

Direct democracy in Australia: Voter behavior in the choice between constitutional monarchy and a republic

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Abstract

Opinion polls conducted throughout the 1990s indicate most Australians favor a republic. A referendum making that constitutional change, however, was defeated. This paper investigates whether voters employ a loss-minimization rule, as opposed to a value-maximization rule, when making political decisions. Based on the predictions of each rule, political strategies are devised and compared to the official arguments employed by republicans and monarchists during the period preceding the vote. Empirical research relates voting outcomes at the individual voter level to influences that are likely to be correlated with political risk aversion. The results are consistent with the conclusion that voters do not employ value-maximization rules. © 2005 Elsevier B.V. All rights reserved.

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1. Introduction

The proposed deficiencies of democracy are well known. The average voter neither understands the complexities of legislation and law making nor cares for the subtleties and (perceived) dishonesty of politics. Voters may also be excessively ideological and lack, or fail to appreciate, the pragmatism necessary for ‘responsible’ government (Boudreaux and Lee, 1997; Brooks, 1999). Further, since one vote does not affect the outcome, a voter has no incentive to

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vote, or to become informed about electoral policies and promises. The voting paradox implies voting is irrational and that voters are not informed or are rationally ignorant. Individuals do of course vote, usually voluntarily, and in large numbers. Edlin et al. (2005) propose that rational voters with ‘social preferences’ vote. Blais (2000) concludes that the costs of voting are small and individuals vote for a whole range of reasons. Nonetheless, many voters do not educate themselves or seek out information regarding electoral platforms, but rather vote consistently for the same party or candidate. Voters may disregard electoral promises and vote for that party that (they believe) will make ‘better’ decisions (i.e., more closely represents the views of the voter) over the entire electoral cycle or in response to unforeseen circumstances (North, 1981).

In this paper, we use the 1999 Australian republic referendum to address the questions whether voters make full use of all information and how voters’ decisions are made. Our focus is on the second question. Unsurprisingly, the answer to the first question is that voters do not acquire or make use of all information. This is the principle of rational ignorance. Lupia and McCubbins (1998) propose that voters make use of various cues, and employ loss-minimization decision rules as opposed to value-maximization rules. The use of loss-minimization rules as opposed to value-maximization rules is not inefficient. Value maximization is more likely to lead to efficient decisions when decision makers can either diversify or hedge their decisions. To the extent that voting decisions lead to non-diversifiable risks, loss-minimization rules can result in efficient or desirable outcomes.

Opinion polls indicated that a majority of voters supported Australia’s becoming a republic rather than remaining a Constitutional Monarchy (McAllister, 2001). Despite an apparently high level of support for a republic, the 1999 referendum proposing this constitutional change failed, with fifty five percent of voters rejecting the proposal. This would appear to be a classic case of ‘opinion reversal’ (LeDuc, 2002a,b). The chairman of the Australian Republican Movement (ARM), Malcolm Turnbull, described the defeat as the result of a lack of knowledge on the part of voters. This is an explanation that many may find plausible. Indeed, Australia is often cited as an example of having uneducated and disinterested voters (see Aitken, 1978; Hughes, 1994; Gallagher, 1996). LeDuc (2003) is more diplomatic when he writes that, “the population at large assimilated new information more slowly.”

Our argument does not rely on voters being uneducated or irrational. We show the outcome of the Referendum to be consistent with voters being risk averse, and not employing value-maximization decision rules. This could be interpreted as irrationality. The Australian electorate is not unique in this regard (LeDuc, 2003). Our contribution is to explain the rationality of employing rules other than value maximization when making voting choices. Given that voters cannot diversify, or hedge political risks, they are more likely to vote ‘No’ in the face of uncertainty.

The issues that we investigate are better illustrated in the case of a referendum than in a general election. Unlike elections, in a referendum the status quo is well defined, and prevails if the referendum is lost.¹ Government policy often changes after an election even if the incumbent wins. Further, the issue that we investigate involves no arguments over past economic (mis)management, and the like.

¹ Peltzman (1998), for example, investigates the efficiency of voting markets and voter behavior in the context of elections to public office. On the differences between elections and referenda, see LeDuc (2002a: 80–85).

