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# The effect of “sunshine” on policy deliberation: The case of the Federal Open Market Committee

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## ABSTRACT

How does an increase in transparency affect policy deliberation? Increased government transparency is commonly advocated as beneficial to democracy. Others argue that transparency can undermine democratic deliberation by, for example, causing poorer reasoning. We analyze the effect of increased transparency in the case of a rare natural experiment involving the Federal Open Market Committee (FOMC). In 1994 the FOMC began the delayed public release of verbatim meeting transcripts and announced it would release all transcripts of earlier, secret, meetings back into the 1970s. To assess the effect of this change in transparency on deliberation, we develop a measure of an essential aspect of deliberation, the use of reasoned arguments. Our contributions are twofold: we demonstrate a method for measuring deliberative reasoning and we assess how a particular form of transparency affected ongoing deliberation. In a regression model with a variety of controls, we find increased transparency had no independent effect on the use of deliberative reasoning in the FOMC. Of particular interest to deliberative scholars, our model also demonstrates a powerful role for leaders in facilitating deliberation. Further, both increasing participant equality and more frequent expressions of disagreement were associated with greater use of deliberative language.

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## 1. Introduction

On his first full day in office President Obama signed a memorandum concerning “Transparency and Open Government” committing his administration to “an unprecedented level of openness” (Obama, 2009). Later, the Administration launched the Open Government Initiative,<sup>1</sup> widely viewed as part of a global trend to provide more information to citizens. “[T]here are few more important

struggles in the world today than the battle over who gets to know what” (Florini, 2007, p. 7). Obama’s premise, that transparency is unambiguously positive, is one many scholars doubt. In fact, some argue, under certain conditions transparency may harm the deliberation so essential to democracy.

In this paper we examine the effect of sunshine on deliberation. We study a natural experiment involving an abrupt and substantial increase in transparency in a powerful policy-making venue, the US Federal Reserve’s Federal Open Market Committee (FOMC). The FOMC is the key policy-making institution for US monetary policy. In October 1993, members of the FOMC learned transcripts of past meetings existed. They shortly thereafter decided to continue keeping transcripts and to publish all existing

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<sup>1</sup> This to reverse “a culture of secrecy in Washington.” See <https://www.whitehouse.gov/open>.

transcripts with a five-year lag. This presents a remarkable opportunity to look at the effects of a sudden and unanticipated change in transparency. Monetary policy is of great intrinsic importance, but it is not our primary interest here. Rather, the shift at the FOMC provides a rare experiment allowing us to study the consequences of increased transparency in real policy-making.

To examine the effects of transparency on deliberation, we must first address another issue: How can deliberation be measured? While empirical work on deliberation has grown substantially (Black, Burkhalter, Gastil, & Stromer-Galley, 2013), little of that work has produced measures of the central feature of deliberation—reasoning occurring between persons. In the terms of Bohman and Rehg (1999), it would be fair to say that existing empirical work has focused mostly on assessing *conditions* that facilitate deliberation and whether the *goals* of deliberation have been achieved, but not on the actual deliberative *process* or action. There are few studies that systematically measure the things that make discussions “deliberative”: processes of reasoning, arguing, and persuading.

In light of this, we develop a measure of the use of language reflecting a necessary element of deliberation, reasoning. We assemble a ‘dictionary’ of words and phrases reflecting reasoned exchanges among participants in a dialog. We assessed the validity of this measure by applying our method to dozens of transcripts of dialogic exchanges with varying levels of deliberation, ranging from conversations used for English instruction to public policy debates and meetings of a federal financial regulatory agency. These tests indicate that our method succeeds in distinguishing deliberative exchanges from non-deliberative ones and show that our approach could be used to study deliberation in policy areas beyond monetary policy. We use this measure to assess the effects of transparency on FOMC deliberation. In this case, increased transparency did not harm deliberation, although it clearly did affect behavior in several ways. This finding speaks to deliberative scholars concerned with the relative values of public versus secret deliberation. Also of interest for deliberative theorists, we found that leaders powerfully shape deliberation. The role of a leader or facilitator is under-theorized and this suggests an important avenue for future work. Consistent with the views of theorists, our estimates show that both increasing equality and disagreement are drivers of reasoned deliberation.

## 2. The transparency debate and the FOMC

Transparency is a familiar topic for students of democratic government. Reformers have widely advocated government transparency (Roberts, 2006). Possibly the most common justifications for transparency is that it improves accountability (Hood, 2010; Kosack & Fung, 2014). It is also claimed to heighten policy legitimacy while encouraging citizen participation. Greater transparency, in short, is thought to benefit democracy. In Fung’s formulation transparency takes three forms: Freedom of information, which depends on citizens requesting specific information; open government, in which governments release pertinent information without waiting for

requests; and targeted transparency, which uses rules to compel the (usually private sector) release of information useful to consumers making marketplace decisions (Fung, 2013, pp. 187–190). In this typology, releasing FOMC transcripts is a form of open government.

In a distinct, but parallel development, deliberative theorists typically call for public deliberation by citizens or their representatives (Bohman, 1996; Bohman & Rehg, 1999; Cohen, 1989; Gutmann & Thompson, 1996). Transparency and publicity are closely related concepts.<sup>2</sup> Here, we follow Naurin in viewing transparency as promoting publicity (Naurin, 2007). Publicity encourages deliberators to give reasons acceptable to others. It turns deliberation toward collective rather than private goods and facilitates inclusion of diverse interests. Publicity may also tend to produce more “correct” or effective policy choices, by incorporating diverse arguments or considerations and subjecting them to wide public assessment (Chambers, 2004; Cohen, 1986). In one of the few studies involving direct comparison of public and non-public deliberation, Steiner, Bächtiger, Spörndli, and Steenbergen (2004) support some of these claims. Comparing public and non-public legislative debates, they found that when deliberating in public, people offered nearly 30% more justifications for their positions and up to five times more references to common goods. However, public deliberation was characterized by less inter-group respect (2004, p. 129).

In certain instances, however, sunshine may hurt deliberation. Thompson concludes that “secrecy of various kinds is sometimes justified and even desirable in a democracy” (Thompson, 1999, p. 192). Gutmann and Thompson (1996) see the FOMC as an instance of justified secrecy. Chambers (2004) argues that scholars have inadequately considered the harmful effects of public deliberation. Public deliberation, she says, risks encouraging “plebiscitary reason” that is “poorly argued, shallow, or manipulative” (p. 389). In contrast, private deliberation may be more “carefully articulated, well reasoned and fully examined” (p. 392).<sup>3</sup> In case studies of congressional and executive branch deliberation, Bessette (1994) found evidence that sunshine can be detrimental. In a study of constitution-writing, Elster (1998) concluded that secrecy could produce higher quality deliberation. Stasavage’s (2004, 2007) modeling shows that decisions made in public may increase the risks of breakdowns in bargaining and make participants less likely to share private information. He also concluded that public deliberation could lead to greater polarization. As this scholarship highlights, there are differing views as to sunshine’s effect on deliberation. Costs may offset benefits.

All of this makes the FOMC natural experiment particularly interesting. In this case we have transcript records spanning both sides of an abrupt transition to greater transparency. Prior to late 1993 members were unaware that any transcript was retained longer than the short period

<sup>2</sup> The terms are sometimes used in similar if not identical ways (e.g., Gutmann & Thompson, 1996; Stasavage, 2004).

<sup>3</sup> Chambers also notes the benefits of public deliberation and detrimental effects of conducting it in private.

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