

# Foreword

There is growing international recognition of the importance of transparency for meaningful and effective democratic processes. How can citizens meaningfully express their voice about what the government is doing if they do not know what the government is doing? And how can they check government abuses? Indeed, what is probably the world's most effective anticorruption NGO, Transparency International, focuses its attention on transparency. As the old expression has it, "Sunshine is the strongest antiseptic."

Excessive secrecy has a corrosive effect on virtually all aspects of society and governance by undermining the quality of public decision making and preventing citizens from checking the abuses of public power. Societies, though, do not have to tolerate such secrecy from their governments. Although it is often a struggle, it is possible to make public institutions more transparent.

My own interest in the subject of transparency is a natural outgrowth of my theoretical work in the economics of information. For four decades, I have studied how imperfect information affects economic processes—how it can lead to abuses of market power and

undermine the efficiency of the economy. I have studied closely how managers, for instance, may work to create asymmetries of information to allow them more discretion to benefit themselves at the expense of other stakeholders (including shareholders and workers). When managers abuse their positions, firms will be less efficient; returns on capital will be lower, making it more difficult to raise additional finance. Choice and competition provide an automatic, if only partial, check on abuses. And I have raised concerns about how, for instance, disclosure requirements may reduce the scope for these abuses and increase the efficiency of the economy.

Imperfections of information lead to analogous problems in the political sphere, with even more dire consequences. Choice and competition are typically more limited. Citizens must pay their taxes even if they feel the money is being wasted. Even in countries with democracies, contestability may be limited, and corrupt governments can get reelected. But information about what the government is doing, enabling citizens to scrutinize how their money is being spent, can make a difference. Government officials know this—which is why they often work hard to limit the information available.

For two hundred years, Sweden has had legislation promoting transparency. America's Freedom of Information Act, strengthened in response to the abuses under President Nixon, recognized the citizens' right to know what their government is doing, a marked contrast to the "official secrets acts" that had determined what information was available in other countries, where the presumption was that the citizens did not have the right to know. Democracies have hailed the importance of free speech and free press. But a free press with little or no information about what the government is doing cannot provide an effective check on government. Even as citizens see the right to know as a fundamental right, they have encountered a myriad of problems in implementation. IPD has played an important role in energizing a global movement for legislation supporting the right to know, and we are proud of that.

Most IPD task forces focus on economic issues to help developing countries explore policy alternatives. This book, however, addresses a topic crucial not only to economic development but also to governance in all societies and at all levels. Today, citizens and societies everywhere are grappling with the politics and policy dilemmas of transparency. This book is meant to help in that process.

Joseph E. Stiglitz