LeDuc (2002a) indicates that a problem with referenda and elections is that voter turnout can differ dramatically. However, voting in Australia is compulsory.² This allows us to abstract from the voting paradox and to focus on the voting decision.³

We start in the next section by discussing the background to the referendum. Section 3 sets out how decision rules interact with the strategies employed by the protagonists. In Section 4 we present empirical evidence consistent with the notion that risk adverse individuals would vote 'No'. Section 5 concludes.

2. The background to the referendum

The Commonwealth of Australia, which came into existence in 1901, is an amalgamation of the several British Australian colonies. There are six states and two territories. The Commonwealth is governed by the Australian Constitution, which is in turn part of a British Act of Parliament. The constitution can be modified by referendum where the majority of voters *and* a majority of states agree to the change. Since 1901, there have been 44 proposals, on 19 separate occasions, to change the constitution. Of these, only eight proposals have been successful — perhaps suggesting that that “Australian voters are ‘naturally’ conservative when it comes to passing referenda” (Tranter, 2003). Galligan (2001) provides a history of Australian referenda and argues, contrary for example to Aitken (1978) and Hughes (1994), that Australian voters have been prudent in rejecting self-serving government amendments to the constitution.

Australia is a constitutional monarchy with Elizabeth Windsor (the Queen of the United Kingdom) Queen of Australia. Upon her death or abdication, her legal heir (Charles Windsor) will become the King of Australia. The Queen's legal representative in Australia is the Governor-General, who is an Australian citizen and exercises the powers that the Queen (King) would normally exercise. These powers include commissioning the person who commands the majority support in the federal parliament to form government and, upon the advice of the Australian Prime Minister, dissolving parliament. The Governor-General also has the power to dismiss a government.⁴ The Governor-General signs legislation into law and performs other ceremonial functions. The Governor-General is appointed by the Queen (King) on the advice of the Prime Minister and can be removed from office by the Queen (King) upon receiving advice from the Prime Minister. This constitutional situation is similar to that of Canada and New Zealand.

In 1993 the Labor Prime Minister Paul Keating established a Republic Advisory Committee to recommend how Australia might become a republic and what powers a President might have. In particular, the Committee was asked to advise on the ‘minimum’ changes necessary to achieve a viable republic. In addition, Keating established a timetable whereby a republic would be declared by 2001 (the centenary of Federation). At least two events frustrated Keating's

² Section 245(1) of the Commonwealth Electoral Act 1918 (Cth) states, “It shall be the duty of each elector to vote at each election.”

³ The voter turnout at the 1999 Referendum was 95.10%. By way of comparison the turnout at the last federal election (October 9, 2004) was 94.32%. Clearly, for the 90–95% of Australians who vote, the cost of voting is less than AUS\$20 (approximately US\$15) – the fine imposed for not voting – plus the psychic benefits of voting.

⁴ This occurred in 1975 over the issue of ‘blocked supply’ — the Australian Labor Party government was repeatedly unable to have its budget passed by the Senate (Upper House). The Governor-General dismissed Prime Minister Gough Whitlam and replaced him with Malcolm Fraser, leader of the opposition, who did not have majority support in the House of Representatives (Lower House). Fraser, however, called a general election that he subsequently won.

proposal. First, the Liberal Party, rather than debate the issue on its merits, undertook to refer the matter to a Constitutional Convention if and when it won office. Second, the Liberal Party (in coalition with the National Party) won office in the 1996 general election.

A Constitutional Convention held in February 1998 resolved to propose a change to the constitution. The change would entail the Monarchy (and Governor-General) being replaced by a President with the same powers as the current Governor-General. In addition, the President would be recommended by the Prime Minister and the leader of the official opposition (after a public nomination process) and appointed by a two-thirds vote of the federal parliament. The President would be appointed for a period of five years, with no term limits. The Prime Minister (acting alone), however, could instantly dismiss the President, but would require subsequent parliamentary ratification (by a simple majority) within 30 days. Immediately upon being dismissed, the President would be replaced by the senior State Governor (in the event that he too was dismissed, the second most senior State Governor would become President, and so on). If the Prime Minister did not receive a simple majority ratifying the dismissal, the dismissed President would not regain office. The proposal did not specify what would happen to the Prime Minister under these circumstances. The proposed change was described as being ‘minimalist’ and was basically the constitutional model that had been first described by Keating in 1993.

