5 A Political Economic Analysis of Transparency in a Digital World

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5.1 Introduction

In 2013, the Swiss free newspaper "20 Minuten" launched a series of articles, starting with the headline "These are the 20 most honest members of parliament". On the newspaper's online platform, readers could also have a look at "the most dishonest members of the National Council" and even browse through a list of all members of parliament (MPs) ranked according to the extent to which they kept their campaign promises. The ranking was possible due to the availability of two online information platforms. The first one, "Smartvote", is an online voting advice application where candidates for parliamentary elections answer a set of policy questions, and voters can answer the same set of questions to evaluate which candidates best match their preferences. The second information platform is accessible via the website of the Swiss national parliament and offers access to all votes in the National Council (the upper house), including the individual voting behavior of all MPs.[1] The combination of these two information tools allowed the newspaper to compare the MPs' stated opinions before the elections (i.e. their pre-election promises) with their actual votes on similar policy issues after the elections.[2]

[1]Electronic voting was introduced in the Swiss National Council in 1994, but initially the individual voting behavior was only published for a subset of votes as printed protocols. Since 2007 all individual voting results are published online. "Smartvote" was first introduced during the Swiss National elections in 2003 and was subsequently available in several cantonal and local elections and all national elections.

[2]For a scientific analysis of pre-election promises versus post-election behavior among Swiss MPs, see Schwarz et al. (2010).

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Some years ago, such an analysis would not have been possible. Digital technology offers a large set of new possibilities to store, process and access information in the political sphere. This chapter outlines the prospects of these technologies in increasing the degree of information in politics and analyzes to what extent such an increased transparency is warranted. The key insights of this analysis are twofold. First, the access to digital information makes it easier for voters to evaluate and select their representatives. Second, increased transparency can incentivize politicians to adapt their behavior in a way that is often—but not always—in the citizens' interests. Increased transparency can be harmful especially when citizens do not have the capacity to observe and evaluate the full context of the politicians' actions or the results of their decisions. While the analysis focuses on transparency in politics, the lessons learned can—to some extent—be applied to transparency in other parts of society as well. When regulating remembering and forgetting in a digital world, (unintended) incentive effects should not be neglected but rather carefully analyzed.

In the next section, I will discuss the way in which information about government is changing in a digital world. In Section 3, I will analyze how these changes could affect the relationship between citizens and government.[3] I will mainly focus on individual rather than collective transparency because personal information about politicians raises more relevant questions with respect to remembering and forgetting. The last section draws conclusions with respect to the regulation of remembering and forgetting in a digital world. The chapter's aim is not to give a comprehensive overview of the economic analysis and literature in the field but to highlight selected issues that seem specifically relevant when thinking about the role of information in the relationship between citizens and government and the regulation of remembering and forgetting in a digital world.[4]

5.2 Information About Government in a Digital World

Open Government legislation has existed for decades in many countries, and many public records were available as printed protocols and the like long before the digital age. Digitalization, however, has led to new ways of storing, accessing and processing such data. Parliamentary debates are broadcast online and can be followed from anywhere and in real time. Records, which were only available in printed form in the past, are now freely available online from government websites—often within a very short time. The data can usually be searched and downloaded, which makes data processing much easier. Time costs to process the available data are still prohibitively costly for most citizens. However, there are an

[3]Here, the term "government" is used broadly and includes all levels of political representation.

[4]For a broader economic view on information and digital technology that also includes information about citizens that can be used by government, see the chapter by Mark Schelker in this book, and, for a recent comprehensive survey of the economic literature on privacy, see Acquisti et al. (2016).

increasing number of online information platforms and blogs, often run by non-profit organizations, which process political data and present it to citizens in an easily understandable and attractive way. Also the media is following this trend, and data-driven journalism is booming (see, e.g., Yu 2014).

Furthermore, while in many countries open government legislation has existed for a long time, technological progress creates pressure to further increase transparency where it is technically feasible because the costs associated with it are becoming much smaller. An example is the increase in vote transparency in the Swiss Council of States, which was implemented in 2014. The Council of States rejected the proposal to switch from a show-of-hands system to an electronic voting system several times. Eventually, they gave in and accepted the change, which led to the publication of records of individual voting behavior.

Technological progress allows the processing not only of aggregated data, but also of data at the individual level, blurring the distinction between public and personal information in the political sphere. Hence, due to online databases, the media, citizens and other interested groups can—in addition to records of aggregate results of parliamentary decisions—also access individual roll call votes and extract the voting decisions of individual members of parliament. The personal data can easily be matched with other information on politicians, such as their pre-election promises and their political and professional career before and after their political mandate. In this setting, concerns about privacy and the right to be forgotten might arise. These rights, however, contrast with the need of voters to select and monitor their representatives in an informed way. Privacy is therefore not the main issue when discussing the benefits and drawbacks of the increasing availability of information on politicians in a digital age (see, e.g., Prat 2006, p. 94).

