USE OF THE “PRINCIPAL-AGENT” MODEL IN THE PROCESS OF INVESTIGATING AND ANALYZING REPRESENTATIVE DEMOCRATIC SYSTEMS

Abstract
This article presents the basic elements of the “Principal-Agent” model. Some of the reasons for applying this economic model to the process of investigating and analyzing contemporary systems of representative democracies are given. The main point of the analysis is the problem of cognitive/informational asymmetry among the Principal-Agent relation. Thompson’s strategies for diminishing the consequences of this asymmetry are scrutinized. From this point of view the currently growing demand for accountability and transparency of governments’ actions is discussed in the article. Four possible ways of holding central and local governments accountable are proposed and analyzed. The author’s own proposal is to use three criteria – effectiveness, scope, and civic status – to describe and deliberate on the various forms for holding government accountable. The criteria and the perspective offered by the “Principal-Agent” model are also used in order to describe and analyze the activities of watchdog NGOs. Finally, some proposals are suggested for implementing the “Principal-Agent” model into research practice (both methodologically and thematically).

Key words: Representative democracy, „Principal-Agent” model, central and local government, watchdog NGOs, accountability, transparency.
INTRODUCTION

Within democratic systems society is perceived as a sovereign and its welfare should be the aim of all governmental actions. As Giovanni Sartori says, the exact idea of democracy – considered as a theory referring to the roots of political authority – indicates that people may expect that society should be more important than the state in democratic forms of political organization. Ergo, the demos should be more important than the kratos. The government/state should be the people’s servant (not vice versa) [Sartori 1998: pp. 52–54].

Representative democracy is a remarkable kind of democracy. As Philippe Schmitter and Terry L. Karl state, representative democracy is a political system in which the people in charge are accountable to citizens in a public forum. Citizens take actions via their competing and cooperating representatives [1995: p. 29].

There are two fundamental assumptions that need to be underscored at this point. First, the main aim of democratic government actions should be the common weal (welfare of the society/sovereign). Secondly, in contemporary democratic systems this sovereign takes actions indirectly, via representatives. As a result of those two basic premises a third emerges: in representative democracies there is not only a division between political authority and all citizens (society as a whole), but there emerges also a Principal-Agent relationship. This explains why sociological and political analyses of contemporary democratic systems widely use the “Principal-Agent” model [Alvarez, Hall 2006; Markowski 2007; Lupia, McCubbins 2000; Burean 2007; Lane, Ersson 2007, Kiser, Drass, Brustein 1995; Baum 2005]. This model relies on agency theory.1

ASSUMPTIONS OF THE “PRINCIPAL-AGENT” MODEL

The “Principal-Agent” model has been developed in microeconomics and enables theoreticians to describe, inter alia, the relation between corporate managers and the corporation’s shareholders [Klimczak 2006: pp. 178–183]. This model is also used in management theory, analysis of relations between different kind of institutions, and in the theory of democracy as well.2

---

1 In some cases the “Principal-Agent” relation may also be analyzed from the perspective of a buyer-seller relation [Waterman, Meier 1998: p. 174].
2 For example the “Principal-Agent” model has been used in analysis of relationship between The Convention on the Future of Europe and the European Council [Jastrzębiec-Pyszynski 2005: p. 37]. In some cases it is reasonable to view relations between the European Union institutions and EU member states from the perspective of this model. [Grosse 2008: p. 19].
The main point is that the “Principal-Agent” model makes it possible to analyze the issue of delegation of authority. ‘Delegation’ appears when one entity – the Principal (not necessarily single and not always single) – is not able to conduct some indispensable tasks and decides to hire/employ an Agent [Alvarez, Hall 2006: p. 492; McCue, Prier 2008: p. 3; Klimczak 2006: p. 178]. The Agent receives an agreed-upon fee and takes his or her actions on behalf of the Principal, while Principal in theory controls these actions. If the tasks are not fulfilled properly, the Principal should be able to dismiss the Agent and look for another candidate for the job.

However, the Principal is not only unable to perform the task on his own, but he is also often unsure whether he has hired the proper person to do the job. The real quality of the conducted task may remain a mystery for the Principal. The problem is that there is a conflict of interest between the Principal and the Agent. Practically speaking, the Principal should not expect that the Agent would take his or her action aiming solely at the Principal’s benefit. Many authors agree that the interests of the Principal and Agent are dissimilar [Lupia, McCubbins 2000; Wellisz 1997]. The Principal wants the task to be fulfilled as best as possible and at the lowest possible cost. However, the Agent looks for ways to minimize his or her efforts, while the problem of expenses is largely irrelevant to him or her. When realizing the task the Agent wants to provide a tolerable/acceptable quality of work, not necessarily to reach the level of a masterpiece.

It should be emphasized that uncertainty is the essential correlate of the “Principal-Agent” relation [McCue, Prier 2008: p. 4; Lupia, McCubbins 2000]. This uncertainty refers to qualifications, skills and other characteristics of the Agent. It also refers to his or her actions. Do they lead to the desired results? The Principal may not know whether the Agent’s actions are oriented toward his benefit or not [McCue, Prier 2008: p. 4; Lupia, McCubbins 2000]. The problem of cognitive/informational asymmetry occurs at this point, and it is obvious that the Agent gains advantage over the Principal. The essence of the Agent’s dominance is that (s)he knows (or at least should know):

- what actions have been performed;
- what alternative actions could have been conducted (was it possible to obtain better results or to reduce expenses?);
- what were the circumstances when conducting the task (favourable or not);
- what labour input was necessary to fulfil the task.

