The Impotence of Accountability: The Relationship between Greater Transparency and Corporate Reform

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Study shows corporate transparency is no silver bullet for reform

A new study examining early attempts at corporate reform in the United States has found that increased transparency and accountability measures largely failed to rein in corporate excesses during the "progressive era" of the early 1900s. The research, published in the academic journal *Contemporary Accounting Research*, suggests that modern calls for greater corporate disclosure may face similar limitations in achieving meaningful reform.

The Study

The research, led by Vaughan Radcliffe, a professor of accounting and managerial control at the Ivey Business School at Western University in London, Ontario, Crawford Spence, a professor of accounting at Warwick University in the United Kingdom, and Mitchell Stein, an associate professor of accounting and control at Ivey, analyzed how three successive U.S. government bodies — the Industrial Commission, the Bureau of Corporations, and the Federal Trade Commission — attempted to use mandatory disclosure and "publicity" requirements to reform corporate behavior between 1898 and 1925.

During this period, growing public concerns about monopolistic practices and wealth concentration led to demands for greater oversight of large industrial combinations, then known as "trusts," rather than mergers or acquisitions. The response focused heavily on requiring these corporations to disclose detailed financial and operational information.
"The political rationalities of the day can be understood as a concern to harness industrial capitalism to the public interest," Radcliffe writes when describing the reform mindset of the era.

The researchers examined more than 50 commission reports —investigating major industries like steel, oil, agriculture and beef — along with thousands of pages of archival materials, including correspondence between government officials and newspaper coverage from the period.

The Results

Despite high hopes that exposing corporate practices to public scrutiny would lead to reform, the study found that increased disclosure requirements had limited impact on actual corporate behavior. Even after the breakup of monopolies like Standard Oil, similar practices often continued under new corporate structures.

“Whilst accounting technologies became more sophisticated and the institutional bodies were imbued with increasingly greater powers to ensure compliance with disclosure requests, the underlying problems of excessive profits, price fixing, and monopolization persisted throughout the time period studied,” Radcliffe writes.

The research shows how government bodies repeatedly turned to expanded disclosure requirements and accounting technologies as their primary reform tools, even as earlier attempts proved ineffective.

“There was excessive confidence in the technology of accounting as a means of responding to the rationality of publicity,” Radcliffe observes.
By the later stages, requirements for uniform accounting standards and detailed cost breakdowns had become highly sophisticated. However, “accounting technologies did what was expected of them operationally, but they failed to fulfill the aspirations imbued within them because of surrounding institutional inertia,” Radcliffe notes.

The Implications

The findings have important implications for modern corporate governance reforms that rely heavily on transparency and disclosure requirements. “Present-day projects of corporate reform would do well to take note of the failures to bring corporations to heel during the progressive era,” Radcliffe writes.

The study suggests that while accounting technologies and disclosure requirements may be necessary tools for corporate oversight, they are unlikely to be sufficient on their own to drive substantive reform. “If the liberal state is too self-constrained to act upon accounting technologies, then the neo-liberal state, which is characterized by even more self-limitation, is unlikely to fare any better,” Radcliffe surmises.

“Exposing corporations as environmentally profligate or politically manipulative … might not necessarily lead to corporate self-correction,” he notes, suggesting that mandatory disclosure should not be viewed as a substitute for more direct regulatory intervention.
The researchers conclude that accounting became “an increasingly more efficient and effective tool for knowing the corporation, but not for reforming it.” This historical perspective raises important questions about contemporary reform efforts that emphasize transparency and disclosure as primary tools for improving corporate behavior.
The paper argues that while accounting technologies and disclosure requirements play an important role, they need to be combined with stronger institutional mechanisms and regulatory frameworks to achieve meaningful corporate reform. “Accountability was evident, but it proved to be relatively impotent in its ability to reform corporations,” the researchers conclude.

For more information, see the full paper.