Transparency, Publicity, Accountability –
The missing links

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In the terminology of principal-agent theory transparency is a means by which the 'principal' controls that its 'agent' does not engage in 'agency-shirking' (i.e. pursues policies which promote its own interests rather than the interests of the principal). This article argues that the growing social science research on transparency and agency behavior should avoid assuming an automatic link in this respect. Just adopting the common sense notion that 'if people can see what is going on, elite actors will have to shape up their acts' may be misleading. Rather the causal link is subject to two conditions: First, in order for transparency to alleviate agency shirking the information made available must also reach and be taken in by the principal—what I will call publicity. Secondly, in order to affect agency behavior the principal must also have some kind of sanctioning mechanism in its hands—i.e. a possibility of accountability. In order to be able to account for these conditions researchers must distinguish between the concepts of transparency, publicity and accountability. Below I will show how not making these distinctions have lead scholars to draw misleading conclusions about the significance of transparency in two high profile policy issues— the fight against corruption and the question of central bank accountability. First, I will present the theoretical argument.

Transparency, publicity and accountability

Let us assume that rational politicians, civil servants or other political agents will engage in agency shirking if the perceived benefit is large enough to exceed the uneasiness created by the combination of the potential costs of accountability and the perceived risk of actually having to face these costs. Thus, agency shirking can be prevented by increasing the risk for, or the costs, of accountability or by decreasing the benefits of shirking. Transparency enters the equation as a possible determinant of the probability of accountability. But the link between transparency and accountability is not as straightforward as is often assumed.

First of all accountability is primarily a function of publicity rather than transparency. Publicity, one can say, is a causal mechanism linking transparency and accountability. These concepts may be distinguished as follows. The concept of transparency captures the accessibility of information. Transparency literally means that it is possible to look into something, to see what is going on. A transparent organisation, political system, juridical process or market is one where it is possible for people outside to acquire the information they need to form opinions about actions and processes within these institutions. The information about agency behaviour is there for those principals who are willing and able to seek it.

Publicity on the other hand means that the information is actually spread to and taken in by the principal. With respect to voters and elected representatives, thus, transparency implies that there is documentation available on the actions of the representatives, while publicity means that the content of this information has also become known among the voters. Clearly transparency will usually increase the chances of publicity. In most cases information that is easily accessible would stand a greater chance of also being spread (although one can imagine that secret information that is leaked to the press may sometimes be more interesting to publish than information from official documents—just because it was secret). But there will be no publicity, i.e. no actual exposure of actions to a public audience, no matter how transparent the process or the institution in question is, if the available information about these actions is left unattended.

There may be different reasons why transparent information does not reach the principal. Lack of mediators, such as mass media, is one. Lack of demand (rational ignorance) is another. A lot of information which is accessible, such as public documents which are subject to freedom of information laws, will never be spread to a broader audience of voters simply because they concern issues which are immediately interesting only to a small group of especially interested actors. A third reason why transparent information may not reach the principal concerns the capacity of the principal to access and process the information. Again considering voters in a democracy especially the level of education will be an important link between transparency and publicity. The higher the level of education the stronger the capacity of people to access and process information from the media and public records, and subsequently the higher the risk—from the policy-makers' perspective—of publicity.

However, while higher risks of publicity may imply higher risks of accountability, and therefore less agency shirking, this link is also not an automatic one. Again we need to look more closely at the concepts being used. The concept of accountability should be separated from transparency and publicity. Being held accountable involves 'paying the price' for one's actions. Accountability therefore involves something more than just having one's actions publicly exposed. In case of misconduct some kind of sanction should be imposed on the actor.[1] Sometimes the embarrassment and social stigma of having one's bad behaviour exposed to the public may in itself constitute a costly sanction. But in other cases an actor may not care much about what the public thinks.

[1] See, for instance, Manin, Przeworski & Stokes 1999, p. 10, Behn 2001.