Cliff McCue and Eric Trier postulate conducting separate analyses of the Agent’s actions and the obtained results. They argue that it is practically impossible to become acquainted with conducted actions (efforts, circumstances). However,
the Principal is able in most situations to learn the results of those actions [McCue, Prier 2008: p. 4]. Sean Gailmard adds that efficiency of the Agent’s actions is a mystery in almost every case [Gailmard 2002]. All presented assumptions of the “Principal-Agent” model and the cognitive/informational asymmetry are shown in Table 1:

TABLE 1. “Principal-Agent” model – theoretical findings.

<table>
<thead>
<tr>
<th>Principal</th>
<th>Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>He is unable to conduct the necessary task(s) on his own. He decides to hire an Agent.</td>
<td>He performs his tasks on behalf of the Principal. He receives an agreed-upon fee. The Principal controls his actions.</td>
</tr>
<tr>
<td>He wants the task to be fulfilled properly and from his point of view expenses should be as low as possible.</td>
<td>He wants to minimize his own efforts; the problem of expenses is irrelevant to him.</td>
</tr>
<tr>
<td>Cognitive/informational asymmetry factual qualifications of the Agent, circumstances, labour input, possible alternative actions.</td>
<td></td>
</tr>
<tr>
<td>He has many doubts. He relies on the Agent’s declarations.</td>
<td>He has an informational advantage.</td>
</tr>
</tbody>
</table>

Source: own elaboration

Fred Thompson has specified the following four complementary (i.e. not competitive) strategies that enable a Principal to minimize the problem of informational asymmetry:

– producing a clear, unambiguous, intelligible contract specifying the rights and duties of both the Principal and the Agent (this solution may not be easy to implement, as each party wants to achieve an advantageous position and makes efforts to leave some of his or her own duties less defined);

– very meticulous selection process of the best candidate for the position as Agent (however, this can be a time and money consuming strategy);

– regular monitoring of the Agent’s actions (this is also a time and money consuming strategy, and the other disadvantage of this solution is the risk of collecting too much information to operate smoothly);

– institutional checks/preservations (in other words, limiting the ability of the Agent to act unilaterally. i.e. by requiring him to obtain approvals for certain actions).

Michael Alvarez and Thad Hall additionally emphasize the following four aspects of the “Principal-Agent” relationship [Alvarez, Hall 2006: pp. 493–494]:

– problems in this relationship may be resolved with certainty if the Principal refuses to delegate his authority;
implementing methods for minimizing the dilemmas associated with the “Principal-Agent” relation requires time. The Agent needs time to perform his tasks and the Principal needs time as well to evaluate them;

– selection of the best candidate requires a large pool of potential agents from which to choose (obviously, this statement is true only to a certain extent – if the pool is too large a rational selection process may be more difficult or even impossible);

– the Principal needs to have resources at his disposal to efficiently negotiate the contract with the Agent. [Alvarez, Hall 2006: p. 494].

**IMPLEMENTING THE “PRINCIPAL-AGENT” MODEL INTO THE ANALYSIS OF DEMOCRATIC SYSTEMS**

As has been stated, today the “Principal-Agent” model is frequently implemented into the analysis of contemporary democratic systems. The basic assumption is that the ‘whole society’ may be considered as the Principal, while the government (both central and local) may be called the Agent. To be more specific, the role of the Agent is played by politicians (parliaments, the president, ministers etc.) and civil servants (who are recruited outside an election procedure). The common ground connecting these two collective, institutional entities is that they are both citizens’ representatives and perform actions on their behalf.

However, contemporary societies – unlike the small Greek polis – are not able to manage public affairs directly. In this situation it is necessary to hire/employ some specialized entity (politicians and civil servants – government) to represent the ‘Principal’ and to perform appropriate actions on its behalf. The “fee” due for the work done would be the sum of all privileges correlating with authority (money, prestige, and the essence of authority). Of course, this catalogue of “official” bonuses connected with exercising power is complemented with some “off the record” privileges. These unofficial bonuses – which play a vital role in stimulating the Agent to take up his or her duties – include, for instance: access to head positions in public institutions (including the opportunity to employ family members or friends); the possibility of meeting influential persons, career opportunities after public service, etc.

The “Principal-Agent” model enables sociologists and political scientists to analyze the election process from the perspective of choosing the best candidate to become the Agent. During this process society can learn about the qualifications and experiences of each of the candidates. The “candidate” may mean either:
one person (for example a candidate in presidential election), or a formal group of persons (for instance: a party in a parliamentary election). During the election process society has the opportunity to assess each of the prepared offers, which include the presentation of projects describing the necessary tasks that would be performed among the Agent’s duties. The optimal result of this process would be to choose the offer that is most advantageous and realistic and stimulates the best hopes. An election also represents an opportunity to either dismiss the current Agent (if his or her work is evaluated poorly), or to prolong the existing contract (if the overall results of the Agent’s work are deemed satisfactory).3

Moreover, the “Principal-Agent” model enables scientists to analyze the problems that the Principal has to face when trying to account for the Agent’s performance. The most important issue is the question of being well informed. This involves the problem of whether there are factual possibilities for evaluating the actions performed by the ‘Agent’. Were the results obtained good enough? Was it possible to gain better results? What influenced the quality of the results obtained: good qualifications and hard work by the Agent or favourable circumstances when conducting the task? The Principal needs to decide about these questions, which are not always easy to answer.

