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Fiscal Policy, Civil Society Rights and Culture: Is there Any Connection?

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Abstract: The fiscal policy architecture is linked both with the political agenda of the public authorities as well as with the social preferences. The connections between these two determinants are evolving in a complicated web of reciprocal interactions. The purpose of this paper is to propose a simple model designed to capture some aspects of the 'politics versus society' game. More exactly, as to how sensitive is the fiscal policy (described in a synthetic manner by the level of deficit/surplus of the government finance or by the tax burden) to the autonomy of the civil society?

JEL Classification: H300

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Theoretical Foundation

In our previous paper (TALPOS et.al., 2005, p.5), we had defined the state as the dominant agencies under a certain social space as follows: 'The state' represents the macro-agency or the dominant agency of exerting 'natural' and 'achieved' rights, overtaken from social subjects from certain territory, formed by voluntary association of a number of individual agencies or as a result of some violent actions against other agencies, against their clients or against own clients, which could limit by effects and temporarily any breaking of its monopoly by other existing or virtual entities, and which is authorized by its clients, for preventive goals, to action in a re-distributive

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manner for the non-members'. This paper deals with the last point concerning the involvement of the agency in the control and (re)distribution of the social vital resources. More exactly, we are trying to formulate a possible answer to the next questions: what are the mechanisms that underlying the involvement of the agency in the production, primary distribution and redistribution of a certain set of resources that are critical for the social development? How could this involvement be justified in the frame of the 'social contract'? What are the components of the dominant 'cultural paradigm' which influence a certain manner of the agency to exercise its (re)distributive powers?

The output of the paper could be synthesized by the thesis that the agency activities as a (re)distribution social center depends both on its prerogatives included in the 'social contract' as this is formal formulated as well as on the power relations with its individual clients, with negotiation associations / parallel associations and with non-members and are modulated in concordance with the dominant paradigm.

As a starting point, let's examine some conditions in which the primary and secondary distributions of the social resources could take place. Suppose, for instance, that there is a social space formatted in a desert environment with a single water resource. The members of this social space had transferred their achieved right of oasis exploitation because their own costs associated with this activity, $k(1-x)$, are higher than the agency ones ($ak(x,\alpha,\beta)$ -with being the fraction of the specific achieved right which is transferred to the agency and the last two parameters, the number of members of an individual agency and β the number of associated agencies which form the dominant macro-agency, standing for the institutional costs -'organization costs', as well as 'coordination costs'-). Let $x=1$ so that the delegation is totally. If the social utility of each water unit is equal with and the fraction of water exploitation output kept by the agency for its own member is *aw*, the 'net' utility derived from the delegation for an individual social subject will be $u_i(1)=(1-aw)w+k_i(0)$ and the 'relative' utility will be expressed as

$ru_i(1)=\dfrac{(1-aw)w+k_i(0)}{w-k_i(0)}$. The equivalent utility for the agency is

$au(1)=aw*w-ak(1,\alpha,\beta)$.

Suppose that the cost of the agency as well as the equivalent costs for the individual subject vary along the path $(ak(t),k(t))$ from state '0' to state '1' ($ak(t),k(t)$ are assumed to be differentiable in). The change in the global social 'net' utility, $\Delta^g u(0;1)$, is represented by:

$$\begin{aligned}\Delta^g u(ak(0),k(0);ak(1),k(1)) &= \sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)} u_i(ak(t),k(t))dk_i(t) = \\ &= \sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)} u_i(ak(t),k(t))\frac{dk_i(t)}{dt}dt\end{aligned} \tag{1}$$

Let $\Delta k^a(0;1)$ be the change in the average individual costs of oasis exploitation in the transition from one state to the other one:

$$\Delta k^a(0;1) = \frac{\sum_{i=1}^{N} k_i("1") - \sum_{i=1}^{N} k_i("0")}{N}$$

The state '1' potentially dominates state '0' if:

$$\left[\sum_{i=1}^{N} \int_{k_i(0)}^{k_i(1)} u_i(ak(t),k(t)) \frac{dk_i(t)}{dt} dt\right] - \left[\frac{\sum_{i=1}^{N} k_i("1") - \sum_{i=1}^{N} k_i("0")}{N}\right] > 0 \qquad (2)$$

Relation (2) summarizes the first delegation condition:

C_0: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production.

Formally, the relationships between the agency and its clients could be synthesized in a 'social contract' which should include a minimal set of elements such as:

- The list of the basic social services provided by the agency (water extraction, transport to the individual subjects areas or water preservation);
- The costs of some supplementary services (protection against water thieves' actions);
- The amount and the mechanism of the preventive compensation paid to the non-members, which have no access to the oasis.

The existence of the preventive compensation will modify the 'net' and the 'relative' utility for an individual subject

$$u_i(1) = (1 - aw - s(1, NM))w + k_i(0) + \Lambda(1, \theta, NM),$$

$$ru_i(1) = \frac{(1 - aw - s(1, NM))w + k_i(0) + \Lambda(x, \theta, NM)}{w - k_i(1)}$$

with s the level of the compensation as a function of the non-members number and Λ the cost beard by the agency for guarding/recuperating the potential output claimed by the non-members) but not necessary the dynamic of the global social 'net' utility since it does not modify the individual / agency production costs[1].

The contract should also include the re-negotiation mechanism: if there are significant changes in the water production/distribution and/or there are new reports with the non-members the fraction *aw* and/or the level and the conditions of the preventive compensation should be subjects of a reformulation in order to adequate them to these modifications. Of course, any major reformulation of the contract will involve some specific costs ($rn(aw,\alpha,\beta)$) so that it will generate a comparative reduction in the global social 'net' to the previous state and it could be initiated only if:

$$\left[\sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)} u_i(ak(t),k(t))\frac{dk_i(t)}{dt}dt\right]-\left[\frac{\sum_{i=1}^{N}k_i("1")-\sum_{i=1}^{N}k_i("0")}{N}\right]-rn(aw,\alpha,\beta)>0 \quad (3)$$

So that the condition C_0 could be reformulated as follows:

C'_0: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production. The re-negotiation of the relations between the clients (as principals) and agency (as agent) in the water production and distribution could take place only if the involved costs does not diminished the global social 'net' utility bellow a certain ('zero') critical level.

So far, the 'draft' of the foundation describes a situation in which the agency is delegate to use a single critical social resource, to distribute the output to its members and to pay a preventive compensation to the non-members. There are at least to 'hidden hypothesis':

1) there are only three groups that claims or could claims the water (the clients, the agency's members and the non-members);
2) there are not any type individual exploitation costs lower that the agency's ones so that there is no economic justification for a private water production/distribution and the delegation is complete.

