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Varieties of Transparency

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1. INTRODUCTION

THE SUSPENDED AUDITORIUM WITHIN THE COURTYARD of the former
Ministry of Posts and Telecommunications building that now houses the
Flemish Parliament has a convex glass roof that is said to symbolize the
Parliament's transparency to its people. The architecture of Lord Richard
Rogers' new building for the National Assembly of Wales 'is meant to be
as transparent as possible, evoking and encouraging the notion of open
government' (Glancey 2005). Transparency as physical construction
carries symbolic power, quite apart from its metaphorical use in discourse
about the ways in which government, business, and public affairs should
be conducted.

   Although the purpose of this chapter is to construct an anatomy of
transparency, it is essential to address the triangular relationship
between transparency, openness, and surveillance. The first question is
whether a clear distinction can be drawn between transparency and
openness. In terms of general usage, the answer appears to be negative.
The Nolan Committee (1995: 14) in the United Kingdom formulated
'Seven Principles of Public Life', which it believed should apply to all
in the public service: selflessness, integrity, objectivity, accountability,
openness, honesty, and leadership. Of these, 'openness' is closest to
transparency. Nolan stated: 'Holders of public office should be as open
as possible about all the decisions and actions that they take. They
should give reasons for their decisions and restrict information only
when the wider public interest clearly demands' (p. 14). If the Nolan
Committee had reported in 2005 rather than in 1995, 'transparency'
might have replaced 'openness' as one of these seven principles.
Transparency appears to have become the contemporary term of choice,
though there are many occurrences of 'openness and transparency' and
'open and transparent', as though the two words carry distinguishable

meanings.[1] A possible explanation for the popularity of dual use is that these words, though (near) synonyms, are directed at different audiences—'open' being included for the benefit of the non-specialist reader or listener. Another is that the frequent occurrence of both terms used together is often a linguistic device to emphasize the point rather than signifying any difference between the two terms.

However, some authors make a distinction between these two terms. Birkinshaw (2006: 189–91) considers that openness and transparency are close in meaning, and both convey something wider than access to (government) information. He points to the way in which 'open government' has sometimes been used in a derogatory sense in the United Kingdom, with 'openness' being claimed by governments as a means of 'providing access to information under nonlegally binding codes that do not create rights' (p. 190), thus avoiding the creation of enforceable legal obligations. According to Birkinshaw, 'Openness means concentrating on processes that allow us to see the operations and activities of government at work—subject . . . to necessary exemptions' (p. 190). The way in which transparency extends beyond openness, in his view, is that law-making and public processes should be made as accessible as possible, with complexity and disorder, as well as secrecy, being obstacles to transparency. Larsson (1998: 40–2) advances a similar distinction: transparency extends beyond openness to embrace simplicity and comprehensibility. For example, it is possible for an organization to be open about its documents and procedures yet not be transparent to relevant audiences if the information is perceived as incoherent. Openness might therefore be thought of as a characteristic of the organization, whereas transparency also requires external receptors capable of processing the information made available.

The second question concerns the relationship between transparency/ openness and surveillance. One obvious point about surveillance is that someone/something is doing the watching, and this explains why the term, as well as being used technically and neutrally, carries menace. These relationships are explored later in this chapter after a suitable terminology has been developed. In the meantime, the analysis will focus on clarifying the meaning of transparency.

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[1] As a quick indicator of dual use, a search on www.google.co.uk (19 March 2006) recorded: about 1,570,000 matches for 'open and transparent'; about 522,000 for 'openness and transparency'; about 202,000 for 'transparent and open'; and about 203,000 for 'transparency and openness'. The number of occurrences is rapidly increasing.

Accordingly, this chapter sketches out an anatomy of transparency, exploring directions and varieties of transparency and how they interact with their habitat and with each other. Section 2 distinguishes four directions of transparency and Section 3 maps varieties of transparency. Section 4 emphasizes the importance of examining the habitats within which transparency operates. Finally, Section 5 draws some brief conclusions, stressing the implications of the analysis for the measurement of transparency. The aim here is to identify different directions and varieties of transparency in relatively neutral terms. In Chapter 4, it will be argued that transparency should be conceived of as an instrumental value rather than as an intrinsic value.