After a bitter campaign this proposal was rejected by the voters at a referendum (6th November 1999). That bitterness related not only to the official ‘Yes’ and ‘No’ campaigns, but also to a group of republicans who preferred a direct election for appointing the president and, in the absence of a direct election, advocated a ‘No’ vote. Many commentators have speculated that these ‘spoilers’ led to the republic proposal being defeated. A second item on the ballot, a proposal to alter the preamble to the constitution, was also rejected.

3. Strategies followed by the parties

In this section we set out a simple payoff model to explain strategies in the referendum campaign. We concentrate only on the strategies followed by the official ‘Yes’ and ‘No’ campaigns. These campaigns were represented by the Australian Republican Movement (ARM) and Australians for a Constitutional Monarchy (ACM) respectively. Those direct electionists who advocated a ‘No’ vote did not have an official campaign. However, as we shall see, the ACM had a strategy of targeting direct electionists. We do not investigate the actual tactics employed by the ‘Yes’ and ‘No’ campaigns.⁵ Referenda can be undisciplined affairs (Jenkins and Mendelsohn, 2001) and we abstract from the more colorful aspects of the campaign.⁶

At time $t-2$ voters are asked to make a change to the status quo by voting ‘yes’ to a proposition. A no-vote will maintain the status quo. To avoid trivial outcomes, we assume that no majority exists for either the proposed change or the status quo. In other words, there are enough undecided voters to sway the referendum either way. At time $t-1$ the proposed change is debated. Voting occurs at $t=0$. At $t+1$ the state of nature will reveal whether the voters made the appropriate choice, i.e. voters will have sufficient information to decide whether they had made the “correct choice” at $t=0$. The pay-off matrix is shown below. Yes_{t+1} is where a state of

⁵ The ‘Yes’ campaign tended to use celebrities to make their arguments, while the ‘No’ campaign tended to use academics and judges.

⁶ For example, attempts by some Republicans to disfranchise potential monarchist voters (Turnbull, 1999: 146) and the argument that monarchists were less patriotic (Turnbull, 1999: 46).

nature occurs that indicates that voters should have voted Yes at time 0, while No_{t+1} is where a state of nature occurs that indicates that voters should have voted No at time 0.

	Yes _{t+1}	No _{t+1}
Yes ₀	$A \geq 0$	$C \leq 0$
No ₀	$B \leq 0$	$D \geq 0$

Given the payoff structure, assume voters are risk neutral and employ a value maximization rule. Voters will assess the expected values of the payoffs given the probabilities of each state of nature occurring at time $t+1$. In this instance:

$$E(A) + E(C) > E(D) + E(B)$$

will lead to a Yes-vote and

$$E(B) + E(D) > E(A) + E(C)$$

will lead to a No-vote. Voters, in particular the median voter, would be interested in the value of the payoffs in each state of nature and the probability of each state of nature occurring. Proponents of the status quo and the change provide that information. Each proponent, however, faces incentives to provide and emphasize different information.

Assume also that proponents of the change and the status quo decide to follow two strategies. The major strategy is to emphasize their strengths and their opponents' weakness. Subsidiary strategies defend their strengths from counter-attack and defend their weaknesses. Therefore, for a Yes-vote, the major strategy is to maximize A and minimize B and the subsidiary strategy is to minimize D while maximizing C . The position for the proponents of the status quo is symmetrical. Their major strategy would be to maximize D and minimize C , while their subsidiary strategy is to minimize A while maximizing B .

An alternate decision rule should be considered. [Lupia and McCubbins \(1998\)](#) suggest that voters do not use value maximization rules; instead they may be risk averse and use maximin rules (also called the precautionary principle).⁷ Voters may wish to avoid costly mistakes. This implies that voters may be risk averse and/or cannot diversify political risk. If a maximin strategy is followed, the voter chooses the strategy that has the least risk associated with it (i.e. the highest lowest-payoff). Employing this rule, voters will vote Yes when $C > B$ and No when $B > C$.