But how 'realistic' is such a postulate framework? For instance, it is hard to imagine that there is no condition for parallel associations to initiate a private activity in the oasis[2]. From a pure 'economic' perspective, such activity could take place if there are some individual costs that fulfill the condition:

$$\begin{aligned}&(1-aw-s(1,NM))w+k_i(0)+\Lambda(1,\theta,NM)\le w-k_i(0)\\&\Rightarrow k_i(0)\le\frac{aw*w+s(1,NM)w-\Lambda(1,\theta,NM)}{2}\end{aligned} \quad (4)$$

Or in other words:

C_1: A parallel association could initiate a private exploitation of a critical social resource if its own costs are lower than a certain amount ('half') of the sum between the outputs kept by the agency for its members and the 'net' preventive/guarding cost (the difference of the preventive compensation and the guarding/recuperating cost).

The claim from the condition must be more careful analyzed. As is mentioned in Talpos et.al. (2005, p. 13): 'Thus, clients will choose to exert their rights extra-territorially, outside the agency only if the gained output surplus will exceed the costs of renouncing the delegation of the rights as well as the penalties imposed by the agency $\xi(x,\tau,\iota)$'. The question of such penalties is an important one. Indeed, it could be admitted that there is a low probability that the agency will admit a private exploitation of the resources from some of its clients due to a set of reasons. The most simple and evident of them consists in the fact that if there could appear an imitation effect: if a certain number of clients decide to leave the agency their actions could be imitated by others members in a multiplicative chain. However, the penalties are applied as long as the cost $\psi(x,\tau,\iota)$ of application is inferior to the fraction of output lost by the agency. If this condition is fulfilled and the agency decides to take measures against the defeating clients, the relation should be modified as follows:

$$\begin{aligned}&(1-aw-s(1,NM))w+k_i(0)+\Lambda(1,\theta,NM)\leq w-k_i(0)-\xi(x,\tau,\iota)(0)\\&\Rightarrow k_i(0)\leq\frac{aw*w+s(1,NM)w-\Lambda(1,\theta,NM)+\xi(x,\tau,\iota)}{2}\end{aligned}\qquad(4')$$

C'_1: A parallel association could initiate a private exploitation of a critical social resource if its own costs are lower than a certain amount ('half') of the sum between the outputs kept by the agency for its members, the 'net' preventive/guarding cost (the difference of the preventive compensation and the guarding/recuperating cost) and the penalties imposed by the agency to the defeating clients.

Of course, any private activity will require a certain availability of the technical means for water production/distribution: a parallel association could act if :(i) there is a technology which could be obtain and used at a efficiency level that is, at least, comparable with the agency conditions; (ii) there are individual subjects that have the necessary knowledge/ skills and they agree to quite the agency in the favor of the association. Even more, (iii) the distribution conditions could not be, from the association clients' point of view, less favorable that the ones that could be obtain from the agency.

These conditions are necessary but not sufficient for the existence of the private water production/distribution. Indeed, suppose that there are some naturally phenomena that reduce the total volume of water that could be extract from the oasis so that the potential output of the current period will be inferior to previous periods one. In order to prevent a diminution of the water supply, the agency could stockpile a part of the fraction *aw* distributed to its own members in water abundance periods or, alternatively, could produce more than the social aggregate demand for this purpose[3]. Indifferent of the adopted solution, the entire idea could appear as a controversial one: what is the ultimate reason to constitute prudential water stocks? On can suppose that there is a special clause of the social contract where is mentioned a fixed quantity of water that should be produced and distributed each time period. But how 'naturally' is such a clause in the logic of the advanced framework?

The relations (1) and (2) make no assumptions concerning a time dependency of the *w*: the changes in the global social 'net' utility do not depend on the unitary individual utility that remains unchanged over the time. Such statement does not hide the fact that the perception of this utility has an important 'subjective' component: if there is a decrease in the available quantity of water, the social subjects could or could not modify the estimated level of each water unit utility. If this is true, a formal specification of the periodical water production could be inserted in the social contract only if the social subjects adjust their perceptions about water utility according to the changes in the water supply and wants to preserve a certain level of utility in a multi-periodic time framework. If there is no formal clause, the existence of prudential water stocks will depends on the agency decisions: it could try to preserve for its clients a 'target' level of the utility or it could forced them to correspondently adjust it at least as long as:

$$\begin{aligned} & aw * w_1 - ak_1(1,\alpha,\beta) + sk(1) \geq aw * w_0 - ak_0(1,\alpha,\beta) \\ & \Rightarrow aw\Delta w \geq \Delta ak(1,\alpha,\beta) - sk(1) \end{aligned} \tag{5}$$

where *sk* is the corresponding costs of water stockpiling.

Thus:

C_2: If there is an adjustment in the perceived utility of a water unit connected with the changes in the global level of water production, such adjustment could take place as long as the 'positive' variation of the utility will remain higher than the difference between the agency's costs variation and the costs of water stockpiling.

If the agency decides to proceeds to a prudential stockpiling of the water, what will happen with the members of a parallel association? Briefly speaking, at least two solutions could be adopted in this case: (1) the association could decided to preserve

itself a certain amount of water and to support the corresponding costs, *ska*; (2) the members of the association could decide to transfer to the agency a certain amount of their current output, *skt*, designed in this purpose.

The main question here consists in the difference between *ska* and *skt*. Indeed, let's suppose that the water preservation reclaim the construction of one or more reservoirs and other supplementary expenses. If the agency is able to build such reservoirs at lower costs than the association ones, then it will makes sense to choose the solution (2) if:

$$\begin{aligned}&(w_1 - skt) - k_1(0) \leq (w_0 - ska) - k_0(0)\\&\Rightarrow \Delta w - \Delta k \leq (skt - ska)\end{aligned} \tag{6}$$

C_3: The relative preference of a parallel association for a prudential water stockpiling realized by the agency will appear if the variation of its own 'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to preserve itself the water.

The same logic could be applied to the problem of the preventive compensation paid by the associations: any private activity implies not only a renouncement at the production/distribution services provided by the agency but also at the compensation paid by it. As a consequence, there should be initiated some alternative mechanisms to prevent any attempt of non-members to claim a certain fraction of the association output[4]. But such mechanisms will involve specific costs supported by the associations. As in the case of the prudential water stockpiling, they could decide to support it themselves or to translate it, partially or totally, to the agency.

$$\begin{aligned}&(w_1 - \Lambda(x,\theta,NM)) - k_1(0) \leq (w_0 - \Lambda(0)) - k_0(0)\\&\Rightarrow \Delta w - \Delta k \leq (\Lambda(x,\theta,NM) - \Lambda(0))\end{aligned} \tag{7}$$

where $\Lambda(0)$ is the fraction of the of the associations' output which could be the subject of potential claims from the non-members or others associations.

C_4: The relative preference of a parallel association to transfer the payment of the preventive compensation to the agency could be non-null if the variation of its own 'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to pay itself this compensation.