2. DIRECTIONS OF TRANSPARENCY

In debates about the benefits and costs of transparency, the various directions that transparency can take are often left implicit. Figure 2.1 is a Venn diagram that brings out four such directions:

- *Transparency upwards* can be conceived of in terms either of hierarchical relationships or of the principal–agent analysis that underlies much economic modelling. Transparency upwards means that the hierarchical superior/principal can observe the conduct, behaviour, and/or 'results' of the hierarchical subordinate/agent.
- *Transparency downwards* is when the 'ruled' can observe the conduct, behaviour, and/or 'results' of their 'rulers'. The rights of the ruled in relationship to their rulers figure prominently in democratic theory and practice, often under the umbrella of 'accountability'.[2]

Where upwards and downwards transparency co-exist, there is symmetrical[3] vertical transparency (represented by the area of intersection in Figure 2.1).[4] Otherwise, vertical transparency is either completely absent or asymmetrical.

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[2] In their analysis of accountability relationships in public sector audit, White et al. (1994: 7–9) conceptualized government being accountable as agent to the electorate as principal. Although, from a constitutional perspective, it may seem odd to conceive, in a democracy, of rulers as principals and ruled as agents (upwards transparency in Figure 2.1), this is a more illuminating formulation in the analysis of transparency.

[3] Instead of 'symmetrical', Brin (1998: 55) uses the term 'reciprocal transparency'.

[4] Symmetrical vertical transparency is represented in Figure 2.1 by the areas UD, UDI, UDO and UDIO.

The third and fourth directions relate to horizontal transparency:

- *Transparency outwards* occurs when the hierarchical subordinate or agent can observe what is happening 'outside' the organization. The ability to see outside is fundamental to an organization's capacity to understand its habitat and to monitor the behaviour of its peers and/or competitors.

- *Transparency inwards* is when those outside can observe what is going on inside the organization. Transparency inwards is relevant to freedom of information legislation (Birkinshaw 2005: 16–73), and also to mechanisms of social control that enforce behaviour patterns. Tinted car windows are illegal in Saudi Arabia (Salah Tahi 1997: 188) because their opaqueness prevents the police and militias from seeing whether a woman is driving. Transparency inwards has the connotation of surveillance and being watched by peers. Lloyd (2005) observed that the former East Germany was a highly transparent society in the sense that citizens were observed by other citizens reporting to the authorities. Much discussion of privacy involves setting limits on transparency inwards.
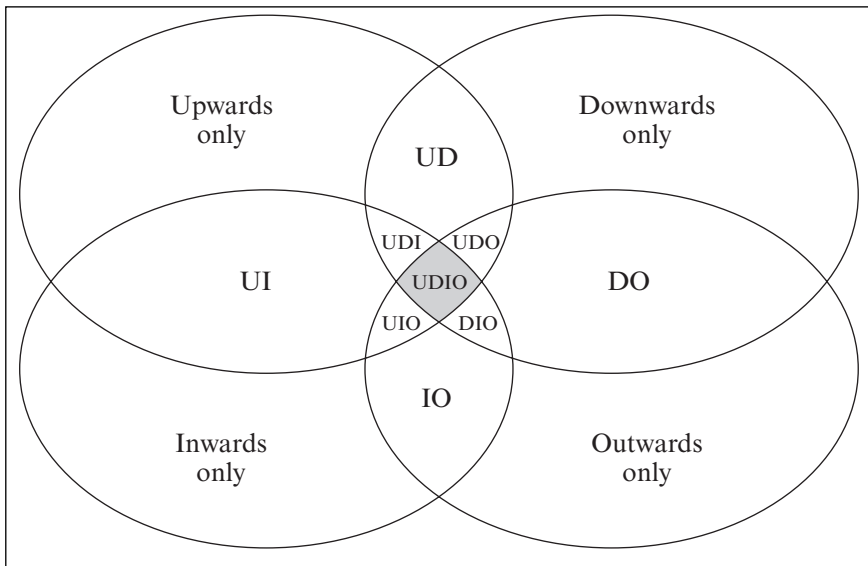

Figure 2.1.   Four directions of transparency.
Note: With four directions, two combinations (UO and ID) cannot be shown in this two-dimensional representation. No significance is to be attached to which two combinations are not represented in Figure 2.1; this entirely depends on the labelling of the four circles. The shaded diamond-like area (UDIO) denotes the simultaneous presence of all four directions of transparency (fully symmetrical transparency).

