

SECTION I: ECONOMY AND ECONOMIC ISSUES

Synthetic Conceptions of Implementing Mechanisms Design for Public Socio-Economic Information Structure: Illustrative Estonian Examples

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“Therefore, transparent, quick, balanced and future-oriented information is a factor of our international competitiveness.”

András Inotái (see Appendix)

Abstract

This note discusses normatively compiled mechanism design process conceptions for advancing general complex socio-economic information structures macro-coordinating qualities (Ramazzotti 2005) in the case of an emerging market and on one Estonian example, in the context of a rapidly changing environment of norms and formal institutions (Francois 2008).

The meta-synthesis concept roposed for discussion (Gu and Tang 2005) emphasizes for our case compiling methods with the imitation of variety of theoretical implementation models and real world evolutionary empirical mechanisms in the imagination of experts.

The main task is to suggest concepts for almost surely robust hybrid sub-optimal implementing mechanisms designs for very general types of socio-economic social choice functions for a socio-economic public information structure.

The main idea of the proposed design is to sequentially and adaptively coordinate reasonable learning and private information disclosure of the actors with the help of stimulating their reporting credibility (non-distorting

and sufficient disclosure) and respectability behaviour of incoming reports (reasonable learning from respectable actors and by the coordinator) with relevant complex material and moral side-payments and consultations and constraints (adding moral socio-economically directly non-consequential preferences, Matsushima 2008).

In this design, the social planner will first of all adopt the combined role of coordinator/monitor and will mainly use moral and economic side-influences and constraints.

In this note, however, the underlying model acquisition of additional informal information by agents is left un-modelled, and concepts coordination procedures are modelled in the soft heuristic narrative form.

Illustrative Estonian examples, based on empirical inquiry as well implementation theoretic conception, imply in the environment of post-transitional partocratic democracy with many other idiosyncrasies, to complement extant respective mechanisms with more complex coordination instruments, especially moral ones, and with voluntary (Walker 2007) non-governmental monitoring webs.

Keywords: Public socio-economic knowledge structure, Implementing designs, Intrinsic preferences for honesty, Detail-free mechanisms, Complex implementation, Idiosyncrasies, Heterogeneous corresponding actors, Complex coordination, Learning, Side-payments, Moral and material incentives, Voluntary webs, Reputation, Credibility and Respectfulness.

I. Introductory Notes

Understandably, for an emerging post dual-transitional market country (Ennuste 2007) in the present phase of rapid change from a rudimentary market economy to the civilized type in the club of advanced democratic economies, in this situation of exuberant transitional uncertainties (e.g. Ramazzotti 2005), the social governance rules for providing high quality and adequate socio-economic reporting/correspondence, should be relatively complete, robust, and precisely determined and corresponding administrative regulations and other alternative provisions effectively implemented and monitored.

The theoretical informatics basis for this statement comes from the phenomenon that for the solving of different national social problems different public belief/knowledge structures have different value and so may give social actors incentives to try implementing strategic manipulative and erroneous message policies to improve the expected egoistic results of decision makers following activities which may have negative social externalities (e.g. Azrieli and Lehrer 2008, Hellwig 2002, and Ramazzotti 2005).

Importantly, national socio-economic belief, knowledge- and information-structures and communication systems, and learning incentives should be optimized in the civilized societies in the national interests, and so all effective complex communication mechanism, including complementary mechanisms, implemented to the governmental ones.

As matter of fact, a very wide intelligent public in Estonia has apparently become passionate about the need for more full and undistorted disclosure of the socio-economic governmental and private sphere socio-economic information that is targeted to stakeholders and a wide public. In other words, they are worried about a seemingly growing contamination of the knowledge environment (term coined by Andras Inotai). E.g. they want to understand:

Why, despite of years of the promises by the Government and the Central Bank and huge preparatory investments, the euro was not adopted?

Why can our governments not learn from the lessons of other emerging market countries and from welfare countries, but instead try to teach them as well as Brussels?

Why, in election campaigns, political parties regularly irresponsibly flood electorates with explicitly controversial and faulty illusory socio-economic promises?

Why many pronouncements by prominent journalists, highly placed politicians, and government officials contain absolutely faulty and distorted statements about the EU?

Why so many prominent individuals, distant from the economic sphere, make absolutely inadequate statements about our socio-economic policies and clumsy international comparisons, without any responsibility?

Why statistical institutions are not disclosing, e.g., alternative complementary inflation indicators, the confidence intervals of these indexes, and can not clearly explain what PPS in real life means, to enhance public understanding in these matters?

