Shortened Time Horizons and Economic Growth: The Impact of Legislative Term Limits on Economic Policy

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Section 1. Introduction

This paper examines the effects of shortened time horizons and political uncertainty on economic growth using cross-sectional fiscal data from the U.S. states from 1977 to 2001. Due to the passage of legislative term limits in approximately one-third of the states, the U.S. states furnish a natural experiment with which to test the effects of finite time horizons and political uncertainty on economic growth. Research in comparative politics has shown that the shortened time horizons associated with electoral uncertainty are negatively correlated with public investment and economic growth. A government that is uncertain about whether it will be in power in the future has little incentive to carry out long-term economic policies. By increasing turnover within the legislature and, consequently, increasing political uncertainty, term limits lead to lower levels of economic growth. Further, this paper argues that term limits give legislators greater incentives to deviate from socially optimal fiscal policy by altering the costs and benefits associated with certain types of economic policies.

Beginning in 1990, voters in three states—California, Colorado, and Oklahoma—approved ballot initiatives restricting the number of consecutive terms state legislators can serve in office. The term-limits movement soon burgeoned after these initial successes, with tern limits adopted through the citizen initiative process in fourteen more states just two years later. A related effort at the federal level to impose term limits on members of Congress was also successful, with twelve states passing term-limit laws for their Congressional delegations by 1994. Soon thereafter, however, the term-limits movement suffered several setbacks. In 1995 the Supreme Court declared term limit laws for members of Congress unconstitutional, thus ending the possibility of federal

term limits unless enacted by a constitutional amendment.[1] At the state level, four states have had their term limits laws struck down by their respective state supreme courts; and 2 state legislatures have since repealed their state term limit laws.[2] Despite these rulings, nearly one-third of all U.S. states still have valid term limits laws, with term limits currently in effect in 12 of the states.

The term-limits movement has claimed victories in a diverse array of states. States with highly professionalized legislatures, such as California and Michigan, have adopted term limits, as have states with citizen-legislatures, such as Oklahoma and Maine. The provisions of these term-limit laws are not uniform across states; and vary both in the length and number of term members may serve, as well as whether or not they include lifetime bans on service. Highly restrictive term limit laws, such as those in California, limit members to 3 terms (6 years) in the Assembly and 2 terms (8 years) in the Senate; and prohibit members from serving in the legislature in the future once they have reached the limit in both chambers. States with less restrictive term limits, such as Louisiana, simply limit legislators to 3 consecutive 4-year terms in either the House or the Senate. Legislators are free to run for office again after sitting out of the legislature for a term. The first cohort of legislators were forced out of office by term limits in 2 states in 1996, and 3 more states in 1998. In the time period analyzed here, 1977 to 2001, legislators had been forced out of office by term limits in 10 states.

Term limitation initiatives passed easily in most states. Term-limit ballot propositions in 7 states (CO, FL, AZ, MO, WY, LA, NV) garnered more than 70% of the

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[1] See *U.S. Term Limits v. Thornton*, 514 U.S. 779 (1995).
[2] Term limit laws were struck down in Massachusetts, Oregon, Washington, and Wyoming; and repealed in Idaho and Utah.

vote; and at least 60% of the vote in 5 other states (ME, OH, SD, MT, OK). Support for term limits is not merely confined to a few states or regions. National surveys have found that 81% of respondents favor term limits for state representatives (ANES, 1992) and 77% of respondents also favor limiting the number of terms that members of Congress may serve (ANES, 1994). Voter support for term limits is largely fueled by political cynicism (Karp, 1995; Southwell, 1995; Stein, Johnson, and Post, 2002). Voters who express anger or dissatisfaction with the political process are more likely to favor term limits than any other type of voter. Importantly for this study, party affiliation and ideology are not significantly correlated with voter support for term limitations (Karp, 1995; Stein, Johnson, and Post, 2002). Conservatives are just as likely to favor term limits as more liberal voters. This is reflected not only in survey data but also in case studies of term-limit movements in various states (Olsen, 1992).

Section 2. Term Limits and Economic Growth

The negative relationship between economic growth and sociopolitical instability is well documented. Previous studies have used various indicators to measure the level of sociopolitical instability, including the number of coups, riots and political assassinations (Alesina and Perotti, 1996; Gupta, 1990; Hibbs, 1973); the likelihood of government collapse (Alesina et al., 1996); policy volatility (Brunetti, 1998); and the quality of property rights (Svensson, 1998). This study, however, examines a different aspect of political uncertainty. By using the presence of term limits as a proxy for sociopolitical instability, this study estimated the effects of both increased turnover and

shortened time horizons on economic growth. The empirical analysis below will attempt to isolate the effects of these two aspects of term limits on economic growth.