Thus, while transparency increases the chances of publicity, publicity may promote accountability. If the agent's actions are known to the principal they will be possible to sanction. But while publicity is a necessary condition it is in itself not sufficient to acquire accountability. It must be accompanied by some mechanism for sanctions. Increasing the risk of publicity will not induce any change in behaviour on the part of the agent unless it believes that the principal will go from awareness to action and actually impose the costs of accountability. And in order to take that step the principal must have some instrument for holding the agent accountable. Thus the probability of accountability is a function of the probability of publicity and the existing sanctioning mechanisms.

Conceptual clarity is always a virtue, but that is not the major point here. The point is that failing to distinguish between transparency, publicity and accountability may lead scholars who are empirically investigating these phenomena to employ the wrong research designs and misinterpret their findings.[2] I will give two examples of when this has happened.

Transparency vs. corruption

In the research and debate on the causes of and remedies for corruption the purifying power of transparency is a well established assumption.[3] A particularly attractive feature of transparency as a potential medicine against corruption is that it is a factor which seems to be feasible to implement by institutional reform. In one of the most comprehensive studies of the causes of corruption so far Treisman found that many of the important factors explaining corruption are long-term economic and socio-cultural variables, such as economic development, religion and colonial heritage. Free and fair elections also had a negative effect on corruption in Treisman's study—but only after 40 years! Introducing free elections and

[2] Two standard methodological points should be kept in mind. While the distinctions made here are theoretically valid it may not always be possible to find estimates that are sufficiently uncorrelated to avoid multicollinearity in regression analyses. Furthermore, especially in political organisations, the question of endogeneity may be important, i.e. is it transparency, publicity and accountability that prevent agency shirking or is it the other way around? Shirking agents have a clear incentive to manipulate the conditions for transparency, publicity and accountability.

[3] See, for example, Montinola & Jackman 2002, p. 151, Rose-Ackerman 1999, p. 162 ff., Gerring & Thacker 2004, p. 316.

party competition today would not help to bring down the level of corruption for a long time.[4] From a central reformers' perspective, thus, a factor which can be used in anti-corruption reforms and have an effect in the present time would be especially welcomed.

But does transparency really make a difference for corruption—what evidence do we have? The most important study so far is that of Brunetti and Weder, who present very promising results with respect to press freedom, which may be used as a proxy for transparency. A free media is a particularly relevant indicia of transparency for studies of corruption. While formal access to documents and information may also be problematic for corrupt actors, making their activities more difficult to conceal, very few instances of corruption will turn up in public archives. Fact-digging journalists, however, are a real potential threat to those who wish to keep their back-door manoeuvres secret. Following the previous definitions of transparency and publicity the media as such may promote both. In its digging function it creates transparency, by making previously secret information available to the public. In its publishing function it creates publicity to this information, by spreading it to people. While measures of media access (newspaper circulation, access to radio and TV sets) may be used to capture the publicity part, indexes of press freedom are preferable for measuring transparency, as they concern the ability of individual journalists to reveal instances of corruption. High levels of media access does not in itself constitute a threat to corrupt elite actors, if the media is not free to report on corruption.

Brunetti and Weder's cross-country and time-series studies indicate a strong effect of press freedom on corruption (using perception indexes to capture these variables). "A complete move to press freedom would lead to a dramatic reduction of corruption in the average country", they claim.[5] By way of illustration, they calculate on the basis of their model what an increase in press freedom would mean for a couple of countries. Thus, if Nigeria at the bottom of the corruption ranking would attain the same level of press freedom as Norway, which has the highest score on the press freedom index, "it would mean a reduction in corruption to the level of Belgium" (which would be a remarkable improvement).[6]

Together with Catharina Lindstedt I have challenged Brunetti and Weder's (along with some other studies') conclusions about the average effect of press freedom on

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[4] Treisman 2000, 433ff.

[5] Brunetti & Weder 2003, p. 1813.

[6] Ibid, p. 1821.

corruption.[7] We argued that press freedom would not affect corruption if it was not also accompanied by at least a risk (from the perspective of the elite actors) for publicity and accountability. Simply making information available would not be enough, we hypothesised. The argument was tested by analysing to what extent the press freedom effect was dependent on publicity and accountability mechanisms in a cross-country study of 110 countries. As indication of the presence of an accountability mechanism we used measures of free and fair elections. Our proxies for publicity were education, which is a factor that increases the capacity of people to access and process available information, and newspaper circulation.