Why many large public monopolies take frequently non-transparent socially significant decisions?

Why, in the last year, many local tycoons have, not at all transparently, received enormous dividends from their shaky firms?

Why some analysts and official decision makers use business economics incompetently in public economic matters?

Why so many social actors are evidently disrespectfully not sufficiently and effectively absorbing years and years of socio-economic statements disseminated by credible sources?

How can someone become wealthier by some billions after a few years as a bank president?

Why, after all, should our taxpayers pay more to Brussels as sugar penalties than in the shops for sugar?

And, most amazingly, why did Parliament include in Bill 182 ES (12 March 2008) the clause “1/1) for giving to the central bank free hand for hiding from the public as much data as necessary to avoid public threats to prices and financial stability”. If this is not a sign of an effort of partocratic activity for the extension of an irrational course of information for the public, then what is it?

Our wide public in a rapidly changing post-transitional world understandably does not fully understand yet sufficiently the capitalist private equity and business models or governmental public economics

models under the currently formed national socio-economic information structure. But the electorate needs to know how the industry, agriculture, and utilities create values, how the taxpayers money will be distributed, in what kind of economic inequality situation the nation is from many aspects viewed, how the economic policies enhance efficiency and sustainability, or whether, as some claim, part of the wealth created is simply transferred from budget to the translational banks.

More importantly, these misunderstandings pose a question of whether the contemporary Estonian public socio-economic belief structure, in the sense of an institutional structure, is at all effective (Hellwig 2002), and if so, then are there extant norms and institutions in a “vicious circle” (Francois 2006) such that a bad information structure is endogenously generating even more bad institutions to regulate the change of public information creation. If this is so, how should it be formally regulated by externally enforced institutional changes? What may be the conceptions of the design of advanced mechanisms, especially in the field of reducing higher-order uncertainties in the common beliefs (Ramazzotti 2005), and in this way enhancing macro-coordination efficiency of respective public information structures?

Our point is, after Sir David Walker (2007), that more complex correspondence relationships and additional incentive mechanisms with complementary non-governmental arrangements may be more effective in this stage of Estonian transition and would help to overcome the communication crises.

This is so because governmental legal administrative contracts cannot or may be not sufficiently wide-ranging, because the nature of the behaviour and relationships expected in this public socio-economic-political correspondence field are often defined dominantly by the dynamic implicit context, rather than by rigorously fixed formal contracts.

It follows that the effective mechanism of enforcement of such complementary non-governmental arrangements, where the requirements of the parties to go on doing data transfers voluntarily, together may be complementary positive (e.g. Myatt and Wallace 2008.); especially considering that there are intersections of the groups of different

rationalities, e. g. political and economic rationalities that may make administrative disclosure regulations ineffective, if not paralysed.

Our applied task in this paper was posted as an initiative consultative inquiry (Appendix) with the purpose of making a seminal step in the preparation of some synthesis of theoretical and empirical principles and baselines; for the draft of a complementary voluntary Code for significant social institutions and stakeholders (voters, taxpayers, organizations) to advance their reporting fullness and quality in the public socio-economic correspondence field; and proposals for forming respective monitoring networks and non-governmental group for partners of the Code. The goal of the above should be regulating fair economic reporting of respective institutions to the public, but not forcing institutions to report economic details that may be reasonably uncomfortable to disclose (Walker 2007).

If this reporting were to be done at a reasonable level of detail and with minimal distortions, this would be highly informative, but it would also mean disclosing far more information (expanding announcement space and liquidating some omissions) than emerges to the public at present, and will reduce unreasonable informational entropy in the public socio-economic knowledge field.

Understandably, our proposal is not targeted to design “the final solution” of the ideal design. The main purpose is ,instead, making the first step proposal for creating a more valuable information system based on an academic study. Importantly, this is not only for the additional public value attribution but also for the reporting institutions themselves, especially for industry in eliminating distortions of economic reporting.

The question, of course, will be first of all about informational privacy of many institutions/individuals and about the rewards, carrots and sticks, of senior managers in these institutions, and about reasonable secrecy and reasonable limits of political populist distortions of reports and announcements.

In the incentive mechanism design of measuring “sticks and carrots” for the Partners of the Code by the Monitor, we will methodically rely on the several branches of Applied Institutional Economics Theories and

differentiate political announcers in the political world and announcers of the socio-economic economic world (see e.g. Aoyagi 1998).

