

Can Agencies Deliver What They Promise? The Reputation of Independent Regulatory Agencies

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Abstract

Two main functional (and normative) rationales drive the delegation of power from governments to formally independent regulatory agencies (IRAs): an increase in policy credibility (through independence), and enhancement of decision-making efficiency (through expertise) (Majone 2001). However, the two goals are expected to be incompatible, because they require two opposite structures of delegation, the one implying the need for retaining controls, the other promoting factual independence. In order to contribute to this discussion, I examine the reputation of competition agencies in two contrasted cases (the UK and Switzerland), according to the criteria of credibility and efficiency, through content analysis of major national newspapers during the years 2006-2007. Reputation is indeed a crucial characteristic of IRAs and shapes the effectiveness of their regulatory action (Carpenter 2001). I then illustrate the expected variations in agencies' reputation, with reference to a set of organisational and institutional variables that systematically differ across the selected countries.

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When you have eliminated all which is impossible, then whatever remains, however improbable, must be the truth.¹

*This, today, is all that we can tell you:
What we are not, what we do not want.²*

1. Introduction: Can IRAs deliver what they promise?

Since the 1980s, the reorientation of public priorities towards a more pro-market agenda implied a new regulatory approach whose aim was to increase the allocative efficiency of markets and correct market failures (Majone 1994; Majone 1996; Majone 2001a). Accordingly, independent regulatory agencies (IRAs) have been extensively adopted in almost all OECD countries, and where older agencies were already established, their competencies and their formal independence have been improved (Gilardi 2005). Empirical evidence from 16 sectors and 49 countries over 39 years (1964–2002) shows that more than 20 agencies were created per year from the 1990s to 2002, and, by the end of 2002, independent regulatory agencies are identified in about 60% of the possible cases (Jordana, Levi-Faur, and Fernandez i Marin 2007). This process of delegation and re-regulation, particularly significant in Western Europe, has been identified as a major feature of the development of the regulatory state (Majone 1994) or, more generally, regulatory capitalism (Levi-Faur 2005).

The main functional reasons for delegating public authority to independent regulators are related, on the one hand, to the increasing need for policy credibility (through independence), and, on the other, to the aspiration of enhancing policy efficiency (through expertise) (Majone 1996; Majone 2001c).

¹ Arthur Conan Doyle (1993 (1927)). "The Case-Book of Sherlock Holmes." Ed. W.W. Robson. Oxford: O.U.P. p.1011.

² Eugenio Montale (2000). "Collected Poems: 1920-1954." Tr. J. Galassi. New York: Farrar, Straus and Giroux., p 39.

The explanatory power of this functionalist (and normative) perspective is, however, limited (Christensen and Yesilkagit 2006), as there is cumulative evidence of the relevance of non-functional factors driving the establishment of independent regulators, drawing from organisational theory and sociological institutionalism. For instance, the phenomena of learning and symbolic imitation or strategies for coping with political uncertainty and blame shifting are frequently highlighted (Gilardi 2002; Gilardi 2008; Thatcher and Stone Sweet 2002). Yet the official goals of delegation in terms of credibility and efficiency represent a relevant benchmark in the context of this paper, which, instead of examining *why* agencies are created, deals with the *consequences* of delegating public authority to independent regulatory agencies (hereafter IRAs). In this regard, a growing literature exists, with reference to the unintended consequences of agencification (McGowan and Wallace 1996; Pollitt and Bouckaert 2004); the role of agencies in policy-making (Coen and Thatcher 2005; Gehring 2004; Thatcher 2002b; Thatcher 2005), and the effect of regulatory reforms on the political and administrative systems (Christensen and Yesilkagit 2005; Christensen and Laegreid 2005; Hood, Rothstein, and Baldwin 2001; Peters 2001; Pollitt, Tablot, Caufield, and Smullen 2004). However, very few studies focus on the question of whether IRAs can really deliver what they promise, in terms of credibility and efficiency, with a systematic comparative empirical perspective. The rare studies examining agencies' performance, while helpful for building detailed country-specific knowledge, have hardly led to general clear-cut results, and above all they do not focus on agencies that are formally independent from elected politicians, which represent the trickiest cases (Brunsson 2002; Talbot 2004; Verhoest 2005; Yamamoto 2006).