If higher levels of free and fair elections, on the one hand, and education and newspaper circulation, on the other hand, would amplify the press freedom effect on corruption our hypothesis would be confirmed. Looking at the interaction effects between these variables we saw that precisely this was the case (there is no room for tables and figures here, see the original study). We demonstrated that press freedom would do a fine job reducing corruption in countries with relatively free and fair elections and with high levels of education and newspaper circulation. At the same time, however, there was no significant effect of press freedom in countries which were lacking with respect to these conditions for publicity and accountability. The marginal effect of press freedom would not become significantly negative until countries had reached a level of free and fair elections above ca 5 on the scale from 0 to 10 (which is the level of, for instance, Sierra Leone and Armenia), and above ca 4 on the education scale (which is the level of Uganda and Albania). Thus, a free press would only reduce corruption if there was a chance that the information would be spread and taken in by a broader public, which also had the power to put sanctions on the corrupt elite. We also tested a broader measure of transparency, including both press freedom and indicia of the degree of disclosure of political campaign funding, and the results were the same.

Earlier studies' attempts to calculate the average effect of press freedom, while omitting the interaction effects of publicity and accountability, had been misleading. The great hopes that Brunetti and Weder had for Nigeria—would they increase their level of press freedom—would not be realized as Nigeria did not (in 2003) meet the required degree of free and fair elections. One important conclusion from this study was that transparency is no quick fix. Transparency reforms would not help reduce corruption in many countries if they were

[7] Lindstedt & Naurin 2006.

not accompanied by strategies to strengthen the capability of people of holding their leaders accountable.

Central bank independence and accountability

A very different research question, it may seem, is the question of central bank independence and accountability. This is also a research field, however, where confusion of the concepts of transparency and accountability has lead scholars astray.[8]

A global trend the last ten to fifteen years has been to give central banks a higher degree of independence from the elected political institutions. The basic motivation for this is found in economic theories of time-inconsistency problems, where it is argued that elected politicians should not be entrusted with handling monetary policy since they will be too focused on winning the next election to act in the long term interests of the citizens.[9]

One of the most independent banks so far is the European Central Bank (ECB). The Governing Council consists of the national central bank presidents (12 at present) and an Executive Board of six bankers appointed for eight years. There are no ways for the elected political institutions to put sanctions on the Council members should they engage in agency shirking or in other ways perform poorly. Once appointed they cannot be removed from office during their term (and the Executive Board members cannot be re-elected afterwards). There is no override mechanism, as in some countries, where the government in a crisis situation may step in and take over the duties of the bank for a period of time. Furthermore, since the rules regulating the ECB are laid down in an intergovernmental treaty, which can be changed only if all member states are in agreement, these rules are in practice difficult to change.

Considering the importance of monetary policy, affecting interest rates and unemployment levels, it is no wonder that concerns have been raised about the democratic legitimacy of the ECB. Is it reasonable to delegate powers over such an important policy area to untouchable bureaucrats, some have wondered? Defenders of the ECB, on the other hand, have argued that independence does not necessarily exclude what they refer to as democratic

[8] A more elaborated argumentation than the space limits here allow is outlined in Naurin 2003.

[9] See, for example, Amtenbrink 1999.

accountability.[10] This line of argument finds support in indexes developed by scholars to measure the degree of accountability of central banks. The ECB scores relatively well with respect to accountability in these indexes, in spite of the high degree of independence. It thus seems as if we can have the best of both worlds—independence and accountability are not mutually exclusive.

The problem with these indexes, however, is that they are based on a confusion of accountability and transparency. Indicators of transparency (for example the publishing of reports, parliamentary hearings, publication of minutes, press conferences etc.) and “clear objectives” (the degree to which the targets of monetary policy—for instance the level of inflation—towards which the bank should be working have been clearly specified) form a major part of the indexes. For example, eight of the thirteen indicators of the accountability index of de Haan and Eijffinger refer to transparency and clear objectives, and three out of four indicators in the index of Briault, Haldene and King concern transparency measures.[11] In the accountability index of Bini-Smaghi and Gros all fifteen criteria which build up the index are connected to transparency and clear policy objectives.[12] In practice, therefore, accountability is to a large extent the same as transparency and clear policy goals. It is possible to achieve a relatively high degree of accountability even though there is no sanctioning mechanism available.