It should be emphasized once again that the interests of the Principal and the Agent are in conflict with each other. The Principal wants the Agent to make the right decisions with reference to public affairs, and these decisions should have a positive effect on the common weal over a long-term perspective. However, the Agent may be more interested in focusing on his or her own business interests and ambitions (political revenge, internal competition in the party etc.) than on the Principal’s interest. Moreover, the Agent is keen to make decisions that would improve his or her electoral standing. The Agent thus operates in a shorter time perspective than the Principal.

In this situation the role of all Thompson’s strategies for diminishing the cognitive/informational asymmetry among “Principal-Agent” relations becomes vital. The most important matter is the degree of civic control over government

---

3 The “Principal-Agent” model is particularly useful when analyzing the Westminster democracy model (authority is held by one party – only one offer is chosen by the Principal). However, this model may also be applied among consensus democracies (the establishment of wide coalitions, including almost all parties represented in the parliament) [Lijphart 2005b: pp. 135–152; Lijphart 2005a: pp. 153–167; Lijphart 1995: pp. 39–49]. If more than one offer is to be chosen, the Principal (society as a whole) decides about domination in the coalition (more seats in the parliament – more positions in the government). In addition, not every offer is to be accepted.
actions. This means control over both their legality as well as ensuring they make decisions which best serve the common weal.

As has been pointed out, use of the “Principal-Agent” model to analyze contemporary representative democracies is becoming more and more popular. However, some authors argue that there are serious reasons for abandoning the incorporation of this model into a sociology or political science analysis. Some of the postulates of Krzysztof Iszkowski should be cited here. Firstly, he states that among the analyses of representative democracies it is not clear what entity should be called “the Principal”. If the answer is the single voter (single citizen) – then what about those voters who vote for losing candidates? Are these voters Principals as well as the voters who voted for election winners? Or maybe the voters who vote for losers are Principals without an Agent? [Iszkowski 2007: p. 102]. If the Principal is not a single voter but a collective entity this – in Iszkowski’s opinion – raises some other problems. As he points out: if indeed society as a whole is the Principal, where do the Agents come from? [Iszkowski 2007: p. 102]. If they come from the society itself, then they should be deemed to be Principals and the Agents simultaneously, which does not seem sensible. Secondly, Iszkowski argues that when implementing a “Principal-Agent” model into an analysis of systems of contemporary representative democracies, there appears the problem of lack of a contract (agenda) specifying the rights and duties of each party [Iszkowski 2007: p. 102].

However, in the author’s opinion Iszkowski’s viewpoint may be challenged. Firstly, the Principal is a collective, not a single entity. This statement is confirmed by a long tradition of democratic theory. This theory assumes that the community (people, nation, society) is a sovereign [Sartori 1998: pp. 37–54]. The role of the Agent is played by politicians and civil servants – representatives of public administration institutions (on both the central and local levels). In essence, the relation of the Principal and the Agent is a relation between the Society and the Government, or in other words – between the Society and the State. The role of individuals (commissioning and performing particular tasks) is not the most vital issue in this perspective. This proposal should be considered as a rejection of the first of Iszkowski’s arguments.

Secondly, it is true that in contemporary democratic systems there is in fact no written, specific contract pointing out the rights and duties of each party. The situation of employing managers in a corporation is quite different. However, it should be pointed out that constitutional regulation is of critical importance. The Constitution of each state specifies what are the duties of the most important political actors (president, prime minister, parliamentary speaker, parliament as
Jakub Ryszard Stempień

Iszkowski is wrong in assuming that the Agent performs his or her tasks without any guidance. What’s more, the election offer (for example a party’s platform) may be considered as a contract. When citizens decide to delegate the authority to a specific party (or parties), they accept at this point the platform (or platforms) offered. Therefore they are within their rights to expect that this document, or set of promises, will be implemented. They may also expect that their representatives (the Agent) will obey the constitutional rules.

However, some other doubts may be submitted. One may state that the “Principal-Agent” model ignores the role of parliamentary opposition and – what is more – the status of the political opposition cannot be reasonably described in the perspective of this model. The point of argue would be that the opposition is neither the Agent, nor the Principal, but still plays a vital role in controlling government’s actions [Bożyk 2000: pp. 55–60]. Nevertheless, this allegation should be dismissed. Parliamentary opposition is a part of political class and should be considered as a representation (the Agent) of the society-sovereign (the Principal). Deputies ranked as parliamentary opposition are still deputies. They are obliged to take the oath as well as members of parties that won the election. Moreover, oppositional parties intend to win further elections and exercise political power [Wiatr 2002: p. 261]. In the perspective of “Principal-Agent” model it should be stressed that parliamentary opposition is one of key players in the field of controlling government’s actions. The role of political opposition is a role of a special Agent hired to investigate the activity of the main (governmental) Agent. After election the position of each player may be changed (from controlling to managing and from managing to controlling). Nonetheless, parliamentary opposition should be perceived as the Agent in the perspective of discussed model.