In order to contribute to this discussion, the present research deals with the following questions:

- *What are the effects of delegating public authority to IRAs, in terms of credibility and efficiency?*
- *What are the main factors explaining the expected variance in these effects?*

Before continuing, three caveats should be mentioned. *Firstly*, a “causes-of-effects” approach to explanation is adopted (Mahoney and Goertz 2006). Accordingly, we seek to identify the causes of particular outcomes, so as to explain some crucial cases (as opposed to an “effects-of-causes” approach, which is focused on the average effect of a set of independent variables). Thus, causation is understood in terms of necessary and sufficient conditions (Mahoney 2008). *Secondly*, the analytical perspective is non-functionalist. In other words, if evidence reveals that an agency is efficient (or credible), this does not directly imply that the rationale of efficiency (or credibility) explains the creation of the agency. Instead, efficiency (or credibility) can be a more or less unintended by-product of a governmental decision to delegate competences for symbolic reasons (Wilks and Bartle 2002). Similarly, if an agency is not efficient (or credible), this does not imply that the main rationale for delegation was not the pursuit of efficiency (or credibility); for instance, implementation problems may have occurred. *Thirdly*, we acknowledge that the direct measurement of agencies’ performances and results is beyond the scope of this study. The assessment of regulatory results is indeed extremely demanding, and typically more focused on process than on outcomes (Berg 2000; Radaelli and De Francesco 2007; Stern and Holder 1999). Significantly, after 40 years of impact assessment in the US and the subsequent development of the European regulatory state after more than two decades, there is still a dramatic lack of evidence of the results of regulatory reforms and the performance of regulatory agencies (Christensen and Laegreid 2007; Jacobs 2006; Jacobs 2008; Radaelli 2004). Therefore, a great uncertainty persists about the effects and implications of agencification. As a second-best strategy, I suggest examining the reputation of agencies, through an analysis of media coverage related to their regulatory action (see section 3.2).

The structure of the paper is the following. In the next section, I will discuss my theoretical expectations. Then I will present the logic of the comparison: cases where the outcome of interest is, respectively, the least probable and the most

probable are selected. If no relevant variation of the outcome is detected, the explanatory variable—that is, the one that is unvarying, unlike all the theoretically relevant control variables—is plausibly sufficient for the outcome. Finally, I will illustrate how to conceptualise and assess the performance of agencies through analysis of media coverage, as well as the limitations of this approach. Results and conclusions follow.

2. Hypotheses: two logics of delegation

The delegation of powers to IRAs follows two main functional logics of delegation (Majone 2001c). On the one hand, delegating powers to IRAs should enhance the credibility of policy commitments, given the expected high independence of agencies from elected politicians and organised interests. Independence, as for central banks, is a crucial feature of regulatory policies, because it permits securing of long-term commitments in favour of the “public interest” and at the same time reduces policy uncertainty resulting from the political cycle, that is, the expected discretion of present and future policy-makers, which is a common problem in many political contexts, and especially when dealing with economic regulation (Gilardi 2008; Miller 2000; Thatcher 2002a). On the other hand, the efficiency of policy-making is expected to grow, so as to reduce decision-making costs, based on the assumption that agencies are faster and more proficient in producing qualitatively better policy output than democratic institutions, namely by taking advantage of their technical expertise and their unique acquaintance with the regulated sector (Majone 1994; Majone 1996; Majone 2001c).

However, the successful delivery of credibility and efficiency plausibly implies two distinct logics of delegation, hence two utterly different relational structures between the political decision-makers and the agency (Majone 2001c). On the one hand, the enhancement of a principal’s credibility requires a substantial differentiation between the principal and the trustee’s preferences

and behaviour. In this case, following the fiduciary principle derived from transaction-cost politics (Majone 2001c), the solution required to the policy time-inconsistency problem is a broad delegation of powers. Concretely, the need for credibility in the long term also requires freedom from ex-ante and ex-post controls, implying the transfer of political property rights—i.e., specific policy competences—to independent regulators. This fiduciary mode of delegation should imply the self-determination of agencies' preferences and the execution of a factually autonomous activity of regulation (Maggetti 2007). The key problems of agency theory—hidden action and hidden information—are not central here (Majone 2001a).

