Special Interest Influence under Direct versus Representative Democracy

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The ability of economic interest groups to influence policy is a common theme in economics and political science. Most theories posit that interest group power arises from the ability to influence elected or appointed government officials through vote-buying, lobbying, or revolving doors; that is, by exploiting the representative part of democracy. This raises the question: does special interest influence decline when policy is chosen using direct democracy, without involvement of representatives? An analysis of the content of the universe of state-level ballot initiatives during 1904-2017 reveals that business interests have been worse off as a result of initiatives across major industrial groups. An examination of all large contributions to ballot measure campaigns in California during 2000-2016 reveals that corporate and business interests were usually on the defensive with initiatives, and were much less likely to gain favorable legislation from citizen-initiated proposals than from proposals that originate in the legislature. The evidence suggests that economic interest groups have less influence under direct than representative democracy.

* Comments welcome: matsusak@usc.edu. I received helpful feedback from Anthony Orlando and participants at the Midwest Political Science Association Meetings and a USC PIPE workshop.
Special Interest Influence under Direct Democracy versus Representative Democracy

1. Introduction

The power of concentrated economic interests, particularly large corporations, to influence the political process and bend public policy to their advantage is a longstanding theme in political economy (Stigler, 1971). The conventional view is that special interest power arises from the ability to influence legislators and regulators. Channels of influence include: vote buying through outright bribery or implicit arrangements involving campaign contributions or promises of future employment; revolving doors through which former industry insiders serve as regulators; and provision of information and expertise through lobbying that guides policymakers to the desired outcome. All of these channels situate the power of interest groups in their ability to exploit vulnerabilities in the representative parts of democracy, not so much from an ability to manipulate the public at large. This leads to the question whether special interests lose influence when citizens make policy decisions themselves by direct vote, without intermediation of representatives.

The answer is of considerable practical importance since most state and local governments in the United States allow citizens to make laws directly via the initiative and referendum: currently, 26 of 50 states allow either initiatives or referendums, and over 80 percent of cities allow citizen initiatives.1 Moreover, these forms of direct democracy were primarily adopted for the specific purpose of mitigating the power of special interests.2 They gained currency during the Populist movement of the late 19th century and spread across the

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1 For surveys of direct democracy, see Lupia and Matsusaka (2004) and Matsusaka (2005, 2018). For initiative availability in cities, see Matsusaka (2009).

2 To quote one historian (Goebel, 2002, pp. 10-11): “[a] closer reading of [reformer] arguments clearly reveals that the initiative, referendum, and recall were primarily intended to abolish oppressive monopolies and artificial trusts in America by removing the legislative basis for their existence.”
country during the Progressive era of the early 20th century. Progressive leaders left no doubt about the problem they were trying to solve:

“No sane man who has been familiar with the government of this country for the last twenty years will complain that we have had too much rule of the majority. The trouble has been a far different one that, at many times and in many localities, there have held public office in the States and in the nation men who have, in fact, served not the whole people, but some special class or special interest. . . . [t]he initiative and referendum . . . are so framed that if the legislatures obey the command of some special interest, and obstinately refuse the will of the majority, the majority may step in and legislate directly.”
– Republican President Theodore Roosevelt³

“Let us ask ourselves very frankly what it is that needs to be corrected. To sum it all up in one sentence, it is the control of politics and of our life by great combinations of wealth. . . . [The initiative and referendum] are being proposed now as a means of bringing our representatives back to the consciousness that what they are bound in duty and in mere policy to do is to represent the sovereign people whom they profess to serve and not the private interests which creep into their counsels by way of machine orders and committee conferences.”
– Democratic President Woodrow Wilson⁴

Yet the idea that the initiative and referendum undercut the power of wealthy interest groups is contested by a tradition arguing that they in fact enhance the power of special interests.

⁴ Wilson (1912).
This countervailing view was prominently articulated by award-winning journalist David Broder, in his book, *Democracy Derailed*:

“[T]he experience with the initiative process at the state level in the last two decades is that wealthy individuals and special interests – the targets of the Populists and Progressives who brought us the initiative a century ago – have learned all too well how to subvert the process to their own purposes.”

This counterargument is based on a belief that mass electorates can be manipulated by campaign advertising, and that the deep pockets of wealthy interests gives them a hand up in this arena. The belief receives some support from the observation that most voters are (rationally) ignorant about political matters, and that information provided to them during a campaign can influence their voting decisions. Along these lines, Lohmann (1998) provides a model of influence in mass elections based on the information advantages of organized groups (building on Olson (1965) and Peltzman (1976)); and Boehmke (2005) provides a model in which interest groups gain influence from the initiative process because it gives them an additional lever to pressure the legislature. It is also the case that economic interest groups spend vast amounts on ballot proposition campaigns – for example, corporations have spent $925 million in California alone since 2000, far more than they contributed to candidate elections – which they would not do unless it earned them some sort of return.

The goal of this paper is to empirically shed light on these competing views about special interest influence under direct versus representative democracy. I examine a variety of historical and descriptive evidence that has not yet been studied. First, I consider the content of

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5 Broder (2000, p. 243).

6 Recent experimental evidence on the effect of advertising includes Gerber et al. (2011), Kendall et al. (2015), and Rogers and Middleton (2015). While this evidence shows that voters change their views in response to advertising, it suggests that the effects are short-lived, and voters update rationally and are not easily “tricked” to vote against their interests.
the universe of 2,547 state-level initiatives in the United States since the first one was voted on in Oregon in 1904, focusing on the three industries that have been the subject of the most initiatives: energy, finance, and tobacco. For each initiative, I classify the proposed law as beneficial or harmful to the industry’s bottom line, based on reading the text of the proposed law, voter guides, and media accounts. Eighty-two percent of initiatives relating to these industries proposed laws that were adverse to the industry’s interests. Taking into account whether an initiative passed or failed – most initiatives fail regardless of type -- only 2 percent of proposed initiatives resulted in adoption of a pro-business law, while 24 percent resulted in laws that hurt industry interests. Business interests generally appear to lose under the initiative process, and surprisingly the success of anti-business interests appears to have accelerated after the Supreme Court’s Bellotti decision in 1978 that removed limits on corporate spending on ballot measures. Because initiatives typically propose to move policy away from a status quo established by the legislature, the finding that initiatives more often hurt than help business interests suggests that direct democracy leads to less business-friendly policies than those produced by legislatures.

The other type of evidence comes from contribution data on the 166 ballot propositions decided by California voters during 2000-2016. California is a particularly important state to study because the initiative process is central to its political processes, and its size in terms of population and production makes it comparable to a sizable country. I use the direction of campaign contributions – either for or against a proposition – to reveal whether a contributor expected to be helped or harmed by a proposal; and focus on large contributions – those of $100,000 or more – to identify wealthy interest groups. Corporations and businesses are by far the most likely to make large contributions, accounting for 35 percent of the total number of such contributions; wealthy individuals account for 21 percent, public employees and labor unions account for 19 percent, and Indian tribes account for 9 percent. Corporate and business contributors were on the defensive side (contributed to the opposition campaign) 57 percent of time on initiatives and referendums, more often than any other major group. In contrast, they

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were on the defensive side only 2 percent of time on proposals placed on the ballot by the legislature. Taking into account the election outcome, corporations and businesses ended up with a law they liked 22 percent of the time and disliked 15 percent of time on initiatives and referendums; for legislative proposals, they ended up with a law they liked 86 percent of the time and a law they disliked only 2 percent of the time. Contribution evidence thus also suggests that business interests fare much better with the legislature than with initiatives and referendums.