The conditions C_3 and C_4 could be combined into a single one as follows:

$$\begin{aligned}&(w_1 - skt - \Lambda(x,\theta,NM)) - k_1(0) \leq (w_0 - ska - \Lambda(0)) - k_0(0)\\&\Rightarrow \Delta w - \Delta k \leq (skt - ska) + (\Lambda(x,\theta,NM) - \Lambda(0))\end{aligned} \tag{8}$$

C_5: The relative preference of a parallel association to entrust to the agency a mandate for a prudential water stockpiling as well as for the payment of the preventive compensation is manifested if the variation of its own 'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to preserve itself the water and to pay itself the compensation.

The main idea behind the C_5 is that there are at least to reasons (with a prudential nature- the stockpiling of the water and the payment of the preventive compensation) for which the associations could take into consideration the transfer of a fraction of their output in the favor of the agency in the framework of a certain mandate even if there is no transfer of the achieved right for the water production/distribution.

At this stage, we conclude that the agency is entitlement to collect a certain fraction of the social output both from its own clients as well from the associations and to redistribute a part of this in the favor of the non-members. It should be noted the fact that from the advanced argumentation the relations between the agency, associations and non-members are based on mutual agreements: all parts involved in such relations have their own motivations for the output transfer. But is this the complete picture? Could be there situations in which the initiative for the transfers is formulated solely by the agency?

In Talpos et.al. (2005) we formulate two complementary observations: 1) for the 'new generations' the existence of the agency is a given social fact: they did not participate at its formation and at the initial formulation of the social contract; 2)'… some of the agency's clients are 'recruited' as a result of a violent action made by the agency or that they may become the subjects of such an action after they earn the client statute' (op.cit., p.9). So that, the agency could impose a non-voluntary transfer from its members/from association in the favor of others clients/non-members. There are at least two reasons for such transfers: 1) the attempt of the agency to preserve in a multiple-period time framework a certain level of the global social 'net' utility; 2) the desire of the agency to posses some control mechanism over its own clients/ associations.

The statement about the first reason is in fact the idea that a 'mature' agency will have the capacity to claim from all the social subjects (including the non-members) a fraction of the social output for prudential reasons in order to prevent the changes over time in the perceived social utility of its activity. Of course, even if this assertion is accepted, one still could ask if there is any special reason for an agency to proceed in this way. A partial argumentation could be formulated by observing the fact that if the current level of water production is bellow the target levels, due to the changes in the characteristic exploitation conditions and/or to the actions of the non-members, some of the agency 'clients could be tempt to denounce the mandate entrusted to the

agency and, alternatively, to initiate a private exploitation of the oasis. If so the case, output per agency members will decrease. In order to avoid this, the agency will try to ensure an optimal level of prudential water stocks and to pay the necessary amount of the preventive compensation[5].

The second reason could be seen as a complement of the first one. In a certain way, his foundation could be funded in the specialization argument: due to the fact that the agency is the major entity involved in the water production, it could always argue that its knowledge about water production condition justify a change in the level of the output fraction which is destined to form the prudential stocks. But such changes in the transfers from the clients/ non-members have the potential of a recompense /punishment mechanism. Indeed, there could be described various modality of a non-uniform modification of the transfers all based on the same principle: 'less from the loyal clients/non-problematic non-members - more from infidel clients/ problematic non-members'. In other words, agency could discriminate in the setting of the transfer level. This argument raises the problem of the agency-clients relationship nature.

Indeed, one could notice the fact that the nature of the social contract is critic for the soundness of the entire proposed argumentation. As Hirshleifer (2001, p. 126) note: 'It is useful to distinguish vertical from horizontal social contracts. The vertical alternative, Thomas Hobbes's version, would be represented by arrangements such as hierarchical in the biological realm or dictatorship on the human level. John Locke's version, the horizontal alternative, corresponds to more egalitarian arrangements in either sphere'.

If such a distinction is take into account, it could be argued that at the beginning, in the period of agency formation, the conglomerate of the social contracts established with its clients is dominate by the horizontal version: the agency is too weak to impose a standardized version of the contract to clients and non-members. So that, the free will of all the part involved in the formulation of the mandate entrusted to the agency is ensured and each individual social subject could propose its own version of the contract. But an increasing standardization process accompanies the consolidation of the agency position in order to reduce the negotiation costs and even more the uniform vertical version of the contract is imposed to all the new generations of the clients and non-members.

One of the major problems with this description consists in the absence of any description for the mechanisms that leads such a process. Indeed, if it could be argued that the first clients will agree with the introduction of the uniform clauses in the social contract for any new clients, it is unclear that such argument could hold in a multi-generational perspective. In several parts of our argumentation, we insist that for a new generation of social subjects the existence of the agency as well as the standardized social contract are components of a given social reality. But could this

claim to be a substitute for a more detailed explanation? Of course, the answer is no. For instance, we need to provide at least a reasonable argument for the fact that there is no an automatic process of re-negotiation of the social contract between each new generation of agency's member and each generation of clients: the persistence postulate is a necessary condition for the substitution of the initial horizontal set of contracts with an standardized vertical one argument.

An incomplete argumentation could be advanced by considering the status quo conditions: if there are no changes in the water production conditions and the initial arrangements between the clients, non-members and agency are 'optimally' ones, there are no reasons for the new generations to change them. This statement could be refine by observing that the 'optimality' attribute is a question of an at least partially subjective judgment. A 'new born' potentially client could accept of reject the paretian character of the social configuration generated by the initial formulation of the social contract. In the last case, he/she could consider that its position in front of a 'mature' agency is too weak to impose a re-negotiation and consequently could decide to become a de jure client or, alternatively, could choose the non-member status[6]. In the mean time, a negotiation association could try to modify some particular clauses of the 'social contract' (and some time could succeed to do this). But it should be noted the fact that for a global modification of the contract there are necessary both a 'significant' change of the initial condition as well as an involvement of a 'critical mass' of the social subjects. In the absence of these conditions, and, supplementary, if the C'_0 is not fulfilled, only partial modifications of the 'social contract' could take place. There existence is conditioned by the capacity of the negotiation associations to impose them and also by the possibility to initiate a private concurrent activity by a parallel association.

If this argument holds, then there could be found at least some reasons for the agency to balance between the preservation of the usual relationship with the clients and non-member and the introduction of some supplementary transfers.

Suppose that these transfers, $T_i(k_i)$, are continuously from the current state '0' to state '1' and also suppose that the agency eventually use a fraction f from their amount to conserve the level of the current global utility.