Furthermore, many of the transparency indicators do in practice capture attempts at shaping the publicity of the doings of the bank, rather than giving outsiders a chance to see for themselves what is going on inside. Press conferences, public hearings and speeches certainly raise the publicity of the bank. On the other hand, these types of information channels are controlled by the bankers themselves. In fact, there is a big resistance, both among the bankers themselves and among economists analysing the ECB, against more objective measures of transparency, such as publishing minutes and voting records (which the ECB does not do at present).[13] If people were trusted with too much “raw” information, they

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[10] See, for instance, Issing 2000 and Trichet 2001. Political scientists will recognize the argument that the trade-off between independence and accountability is a “myth” from the works of Majone (1996).

[11] Eijffinger & de Haan 2000, Briault, Haldene and King 1996

[12] Bini-Smaghi & Gros 2001.

[13] See, for instance, Padoa-Schioppa 2000, Trichet 2001 and de Haan, Amtenbrink and Waller 2004.

argue, they will misunderstand what is going on. “The ‘public’s right to know’ has to be balanced by the ‘public’s need to understand’”, as one member of the Executive Board put it.[14] De Haan, Amtenbrink and Waller support this view by defining transparency as “the public’s understanding of the decisions taken”, rather than availability of information.[15] According to this logic publishing more objective information like minutes and voting records may rather decrease the level of transparency, as people will misunderstand the content of this information without the bankers’ assistance in interpretation.

In my view the argument that the ECB is both unusually independent and accountable is based on an unreasonable stretching of the concept of accountability. It assumes that transparency automatically leads to accountability, but as I have argued here this is not the case. Even if we would agree that the public relations activities of the ECB are a form of transparency measures (which is doubtful) there are still no sanctioning mechanisms available. No matter how many press conference the Executive Board holds, we still have to wait eight years before we can replace its members if they perform badly.

But is public critique not a form of sanction, someone could argue? The ECB president will have to put up with critical questions from the press and hearings in the European Parliament (or rather, the ECB has so far decided that they will engage in these activities although they are not bound to do so[16]). Surely public critique can be an effective sanctioning mechanism in some circumstances. In the case of the ECB, however, it is hardly enough to achieve accountability. One cannot simply assume that a badly performing or agency shirking bank will shape up its act if it is exposed to public critique. The members of the Board probably would like to avoid such critique if they could. On the other hand their jobs are not at stake and they have in fact a strong argument for not listening too much to critique from outsiders. Article 108 of the treaty states that the ECB is forbidden to “seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body”. Furthermore, “the Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks”. If the public critique becomes heavy article 108 may be referred to by the ECB to protect its independence.

[14] Issing 1999, p. 508.

[15] de Haan, Amtenbrink and Waller 2004, p. 776.

[16] Amtenbrink 1999 p. 296f.

The defenders of the present construction of the ECB have been helped by scholars in handling the difficult debate on democratic legitimacy. Rather than being forced to discuss what is a reasonable balance between the two values of independence and accountability—it is of course possible to have a different balance than the one chosen for the ECB, for instance by including an override mechanism—they have been able to point at the accountability indexes and argue that the two are not mutually exclusive. Being more sensitive to the distinctions between transparency, publicity and accountability would have helped scholars avoid playing such a doubtful political role.

Conclusion

I have argued here that the common sense idea that ‘if people can see what is going on, elite actors will have to shape up their acts’ is too simple a notion of the link between transparency and agency shirking. There is indeed a causal link, but it is a conditional one. Just making information available is not enough to affect agency behavior. There must also be a reasonable chance that the information actually reaches the public/principal and can be used for sanctioning shirking. The common practice of mashing the concepts of transparency, publicity and accountability into one tends to blur the importance of these different causal mechanisms. The examples given here from the research on corruption and central bank accountability demonstrate the point. Paying attention to these distinctions thus is not just a question of conceptual clarity, but also one of research design for the evolving empirical social science research on transparency.

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