2. Theories of Interest Group Influence

The theoretical literature on interest group power is well developed. The “capture” theory of Stigler (1971), formalized and extended by Peltzman (1976), models policy as the equilibrium of a contest between competing interests, in which groups expend resources to exert “pressure” on policymakers, and policy decisions reflect a balancing of the various pressures. In this line of thinking, small, homogeneous groups with high per capita benefits and ample resources are more effective because they have more to gain individually, more incentive to become informed, and are better able to overcome free rider problems (as in Olson (1965, 127-128)). Early studies were somewhat vague on the precise mechanisms by which groups exert pressure, focusing more on how policy emerged as an equilibrium of competing interests (e.g., Becker (1983)). Subsequent research has fleshed out several precise channels through which interest groups can influence policy making in legislatures and regulatory agencies. Four channels feature most prominently.8

Vote Buying

Vote buying can take the form of bribes, contributions to a politician’s election campaign, or promises of future benefits such as a job when the politician leaves office. Theoretical studies include Snyder (1991), Grossman and Helpman (1994), Besley and Coate (2001), and Dal Bó (2007). Some studies find evidence of a link between roll call votes and campaign contributions

8 Only a few of the many possible studies are cited. I have emphasized well-known and survey articles.
(e.g., Stratmann (1992, 1998, 2002)), but not all (see Ansolabehere et al. (2003) for a survey). There is also evidence linking campaign contributions to policy outcomes (see Dal Bó (2006) for a survey), and more circumstantially, that corporate contributions flow to legislators with the most influence over policy (Power and Grimmer, 2016; Fouirnaies and Hall, 2018). Concern over the corrupting role of campaign contributions is the animating force behind ongoing attempts to regulate and limit money in political campaigns.

**Revolving Doors**

“Revolving doors” refers to the practice of individuals moving back and forth between industry jobs and government positions that regulate the industry. Revolving doors can cause policy to favor the regulated industry if regulators are socialized into seeing the world through a lens that favors the regulated industry (Kwak, 2014), or if regulators anticipate returning to work in the industry after leaving government service. Revolving doors are not necessarily bad – government administration may benefit from industry expertise (Che, 1995) – but they create a potential opening for industry influence.

**Lobbying, Information, and Expertise**

An interest group may be able to influence policy by providing information and expertise to decision makers, typically in the form of lobbying. This information may improve policy (Hall and Deardorff, 2005), but a large theoretical literature on communication shows how an expert can use his or her superior information to distort the policy maker’s decisions. McCarty (2014) is one example, and that study also shows how growing complexity of the regulatory environment expands the power of industry experts. Hirsch and Shotts (2015) show how an interest group can influence policy by offering high quality policy proposals that set the agenda for what is decided. Empirically, there is a plausibly causal evidence that lobbying influences policy decisions.9

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9 De Figueiredo and Silverman (2006); Richter et al. (2009); de Figueiredo and Richter (2014); Kang (2015); Lambert (forthcoming).
Changing Election Outcomes

The final channel of potential influence is by persuading voters to support candidates that favor the interest group. Recent experimental evidence shows that campaign advertising can change voting decisions (Gerber et al., 2011; Kendall et al., 2015; Rogers and Middleton, 2015). Theoretically, Lohmann (1998) shows how policy makers may cater to better-informed groups that are more likely to reward favorable policy choices at the polls. Bawn et al. (2012) offers a related argument that interest groups are able to capture the nomination process of the main political parties, thus securing election of candidates of their choice.

An important thing to note is that all but the last of these channels run through elected or appointed government officials. Interest groups exert influence by exploiting vulnerabilities in the representative elements of government. Most of the channels featured in the literature do not naturally extend when it comes to influencing the electorate at large. Bribing voters might be feasible in a legislature of a few hundred persons, but not an electorate of millions, especially with secret ballots. Revolving doors cannot exist without a governmental official in place to make the decision. It would seem to follow that taking representatives out of the decision chain would reduce the power of interest groups that employ these three channels.

The channel that does not run through representatives is the last one listed above, the ability of interest groups to influence mass elections through the provision of information or advertising, in effect, by having more resources to persuade voters to support their favored candidates or favored ballot measures. If wealthy interests are able to influence mass elections through advertising, this power should extend to both candidate and ballot measure elections; it is not clear a priori whether advertising would be more effective at persuading voters in candidate or ballot measure elections.

3. Institutional Context and Data

Direct democracy includes any form of direct law-making by citizens. Citizen assemblies or town meetings are probably the oldest form, but today referendums or “ballot propositions”, are the dominant form. Ballot propositions can be grouped into several broad categories
according to how they come to the ballot. “Initiatives” are proposals of new statutes or constitutional amendments that qualify for the ballot by citizen petition. “Referendums” are proposals to repeal existing laws that also qualify for the ballot by citizen petition.10 “Legislative measures” or “legislative propositions” are new laws or constitutional amendments that are placed on the ballot by the legislature; most of these are constitutional amendments or bond proposals that are required to be referred to the voters by the state constitution. Because legislative proposals originate in the legislature, and thus are subject to the usual channels of interest group influence, I use them below as a comparison group to examine how business interests fare under the legislature.

Popular votes on policy issues have been used in the United States since the beginning of the republic – literally: Rhode Island held a vote on whether to adopt the U. S. Constitution in 1788. In the early 1800s, states began adopting and amending their constitutions by a vote of the people, and this became the rule by the middle of the 19th century. Around the same time, states also began requiring voter approval for a variety of policy decisions, such as borrowing, chartering banks, relocating the state capital, and prohibiting the sale of liquor. The voter-initiated forms of direct democracy – the initiative and referendum – spread across the country at the state and local level in the first two decades of the 20th century as part of the Progressive Movement. South Dakota was the first state to adopt the initiative and referendum in 1898, following by 20 other states over the next two decades, and direct democracy became common in cities in the same period. Today, 24 states allow initiatives, 23 allow popular referendums, and 82 percent of the 1,500 largest cities provide the initiative (Matsusaka, 2009). In short, direct democracy is a deeply rooted part of American democracy, giving us a long historical record to examine for evidence of its effects on special interest influence.

10 What I call a “referendum” is sometimes called a “popular referendum,” “veto referendum,” or (outside the United States) “optional referendum.” To add to the confusion, “referendum” is also sometimes used as a catch-all term for any ballot proposition. I follow the Oxford English Dictionary in using “referendums” as the plural instead of “referenda.”
The first part of the analysis in this paper is based on the Initiative and Referendum Institute’s database describing all state-level initiatives that have come up for vote, beginning with the first ones in Oregon in 1904 and continuing through the end of 2017. For each initiative, the data set contains information on its legal status (for example, whether it was a statute or a constitutional amendment), voting results, subject matter classification, and a short description of the content. The information was compiled from official state publications. In addition, as discussed below, for initiatives that were classified as related to business, I hand-collected more detailed information on the likely consequences of the proposal.

Across the 24 initiatives states, a total of 2,547 initiatives have gone to a vote since 1904. Of those, 41 percent were approved by the voters. There is a substantial variation in initiative use over time, for reasons that are not well understood. Figure 1 plots the number of initiatives by decade, and the percentage that were approved. Initiative use varies across space as well as time: California has voted on the most, 371, followed closely by Oregon with 369, then Colorado with 229, North Dakota with 195, Washington with 182, and Arizona with 175.11

The second part of the analysis draws on a campaign finance data provided by California’s Secretary of State. The data include all contributions received by each California ballot measure campaign from 2000 to 2016. California law places no limits on contributions to ballot measure campaigns, nor does it limit spending. Ballot measure committees (which encompass essentially all entities that spend on ballot measure campaigns) are required to file quarterly reports disclosing contributions and expenditures. The committee must report the name and address of the donor, regardless of the amount of the contribution, for both monetary and in-kind contributions, and must report the donor’s occupation for contributions exceeding $100. As mentioned above, California is a natural focus for study because of its reputation as “ground zero” for direct democracy and its long history with the process. By now, the interest groups are familiar with the workings of the process and have established the appropriate

11 For more information on initiative trends, see Overview of Initiative Use, 1900-2016, available at www.iandrinstitute.org.
infrastructure to contest ballot measures so we are able to examine how direct democracy works in its mature form.