The dynamic condition involved could be formally described as:

$$\left[\sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)}\left[u_i(ak(t),k(t))+f_iT_i(k(t))\right]\frac{dk_i(t)}{dt}dt\right]-\left[\frac{\sum_{i=1}^{N}k_i(\text{"1"})-\sum_{i=1}^{N}k_i(\text{"0"})}{}\right]- \tag{9}$$

$$-rn(aw,\alpha,\beta)-\sum_{i=1}^{N}\int_{k_1(0)}^{k_i(1)}\left[(1-f_i)T_i(k(t))\right]\frac{dk_i(t)}{dt}dt>0$$

C_6: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production. The re-negotiation of the relations between the clients (as principals) and agency (as agent) in the water production and distribution could take place only if the involved costs does not diminished the global social 'net' utility bellow a certain ('zero') critical level. The unilateral 'net' transfers from the social output initiated by the agency should preserve the critical level of this utility.

It should be noted that in the proposed framework the transfers could not be seen as a form of economic rent gain by the agency as an owner of the economic means involved in the water production[7]. The fact that the agency kept a part of the social output derives in the initial stage from the mandate entrusted by its clients. This is the counterpart of the provided services and could be seen as a 'just' one since is the negotiated price on the base of the clients' free will. Even more, the agency's members themselves produce the means for water production[8] and there is no alternatively market for 'water services' and consequently there are no 'market base' costs to form the 'competitive price'. A more complex situation could be identified in later stages whit the appearance of the parallel associations:

- A private market of the water production generate a referential for the agency's production costs but
- The increase of the producers' number will leads to the asymmetric information problem and thus is not an implicit guarantee for the perfect competition existence[9]. Or, the condition of a perfect market is a critic one for the pure rent definition.

It could be argue that the agency appears as a competitor for the parallel associations and as a consequence obtains a rent in competitions with these. The validity of this observation is limited by the fact that the agency is not a 'normal' economic agent: the scale effect will place it in an almost-monopolistic position. In other words, despite the existence of the parallel associations, the agency preserves its capacity to control the 'largest' fraction of the social output and its activity could not be judge in the market usual context. The transfers imposed by the agency have from its point of view an operational nature and are destined, at least in principle, to be returned in the future periods, to the clients and non-members. So those, in this argumentation, the transfers are not a form of rent; only the 'normal' fraction *aw*, which is the price of agency's services, could be seen as a monopolistic rent. The main conclusion that could be derived from this argumentation is that the transfers are notn the direct result of an exploitation process since the conditions for such process are not fulfilled[10]. But as we had mentioned above, the transfers are a mean of

social control exercised by the agency against its clients as well as against the non-members by simply imposing for them unequal individual levels[11].

This argumentation is not intended to suggest that there is an ethical justification of the transfers[12]; rather, is just a simple recognition of their existence and of some 'economic' reasons for this.

Thus the following definition could be advanced for the transfers:

D_0 The transfers represent operational flows retained by the agency in the current period for prudential purposes and destined to be used, totally or partially, to conserve the' net' global utility in the next period(s). In opposition with the fraction of the output kept by the agency as a counterpart of its services' prices, the transfers are not an economic rent but could be used by the agency as a mean to control its clients and the non-members.

For analytical purposes, is useful to distinguish between the prudential transfers ($fpT_i(k_i)$) and social control transfers ($fc_iT_i(k_i)$). Only the first category contributes to the preservation of the social utility and represents the 'normal' level of the water stockpile, which could be estimate base on the historical, and current available information and which is imposed on a 'uniform'. The second one represents the part that exceeds this 'normal' level and is unilaterally established by the agency on a 'discretionary' base. Of course, in practice it is hard to make a clear distinction between these two components due to the fact that there is an asymmetric repartition of the information poses by the agency, clients and non-members: the agency could always claims that a certain level of the transfers is the 'just' one and that level was established base on its 'long experience' in water production conditions' forecast. In the mean time, the differences between the individual levels of transfers could be much easier observed. The agency could proceeds in two opposite/complementary ways if it decides to impose such inequalities: 1) try to cover their existence by appealing to 'secret' individual clauses with some category of clients/ non-members; 2) accept their public recognition as a fidelity bonus in the favor of the best clients/ non-problematic members and/or as a punishment for the problematic clients/non-members. The adopted solution will depends on the agency's relative social power and will change over time as a consequence of the changes in its capacity to control the social environment: an agency in the first formation stages will tend to appeal more to 'non-transparent' mechanisms of preferential transfers implementation comparative to a 'mature' one. In other words, if the agency's control over the social space is beyond some 'critic' levels the bonus/punishment practice could be much easy recognize as a 'standard' one.

In order to take into account these two components of the transfers, the C_6 condition should be rewrite as:

$$\left[\sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)}\left[u_i(ak(t),k(t))+fpT_i(k(t))\right]\frac{dk_i(t)}{dt}dt\right]-\left[\frac{\sum_{i=1}^{N}k_i(\text{"1"})-\sum_{i=1}^{N}k_i(\text{"0"})}{N}\right]- \tag{10}$$

$$-rn(aw,\alpha,\beta)-\sum_{i=1}^{N}\int_{k_i(0)}^{k_i(1)}\left[(1-fp+fc_i)T_i(k(t))\right]\frac{dk_i(t)}{dt}dr>0$$

C'_6: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production. The re-negotiation of the relations between the clients (as principals) and agency (as agent) in the water production and distribution could take place only if the involved costs does not diminished the global social 'net' utility bellow a certain ('zero') critical level. The unilateral 'net' transfers from the social output initiated by the agency should preserve the critical level of this utility so that the total level of the social control transfers should not exceed the 'net' level of the prudential transfers.

Also the whole definition of the transfers should be change in:

D'_0: The transfers represent operational flows retained by the agency in the current period for prudential purposes and destined to be used, totally or partially, to conserve the' net' global utility in the next period(s). In opposition with the fraction of the output kept by the agency as a counterpart of its services' prices, the transfers are not an economic rent but could be used by the agency as a mean to control its clients and the non-members. The transfers consists in a prudential component which is the solely part that directly contributes to the preservation of the social 'global' utility and a social control component. The last one could be subject of non-transparent clauses of the 'social contract' or could be public implemented by the agency as parts of different bonus/punishment mechanisms.

The relation (10) suggests that the clients / non-members who does not benefit from the agency' bonus or who are subjects of a punishment procedure will react only if the current ratio between the prudential 'net' transfers and the social control transfers violate condition C'_6. In other words, they will not apriori contest any difference between the de facto level of transfers and their own estimation of the 'normal' level derived from their forecasts of production conditions (if they makes such forecasts) and they will not apriori protest against any observed difference in the transfers' individual levels (if they notice such a difference). The contestation of the social control transfers will appeal only if this ratio is higher that the 'optimal level'.

