Executive Summary
This essay argues that professional ethics is associated with the degree of transparency of government performance in local governments. The essay briefly discusses two assumptions—information asymmetry and goal conflict between elected officials and bureaucrats—of the principal-agent theory and the problem—moral hazard on the bureaucrats’ side—arising from the assumptions. Then, the discussion continues on the role of professional ethics in mitigating the problem and thereby enhancing transparency of government performance in local governments.

Transparency in government has been regarded as a viable means to hold government accountable. Recognizing it as a fundamental responsibility of a democratic government, the Obama administration has paid close attention to openness and transparency in government; federal government agencies have been mandated to make their performance information publicly available. These federal efforts to increase transparency have migrated to state and municipal governments. There are, however, variations among local governments in terms of transparency of government performance. According to the 2009 State of Profession survey by the International City/County Management Association (ICMA), only about half of the local governments disclose performance information to citizens. Why are some local governments
more transparent than others in terms of public disclosure of performance information? Drawing
the principal-agent theory, this essay highlights the role of professional ethics in shaping
transparency of government performance in local governments.

Transparency in government can be broadly defined as opening government information
that allows citizens and other stakeholders to monitor and assess what government is doing and
how it is performing. Scholars have investigated transparency in government from various
viewpoints, including the construction of transparency in interactions between governments and
stakeholders and the impact of transparency in government. Regarding the determinants of
transparency in government, the literature has identified organizational, environmental, cultural,
or technological factors as being associated with the level of openness and transparency in
government. Along with these organizational and external factors, it would be interesting to look
at the motivational factors that may have shaped the behaviors of elected officials and
bureaucrats in their course of actions about using and disclosing performance information to the
public. The principal-agent theory informs us about the dynamic relationships between elected
officials and bureaucrats in government that would lead to a decision to open or disclose
performance information to the public.

The principal-agent theory provides a lens through which how government officials’
motivation and behavior to maximize their interests would contribute to generating and
disclosing performance information to the public. Principal-agent theory attempts to explain a
relationship between two parties where one party (i.e., the principal) delegates some of its
authority to the other one (i.e., the agent) for its will (e.g., policies) to be implemented. One key
assumption of the principal-agent theory is information asymmetry between the principal and the
agent in which the agent has an informational advantage over the principal because the agent
gains technical expertise in its course of actions. Another critical assumption of the principal-agent theory is goal conflict between the principal and the agent (e.g., maximizing re-election chances for elected officials and maximizing budgets and discretions for bureaucrats).

Information asymmetry between the principal and the agent stems from the lack of motivation of the agent to provide the principal with accurate information that does not favor the agent. It also springs from the lack of the principal’s opportunity to access information about what the agent performs in the interests of the principal. These circumstances position performance information at the core of the principal-agent problem.

Due to goal conflict and information asymmetry, elected officials (i.e., the principal) seek to control bureaucrats (i.e., the agent) in order to keep bureaucrats’ activities in line with their preference. To reduce uncertainty arising from the information asymmetry between elected officials and bureaucrats, elected officials need bureaucrats to generate and report performance information or measurement. However, goal conflict may lead bureaucrats to resist or shirk, which is morally hazardous. Elected officials may turn to a strict system of supervisions and an incentive package to induce bureaucrats to be less morally hazardous. However, these efforts entail costs. Elected officials need other supporting mechanisms to prevent or reduce moral hazard on the bureaucrats’ side. Reinforcing public service motivation among bureaucrats may be a viable action for elected officials to take because ethics and public service motivation can help mitigate moral hazard in bureaucracy.

Bureaucrats who are highly motivated to serve the public are likely to take seriously ethics that emphasizes the mission of government and to be self-sacrificing and altruistic. A code of ethics, ethics training, and ethics enforcement would facilitate bureaucrats’ moral deliberation and ethical behavior that promote higher commitment to and accountability for the public,
driving bureaucrats to go beyond self. Regarding performance information, bureaucrats may well be reluctant to report their performance information as it is seen to risk their self-interest. However, bureaucrats armed with ethics would go through moral deliberations and choose to respond to citizens’ demand for more transparency of government performance. That is, ethical bureaucrats are more likely to agree with what elected official maintain about democratic values of responding to citizens’ demand for transparency of government as transparency is considered to be the closest thing public administration ethics has to a universally accepted value.

Empirical data supports this argument that professional ethics plays a crucial role as an enabler or facilitator of transparency of government performance in local governments by helping mitigate the moral hazard arising from information asymmetry and goal conflict between elected officials and bureaucrats. Despite the important role of professional ethics in enhancing transparency in government, however, not all local governments pay enough attention to promoting professional ethics. According to the ICMA’s 2009 State of Profession survey, 46 percent of the local governments do not offer ethics training to employees; 34 percent of the local governments do not enforce their code of ethics. These variations explain why some local governments are more transparent than others in terms of disclosing performance information to the public. Professional ethics promotes stewardship that motivates bureaucrats to go beyond self about reporting accurate performance information. Promoting professional ethics will lead to a higher level of transparency of government performance in local governments.