During 2000-2016 period, a total of 166 propositions went to the voters, consisting of 102 initiatives, 11 referendums, and 43 legislative measures. The approval rate was 38 percent for initiatives, 55 percent for referendums, and 74 percent for legislative measures. Across all propositions there were 373,440 distinct contributions amounting to $3.0 billion in total. To put this number in perspective, during the same period contributions to candidates for the state assembly and senate totaled $1.3 billion. For each ballot measure, I aggregated all contributions by a given individual/organization to produce a total contribution amount by that individual/organization on that measure. Henceforth, when I refer to a “contribution”, I mean this aggregated amount. Some committees encompassed more than one issue, for example, a committee might have campaigned in favor of Proposition 1 and Proposition 2. A contribution to such a committee was apportioned equally across the committee’s campaigns, for example, a $100 contribution to the aforementioned campaign would be treated as a $50 contribution to Proposition 1 and a $50 contribution to Proposition 2. Contributor names were individually

Figure 1. State Initiatives in the United States

Note. Includes all state-level initiatives. Data source: Initiative and Referendum Institute.
examined and adjusted manually to ensure proper aggregation. For example, contributions from “Edison International and Affiliated Entities” and “Southern California Edison” were from the same business and had to be combined appropriately.

4. **Historical Evidence 1904-2017**

   Empirical research on the influence of special interests typically proceeds by focusing on a particular industry, identifying on an a priori basis policy outcomes that favor the industry, and showing that proxies for the political strength of the industry predict favorable policies. A classic study in this vein is Stigler (1971), which found that trucking regulation was more favorable to the industry in states where trucking had stronger political support from agriculture and where railroad competition was weaker. The literature that follows this approach is vast, and has examined numerous industries. To take just one example, several recent papers have studied the evolution of banking regulation, emphasizing the political power of pro- and anti-banking interests (Kroszner and Stratmann, 1998; Kroszner and Strahan, 1999; Mian et al., 2010, 2013; Rajan and Ramcharan, 2011). The literature typically finds that economic interest groups do in fact have influence, and that policies respond to the political power of interest groups, at least to some degree.

   This section takes an analogous approach by focusing on specific industries, and classifying policies a priori as either helping or harming the industry. The purpose, however, is not to show that political power influences the outcomes, but rather to assess how business interests fare overall under the initiative process. Since initiatives in most cases propose to shift policy away from a status quo established by the legislature, the success of a pro-business initiative implies that businesses fared better under the initiative than the legislature, and conversely. The basic question is then: historically, has the initiative allowed business interests to shift policy in their favor, or is it more often the case that anti-business interests were able to

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12 It is not always the case that the status quo was established by the legislature; the initiative may attempt to change a law established by a previous initiative.
shift policy away from business interests? Clearly, these are not causal estimates but rather an attempt to paint a picture of how business fared in general.

I began by considering all 2,547 statewide initiatives that went to a vote. Each initiative was assigned a broad topic, such as government administration, government spending, elections, and so forth, as well as industry classifiers (where appropriate) such as energy or tobacco. I extracted initiatives that pertained to specific industries, excluding initiatives that would have impacted businesses in a way that spans industries, such as an increase in the sales tax. Based on examination of these industry-related initiatives, I narrowed the focus to three industry clusters that were the subject of a large number of initiatives: energy, finance, and tobacco. I examined the content of each initiative based on the text of the measure, explanations and arguments in voter guides, and media accounts, and classified each as likely to have helped or harmed the industry. I discarded initiatives that had an ambiguous impact on the industry, or were the subject of an intra-industry dispute. This left 188 initiatives across the three industry clusters: 103 concerning Energy, 43 concerning Finance, and 42 concerning Tobacco. Common initiative subjects were: (i) for Energy, regulation of nuclear power plants and radioactive waste, regulation of electricity rates, gas taxes, and severance taxes on oil; (ii) for Finance, usury laws and automobile insurance rates; and (iii) for Tobacco, tobacco taxes and smoking bans. See the appendix for more details on how the initiatives were selected and characterized. These business-related initiatives are not concentrated in a single state or small set of states.

Figure 2 provides an overview of the content of initiatives related to these three industry clusters. Panel A shows the number of initiatives that were proposed each year, distinguishing pro-business from anti-business measures. For example, the figure indicates that one pro-business initiative was proposed in 1912, and three anti-business initiatives were proposed in 1914. What stands out immediately is the prevalence of anti-business over pro-business initiatives. This pattern is persistent over time, becoming especially pronounced after 1970. The jump in anti-business initiatives in the 1970s is somewhat unexpected because the Supreme

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13 Six energy initiatives, 5 finance initiatives, and zero tobacco initiatives were omitted because the impact on the industry was ambiguous.
Court’s Bellotti decision in 1978 removed all limits on initiative campaign spending by corporations; the view that direct democracy is a tool of rich special interests might lead one to expect that corporations would use their newfound spending freedom to flood the ballot with pro-business proposals, but that is the opposite of what happened.

Panel A of Figure 2 shows initiatives that were proposed. The picture might not be so bleak for business interests if it was the case that they were able to defeat anti-business initiatives while securing passage of pro-business initiatives. Panel B shows the number of initiatives that were approved by voters. Most initiatives fail, regardless of their business orientation. The figure shows that business interests do not fare well when looking at the final outcomes: the preponderance of approved initiatives were anti-business, and especially so after 1970. The idea that the deep pockets of businesses allow them to dominate the initiative agenda does not find support in the historical record. To the contrary, the picture is generally consistent with the progressive view that initiatives undercut the power of business interests.

Table 1 quantifies the information in Figure 2, and provide more texture. Panel A summarizes initiatives relating to these three industries over the entire history of the initiative process, 1904-2017. Column (2) shows the number of proposed initiatives that were pro-business. Only 18 percent were pro-business, and this pattern holds for each industry cluster, with Tobacco (10 percent pro-business) targeted the most and Finance (42 percent pro-business) targeted the least. Columns (3)-(5) report the election outcomes, distinguishing pro-business from anti-business initiatives, in order to determine if the end result made business interests better off (when a pro-business initiative passed), worse off (when an anti-business initiative passed), or the same as before (when an initiative of either type failed). Across all initiatives, industry was better off as a result of 2 percent of initiatives, worse off as a result of 24 percent, and unaffected by 74 percent of initiatives (because they failed). Again, the evidence suggests that industry is hurt much more often than helped by initiatives. This is especially the case for the tobacco industry, which was worse off as a result of 43 percent of initiatives, and never made better off. The basic picture, then, appears to be this: industry interests typically lose control of the agenda and end up with less favorable laws as a result of the initiative process. It easy to understand why corporate interests are generally opposed to the initiative process.
This sort of counting exercise has its limits. Among them, it does not take into account the importance of the various laws. It is conceivable that business interests rarely win, but their victories result in highly beneficial policies and their defeats result in policies with minor impact. While possible, perusing the initiatives does not give the impression that this is

Figure 2. Business-Related Initiatives, 1904-2017

Note. The figures shows initiatives related to the energy, finance, and tobacco industries that would have had a material impact on the industry.
happening – the anti-business initiatives appear to be about as consequential as the pro-business initiatives. Moreover, there are zero wins for the finance and tobacco industries, so the question of whether the consequences of their wins outweighs the consequences of their losses does not even arise.

An interesting question is how businesses fare under proposals that originate from the legislature. Legislative proposals are susceptible to the standard forms of influence that are believed to give businesses an advantage. If so, we would expect legislative proposals to be less threatening to business interests. To examine this possibility, I collected information on all legislative proposals since 1985 that were on the ballot in states that allow initiatives. I identified the industry and classified the orientation of these proposals in the same way as for initiatives. Panel B of Table 1 summarizes and compares the orientation of initiatives and legislative proposals over this time period. One thing to note is that there were relatively few business-related proposals from the legislature, only 18 out of 1,437 propositions – in contrast to the 78 business-related initiatives out of a total of 1,086. The percent of propositions that were pro-business is slightly higher for legislative measures (22 percent) than initiatives (18 percent). Looking at outcomes in columns (3)-(5), businesses appear to do better in the end with legislative proposals than initiatives, although the scarcity of legislative proposals makes this conclusion tentative.