Where outwards and inwards transparency co-exist, there is symmetrical horizontal transparency.[5] Otherwise, horizontal transparency is either completely absent ('steamy windows' in den Boer's evocative phrase, 1998: 91) or asymmetrical.

The diamond-shaped area (UDIO) denotes the simultaneous presence of all four directions of transparency (fully symmetrical transparency). At this stage no normative evaluation is made of the relative desirability of different areas in Figure 2.1, but such analysis clarifies why views about transparency are often ambivalent in practice. For example, Brin (1998: 3–5) posits two cities, one characterized by top-down surveillance and the other by surveillance of citizens by each other, which can be interpreted, respectively, in terms of upwards transparency and symmetrical horizontal transparency. It is obvious from this discussion of directions of transparency that certain asymmetrical combinations may be uncomfortable to experience.

3.   VARIETIES OF TRANSPARENCY

Abstracting from the issue of direction, transparency can be analysed by means of a set of three dichotomies. These generate varieties of transparency whose characteristics and consequences can be analysed. This approach surmounts the obstacles to clarity that are generated by the multitudinous appeals to transparency that characterize contemporary discussion of many public policy areas. The three dichotomies are: event versus process transparency; transparency in retrospect versus transparency in real time; and nominal versus effective transparency. A fourth issue, concerning the timing of the introduction of transparency, is also examined in this section. These analytical distinctions are briefly illustrated by practical examples, which convey the distinctions intuitively, notwithstanding the risk that the 'facts' relating to those examples may be controversial.

Central to the analysis is the distinction between event and process transparency, each of which can be disaggregated. In the case of event transparency, the objects of transparency (that is, what is to be viewed) can be inputs, outputs, or outcomes. In the case of process transparency, the components are procedural and operational aspects. In both cases,

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[5] Symmetrical horizontal transparency is represented in Figure 2.1 by the areas IO, UIO, DIO and UDIO.

there are issues relating to: whether transparency operates retrospectively or in real time; whether there is a transparency illusion; and the timing of the introduction of (greater) transparency. These distinctions are now considered in turn.

3.1   Event versus Process Transparency

Figure 2.2 portrays the distinction between event and process transparency with reference to public service production. It adopts the standard framework of distinguishing between inputs, outputs, and outcomes. Each of these is characterized as 'events' and represented by a rectangle. 'Events' represent points/states that are externally visible and—at least in principle—measurable. Events are linked by 'processes', with the three rectangles being connected by two ellipses, labelled as 'transformation' (inputs into outputs) and 'linkage' (outputs into outcomes) (Heald 2003: 729–30). Processes are not measurable in the same way as events, though they can be described, if the information is available. Generally, transformation processes are better understood than linkage processes, not least because intervening variables are more important and unpredictable in the latter.
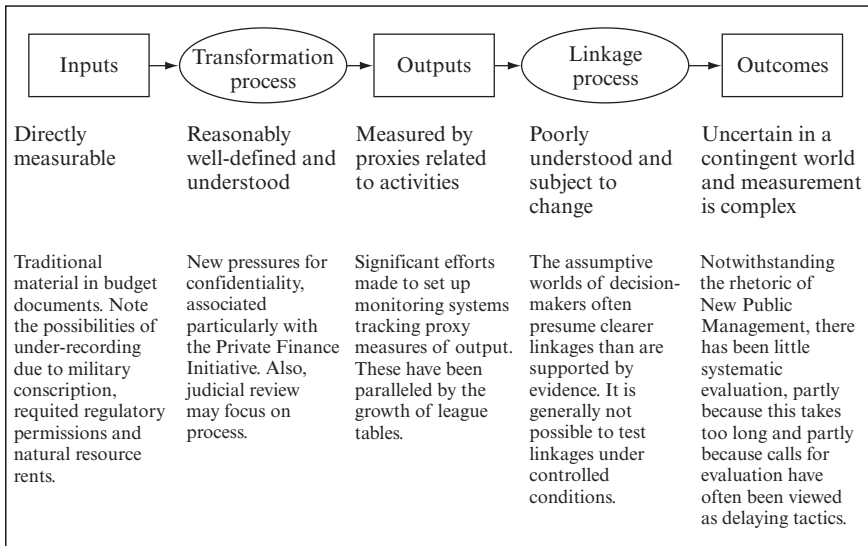