The other doubt is quite similar to the first of Iszkowski’s statements. Some could ask: how the sovereign may be conceptualised as one Principal, while interests of many social groups and individuals are not convergent? However, it should be noticed that deputies are representatives of society as a whole, not of particular groups of voters. It becomes clear when i.e. learning oaths of USA congressmen or members of Polish parliament. Moreover, presidents-elects often emphasize that they want to be representatives of community (people, nation, society), not only those who have voted for them.

Last two possible allegations are more general. Firstly, “Principal-Agent” model focuses on relation between two sectors: sector of public administration and civil sector. The third actor, the private (economic) sector is ignored, while there are important links between public sector and private sector (especially connections of corporations and government). Some may state that it is impossible
to analyse and describe those links in perspective of “Principal-Agent” model. Nevertheless, this opinion may be undermined. It is conceivable that the Agent has some other partners of interaction, apart from the Principal. For instance, the Agent may contact with some services supplier on Principal’s behalf. If contract terms are not easy (and Agent receives special, additional fee paid by the supplier), then the problem – widely known in the politics – of corruption arises. So that, the relation between private and public sectors may be analysed in perspective of “Principal-Agent” model (not immanently in the context of corruption).

The last reservation refers to the problem of lack of international and historical variation among the “Principal-Agent” model’s assumptions. Is it practicable to analyse all systems of representative democracies with use of this model? The author is convinced that it is possible as well as possible is operating some general definition of contemporary representative democracy, apart from different ways of implementing democracy systems in particular countries. Different solutions among presidential systems, parliamentary systems or cabinet systems may seem vital, but problems of accountability, transparency and delegation of authority are more universal and common to every representative democracy. Those problems are in the limelight of model scrutinized.

**ACCOUNTABILITY AND TRANSPARENCY**

The described assumptions of the “Principal-Agent” model demonstrate that the election mechanism plays an important role in the process of recruiting and holding accountable the Agent (politicians) by the Principal (society). However, the visible present-day changes in the practice of governmental functioning show that the election mechanism may prove insufficient from the citizens’ perspective. This is a result of the activation of civil society, which has been stimulated and noticeable for several decades. Currently, emancipated and knowledgeable citizens look for a deeper influence over public affairs. In other words, citizens now want to exercise a more precise control over public affairs than was the case a couple of decades ago. The hitherto system of periodic elections (once every couple of years) is no longer a sufficient instrument for the ‘Principal’ to exercise control. What’s more, there exist a multitude of proofs confirming that citizens today do not wish to rely on their trust in politicians. Many of them also reject the political rhetoric, particularly that surrounding elections [Burean 2007: p. 21; Dunkerley, Fudge 2004: p. 240].
Moreover, the contemporary problems arise from the specific political, economic and social situations. High professional qualifications are more desirable today than they were, for instance, 50 years ago. Increasingly complicated decisions have to be made in a very short time [Kuehnelt-Leeddihn 2008: pp. 53–54]. During a single term of holding political office there may appear many problems (i.e. wars, economic crises, natural disasters) that had not been expected even a couple of weeks earlier. A very good example of this problem is the terrorist attack on the World Trade Center in 2001. Politicians are not able to put these problems into their election agendas and discuss them during an election campaign. This is one reason why politicians are not able to perform their tasks solely in reliance on party platforms and/or election agendas. They have to prove self-reliant in the decision-making process [Burean 2007: pp. 20–21]. However, new techniques and new ways of exercising civil control over a government’s actions do need to be implemented. This task is not an easy one, as the matters that have to be evaluated are complicated. Good qualifications are required not only to make the right political decisions, but also to evaluate decisions already made. Many political problems may be hard for the average citizen to understand and examine.

In this situation two matters seem most crucial: accountability and transparency. Accountability means the ability of social actors to settle accounts with politicians and political institutions (political actors) with reference to the actions they perform [Kaminski 2006: p. 63]. James Fearon’s proposal is more general, but still in accord with Antoni Kamiński’s perspective. Fearon states that: *we say that one person, A, is accountable to another, B, if two conditions are met. First, there is an understanding that A is obliged to act in some way on behalf of B. Second, B is empowered by some formal institutional or perhaps informal rules to sanction or reward A for her activities or performance in this capacity* [1999].

Holding an Agent accountable is possible only if the Principal is well informed. If the Principal wants to evaluate the tasks carried out, he needs to gain information about actual actions undertaken and possible alternatives. The assumptions of the “Principal-Agent” model, as outlined above, show that the Principal often finds it difficult to obtain accurate information. He is also often unsure whether the information obtained is true or not. This leads to the thesis that in contemporary democracies the roles of accountability and transparency become crucial. Transparency is a precondition of accountability. Implementing accountability without transparency seems impossible.