“A country can promote both vitality and inclusion by fitting its economy with the right mechanisms.”
Edmund Phelps, 2006, p. 22

2. Main Hypotheses and Some Results

The narrative synthetic deduction of rational conceptions for implementing mechanisms building of the public social knowledge structure in the environment of the dynamic post-transformation society is extremely complicated. First of all, all extant definitions of the structure have their drawbacks (Ramazzotti 2005), and more importantly, private information of the actors in this area is an intangible invisible asset of complex values, moral and material. So also are the preferences of the actors.

We have stressed in our discussions the importance to tackle this kind of study of public social knowledge structures as active dynamic institutions: as the state of quality of this structure has not only indirect relationships with general social developments, but also directly with future developments of the implementing mechanisms under this very study.

Consequently, the studies comprising in more or less the whole system may give only very general results. Still, as this study has proved, this kind of wholeness analysis based on the meta-synthetic design (deductive implementation theoretic and inductive empirical-intuitional), might be highly justified, especially in the case of socio economic post-transformation situations. In these cases of rapid structural changes in many social areas, the rational regulation problems of current beliefs, opinions, expectations, and learning structures are extremely important.

The above abstract discussion argued that adequate implementing mechanisms should have an extremely complicated design:

*Complex and parallel coordination networks (e.g. governmental and non-governmental);

*Complex coordinating instruments (e.g. material and moral);

*Complex coordinating principles (e.g. incentives and constraints);

*Complex incentive and restriction mechanisms (e.g. based on complex number models).

The results of the survey revealed the importance in considering current idiosyncrasies of the societies under the study, e.g.:

*Political system (e.g. partocratic democracy may be interested at disseminating dominantly populist messages to the public and at non-rational closure of national statistics);

*Linguistic heterogeneity of the population (e.g. part of the population may communicatively belong more or less to some other society);

*Weight of academic community in the society.

As the Estonian economic managers greatly appreciate the stability and credibility and reputation factors in the economic institutional system; thus building the track for the institutional changes and for adaptation to the EU, the policy should aim to measures not obstructing the work of the established credible institutions and not introducing new uncertainties, but should aim at introducing first of all those policies which are connected with increasing institutional credibility.

An extremely interesting phenomenon revealed by the survey was that in this area, in the current Estonian context, the enhancement of non-governmental networks and institutions, as suggested by deductive mathematical implementation theories, was strongly supported by the bulk of experts. The noteworthy exceptions in this point have been the opinions of some politically active experts and some governmental officials. Not surprisingly, they give more weight to the governmental institutions (one can consider the responses of these experts in more detail in the Appendix).

There is a danger that the real legacy of this Project will in the end be only in a new local philosophy - the cultivation of beliefs in public about needs other than in the formal administrative institutional channels for undistorted information about the economy. Their entitlement to receive fuller information disclosure may stay just dreams. The argument of the owners of information are numerous and heterogeneous.

But we insist that the public does not need all the information that owners have, and only broad narrative transparent disclosures will suffice for them.

In this view, disclosure is a concession, indeed readily overridden by confidentiality. Understandably, in the case of overriding our initiative there will be underinvestment in informational intangible institutional assets. But we do not want companies, parties, and governments to use confidentiality to mask their egoistic interests.

3. Methodological Remarks

This Note tries to discuss semi-formalized optimality issues of the types of socio-economic public information structure implementing mechanisms. The approach is to try synthesising and imitating characteristics of evolutionary emergent mechanisms (North 1990) and theoretically deduced ones. In other words, it tries to analyse heuristically optimal reform possibilities of socio-economic institutional systems (Vanberg 2005).

The mainly narrative/heuristic discussion is heavily based on the framework of recent theoretic concepts of Descartes-Bayes-Nash transferred utility implementation as the most precise and rigorous tools in the field of New Institutional Economics (e.g. d'Aspremont, Crémer and Gerard-Varet 2004).

So far these tools are still quite stylised for a complex analysis of the empirical mechanisms' clusters and constructivist design. The main missing link in a standard implementation theory now is in our context that at construction of the implementing mechanisms some moral social dimensions such as credibility/respectability of agents (Matsushima 1993, 2003 and Baliga 1999), bounded rationality (Eliasz 2002 and) and learning by doing and information trade-offs (Koessler 2004 and Kaminski 2004), and intuitional capacities of agents are not sufficiently exploited; and the

costs connected with transferring utilities are not taken into consideration; also the implementation variants of economic institutional structures are not explicitly formalized (Ennuste 2003).

