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A model of public opinion management

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ABSTRACT

Policymakers often motivate their decisions using information collected by government agencies. While more information can help hold the government to account, it may also give policymakers an incentive to meddle with the work of bureaucrats. This paper develops a model of biased information gathering to examine how different disclosure rules and the degree of independence of government agencies affect citizen welfare. Disclosure rules and agency independence interact in subtle ways. We find that secrecy is never optimal and yet insulating the agency from political pressure, so that its information is always unbiased, may also not be socially optimal. A biased information-gathering process can benefit the government by helping it to shape public opinion. But it can also benefit the public, by curbing the government's tendency to implement its ex ante favored policy, thus mitigating the agency conflict between policymakers and the public.

Human experience teaches us that those who expect public dissemination of their remarks may well temper candor with a concern for appearances and for their own interest to the detriment of the decision-making process (U.S. Supreme Court, United States v. Nixon).

We also recognize that there is a real dilemma between giving the public an authoritative account of the intelligence picture and protecting the objectivity of the JIC [Joint Intelligence Committee] from the pressures imposed by providing information for public debate (Butler Report, p. 114).

1. Introduction

Transparency is an essential feature of a democratic and accountable state and yet, despite substantial progress in recent years, exceptions to the principle of open government remain commonplace (Prat, 2006). In the U.S., for instance, the President has the right to withhold information from Congress and the courts, typically on the grounds that he needs candid and confidential advice from his staff. Freedom of Information laws also frequently allow policymakers to withhold information, most notably to protect internal decision making, personal privacy and national security (Banisar, 2004; Roberts, 2006).

This paper examines one important rationale for lack of transparency in government: the concern that public dissemination of information might compromise the quality of government decision making. We develop a model where the government receives information from an agency about a particular policy, and then decides whether or not the policy should be implemented. For instance, the government might receive an intelligence report about the opportunity to go to war, or an environmental impact assessment about the opportunity to build a new nuclear power plant. As is standard in political agency models, the preferences of the government and the public are not perfectly aligned. The government is more favorable than the public towards implementation but also wants public support for its decision. Thus, while policymakers may be more willing to wage war than voters, they are nevertheless responsive to public opinion.

Our key assumption is that the agency may be politicized and hence its report to the government may be biased. If the agency is independent, then it provides an unbiased report about the consequences of implementing the policy, and hence about the appropriate course of action. However, if the agency is *not* independent, then this report may be biased in favor of the government's ex ante preferred decision; that is, the report may be biased in favor of implementation. With a non-independent agency, we assume that the government can choose the optimal degree of bias so as to maximize its own welfare. For instance, the government may staff the agency with individuals who are prone to stating a case for war, seek the advice of biased experts, or encourage biased information gathering and evaluation. The drawback is that all parties with access to the report (including the government) then receive lower quality information which can result in poor decision making.

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We use this framework to address two questions, both from the perspective of the public. First, should the contents of the report be publicly disclosed? And second, should the agency be made independent of the government? Both issues are of great practical importance. It is often claimed that secrecy is instrumental in protecting the integrity of the decision-making process and indeed one of the most common exemptions to the principle of open government concerns pre-decision information (Banisar, 2004). Granting independence to government agencies is also becoming increasingly common. The Federal Trade Commission in the U.S. and the Bank of England, for instance, have a status that ensures their independence from political pressure by limiting the removal of their heads to certain specific causes. The British commission in charge of investigating recent episodes of intelligence failure also recommended to strengthen the independence of the Joint Intelligence Committee, although it fell well short of recommending full independence from the executive (Butler Report, 2004, pp. 143–144).

In line with conventional wisdom, we find that disclosure ('transparency') makes the government more accountable and hence more responsive to public desires, relative to nondisclosure ('secrecy'). However, disclosure also induces policymakers to distort the process of information gathering and evaluation. In contrast, when no information can be disclosed, the government has no incentive to manipulate information. Secrecy is therefore effective at protecting the integrity of the decision-making process.

We also consider a constitutional stage in which both the disclosure rule and the agency's degree of independence can be specified. The most surprising results emerge regarding what rule and degree of independence maximize the public's welfare. We show that from the public's perspective, secrecy is *never* optimal, but it can be optimal for the government agency *not* to be independent. Secrecy is always dominated by transparency because its chief advantage – unbiased information – can be more efficiently obtained by insulating the agency from political pressure. And yet the public may sometimes prefer that the agency be politicized so that its report is potentially biased. The government may opt for a biased agency that tends to submit favorable reports, because these reports help shape public opinion. However, for any given decision rule, biased information increases the probability that the government will make the wrong decision, which hurts both itself and the public. The government wants to avoid making the wrong decision and so tailors its optimal decision rule to the agency's level of bias. We show that a pro-implementation bias in information has a *moderating* effect; for given evidence, it makes the government more reluctant to implement the policy. This moderating effect benefits the public, which views implementation less favorably than the government. Thus, manipulation of information can help mitigate the agency conflict between the government and the public.