Term limits may lead to lower economic growth in two ways. First, by increasing member turnover, term limits should increase policy uncertainty and policy volatility, consequently discouraging investment and dampening growth rates. Secondly, by shortening the time horizons of legislators, term limits encourage politicians to heavily discount the future and thus may promote myopic fiscal policy. These two hypotheses are elaborated on below.

a. Term Limits and Policy Volatility

There are several reasons to expect term limits to increase policy volatility. First, term limits dramatically increase turnover within the state legislature (Francis and Kenny, 1997; Franklin and Westin, 1998; Reed and Schansberg, 1995). This increase in turnover is especially pronounced in states with highly professionalized legislatures. For example, in California average turnover in the Assembly from 1982 to 1990 was 15%. However, following the passage of California's term limits law, Proposition 140, in 1990, average turnover from 1992 to 2000 increased to 37%. Similar results are also found in Michigan, where turnover rates jumped from 21% in 1996 to 58% in 1998, when the first cohort of legislators were forced out of office by term limits (*Book of the States*, 2003). One consequence of this increased turnover is greater policy uncertainty. In an environment of high political uncertainty, rapid turnover, and frequent changes in the identity of the majority party, it is increasingly difficult for the party in power to credibly commit to following a specific policy agenda (Cox and McCubbins, 2001). Frequent unanticipated changes in fiscal policy, especially taxation rates, discourage individuals

from undertaking investments with large sunk costs, such as infrastructure investments (Aizenman and Marion, 1993).

Secondly, term limits may increase policy volatility by increasing the number of legislators involved in the policymaking process. Term limits have brought about several changes in legislative structure that affect the manner in which policy is made. Among these changes, term limits have decreased the legislative authority of committees and party leaders by increasing the turnover in these positions and decreasing the amount of experience that legislators bring to these positions. Term limits have also created the unique situation of lame-duck party leaders, who are unable to credibly commit to sanctions or rewards for rank-and-file members and, as a result, cannot effectively maintain party discipline (Carey, Niemi, and Powell, 2000; Malbin and Benjamin, 1992). Committees have also seen their gate-keeping authority diminish under term limits due to increased turnover, inexperienced committee chairpersons, and the increased time pressures on legislators to pass their policies before their terms expire (Straayer, 2003). This lack of authority is evidenced by an increase in the number of floor amendments and the amount of divided reports issued by committees (Brake, 2002; Moen and Palmer, 2003).

These institutional changes have had important consequences for how policy is made in state legislatures with term limits. First, the absence of strong party leaders has resulted in a more decentralized and individualistic legislative process. Term limits have diffused legislative power and eroded the dense social networks based on cooperation and reciprocity which once existed. This diffusion of power has opened up the legislative process, especially the budget process, to a greater number of participants, including

other legislators, interest groups, and agency officials (Brake, 2002). Secondly, the initiative for proposing new policy has shifted away from more formal institutions, such as committees and party caucuses, and has devolved to individual legislators. By reducing the ability of committees and party leaders to formulate a legislative agenda, term limits has increased the uncertainty surrounding which policies the legislature is likely to pass. By decreasing the authority of formal veto points in the legislature, term limits increase the probability of policy change and, consequently, hinder the ability of the government to make credible commitments. Such a legislative environment is inauspicious for economic growth, as previous research has found that political systems where the status quo is easily changed have lower levels of economic growth than countries with multiple veto player (Henisz, 2000).

b. Term Limits and Myopic Fiscal Policy

Term limits may also encourage myopic fiscal policy. A government that is uncertain about whether it will be in power in the future has little incentive to carry out long-term economic policies (Darby et al., 1998; Svensson, 1998). If they are unconcerned about the economic conditions facing the future government, current legislators have a strong incentive to engage in inefficient and shortsighted fiscal activities since they do not fully internalize the costs of these myopic policies, as would legislators who hold their offices for an extended period of time. Policies that have the potential to promote economic growth, such as increased funding for research and development or increased infrastructure spending, deliver their economic and electoral payoffs in the distant future, when the legislators who passed such policies have already been termed out of office and thus can no longer claim credit for such policies. Since

they will no longer be able to reap the electoral benefits of such long-term policies, legislators facing term limits will have few reasons to pass such bills. Further, legislators and voters alike are reluctant to bear the cost of increased public investment if they are unsure who will be the future beneficiaries of such investments (Kahn and Lim, 2000; Leblanc, Snyder, and Tripathi, 2000).

