Transparency and Good Governance in the Lab

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Abstract

The assumption that transparency generates better governance outcomes is widely shared among democratic theorists and good-governance advocates. Calls for greater transparency are advanced on the grounds that transparency results in greater accountability and reduces the likelihood of corruption and malfeasance by government officials (Prat 2005). However, the empirical literature casts some doubt on this assumption, suggesting that there may be “adverse effects of sunshine” which generate negative social externalities and decrease overall social welfare (Malesky, Schuler and Tran 2012). What accounts for these conflicting findings, and who precisely does transparency benefit? In this project, we argue that the success of transparency in netting welfare-enhancing benefits for disadvantaged groups in society is conditional on the observability of powerful actors’ interactions with the disadvantaged by advantaged groups in society. We posit that even if a powerful actor faces strong institutional incentives to increase the welfare of dis- advantaged groups, being observed by individuals with veto power will attenuate welfare-enhancing redistribution to the disadvantaged groups. Transparency, then, can have the unintended effect of minimizing redistribution to those who most need it. We test our hypotheses through use of a lab experiment.