



## Direct Democracy and the Size of Government

by Amy K. Frantz

The initiative and referendum allow voters to have a direct voice in government, but research appears to show that, overall, these tools of direct democracy have little or no effect on limiting the size or growth of government. Professor Gary M. Anderson explores this concept in “Referendum, Redistribution, and Tax Exemption: A Rent-Seeking Theory of Direct Democracy,” a chapter from *POLITICS, TAXATION, AND THE RULE OF LAW*, a new book from Public Interest Institute.

Twenty-four states allow some type of initiative or referendum process. The initiative process permits citizens to draft their own legislation and, if they are able to obtain enough support by gathering signatures on a petition, to place that measure on the ballot for consideration by the voters. With the referendum, voters consider laws that were previously enacted by state or local governments. A referendum can be undertaken by citizens, gathering signatures to allow consideration of a previously-enacted law, or by the Legislative body itself, seeking voter approval of a law it has adopted.

Initiative and referendum provide the voters a means to overcome their elected officials’ lack of action or actions taken in the officials’ own self-interest rather than the interests of the citizens they represent. “In other words, the institutions of direct democracy in the form of the initiative/referendum amount to a kind of constitutional constraint on the behavior of governmental decision-makers.”<sup>1</sup>

However, as a means to limit government spending, “direct democracy” doesn’t seem to make much difference. Studies on this subject do not yield any significant results. Some studies show the initiative process results in higher expenditures; others show government expenditures are lower when the initiative process is available to voters. “Often the true aim of initiatives and referendums is clearly to *ease* and *accelerate* [the] growth [of government].”<sup>2</sup>

Governments impose “coercive levies” on society, sometimes to raise revenue, other times to attempt to influence behavior (e.g., imposing higher tobacco taxes to discourage smoking). The tax burden created by this imposition is “allocated between the producers and consumers. This allocation process is accessible to private interest groups who may invest resources for the purpose of affecting the burden distribution in their favor.”<sup>3</sup>

In the states in which the initiative process is available, interest groups that would typically lobby the government might instead turn to the initiative process as a more secure and long-lasting means of achieving their goals. An interest group may obtain a favorable outcome from the

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**Public Interest Institute at Iowa Wesleyan College**

600 North Jackson Street

Mt. Pleasant, Iowa 52641-1328

Phone: 319-385-3462 Fax: 319-385-3799

E-Mail: [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org) Web Site: [www.limitedgovernment.org](http://www.limitedgovernment.org)

Legislature, with the passage of a law that places more of the tax burden on some other segment of the population. But the Legislature can only provide a statutory solution; as the Legislature changes, the interest group must continue to lobby to maintain support for the law. However, if the interest group can use the initiative process to secure a Constitutional Amendment, it will be more difficult in the future to eliminate or change the benefit it provides to the interest group.

The initiative and referendum process — tools of direct democracy — are often promoted as a means of limiting the size and scope of government. In this chapter, the author contends that, “whatever its other impacts or implications [the initiative and referendum process] functions as a means by which the tax burden is rearranged to the benefit of particular interest groups and to the detriment of others; in other words, a coercive wealth transfer.”<sup>4</sup>

#### ENDNOTES:

<sup>1</sup>Gary M. Anderson, “Referendum, Redistribution, and Tax Exemption: A Rent-Seeking Theory of Direct Democracy,” in *Politics, Taxation, and the Rule of Law: The Power to Tax in Constitutional Perspective*, Donald P. Racheter and Richard E. Wagner, Editors. Kluwer Academic Publishers, Boston, 2002, p. 82.

<sup>2</sup>Ibid., p. 89.

<sup>3</sup>Ibid., p. 83.

<sup>4</sup>Ibid., p. 83-4.

*This Institute Brief is one in a series on the chapters of a recently-published book, POLITICS, TAXATION, AND THE RULE OF LAW, edited by Dr. Don Racheter, President of Public Interest Institute, and Dr. Richard Wagner, Economics Professor at George Mason University and Chairman of the Institute’s Academic Advisory Board. POLITICS, TAXATION, AND THE RULE OF LAW looks at the balance between providing government with the power to operate while preserving and protecting our rights of person and property.*

*The author of this chapter of POLITICS, TAXATION, AND THE RULE OF LAW is Gary M. Anderson, Professor of Economics at California State University, Northridge, California.*

*This summary of Mr. Anderson's chapter was written by Amy K. Frantz, a Research Analyst with Public Interest Institute.*

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