Research on the effects of electoral uncertainty on economic growth, has found that as the incumbent government's probability of reelection decreases, government expenditures as a share of GDP and capital tax rates increase and, consequently, private capital accumulation and growth rates decrease (Asteriou et al., 2000; Darby et al., 1998; Deverux and Wen, 1998). Asteriou et al (2000) find using data from the UK that economic growth rates increase as the incumbent's probability of being reelected, as measured by public opinion polls, increases. They also find a positive correlation between government duration and economic growth for a panel data set of 20 parliamentary democracies. Using the measure of political instability employed in Barro and Lee (1994), Devereux and Wen (1998) find that this measure is positively correlated with government expenditures, with government spending higher in countries with greater levels of political instability. By precluding the probability of reelection, term limits should decrease growth rates and increase government consumption.

Similarly, legislators facing term limits may use fiscal policy and debt accumulation strategically. In the face of high electoral uncertainty, an incumbent government will be tempted to spend any budget surplus while in office so that any remaining surplus cannot be spent by the future government, which may have policy preferences that differ substantially from that of the current government. The incumbent

and future governments, in this case, face a time-consistency problem (Alesina and Tabellini, 1988; Persson, 1988). Since the incumbent government has no way to credibly commit the future government to follow its policy preferences, it has a greater incentive to use public debt strategically to constrain the policy choices of its successor (Alesina and Tabellini, 1990; Crain and Tollison, 1993; Persson and Svensson, 1989). This time-consistency problem should be exacerbated in legislatures with term limits. If incumbent legislators know they will be forced out of office at the end of their term, they have an inducement to try to both bind the policy choices of the future legislators, as well as distribute benefits to interest groups, political supporters, and future employers through increased spending.

Section 3. Methodological Considerations

By using the U.S. states as its sample and term limits as a proxy for political instability, this study has several important features that set it apart from other studies. Unlike a cross-country sample of democracies, U.S. state governments share similar political and fiscal institutions, thus giving greater validity to comparisons made between states with and without term limits. Further, using term limits as a measure of political instability eliminates the joint endogeneity between political instability and economic growth. While sociopolitical uncertainty may lead to lower levels of economic growth by decreasing the security of property rights and discouraging investment, it may also be the case that low levels of economic growth increase sociopolitical uncertainty (Alesina and Perotti, 1996). Studies that measure political uncertainty by using the probability of government change or the popularity of the incumbent government also face a

simultaneity problem, since a change in the growth rate may affect the probability of government collapse or the reelection prospects of the incumbent government (Drazen, 2000). The present study avoids both these problems since, as discussed below, the direct cause of political instability in this study—term limits—is uncorrelated with rates of economic growth.

Studies that estimate the effect of fiscal institutions on economic policy and economic growth must confront the problem that these institutions are often endogenous. Adoption of budget rules is not random, but instead may reflect the fiscal preferences of state voters. In the case of term limits, voters in states with high spending levels and/or high tax rates may be more likely to adopt term limits in an attempt to impose greater fiscal discipline on their state legislators and stimulate economic growth. However, this paper argues that term limits can be considered an exogenous institution. Table 1 ranks the states based on average income tax rates and expenditures as a share of income from 1990-1994, when a majority of states adopted term limits. If voters are indeed trying to constrain the fiscal behavior of their representatives through term limits, then term-limited states should have higher than average levels of spending and tax rates during this period. However, it appears that state fiscal policy is uncorrelated with voter support for term limits. Term limits were adopted by voters in both the state with the highest level of expenditures as a share of income (Wyoming), as well as the state with the lowest level of expenditures (Colorado). The same is also true if we examine state income tax rates.

Instead, the strongest determinant of whether or not voters adopt term limits for their representatives is the presence of the initiative process. In every state with the initiative process, except one, voters approved term limits. Similarly, no state without the

initiative process currently has term limits for their state representatives. Whether or not a state possesses the initiative process is uncorrelated with the present fiscal preferences of voters in that state (Knight, 2000; Matsusaka, 1995). Most initiative processes were adopted by states in the early 1990s, well before the start of the sample period in this paper. The one exception is Mississippi, which adopted its initiative process in 1992. Mississippi is also the only state with the initiative process whose voters rejected term limits for their state legislators.