Inputs	Transformation process	Outputs	Linkage process	Outcomes
Directly measurable	Reasonably well-defined and understood	Measured by proxies related to activities	Poorly understood and subject to change	Uncertain in a contingent world and measurement is complex
Traditional material in budget documents. Note the possibilities of under-recording due to military conscription, requited regulatory permissions and natural resource rents.	New pressures for confidentiality, associated particularly with the Private Finance Initiative. Also, judicial review may focus on process.	Significant efforts made to set up monitoring systems tracking proxy measures of output. These have been paralleled by the growth of league tables.	The assumptive worlds of decision-makers often presume clearer linkages than are supported by evidence. It is generally not possible to test linkages under controlled conditions.	Notwithstanding the rhetoric of New Public Management, there has been little systematic evaluation, partly because this takes too long and partly because calls for evaluation have often been viewed as delaying tactics.

Figure 2.2. Event versus process transparency illustrated with reference to public service production.
Source: Heald 2003: 729.

For example, traditional public expenditure systems largely concentrated on inputs. In recent years, huge efforts have been made to measure public service outputs, though these measurement attempts are controversial and the distinction between outputs and outcomes does not always receive sufficient attention. In terms of healthcare, outputs are usually proxied by activity levels (for example, the number of operations of particular types) that are measurable at the provider level. Significant efforts have been made to set up monitoring systems tracking proxy measures of output. These have contributed to the growth of provider league tables, which are often deplored but avidly watched by those affected. Outcomes (for example, improved health status) are difficult to measure; changes, whether improvements or deteriorations, are affected by many factors other than healthcare provision (for example, lifestyle and income). For the focus to be solely on event transparency, the inputs, outputs, and outcomes have to generate measurements sufficiently credible to keep political attention focused on performance issues and not on the measurement system itself.

In Figure 2.2, event transparency focuses attention on the rectangles, leaving the ellipses largely unexplored. This neat arrangement is difficult to sustain. In the competitive private sector, where the focus is on marketed outputs, the transformation process can be treated as a 'black box', protected from the gaze of outsiders. This insulation is believed to be an important source of efficiency gains. However, once resource allocation comes into the political arena, it is remarkably difficult to protect transformation processes from becoming politicized. Transparency of process may sometimes be damaging to efficiency and effectiveness, because it directly consumes resources and because it induces defensive behaviour in the face of what is perceived as oppressive surveillance.

At this juncture, it is essential to disaggregate process transparency into its procedural and operational components, as these are anticipated to have divergent implications. 'Procedural' relates to the rules, regulations, and procedures adopted by an organization being placed in the public domain. This can be thought of as the 'rule book', the implications of which can be illustrated by the following examples. Tax authorities operate complex tax codes. Universities have procedures for selecting students for admission and for determining degree classifications. Academic journals and research funding bodies use peer review. Employers have recruitment and promotion procedures that use referees. Social housing providers have procedures for deciding which potential tenants secure subsidized housing. Hospital Accident & Emergency departments have

procedures for determining the priority classification accorded to patients. In each of these cases, there can be quality assurance procedures which, *inter alia*, assess whether the procedures have been consistently followed. Being explicit about procedures and about compliance with them will impose costs on organizations. Furthermore, organizations may have concerns that transparency will lead to these procedures being (a) (deliberately) misrepresented by third parties and/or (b) used by third parties as levers to expose operational matters.

The operational component of process transparency includes the application of these rule books to particular cases. Thus, information about taxpayers, students, employees, tenants, and patients may be categorized as confidential, being subject to data protection laws, and only published in aggregated and/or anonymized formats. Parallel issues arise with regard to the individual returns sent by businesses to statistical agencies, which operate on well-established principles of statistical confidentiality (Office for National Statistics 2004: 3). In addition to these confidentiality restrictions on access to data, there may be efficiency and effectiveness costs associated with the release of information about the day-to-day operation of organizations. Efficiency losses may arise because additional resource costs are incurred, both direct (providing the information) and indirect (more expensive working practices are adopted for defensive reasons). Effectiveness losses may arise because induced changes in working practices reduce efficiency or are dysfunctional to the achievement of policy objectives.

3.2 Transparency in Retrospect versus Transparency in Real Time

Transparency in retrospect (for example, rendering an *ex post* account of stewardship and management) allows an organization to conduct its business and then, at periodic intervals, to release information relevant to its performance, on which assessment will actually or potentially be based. In contrast, transparency in real time means that the internal processes of the organization are continuously liable to disclosure,[6] making it likely that these may be significantly modified in a defensive way, unlikely to be conducive to the efficient performance of key tasks.

