

Principle-Agent Theory and Its Contribution to Study of Political Regimes' Accountability

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Abstract: By all means, principal-agent theory is the institutional foundation, upon which functions the whole mechanism of representative democracy. However, as was assumed by academia throughout the decades, different regimes of democracy provide different results and different specifics of accountability that are not mutually exclusive but certainly vital in understanding in political science. With this regard, this article will exclude any empirical basis of particular states and regimes and will operate solely within theoretical approach.

Key Words: *principle-agent theory, accountability, presidentialism, parliamentarism*

Main Body

First and foremost, the following analysis will start by acknowledging the disputable and challenging factor of imperfection in the study of political science. Unlike the exact natural sciences, in soft social sciences, particularly politics, there is no absolute answer to the debate, whereas the answers that can be scrutinized – do not present the confidence of exclusive positiveness of the argument (Marsh and Stoker, 2002). Accordingly, also the lack of full information and reasonable number of prejudice will destabilise the grounds of evaluation, along with indefinite its vagueness concepts (Page, 1976). Therefore, in regards with this matter, the following essay will operate in vague terms of uncertain premises and practical exclusion of the approach that yet the most effective and reasonable argument will have only positive side. Thus, the analysis would initiate with a thorough conceptualization of crucial terminology and determination of its basic dilemmas as the purpose of the analysis relies on proper understanding the terms. Following that, the scrutiny of implementing

the theory into the practice, in regards of different political regimes, will be demonstrated. Correspondingly, at the same time, the elaboration of the different outcomes of the approach will result into the consequential comprehension which regime provides the electorate with accountability. Thereafter, a concise but thought-provoking insight of the theoretical consequences of not resolving the difficulties of the theory will be examined. Conclusively, the short summary of the major issues will be re-established. Apropos the bibliography, the analysis will be primarily based on the articles of specific and notable academic, where most of their qualitative theories were constructed due to the distinguished quantitative research.

Principle-agent Theory and Contract Theory Defined

Accordingly, as was indicated, the discourse begins with comprehension and conceptualization of terms. ‘Principal-agent theory’ is a fundamental basis on which the representative democracy lies, meaning that ordinary citizens (principals) delegate their ‘voice’ to the elected persona, agent. Though this chain of delegation do not stop with one stage, as ‘primary’ agent could also delegate its voice to another higher agent, for example during formation of cabinet. By all means, due to the impossibility of direct democracy framework in terms of state governing in contemporary times, the primary agents are essential, though problems of delegation can occur (Strøm, 2003). And if problems occur, such as ‘moral hazard’, when an agent starts to act concerning his own interest; or ‘adverse selection’ appears, being the result of elected agent incompetent and badly selected; then the principals should have a possibility to sanction those incumbents (Strøm, Müller and Bergman, 2003). Which brings the discussion to the explanation of holding politicians to the account, ‘accountability’, and whom these agents actually represent.

Decidedly, the core foundation of ‘contract theory’, which is a global broad concept for many theories, the contractor, or in this context principle, can ‘punish’ the agent it hired, if an agent is not fulfilling its obligations (Strøm, Müller and Bergman, T, 2003). But the actual obligations might legitimately or illegitimately differ from the ones principle is expecting due to the many factors: different understanding of whom to represent; or which policy spectrum; or materialistic clientelistic incentives; or even subjective measurements (Strøm, Müller and Bergman, 2003) (Kitschelt, 2002). Therefore, among many different dimensions and frameworks, the analysis will use both objective and subjective measurements of representation, relying on the works

of academic researchers, meaning accountability scrutiny also be based on reliable and relative data.

Parliamentary regime

Despite the theoretical assumptions, there is an issue of particular specifics, applying into the different regimes. Thus, the analysis continues with parliamentary side of argument. Strøm, Müller and Bergman (2003) argue that traditional ex-ante screening of candidates in parliamentary elections is more important than ex-post, however, both of which are slowly disappearing, whereas the personality of the leader starts to play a significant role in situations where median voters are being targeted. This means that the principals are still interested in their policy spectrum views being represented (at least to the closest of centre ground), however, the subjective measurement of chief executive appears, meaning a likelihood of prejudice accountability. Moreover, unwillingness or impossibility to screen can result into an adverse selection that will create an accountability problem. Notwithstanding, the primarily agents, MPs, are being bound by incentive compatibility, meaning that they have no interest of ‘rocking the boat’; or they are simply whipped for the party loyalty, which leads to the lack of incentives for an agent to be critical against party or to be representative, which creates a specific dilemma of being pressured from below and above (Kitschelt, 2000). This dilemma of which of the roles of MP is more important has been a point of discussion for a long time and it has not been solved, thus, an agent has to balance in order to stay accountable and to be a member of a party. Furthermore, Strøm, Müller and Bergman, (2003) also argue that the amount of information in principle hands play a significant role: if the salient issue appears on the legislation; or the ‘scapegoat’ has been deliberately chosen for all the ‘sins’ – the electorate will severely intervene into the politics. Thus, parliamentary politics is characterized by the certain amount of manipulation and scapegoating, though it can happen within other regimes as well (Samuels and Shugart, 2010). Concluding, the principles in parliamentary system do care about a median-voter representation though they are rarely take politicians to the account due to the lack of motivations to change status-quo of the representative, unless it is a salient issue or an extreme sudden circumstances, as in dynamic representation (Hellwig and Samuels, 2007) (Ashworth, 2012).