On the other hand, the pursuit of policy efficiency through delegation to IRAs, i.e., the reduction of decision-making costs so as to improve the functioning of the political system, requires a close alignment between the principal and the agent, because, following the principal-agent model (Braun 2003; Braun and Guston 2003), the principal should minimise any possibility of an agent's shirking. The main goal is indeed to reduce the ability of the agent to enact policy outcomes different from the preferences of those who delegated powers (Epstein and O'Halloran 1999). This means that ideally the agencies' preferences should be in line with those of the principal, and/or the principal should be able to retain formal and informal controls on agencies' behaviour (Calvert, McCubbins, and Weingast 1989). In other words, according to the 'ally principle', principals should delegate to agents with similar preferences/behaviour (Bendor, Glazer, and Hammond 2001). In this sense, delegation should not allow agencies to develop their own strategies, out of the control of political decision-makers (Braun 2002).

As a consequence, we should expect that a regulatory agency could be either credible (but not efficient), when it is independent from elected politicians, or efficient (but not credible), if it is under their control. With reference to explanatory variables, it is worth noting that the crucial potentially sufficient condition (Mahoney and Goertz 2006) is expected to be the de facto

independence of regulators, not formal independence, because the former is related to the consequences of creating independent regulatory agencies, whereas the latter refers to the factors explaining the delegation of competences to regulatory agencies. This point is also consistent with analogous pieces of research (Franchino 2002), where different rationales for delegation do not seem to imply different degrees of formal independence. To sum up, this paper will investigate the impact of de facto independence—the main characteristic of independent regulatory agencies—on their (credibility and) efficiency. The theoretical expectations can be summarised as follows.

1. *A trade-off is expected between credibility and efficiency of IRAs.*
2. *A high level of de facto independence from politicians is potentially sufficient to predict a low efficiency of the investigated IRA.*

3. Methodology

3.1 Case selection and the logic of comparison

The first hypothesis is essentially descriptive, and examines the relationship between two variables that are supposed to be inversely related: credibility and efficiency. We can reformulate it as such: *is the credibility of agencies sufficient to predict their non-efficiency (or: is the absence of credibility necessary to predict their efficiency)?* Both variables will be made operational and assessed in the next two sections. The test of the second hypothesis, which has an explanatory goal, involves a “most different systems design”. The analysis requires one dependent variable to be measured (efficiency), one explanatory variable (de facto independence from elected politicians), and several control variables, which would predict the opposite outcome. First, a case where the control variables should predict a very efficient regulatory action is selected, that is, the British Competition Commission (CC). Then, according to a counterfactual strategy, this agency will be compared to the case where efficiency is expected

to be the lowest in Western Europe (the Swiss Competition Commission, i.e., ComCo). To put it differently, a comparison of two comparable but contrasted cases is executed, that is, two cases that represent the two extremes on the continuum of expected efficiency (Gerring 2004). In the event that, in spite of the presence of the control variables virtually predicting the higher efficiency of the British regulator, the empirical analysis shows that the CC is not significantly more efficient than the ComCo, then we can conclude that the only (theoretically significant) common variable—de facto independence from elected politicians—should play a crucial role in determining the outcome.

To begin with, we need a set of *contextual factors* to ensure the comparability of the two selected cases. First, since the functionalist logic of delegation should be particularly strong for economic and business regulation (Christensen and Yesilkagit 2006), we focus on the regulation of competition, to maximise the chances of obtaining positive outcomes of credibility and efficiency. Indeed, competition policy is a politically salient regulatory issue that concerns electorally sensitive politicians, who are likely to be much more concerned about the level of credibility and efficiency (Elgie and McMenemy 2005). In addition, I selected a sufficiently long time period to avoid potential bias due to contingent phenomena (the years 2006-2007), wherein a similar crucial issue was examined in both countries (that is, high concentration in the grocery market). Finally, the agencies' organisational models have to be comparable (chairperson or director, board or similar body, own secretariat).