To put these patterns on a more robust quantitative footing, Table 2 reports regressions of the vote percentage in favor on the orientation of an initiative. The key explanatory variable is a dummy equal to one if an initiative was pro-business. A consistent finding in ballot measure research is that voters are more likely to vote against propositions when there are many on the ballot as opposed to few.\textsuperscript{14} To control for this possibility, the regressions include a variable equal to the number of propositions on the ballot. Some believe that the electorate in general elections may have different policy preferences than the electorate in primary or special elections. If so, the success rate of initiatives may vary according to whether they are decided in

\textsuperscript{14} On the other hand, the order in which propositions appear on the ballot does not seem to matter. See Matsusaka (2016) for evidence on both ballot order and ballot length, and a discussion of the literature.
a general election or not. To control for this, a dummy equal to one is included for general elections. The regressions include decade dummies to account for the possibility that public attitudes toward initiatives vary over time, motivated in part by pronounced variation in initiative use over time, and also include state fixed effects.¹⁵ I do not discuss the coefficient estimates on the control variables other than to note that a negative relation between approval and ballot length appears, consistent with previous research, and no consistent significant connection between approval and general elections appears.

The regression in column (1) of Table 2 is based on the set of business-related initiatives described in Table 1. Pro-business initiatives received 6.5 percent fewer votes in favor than anti-business initiatives, a difference that is statistically significant at the 5 percent level. The regression in column (2) is based on the set of all initiatives (business-related or not); in this regression, separate dummies for pro-business and anti-business initiatives are included, with the omitted category being initiatives unrelated to business. The coefficients on the pro-business and anti-business dummy variables are not of much independent interest, as they indicate the outcome of those initiatives compared to non-business initiatives and we have no theoretical prior on that relation. Be that as it may, a significant negative relation consistently appears, indicating that business initiatives (both pro and anti) fare worse than other initiatives on average. The important number is the difference between the coefficient on pro-business and anti-business initiatives, which indicates that pro-business initiatives receive 6.9 percent fewer votes than anti-business initiatives. This difference is statistically different from zero at the 1 percent level.

The regressions in Table 2 tell essentially the same story as the outcome evidence in Table 1: pro-business initiatives fare worse in initiative elections than anti-business initiatives.

¹⁵ One could argue against including state fixed effects because they might strip out genuine pro-business or anti-business attitudes at the state level, but the results do not vary in any important way with inclusion or exclusion of these fixed effects. I also explored allowing approval to vary with the business cycle (alone or interacted with the pro-business dummy), but none of those variables were significant statistically or substantively.
The deep financial pockets of business interests do not appear effective in persuading voters to support business interests. All of this evidence taken together does not easily form a picture of powerful corporations using the initiative process to advance their interests. To the contrary, business interests are usually on the defensive in initiative campaigns, and more often than not, initiatives produce laws that harm instead of help them.

5. Contributions to California Ballot Measure Campaigns 2000-2016

The previous section classifies propositions as pro- or anti-business based on an assessment of their content, and then examines how often business interests win and lose. This section uses a “revealed preference” approach that identifies the impact of a proposition based on campaign contributions. The premise is simply that if a group makes a sizable contribution in support of a ballot measure, we can infer that the group stands to benefit from passage of the measure; while if it makes a sizable contribution in opposition then it stands to lose from passage. The analysis below focuses on contributions of $100,000 or more, a cutoff point that was chosen because it seems large enough to conclude that the contributor had a strong interest in the outcome and reasonably deep pockets. For the entire period, there were 2,392 contributions of this magnitude across all propositions, accounting for $2.6 billion in total. Large contributions, so defined, comprised 87 percent of the $3 billion raised in total.

As discussed above, the data include all contributions to campaign committees supporting or opposing the 166 propositions in California from 2000 to 2016. Since systematic evidence on interest group activity at the state level is scarce, I begin with some descriptive facts. Figure 3 summarizes the aggregate value of large contributions by type of contributor. The preponderance of large contributions came from business corporations, who spent a combined $925 million. Trade groups, which often represent big business, contributed another $163 million, bringing total business contributions to almost $1.2 billion.

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16 This approach is similar to Hajnal et al. (2002), which used votes on propositions to determine whether racial/ethnic minority groups were being helped or harmed on average by direct democracy.
employees and labor unions) contributed $507 million, a sizeable amount but only half of what businesses gave. Indian tribes contributed $251 million, almost all on a handful of gambling-related propositions. Wealthy individuals were important players as well, contributing $549 million. These individuals were not uniformly aligned with business or public employees, nor with either party; they included libertarians such as Charles Munger and progressives such as Thomas Steyer. The parties and politicians were side players in ballot proposition contests, contributing only $84 million. Parties avoided taking positions on ballot propositions, and when they did get involved, it was often on issues that affected their position qua parties, such as primary elections and redistricting. Figure 3, which is roughly consistent with similar information reported in Gerber (1999, chapter 5) for a sample of states in 1988-1992, suggests that the dynamics of state-level politics may be different from federal politics; unlike federal contributions in which individuals outspend corporations and labor more than 5-to-1

Figure 3. Aggregate Large Contributions in $Millions

Note. The figure reports the sum of all large contributions (at least $100,000) by each group during 2000-2016.
(Ansolabehere et al., 2003), businesses and labor groups are the dominant players at the state level (at least in California).\footnote{The “Other” category consists of activist groups, such as the ACLU, Howard Jarvis Taxpayers Organization, and Sierra Club, and ad hoc campaign committees not clearly linked to the other groups.}

Table 3 lists the 15 largest contributions to a particular campaign. The largest, $49.6 million, came from an individual, Stephen Bing. Corporations occupy the majority of positions on the list, especially tobacco companies opposing tobacco tax increases. Two of the largest contributions came from public employee unions. Overall, big contributions were roughly evenly divided between support and opposition campaigns. Large contributors ended up with their favored outcome in 10 of 15 cases, most often when they sought to defeat an initiative. Proposition 87 (gas and oil tax) and Proposition 38 (school vouchers) had large contributions on both sides, but for the other issues, the large contributions were one-sided.

One somewhat unexpected pattern is the prominence of wealthy individuals. As noted, in aggregate they comprise the second-largest “type” of contributor, trailing only corporations. One might suspect that their contributions were intended to advance their business interests – and one can find examples of that, such as Mercury Insurance chairman George Joseph’s $17 million in support of pro-insurance industry Proposition 33 in 2012 – but a perusal of the data suggests this is not the norm. For example, the four individuals listed in Table 3 (Stephen Bing, Molly Munger, Thomas Steyer, Timothy Draper) did not stand to benefit financially, by all appearances, from the initiatives they supported. These wealth contributors seem to have been advancing their proposals in the belief that they constituted good public policy.

Table 4 lists the 15 propositions that attracted the most money from large contributions. To avoid confusion, keep in mind that the table does not report total contributions, but rather total large contributions. Topping the list was Proposition 87 in 2006 that proposed to spend $4 billion on alternative energy, financed with a tax on gas and oil. Big chunks of the $154 million in large contributions came from Stephen Bing, heir to a real estate fortune ($50 million in support), and two oil companies, Chevron ($38 million against) and Aera Energy ($33 million against). Voters rejected the measure, 45 percent to 55 percent. Proposition 61, requiring the
state to pay no more for prescription drugs than the U. S. Department of Veterans Affairs, came in second with $128 million in large contributions, most from large drug companies in opposition. Both Proposition 32 in 2012 that sought to limit political use of union funds and Proposition 56 in 2016 that increased taxes on tobacco products also topped $100 million in large contributions.