It is important to note, however, that the value-maximization rule and the maximin rule are equivalent when $A = D$. This is a possible interpretation of the 'minimalist change' argument. To the extent that voters do follow a maximin rule, the major strategies of a value maximization rule are largely irrelevant. After all, this is one of the criticisms of using non-value-maximization rules — they do not make use of all information. On the other hand, [Lupia and McCubbins \(1998\)](#) argue that voters do not need to make use of all information. Under a maximin rule everybody should follow his or her subsidiary strategy. Each does not need to argue the merits of their own position, they only have to defend it and emphasize the other's weakness. In short,

⁷ [Ferejohn and Fiorina \(1974\)](#) argue voters employ minimax rules when making the decision to vote. We are not modeling the decision to vote because voting is compulsory.

Table 1

The yes argument and strategy

Argument	Strategy
An Australian republic — it's all about our future	A
Becoming a republic simply means having an Australian as Head of State instead of the Queen	$A=D$
We should stand on our own two feet	A
A small step, important and safe	$A=D$
An Australian President	A
A President, not a politician	A
A stable parliamentary system	$A=D$
It's a simple change, but an important one	$A=D$

Source: AEC: Referendum Info <http://referendum.aec.gov.au/>.

pursue a scare campaign. This is consistent with one of the ACMs tactics: As shown below at no time did they defend the institution of the monarchy.

The predictions of our model can be tested by examining the ‘official’ arguments made in the republic referendum. Prior to any referendum the Australian Electoral Commission (AEC) distributes documentation to each household setting out the arguments for, and against, any proposed constitutional change. The material is marked “The content of this argument was authorized by a majority of those members of Parliament who voted for [against] the proposed law and desire to forward such an argument.” The arguments have been summarized in Tables 1 and 2 below and we have indicted the nature of the argument in terms of our payoff model.

As can be seen from Table 1, the ARM followed part of its major strategy by emphasizing A and the minimalist change ($A=D$). The ARM, in any event, could not follow their value maximizing strategy. They were constrained by the ‘minimalist’ change tactic. The ARM argued that the status quo had worked well and that the change they proposed was symbolic. They could not minimize D or maximize C . This would have entailed criticizing either the Queen (who remains popular) or the current political system. Similarly, maximizing C is not wise. This is the equivalent of asking, ‘What is the worst that can happen?’ An open-ended question such as this invites a scare campaign. In their official argument the ARM did not even address B . In terms of a value-maximization rule, the failure of the Yes-case could then be described as not having sufficient argumentation for its case. Under the maximin rule the ARM did not address the issues at all. Even when $A=D$, a successful campaign would still require some argument that $C>B$.

Table 2

The no argument and strategy

Argument	Strategy
A Prime Minister can dismiss the President, instantly, for no reason at all	C
The people won't choose the President: the political deal-makers will	C
If it ain't broke, don't fix it	$A < D$
Major changes with unknown results	C
Constitutional change should unite us, not divide us	C
Australia is already an independent nation	$A < 0$
There will be no benefits under this republic — only problems	$A \leq 0, C$
A Prime Minister can keep the President in office indefinitely	C
The nominations committee won't give you a say	C
Politicians one day — President the next	C

Source: AEC: Referendum Info <http://referendum.aec.gov.au/>.

Overall, however, it appears the ARM were expecting voters to follow a value-maximization decision rule.

The ACM strategies are set out in Table 2. The ACM did not directly follow the value-maximization strategy, i.e. they did not attempt to maximize D . Further, much to the consternation of the ARM, they did not defend the monarchy. They did, however, attempt to minimize A , and argue that $A < D$. This is consistent with some aspects of a value maximization approach. It is worth noting that the ACM had few arguments dealing with A and to a large extent this is due to the minimalist change that the ARM had proposed. In essence the ARM had already minimized A . Where the ACM concentrated their efforts was on C — the cost of making the wrong decision. Here the ACM (generally) argued that the change was not really minimalist. The ACM, however, also addressed direct electionists in their argument that “The people won’t choose the President.” Here they are arguing that the proposed model is too minimalist. In essence the ACM ran a scare campaign. Voters could not be certain what the ‘minimalist’ change would bring.

Neither of the official strategies invoked any argument about B . During the campaign, however, the ARM introduced a B type argument. This was to argue that the referendum was a ‘once in a lifetime opportunity’ and, if defeated, voters would not be given another opportunity to vote on a republic. This argument, however, was weak. First, no coherent reasons were given why another referendum could not be held. Second, some constitutional amendments have been presented on more than one occasion. The ACM was able to argue that if problems with the status quo arose that they could be quickly and easily remedied.

