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Abstract: The paper intends to draw a possible framework for evaluating the performance of the administration at the central government level. We propose a simple pool-data model in which we tried to make a connection between main macroeconomic variables that are in part the result of government actions in the pursuit of its social end economic objectives and some variables that are reflecting the social-cultural-political dimensions of government decisions.

Key words: performance, efficiency, government, culture, politics

1. INTRODUCTION

The study of public management reform has become a very debated topic around the world. This leads to a growing importance of governance issues and public management performance. The scholars' interest in public management performance is proved by the amount of studies analyzed in synoptic papers such as Lynn's (1997), Boyne's (2003), Forbes and Lynn's (2004), Hill and Lynn's (2004).

Boyne's reform orientated study revealed a strong basis for selecting the independent variables which could be linked to the performance in the public sector. The criteria used for evaluating the public managers' actions were efficiency, responsiveness and equity. In this context, public services improvement is determined by changes in resources, regulation (constraints on discretion), market structure (competition), organization (size, centralization, and formalization of agencies) and management (leadership, strategies, human resources management, and culture). Any improvements in public management could be appreciated using variables such as quantity of outputs, quality of outputs, efficiency, equity, outcomes, value for money and consumer surplus.

Forbes and Lynn (2004) and Hill and Lynn (2004) proposed a "polycentric logic of governance" as an analytical framework for evaluating hundreds of published research articles related to the field of public management all around the world. Regarding the performance in the public sector, they found two different directions of research: one related with public service delivery and another related with output

(measuring "what is done or levels of activity") / outcomes (measuring "effectiveness or change") levels of government actions.

In this line of thinking, we intend to look for empirical evidence of connections between performance at the central government level and a set of cultural, economic, and political factors (which cover, in part, Boyle's possible independent variable.

2. <u>FUNDAMENTE TEORETICE</u>

We focused our study on the European Union case. In order to distinguish, to quantify and to analyze the relation between the performance and the efficiency of governmental policy actions and some cultural factors we selected the 25 Member States of the European Union (Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Span, France, Ireland, Italy, Cyprus, Lithuania, Latvia, Luxemburg, Hungary, Malta, The Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden and United Kingdom). We considered GDP per capita as the main performance indicator of the government policy. We used data from Eurostat Yearbook 2005.

The firs theoretical assumption that we made in our research is based on the idea that social welfare is strongly influenced by the economic and political conditions in the country. We take into account in our model these economic and political conditions as these are quantified by Heritage Foundation's Index of Economic Freedom (published in the Journal of Economic Freedom).
The *Index of Economic Freedom* identifies the strong complementarities among the 10 key ingredients of economic freedom, such as low tax rates, tariffs, regulation, and government intervention, as well as strong property rights, open capital markets, and monetary stability. As previous editions have shown, increased economic freedom of one factor amplifies economic freedom of another. Likewise, a decline of freedom of one area makes it harder to take advantage of economic freedom of another. Corresponding to the index, the lower is its value, the unrestricted is the economic and political system and vice versa.

The second theoretical assumption of our research is based on the idea that social welfare is also influenced by a set of cultural factors. The HOFSTEDE's four cultural dimensions could quantify these factors: power distance, individualism, masculinity and uncertainty avoidance.

The **power distance (P)** 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. 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, and 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 assures the power, and by the elective process that is dominated by the access to the basic resources. 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 be minimized. 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 rigorously supervised by civil society. The resources collection and allocation process is transparent and public debated, with widely wealth distribution. Local community has a strong decisional power. The judicial system has a preventive character. In an 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.

The **individualism (I)** measure the relations established by the individuals with others members of the community (communitarian or personal). A collectivistic society (with a strong communitarian identity) valorizes the group, the collective space, which creates 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 the affiliation to the social and demographic category. The traditional economical sectors are highly weighted. Collectivism is characterized by a strong distinction between in- and out-group members.

An individualistic society valorizes 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. 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.

Masculinity (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 these 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 focused on competition, and the specific member of political class is the middle aged (or third - age) male, with rich political expertise or wealth. The (re) allocation process is 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.

Uncertainty avoidance (U) 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 with building some methods to minimize these anxieties. Therefore, plans are essential, 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 carried out by a huge administrative apparatus, which dominate the society. It is specific a strong need 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.

3. <u>METHOD AND RESULTS</u>

In our model, we used data from 1996-2003 period of time. Regarding the econometric techniques used, we processed the data in a "panel" system, combining time series and data corresponding to different entities. We propose the following simple "pool data" regressive model:

$$Y_{it} = \alpha + \beta_{it}\, xX_{it} + \varepsilon_{it} \qquad (1)$$
$$i = \overline{1,25} \qquad (2)$$

where
- Y_{it} is the dependent variable – GDP per capita;
- α is the free term coefficient;
- β_i are the independent variables coefficients;

- X_{it} are the independent variables – in our case: P, I, M, U, E;

- ε_{it} is a stochastic variable;

- *i* is the number of "section" used to run the regression;
- *t* is time period (1996-2003).