Two things are worth noting. First, all of the propositions in Table 4 were initiatives; legislative propositions attract less in the way of large contributions. Second, many of the initiatives that attracted large contributions had significant economic consequences (Propositions 87, 61, 56, 30, 86, 46, 68, 79, 45, 29, 55), but some were political in nature (Propositions 32, 75), and one concerned a social issue, Proposition 8 in 2006 that prohibited same-sex marriage.

Turning to the more substantive elements of the analysis, Figure 4 reports how often each group was on the “defensive,” defined as having made a contribution to the opposition campaign. The dark bars show the percentage of contributions that were defensive for initiatives. The top bar establishes a baseline by showing that 45 percent of “small” contributions (less than $100,000) were made in opposition to an initiative or referendum. The remaining bars show the percentage of large defensive contributions for various types of contributors. The finding of interest is that 54 percent of corporate contributions to initiative and referendum campaigns were made in opposition. This is the highest defensive percentage of any group. The runner-up is labor, which contributed to opposition campaigns 52 percent of the time. Wealthy individuals were the least likely to make defensive contributions; 72 percent of their contributions are in support of a proposition. This evidence is inconsistent with the idea that corporations are able to dominate the direct democracy agenda; rather it appears that initiatives and referendums allow other activists – particularly wealthy individuals – to set the agenda, and they often bring proposals that are hostile to corporate interests.18 The defensive

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18 The propensity of economic interest groups to be on the defensive, and for individuals to be on the offensive, was also found in Gerber (1999, ch. 5) for a sample of states in 1988-1992.
posture of business interests echoes the finding in Gilens and Page (2014) that economic interest groups are more likely to voice opposition than support for policy changes at the federal level.

It is instructive to compare the business orientation of initiatives, which are placed on the ballot by citizen petition, with proposals placed on the ballot by the legislature, indicated with the light gray bars in Figure 4. This comparison provides an assessment of how well business interests fare with the legislature compared to direct democracy. The top gray bar, for small contributions, again establishes a benchmark, showing that only 18 percent of small contributions were made in opposition to (versus in support of) legislative proposals. Legislative proposals attract less opposition. (This also squares with the fact that initiatives have a much lower passage rate than legislative proposals.) Turning to large contributions, when corporations opposed legislative proposals only 2 percent of the time, meaning that 98 percent of their contributions were in support. Roughly speaking, this suggests that corporations were 50 percent more likely to view an initiative as harmful to their interests compared to a legislative proposal. The same pattern holds but to a lesser degree for labor groups, and the other organized groups. One way to interpret the findings in Figure 4 is that the legislature takes care with its proposals not to threaten the interests of big companies and big labor, or put differently, the legislature may be “captured” by these groups, as suggested by the interest-balancing model of Peltzman (1976).19

19 There are two ways a legislative proposal can reach the ballot: a bond proposal or a statute require a majority vote in both the Assembly and Senate and signature of the governor; a constitutional amendment requires a two-thirds vote in both chambers but does not require the governor’s signature. The supermajority provision for constitutional amendments might exert pressure for building a broader coalition, but exclusion of the governor cuts in the other direction. Figure 4 looks similar if legislative amendments are excluded. Initiatives require signatures equal to 8 percent of the vote cast in the previous gubernatorial election for constitutional amendments, 5 percent for statutes, and referendums require signatures equal to 5 percent of the vote.
The one group that looks different, again, is wealthy individuals. They were the most likely to oppose a legislative proposal, and the difference in their opposition rate to initiatives and referendums (28 percent) versus legislative proposals (19 percent) is the smallest of any group. These findings suggest that wealthy individuals may be less effective in getting what they want from the legislature than organized groups.

Table 5 provides statistical evidence on the propensity of different groups to oppose propositions that originate from citizens as opposed to the legislature. Each column reports a regression in which the unit of observation is a contribution and the dependent variable is a dummy = 1 if the contribution was in opposition to the proposal. The key explanatory variables are dummies for each group interacted with the proposal being an initiative. The coefficients indicate the probability of making a defensive contribution on an initiative compared to a legislative proposal. Regression (1) essentially restates the information in Figure 4, for example, corporations were 52 percent more likely to make a defensive contribution on an initiative or referendum compared to a legislative proposal. Regression (2) introduces proposition-specific fixed effects, controlling for inherent popularity differences across proposals. The coefficient

Figure 4. Percent of Contributions in Opposition

![Figure 4](image-url)

Note. The figure shows the percentage of large contributions (at least $100,000) that were donated to the opposition campaign, by group. Small Contributions are those less than $100,000. Data cover 2000-2016.
that remains large and statistically significant is for corporations: they were 27 more likely to make a defensive contribution on an initiative compared to a legislative proposal. This means that corporations were defensive on initiatives versus legislative proposals beyond the inherent tendency of initiatives to attract more defensive contributions. Regression (3) introduces contributor fixed effects, controlling for underlying tendencies of groups to make defensive contributions. Again, the estimates indicate that business interests (corporations and trade groups) were more likely to make defensive contributions on citizen proposals than legislative proposals, and the differences are statistically significant. In short, Table 5 establishes that the propensity of business groups to view initiatives as much more hostile than legislative proposals is fairly robust.

The evidence is strong that corporations view initiatives as generally hostile to their interests, especially compared to legislative proposals. The next question is how effective business interests are in defeating hostile measures and passing friendly measures. Figure 5 reports the outcome of propositions from the perspective of different types of contributors. A contributor is said to have benefited if it made a large contribution in support of a proposition that passed; a contributor lost if it made a large contribution against a proposition that passed; if the proposition failed, there was no change for the contributor regardless of whether the contribution was in support or opposition. Panel A focuses on initiatives and referendums. The blue bar indicates how often a group benefited and the red bar indicates how often the group lost. Corporations were the least likely (22 percent) among all groups to benefit from initiatives and referendums and the most likely (15 percent) to lose. Labor’s results were almost identical to those for corporations. Tribes (38 percent) and wealthy individuals (34 percent) were the most likely to benefit; trade groups were the least likely to lose (9 percent).

Panel B of Figure 5 reports comparable information for legislative proposals. Overall, every type of large contributor benefited from legislative proposals more than half of the time, and none were hurt by legislative proposals with regularity. Corporations ended up benefiting from legislative proposals 86 percent of the time, and lost 2 percent of the time; and trade groups benefited 81 percent of the time and were not on the losing side for any legislative proposal. Labor won 70 percent of the time and lost 9 percent of the time on legislative proposals. It seems
clear that legislative proposals are much better for business interests and labor groups than initiatives and referendums.20

Note. The figure shows the percentage of propositions that ended up yielding a benefit, loss, and no change for each group. A proposition produced a "benefit" if a contributor supported it and it passed; a "loss" if a contributor opposed it and it passed; otherwise "no change." Only contributions of $100,000 or more are counted except for small contributors. Includes all California propositions 2000-2016 that received contributions.

20 The 100 percent benefit rate for tribes and “other” is based on only 9 and 32 observations respectively.
6. Why Don’t Business Interests Benefit from Direct Democracy?

It seems clear from the preceding evidence that business interests generally do not prosper under direct democracy; indeed, they seem to fare considerably worse when voters make the laws than when the legislature makes the laws. It is not obvious why this is the case, but some conjectures and evidence can be offered in the direction of an explanation. To begin, it is useful to recall why we might have expected the contrary. The primary hypothesis for why businesses would thrive under direct democracy is that their deep pockets allow them to flood the electorate with advertising and other information, possibly deceptive, and thereby persuade voters to approve their favored policies. The evidence here certainly supports the idea that corporations have a lot of money and are willing to spend it to advance their interests, but the argument appears to break down at the assumption that money alone can persuade enough voters to secure passage of business-friendly laws.