Overall, the strategy followed by the ARM was to emphasize the minimalist change and the advantages to change. They did not have any strategy dealing with risk or aversion to change. The ACM on the other hand pursued a number of strategies. First they argued the change was not minimalist and second they emphasized risks associated with the change.

4. Empirical analysis

The result of the referendum was a comprehensive rejection of the question concerning the proposed republic — only 45% voted in favor with no state producing a ‘yes’ majority. In this section we present empirical evidence that relates how voters actually voted to some determinants of that voting choice. The data used are the Australian Constitutional Referendum Survey, 1999 (ACRS)⁸ (Gow et al., 2000). The ACRS was conducted between November 1999 and March 2000 and identified issues of voting preferences and attitudes towards constitutional reforms. In many instances the survey respondent would have specified how they had actually voted in the referendum as opposed to how they intended to vote. The sample is drawn from the electoral roll which, given Australia’s mandatory voting regime, is kept up to date and is reliable. In total there are 3431 cases (individual voters) and 168 variables per case in the final data set.

We investigate the survey data in an attempt to match questions to our pay-off model. For example, the ARM argued “We should stand on our own two feet”, the ACRS ask whether Australia should keep, or break, constitutional ties with Britain. ‘Break Ties’ corresponds to an A -strategy, while ‘Keep Ties’ could either be an $A < D$ -strategy, or an $A < 0$ -strategy. Other

⁸ A full data description can be found at <http://assda.anu.edu.au/codebooks/acrs99/description.html>. The originators of the ACRS data bear no responsibility for our analysis or interpretation of the data.

Table 3
Descriptive statistics

Variable	Mean	Standard deviation	Minimum	Maximum
Vote in referendum (Y/N)	0.483		0	1
<i>Preference order</i>				
Model on offer	0.200		0	1
Status quo	0.234		0	1
Direct electionists	0.539		0	1
1st direct election, 2nd retain Queen	0.207		0	1
Perception of republic	3.158	0.603	1	5
Perception of Queen	2.397	0.874	1	5
University (Y/N)	0.205		0	1
<i>Queen's important</i>				
Yes	0.347		0	1
No	0.654		0	1
<i>Change flag</i>				
Yes	0.373		0	1
No	0.627		0	1
<i>Constitutional ties with Britain</i>				
Keep ties	0.399		0	1
Indifferent to ties	0.202		0	1
Break ties	0.399		0	1

variables we employ as a link to the pay-off include the importance of the Queen ($A=D$ -strategy and C -strategy), and views on the Australian Flag (C -strategy).

We employ a number of controls in our analysis. Specifically we control for those direct electionists who had the status quo as their second preference. Turnbull (1999) made the argument that the more educated voters were, the more likely they were to vote yes. This is proxied by having a university education. In addition, we created two ‘summated scale’ variables, *Perception of a Republic* and *Role of the Queen*. The ACRS questionnaire contained ten statements concerning what respondents thought would happen if a republic were to be introduced. For example statements included “The Prime Minister would become more powerful” and “The change to a Republic would be very expensive”.⁹ Respondents indicated their degree of agreement with each statement. After recoding some of the responses such that the higher the score the more positive the impact we then summed the item scores and produced a single score variable as the mean score of the ten statements. This variable concerns the perceived impact of the republic. It ranges from 1 to 5 with higher scores reflecting that the respondent thought that the change to a republic is preferred.

A similar procedure was used to create a single score variable concerning the Queen’s role in Australia. The statements were “The Queen plays an important part in guaranteeing the democratic rights of the Australian people” and “For the most part, the Queen promotes British rather than Australian interests”. Again, after recoding the second item such that the higher the score the more positive the impact (from an Australian perspective), we summed the item scores

⁹ A full listing of these statements can be found at <http://assda.anu.edu.au/codebooks/acrs99/3vars.html#C15P1>.