5.3 Benefits and Drawbacks of Increased Political Transparency in a Digital World

The relationship between citizens and government is characterized by information asymmetries that can be captured in a principal-agent framework with voters as principals and politicians as agents (e.g., Besley 2006). The availability of information on politicians plays two key roles in this relationship. Firstly, better information about politicians can improve political selection, as voters are better able to judge the quality of the candidates for election. Secondly, information is a key to aligning the interests of principal and agent. More information on an agent's actions can improve accountability and increase the benefits for the principal (Holmström 1979). Knowing that their actions will be known to voters, politicians facing re-election constraints are more likely to cater to the interests of their voters instead of pursuing their own interests. Of course, there are certain well-defined limitations to full transparency in politics, for example with respect to national security (see, e.g., Prat 2006,

p. 94). But even beyond those limitations, a nuanced economic analysis reveals benefits as well as some drawbacks to increased transparency in a digital world.

An example of how digital technology can increase political competition and improve political selection is the impact of so-called voting advice applications (VAAs). VAAs offer voters an easy online tool to compare their own policy preferences with those of the candidates that are up for election. By answering a set of policy questions, a voter can determine which of the parties or candidates (who answered the same set of questions) best matches her preferences. In recent years, voting advice applications have spread rapidly and become very popular in many countries.[5] Compared with traditional information made available through mass media or political campaigns, VAAs have the advantage of offering concrete information about candidates' stands on policy issues and thus reduce the need to use party cues or vague statements in advertising campaigns in order to select the most suitable candidates. In addition, VAAs offer comparable information on all participating parties and candidates, which is likely to reduce incumbency advantage and the power of the big, established parties with large campaign budgets. In this way, political competition is strengthened and political selection can be improved. The literature on the evaluation of VAAs shows that with the availability of VAAs voters tend to split their vote more often between candidates from different parties and smaller parties are able to increase their vote share (e.g., Pianzola et al. 2012; Benesch et al. 2015).

Digitalization might also lead to an increase in political accountability and to a shift from collective to individual accountability. The example in the introduction to this chapter showed that the availability of and possibility to process individual roll call vote data allows voters to compare MPs' actual behavior with their pre-election promises. As pledge fulfillment cannot be enforced by voters, such information might incentivize MPs who face re-election constraints to behave according to their campaign promises (or not to misrepresent their political position during election campaigns). Such information at the personal level thus strengthens the individual accountability of politicians and should in general lead to policies that are more in line with the citizens' preferences.

The economic literature, however, also offers some caveats. An increase in (individual) transparency might not always be beneficial.[6] Transparency about politicians' actions without transparency about the consequences of these actions might incentivize politicians to act how an able politician is expected to act a priori and disregard private information that runs counter to voters' expectations (Prat 2005). For example, if her individual decision can be observed and remembered, an MP might adhere more to her party line or try to be consistent over time because this type of behavior is expected from a competent politician, although she knows that

[5]For a detailed overview of the development and availability of different VAAs in different countries see, e.g., Garzia and Marschall (2012), Ladner and Fivaz (2012), and Garzia et al. (2014).

[6]For an overview on the benefits and drawbacks of transparency from an economic perspective see also, e.g., Prat (2005, 2006); Prat and Strömberg (2013, pp. 138–140).

strict party discipline will prohibit political compromise and lead to political blockades. Hence, with regard to the type of MP ratings described in the introduction there can be a trade-off between voter information and incentive effects that need not always work in the voters' best interests. In addition, there is also a trade-off between ex-ante and ex-post availability of information. In the deliberation stage of the parliamentary process, for example, such incentive effects can lead to lower levels of information sharing and voicing of opinions if politicians are concerned about the fact that their—perhaps changing—opinions might be remembered for a long time. Another problem arises if politicians are charged with several tasks, but not all tasks are observable to the same extent by voters (the so-called multi-tasking problem). In this case, politicians will have incentives to concentrate on the more transparent tasks, on which voters will base their voting decision to a larger extent, and these tasks might not be the socially most beneficial ones (Gersbach and Liessem 2008).