Several *control variables* would predict a better performance of the British CC, compared to the Swiss ComCo. First, the CC is more formally independent than the ComCo (Gilardi 2008). Second, the CC is more de facto independent from the regulatees than ComCo (Maggetti 2007). Third, the CC is highly rated by peers, whereas the ComCo is relatively poorly rated (Wilks 2007). Fourth, the UK CC operates within a liberal market economy, which is in line with its regulatory action, whereas the Swiss ComCo is confronted with a coordinated market economy that is traditionally cartelised. Fifth, media concentration

appears to be higher in Switzerland, possibly producing incentives for the national media to be more sceptical towards the ComCo. Sixth, unlike the ComCo, the CC has a strong department of press communication, plausibly enhancing its reputation. Seventh, the human and financial resources of the CC are significantly higher than the ComCo, thus increasing the chances that the former will perform better than the latter. Finally, the UK is member of the EU, whereby the EU is said to have a positive impact on agencies' activism (Majone 1996).

The *explanatory variable*, that is, de facto independence from elected politicians, is assessed with data derived from Maggetti (2007), in which de facto independence is conceived as the synthesis of two components (the self-determination of agencies' preferences and the autonomy of their activity of regulation), and a survey-based measurement is proposed. As required by the research design, de facto independence from elected politicians is the only theoretically relevant variable that displays a high value both for the British CC and for the Swiss ComCo, predicting scarce efficiency in both cases. To sum up, we expect the British CC to be more credible than the Swiss ComCo, but not more efficient. In other terms, all the abovementioned factors should influence only (positively) credibility, but not efficiency, which should be (negatively) influenced only by de facto independence from the politicians (the only condition that doesn't vary).

3.2 Conceptualising agencies' credibility and efficiency through media coverage

Independent regulators are created with the official purpose of obtaining 'better' regulatory results (Majone 2001a; Majone 2001b). Nevertheless, the assessment of their performances is problematic. Indeed, as mentioned before, there is still no clear-cut evidence concerning the consequences of regulatory reforms and the performance of IRAs (Jacobs 2006; Radaelli 2004). We can elucidate the reasons with the following three points.

First, it is difficult to assess the impact of IRAs because their constitutional goals are varied, mixed, broad, and sometimes ambiguous or at least blurred, all in all less intelligible than those of central banks. For instance, competition authorities are uneasy about deciding whether the task of promoting the public interest can be narrowly defined as the reduction of market prices in the sector under investigation or whether they should encompass broader public concerns, such as the possibility of a wider choice and the proximity of services. *Second*, the concept of regulatory quality has to be considered empirically sensitive to the subjective understandings of the different actors involved, such as political decision-makers, civil servants, experts, producers, consumers, and citizens (Radaelli and De Francesco 2007). This implies unrelenting difficulties in attempting to reach a general agreement on the measurement of regulatory quality. For example, a process of market concentration can be ambiguously qualified either as a condition of oligopolistic, reduced competition in the investigated sector or, conversely, as normal adjustment through which lower-performing firms are evicted from the market. *Third* and more generally, even if we could assess confidently the implementation of regulatory policies, it would be arduous to persuasively verify the causal relationship linking the regulatory action of IRAs with the broad outcomes on the whole society. As a matter of fact, the vague notion of “x-efficiency” is occasionally used in order to denote this somewhat undefined type of outcome (Button and Weyman-Jones 1993; Stennek 2000).

Considering these limitations, this piece of research suggests focusing on the reputation of agencies in the media, as a proxy of agencies’ performance in terms of credibility and efficiency. Reputation is indeed a crucial characteristic of IRAs that largely determines the effectiveness of their regulatory action (Carpenter 2001; Krause and Douglas 2005). The decision to focus on media coverage stems from the idea that, on the one hand, in normative theory, public communication is a prerequisite of the legitimacy of political institutions, which is relevant from the societal point of view, providing accountability and transparency to decision-making (Dahl 1989; Sarcinelli 1987). This is

particularly important when policy-making takes place behind closed doors, as in the case of agencies (Voltmer and Eilders 2003). On the other hand, analysis of media coverage of agencies can give crucial hints on the performance of IRAs, as the reputation of agencies in the media can be considered a regulatory outcome itself, in the sense of having an impact on the public, the stakeholders, and the policy-makers.