Kaminski emphasises that accountability may have either a vertical or horizontal perspective. In the horizontal perspective, accountability involves...
the relations between different government institutions (for example: executive authority, legislative authority, and the judiciary). There are two kinds of accountability with a vertical perspective. In the first version accountability involves a relationship between public administration (considered as an instrument) and politics (considered as an entity). In the other version of a vertical perspective, accountability is the relationship between political representation and the electorate (society as a whole) [Kamiński 2006: pp. 62–63]. In this paper analysis is focused primarily on the latter proposal. However, it should be stressed that the analysis refers not only to political representation (chosen via elections), but also to public administration as a whole (on both the central and local levels). This approach captures the “Principal-Agent” model’s most vital thesis.

In Kamiński’s proposal for the process of evaluating political systems, the efficiency of government is the other (apart from accountability) criterion. He says that efficiency should be considered as the ability to generate long-term policies and implement them into practice in public life [Kamiński 2006: p. 63]. Kamiński argues that accountability is closely connected with efficiency, as accountability refers to the control instruments and mechanisms that stimulate political actors to perform their tasks. These instruments and mechanisms should link a government’s efficiency with the common weal [Kamiński 2006: p. 63].

In the opinion of this author, Kamiński’s proposal should be supplemented by other considerations. Kamiński stresses the role played by accountability in stimulating political actors to perform actions aimed at the common weal (efficiency). He is undoubtedly right in this point. However, accountability should be also considered as a factor stimulating political actors to perform actions that are legal. The first element of civil control over the functioning of a government should be control over the legality of conducted political actions (keeping in mind, of course, that this is the domain of law courts – complaints against government actions need to be filed in courts). The other element is control of the relationship between the performed actions and the common weal. In some cases these two

---

4 For example a Norwegian research institute, CMI, conducts numerous studies on the role of law courts in providing accountability in new and fragile democratic systems (i.e. Latin America, Africa) [http://www.cmi.no/research/project/?538=accountability-functions-of-courts – accessed on 3.11.2012].

5 It should be emphasized that vertical accountability is contemporarily one of the conditions of the legitimacy of a whole political system. There are meaningful examples of countries (Iraq, Moluccan Islands) in which new democratic authorities were recognized as legally valid by citizens after establishing rules guaranteeing the government’s accountability [Brorsen 2008].
elements are connected – for instance, corruption is an action that is both illegal and contrary to the common weal.

There is a controversy over what entities should be held accountable. Should accountability refer only to elected politicians, or should civil servants be held accountable as well? Jeeyang Baum rightly argues that countless important decisions and actions are made and performed by civil servants employed by ministries and other public institutions. They are not chosen via the election process. Citizens are not able to evaluate their actions in the same way as the actions of elected politicians (for example: members of parliament) [Baum 2005]. Should these civil servants’ actions be considered as performed outside the jurisdiction of civic accountability? In the opinion of this author the answer to this question should be in the negative. As has already been mentioned, the “Principal-Agent” relation is a relationship between society as a whole and a government/state (i.e. all public institutions). The role of the Agent is played – seen from this perspective – by both politicians and professional civil servants. Moreover, the activities of civil servants should be an even greater concern for citizens in the exercise of their civil control function, as the activity of civil servants cannot be directly evaluated during the election process. It should also be noted that this accountability should refer to both central and local government actions.

The term ‘accountability’ can seem very abstract. However, research in this field – including quantitative research as well – may be and is being conducted. An international NGO – One World Trust – has focused on the accountability problem from the global perspective in four research projects in 2003, 2006, 2007 and 2008. The authors of these projects have specified four elements of accountability. Those elements (listed below) may be useful both in a theoretical-analytic approach as well as in an empiric approach:

- transparency (access to up-to-date and accurate information; transparency of organization structures);
- participation (incorporating citizens into the decision-making process);
- evaluation (implementing systems of inward monitoring of actions and results among organizations and institutions);
- mechanisms for handling complaints and providing responses (including safe and efficient channels for internal and external stakeholders to make com-

---

6 The aim of those research projects was to examine the accountability of not only intergovernmental organizations (i.e. World Health Organization, World Trade Organization, World Bank), but also international NGOs (i.e. WWF International) and transnational corporations (inter alia: Toyota, Wal Mart, Nestlé).

**MONITORING GOVERNMENTAL FUNCTIONING BASED ON “PRINCIPAL-AGENT” ASSUMPTIONS**

How can the Principal (society as a whole) control the Agent’s performances (the Agent here meaning all the machinery of the state)? This author suggests specifying four complementary (not competitive) ways for implementing Thompson’s strategy which referred to the monitoring of the Agent’s actions. Each of the solutions listed below has its own advantages and disadvantages, so there are both risks and opportunities when introducing each one:

– internal monitoring, carried out by specialized public institutions (for instance: in Poland – the Supreme Audit Office, Human Rights Ombudsman, The Central Anti-Corruption Bureau, and Regional Chambers of Audit; in the UE – The European Ombudsman and The Court of Auditors; in the United Kingdom – the National Audit Office; in Germany – Bundesrechnungshof – Federal Audit Office);

– monitoring by the mass media (investigative reporting);

– monitoring conducted by informal and spontaneous citizens’ actions;

– monitoring performed by professional, specialized NGOs, known as ‘watchdog NGOs’.

When describing and analyzing each of the solutions listed above, the following criteria should be used to analyze monitoring/control: *scope, effectiveness* and *civic status*.