To highlight the issue, Panel A of Figure 6 shows the initiatives that were supported by large corporate contributions, ordered from the smallest to the largest amounts, and indicates by color coding those that passed and those that failed. The five propositions that received the largest amount of corporate contributions all failed. Moreover, it is not the case that high-spending corporate proposals were defeated because an opposition coalesced that was able to marshal an even large sum of money. Panel B shows corporate spending in support, net of combined opposition spending, again ordered from smallest to largest. Negative values, to the left of the figure, indicate that corporations were outspent by the opposition. Even the four initiatives with the largest advantage in corporate spending failed. This is not causal evidence on the effectiveness of spending, but it points out that money is not a reliable predictor of whether a proposition passes or fails.21

21 The conclusion that money cannot buy passage of a law is not restricted to corporate spending: across all propositions and contributor types, the passage rate was only 51 percent when spending was extremely one-sided in support (75 percent in support).
How should we understand this fact in light of emerging field evidence that advertising does influence votes? One possibility is that the pool of persuadable people is small; the modest amount of spending in field experiments may succeed in influencing this small group, but large scale spending that tries to reach the larger electorate faces a stiffer challenge. A related idea is that there are diminishing returns to advertising – the small spending in field experiments captures the high initial returns, but the effect of further spending falls off rapidly. A third possibility is that voters are more persuadable on issues about which they are uncertain initially, but hard to persuade on issues for which they have a strong view at the start. For example, voters may have had an immediate conviction that they disliked giving electric company PG&E monopoly power, so were not open to being persuaded to support the company’s Proposition 16 in 2010, which would have restricted competition from local government suppliers. More generally, theory suggests that the effectiveness of money in proposition campaigns may be limited by the tendency of voters to rely on information cues or shortcuts instead of trying comprehend the details of the proposed laws (Lupia, 1994; Lupia and McCubbins, 1998). Rather than base their decisions on television commercials, voters may rely on endorsements from sources that they trust, such as newspapers, activist organizations with which they are aligned, or politicians that they support. If information cues drive most voting, pouring money into mass media campaigns is unlikely to be effective (except to share information about the endorsement themselves, as in Rogers and Middleton (2015)).

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22 The three large-scale studies are Gerber et al. (2011) on the 2006 Texas gubernatorial primary election [finding that valence information improved the candidate’s favorability rating in the short-term]; Kendall et al. (2015) on a 2011 mayoral election in a medium-sized Italian city [finding that mail and phone information on candidate valence shifted votes]; and Rogers and Middleton (2015) on 12 Oregon ballot measures in 2008 [finding that mailed information on endorsements and issue content shifted votes]. See Kendall et al. (2011) for references to several related studies.
Given that money is often ineffective, another question is why corporations persist in spending so much. A big piece of corporate spending – the 53 percent that is spent in opposition to business-unfriendly proposals – is relatively easy to explain. Lowenstein (1982) observed some time ago that spending in opposition to a proposition is more likely to succeed than
spending in support of a proposition, and subsequent research lends this idea some (but not uniform) support.\textsuperscript{23} Negative spending may be effective because voters are risk averse, and can be persuaded to vote no simply by raising a reasonable doubt in the their minds; with enough money, opponents may be able throw enough mud at the wall that something is likely to stick.

Overwhelming opposition spending appears to be effective. Table 6 shows the 10 initiatives that attracted the most opposition spending from corporations, together with the final outcomes. Nine of the 10 were defeated. The table also shows public opinion before campaigning began and public opinion on Election Day (the final vote).\textsuperscript{24} All of the cases show a substantial deterioration in support by the end of the campaign, with an average decline in support of 19.5 percent, much larger than the average deterioration of 8 percent documented in Matsusaka (2016) over the period 1958-2014.

The biggest mystery is why corporations persist in spending so much in support of propositions. A convincing answer is not evident, but we can list some possibilities. Gerber (1999, p. 82) provides one possibility: in a survey of economic, professional, and business groups, the top reason they gave for advancing initiatives was to “signal support to the legislature” and “pressure the legislature to pass laws” (ranking well above to “pass initiatives”.) Corporations know they are likely to lose, but hope that by demonstrating greater-than-expected support, they can convince the legislature that their issue has a large enough constituency to merit some accommodation. The other top reason that Gerber found (statistically tied with signaling) is to “respond to members.” Another possibility is that corporations are attempting to deter future hostile legislation by signaling their willingness to fight over an issue. Spending a large amount may discourage future proposals from activists or legislators because of the anticipated cost of mounting a campaign.

\textsuperscript{23} See Garrett and Gerber (2001), Stratmann (2006), and de Figueiredo et al. (2011).

\textsuperscript{24} Public opinion is captured by the earliest pre-election survey conducted by the Field Poll, typically several months before the election.
7. Discussion

In 2002, a task force convened by the National Conference of State Legislatures issued a report titled *Initiative and Referendum in the 21st Century*. The task force’s gloomy conclusion was that the “initiative has evolved from its early days as a grassroots tool to enhance representative democracy into a tool that too often is exploited by special interests.”\(^{25}\) It recommended that no more states should adopt the initiative process, and those that have it, should restrict its scope. The 11-member task force was composed of sitting government officials and representatives from chemical giant Monsanto, tobacco giant Philip Morris, pharmaceutical lobbying behemoth PhRMA, and Biotechnology Industry Organization, the world’s largest biotech lobbying group. The task force presented no evidence to support its claim other than listening to “expert testimony from a wide variety of witnesses”. It is commendable that these legislators and representatives of big business expressed a desire to protect the public from the power of special interests, but their conclusion appears to be unjustified. The main message from the evidence above is that economic interest groups, particularly corporations and businesses, do not fare well under direct democracy, in absolute terms and relative to policies from the legislature. In recommending that states curtail direct democracy, they were in fact – surely by mistake – calling for a course of action that likely would have aided corporations and other economics interest groups rather than empowering the general public.

While the evidence seems clear and unusually one-sided for an issue that is controversial, it begs the question why the idea that direct democracy enhances the power of special interests appeals to many observers, such as David Broder, as quoted in this paper’s introduction. One possibility could be a failure to distinguish between wealthy individuals and economic organizations such as corporations and labor unions. The evidence above does suggest that the initiative and referendum might give wealthy individuals a platform to bring issues before the public that they cannot place on the agenda of the legislature. If this is correct, it begs the question why wealthy individuals do not tap the same channels that interest groups use to gain influence in the legislature.

To the extent that wealthy economic interests are able to secure favorable policy outcomes, it appears to be happening through the channel of influencing legislators and regulators. This conclusion squares Gilens and Page (2014), which argues that business groups are highly influential in federal policymaking, which of course is purely representative, with no provision for direct democracy.

Although business groups dominate direct democracy spending, their spending seldom results in laws that advance their interest. Apparently, corporate money is not all that effective in buying votes in elections, which runs against the view that deep-pocketed interests can persuade voters to back their policy proposals by blanketing them with campaign advertising. However, it does provide an explanation why corporations and business groups devote only a small fraction of their political spending on legislators to campaign contributions, allocating far more money to lobbying (Milyo et al., 2000).

The normative implications of the findings in this paper are ambiguous. If business influence in legislatures leads to distortions of public policy that harm the general public, such as creation of legal monopolies, then allowing policy decisions to be channeled through initiatives and referendums can be a good thing. However, it is possible that business groups are able to influence legislators by informing them about unexpected consequences of policies, allowing for better design of public policy, something that is more difficult in direct democracy mass elections. In such a case, reliance on ballot propositions could be harmful to the general public. This study provides no evidence to distinguish between these two views. By showing that direct democracy undercuts the power of business interests to influence legislatures, however, it suggests that the normative question boils down to whether special interest influence in the legislature is a good or bad thing, not whether corporations are effective in the direct democracy arena. As for the ongoing debate over whether concentrated economic interests have too much influence on government decisions (Gilens and Page, 2014), the evidence here suggests that such power could be mitigated by allowing more citizen involvement in lawmaking; but again, whether that would be desirable or not depends on the reasons why economic interests are influential with representative government.
Appendix

Classification of Industry-Related Initiatives

I used the following process to determine the orientation of business-related initiatives.

Step 1. Based on short (approximately one-sentence) descriptions, each initiative was assigned to an industry group, if applicable.