The evolutionary emergent institutional systems generally may be functioning (e.g. North 1990) sequentially, gradually, repetitively, adaptively, and may be active in updating information in this process of communication; and the coordination fields of these systems are not only limited with primal socio-economic activities but also with constitutional activities (institutional design, organisational engineering and construction, reforms). In these processes, the social planners of mechanisms with their private information have had parallel roles as implementers of the game and also as players in the game in the role of coordinators and utility transferors. In these mechanisms, agents' reports may be indirectly aggregated indicators; agents are worried about their consequential credibility status, depending on their behaviour (respect to others) in the process. They are in parallel consulted and multiply coordinated horizontally by other agents in market rules and vertically by the coordinator in their activity variant choices; they may have side payments and said constraints from the coordinator based on their credibility, they may be ostracised, they may use informal communication, they learn and create new knowledge in the coordination process.

More importantly, the imitations of empirical designs show that socio-economic mechanisms should be dealt with in complementary or co-varying clusters.

Our heuristic model findings, based on the assumption of separability of the social choice function by agents, containing institutional variables with complementarities and combined institutional influences, are that the synthesized models of emergent types of mechanisms have probably robust sub-optimal implementation permissiveness for a very general class of socio-economic systems choice functions.

Suppose communicating actors have combined material (socio-economic, environmental, monetary, material wellbeing) and moral, political, ethical, cultural and religious objectives, motivations (Macchiavello 2008), preferences, targets, and values in their private knowledge disseminating

and learning policies in the communication. That means the effective implementing (optimizing) mechanisms should have complex side-payment systems combining material and moral side-payments as incentives for truth-telling, avoiding erroneous statements and respective learning in the communication processes. In other words, we have a vector like effective side-payment mechanism to design. In this procedure we have compared complexly the pairs of informativeness values of different statements: statements made on the basis of endogenous socio-economic objectives (consequential/non-consequential) and on the basis of exogenous moral ends.

We consider heuristically the efficiency and characteristics of the systems of implementing socio-economic institutional clusters. We are in our programme moving quite a distance from the traditional implementation theory: the approach is not rigorously formalised, the environment is “non-economic” Bayesian with a significant number of faulty players; the characteristics of the implementing mechanisms are not as constrained as in the traditional theories, e.g., we are not constraining our choices of mechanisms with “spontaneous” ones that are functioning without any external funds; we consider in the implementation game the possibilities of coordination by the implementer and the credibility formation of the actors in the iterative information game and possibilities of ostracisms etc. All these complexities are involved greatly with the expenses of losing precision and rigour compared to the mainstream implementation approach. But we are trying by our heuristic approach to narrow the gap between the brilliant isolated mathematical results of the traditional implementation theory and the needs of the socio-economic reform and transition theories to get some implementation result for non-economic environments, mode adequately complex models, and complicated mechanisms.

We are not trying to achieve exact solutions to the partial problems but just some approximate solutions to more general ones. Therefore we consider the traditional implementing mechanisms as decomposed solutions (Ennuste 1978) and try to compose these for the efficient approximate solutions of the more general implementation problems (Gu and Tang 2005).

In other words, this study tries to discuss optimality issues of the design (engineering) of socio-economic meta-institutional systems, that is, to

analyse the constitutional political economy (Buchanan 1990) problems. The analysis is based mainly on semi-formalized implementation theory (design of mechanisms) and optimal decision methods and partial simulations of empirical constitutional mechanisms. In this the main attention is paid to the aspects of political choice systems and mechanisms that are ecologically (collectively-cooperatively) implementing efficient development of socio-economic institutional arrangements of the conventional economies. In other words, the approach is heuristically analysing normative implementation possibilities of socio-economic institutional systems in political mechanisms in co-evolution with a general constitutional governance system (Vanberg 2005). It is especially focused on the aspects of coordinated collective problem solving ("*tools for collective problem solving*", Olsen 2003) and communication issues in these kinds of engineering systems and is carried out mainly heuristically in the mathematical/narrative implementation-theoretic and optimal decision making terminology.

The discussion is heavily based on the framework of recent theoretic concepts of Descartes-Bayes-Nash transferred utility implementation of the real economy as the most precise and rigorous tools in the field of New Institutional Economics. Although, so far these tools are still quite stylised for a complex analysis of the empirical mechanisms' clusters and constructivist design for the institutional implementation.