In this paper, we do not intend to go in a more detailed analysis of this aspect. We provisory argue that the clients and the non-members could agree with the agency that the necessary level of the prudential transfers per social subject exceeds the individual capacity to support it. In this case, the actions of those social subjects who refuse to accept de facto these transfers but who claims that they are de jure entitled to benefit from the prudential stocks on the base of an initial agreement with the agency could affect the global social utility and could not be always counterbalanced by an increase in the transfers obtained from the loyal subjects/non-problematic non-members[13]. So that, in order to preserve the efficiency of the agency's prudential actions, the 'majority' will accept the existence of the social control transfers. Discretionary initiated by the agency, these transfers are finally accepted on a consensual base by a 'significant' number of clients/non-members. Of course, this argument is too schematic and does only 'scratch the problem'. As a consequence, in this framework the question of the social subjects' reaction to the existence of the social control transfers remains an open one.

Another controversial aspect is connected with the 'dual' motivation of the agency's members themselves to impose the social control transfers as it is suggested above: 1) to ensure the dynamic preservation of the social utility and 2) to have some mechanisms of control over the clients/non-members. If the first component could be seen as a 'pure' economic one, 2) could be derived not only from the objective to enforced 1) but from a more complex agenda including 'non-economic' purposes. For instance, the agency could use the transfers in order to reconfigure the relative social position of its clients or of its own member's vis-á-vis to the non-members by simply chancing the fp / fc_i ratio beyond the 'optimal level'[14] [15]. Of course, it should be explain how the agency's member's utility function evolves by incorporating non-economic ('political') decisional variables. But for this purpose, the present framework is too limited so that we simply statues that such evolution from an 'economic' to a 'political' entity could be observed in latest development phases of the agency. If this claim holds, then the description of the (re)allocation process should incorporate not only a limitative set of 'pure' economic factors but rather a complex of social and cultural variables. In other words, the analysis should be extended to take into account, among others, the influence exercised in this process by the dominant cultural paradigm.

In Talpos et.al. (2005, p. 20) we provide the next definition of the paradigm: 'Through paradigm we understand the dominant collective mental model that individualizes a society from another. This paradigm represents a societal integration factor, by offering common values and goals for the members of the society. Also, this represents the subject of some learning and inter-generational transmission process, which slowly modifies itself, in 'long cycles' and we argue that there could be identified multi-directional linkages between the paradigm, the social institutions

and the economic performances. In particular, in caeteris paribus conditions, the differences in the production/ (re)allocation processes between two social spaces will be explained by the cultural differential.

It is interesting to remark the possibility of creating equivalence between the paradigm components and the factors used by Hofstede (1980)[16] to explain the cultural differences (using some limitation in their sphere and content). These factors are[17]:

- Power Distance (PD);
- Individualism (I);
- Masculinity (M);
- Uncertainty Avoidance (UAI).

The PD represents the acceptance degree by the members of society that the power (and all which could be associated with it) is unequal distributed.

In a high power distance society, inequality is reckoned as natural, the power-relationships being the foundation of society. Therefore, to hold the power is essential, who hold it defining the content of the society's basic values. The dependence relations are a main feature for the great majority of such type of society's members (who are placed outside of the power or on the lowest level of it). Instead, the independence is an attribute for those who concentrate decisions, an elitist socio-political, economic, cultural or even racial minority, designated by public choice or auto-designated. The political system is characterized by the small dimension political class (which could be assimilated with an oligarchy), which assure the power, and the elective process is dominated by whose have access to the basic resources. In terms of resources collection and allocation, the power holders establish what is necessary, how much is necessary and whom is necessary a certain resource. Governs are autocrat and centralized. In economical structure, agriculture and low value added industrial sector are high-weighted. From social point of view, the middle class is low-weighted, an important social rule being associated with public administrative personnel. There are latent conflicts between powerful and powerless.

By opposite, in a low power distance index society, the basic belief is that the inequality must to be minimized. The way in which power is used is essential, who's exercised it doing this for those are represented by them and starting from the essential values defined by the society. The dominant relations in society have a multiple and mutual interdependence character. Temporary power-holders haven't a total independence in exercising of power. The political system is dynamic; the political class is in a continuous change; the political power is obtained as a result of elective process rigorous supervised by civil society. The resources collection and

allocation process is transparent and public debated, with widely wealth distribution. For local community is allotted a strong decisional power. The judicial system has a preventive character. In economical structure, high-technology industrial sector and services are high-weighted. It is registered high social mobility and significant importance for middle class. The conflicts don-t missed, but they are accepted as a progress sources.

UAI quantifies the tolerance degree accepted by the society's members for the anxiety induced by the ambiguous and unstructured future situations.

The societies with high uncertainty avoidance are concerned on build-up some methods to minimized this anxieties. Therefore, plans are essentials, based on detailed and rigorous forecasting. Such societies are, typically, young democracies or developing countries for which the changes are of 'fissure' type (even violent), being inherent, with an important political, social and economic impact. The political system is dominated by the personalities with a high-recognized expertise. The resources collection and allocation process is centralized, detailed planning – based, being carry out by a huge administrative apparatus, which dominate the society. It is specific a strong needs for consensus, so that members of such culture demonstrate a low tolerance for dissident opinions and tendencies.

Per a contrario, the societies with a low level of uncertainty avoidance admit the fact that the risk and uncertainty belong to the real life, couldn't be totally avoided. Creativity and innovation represent two significant features. Such societies are, typically, developed countries or old and strong traditional democracies, where the changes are cyclic, with high frequency and gradual impact. The political system was outlined in time, and the political class is in a continuous change; the differences between political generations are not very significant. The resources collection and allocation process is decentralized, the 'subsidiary principle' being recognized and applied; corrections in the (re)allocation mechanisms are frequently. Public debates are numerous, with various themes, and different opinions and currents are accepted.

I measure the identity: communitarian or personal, respectively the relations established by the individuals with others members of the community. A collectivistic society (with a strong communitarian identity) valorizes the group, the collective space, which create a perception of a common propriety. A series of values, such as liberty or solidarity are conditioned by the group's life and beliefs. Equality/uniformity is preferred to equity. Such countries are, typically, low-developed societies, with centralized, paternalistic, time-durable and strong popular support governments. The social mobility is small, its dynamic confines to the affiliation social and demographic category. The traditional economical sectors are high-weighted. The resources collection and allocation process are focused on, rather, general shorts and long - term needs satisfaction, pursue, primary, regional and social equalization, with a less consideration for efficiency index or long – term

interest satisfaction. Collectivism is characterized by a strong distinction between in- and out-group members. This implies a strong preference for different bonus mechanisms for best clients/ non-problematic members versus problematic clients/non-members.

An individualistic society valorized the own 'ego', family, individual and private space. Time belongs to individuals, and values such as liberty and solidarity are determined by personal beliefs. There is a great appreciation for efficiency, ambitious and life success. The equity is more important than equality. Such countries are, typically, high-developed societies, with a powerful industry and a high degree of urbanization. Such societies reckon a significant role for local administration and regional governments. They are characterized by a high social mobility; group borders do not restrict its dynamic, movement between groups depending primary by the own willing. The middle class is very important, representing an 'engine' for social and economical development. The resources collection and allocation mechanism follow principles such as efficiency or stimulating of high potential regional and economic area, with a risk of developing discrepancy's creation between regions or communities.