If the presence of the initiative process is the best predictor of whether or not a state will adopt term limits, it is important to ascertain if states with direct democracy procedures differ from other states in their fiscal policy or rates of economic growth. Previous studies on the relationship between voter initiatives and state fiscal policy present contradictory findings. Zax (1989) examines the effect of voter initiatives on state expenditures in all 50 states for 1980 and finds that states with direct democracy have spending levels significantly higher than states with more representational forms of democracy. However, more recent cross-sectional time series studies by Matsusaka (1995, 2000) and Matsusaka and McCarty (2001) find that states with voter initiatives have spending levels significantly below those of other states, particularly under a unified Democratic government. More recently, a review of this literature by Besley and Case (2003) casts doubts on the robustness of these findings. Using a between-state estimator they find little evidence that state initiatives lower spending.

Section 4. Empirical Analysis and Results

a. Economic growth

In order to determine the effect of term limits one economic growth, the following model is estimated:

$$\text{GROWTH}_{it} = \alpha_{it} + \beta_1 * \text{LIMIT}_{it} + \chi_{it} + \varepsilon_{it}$$

Eq(1.1)

This equation is estimated separately using both the growth rate in Gross State Product (GSP) and real per capita personal income as the dependent variable.[3] Both of these indicators are frequently used to measure economic growth; and the correlation between them is .77. However, they differ enough with regards to the aspect of economic performance that they measure to justify the inclusion of both in the model.

The variable LIMIT_{it} is a dummy variable that indicates if a state has legislative term limits. In most states there is a substantial amount of time from the passage of legislative term limits to when the first cohort of legislators is barred from running for reelection. LIMIT_{it} is coded 1 beginning with the legislative term before the first class of legislators is termed out of office. Since legislators are forward-looking and should anticipate the effects of term limits before they are actually forced from office, the impact of term limits on state fiscal policy should appear before a legislator's final term in office. The vector χ_{it} contains a set of control variables, including percent of the population with a bachelor's degree or higher, government share of GSP, service share of GSP, initial income level, and percent of the population between 18 and 64. The control variables chosen for this study are those found to be significant in Crain and Lee's (1999) metaregression analysis of the literature on state economic growth; and are commonly

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[3] The first difference of real per capital personal income is entered into the regression in order to correct for nonstationarity.

used as control variables in other studies of economic growth (see for example, Barro, 1991; Levine and Renelt, 1992).

This paper examines data from all 48 contiguous states from 1977 to 2001. Data were obtained from the *Statistical Abstracts of the United States*, *State Government Tax Collections*, and the *Book of the States*. The models are estimated using feasible generalized least squares, correcting for cross-panel correlation and heteroskedasticity as well as first order autocorrelation. State and year dummy variables are also included but are not reported in the final results.

Table 2 reports the results of estimating Equation 1.1. The impact of term limits on growth, as seen by the coefficient on $LIMIT_{it}$, is negative in both models. The coefficient is also significant at the 1 percent level in both models as well. The magnitudes of these estimates are quite large. States with term limits have growth rates 20.2% lower and income levels 6.1% lower, relative to the mean, than states without term limits. The other control variables are significant as well; yet do not seem to be as robust. The percent of the population with a bachelor's degree or higher is strongly significant in both of the models, however the sign on the coefficient is different in the two models. Age is only positive and significant when income is the dependent variable. Overall, using income as the dependent variable yields results more in agreement with previous findings.

One control variable that is frequently used in studies of economic growth, but is not included in this model, is a measure of income inequality. While much of the literature finds a negative relationship between growth and income inequality when using a sample of democratic countries (Perotti, 1996), this result is not robust within the U.S.

states. While Partridge (1997) finds a positive relationship between income inequality and growth using a pooled OLS setup, Panizza (2002) finds a negative correlation with a fixed effects model. Running Equation 1.1, using the Gini coefficient as a measure of income inequality, yields mixed results. When the growth rate of GSP is used as the dependent variable, the coefficient on INEQUALITY_{it} is positive but never reaches statistical significance. However, the coefficient is positive and significant at the 1 percent level when income is the dependent variable.