Importantly, in the complex coordination (e.g. moral and material side-coordination as by incentives and constraints and heterogeneous coordinating webs) the rationality of imaginary units $i=\sqrt{-1}$ may play a complicated role as the indicator of the "other world" (e.g. moral compared to the material economic world); with a dual world policy, the regulation mechanism may be schematically grounded on the reasoning: 1) it is convenient to model complex policies on the bases of vector-like constructions, 2) for efficient comparison of complex policies mechanisms should carry out division operations of policies producing vector-like quotients, 3) one such convenient division operation is well-defined for complex numbers.

The main missing link in a standard implementation theory by now for the latter field is that at construction of the implementing mechanisms the

potential role of social implementer as coordinator is not taken into consideration and costs and benefits or optimality of the mechanisms and institutions have not yet been sufficiently endogenously described in the initial social choice relations (goal correspondences). E.g., the costs connected with transferring utilities are not taken into consideration, and also some social dimensions such as credibility of the actors, bounded rationality, and learning by doing and information trade-offs (Antonelli 2005) are not sufficiently exploited.

The emergent empirical institutional systems generally may be functioning (e.g. North 1990) sequentially, gradually, repetitively, and adaptively, and may be active in updating information in this process of communication, and private and public use; the coordination fields of these systems are not only limited to primal socio-economic activities but also deal with constitutional activities (institutional design, organisational engineering and construction, reforms). In these processes, the social planners with their private information have had parallel roles as implementers of the game and also as players in the game in the role of coordinators and utility transferors. In these mechanisms, agents' reports may be indirect aggregated indicators; agents are worried about their consequential credibility status, depending on their behaviour in the process. They are in parallel consulted and multiply coordinated horizontally by other agents in market rules and vertically by the coordinator in their activity variant choices; they may be ostracised, they may use informal communication, they learn and create new knowledge in the coordination process, they are private and public actors, etc.

Compared to the standard mathematical implementation theoretic designs, the empirical mechanisms are taking more into consideration the complexities and information content of the problems, bounded rationality and credibility of agents, heavier central coordination by quotas, more side payments, and not aiming necessarily at the minimalist mechanism design with exploitation of subsidiary elements but on sufficient implement ability. And more importantly, the imitations of empirical designs show that socio-economic mechanisms should be dealt with in complementary or co-varying clusters (Pryor 2005).

Our heuristic model findings, based on the imitations of empirical institutional systems and assumption of separability of the social choice

function of explicit institutional arrangements (“*institutional engineering*“, Olsen 2002) by agents, containing institutional variables with complementarities and combined institutional influences (e.g. Searle 2005 and Solari 2005), are that the emergent types of mechanisms have probably robust sub-optimal implementation permissiveness for a very general class of socio-economic choice functions.

As long we all do not understand sufficiently the importance of informational transparency in national political and socio-economic activities, especially in learning processes, and unless there are no sufficient legal and alternative mechanisms bases and other complex contractual relationships and mechanisms with complementary non-governmental arrangements, there may be large unperceived socio-economic and political losses. This is so because governmental legal contracts alone cannot be sufficiently wide-ranging, and because the nature of the behaviour and relationships expected in socio-economic-political field are often defined dominantly by the implicit context, rather than by the formal contract. It follows that the effective mechanism of enforcement of such complementary arrangements and contracts is not legal regulations only, but may be the requirements of the parties to go on doing data transfers voluntarily together - and more activity will escape from informational shadow, entropy growth will be reduced, and the efficiency of the functioning of the entire national socio-economic and political process will be enhanced.

“The procedures have to be as transparent as possible.
... Let the monitoring agency have access to every
detail ...” János Kornai, 2008, p. 173

4. Non-Technical Summary of Implementation Theoretic Results

This study has schematically shown a complex combined constitutional mechanism design process example that imitates the processes of real world sequential mechanisms and almost surely has robust sub-optimal institutional implementing qualities for very general types of institutional social choice functions.

The main new insights for the field are: 1) it should be necessary to complement in the mechanisms the game forms with the implementer's coordinative activities and 2) it should be important to synthesize into mechanisms the elements of actors' private endogenous information communications between the actors/implementer and combined with truth-telling arrangements.

Based on that insight, the main idea of the proposed synthesized design is to sequentially and adaptively coordinate the game of information and learning of the subsidiary constitutional actors with the help of stimulating their credibility and respectability behaviour by the constitutional coordinator with relevant side payments, quotas, and consultations.

In this game, the social meta (constitutional) planner will first of all take the role of implementer and will design the rules of the meta game, and then will take the role and power of coordinator of the collective decision game, mainly trying to correct the incompleteness of the design to achieve socially desirable institutional developments.