Table 4
Logistic regression results

Variable	Theory	Coefficient	T-ratio	Odds ratio
<i>Control variables</i>				
Constant		−7.4761	−10.378	
Direct/Queen preference	?	−1.7823	−9.430	0.168
Republic perception	+	2.5888	12.912	13.314
Queen perception	−	−0.3349	−3.036	0.715
University	?	0.4564	2.468	1.578
<i>Importance of Queen</i>				
Yes	$A=D, C$	−0.7659	−4.111	0.465
<i>Changing the flag</i>				
No	C	−1.0279	−6.365	0.358
<i>Constitutional ties</i>				
Keep ties	$A < D, A < 0$	−0.3568	−1.819	0.700
Break ties	A	0.7517	3.883	2.121
Log-likelihood		−587.839		
Chi-squared		1322.154	8 d.f.	
<i>Predicted</i>				
Actual	Against	For	Total	Percent
Against	799	113	912	87.6
For	131	773	904	85.5
Total	930	886	1816	86.5

and produced a single score variable. The Queen's role score variable ranges from 1 to 5 and measures the degree to which the respondent believes that the Queen has a role in supporting Australia's democracy and interests with higher scores reflecting higher perceived levels of support. Table 3 contains some selected descriptive statistics.

On average 48% of the survey respondents voted yes to the republic. This is slightly higher than the actual national vote. Twenty percent of respondents supported the republican model on offer, 53.9% of respondents supported a direct election model and 23.4% of respondents supported the monarchy. Respondents who supported the model on offer overwhelmingly voted in favor of it (92.6%), while monarchists voted against it (96.2%). Fifty-two percent of direct electionists voted in favor of the republic, while the small number of respondents with no opinion on the constitution voted against the republic (77.4%). The voting behavior of the direct electionists might lead some readers to the view that the referendum was lost simply because the 'wrong model' was on offer. This argument is not supported by the data. While only 20.7% of direct electionists indicated a preference for the Queen as their second choice, 46.6% voted against the republic.

Not surprisingly, the perception of a republic is high at 3.158, with a maximum of 5. Most respondents (65%) do not view the Queen as being important to Australia and she has an average score of 2.397, with a maximum of 5. This view, however, should be contrasted with the even balance in regard to maintaining constitutional ties with Britain. In each case forty percent of the survey respondents were in favor of keeping and breaking any constitutional ties. Twenty percent of the population was indifferent to either maintaining or breaking constitutional ties. Apart from the monarchy itself, there are no Constitutional ties with Britain. We believe that this

variable is a proxy for maintaining membership of the (British) Commonwealth. Finally, twenty percent of respondents have a university qualification.

Defining the outcome of interest to be:

$$y_i = \begin{cases} 1 & \text{if voter } i \text{ votes yes in the referendum,} \\ 0 & \text{if voter } i \text{ does not vote yes.} \end{cases}$$

We use a binary logistic model to explain the probability that a voter with characteristics, x_i , will vote yes in the referendum as:

$$Pr(y_i = 1) = \frac{\exp(x_i' \beta)}{1 + \exp(x_i' \beta)}. \quad (1)$$

The model is fitted using maximum likelihood techniques and results are shown in [Table 4](#).

This model is well determined with no apparent evidence of misspecification. Further, if we classify fitted values (probability of voting yes) in excess of 0.5 as being in favor of the republic the model classifies the observations well. We see that having direct election and retaining the Queen as 1st and 2nd preferences for the head of state, the perception of the republic, the perception of the Queen's role, the importance of the Queen, views on changing Australia's flag, on retaining constitutional ties with Britain and whether the individual has a degree are all significantly related to the probability that an individual will vote for the republic.

The largest positive impact comes from the score variable relating to the perception of the republic. This is not surprising. The strong negative impact of an individual having direct election and retaining the Queen as 1st and 2nd preferences for the head of state is consistent with [Charnock's \(2001\)](#) results. He found, of all Republicans, this group was most opposed to the proposed model. Direct electionists make up almost thirty four percent of the total no vote. It does seem counter-intuitive that individuals would prefer radical change as their first preference and then the status quo before a modest change. We argue, however, that these individuals are well explained by our model. In some respects they could be described as being very risk averse. While 58.8% thought the Queen was not very important to Australia, 43.2% thought that Australia should keep constitutional ties with Britain. Only 10.9% have tertiary qualifications. The ACRS data indicate, excluding this group, 58% of the sample voted yes to the referendum question. It is clear that direct electionists and Queen preference voters did not like the proposed change at all, and risk aversion explains this dislike.