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[6] In the case of real-time transparency, the distinction between events and processes may collapse, as events are more narrowly defined in ways that track processes (transformation and linkage in Figure 2.2) rather than outputs and outcomes.

A contrast is made here between a reporting cycle (that is, transparency in retrospect) and the continuous surveillance that characterizes transparency in real time. Under the former, there is an operating period followed by a reporting lag, during which the organization prepares its 'account', in the broadest sense of that term. There follows an accountability window during which the organization renders its account to relevant stakeholders. The reporting lag and accountability window overlap the next operating period but, when that window closes, the organization can focus entirely on its productive activities for the rest of that operating period. Then the cycle repeats itself. An example of a reporting cycle is the publication by quoted companies of their audited report and accounts. Although the frequency of quoted company reporting has been increasing, the principle of regular reporting cycles remains intact.

In contrast, under transparency in real time the accountability window is always open and surveillance is continuous. There is never any time when the organization can focus exclusively on its productive activities. The operating process is likely to be affected by the choice between these two models. It is probably less costly for organizations to set themselves up for the discrete and repeated accountability windows than for the ever-open window. Which of these two models is appropriate for a particular activity has to be judged on the circumstances of each case.

The time sensitivity of information is inherent in the reporting-window model. Although not always effective, private sector financial regulators seek to enforce time confidentiality, the breach of which facilitates fraudulent activities (for example, insider trading) and reduces trust in financial markets. In contrast, there has been a loss of respect for time confidentiality in UK government. Still-confidential reports are spun by governments or other bodies seeking to exert agenda control, or leaked into the public domain by disaffected insiders. The UK Treasury has leaked drafts of international reports, for example by the International Monetary Fund and Organisation for Economic Co-operation and Development, either to secure more favourable drafting or to use favourable comments, sometimes out of context, for its own media management agenda.[7]

Breaches by the UK government of time confidentiality have weakened the sanctions against breaches by others. Sometimes it is unclear

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[7] This is well known in the relevant policy community but rarely put on the public record. In a *Financial Times* interview with the outgoing Secretary-General of OECD (Donald Johnston), Giles and Thornhill (2005) report: 'Staff said the UK and the Australian governments were particularly adept at watering down reports about their economies.'

who is doing the spinning/leaking. For example, the unauthorized dis-
closure by person(s) unknown of an advance copy of the Hutton Report[8]
(2004) to the *Sun* newspaper occurred, notwithstanding Lord Hutton's
vigorous attempts to preserve the confidentiality of his findings until the
time of formal publication (Sear 2004: 2). The report of the Pensions
Commission (2005) was leaked ahead of publication, as was private
correspondence from the Chancellor of the Exchequer opposing certain
recommendations. Responsibility for these breaches of confidentiality
was variously attributed to the Chancellor of the Exchequer (or his aides)
and to others within the Labour Government wishing to discredit him by
creating the appearance of his responsibility. Such disregard for time con-
fidentiality was not always the case in UK government: breaking the time
confidentiality of his 1947 Budget Speech ended the Chancellorship of
Hugh Dalton (Pimlott 1985: 520–40).

3.3   Nominal versus Effective Transparency

There can be a divergence between the path of nominal transparency and
that of effective transparency, the gap being described as the 'trans-
parency illusion'. The intuition behind the transparency illusion is that,
even when transparency appears to be increasing, as measured by some
index, the reality may be quite different. Notwithstanding the high scores
that it would gain on all IMF measures, there is widespread concern
about fiscal transparency in the United Kingdom.[9] Certain key factors
can be identified. There is Executive domination of information release:
for example, the transformation of the Budget 'Red Book' into a propa-
gandizing document, and the pre-release of material to favoured news-
papers. There has been extensive criticism of the off-balance sheet
treatment of Private Finance Initiative assets, including inconsistent
accounting treatment across different parts of the public sector, and of
the treatment of the infrastructure operator Network Rail as a private

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[8] This inquiry was appointed by the Prime Minister (Tony Blair) following the death of Dr
David Kelly, a Ministry of Defence civil servant who had been identified as the source of
criticisms of the Government's Iraq war policy that were broadcast on BBC Radio 4's *Today*
programme.
[9] Alt and Lassen (2006) devised an index of budgetary transparency for 1999 that places
the United Kingdom third out of nineteen OECD countries, behind only New Zealand and the
United States. In contrast, Benito et al. (2005) placed the United Kingdom very close to the
mean of forty-one countries. The specification of the content of indexes is clearly important, and
they are likely to be more effective at capturing nominal rather than effective transparency.

sector company. (Network Rail had been 'designed' by the Treasury 'around the rules' of national accounts scoring.)