Step 2. The industry groups with the most initiatives (gambling, energy, banking and insurance, tobacco) were selected for closer examination.

Step 3. Various election materials were consulted in order to determine whether an initiative would have helped or hurt the industry, or if the impact was unclear or distributional. Materials included the text of the proposed law, descriptions in voter guides, arguments for and against the initiative, endorsements for and against by industry groups, and media stories. If an initiative was the subject of an intra-industry dispute, such as whether to allow branch banking, it was not classified as either helping or harming the industry. Examples of initiatives that were classified as helping or hurting business interests follow:

- **Energy (Electricity, Nuclear, Oil).** Pro-business proposals: to allow oil drilling, to prohibit cities from entering the electricity business. Anti-business proposals: to limit or prohibit nuclear power generation; to restrict nuclear waste sites; to establish or increase gasoline taxes; to establish or increase oil severance taxes; to regulate electricity rates.

- **Finance (Banking, Insurance).** Pro-business: to increase allowable interest rates; to give legislature power to set interest rates; to allow auto insurance rates to be depend on information about previous insurance coverage. Anti-business: to reduce allowable interest rates; to limit health insurance rates. Excluded: relating to creation and operation of state-owned banks, relating to state-funded health insurance.

- **Tobacco.** Pro-business: to legalize cigarettes; to remove or relax ban on smoking; to reduce taxes on tobacco products. Anti-businesses: to ban smoking; to increase taxes on tobacco products.

Initiatives pertaining to regulation of the liquor industry are common, but are excluded because most of them have to do with prohibition and then the repeal of prohibition, and it is not clear we should view that issue through the lens of corporate capture rather than as a social issue. Although more than 100 initiatives concerned gambling, this industry was also excluded, for two reasons. First, in a large
number of cases, the initiative involved intra-industry disputes; a proposal to authorize more gambling was opposed by existing gambling operators and supported by gambling companies that did not currently have licenses. There is no meaningful way to classify such an initiative as pro-business versus anti-business. Second, many gambling proposals appear to have only a peripheral impact on large companies in the industry, such as proposals to allow charitable organizations to operate small-scale bingo games. I also excluded initiatives pertaining to professions such as medicine because those proposals often involved within-industry disputes, such as traditional doctors versus natural healers, which precluded a clear notion of the industry’s interest. Other industries that were the focus of initiatives are farming and ranching, and trucking and railroads.

Classification of Groups
Contributors to California propositions were assigned manually to one a several broad groups, such as corporations, labor, or individuals. The classification criteria were as follows:


**Labor.** Public employee groups and labor unions. Examples: AFL-CIO, AFSCME, California Teachers Association, International Brotherhood of Teamsters, Service Employees International Union.

**Trade Groups.** Organizations that represent businesses, large nonprofit organizations, and professional groups. Examples: American Medical Association, California Chamber of Commerce, California Association of Hospitals and Health Systems

**Parties.** Parties and individual politicians. Examples: California Democratic Party, Brown for Governor 2014, Governor Schwarzenegger’s California Recovery Team.
References


Roosevelt, Theodore, The Right of the People to Rule, speech at Carnegie Hall in New York City, March 20, 1912.


Table 1. Business-Related Initiatives in the American States

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All initiatives ($N = 2,547$)</td>
<td>188</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>Energy</td>
<td>103</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Finance</td>
<td>43</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Tobacco</td>
<td>42</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

Note. The table lists the number and business orientation of all initiatives concerning the energy, finance, and tobacco industries that could be classified as favorable or unfavorable to the industry. Business is classified as “better off” if a pro-business proposal was approved by the voters; “worse off” if an anti-business proposal was approved; and “no change” if a proposal failed. Panel B includes legislative proposals only from those states in which the initiative process is available.
Table 2. Regressions of % Votes in Favor

<table>
<thead>
<tr>
<th></th>
<th>Only business-related initiatives (1)</th>
<th>All initiatives (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dummy = 1 if pro-business</td>
<td>-6.5&quot;</td>
<td>-11.6***</td>
</tr>
<tr>
<td></td>
<td>(2.7)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Dummy = 1 if anti-business</td>
<td>...</td>
<td>-4.7***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.2)</td>
</tr>
<tr>
<td># Propositions on ballot</td>
<td>-0.07</td>
<td>-0.15&quot;</td>
</tr>
<tr>
<td></td>
<td>(0.17)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>Dummy = 1 if general election</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>(4.1)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>$F \mid$ pro-business = anti-business</td>
<td></td>
<td>10.7***</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.322</td>
<td>.062</td>
</tr>
<tr>
<td>N</td>
<td>184</td>
<td>2,052</td>
</tr>
</tbody>
</table>

Note. Each column in each panel is a regression. The dependent variable is the percentage of votes in favor. Standard errors clustered at the state level are in parentheses beneath the coefficient estimates. All regressions include decade and state dummies. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.
Table 3. Top 15 Contributions to a California Proposition Campaign, 2000-2016

<table>
<thead>
<tr>
<th>Amount ($ millions)</th>
<th>Contributor</th>
<th>Prop</th>
<th>Year</th>
<th>Subject</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.6*</td>
<td>Stephen Bing</td>
<td>87</td>
<td>2006</td>
<td>New gas and oil tax</td>
<td>Failed</td>
</tr>
<tr>
<td>46.4*</td>
<td>Pacific Gas &amp; Electric Company</td>
<td>16</td>
<td>2010</td>
<td>Limit public agencies from retail power business</td>
<td>Failed</td>
</tr>
<tr>
<td>44.4</td>
<td>Philip Morris</td>
<td>56</td>
<td>2016</td>
<td>Cigarette tax increase</td>
<td>Approved</td>
</tr>
<tr>
<td>44.1*</td>
<td>Molly Munger</td>
<td>38</td>
<td>2012</td>
<td>Income tax increase</td>
<td>Failed</td>
</tr>
<tr>
<td>38.0</td>
<td>Chevron Corporation</td>
<td>87</td>
<td>2006</td>
<td>New gas and oil tax</td>
<td>Failed</td>
</tr>
<tr>
<td>35.1</td>
<td>Philip Morris</td>
<td>86</td>
<td>2006</td>
<td>Cigarette tax increase</td>
<td>Failed</td>
</tr>
<tr>
<td>32.8</td>
<td>Aera Energy</td>
<td>87</td>
<td>2006</td>
<td>New gas and oil tax</td>
<td>Failed</td>
</tr>
<tr>
<td>32.5</td>
<td>Philip Morris</td>
<td>29</td>
<td>2012</td>
<td>Cigarette tax increase</td>
<td>Failed</td>
</tr>
<tr>
<td>29.6*</td>
<td>Thomas Steyer</td>
<td>39</td>
<td>2012</td>
<td>Corporate profit tax increase</td>
<td>Approved</td>
</tr>
<tr>
<td>26.4</td>
<td>California Teachers Association</td>
<td>38</td>
<td>2000</td>
<td>Authorize school vouchers</td>
<td>Failed</td>
</tr>
<tr>
<td>25.4</td>
<td>R. J. Reynolds Tobacco Company</td>
<td>86</td>
<td>2006</td>
<td>Cigarette tax increase</td>
<td>Failed</td>
</tr>
<tr>
<td>25.1*</td>
<td>California Hospitals Committee</td>
<td>55</td>
<td>2016</td>
<td>Income tax increase</td>
<td>Approved</td>
</tr>
<tr>
<td>24.9</td>
<td>R. J. Reynolds Tobacco Company</td>
<td>56</td>
<td>2016</td>
<td>Cigarette tax increase</td>
<td>Approved</td>
</tr>
<tr>
<td>23.4*</td>
<td>Timothy Draper</td>
<td>38</td>
<td>2000</td>
<td>Authorize school vouchers</td>
<td>Failed</td>
</tr>
<tr>
<td>21.3</td>
<td>California Teachers Association</td>
<td>32</td>
<td>2012</td>
<td>Ban on corporate and union contributions</td>
<td>Failed</td>
</tr>
</tbody>
</table>