The proposed illustrative mechanism functions as follows. The constitutional coordinator will focus the next sequential coordination campaign of institutional arrangements on one certain selected institutional agent (or group of them). The coordinator will ask her or him to share the indirect private information she or he has about efficient steps for her or his activity profile with fixed short-term plans and state contingent preliminary long-term activity plans. For that, the coordinator will give to the chosen agent some coordinating and consulting information, including side payments and constraint quotas and about new environmental parameters. These are based on the private information the centre has, containing also the agent's credibility probabilities. The better the rate of the agent is, the more generous the coordination and *vice versa*. Then the coordinator will ask other agents to send to all agents messages containing their views about the plan preferred by the selected agent on the basis of their own private information. By deviating from the probable weighted average messages, they will harm their credibility rates.

Then the selected agent will tackle the efficiency of her or his institutional project. For that she or he will take into consideration the credibility rates of

the communicators and her or his own consideration rate of others, etc. This all is taken by others to correct her or his common credibility rate in their eyes. If her or his new version comes to be overwhelmingly effective over the *status quo*, she or he will implement it. If the proposed project happens to be overwhelmingly negative, she or he will stay with the *status quo* variant. In the middle of both, the centre may announce repetition of the step to try again to figure out the efficiency of the proposed corrected project on the basis of refreshed information and revised credibility rates, etc.

In the end, the next campaign with the other selected agent will be initiated.

The main new insights for the field are: 1) it should be necessary to complement in the institutional implementing mechanisms the iterative game forms with the implementer's coordinative activities, 2) it should be important to synthesize into mechanisms the elements of actors' private endogenous information communications combined with truth-telling and learning stimulating arrangements based on the credibility stock of the actors and 3) the coordination in the system should combine side-payments and side-constraints and informational consultations.

The heuristic narrative schematic proof of probable optimal implementation possibilities of a cluster simulation example of these real-like mechanism models in the field of social institutional implementation is in this note based on many intuitive empirical complex expert-remarks of the "Consultative Questionnaire I" and many splendid but more or less scattered partial elementary results achieved in axiomatic theoretical implementation theories, first of all in the following studies (some keywords added):

Matsushima (1992, side-payments, and 2003, moral preferences), Aoyagi (1998, correlated types), Aoki (2001, institutional comparative mathematical studies), Eliaz (2002, tolerance of faulty players), Serrano and Vohra (2001, virtual Bayesian implementation), Tian (2004, non-convex technologies and implementation), Brusco (2005, two-stage Bayesian games in which agents observe a common public signal after the first stage) and by the author (1978, coordination by payments, constraints and consultations in parallel, and 1969, information and risk incentive prices), etc.

4. Discussion of the Consultation Results

The “Consultative Questionnaire I” in March 2008 (Appendix) involved persons who belonged to an academic elite in this field, to the leadership of political parties, also to the influential members of parliamentary and government committees and economic lobby groups. The study was carried out in Estonia as well in many other countries.

The questions involved consultations mainly in areas on 1) the importance of the adequate complexity, complementariness, and flexibility of some elements of the implementing mechanisms of public socio-economic information structure building, 2) on the optimal balance of government legislation and government role in indicated areas with non-government voluntary networks, and 3) on conceptual problems of mechanism design for Estonia in these areas, especially on optimal clusters of complementing institutional elements.

In sum, all our following detail statements, opinions, hypotheses, and suggestions were in more than 20 contacts generally supported:

1. The opinions that generally in the democracies the integrity disclosures and truthful reporting of all kinds of socio-economic data and beliefs to wider sets of social stakeholders and actors (communities, parties, public organizations, media, individuals, etc.) by all significant social actors (acting public and private, governmental and non-governmental organizations, parties and significant private persons, economic, political, media, research, etc.) should be increasingly obligatory - were strongly supported by most experts.

2. The assumptions that the regulations and mechanisms for stimulations of integrity reporting and clear disclosure in private socio-economic information should not be limited only to matters of legal contracts enforced by the governmental and state regulation codes; these assumptions were commonly supported.

3. The Importance of Non-Government Networks or Institutions in the hypotheses that, under the present circumstances, the apparently preferred model for public socio-economic reporting in Estonia that provides more

valuable information structures would be, apart from the administrative law contractual reporting, in the form of voluntary moral codes for honest information dissemination.

NB. There is an important remark by Andras Inotai on this topic: “It is very difficult to answer this question straightforward, because NGOs may become ‘captive’, or even ‘hostage’, of the given system. I have seen several NGOs that remained neutral as long as they did not get big benefits (both financial and immaterial) from the given government. Of course, the ideal case would be if a network of non-profit seeking institutions (including NGOs) became the ‘live conscientiousness’ of our countries and societies.”