So, we proposed a "pool data" model, which has as a dependent variable the GDP per capita (as the main indicator for the performance of government policies, and as independent variables the HOFSTEDE's four cultural dimensions (power distance, individualism, masculinity and uncertainty avoidance), as well as the Heritage Foundation's Index of Economic Freedom.

The complete form of our model is:

$$GDP_{it} = \alpha + \beta 1_{it}\, xP_{it} + \beta 2_{it}\, xI + \beta 3_{it}\, xM + \beta 4_{it}\, xU + \beta 5_{it}\, xE + \varepsilon_{it} \qquad (3)$$

After we ran the model with our data set, we obtained the following results (presented in table 1):

Table 1

The results for the pool data regression of GDP per capita against cultural, economic and political factors

Dependent Variable: GDP?				
Method: GLS (Cross Section Weights)				
Sample: 1996 2003				
Included observations: 8				
Number of cross-sections used: 25				
Total panel (balanced) observations: 200				
Convergence achieved after 22 iteration(s)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32593.53	1738.876	18.74402	0.0000
P?	37.74706	10.73277	3.516992	0.0005
I?	42.87288	11.25613	3.808848	0.0002
M?	36.58012	8.174018	4.475169	0.0000
U?	-68.50888	8.759953	-7.820690	0.0000
E?	-5957.402	409.2266	-14.55771	0.0000
R-squared	0.977231	Mean dependent var.		53107.34
Adjusted R-squared	0.976644	S.D. dependent var.		42217.38
S.E. of regression	6451.977	Sum squared residual		8.08E+09
F-statistic	1665.241	Durbin-Watson stat		1.287290
Prob. (F-statistic)	0.000000			

Analyzing the obtained results shown in table 1, we could make the following remarks:
- the values for the standard errors of the regression function coefficients are lower than the modulus of coefficients values, which proves that these coefficients are correctly estimated. The same conclusion could be draw by looking at the very low values of probability that the null-hypothesis to be true.
- the correlation coefficient, that has a value of 97,7%, proves a strong statistical bound between our dependent variable – GDP per capita and our independent variables - P, I, M, U and E, any changes in the independent variables will determine some changes in the GDP per capita.

Therefore, we could state that our model could be considered fit to describe the connection between GDP per capita and the cultural, economic and political factors *power distance, individualism, masculinity, uncertainty avoidance, index of economic freedom).

So, our model could be written as follows:

$$GDP = 32593.5 + 37.7 \times P + 42.8 \times I + 36.5 \times M - 68.5 \times U - 5957.4 \times E \qquad (6)$$

4. DISCUSSIONS AND CONCLUSIONS

The obtained results from our model proves that, for the group of the 25 Member States of European Union, there are a strong connection between the central government performance (quantified by the resulted GDP per capita as the most representative indicator of welfare) and a set of cultural factors (quantified by HOFSTEDE's four cultural dimensions) and some political and economical factors (quantified by Heritage Foundation's Index of Economic Freedom).

Having in mind the meaning of each cultural, economic, political factor taken into account, we could draw some remarks based on the econometric test result.

Regarding the relation between power distance and GDP per capita, the obtained results are a little curious: in EU member states the social welfare is higher in the countries with a greater power distance. That is, the social welfare and the government performance are higher in the countries characterized by social inequality, where the middle-class is poor represented, and where there are potential social conflicts within the society.

The social welfare is higher and government performance is better in countries, which have a high individualism index. These countries are well developed urban societies, in which the individual, the family, and the private space are fundamental components.

In strong connection with the results obtained for individualism, the social welfare is higher in the countries with a high level of masculinity, which are societies where a great freedom of decisions and the individuals' social status are dominant values.

The results for the last cultural dimension, the uncertainty avoidance, show that the countries with a low level of uncertainty avoidance, such as old democracies, where economic and political changes are cyclical, frequent, and important, have a government with a better social and economic performance that the countries characterized by high uncertainty avoidance.

The relation between the social welfare or the central government performance and the index of economic freedom is a reversed one. Lower is the index higher is the government performance. That is, the central government performance is higher, the unrestricted is the economic and political system and vice versa.

In conclusion, for the 25 Member States of EU, the central government performance is better in countries characterized by a high power distance (!), a high degree of individualism and masculinity, a low level of uncertainty avoidance and an unrestricted economic and political system

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