For transparency to be effective, there must be receptors capable of processing, digesting, and using the information. Parliament's weakness in fiscal scrutiny, some of which is structural to the UK political system and some of which is self-inflicted, is indulgent of Executive agenda control. For example, the Treasury schedules Spending Review announcements in July, just before the summer Parliamentary Recess, and overwhelms the absorptive capacity of Parliament at Budget times with document overload. This also adversely affects 'intermediate users' (Rutherford 1992: 271–8), who interpret such material for a wider audience, thus acting as receptors. Information overload, accentuated by artificially constructed deadlines, not only obfuscates the message but also discourages the sustained effort that effective fiscal scrutiny requires.

A striking example of transparency illusion arose in March 2006 in connection with the funding of political parties. After the Labour Government had set up an elaborate system of rules and institutions for the reporting of donations to political parties, the Labour Party funded much of its expenditure at the May 2005 general election through non-reportable loans claimed to be at commercial rates of interest. Some of those making these loans were later nominated by the Prime Minister for peerages, thus prompting allegations of 'cash for peerages'. The elected Treasurer of the Labour Party (Jack Dromey) had not been informed about the loans and learned about them from newspapers. Although different in setting from the fiscal examples, this again highlights the setting of rules followed by the positioning of activities/transactions to evade the spirit of those rules; form takes precedence over substance.

3.4 Timing of the Introduction of Transparency

A fourth issue concerns the timing of the introduction of transparency. Sudden and unforeseen moves to transparency may disrupt expectations. In some circumstances, these may have the characteristic of an 'Act of God', when some exogenous development suddenly changes objective realities. Alternatively, some policy actor may choose the timing, as though assuming the role of theatre director ordering scene changes. Such conscious control over timing may generate suspicions of malevolence, whether well-founded or not. In relationships that can be analysed in principal–agent terms, or characterized in terms of unequal power, the

timing of the introduction of transparency may have material impacts on the distribution of costs and benefits. Moreover, anticipation of these impacts may affect the behaviour of those involved, sometimes in advance of the actual events.

For example, the allegations that *FRS 17* (Accounting Standards Board 2000), the relatively new UK accounting standard on pensions, has contributed to the closure of final salary pension schemes illustrate deep-seated ambivalence about transparency when it is seen to contribute to 'unwanted' outcomes. A telling criticism is that those now arguing for transparency did not make this case when pension funds had surpluses. Transparency was introduced only after their underlying financial positions had been eroded, during periods of high stock market valuations, by employer pension holidays and by the use of pension funds as a mechanism for subsidizing early retirement and redundancy. The winding-up of private sector final salary schemes is now used as part of an argument, advanced on horizontal equity grounds, for retrospectively reducing entitlements accrued in public sector pension schemes.

Another fiscal example concerns privatization programmes in transition economies. Although there might not be agreement about the substantive effects of Russian natural resource privatizations, it does seem to be widely accepted that the process whereby the so-called oligarchs purchased state assets way below market value was corrupt and inequitable. In situations like this, there is the question of whether (and, if so, when) a line is drawn under past events—'moving on' in the language of political discourse—on the basis that there will be transparency in future. An affirmative answer might be given, in terms of not disrupting the functioning of the Russian market economy. A negative answer might also be given, on the basis that calls 'to move on' without redress are opportunistic and that such action might encourage those wishing to emulate the oligarchs.

There is a final point to be made about timing.[10] Unless transparency is seen to make a difference, introducing or increasing transparency may have damaging rather than beneficial effects. Imagine a regime in which ministers and civil servants take bribes, but the extent of corruption, though rumoured, is not known. Transparency about the extent and depth of corruption will be seen as beneficial if its introduction leads to

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[10] I am indebted to Dr Graham Harrison (Department of Politics, University of Sheffield) for this point, which he initially made at a Political Economy Research Centre seminar and then developed in private correspondence.

the cessation/reduction of that corruption and/or punishment of offenders. However, if corruption continues unabated, public knowledge arising from greater transparency may lead to more cynicism, indeed perhaps to wider corruption. In certain countries there may be generations of officials, politicians, and other public figures tainted by collaboration with a former totalitarian government, by personal financial corruption or by involvement in illegal party financing. Building institutional capacity is necessary if there is to be a successful long-term exit from such pathological conditions; a sudden injection of transparency may not be sufficient.