Below, I test two hypotheses, explained above, for why the presence of term limits is negatively correlated with economic growth.

b. Fiscal volatility

If term limits lead to lower levels of economic growth by reducing the ability of state governments to make credible commitments, one indication of this would be increased fiscal policy volatility. To test this hypothesis, this study focuses on the volatility in expenditures as a share of GSP and revenues as a share of GSP. Policy volatility measures for these fiscal variables were obtained by computing the variance of their real annual growth from 1977 to 2001. These measures of fiscal volatility are used as the dependent variable in the following equation:

$$\text{VOLATILITY}_{it} = \alpha + \beta_1 * \text{LIMIT}_{it} + \chi_{it} + \varepsilon_{it} \qquad \text{Eq(1.2)}$$

If term limits do indeed increase fiscal volatility as expected the coefficient on LIMIT_{it} should be positive. The vector χ_{it} contains a set of independent variables found in Crain and Tollison's (1993) study of fiscal volatility[4] and include party stability[5], the volatility

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[4] However, see Johnson and Crain 2000 and Aizenman and Marion 1993 for different model specifications.

of state population growth, the volatility of economic growth rates, the length of the budget cycle, and whether or not the governor is subject to term limits.

Table 4 presents the results of estimating Equation 1.2. The coefficient on LIMIT$_{it}$ is in the expected direction in both specifications of the model, but fails to reach statistical significance. In general, the model does a poor job of explaining the variance in fiscal volatility, as evidenced by the statistical insignificance of most of the independent variables and the low R-squared values. Although term limits are not found here to be associated with increased fiscal volatility, this should not be ruled out as a possibility. However, the model presented here seems to be so poorly specified as to allow us to draw few conclusions about the relationship between term limits and policy volatility.

c. Myopic fiscal policy

If the lower levels of economic growth found in states with term limits is not due to elevated levels of policy volatility, perhaps it is the result of fiscal myopia. For the reasons discussed above, given the choice, incumbent governments facing increased levels of political uncertainty should exhibit increased spending and decreased levels of investment. In order to test if spending is higher in states with term limits than in states without term limits, the following model is estimated:

$EXP_{it} = \alpha + \beta_1 * LIMIT_{it} + \beta_2 * BUDGET_{it} + \beta_3 * TEL_{it} + \beta_4 * SUPER_{it} + \beta_5 * DIVIDED_{it} + \beta_6 * GOV_{it} + \chi_{it} + \varepsilon_I$ Eq (1.3)

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[5] Party stability is calculated as the probability that the Democrat's seat share is different from 50%.

The dependent variable, EXP_{it}, measures general state government expenditures per capita, which includes spending on education, highways, welfare, and interest on general debt. Variables indicating the presence of other fiscal institutions and political factors are also included, such as balanced budget rules ($BUDGET_{it}$), tax and expenditure limits (TEL_{it}), supermajority voting requirements for new tax legislation, ($SUPER_{it}$), divided government, and the party affiliation of the governor (GOV_{it}). The vector X_{it} contains variables that control for demographic and economic factors commonly found to be significant in empirical studies of state fiscal policy. These variables include state income per capita, the unemployment rate, region, and population.

Table 4 presents the results from estimating the Equation 1.3. The results show that the presence of term limits is associated with higher spending levels. States with term limits have spending levels, on average, \$53 or 1.9% greater relative to the mean, than states without term limits. The coefficient on $LIMIT_{it}$ is significant at the 5% level. The other fiscal institutions examined also exert a considerable influence on state fiscal policy. States with strict balanced budget rules, that require the legislature to pass a balanced budget and prohibit debt from being carried over into the next fiscal year, spend on average 7.4% percent less than states with less stringent balanced budget rules. States with supermajority voting requirements for new tax legislation also have lower spending levels. States with such requirements spend on average \$75, or 2.7%, less than states without such requirements. Tax and expenditure limits (TELs) are also associated with lower levels of spending, however their effect is dependent on a state income levels. In states where income is equal to the mean, TELs lower spending by \$22, or .8% relative to the mean. However, in a state with an income per capita one standard deviation above

the mean, a TEL increases spending by $53, or 1.9%. TELs exert the greatest influence on state spending in states with below-average levels of income. In a state with an income per capita one standard deviation below the mean, the presence of a TEL decreases spending by $97, or 3.5%. These results are consistent with those found by other studies (Crain, 2003; Knight, 2000; Poterba, 1994; Shadbegian, 1996). Party control also significantly effects state spending. The presence of a Democratic governor raises per capita expenditures by $27.5. Similarly the presence of divided government increases expenditures by $26.8, approximately 1%.