Presidential regime

On the other side, presidentialism might be having a different outcome of accountability performance than in above-discussed regime. President, as known, has a different constituency than assembly, resulting in being representative for the whole nation. Therefore, there is one exclusive agent for a state with a clear distinction from the others, leading to being accountable universally. This argument of a clear distinction of executive from other branches of government is being heavily analysed by Samuels and his colleagues. Samuels, Hellwig and Shugart demonstrate that ‘clarity of responsibility’ indicates a greater motivation and potential for a principle to hold its agent accountable (Samuels, 2004) (Samuels and Shugart 2003) (Samuels and Shugart, 2010) (Hellwig and Samuels, 2007). In presidential system the voter clearly sees the responsibility of each branches and the dissatisfaction with the governing, especially resulting in bad economic performance. This economic voting is one of the biggest indicators of accountability that moves the principles to sanction (Hellwig and Samuels, 2007). Moreover, the more powers president is having, the more responsibilities he will be holding for economic performance; though Samuels (2004) also shows that electoral cycle is a crucial issue of economic voting: in non-concurrent elections the electoral sanctioning is weaker than in concurrent, which proves the previous argument. Whereas if the president plays a nominal role or has weak powers, the assembly will take blame, which is also true for semi-presidential regimes (Samuels, 2004) (Cheibub and Chernykh, 2008). Finally, Kitschelt (2000) along with Samuels and Shugart (2003) demonstrate that president has the liberty to ‘walk away’ from its mandate and has a free hand to implement the policies that differ from the promised ones, especially if president starts to work with its cliental electorate. Which can satisfy this cliental but will dissatisfy median voter and people who voted for him due to the mandate promises. Concluding, the president is being accountable in far more elaborate manner than a hypothetical prime minister due to the fact of being directly elected and having a clear separation from other branches, whereas the powers of chief executive, governments’ economic performance and clientalistic approach makes the decisions for electorate more complex.

Negative effects of corruptive accountability

Last but not least argument, examined in a thoughtful manner, would be based upon the theoretical assumption of corruption that negatively influences on the institutions of accountability. Mentioned throughout the essay academics argue that this is the one pattern that operates with all regimes. As was

explained previously, principal-agent theory has many problems that could result into a loss of credibility, representativeness, legitimacy and other major values of a government (Strøm, Müller and Bergman, T, 2003). For example, ‘rent-seeking’ agents will poorly allocate the resources for their own good, which will result in consequent effects on society, leading to income inequality, rise of prices and economic stagnation (Lambsdorff, 2002). Similarly, ‘materialist regulatory capture’ will result into a net loss for a specific minorities or even a fiscal deficit of the budget (Dal Bo, 2006). Or the lack of restrictions for ‘revolving doors’ agents might have an analogous affect on the public (LaPira and Thomas, 2014). Whereas ‘graft’ will not only give cart blanche for private interest but also the corresponding protection from people from above the chain, as in the ‘control fraud’ scenario (Darden, 2008) (Pontell, 2005). Overall, the agents’ opportunistic egoistic behaviour and the impossibility or unwillingness of electorate to sanction these agents will result to either creating a kleptocratic authoritarian regime or to a total economic recession along with major unemployment (Baker, 2010) (Diamond, 1997). Either way, the accountability mechanisms and their implementation will not be in need anymore, as either the agents formed an untouchable elite or they have been already sacked but too late.

Conclusions

There are many variations of defining ‘accountability’ or ‘representativeness’, which differ not by ‘right-wrong’ dichotomy but by the purpose of applying into the subject. As for the ‘principal agent theory’, it is an essential fundament on which representative democracy is based, though it has many problems most of which are motivated by human opportunistic nature. Consequently, when this theory is applied into more practical grounds, there can be seen a pattern, indicating a slight difference between regime types in which it operates. The analysis and certain academics argue that as both regimes theoretically provide accountability, the presidential one has more clear way of expressing the accountable mechanism. Finally, if the principal agent problem is not resolved in time and properly – the hypothetical consequences might be severe, which result in holding the institutions to account.

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