

Mitchell's Musings 8-4-14: A Modest Proposal to Combat Income Inequality (in California)

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California has long had a system of direct democracy – the initiative, referendum, and recall – going back to the early 20th century. The idea was that politicians – corrupted by special interest money – needed to be checked by the electorate. At the time, the villain *de jour* was the Southern Pacific Railroad, often depicted back in the day as an octopus strangling commerce and buying politicians. Reform was needed.



In particular, as part of the move to direct democracy, the initiative was developed to allow for enactment of direct legislation by voters. Essentially, if mom and pop, sitting around the kitchen table saw the need for a law that the corrupt legislature wouldn't pass, they would gather their friends and neighbors and by petition put the proposed law on the ballot. But like many well-intentioned reforms, things did not work out quite as planned.

In smaller jurisdictions, the mom and pop model might work. Mom and pop might actually have enough friends and neighbors to mount a successful petition drive in a small or modest-sized city. But California is a large state, both in population and land area. To get enough valid signatures – in the vicinity of 800,000 – across the state, you have to hire a signature-gathering firm. And because some of the

signatures will turn out to be invalid, you will probably need around a million signatures for which the firms will charge you at least \$1 per signature and sometimes – if you are in a hurry - more. So you will need at least \$1 million to get an initiative before the voters. Who has \$1 million or more for this purpose? Typically, the answer is special interests – much like the Southern Pacific Railroad in its day – and, increasingly, very wealthy individuals with an agenda and more money than they know what to do with.

Signature-gathering firms hire folks to sit in front of supermarkets and similar locations and induce the requisite number of signatures from the passing crowds. The usual pitch is that even if *you* don't favor the proposal, shouldn't the people have a right to vote on it? In principle, there could be enough popular resistance to prevent enough signatures from being gathered in the allowable time frame. So our first question is whether hiring signature gatherers is a sure thing, regardless of what the proposed initiative says. If you have the money, can you get your proposal – whatever it may be - on the ballot? We are about to test that proposition (no pun intended, of course).

A little more background is in order. There are lightly-populated rural counties in northern California that feel estranged from the powers-that-be in the capital, Sacramento, and in the big urban centers. Back in the 1940s, there was a brief move for some counties to secede from California and form a new "State of Jefferson," possibly taking some of southern Oregon with them. From time, the Jefferson fantasy floats up, as it did a year or so ago, complete with a flag for the new state that looks remarkably like the faux-Nazi emblem used by Charlie Chaplin in his film, "The Great Dictator."

"State of Jefferson" flag vs. Chaplin's Great Dictator Symbol



Secessionist State of Jefferson flag: Uncanny resemblance to Chaplin Nazi parody in Great Dictator

Anyway, to cut to the chase, there is a local California billionaire, Tim Draper, who apparently took the Jefferson idea and multiplied it by six.¹ California would cease to exist and instead be divided into six new states. Then he filed an initiative and has submitted a little over one million signatures which are being reviewed at present by the California secretary of state, the official in charge of election matters.² We won't know for sure if Draper has enough valid signatures on his petition to get his proposition to divide California into six states on the ballot until September. But assuming enough signatures are valid, we would then have proof positive that you can get absolutely anything on the ballot – regardless of how wacky - providing you have enough money to pay for it. Then the question becomes, how can we better share the wealth that now goes to signature-gathering firms?

Let's assume that secretary of state finds enough valid signatures on the Draper initiative, thus proving that anyone with \$1 million can buy his or her proposition on to the ballot. If that is the case, *why not cut-out-the middle man – the signature-gathering firms – and simply let ordinary voters get the \$1 or more for their signatures? Such a system would be a transfer from billionaires and special interests to just-plain-folk like you and me and thus would be a blow against income inequality.* Basically, the state could set up a website announcing initiatives proposed by anyone with \$1 million. All you – as a registered voter - would have to do to get \$1 is be among the first million voters to sign up on the website endorsing having the initiative on the ballot. (Remember: The endorsement is just to have the initiative on the ballot; it does not mean favoring the goal of the initiative.) Your \$1 would then be transferred to your bank account electronically or perhaps to your credit or debit card account. And, of course, you could click on as many initiatives as you like. If there were ten initiatives available, you could get \$10.

¹<http://www.businessweek.com/articles/2014-07-31/six-californias-a-tim-draper-idea-just-as-madcap-as-the-others>

² From the California secretary of state website comes the summary of the Draper initiative below:

Division of California into Six States. Initiative Statutory and Constitutional Amendment.

Summary Date: 02/18/14 | Full Check Deadline: 09/12/14 | Signatures Required: 807,615

Tim Draper (650) 233-9000

Divides California into six states subject to approval by Congress. Assigns each county to a new state, unless county voters approve reassignment to different new state and second state approves. Establishes commission to settle California's financial affairs after division; upon failure to resolve, each new state would retain assets within its boundaries and would receive proportionate distribution of California's debts based on population. Authorizes counties to refuse to provide State-mandated programs and services absent sufficient State reimbursement. Empowers counties to make and enforce all laws governing local affairs. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: If the federal government approves the proposed creation of six new states, all tax collections and spending by the existing State of California would end, with its assets and liabilities divided among the new states. Decisions by appointed commissioners and elected leaders would determine how taxes, public spending, and other public policies would change for the new states and their local governments.

Now some would argue that a system of direct buying of signatures (as opposed to indirect through signature-gathering firms) is unfair to moms and pops who want to try to get signatures from their friends and neighbors (even though, as we noted, in practice they can't). No problem! We just leave the current system in place as an alternative. Mom and pop could try and find a million friends and neighbors to sign a petition, just as they can now. Billionaires like Draper and other special interest groups could hire signature-gathering firms if for some reason they wanted to do so. But they would likely just do the easier thing and send the state a check for \$1 million which would then be distributed through the official website to registered voters who offered to sell their endorsements.

If you like this idea to strike a modest blow against income inequality (or just think voters should be able to vote on it), all you need is a million signatures to get it on the ballot.