment	.63	.58	.37
	(4.35)	(4.37)	(4.42)
Income Per-capita	.003	.0001	.001
	(.003)	(.003)	(.003)
ΔIncome Per-capita	-.01	**-.02****	**-.02****
	(.01)	(.01)	(.01)
Revenue Per-Capita_{t-1}	**-.05****	-.01	-.02
	(.01)	(.01)	(.01)
Opinion Liberalness	.41	.37	.40
	(1.45)	(.61)	(.61)
% Black	**-1.99****	**-1.96****	**-2.27****
	(.70)	(.57)	(.62)
%Bachelors	1.19	-1.28	-.86
	(1.09)	(1.27)	(1.23)
Balanced Budget	**4.32****	-1.74	-.70
Stringency	(1.50)	(1.83)	(2.08)
Legislative Vote	5.77*	.47	.35
	(1.24)	(.33)	(.34)
Signature Requirement	—	—	**2.52****
			(.95)
Constant	-266.18**	112.44**	81.91
	(81.25)	(61.64)	(66.60)
N	231	259	259
R^2	.36	.30	.31

***p<.05; *p<.10*

Table 6. Determinants of Enacted Annual Revenue Changes FY 1988 - 2001

Explanatory Variables	**Model 5**	
	b	SE
Unified Republican	**-40.87****	11.84
Unified Republican * Initiatives	20.42	13.79
Dem. Gov. & Rep. Leg.	-34.48	22.08
Dem. Gov. & Rep. Leg. * Initiatives	26.53	24.96
Dem. Gov. & Split Leg.	-7.20	8.93
Dem. Gov. & Split Leg. * Initiatives	11.44	14.91
Rep. Gov. & Split Leg.	**-29.82***	15.51
Rep. Gov. & Split Leg. * Initiatives	21.27	21.14
Rep. Gov. & Dem. Leg.	**-26.68***	16.14
Rep. Gov. & Dem. Leg. * Initiatives	26.81	21.81
% Surplus_{t-1}	**-1.47****	.43
ΔUnemployment	.84	4.00
Income Per-capita	**.003***	.002
ΔIncome Per-capita	**-.02****	.001
Revenue Per-Capita_{t-1}	-.02*	.01
Opinion Liberalness	.10	.64
% Black	**-1.52****	.67
%Bachelors	-.75	.85
Balanced Budget Stringency	**1.93***	1.09
Legislative Vote	**.46***	.28
Tax & Expenditure Limits	-.97	5.60
Initiatives	**-20.22***	10.57
Constant	15.83	33.45
N	490	
R^2	.29	

***p<.05; *p<.10*

Table 7. Determinants of Annual Changes in Tax Revenue
FY 1969 – 2000
All States

Explanatory Variables	**Model 6**	
	b	SE
Unified Republican	**-36.04****	8.98
Unified Republican * Initiatives	**26.27****	12.00
Dem. Gov. & Rep. Leg.	**-41.12****	12.38
Dem. Gov. & Rep. Leg. * Initiatives	**29.58****	14.55
Dem. Gov. & Split Leg.	**-15.49***	9.61
Dem. Gov. & Split Leg. * Initiatives	6.54	13.10
Rep. Gov. & Split Leg.	**-24.75****	9.19
Rep. Gov. & Split Leg. * Initiatives	**24.57***	14.17
Rep. Gov. & Dem. Leg.	-5.01	8.21
Rep. Gov. & Dem. Leg. * Initiatives	4.47	11.31
ΔUnemployment	**-10.79****	2.83
Income Per-capita	**.01****	.001
ΔIncome Per-capita	**.01***	.004
Revenue Per-Capita$_{t-1}$	**-.04****	.01
Opinion Liberalness	-.95**	.61
% Black	**-1.02****	.48
%Bachelors	-.77	.83
Balanced Budget Stringency	-.49	.95
Legislative Vote	-.59	.44
Tax & Expenditure Limits	5.35	4.71
Initiatives	**-21.78****	8.01
Constant	32.51	31.24
N	1184	
R^2	.26	

***p<.05; *p<.10*

Table 8. Determinants of Annual Per-Capita Revenue Changes
Fiscal Years 1969-2000
All States

Variables	**Model 7**
% Republican Leg.	**-5.10****
	(1.50)
% Republican Leg. * Initiative	**-5.52****
	(1.82)
% Republican Gov.	-13.35
	(15.67)
% Republican Gov. * Initiative	10.99
	(21.38)
Unemployment	**-8.19***
	(4.42)
Income Per-capita	**.07****
	(.01)
Opinion Liberalness	-6.63
	(8.15)
% Black	**-2.48****
	(7.95)
%Bachelors	**11.36****
	(4.14)
Balanced Budget Stringency	.19
	(20.00)
Legislative Vote	**-4.53****
	(1.48)
Initiatives	-203.63
	(130.39)
Constant	-78.85
	(216.79)
N	1184
R^2	.43

***p<.05; *p<.10*

Table 9. State Cleavage Structures, Competitiveness, & Polarization Scores Difference of Means Tests

	Initiative States	Pure Representative States	t-Statistic
Southern Cleavage	.05	0	-.66
	(.05)	(0)	
	N = 19	N = 15	
New Deal Cleavage	.63	.47	.94
	(.11)	(.13)	
	N = 19	N = 15	
Post-New Deal Cleavage	.32	.53	-1.26
	(.11)	(.13)	
	N = 19	N = 15	
Ranney Competition Index	.85	.87	-.58
	(.02)	(.02)	
	N= 19	N = 17	
Index of Mass Polarization	40.87	36.78	1.44
	(7.96)	(9.07)	
	N = 20	N = 17	