We also find that the British Monarchy exerts an influence. Specifically, if the Queen is seen to be important and/or the more she is perceived to support Australia the lower the probability is that the voter will support the republic. The significance of the variable relating to the importance of the Queen ties directly to our arguments above. In particular, it rejects the minimalist stance that $A=D$. Voters who did not accept the notion of a minimalist change were more likely to vote no. The result that those who opposed changing the Australian flag have significantly lower probability of voting yes for the republic is support for the argument that campaigning on C – that is, a scare campaign – had an impact. Voters were concerned about the risks associated with the proposed change.

As discussed above, the attempt to minimize D and argue that $A < D$ is consistent with following a value-maximizing strategy. Our results tell us that individuals who want to keep (break) ties have a lower (higher) probability of voting yes for the republic. The significance of these two variables for constitutional ties confirms that this strategy had some impact. The ACM were able to convince some voters who did follow a value-maximization strategy that $A < D$. As

we have argued, the ARM relied solely on A -type arguments and $A=D$ arguments. A reliance on that very narrow argument was not enough to convince voters to support the proposed change.

To assess the practical importance of these results we conducted a simple analysis where we create three stylized individuals and use the logistic model given in Eq. (1) with our estimated coefficients to estimate the probability that the individual will vote yes in the referendum. Our individuals are based upon splitting the sample into thirds based upon the value of the perception of the republic score variable. Individual 1 can be characterized as having strong support for the monarchy and Britain and a low perception of the value of the republic, whereas individual 2 is the opposite of one who has low affinity for the monarchy and Britain and a high value for value of the republic. Individual 3 is situated between these two and could be termed neutral — the median or modal voter.

Individual 1 has a score of 2.54 for their perception of the republic, 2.8 for their value of the perception of the Queen's role, does not have tertiary qualifications, thinks that the Queen is very important, is strongly for retaining the flag and agrees that Australia should keep constitutional ties with Britain. The estimated value of the probability that this individual will vote yes is 0.049. Individual 2 has a score of 3.78 for their perception of the republic, 1.92 for their value of the perception of the Queen's role, has tertiary qualifications, thinks that the Queen is not important, is for changing the flag and disagrees that Australia should keep constitutional ties with Britain. The estimated value of the probability this individual will vote yes is 0.980. Finally, our 'neutral' case has a score of 3.16 for their perception of the republic, 2.40 for their value of the perception of the Queen's role, does not have tertiary qualifications, thinks that the Queen is important, is for retaining the flag and is indifferent to Australia keeping constitutional ties with Britain. The estimated value of the probability that our 'neutral' case will vote yes is 0.296.

5. Conclusions

Voters do not make use of all information available. This is not a novel, or controversial, result. Nor would we expect them too. We, however, would expect voters to be rational. Given the constraints in political markets, this would seem to be the case. Voters economize on their information requirements and, given a lack of diversification or hedging opportunities, are risk averse. The results in this paper are consistent with these notions.

We have set up a very basic payoff model and investigated two decision rules that would give rise to a 'Yes' or 'No' vote. The ACM for whom the electorate delivered their desired outcome ran a campaign consistent with voters being risk averse and employing a maximin decision rule. The ARM who 'lost' the referendum ran a campaign consistent with voters being risk neutral and employing a value-maximization rule. We have investigated whether variables that could reasonably proxy risk aversion are related to the voters' actual vote.

In short, those individuals who strongly supported Australia becoming a republic voted yes. Those individuals who did not support Australia becoming a republic voted no. Having controlled for factors that would predispose individuals to vote either yes or no, we have modeled aspects of the campaign. The 'value-maximization, minimalist-change' campaign failed. Voters responded to the ACM campaign. The strategies employed by the ACM are consistent with voters being risk-averse and following non-value maximization decision rules, in particular by following a maximin loss-minimization rule.

The 'surprising' outcome of the referendum can be explained without having to resort to 'voting is inefficient', or 'the people don't know what they want' arguments. Those individuals

who were ‘indifferent’ to Australia becoming a republic were more likely to vote no. The ARM simply failed to convince the median voter to support their cause.

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