M does not imply the discrimination of the cultural values on sexes; rather it reflects some fundamental values shared by all society members. More precisely, it is considered that the 'masculine' societies are those where the dominant values are connected with the social affirmation, the material results and the decisional freedom. In this conditions the performance is measured using the terms of reaching and maintaining a reference social status and the material achievements are considered more important that the spiritual ones. Public services or educational system are oriented to performance. The economic growth is more important than nature or environmental protection. The political system is centered upon competition, and specific member of political class is middle age (or third - age) male, with rich political expertise or wealth. The (re)allocation process are modeled around clearly defined performance criteria and pursues the economic growth as an ultimate objective. In opposition, the 'feminine' societies have as dominant values: the equality, the solidarity and the consensus, the social tension avoidance, the centralization of the social-economic trades and the conservation or the spiritual values, tided to the 'quality of life' and to the inter-human relationships. Public systems and services are focused on social adaptation environmental protection is more important than pure economical growth, and social responsibility represents a main feature of organizations belonging to this kind of culture. There are not significant inferences between public/professional sphere and private space. The (re)allocation process pursues to insure equal development conditions for everyone, together with high social protection.

We consider that taking them into consideration and using them to characterize three types of paradigm, characteristic for three types of societies, could be useful:

- 'X' society (closed society);
- 'Y' society (semi-opened society);
- 'Z' society (opened society).

Closed societies are characterized by the tendency (at least formal shown) of attenuation at the unequal power distribution level, by a pronounced collectivism, by promoting the 'feminine 'values (searching for consensus and not for competition) and by a pronounced incertitude and risk aversion.

In semi-opened societies all these parameters have medium values; the opened societies valorize more the acceptance of the unequal power distribution, as 'natural' status, the individualism and the social affirmation, the performance and the material result, the incertitude acceptance as a status, which could generate action opportunities[18].

These cultural variables influence both the level and the structure of the production and transfers.

In the society with a high level of PD, the delegation process to the agency is seen as a 'natural' process and the inequality between the exerting capacities of different rights is pregnant pointed out. So that, the agency has the control over the production/distribution conditions and reallocate the resources in an authoritarian manner; the discrepancies in the fp / fc_i ratio are pronounced and even more they are perceived as 'naturally' ones. The associations have a reduced negotiating power and they are not able to appear like an important social agent in the (re)allocation processes.

If the level of UAI is very high, the social subjects will be tempted, in a significant way, to delegate their rights' exertion, having as a purpose the social dispersion of the involved risks. The agency is seen as a 'safety structure' that has as the main function the creation of a 'safe' social environment. As a consequence, the level of the prudential transfers is high and the punishment component of the social control transfers is largely accepted.

In the societies with a high level of M, the accent on the individual achievement will have an adverse effect to the delegation process: the social subjects will prefer to exert themselves a higher volume of their rights. The agency controls a reduced fraction of the social output. The performance criteria are extremely important in the clauses of the social contract and there is a strong tendency to form private associations. Thus, in these societies the agency controls a smaller part of the social output and the prudential transfers are less important.

In a similar way, for a high level of I, the social subjects will prefer, in a reduced degree, to delegate the exerting of their rights and the agency will have a smaller size. In the structure of the prudential transfers the weight of the preventive compensation will be reduce and the social control transfers will be much easier contested.

Resuming:

P_1: 'From the left to right 'of the societal spectrum (from closed to opened societies) could be seen a reduction in the 'level' and the 'intensity' of the delegation and, as a consequence, in the agency's involvement in the production/(re)distribution processes. The advance in this spectrum is accompanied by a decrease in the preventive compensation level as well as in the whole prudential transfers and in the mean time by a more frequently tendency to contest the social control transfers.

Revising, the production/(re)distribution mandate theory proposed in this analysis consists in a set of six 'conditions' for the delegation of the production process, in a definition of the social transfers and in a 'proposition' about the influence exercised on these by the cultural variables.

C'_0: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production. The re-negotiation of the relations between the clients (as principals) and agency (as agent) in the water production and distribution could take place only if the involved costs does not diminished the global social 'net' utility bellow a certain ('zero') critical level.

C'_1: A parallel association could initiate a private exploitation of a critical social resource if its own costs are lower than a certain amount ('half') of the sum between the outputs kept by the agency for its members, the 'net' preventive/guarding cost (the difference of the preventive compensation and the guarding/recuperating cost) and the penalties imposed by the agency to the defeating clients.

C_2: If there is an adjustment in the perceived utility of a water unit connected with the changes in the global level of water production, such adjustment could take place as long as the 'positive' variation of the utility will remain higher than the difference between the agency's costs variation and the costs of water stockpiling.

C_3: The relative preference of a parallel association for a prudential water stockpiling realized by the agency will appear if the variation of its own 'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to preserve itself the water.

C_4: The relative preference of a parallel association to transfer the payment of the preventive compensation to the agency could be non-null if the variation of its own

'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to pay itself this compensation.

C_5: The relative preference of a parallel association to entrust to the agency a mandate for a prudential water stockpiling as well as for the payment of the preventive compensation is manifested if the variation of its own 'net' utility is lower than the difference between the values of its output transferred in this purpose to the agency and the presumed costs supported if the association decides to preserve itself the water and to pay itself the compensation.

C'_6: The delegation will took place as long as the changes in the cost does not generate a decrease in the global social 'net' utility below the one provided by an individual water production. The re-negotiation of the relations between the clients (as principals) and agency (as agent) in the water production and distribution could take place only if the involved costs does not diminished the global social 'net' utility bellow a certain ('zero') critical level. The unilateral 'net' transfers from the social output initiated by the agency should preserve the critical level of this utility so that the total level of the social control transfers should not exceed the 'net' level of the prudential transfers.

D'_0: The transfers represent operational flows retained by the agency in the current period for prudential purposes and destined to be used, totally or partially, to conserve the' net' global utility in the next period(s). In opposition with the fraction of the output kept by the agency as a counterpart of its services' prices, the transfers are not an economic rent but could be used by the agency as a mean to control its clients and the non-members. The transfers consists in a prudential component which is the solely part that directly contributes to the preservation of the social 'global' utility and a social control component. The last one could be subject of non-transparent clauses of the 'social contract' or could be public implemented by the agency as parts of different bonus/punishment mechanisms.

P_1: 'From the left to right 'of the societal spectrum (from closed to opened societies) could be seen a reduction in the 'level' and the 'intensity' of the delegation and, as a consequence, in the agency's involvement in the production/(re)distribution processes. The advance in this spectrum is accompanied by a decrease in the preventive compensation level as well as in the whole prudential transfers and in the mean time by a more frequently tendency to contest the social control transfers.