4. Other alternative complex contractual relationships and mechanisms with complementary non-governmental arrangements may be more effective. Governmental legal contracts cannot be sufficiently wide-ranging, because the nature of the behaviour and relationships expected in this socio-economic-political field are often defined dominantly by the circumstantial grounds and implicit contexts, especially in the learning processes in the communication, rather than by the formal contract. It follows that the effective mechanism of enforcement of such complementary arrangements and contracts is not entirely an administrative regulative process, but the actors’ understanding of the requirements of the parties to continue data transfer voluntarily together.

5. In broad terms we assume that, for more effective disclosure and truthfulness of the national socio-economic communication activity and performance, there is the rationality to add to the conventional arrangements complementary voluntary partnership codes with social moral contracts with respective moral side-payments schemes and with respective matters of social responsibility of monitoring.

6. Reporting arrangements between the Partners and the Public and the Monitor will generally be conventional, but a few changes are proposed. First of all: conventional administratively regulated reporting by Partners will be complemented with more formalized narrative communication reviews on their policies and performance qualities in the field of advancement of their public socio-economic announcement and learning

structures and activities, and also in the field of improving absorption of credible incoming knowledge.

7. The Monitor should be supplied with necessary moderate moral clause in a law, and other “carrots and sticks” to stimulate the process for advancement of greater openness and clear explanation and sequential learning in the communication processes, and for the Partners’ conformity with the voluntary guidelines of the Code *in spe*.

8. It seems that the incentives, signalled by the Monitoring groups to the Partner for truth-telling, should differentiate between economic and political actors - the last ones may have some political justifications for strategic manipulations of socio-economic announcements, but they have to do it in a calculative way - considering corresponding socio-economic consequences’ externalities.

9. The Opinions about the Importance of monitoring should work under the subordination of the network of significant non-governmental non-profit seeking institutions.

5. Conclusions

The narrative meta-synthetic deduction (Gu and Tang 2005) of rational conceptions for implementing mechanism building of the public social knowledge structure in the environment of the dynamic post-transformation society is extremely complicated.

First of all, all extant definitions of the structure have their drawbacks (Ramazzotti 2005), and more importantly, private information of the actors in this area is an intangible invisible asset of complex values: moral and material. So also are the preferences of the actors.

We have stressed in our discussions the importance to tackle these public social knowledge structures as active dynamic institutions: as the quality of these structure is not having only relationships with general social developments, but also directly, with future developments of the implementing mechanisms under this very study.

Consequently, the studies comprising more or less the whole system may give only very general results. Still, as this study has proved, this kind of wholeness analysis based on the meta-synthetic design (deductive implementation theoretic and inductive empirical-intuitional), might be highly justified, especially in the case of post-transformation situations. In these cases of rapid structural changes in many social areas the rational regulation/coordination of current beliefs, opinions, expectations, and learning structures is extremely important.

The above abstract discussion argued that the adequate socio-economic information structure implementing mechanisms design should have extremely complicated configuration:

- * Complex and parallel coordination networks (e.g. governmental and non-governmental)
- * Complex coordinating instruments (e.g. material and moral)
- * Complex coordinating principles (e.g. incentives and constraints)
- * Moral coordination should contain for actors indicators of credibility in dissemination of messages (non-distortion, non-erroneous and clear and full disclosure), respectfulness in absorption and forwarding others messages, and aggregate indicator of reputation.
- * Complex incentive and restriction mechanisms (e.g. may be based on complex number models).
- * Complex sequentially interacting mechanisms should be preferred, especially in the field of reduction super-uncertainties (coordinating agents' strategies), and also for reducing fundamental uncertainties.

The results of the survey revealed the importance of taking into consideration significant current idiosyncrasies of the societies under the study, e.g.:

* Types of political systems (e.g. partocratic democracy may be interested in disseminating dominantly populist messages to the public and at non-rational closure of national statistics).

* Linguistic heterogeneities of the population (e.g. part of the newly arrived population may communicatively belong more or less to some other society).

* Weight of academic community in the society.

An extremely interesting phenomenon revealed by the survey and deductive speculations was that in the current Estonian context, enhancements and extensions of non-governmental soft (based mainly on moral indicators and self analyses) coordinating networks and institutions was by the bulk of experts, especially among academic people and high-ranking politicians, strongly supported. The noteworthy exceptions in this point have been the opinions of some governmental officials.