From a theoretical perspective, this result can be seen as an application of the theory of the second-best. According to this theory, introducing a new inefficiency – manipulation of information – in an environment where another inefficiency is already present – the agency conflict between the government and the public – can sometimes increase social welfare.

Previous work has examined how to hold politicians accountable when voters are not perfectly informed. Canes-Wrone et al. (2001) and Maskin and Tirole (2004) explore how policymaker private information and reelection concerns can create incentives for pandering. These models do not allow policymakers to credibly communicate private information, so they cannot distinguish between transparency and secrecy. Subsequent research has focused on the role of the media. Besley and Prat (2006) develop a model where incumbents can manipulate media reports, and show that features of the media industry can affect report quality and political turnover. Ashworth and Shotts (2010) find lower incentives to pander when the media generally acts as "yes-men", because negative media reports then strongly indicate incorrect government policy. Warren (2012) focuses on the motivations of news providers, and shows that moderate pro-incumbent bias helps improve accountability by increasing journalists' incentives to exert effort. Our work differs in a variety of ways: by deriving a novel mechanism through which pro-government bias can improve social welfare, addressing how to protect the quality of government information, and examining questions of institutional design (transparency vs. secrecy and agency independence vs. non-independence).[1]

Our work also relates to the literature on transparency in principal–agent relationships. Prat (2005), in particular, develops a model of expert career concerns where the principal can observe the agent's action and/or its consequences. Transparency on actions can hurt the principal by inducing the agent to conform and disregard useful private information. Transparency on consequences, in contrast, always benefits the principal. Fox (2007) develops a related model where policymakers' concern is not to show that they are competent, but that they are unbiased. Our work differs in focusing neither on transparency on action nor on consequences. We measure transparency by the extent to which parties share *pre-decision information*. Our focus is not whether transparency induces conformism, but whether an agent will distort his own information (and possibly the principal's) to influence how the principal perceives his action.

The remainder of the paper is organized as follows. The next section introduces the model. Sections 3 and 4 study different disclosure rules (transparency and secrecy) under agency non-independence. Section 5 considers agency independence and compares different institutional arrangements from the public's point of view. Extensions are discussed in Section 5, while Section 6 concludes. Proofs are gathered in an appendix and an online appendix.

2. Model

We consider a model of government decision making where (i) the government is responsive to public opinion and (ii) the agency that provides the government with information is potentially biased. The model has five stages. At stage 1, if the agency is non-independent, then the government chooses the agency's level of bias, $q \in [0, 1]$. One can interpret q as the type of bureaucrats who work at the agency. In contrast, if the agency is independent, its bias is equal to zero ($q \equiv 0$). At stage 2, the agency produces a report for the government. This report may or may not be publicly revealed, depending on the disclosure rule, as discussed below. At stage 3, the government chooses whether to implement a new policy ($p = a$) or stick with the status quo ($p = n$). If the government decides to implement the policy, at stage 4 the public either protests ($v = d$) or accepts ($v = nd$). The cost to the public of protesting is $c \geq 0$; the benefit is that implementation then fails with probability p, in which case the policy reverts to the status quo. If the government selects the status quo, then the public does not protest and the status quo remains.[2] At stage 5, payoffs are realized.

2.1. Preferences

The payoffs of the government and the public depend on the state of the world, $S \in \{A, N\}$. The public would like the policy to match the true state, $a = A$ or $n = N$, in which case its payoff is zero. The public incurs a loss of C_a if the policy is implemented and the true state is N, and a loss of C_n if the policy is not implemented and the true state is A. Without loss of generality, we assume that $C_a + C_n = 1$ and that A and N are a priori equally likely.[3]

Let σ_P denote the public's posterior belief that the true state is A and assume that the government implements the new policy. The public

[1] A limitation of our work is that it leaves the motivations of agency bureaucrats in the background. For theoretical analyses of bureaucratic behavior, see Prendergast (1993, 2007), Gailmard and Patty (2007), Alesina and Tabellini (2007, 2008), Patty (2009), Shotts and Wiseman (2010); Ujhelyi (2014). Fox and Jordan (2011) study interactions between politicians, bureaucrats and voters.

[2] Even if the public could protest against the status quo, it would never do so in equilibrium in our setting, since the public views the status quo more favorably than the government (see below).

[3] Assuming that A and N are equally likely simplifies expressions for the posterior beliefs. Relaxing this assumption would be notationally burdensome but would not qualitatively affect the analysis.