Note. The table lists the 15 largest aggregated contributions to a ballot measure campaign in California during the period 2000-2016. Contributions are aggregated by proposition as indicated in the text. An asterisk indicates that the contribution was made in support of the proposition. Contribution data are from California Secretary of State.
Table 4. Top 15 Propositions in Terms of Amount of $100,000+ Contributions

<table>
<thead>
<tr>
<th>Amount ($ millions)</th>
<th>Prop</th>
<th>Year</th>
<th>Description</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>154</td>
<td>87</td>
<td>2006</td>
<td>$4 billion spending on alternative energy, financed with tax on oil</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>45-55</td>
</tr>
<tr>
<td>128</td>
<td>61</td>
<td>2016</td>
<td>Required state to pay same drug prices as federal Department of Veterans Affairs</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>47-53</td>
</tr>
<tr>
<td>106</td>
<td>32</td>
<td>2012</td>
<td>Prohibited payroll-deducted union funds to be used for political purpose</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43-57</td>
</tr>
<tr>
<td>103</td>
<td>56</td>
<td>2016</td>
<td>Increased tobacco tax</td>
<td>Approved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36-64</td>
</tr>
<tr>
<td>86</td>
<td>30</td>
<td>2012</td>
<td>Temporarily increased income and sales taxes</td>
<td>Approved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>55-45</td>
</tr>
<tr>
<td>83</td>
<td>8</td>
<td>2008</td>
<td>Defined marriage as solely between one man and one woman</td>
<td>Approved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>52-48</td>
</tr>
<tr>
<td>83</td>
<td>86</td>
<td>2006</td>
<td>Increased tobacco tax, revenue dedicated to hospitals</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>48-52</td>
</tr>
<tr>
<td>72</td>
<td>68</td>
<td>2004</td>
<td>Required tribal gambling to pay a state tax, or non-tribal gambling would be expanded</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16-84</td>
</tr>
<tr>
<td>71</td>
<td>75</td>
<td>2005</td>
<td>Prohibited payroll-deducted union funds to be used for political purpose</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>47-53</td>
</tr>
<tr>
<td>71</td>
<td>46</td>
<td>2014</td>
<td>Limited pain and suffering awards, required drug testing of physicians</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>33-67</td>
</tr>
<tr>
<td>65</td>
<td>79</td>
<td>2005</td>
<td>Provided prescription drug discounts for low-income residents</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>39-61</td>
</tr>
<tr>
<td>63</td>
<td>38</td>
<td>2000</td>
<td>Authorized state school voucher program</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29-71</td>
</tr>
<tr>
<td>61</td>
<td>45</td>
<td>2014</td>
<td>Regulated health insurance rates</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>41-59</td>
</tr>
<tr>
<td>60</td>
<td>29</td>
<td>2012</td>
<td>Increased tobacco tax, with revenue dedicated to cancer research</td>
<td>Failed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>49.8-50.2</td>
</tr>
<tr>
<td>57</td>
<td>55</td>
<td>2016</td>
<td>Extended temporary income and sales tax increases from Prop. 30 in 2012.</td>
<td>Approved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>63-37</td>
</tr>
</tbody>
</table>

Note. The table lists the 15 propositions that attracted the most $100,000+ contributions during 2000-2016. Amounts are the sum of $100,000+ contributions. All 15 propositions were initiatives.
Table 5. Regressions of Defensive Contribution Dummy on Groups

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation × Initiative</td>
<td>0.52***</td>
<td>0.27***</td>
<td>0.29***</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.09)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Individual × Initiative</td>
<td>0.08</td>
<td>-0.07</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.09)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Labor × Initiative</td>
<td>0.39***</td>
<td>0.18**</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>(0.06)</td>
<td>(0.09)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Tribe × Initiative</td>
<td>0.49***</td>
<td>-0.04</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.18)</td>
<td>(0.13)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>Other × Initiative</td>
<td>0.34***</td>
<td>0.06</td>
<td>0.13</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
<td>(0.10)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>Trade Group × Initiative</td>
<td>0.44***</td>
<td>0.15</td>
<td>0.27***</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
<td>(0.10)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Party × Initiative</td>
<td>0.37***</td>
<td>0.16</td>
<td>0.16*</td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.12)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>Small Contribution × Initiative</td>
<td>0.27***</td>
<td>0.04</td>
<td>0.14*</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.08)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Group dummies</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Proposition fixed effects</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Contributor fixed effects</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>R²</td>
<td>.019</td>
<td>.470</td>
<td>.288</td>
</tr>
</tbody>
</table>

Note. Each column reports a regression in which the unit of observation is a contribution. The dependent variable is a dummy = 1 if the contribution was made in opposition to the proposal. Standard errors are in parentheses beneath the coefficient estimates. The reported explanatory variables are dummies = 1 if a contribution was made by a given type of contributor (e.g. corporation) and the proposition was an initiative. Each regression has 297,224 observations. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.
Table 6. Propositions with the Largest Corporate Contributions in Opposition

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Corporate Contributions</th>
<th>Contributions in Support</th>
<th>Election Outcome</th>
<th>Pre-election</th>
<th>Election</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>61 (2016). Limits drug prices</td>
<td>108.4</td>
<td>19.1</td>
<td>F</td>
<td>50-16</td>
<td>47-53</td>
<td>-29</td>
</tr>
<tr>
<td>87 (2006). Oil tax</td>
<td>93.1</td>
<td>59.6</td>
<td>F</td>
<td>52-31</td>
<td>45-55</td>
<td>-18</td>
</tr>
<tr>
<td>56 (2016). Tobacco tax</td>
<td>70.9</td>
<td>32.3</td>
<td>A</td>
<td>53-40</td>
<td>64-36</td>
<td>7</td>
</tr>
<tr>
<td>86 (2006). Tobacco tax</td>
<td>64.9</td>
<td>16.4</td>
<td>F</td>
<td>63-32</td>
<td>48-52</td>
<td>-18</td>
</tr>
<tr>
<td>45 (2014). Health insurance rates</td>
<td>56.4</td>
<td>3.8</td>
<td>F</td>
<td>69-16</td>
<td>41-59</td>
<td>-40</td>
</tr>
<tr>
<td>29 (2012). Tobacco tax</td>
<td>46.6</td>
<td>11.8</td>
<td>F</td>
<td>50-42</td>
<td>49.8-50.2</td>
<td>-5</td>
</tr>
<tr>
<td>37 (2012). Requires GMO labels</td>
<td>42.2</td>
<td>9.5</td>
<td>F</td>
<td>…</td>
<td>49-51</td>
<td>…</td>
</tr>
<tr>
<td>79 (2005). Drug discounts</td>
<td>40.0</td>
<td>23.5</td>
<td>F</td>
<td>48-33</td>
<td>39-61</td>
<td>-20</td>
</tr>
<tr>
<td>46 (2014). Medical lawsuits</td>
<td>34.6</td>
<td>11.2</td>
<td>F</td>
<td>58-30</td>
<td>33-67</td>
<td>-33</td>
</tr>
<tr>
<td>7 (2008). Clean energy sources</td>
<td>29.7</td>
<td>9.4</td>
<td>F</td>
<td>…</td>
<td>36-64</td>
<td>…</td>
</tr>
</tbody>
</table>

Note. This table lists the 10 California propositions that attracted the largest corporate contributions in opposition during 2000-2016. Corporate contributions and contributions in support are reported in millions of dollars. The election outcomes is approved (A) or failed (F). Public support pre-election is the percentage for and against according to the earliest Field Poll (the undecided percentage is omitted). Election support is the official percentage in favor and against in the election. “Change” is the percentage in favor in the pre-election poll minus the percentage in favor in the election. For the purposes of calculating the change, pre-election percentages are standardized by the fraction of decided voters (e.g. the pre-election standardized support for Proposition 61 is 50/(.50+.16) = 76).