4. THE HABITAT OF TRANSPARENCY

Hood (1994: 10–13) emphasized the role that might be played by the 'loss of habitat' of particular policies, invoking the analogy of the extinction of dinosaurs. Particular policies may have fitted a particular social 'ecosystem' that later disappeared, perhaps as a consequence of growing affluence and changes in social structure. Changes in habitat (for example, decline of deference and changes in media markets) may have made secrecy more difficult to sustain, thus being a factor in the emergence of transparency (as Christopher Hood describes in Chapter 13). As is confirmed by the literature on policy transfer and lesson-drawing, there are important interactions between country context and the effectiveness of particular policy instruments. As an extreme example, the publication of information about top salaries may strengthen incentives in stable industrialized democracies but encourage blackmailers and kidnappers in countries where organized crime is rampant.

Directions of transparency are clearly related to how particular habitats are characterized and understood. Downwards transparency is a feature of democratic societies but not of totalitarian ones. Upwards transparency is present to varying extents in all functioning states. Contemporary debates about public administration are couched in terms of greater freedom of information about government (downwards and inwards), but also about intensifying forms of upwards transparency within the public sector. A significant feature of New Public Management is the willingness to use markets as instruments of hierarchy, a position well removed from markets as inherently decentralizing devices. This raises the question as to whether changes in public sector organizational relationships and financial control styles (Ezzamel 1992: 10–16) are to be viewed as evidence of a weakening of the state, or whether this is another

manifestation of the interconnection between the free economy and the strong state (Gamble 1994: 38–45).

The impact of varieties and mixes of varieties of transparency may be conditioned by habitats, and indeed may lead to changes in habitats. These interdependencies become important in the context of attempts to compare transparency through time in the same country, and across countries at a common date. For example, the UK government is much more transparent about fiscal matters than it was twenty years ago, but these improvements, which shine through on formal scoring systems, co-exist with intense pressures for governments and political parties to be 'disciplined' and speak with 'one voice'. Consequently there is a gulf between what organizations say, and what people within them actually think. A contemporary UK example relates to the Private Finance Initiative, on which what is said in private often departs markedly from what is said in public. The personal and organizational costs of dissent have increased; the collapse of Arthur Andersen following the Enron audit scandal vividly illustrates the fragility of reputational capital. Paradoxically, the pressures for greater transparency lead to more intense management of information flows (as discussed by Alasdair Roberts in Chapter 7), impeding unofficial channels and explicitly seeking to stop information percolating out of the 'sides' of organizations. Simultaneously, receptors outside the organization may have become disabled because of, for example, overload and their inability to match the resources now put into information management.

These developments can be situated in a broader context. Power (1997: 142–7) has characterized the expansion of audit and inspection as the 'audit society', developments mostly affecting the public sector and organizations on its fringes that have private status. However, the growth of the regulatory state (Moran 2003: 92–4, 135–8) has complicated the position of private sector companies, affecting not just those firms undertaking activities moved into the private sector through privatization. New or intensified regulatory agendas have emerged: for example, competition, environmental, health and safety, and employment discrimination. Business complaints about the costs of regulation are loud and insistent, leading to government reviews of how to reduce regulation (Hampton 2005). However, in these areas, both government and business are subject to media and lobby group agendas. Consequently, private firms are drawn into process transparency to a greater extent than might otherwise have been expected. This increased attention to transparency is, in part, attributable to the far-reaching habitat change that Majone (1997: 140–6)

describes as the transition from the 'positive state' to the 'regulatory state', which places more reliance on watching and steering than on doing.

