Voters, Politicians, and Schools: Reassessing the Fiscal Effects of Direct Democracy

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Summary

- Introduce exciting new data on state and local government education spending
- Find that initiative states
  1. Spend less on education (but not other categories) and have more unequal schools today
  2. Spent less on education in 1890, before they had the initiative
  3. Don’t change systematically around the adoption of the initiative
- Conclusion: Influential direct democracy literature likely based on spurious correlations
Comments / Suggestions
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- Can you reject effects on non-education spending that are just as big as the effects on education spending?
  - Table 2: “Direct general expenditure” effects as big as “intergovernmental transfers”?
  - Table 4: Effects on aid to counties & municipalities as big as aid to school districts?
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- If not, tone down claims of null results
Spending in 1890

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- Can you tell us more about the determinants of adopting initiatives?
- What predicts adopting early vs. late?
- Can you tell us anything about the politics at the time?
State fixed effects

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  - Controls other than income (interacted with year)?
  - (Ever adopt * year) fixed effects so you are identified off of the timing?
  - Event study plots?
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Matsusaka (2000) uses data from 1902-1942 to show initiative effects with state fixed effects. Reconciliation? Can you use these data?
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- Do you replicate this? Does it also hold only for education spending?
- Are signature requirements today correlated with education spending in 1890?
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- Reconciliation?
- Can you use these data?
Reframing?

- Inherent tension: Why do I care about the fine points of how initiative & non-initiative states differ today if you’re going to tell me it’s all spurious anyway?
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- Why not start with the substantive analysis of
  1. What determined adoption of initiatives
  2. Did initiatives affect education spending (using panel)
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  1. What determined adoption of initiatives
  2. Did initiatives affect education spending (using panel)

- Then come back to what this tells us about the existing literature. Show that in the exact specifications used in past literature
  1. Effect is positive and significant on education spending and small / insignificant on non-education spending
  2. Effects on both education spending and total spending disappear once you control for education spending in 1890