The *scope* of the monitoring refers to the incidences/spheres of possible actions which are monitored. The scope is determined by financial, technical, time, and organizational conditions.

---

7 One may ask, why activity of political opposition (especially parliamentary opposition) is not included in the agenda of ways of monitoring government’s actions. It is due to the fact that monitoring means a process of active investigating and collecting data. Watchdog NGOs and public audit institutions conduct such actions. The same refers to mass media and investigative reporting. Also some active citizens may hold an inquiry. However, political opposition tend to realize its control tasks by using available data (i.e. gained by mass media) in order to mobilize public opinion and to force government to abandon reprehensible practices or implement some advantageous programs.
The effectiveness of monitoring actions should be connected with the ability to eliminate blameworthy practices observed in public institutions (practices that are illegal or contrary to the common weal).

The civic status refers to the credibility of the monitoring (from the perspective of the common citizen). There is an important difference between control realized directly by citizens and control realized by entities that are (at least theoretically) the citizens’ representatives. For this criterion the perspective offered by the “Principal-Agent” model is crucial. If the Principal indeed wishes to counteract the cognitive/informational dominance of the Agent, he has to implement effective monitoring actions, and it is crucial whether these monitoring tasks are conducted on his own, or whether he decides to employ (once again) a representative to handle the task. The question becomes: who controls the Agent’s performance – another Agent (acting on the Principal’s behalf), or the Principal (on his own)? If the answer is ‘another Agent’, it should be carefully noted that the monitoring is of an indirect nature. This makes it less credible than a monitoring done by citizens. In other words, monitoring tasks completed by specialized public institutions (for example an Audit office) are not as credible as monitoring realized by watchdog NGOs.

The above-specified means of monitoring (internal monitoring, mass media monitoring, monitoring by informal citizens’ actions, and monitoring by watchdog NGOs) may be described in different ways in terms of their scope, effectiveness and civic status. The patterns of these differences make it impossible to present a concrete ranking of the usefulness of the four specified variants of monitoring. However, the author has prepared a catalogue of the strengths and weaknesses of each method (see Table 2 below).

It should be assumed that monitoring actions conducted by public audit institutions are highly effective due to the use of professional, well-trained, and numerous staff. The availability of resources (i.e. time, money) also enable these institutions to perform their tasks efficiently. These factors also enable the monitoring actions performed to have a broad scope. However, this form of controlling the functioning of public institutions also has its disadvantages. The major problem is the poor civic status of the monitoring agency [Stempień: in-print]. From the point of view of the “Principal-Agent” model, we have a situation whereby one Agent monitors the actions performed by another Agent, and this is a serious weakness inherent in this solution.
TABLE 2. Forms of monitoring government in terms of their scope, effectiveness and civic status.

<table>
<thead>
<tr>
<th>Monitoring Type</th>
<th>Scope</th>
<th>Effectiveness</th>
<th>Civic status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal monitoring</td>
<td>Wide</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Mass media monitoring</td>
<td>Wide</td>
<td>Medium</td>
<td>Low/rather low</td>
</tr>
<tr>
<td>Monitoring by informal citizens’ actions</td>
<td>Narrow</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Monitoring of watchdog NGOs</td>
<td>Medium</td>
<td>Low or medium</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: own elaboration

The situation with regard to monitoring performed by mass media is of a *sui generis* nature. The scope of such monitoring may be quite wide (although it may entail limited access to information), but the monitoring is more accidental and random (without a planned outcome, often less well-planned and less complex). The effectiveness of implementing its results is lower, as the powers of the press and TV to force the institutions monitored (comprised of politicians or civil servants) to improve their performance are less than the legal sanctions able to be imposed by public auditing institutions. Formal audits done by public auditing institutions result in legal requirements to implement necessary changes in the functioning of a controlled institution. Ignoring such requirements may entail much more serious and inevitable consequences than ignoring a newspaper article by an investigative reporter exposing improprieties. Moreover, the civic status of the mass media is questionable. Reporters and editors declare themselves to be voluntary, self-appointed advocates of the common weal. However, their civic legitimacy may be doubtful, as editors, reporters and all branches of the mass media branch have their own agendas, which are not immanently connected with common weal [Stempień: in-print]. Many proofs exist which confirm that the functioning of newspapers, weekly magazines, TV and internet news etc. are the activities of an ordinary business company rather than an activity of disinterested, unselfish and objective entities wishing only to expose corruption and other improprieties within government in order to improve the quality of public administration [Stempień: in-print].

By definition, monitoring performed by informal citizens’ actions is fully vested with civic status. However, the scope of the activities monitored may be narrow and the effectiveness of the monitoring may be low. This field encompasses actions like writing letters to editors and creating, often on the spur of the moment, interested groups of citizens wishing to exercise control over the process of performing certain public tasks. The era of social networking has created new and interesting possibilities in this regard, with yet to be seen consequences.
Another interesting form of this type of activity is whistle-blowing – actions of single citizens who try to eliminate (by publicizing) blameworthy practices in their social or institutional milieu [Wojciechowska-Nowak 2008].