The intent of this study is not to examine how the media influence the public and the decision-makers, but to assess how they evaluate the credibility and efficiency of agencies. Indeed, data do not allow me to test for the direct effect of the media on public opinion. However, there is a large body of research indicating that media do guide opinion formation, especially when they cover issues that are less well known or very technical (Bryant and Zillmann 2002; Zaller 1992). In this case, that is plausible with reference to agencies, most of what citizens know about the issue derives from the media (de Vreese, Banducci, Semetko, and Boomgaarden 2006), making the media also politically relevant since policy-makers, for instrumental reasons, look for public policies that reflect citizens' opinions (Stimson, MacKuen, and Erikson 1994). Thus, media coverage affects the setting of the political agenda. They also play a role in communicating policy ideas and framing issues (Coglianese and Howard 1998), being the most important channel of communication between public administration and its clientele, and the most critical observer of policy-making (Lee 1999). Prior evidence shows that the media go beyond coverage of scandals; however selective, the media cover regulations when they have a direct effect on everyday life, describe problems that could be improved, or take policy in new directions (Coglianese and Howard 1998).

In this context, my strategy is to examine the so-called quality or broadsheet press. Quality newspapers are indeed considered a determinant because they are influential on other media, thus directly or indirectly also influencing the mass audience (Coglianese and Howard 1998). It is in fact widely recognised that the elite press reach a much larger segment of citizens, by determining

issues and perspectives on news coverage of all type of media (Kepplinger, Donsbach, Brosius, and Staab 2004). Editorials and commentaries are particularly important in shaping the symbolic environment (Voltmer and Eilders 2003), although they are unfortunately quite neglected in media coverage studies. In fact, they become more and more essential as they respond to the people's need for orientation (Voltmer 1998), especially concerning "non-obtrusive" issues that cannot be experienced in everyday life (Lang and Lang 1984), precisely such as the action of regulatory agencies. Moreover, they are the place where the media's own positions are most openly and legitimately expressed (Eilders 2000; Eilders 2002). Therefore, a focus on comment and editorials will allow me to examine press articles that express an explicit evaluation of the agency in a transparent and direct manner.

Nevertheless, at least three problems exist in adopting this approach. *Firstly*, the press is not a neutral channel that evaluates agencies' performance with perfect objectivity. On the contrary, on the one hand, politicians and representatives of organised interests can try to use the press strategically, in order to sustain their points of view. On the other, the press also functions according to a partially autonomous logic, following commercial and/or ideological goals. Therefore, the media are neither neutral evaluators reflecting reality, nor a mere channel of communication for political actors. They are indeed involved in the process of constructing reality, and impose their read of the story (Altheide and Snow 1988; Mazzoleni 1987; Swanson 1981). *Secondly*, news coverage tends to be cyclical in nature, with coverage that peaks around important events, and then suddenly disappears from the news agenda. Similarly, media are selective: the newspapers do not cover everything agencies do, but they focus on those regulatory issues that have the most direct impact on the public (Coglianese and Howard 1998). *Thirdly*, the press tends to have a negative bias towards politics. Political news, when explicitly evaluative, is usually negative in tone (Clark 2005; Kepplinger and Weißbecker 1991; Lee 1999).

To put it simply, the solution adopted in this paper is to consider the aforementioned flaws as constant across cases, because of the structure of the field. Then it is possible to compare the relative variations across countries per time period, using an ordinal scale, while also highlighting the different targets of criticisms. In addition, although media are sometimes in alliance with political parties, competition issues do not fit into the usual left-right continuum; therefore, media position is an open empirical question.

3.3 Assessment of (the reputation of) credibility and efficiency

How do media evaluate independent regulatory agencies and their regulatory actions? A reputation measure will be created. Each article that mentions the investigated agency corresponds to a unit of analysis. For each newspaper, each news item is preliminarily coded as an editorial (“e”), a comment (“c”), or an interview (“i”), and with the date of publication. News items, where the agency is marginally cited, and ordinary articles, where the journalist refers to the agency without any judgment or comment, are excluded from the sample. The coder considers each article according to the explicit evaluation of two distinct elements: the credibility and the efficiency of the related agency. Each element is appreciated through four criteria (see table 1).

The code for each single criterion is assigned on a three-point scale by considering whether the article refers explicitly to that criterion in a positive, negative, or neutral tone (i.e., no evaluation present: not all editorials are clearly evaluative; some are characterised by a neutral and diagnostic tone). A positive reference to one criterion corresponds to the code “1”, a negative evaluation corresponds to “-1”, and a neutral evaluation to “0”. In turn, each element is appreciated as positive, negative, or neutral according to the positive, negative, or neutral value of the sum of the four criteria defining that element.