Some Empirical Evidences

The complexity of the agency and associations involvement in the production/(re)distribution processes raise important difficulties in a direct testing of

the theory' mentioned components. Even more, the 'postulates' are to generally formulate in order to be appropriate concepts for an empirical test.

As a simple illustration, we had search for some evidences to support the 'proposition' P_1. Using the Hofstede's data and the tax burden as a proxy for the agency's involvement in the primary distribution and secondary redistribution of the social resources, the proposed methodology group the pool of countries in three groups according to their individual values of the cultural variables, respectively open, semi-opened and close societies and run over these groups a simple regression which could be formally described as:

$$f_{it} = \alpha_{1it} PD_{it} + \alpha_{2it} I_{it} + \alpha_{3it} M_{it} + \alpha_{4it} UAI_{it} + \varepsilon_{it} \tag{11}$$

where $f_{it} = \dfrac{T_{it}}{GDP_{it}}$ stands for the tax burden variable.

The test consists in the evaluation of the sign and the statistical significance of the α parameters:

Figure 1: The expected sign of the parameters

Parameter	Sign
α_1	'+'
α_2	'-'
α_3	'+'
α_4	'+|

Note: The signs are designed according to the measurement methodology in HOFSTEDE (1980).

Data are from International Financial Statistics Online Service and the analysis period covers the years 1980-2002. The results are displayed in Annexes 1.

The values of the Student, of the Durbin-Watson-statistics, of the Akaike and Schwartz info criterion as well as the tests for the autocorrelations in the ε_{it} residuals (not reported here) suggests that the results are 'acceptable' from a statistical point of view.

According to these results, for the case of the open societies the signs correspond with the expected ones; the most important cultural variables for the size of the social transfers are the Individualism/ Masculinity ones.

For the Germanic/Nordic sub-group of the semi-opened societies, these variables 'change' their sign but the relative importance of the Individualism and Masculinity

remains almost the same. Power Distance virtually plays no role in the transfers' dynamic.

For the Latin/Non-occidental sub-group of this societal type could be noticed the same presence of the 'wrong' signs but a very important increase in the explanatory role of the Power Distance.

In the close society's case, both components of the Individualism/ Masculinity axe act in the same direction of an increase in the transfer's levels and together with the Power Distance form an important explanatory base.

In all the cases, Uncertainty Avoidance seems to be the 'weakest' variable and to have a limited capacity to fit in the general picture.

It should be noticed that the validation force of this test is affected by methodological and econometric problems.

For instance, is not apriori clearly that the 'tax burden' is the best proxy for the public involvement in the (re)distribution processes. Other variables, such as the level of public income and expenditures, the public debt, the level and structures of the taxes could play, eventually more successfully, the same role. Also, the appeal to the Hofstede's cultural variables could be criticized due to the fact that these have obviously a certain self-referential in the 'occidental' culture and are not able to sustain a more accurate distinction between the characteristics of the cultural artifacts.

In the econometric field should be mentioned the relatively small number/periods of observation and the fact that the use of some fix/random effect methods for the pool estimation could change the results.

Despite these limitations, we consider that such tests could be used on a largely scale in order to provide a stronger empirical support. However, it seems that there is a case for P_1 and is justified a more detailed analysis.

Conclusion

The 'oasis model' is an attempt to describe the complex web of the interactions between the agency, its clients and the non-members in the production/ (re)distribution processes.

It argues that there is an economic base for the mandate theory and it tries to explain the causes and the formation mechanisms of the social transfers.

One could notice a lot of week points in the entire advanced argumentation. Among them, could be mentioned the intrinsic limitation of the mandate theory which are not solve; the absence of an solid argumentation for the multigenerational evolutions of the relations between agency and the others social subjects; the 'blank field' of the changes in the agency's utility function with the inclusion of some

'politic' variables; the obscure description of the fp / fc_i ratio; the not enough developed analysis of the linkage between the cultural variables and the social transfers and many others things.

But, beyond of the unfinished character of the construction, the model is intended to promote a better understanding of the social space and to support an 'optimal' selection of its configuration. And this because finally, agency's members, clients or non-members we have to live all together in the same fragile social oasis environment.

NOTES

[1] The necessity of such compensation is justified in Talpos et. al. (2005, p. 7) as follows:' … the existence of other non-members of the agency, X_{NM} would generate, for its clients the risk of an attempt to get hold of the output of the exerting of their rights equivalent to a part 0 or the whole. If the cost beard by the agency for guarding/recuperating this output $\Lambda(x,\theta,NM)$ are superior to the preventive compensation that the agency would decide to pay to non-members because the output of their rights is inferior to that equivalent for its clients ($s(x,NM)$) or if the recuperation, partial or integral, of the output achieved is not possible, then, it seems logical that X_1 would permit the agency to act in a redistributive manner'.

[2] For the conditions involve, see also Talpos et.al. (2005).

[3] Apparently, the second solution could be seen as the favorite one. But it should be remember that any increase of the variable costs induce by a supplementary production will leads to a lower net result of the agency activity according to a descending return's evolution up to a certain critical volume of water production. As a consequence, the members of the agency could accept a smaller fraction of the output in order to preserve the global agency' efficiency, depending on the relations between the agency and its members. If the agency had the position of the dominant macro-agency only for a short time period and its capacity to control the clients' demands is still weak, it could be forced to face the clients' fears that any supplementary water extraction could endanger the oasis environment and to accepted a reduction in *aw* for prudential reasons. If, per a contrario, the agency is consolidated and the capacity of the individual clients to negotiate a better environmental preservation is reduced, the adopted solution will be more in the favor of the agency's members (still, the actions of negotiating associations interested in the environment preservation should be taken into account).

[4] It is interesting to note that one could conclude that the association's members are, at least theoretically speaking, in the same position as the non-members. But is not ab initio obviously that the agency is choosing to treat the defeating members in the same manner as it treats the non-members. For instance, they could be subjects of certain persuasive/punitive actions (in the purpose to prevent the contagion effect as well as the diminution of the agency output).

[5] It is obviously that the computation of these two variables is subject of the agency forecasts and they could be expressed only in probabilistic terms: it is more accurate to talk about the presumed optimal level of water stockpile and the presumed necessary amount of the preventive compensation.

[6] As we argue in Talpos et.al. (2005, p. 18): ' … an individual social subject, confronted with the existence of an agency at which formation he did not contribute, has not the possibility, in an isolate way

to modify the way of its functioning (being able only to accept the quality of non-member) and the clauses of the 'social contract'. This is thus obliged to sign a 'social contract' already written. If its content is not satisfactory, his only solution is that of associating with other social subjects to form an association of negotiation / a parallel association...'.

[7] For this concept, we use the Sorensen (2000, p. 20) definition: 'Rents are payments to assets that exceed the competitive price or the price sufficient to cover costs and therefore exceeding what is sufficient to bring about the employment of the asset.'