Given all of the above, the situation with respect to watchdog NGOs is in many aspects the most interesting. The scope of NGO activities is usually a medium one (and in new democratic systems – probably a narrow one). Their effectiveness is also no higher than medium (similar to the effectiveness of mass media monitoring). Research conducted in Poland demonstrated that the effectiveness of NGO activities might be their weakest link in terms of civic monitoring by watchdog NGOs. Many organizations find it difficult to pressure or even incline public institutions to abandon faulty practices and implement needed improvements [Stempień 2012]. Nevertheless, it is vital that watchdog NGOs are strictly civic entities performing their tasks on behalf of citizens and the society (or local society). Watchdog NGOs are established and managed by citizens, and this fact determines their civic status.

The above-described four forms of monitoring government are complementary. Each form has its own disadvantages. It may however be possible to minimize the disadvantages and weak points by introducing other forms that are unhampered by such constraints. This would permit the strong points of each form to support each other and multiply (the synergy effect).

**RESEARCH POSSIBILITIES INTO THE APPLICATION OF THE “PRINCIPAL-AGENT” MODEL**

Acceptance of the assumptions underlying the “Principal-Agent” model has particular consequences for practices regarding research into the functioning of representative democratic systems. First of all, researcher’s attention should be focused on the questions connected with a government’s accountability. This author would suggest taking the “Principal-Agent” model’s assumptions into consideration in analyses related to the following issues:

- legal framework of monitoring activity (for example constitutional or statutory guaranties with respect to accessibility to information);
- the actual functioning of entities carrying out monitoring/watchdog actions (for example the obstacles they face, their professionalism, and their independence);
the actual transparency (not only that formally guaranteed by law) of a given political system with respect to monitoring activities and resulting recommendations.

Research concerning the legal framework of monitoring activities may refer to those legal regulations which define the functioning of associations and other non-governmental organizations (i.e., those that would be interested in creating or supporting civil watchdog undertakings). Thus the legal regulation concerning the activities of mass media and public control organizations (in Poland – Human Rights Ombudsman, Supreme Audit Office, Regional Chambers of Auditors, Public Prosecutor’s Office etc.) should be the subject of analyses. The researcher can concentrate directly on the acts, as well as on the regulation emanating from constitutional provisions (the research technique used would thus be content analysis). He or she may also refer to legal interpretations of these acts by interviewing experts in a particular branch of law. Moreover, an attempt to present the process of establishing legal solutions in the analysed field could be an interesting research topic – what regulations have been accepted; which alternative solutions have been rejected; were these regulations’ preceded by public discussion; and how were they received by interested parties?

Another issue is research devoted to the actual activities of organizations monitoring the functioning of public administration. The subject of analysis could be all the entities listed in Table 2: non-formalized citizens’ groups, watchdog NGOs, mass media, and internal monitoring institutions (Human Rights Ombudsman, Supreme Audit Office etc.). Research may concern obstacles faced by such groups and institutions (financial, staff problems etc.), thematic fields of monitoring, the professionalism of the actions undertaken, and their effectiveness (related to the possibility of eliminating improprieties and pathologies discovered). Creating a prognosis (i.e. various scenarios) for the future development of such activities also would be quite interesting. The researcher can use methods such as content analysis (for instance on reports concerning an organization’s activity, information found on its websites, etc.), expert opinion surveys, observations (including participant’s observations).

The third and last of the research fields suggested in this paper (although others could certainly also be indicated) concerns the political system’s actual openness to monitoring activities and recommendations based on their results. Are the legal guarantees a reasonable assurance for carrying out monitoring activities? Are the effects of these actions taken into account in the practical functioning of public administration institutions? These questions are worth reflecting upon. However, this research field would seem to be the least accessible for a researcher. Neverthe-
less, an analysis of correspondence conducted between entities and monitoring institutions could be a valuable source of interesting information, for example.

What seems important in all of the research fields mentioned above is that studies conducted from the perspective of the “Principal-Agent” model may be both longitudinal or pseudo-longitudinal. In the case of pseudo-longitudinal research, they would consist of comparative studies devoted to different systems of representative democracy, assuming that some of them are more developed than others (i.e. “western democracies” versus the political systems in post-communist countries). However, comparative research ignoring these assumptions (and without the status of pseudo-longitudinal analysis) seems interesting too. Longitudinal research might, for example, deliver some interesting data concerning changes in political systems in given times and countries, from the viewpoint of the Principal holding the Agent accountable.

It should be emphasized that various researches and analyses might be conducted both at the level of social macrostructures and at the meso-level. Thus a researcher could refer to central as well as regional and local politics, analysing the accountability of local government or local representatives of central authorities (in Poland, the Voivodship Offices).

AN EXAMPLE OF UTILIZATION OF THE “PRINCIPAL-AGENT” MODEL IN RESEARCH PRACTICE

The project “Civil monitoring of central and local authorities by selected non-governmental organizations” (Obywatelski monitoring władzy państwowej i samorządowej w działalności wybranych organizacji pozarządowych) may be examined as an example of utilization of the “Principal-Agent” model in empiric research. This project was carried out by the author of this paper as a PhD project at the Faculty of Economics and Sociology of the University of Lodz (Poland) from 2005 to 2012, in cooperation with the Stefan Batory Foundation [Stempień 2012].