Table 1. Criteria for evaluating agencies' reputation

| | Criteria | Evaluation |
|---------------------------|--|--------------------|
| <i>Credi- -bility</i> | 1. Autonomy from elected politicians | - Negative (-1) |
| | 2. Predictable time-consistency of decisions and policies | |
| | 3. Status of board members | |
| | 4. Autonomy vis-à-vis the regulatees | |
| <i>Effici- -ency</i> | 1. Public good-oriented action | - Neutral (0) |
| | 2. Uniqueness of the solution | - Positive (1) |
| | 3. Capability (competencies, expertise, and financial/human resources) | |
| | 4. Cost-benefit gains | |

Criteria refer to empirical measurements of reputation, which are derived and adapted from different streams of literature: measurement of regulatory quality; policy efficiency in a complex society; uncertainty measures for investment decisions; the credibility of rules; determinants of the perception of trust in organisations; subjective evaluations of central bank credibility; perceptions and determinants of trust and credibility in risk communication; consumer confidence in private actors and regulators (Blinder 1999; Blühdorn 2006; Brunetti, Kisunko, and Weder 1998; Brunetti and Weder 1998; de Jonge, van Trijp, Jan Renes, and Frewer 2007; Maeda and Miyahara 2003; Peters, Covello, and McCallum 1997; Radaelli and De Francesco 2007).

4. Data and results

The dataset encompasses all editorial articles, comments, and interviews in the daily broadsheet newspapers (the so-called quality press) on the national competition commissions, during the years 2006-2007. Sources are as follows:

- Case 2: United Kingdom, “UK” (325 articles): *The Daily Telegraph* (63 articles), *The Financial Times* (70 articles), *The Guardian* (62 articles), *The Independent* (64 articles), *The Times* (66 articles).
- Case 1: Switzerland, “CH” (214 articles) : *24 Heures* (11 articles), *Basler Zeitung* (28 articles), *Der Bund* (23 articles), *Neue Zuercher Zeitung* (54 articles), *Tages Anzeiger* (55 articles), *Le Temps* (31 articles), *Tribune de Genève* (12 articles).

In both cases the element that received the most intensive media coverage by far was “efficiency” (among all articles referring to credibility or efficiency, 88% evaluated efficiency of the British CC and 85% evaluated efficiency of the Swiss ComCo). The first figure presents the results in an aggregated manner. Some interesting findings can be highlighted. Firstly, the tone of the evaluation of agencies’ efficiency is almost identical in the UK and Switzerland: in both cases, negative articles were significantly more frequent than positive ones. The differential between positive and negative cases is about -19 percentage points in the UK, and -16 in Switzerland (overall, we have 38% negative and 19% positive evaluations in the UK, and 37% and 21%, respectively, in Switzerland, hence the CC is evaluated even slightly worse according to this dimension). This corroborates the hypothesis of a link between de facto independence from elected politicians and scarce efficiency. Secondly, agency credibility is significantly higher for the British Competition Commission (i.e., a differential of +5 percentage points, hence positive) than for the Swiss Competition Commission (-8, i.e., negative), according to the media coverage. This is probably related to the value of the de facto independence of agencies from those being regulated, which is also clearly higher for the UK regulator.

The second figure presents the general trend of media coverage during the years 2006-2007 in the UK and Switzerland. Interestingly, there is an overall increase in the frequency of articles regarding evaluation of the competition commissions (from 137 in 2006 to 188 in 2007 on the CC, and from 70 to 142 on

the ComCo). However, the evolution of the “average tone” with reference to credibility and efficiency of agencies is less clear: a positive or negative evaluation of the investigated competition commission seems quite irregular (especially in Switzerland), probably as it tends to cluster in relation to a number of specific policy issues. Moreover, we can observe that the trend in evaluation of credibility seems somewhat disconnected from that related to efficiency.

Figures 3 and 4 show the contribution of each criterion to the reputation of credibility and, respectively, efficiency. Concerning the British Competition Commission, it appears that the positive evaluation of credibility is principally due to the perceived high separateness of the CC from politics and from organised interests. Conversely, the negative reputation of efficiency stems largely from a harmful evaluation of cost-benefit gains. Concerning the Swiss ComCo, it appears that the negative evaluation of credibility is almost entirely due to the perception of a scarce autonomy from those being regulated, whereas its perceived weak efficiency derives principally from a negative evaluation of capabilities, i.e. human and financial resources, and from low cost-benefit gains.

