Beyond Regulatory Capture: Reconceptualising Principal–Agent Accountability in Multilevel Governance Architectures Under Polycrisis Conditions

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Abstract. Contemporary multilevel governance frameworks exhibit persistent accountability deficits that conventional principal–agent models inadequately capture, particularly under compounding polycrisis pressures observed since 2020. This study critically reassesses the regulatory capture thesis by integrating institutional layering theory with deliberative accountability mechanisms, drawing on a mixed-methods design comprising comparative case analysis across eighteen OECD jurisdictions and structured elite interviews with 94 senior policy practitioners. Findings demonstrate that standard oversight hierarchies systematically misalign incentive structures when cross-scalar authority is fragmented across supranational, national, and subnational tiers. The study proposes a revised Nested Accountability Equilibrium (NAE) framework, revealing that adaptive co-governance arrangements significantly outperform hierarchical mandates in sustaining democratic legitimacy across volatile policy environments. Implications for institutional design, executive agency discretion, and legislative oversight reform are discussed.

Keywords: principal–agent accountability, regulatory capture, multilevel governance, polycrisis governance, institutional layering, deliberative accountability, nested principal structures, executive agency discretion, co-governance arrangements

Introduction

The architecture of modern democratic governance rests on an enduring yet increasingly contested assumption: that hierarchically structured principal–agent relationships are sufficient to ensure accountability, policy coherence, and institutional legitimacy across governmental tiers. This assumption, long operationalised through mechanisms of legislative oversight, judicial review, and administrative audit, has been subjected to mounting empirical stress as the structural complexity of public governance has expanded dramatically over the past two decades. The simultaneous intensification of supranational regulatory obligations, subnational fiscal autonomy claims, and the proliferation of non-majoritarian regulatory bodies has generated a governance topology that the classical Weberian bureaucratic model was never designed to accommodate. As of 2024–2026, this tension has reached an inflection point: cascading crises—encompassing climate-induced fiscal shocks, democratic backsliding in mid-level polities, post-pandemic institutional fatigue, and geopolitical supply-chain disruptions—have exposed deep structural vulnerabilities in existing accountability regimes that policymakers and institutional designers can no longer defer addressing. The regulatory capture thesis, originally articulated by Stigler (1971) and subsequently elaborated through public choice theory, posits that regulatory agencies are systematically prone to subordination by the very sectoral interests they are mandated to govern. While this conceptualisation has generated a productive literature on agency independence, revolving-door dynamics, and information asymmetries, it remains anchored in a predominantly dyadic, state-centric analytical ontology. It struggles to account for the polycentric diffusion of authority that characterises contemporary governance—wherein accountability relationships are simultaneously vertical, horizontal, and oblique, spanning international treaty bodies, private standard-setting organisations, civil society watchdogs, and algorithmic regulatory instruments. The theoretical impoverishment of existing frameworks is not merely an academic concern; it carries direct operational consequences for institutional designers, legislative draftspersons, and supranational bodies such as the OECD, the European Commission, and the UN Committee of Experts on Public Administration, all of which continue to prescribe accountability instruments calibrated to outdated principal–agent assumptions. This paper intervenes in this theoretical and practical impasse by advancing a critical re-evaluation of regulatory capture as an explanatory concept and proposing, in its place, a Nested Accountability Equilibrium (NAE) framework capable of modelling accountability dynamics under conditions of cross-scalar authority fragmentation and polycrisis-induced institutional volatility. The analytical contribution proceeds through four structured movements. First, we interrogate the epistemological foundations of the principal–agent model and identify the specific conditions under which its predictive validity collapses in multilevel settings. Second, we present the theoretical architecture of the NAE framework, grounding it in institutional layering theory and deliberative systems theory. Third, we deploy the framework empirically through a comparative analysis of eighteen OECD jurisdictions, using structured elite interview data to triangulate institutional observations.

Fourth, we derive normative and practical implications for governance reform, executive agency design, and legislative oversight modernisation.

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