Section 6. Conclusion

The results in this paper support the claim that term limits alter the fiscal behavior of state legislators. States with term limits have lower growth rates than states without term limits. This paper also provides further evidence that political instability reduces growth. However, the above analysis has not been completely successful in determining which aspect of term limits—increased turnover or shortened time horizons—is responsible for lower growth. The preliminary results presented here indicate that term limits encourage myopic fiscal policy, such as increased expenditures, which in turn lowers growth. However, this increase in spending could also be the result of strategic behavior on the part of the incumbent government rather than the result of myopic fiscal policies. Legislators under term limits may increase their spending levels either because they are indifferent about the future, or because they hope to constrain the spending decisions of future legislators by saddling them with increased debt levels. The model presented here cannot distinguish between these two mechanisms. Further, this paper has

not tested whether term limits reduce public investment or encourage any other types of myopic fiscal policy. If legislators under term limits are engaging in myopic, rather than strategic, behavior then this should manifest itself in lower levels of infrastructure spending, less capital investment, and perhaps a shift in the types of economic development strategies that legislators adopt.

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Table 1: Average Tax Rates and Spending Levels in Term-Limited States, 1990-1994.

State	Year Enacted	Expenditures as a Share of Income (1990-1994)	Rank	Income Tax Rates (1990-1994)	Rank
Arizona	1992	11.6	27	1.78	31
Arkansas	1992	12.6	19	2.18	23
California	1990	11.7	26	2.46	15
Colorado	1990	8.9	47	2.16	25
Florida	1992	8.9	45	0	47
Idaho*	1994	12.1	23	2.75	9
Louisiana	1995	14.4	7	1.19	37
Maine	1993	14	9	2.63	10
Massachusetts*	1994	12.4	20	3.57	2
Michigan	1992	11.3	30	2.22	21
Missouri	1992	9.1	42	1.9	36
Montana	1992	14.8	6	2.25	19
Nevada	1996	9.5	39	0	47
Ohio	1992	10.6	33	.20	39
Oklahoma	1990	11.9	24	2.16	24
Oregon*	1992	11.6	28	3.74	1
South Dakota	1992	11.8	25	0	47
Washington*	1992	12.7	18	0	47
Wyoming	1992	18.2	1	0	47
Average		12.1		1.81	

* Indicates that term limits have since been repealed either by the state legislature or the state supreme court.
Sample includes all 48 contiguous states, except Nebraska.

Table 2: Effects of Term Limits on Economic Growth Rates, 1977-2001.

	(1) Growth Rate	(2) Income
Term Limits	-.479 (.201)***	-146 (48.5)***
Service Share of GSP	-.777 (.042)***	257.22 (12.0)***
Government Share of GSP	-.997 (.069)***	-472.9 (14.4)***
Income in 1977	.001 (.0002)***	.843 (.05)***
Age	-.025 (.053)	56.1 (9.01)***
Education	-.142 (.018)***	56 (3.83)***
Year dummy variables	Yes	Yes
State dummy variables	Yes	Yes
Wald chi-squared	50855***	117286***
Total panel observations	1152	1152

Table 3: Effects of Term Limits on Fiscal Policy Volatility

	(1) Expenditure volatility	(2) Revenue volatility
Term Limits	.013 (.013)	.087 (.064)
Population volatility	.004 (.008)	.022 (.048)
Party stability	-.01 (.144)	-.625 (.333)*
Gubernatorial term limits	-.01 (.006)	-.036 (.037)
Biennial budget cycle	-.009 (.007)	-.023 (.035)
Growth rate volatility	.008 (.004)*	-.024 (.016)
R-squared	.1704	.110

Table 4: Effects of Term Limits on Expenditures Per Capita, 1977-2001.

	Exp. Per Capita
Term Limits	53.4 (25.3)**
Balanced Budget	-207 (67.7)***
Supermajority requirements	-75.6 (19.2)***
Tax and Expenditure Limits	-435 (123)***
TEL*INC	.017 (.004)***
Divided government	26.9 (7.53)***
Governor (1=Democrat)	27.5 (9.3)***
Income	.04 (.006)***
Population	-.00008 (.000007)***
Unemployment rate	12.5 (3.17)***
Year dummy variables	Yes
State dummy variables	Yes
Wald chi-squared	157670***
Total panel observations	1175