'Surveillance'—the label currently used for much upwards transparency—is an important part of the emergence of the regulatory state, at both micro- and macro-levels. It is presented with positive connotations, as in the IMF's programmes of Article IV consultations and country Reports on Observance of Standards and Codes (ROSCs) (IMF Policy Development and Review Department 2005: 6–8), in which transparency and surveillance are seen as going hand-in-hand. In contrast, there is an intellectual tradition deriving from Michel Foucault, originally in philosophy but now spread across the humanities and social sciences (Loft 1995: 34–6). On this view, transparency would be seen as a new disciplinary technology, supplementing or supplanting earlier techniques of surveillance of individuals. Extending the notion that management accounting enables the 'managing of managers' (Hopper and Armstrong 1991: 405–7, 433–5), transparency might be interpreted as facilitating the 'managing of public organizations' (in a domestic setting) and the 'managing of countries' (in an international setting).

How this managing of public organizations and of countries is conducted will clearly affect effectiveness and legitimacy. Mitchell (1998: 113–23) characterizes international-treaty regimes on two dimensions. The first is whether they are compliance-oriented (focusing on the behaviour of individual countries) or effectiveness-oriented (focusing on overall effects). The second refers to the style of reporting, where he distinguishes between self-reporting, other-reporting (under which countries report on the behaviour of others), and problem-reporting (where reports focus not on country behaviour but on the identification and tracking of problems). On the basis of this framework, Mitchell develops predictions about country behaviour according to whether they support regime goals and/or meet promulgated standards. On the Mitchell schema, the IMF's ROSC system might be categorized as compliance-oriented, with a strong, though not exclusive, element of self-reporting (Allan and Parry 2003: 14–17).

Contemporary examples of surveillance are to be found at the micro-level in terms of UK government funding agency relationships with universities, and at the macro-level with European Commission and European Central Bank oversight of country performance against the standards set out in the Stability and Growth Pact. Unintended consequences of these surveillance techniques have been prominent. The

'Transparency Review' (essentially a cost accounting exercise splitting teaching and research costs in UK higher education institutions) indicated the extent of central government control, albeit exercised at arm's length through the funding agencies, yet also allowed UK universities to turn this surveillance device back against central government, using its results as evidence of 'under-funding'. The audit society can be seen to operate at many different levels, as more issues are formulated, explicitly or implicitly, in principal–agent terms. Multiple principals wish to monitor the behaviour of multiple agents, with the direction of the agency relationship sometimes in dispute. The Stability and Growth Pact has had an unfortunate history, notable for inconsistent application between the powerful and less powerful and discredited by fraudulent reporting, most recently by Greece (Savage 2005: 33–4, 147; Chapter 9 of this volume). Whether such surveillance is viewed as benevolent or damaging is likely to depend both on the views adopted about the fiscal role of the state (Buchanan and Musgrave 1999: 11–49) and on the beholder's location in the system.

5.   CONCLUSION

Whenever transparency is seriously analysed, two questions figure prominently. Is transparency good or bad? Is it possible to measure transparency so that there can be an unambiguous comparison of two situations, whether separated by time or location?

This chapter does not give definitive answers to these questions but provides an analytical framework for answering them. First, whether transparency is good or bad cannot be answered without regard to the directions and varieties of transparency that are under consideration, and the habitats in which they are situated. The sunlight metaphor ('sunlight is the most powerful of all disinfectants'),[11] which also brings into view the danger of over-exposure, is a valuable starting point. However, it narrows the analysis to the question of 'more or less' transparency when the real question concerns the directions and varieties of transparency. This

[11] This is often associated with Justice Louis Brandeis (1856–1941) (Freund 1972: 61), though Christopher Hood in Chapter 1 above traces its ancestry back to Jean-Jacques Rousseau and Jeremy Bentham. The sunlight metaphor is restated by Stiglitz (1999: 11–13), constituting the instrumental part of his case for transparency/openness (he uses these terms interchangeably, p. 26). Like Birkinshaw (Chapter 3 below), but unlike Heald (Chapter 4 below), Stiglitz (p. 27) holds transparency to have intrinsic value.

should not be taken as a negative conclusion about the potential contribution of transparency, but as an indication that thoughtful policy design and implementation are essential.

Second, this chapter urges caution in the face of contemporary enthusiasm for the construction of indexes of transparency. This activity encounters a fundamental difficulty, arising from the multiple directions and varieties of transparency and the mediating effects of habitat. A high score on an index may be the result of combining desirable and 'wrong' kinds of transparency (Prat 2005: 862–4, 869–70, and Chapter 6 of this volume). Moreover (changes in) habitat may condition the effects of directions and varieties of transparency. In particular, a high index score may arise when the formal requirements of transparency are met but the expected benefits do not materialize because the receptors have been disabled by overload and/or government spin.

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