Figure 1: Tone of media coverage

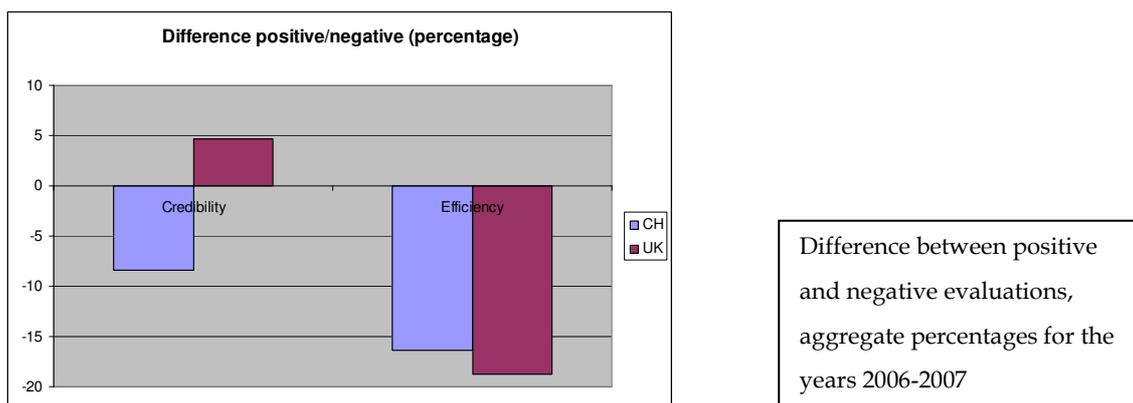
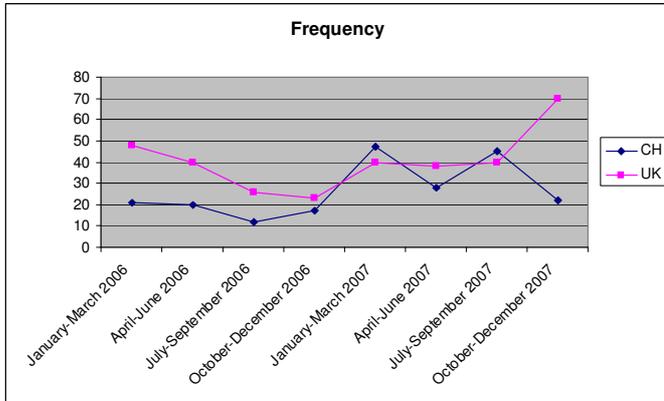
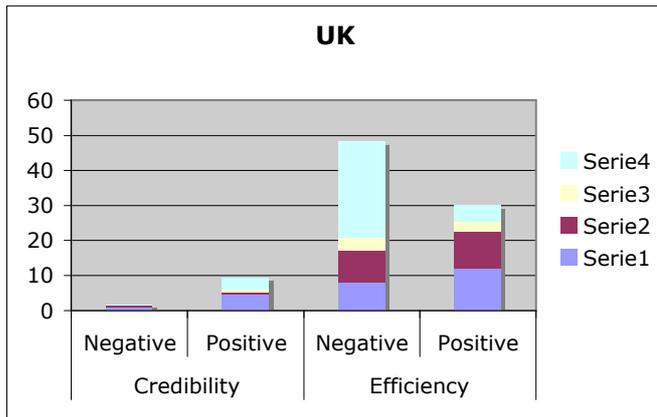