The unintended incentive effects are the more likely the less information voters have on the context of the politician's decisions—or, vice versa, the more private information the politician has. If voters understand that a politician changed her opinion or deviated from the party line in order to facilitate a sensible political compromise, voters will be less likely to interpret such behavior in a negative way. While politicians do have the possibility to explain their decisions, for example in interviews or on social media platforms, such contextual information is arguably more difficult to transmit to voters than simple rankings based solely on quantifiable data, such as the MP rating described at the beginning of this chapter.[7]

Politicians not only respond to the demands of voters but also to those of other principals such as party leaders and lobbyists. In such a multiple principal setting it is unclear ex ante which of these principals profit most from increased transparency in a digital world. On the one hand, inside principals such as party leadership (Carey 2008) or powerful interest groups (Snyder and Ting 2005) were able to observe MPs closely even before the Internet age, while this was prohibitively costly for most voters. Therefore, the latter should profit most from more and easier access to information, and politicians should be acting more in voters' interests. On the other hand, increased transparency also reduces information costs for inside principals, and they might have stronger incentives to make use of the new information sources than voters do. In addition, the way in which the media make use of the increased data availability can be fundamental. As a large volume of theoretical and empirical literature shows, better media coverage of politics is associated with more accountability of politicians towards voters and with beneficial political, economic and social outcomes (for a review, see Prat and Strömberg 2013).

In a recent paper, Benesch et al. (2018) analyze the impact of the introduction of an electronic voting system and the online publication of MPs' individual votes in the Swiss Council of State. This increase in vote transparency significantly changed MPs' voting behavior and lead to an increase in party discipline. While the result

[7]Even if voters are fully rational, information asymmetries between voter and politicians can persist if information costs are large enough.

demonstrates that there are indeed incentive effects of transparency, it is unclear whether the change in behavior is beneficial or not. Increased party discipline can be positive if it reflects a decreased catering to special interests and voters are then better able to use party ideology as an information cue to evaluate MPs' individual positions. It can, however, represent a negative result if it reflects that MPs become more responsive to the demands of the party principals instead of representing their voters' preferences, or if the change in behavior leads to lower levels of political compromise, which would actually be against the voters' best interests.

5.4 Conclusions

Technological progress and digitalization have led to tremendous changes in the amount and type of information available on politics and politicians. In the future, these changes are likely to continue at an even faster pace. The increasing political transparency that comes with these changes has an impact on the relationship between voters and politicians. Voters can base their voting decisions on personalized information about the different candidates and elect those that represent voter preferences well. Increasingly, politicians are becoming individually accountable to their voters. Such an increase in political competition and accountability is generally seen as beneficial. Arguably, *remembering* should therefore be the default with respect to transparency in politics.

However, as there are certain situations in which more transparency can actually hurt citizens' interests, the question arises as to the circumstances under which deviations from this default might be appropriate. With the exception of well-defined restrictions with respect to national security and similar issues, transparency rules should be evaluated with respect to their (unintended) incentive effects. Specifically when transparency is incomplete, incentives can be distorted, for example when there is only information about the policy choices of politicians and none about the consequences of these decisions, and when certain tasks are more easily observable than others. This problem could be addressed by temporarily restricting transparency in well-defined cases, e.g. when it takes some time to recognize the consequences of political decisions (see Prat and Strömberg 2013, pp. 139–140). Another solution might be to further encourage and facilitate transparency. What have come to be known as "multi-tasking problems" can be mitigated if information is available on the different tasks of politicians and not only on, e.g., their voting behavior.[8] Distorted incentives to disregard private information can be reduced if voters know about and understand the context in which political decisions take place. Hence, more transparency places an increased demand on voters not only to

[8]However, as citizens mainly inform themselves via the media and not all tasks of politicians are equally newsworthy, multi-tasking problems remain unsolved (for a survey of the empirical evidence see Prat and Strömberg 2013).

get the relevant information but also to interpret it appropriately. The trade-off between ex-post availability of information and ex-ante information sharing by politicians seems more difficult to address. The problem can even be aggravated if politicians are averse to risk and do not know what type of information about them will be available in the future.

The logic of incentive effects can be applied to different settings as well. Any legal rules and regulations on remembering and forgetting will be likely to have incentive effects. These types of incentive effects should not be neglected when designing legal rules on remembering and forgetting. Similar to politicians, private citizens might be less inclined to voice their opinions (for example online) if they are aware that those opinions might still be remembered after several years. This can have negative external effects on the functioning of democracy and the society at large because in a deliberative democracy, political discourse on the part of citizens is key to preference formation and consensus politics. Legal rules that allow individuals to control their own data can therefore have beneficial effects beyond personal privacy concerns. In addition, legal rules that allow ex ante control of personal data as opposed to ex post control are likely to have fewer unintended consequences and may be preferable if people are averse to risk.

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