[8] As a simplification, this is postulate to be true both for the 'first' generation of the production means as well as for the next generations. The situation in which these means are provided by some parallel associations is more complex but could also bee seen in the mandate framework with the agency as a principal.

[9] As Wright (2000, p. 3) notes: 'Perfect competition is a quite demanding condition. It implies perfect information and a complete absence of any power relations between actors within a market'.

[10] For a list of such conditions, see for instance Wright (1999, 2000) where are mentioned the inverse interdependent welfare principle, the exclusion principle and the appropriation principle: in a 'dynamic' sense, the transfers does not permanently reduce the clients and non-members' welfare, nor implies a definitive increase in the agency's members based on their labor effort.

[11] Of course, a distinction should be done between the situations in which such inequalities are unilateral imposed by the agency and the situations in which they appear as a result of the negotiation associations' activity.

[12] The most 'sensible' part of the transfers is from this point of view the one which represents the preventive compensation (for a more detailed discussion about this aspect, see Talpos et.al. (2005)).

[13] In others words, they knows (or they learn from the experience of the past failures) that the 'optimal' solution of the 'prisoner dilemma' could be obtained only if all the participants at the prudential mechanism managed by the agency cooperates.

[14] In this context, we define the relative social position as the relative capacity to control and to benefit from the social global output.

[15] The analysis of the agency's motives to discriminate some categories of social subjects exceeds the objectives of this paper. We just note that, if the agency intends to discriminate, it has in the social transfers a powerful mean.

[16] Realized in 1968-1973 starting from approximately 66 non-socialist countries, this study collected information from more than 117000 forms, completed by the IBM employees in this countries

[17] For this analyzes purposes, the main advantage in using these factors is the quantification of the relevant elements, which could be used, in an empirical approach of the mentioned thesis. The factors interpretation realized here is larger that the one strictly derived from this study.

[18] For more details about the characteristics of this societal taxonomy, see Talpos et.al. (2005).

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Annexes 1: The Regression Statistics

A) Open societies

Method: Pooled Least Squares				
Included observations: 22				
Cross-sections included: 5				
Total pool (balanced) observations: 110				
White diagonal standard errors & covariance (degree of freedom corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PD	1.61449955198942	0.149898592519583	10.7706118173091	1.02206051320463
I	-5.35414872345288	0.364209804076672	-14.7007265140115	2.45395627728373
M	6.21377589728938	0.363857865326148	17.0774813173808	3.32928251689635
UAI	1.28874432405637	0.100501888752512	12.8230856161314	2.72845367786898
R-squared	0.883434696155492	Mean dependent variable		26.7665444658968
Adjusted R-squared	0.880135678122157	S.D. dependent variable		7.77695291529252
S.E. of regression	2.69249208904131	Akaike info criterion		4.85449745125201
Sum squared residuals	768.448446852303	Schwarz criterion		4.95269673728083
Log likelihood	-262.997359818861	F-statistic		267.787167947787
Durbin-Wats on stat	0.2191332319064	Prob. (F-statistic)		2.6268568105627

The countries included in this group are: United States, United Kingdom, Canada, New Zeeland and Australia.

B) Semi-opened societies

B.1.) 'Occidental societies-Germanic/Nordic version'

Method: Pooled Least Squares				
Included observations: 23				
Cross-sections included: 8				
Total pool (balanced) observations: 184				
White diagonal standard errors & covariance (degree of freedom corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PD	-0.0600544453850333	0.133829536545259	-0.44873834980	0.65416016454
I	0.382782855122128	0.0217344286110899	17.6118204886	5.18229802480
M	-0.421126910522389	0.02544550414199	-16.5501500057	5.36159651010
UAI	0.390212109175595	0.0878062426910259	4.44401328671	1.53984555255
R-squared	0.610246590176535	Mean dependent variable		31.4622499669
Adjusted R-squared	0.60375070001281	S.D. dependent variable		10.9198949637
S.E. of regression	6.8738921680398	Akaike info criterion		6.71483740330
Sum squared residuals	8505.07083681102	Schwarz criterion		6.78472731108
Log likelihood	-613.765041104369	F-statistic		93.9434896212
Durbin-Watson stat	0.0664708548085799	Prob. (F-statistic)		1.24951404608

The countries included in this group are: Austria, Belgium, Denmark, Germany, Finland, Netherlands, Norway and Sweden.

B.2.) 'Occidental societies- Latin version and Non-occidental societies'

Method: Pooled Least Squares				
Included observations: 23				
Cross-sections included: 11				
Total pool (balanced) observations: 247				
White diagonal standard errors & covariance (degree of freedom corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D	0.427454798627774	0.039508887825988	10.819206060936	1.589969579403
I	0.335620249097457	0.0254440145658447	13.190538318115	2.5229447746434
M	-0.32533173477863	0.0319269859605887	-10.18986681612	1.5595556792977
UAI	-0.01925795236054	0.0287752571328804	-0.669253875703	0.5039688960325
R-squared	0.472230823967718	Mean dependent variable		23.000646717996
Adjusted R-squared	0.465715155127814	S.D. dependent variable		9.4063544383492
S.E. of regression	6.87555510288135	Akaike info criterion		6.7098836021504
Sum squared residuals	11487.4016873801	Schwarz criterion		6.7667158019338
Log likelihood	-824.670624865576	F-statistic		72.476185572166
Durbin-Watson stat	0.09119269912952	Prob. (F-statistic)		1.6295720961708

The countries included in this group are: Argentina, Chile, France, Italy, Mexico, Panama, Peru, Portugal, Spain, Uruguay and Venezuela

C) Close societies

Method: Pooled Least Squares				
Included observations: 23				
Cross-sections included: 11				
Total pool (balanced) observations: 249				
White diagonal standard errors & covariance (degree of freedom corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PD	0.142273033369325	0.0347778268052803	4.090912125300	5.833612074183
I	0.216443880950906	0.0465757347987188	4.647138298220	5.500278234960
M	0.146453854477393	0.061917616171812	2.365301888738	0.018795156695
UAI	-0.045985752222763	0.0203460297782457	-2.260183078662	0.024688422101
R-squared	0.04861181172879	Mean dependent variable		21.87191859553
Adjusted R-squared	0.036962160443845	S.D. dependent variable		6.349989941295
S.E. of regression	6.23153033064982	Akaike info criterion		6.513054777712
Sum squared residuals	9513.83271414311	Schwarz criterion		6.569560045126
Log likelihood	-806.87531982525	F-statistic		4.172812605265
Durbin-Watson stat	0.17229556978922	Prob. (F-statistic)		0.006623447870

The countries included in this group are: Indonesia, Iran, Malaysia, Morocco, Pakistan, Philippine, Singapore, Syria, Thailand, Tunisia and Turkey.