Figure 2: Frequency of media coverage



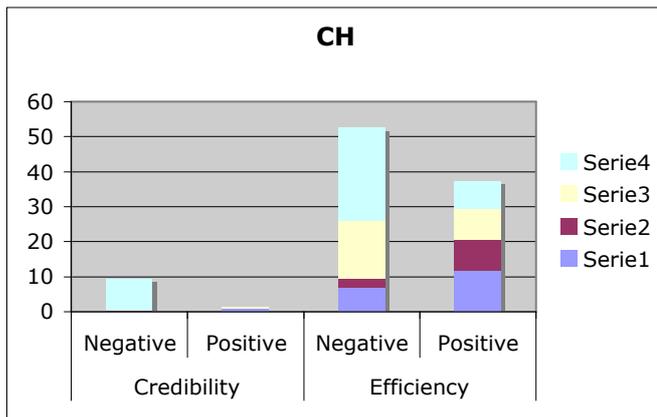
Trend, years 2006-2007

Figure 3: The reputation of credibility and efficiency of the British CC



Contribution of each criterion to the reputation of credibility and efficiency

Figure 4: The reputation of credibility and efficiency of the Swiss ComCo



Contribution of each criterion to the reputation of credibility and efficiency

5. Discussion

Concerning the first hypothesis, of an expected trade-off between credibility and efficiency, results are appealing. Even in the very favourable case of the British Competition Commission (CC), where the control variables would predict a positive outcome, it is impossible to obtain at the same time (a positive reputation of) credibility and efficiency. In the case of the Swiss Competition Commission (ComCo), both evaluations are negative. Therefore, instead of a trade-off, it would probably be more appropriate to depict a mutually exclusive relation between credibility and efficiency, following two opposite logics of delegation (Majone 2001c). The absence of one is necessary, but not sufficient, to predict the presence of the other.

Concerning the second hypothesis, whose aim is to explain the (lack of) efficiency of independent regulatory agencies, our theoretical expectations find considerable support. According to a most different systems design applied to “extreme” cases, two units are compared, the CC and the ComCo, which differ in all the theoretically relevant control variables, predicting a better outcome for the former, but share the same explanatory variable, which will not. This variable corresponds to a high level of de facto independence from politicians, in line with the argument that compliance with the “ally principle” (e.g., the need for delegating to an agent with preferences/behaviour similar to those of the principal) is crucial for a successful delegation. Here, violation of the ally principle seems to be sufficient to predict a low efficiency of the independent regulatory agencies. Incidentally, one may also suppose that de facto independence from the regulatees is a necessary (although not sufficient) condition for credibility. Our data do not disconfirm this hypothesis, but the research design does not lend itself to verifying the validity of this relationship.

6. Conclusions

According to Majone (2001), there are two main reasons to justify the delegation of power to independent regulatory agencies: the increase of policy credibility (through independence), and the enhancement of the efficiency of decision-making (through expertise). However, the two goals are expected to be incompatible, because they require two opposite structures of delegation, the one promoting factual independence, the other implying the need for retaining controls. In order to contribute to this debate, the present research suggests focusing on the reputation of agencies in the media, as a proxy of agencies' performance in terms of credibility and efficiency, given the unrelenting difficulties in measuring regulatory results in an objective way. On the one hand, public communication is a prerequisite for legitimacy of political institutions (Dahl 1989; Sarcinelli 1987), and it is relevant from the societal point of view. On the other, the reputation of agencies in the press can be considered a regulatory outcome itself, in the sense of having an impact on the public, the stakeholders, and the policy-makers. In fact, the press is important in setting the political agenda (de Vreese, Banducci, Semetko, and Boomgaarden 2006), while agencies' reputation is crucial for effective regulation (Carpenter 2001; Krause and Douglas 2005). Thus, two "extreme cases" are examined (the British Competition Commission and the Swiss Competition Commission), in terms of credibility and efficiency, through a content analysis of the major national newspapers during the years 2006-2007.

The empirical analysis highlights a mutually exclusive relation between credibility and efficiency, in line with the first hypothesis. The absence of the one is necessary (but not sufficient) to predict the presence of the other. Even in the case of the British Competition Commission (CC), where control variables would predict a positive outcome, it is impossible to obtain at the same time (a positive evaluation of) credibility and efficiency. Concerning the second hypothesis, evidence also supports our expectations. A high level of de facto independence from elected politicians leads to a potential scarce efficiency of

regulators. To put it differently, a violation of the “ally principle” (Bendor, Glazer, and Hammond 2001), presupposing delegation to an agent with preferences/behaviour similar to those of the principal, seems to be sufficient to predict a low efficiency of the investigated independent regulatory agency. More generally, these results corroborate the claim that agencies’ independence and bureaucratic control constitute two elements of a balance that is systemically unstable (Christensen and Laegreid 2007). Hence, the quest for a middle way between independence and control (Braun 2002) can be considered a crucial problem of regulatory policies and deserves further theoretical and empirical research.

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