The project, undertaken in the form of a case study, was devoted above all to those organizations which received a Batory Foundation grant to participate in their programme “Watchdog activities” (Działania strażnicze), from 2004 to 2008. However, it seems reasonable to assume that the observations are applicable to the entire Polish watchdog sector. The project was divided into three parts. The first part was based on a content analysis of project documentation (2004–2008); the second part – on email questionnaires filled in by the organizations who were
beneficiaries of the programme (referring to their activity in 2009); and the third part – on the opinions of experts in the sector of non-governmental institutions.

The main purpose of the project was to create a comprehensive description of the organizations participating, from 2004 to 2008, in the consecutive editions of the Batory Foundation’s programme “Watchdog activities.” Defining the quality (professionalism) of the activities of Polish watchdogs was an important part of this report. The author prepared a summary index of the watchdog organizations’ professionalism. This proposed index would seem to be useful for further research devoted to the functioning of watchdog organizations in Poland, as well as in other countries. Determining the conditions and quality of the actions of Polish watchdogs, and outlining a prognosis for the future development of watchdog activities in Poland, were also very important aims of the project.

The following elements were combined to create a comprehensive description of the overall activities of selected watchdog organizations:

– basic characteristics of watchdog organizations included in the project (location, date of establishment, etc.);
– presentation of the activities of the selected organizations and of the projects realized as a part of the “Watchdog activities” program (referring to the fields of monitoring, the subjects of monitoring, territory taken into consideration, beneficiaries of watchdog actions, and methods used);
– determination of the watchdog organizations’ resources (financial, material, relationships, human resources);
– evaluation of the quality of watchdog organizations’ actions (referring to their public openness/transparency, independence, effectiveness, professionalism);
– identification of the most important obstacles faced by watchdog organizations in their activities in Poland.

The presented research was recapitulated in a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) for that part of the non-governmental sector which consists of watchdog organizations.

Realization of aims of the research as presented above required the use of a wide range of research techniques and treatment of the research as a complex project of an ongoing character. In this project the author referred to quantitative and qualitative, and reactive and non-reactive techniques. The set of three research techniques described below was used during realization of the project:

– (standardized) content analysis (based on project documentation from the program “Watchdog activities”);
– email questionnaire (conducted among the organizations which were the program’s beneficiaries);
— expert opinion surveys via the Internet (conducted among activists, specialists, and well-informed observers of the non-governmental sector in Poland).

It should be emphasized that throughout the realization of the project the author consistently and consequently used the perspective of the “Principal-Agent” model. At least three points should be stressed. First of all, this perspective allowed for the establishment of a proper definition of the field of a watchdog organization’s activities that should be subject to research and analysis. Thus, the monitoring carried out by non-governmental organizations into entities in the private sector was eliminated from the field of interest of this project, as its research was limited to monitoring of the public sector. Secondly, the perspective of the “Principal-Agent” model enabled the researcher to enrich the hitherto overview of relation between public and non-governmental sectors in Poland. This relation is described often in terms of tasks’ delegations (from public administration to NGOs) and in terms of civic dialogue [Stempień 2009; Mandrysz 2007; Krzyszkowski 1997: pp. 15–19; Długosz 1997: pp. 25–26]. The project analysis of this relation was enlarged with the context of civic (non-governmental) control on public administration. Thirdly, some specific (and quite uncommon) perspective on assessing the control tasks of mass media and public audit institutions was implemented as well due to the “Principal-Agent” model. The poor civic status of those actions made it reasonable to conclude that some other ways of civic control on public administration should be initiated. Due to this, the role of watchdog NGOs seemed more vital and more interesting. Finally, “Principal-Agent” model was particularly useful, when interpreting information collected in the research project.

REFERENCES


Krzysztofski J. [1997], Dylematy polityki społecznej i pomocy społecznej w Wielkiej Brytanii, „Polityka Społeczna” 1.


MOŻLIWOŚCI I SKUTKI ZASTOSOWANIA MODELU “PRINCIPAL–AGENT” W BADANIU I ANALIZOWANIU SYSTEMU REPREZENTATYWNEJ DEMOKRAKCJI

(Streszczenie)

Artykuł przedstawia podstawy modelu “Principal-agent”. Sugeruje się niektóre przyczyny zastosowania tego ekonomicznego modelu do badania i analizowania współczesnych systemów reprezentatywnej demokracji. Głównym elementem analizy jest problem poznawczej/informacyjnej
asymetrii w relacji „Principal-agent”. Omawia się strategię Thompsona zmierzającą do zmniejszenia skutków tej asymetrii. Dyskutuje się rosnące żądanie rozliczenia i przejrzystości działania rządu. Proponuje się 4 możliwe sposoby rozliczenia centralnego i lokalnego rządu, stosując 3 kryteria opisu (efektywność, zakres, status obywatelski). Kryteria i perspektywa oferowana przez model “Principal-agent” jest użyta do opisu i analizy działalności NGO jako “watch dog’a”. Proponuje się kilka sposobów zastosowania modelu PA w praktyce badawczej, zarówno pod względem metody, jak też merytorycznym.

Słowa kluczowe: demokracja przedstawicielska, “Principal-agent model”, centralny i lokalny rząd, “watch dog”, NGO (organizacja pozarządowa), rozliczenie, przejrzystość