

Determinants of Direct Democracy across Europe

Nadia Fiorino (University of L'Aquila) Roberto Ricciuti (University of Florence)

The debate on direct democracy has been in the political science and public choice literature for long time. In recent years scholars have triggered several theoretical and empirical studies that essentially discuss: 1) the competence of the voters (Bowler and Donovan, 1998; Lupia and McCubbins, 1998) the role the special interest groups that can fund election campaigns may have to subvert public policy process (Gerber, 1999); 3) the how direct democracy affects policy (Matsusaka, 2002; Feld and Matsusaka, 2001; Schaltegger and Feld, 2001; Feld and Kirchgassner, 1999); 4) the how direct democracy influences economic performance or government spending (Feld and Savioz, 1997; Blomberg *et al.*, 2004)

A few number of theoretical and empirical models has been developed on the impact of economic, political and demographic conditions on the extent of democracy. Some of the theoretical studies focus on the effect of cultural conditions on democracy (Huntington, 1991; Putnam, 1993; Landes, 1998). These contributions typically use the religious affiliation as a proxy for the “dimension” of the culture (i.e. ethic, tolerance, trust), yet they do not investigate on democracy as an univocal concept, they rather refer to it as government performance. Recently, Matsusaka (2005) in reviewing the existing theory on the changes that direct democracy may have on public policy, affirms that demographic and technological trends are stimulating an unprecedented growth in popular decision-making across the world. The rising education among the population and the falling of the information costs due to the communication technology revolution have dramatically reduced the knowledge advantage that elected officials had over ordinary citizens. The result of these trends is that important policy decisions are shifting from legislatures to the people by eclipsing legislatures in setting policy agenda. Matsusaka bases such assertion by simply reporting data on the growing amount of higher education in the American population; yet he do not provide any statistical test for this claim, as he focus on the review of the literature about the initiative and the referendum to highlight some key issues for the future.

This paper departs from these strands of literature by presenting and empirically evaluating a number of economic, demographic, political and cultural determinants of direct democracy. Specifically, we investigate on the impact of these elements on a unique dataset of country index on citizen law making in European countries.

The paper is an attempt to extend previous literature in a number of ways. Firstly, the main part of the studies developed in this field of research is devoted to the US or Switzerland or to a wide sample of countries. Indeed, a study on a sample of European countries is interesting because a) the different traditions such countries present in democratic institution and b) the economic and political transition following the fall of the Berlin wall, when many formerly communist regimes introduced democracy as well as market economy. Secondly, the relationship between democracy and economic, political, demographic and cultural determinants is difficult to analyze both from the conceptual and the econometric point of view because the cross-country correlation could reflect reverse causation or omitted variables that empirical literature in this field does not account for. Thirdly, we use a measure of direct democracy the Country Index on Citizen Law-Making (*CICLM*) calculated by the Initiative and Referendum Institute Europe (Kaufmann, 2004) for 43 European Countries. This index is

a unique measure of the quality of direct democracy and its performance by applying the procedures the country's political system provides in order to proposing, approving, amending and deleting laws through popular initiative and referendums.

We find that direct democracy is positively related to per-capita income, share of Catholics in the population, and negatively related to the share of Muslim population. A series of variables such as population, ethnic fractionalization, presidential system, majority voting do not affect the propensity to direct democracy in a country. Other variables such as literacy, mortality and extent of the bureaucracy are significant. In testing for some variables the issue of endogeneity is addressed with the use of instrumental variables such as legal origins.

References

- Blomberg, S.B., Hess, G.D., and Weerapana, A. (2004). "The Impact of Voter Initiatives on Economic Activity", *European Journal of Political Economy*, 20, 207–26.
- Bowler S, Donovan T. 1998. *Demanding Choices: Opinion, Voting, and Direct Democracy*. Ann Arbor: Univ. Mich. Press.
- Feld, L.P. and Kirchgassner, G. (1999). "Public debt and budgetary procedures: Top down or bottom up? Some evidence from Swiss municipalities. In J.M. Poterba and J. von Hagen (Eds.), *Fiscal Institutions and Fiscal Performance*. The University of Chicago Press.
- Feld, L.P. and Matsusaka, J.G. (2003). "Budget Referendums and Government Spending: Evidence from Swiss Cantons", *Journal of Public Economics*, 87, 2703-2724.
- Feld, L.P. and Matsusaka, J.G. (2001). Budget referendums and government spending: Evidence from Swiss cantons. *Working Paper*, University of Southern California.
- Feld, L. P. and Savioz, M. R. (1997). "Direct Democracy Matters for Economic Performance: An Empirical Investigation", *Kyklos*, 50, 507–38.
- Gerber E.R. (1999). *The Populist Paradox: Interest Group Influence and the Promise of Direct Legislation*. Princeton, NJ: Princeton Univ. Press.
- Huntington, S. (1991). *The Third Wave: Democratization in the Twentieth Century*, Norman: University of Oklahoma Press.
- Kaufmann, B. (2004). *Initiative and Referendum Monitor 2004/2005*. IRI Europe, Amsterdam.
- Lupia A, McCubbins MD. (1998). *The Democratic Dilemma: Can Citizens Learn What They Need to Know?* New York: Cambridge Univ. Press
- Matsusaka, J.G. (2005). "Direct Democracy Works", *Journal of Economic Perspectives*, 19, 185-206.
- Matsusaka, J.G. (2002). *For the many or the few: How the initiative process changes American government*. Book manuscript, University of Southern California.
- Putnam, R. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton: Princeton University Press.
- Schaltegger, C. and Feld, L.P. (2001). On government centralization and budget referendums: Evidence from Switzerland. *Working paper*, University of St. Gallen.