During the last third of the twentieth century, the American political system underwent a process of democratic expansion and institutional reform that rivaled the populist era reforms early in the century (Cain, Dalton, and Scarrow 2003). This democratic transformation included reforms of the electoral system: direct primaries for presidential elections, term limits, and campaign finance reforms. Citizens gained new access to government through the introduction of Freedom of Information guarantees, “government in the sunshine” provisions, and the introduction of public hearing requirements. Access to the courts also expanded for public interest groups and individual rights complaints.

The foremost example of this democratic transformation, however, is the expanded use of initiatives, referendums, and other instruments of direct democracy. As others have noted in this book, the use of initiatives at the state level expanded tremendously. The Initiative and Referendum Institute calculates that there were 118 statewide initiatives in the U.S. during the 1950s; this figure increased to 378 initiatives in the 1990s. A similar trend apparently occurred at the local level, as citizens and interest groups increasingly turned to direct democracy to advocate their positions.

This development created a new “direct democracy debate.” Does the increased use of direct democracy methods improve or worsen democratic governing? Much like the populist reformers who introduced direct democracy early in the twentieth century, the contemporary advocates of direct democracy cite initiatives and referendums as a potential check on government, and a mechanism for the expression of the public’s collective preferences (Bowler and Glazer in this volume; Matsusaka 2005a; Braunstein 2004;
Bowler and Donovan 1998; Cronin 1989). In contrast, the critics claim that direct democracy actually erodes democratic governance (Gerber et al. 2001; Broder 2000). Direct democracy is weak on deliberation and adjustment, such as occurs as a piece of legislation normally proceeds through hearings, legislative debate, and amendments before reaching a final vote; and normal legislation is more easily modified. Critics also claim that well-funded special interests can more easily capture direct democracy processes, producing a tyranny by the minority. Typically, the debate is based on case studies or anecdotal evidence. Critics select examples of initiatives they view as problematic, and generalize from these examples.

This chapter takes a different approach. We are interested in whether direct democracy systematically influences the performance of democratic governance. We can readily accept that some initiatives have improved state governance, while others have created problems. (We can make similar stipulations about the laws enacted by state legislatures.) However, the fundamental question is whether a process of direct democracy systematically affects the governance of the American states.

To address this question, we have assembled three sets of “good governance” measures recently compiled for the 50 U.S. states. One battery focuses on the management of state governments; a second battery assesses state education policies; and a third battery measures tax policy performance. We chose these three batteries because they span central aspects of state government—from policy inputs to the governing process, to a central state policy output (education). These were also collected to measure the quality of government performance, which is our primary research focus. Our analyses compare the usage of direct democracy across the 50 states with these performance measures to determine whether direct democracy systematically affects government performance.

The chapter proceeds in four steps. First, we present the contrasting positions on the “direct democracy debate” and discuss the rival claims for how direct democracy affects governance. Second, we introduce our three areas of state government performance and correlate initiative usage with these performance measures. Third, we develop multivariate models to control for other influences on performance and thus better isolate the impact of initiative usage. Finally, we discuss our findings for the workings of the democratic process in American state governments.

The Direct Democracy Debate

Because many of the previous chapters have already discussed the theoretical debate about the potential impact of initiatives on the political process, we will only summarize some of the key points as they relate to