In general the study revealed that in the current Estonian context the reputation factors of the actors in the public socio-economic structure building should be more highly appreciated. Importantly, building the track for flexible mechanism changes and adaptation in Estonia in this area should aim toward measures, by adding complementary elements, not obstructing the work of the established credible respective institutions and introducing new uncertainties, and should aim at introducing first of all these policies which are connected with increasing institutional credibility.

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ANNEX

Abridged extracts from the “Consultative Questionnaire I” *On empirical conceptual guidelines for designing voluntary „Moral Code for Public Socio-Economic Information Disclosure”*

(Framed by Ülo Ennuste, Aksel Kirch, Eero Loone, Siyi Ma, Peeter Müürsepp, Stein Skjorshammer, Mait Talts and Tarmo Tuisk)

This inquiry is designed to examine opinions and attitudes related to the theoretical research Project carried out at International University Audentes:

“Institutionalization informativeness incentives for markets and economic governance: advancement of Estonian economic coordination mechanisms”

The main applied task of the Project is to make some recommendations for improving the adequacy of public socio-economic reporting provided by social institutions and stakeholders and thereby increasing the quality and value of the structure of the public socio-economic knowledge- and information, and the communication system in Estonia.

In the present inquiry we would like you to give your evaluations and views on some characteristics of the current Estonian governance mechanisms of socio-economic reporting and the standards of truth-telling in the public reporting and announcement processes, both inside the country and internationally, and on the sufficiency of the disclosure and transparency of social institutions in public socio-economic knowledge announcement systems.

We try to find out, which amendments in the relevant mechanisms and incentive structures may, in your opinion, create more advanced and effective communication systems and which could be the political possibilities and constraints of adopting some amendments.

On the basis of this empirical survey we would probably conclude a number of dysfunctional effects in the recent Estonian public and private economic governance correspondences, reporting and messaging systems and in the national knowledge environment. Importantly, we would probably propose some guidelines for alternative designs for advancing truth-telling and also reducing faulty socio-economic beliefs in the public, and in absorption of informative inputs. That would be done by proposing some complementary macro-mechanisms to the administrative contracts, perhaps expectedly in the form of social voluntary moral code, at least.

Thus finally, our analysis of the results of the “Consultative Questionnaire I” should result in the preparation of academic and empirical concepts for designing the draft of the respective parliamentary voluntary Code.

In composing the PRESENT empirical inquiry we HAVE heavily borrowed from a parallel applied study CONDUCTED by Sir David Walker: “Guidelines for Disclosure and Transparency in Private Equity, 20 Nov 2007”, (<http://walkerworkinggroup.com/?section=10366>) and „House of COMMONS. MINUTES OF EVIDENCE. TAKEN BEFORE TREASURY COMMITTEE - PRIVATE EQUITY - Tuesday 11 December 2007. SIR DAVID WALKER. Evidence heard in Public. Questions 1 - 75.” (www.parliament.uk/index.cfm).

Table for evaluation marks for statements

1	Disagree
2	Mostly disagree
3	Neutral
4	Mostly agree
5	Agree

Institutional conceptions

1. We assume that fuller integrity disclosures and truthful reporting of all kind of socio-economic data and beliefs to wider sets of social stakeholders and actors (communities, parties, public organizations, media, individuals etc), by all significant social actors (acting public and private, governmental and non-governmental organizations, parties and significant private persons, economic, political, media, research etc) should be increasingly obligatory - to all the stakeholders who are affected by their activities, despite respective administrative contractual relationships etc, for the creation of a sufficiently transparent knowledge- based valuable socio-economic informational environment, needed for sustainable socio economic development in Estonia.

(Average evaluation by experts: 4,2 in the range of 2-5).

2. We assume that the regulations and mechanisms for stimulations of integrity reporting and clear disclosure in private socio-economic information should not be limited only to matters of legal contracts enforced by the governmental and state regulation codes.

The relevance of these issues has been especially underscored recently due to the increasing diversity in patterns of corruption and of large errors in national socio-economic policy decisions.

(Average evaluation by experts: 4, 3 in 3-5).

3. We assume that, under the present circumstances, the apparently preferred model for public socio-economic reporting in Estonia that provides more valuable information structures would be, apart from the administrative law contractual reporting, in the form of voluntary moral codes for honest information dissemination.

(Average evaluation by experts: 3,6 in 3-4).

4. Other alternative complex contractual relationships and mechanisms with complementary non-governmental arrangements may be more effective. Governmental legal contracts cannot be sufficiently wide-ranging, because

the nature of the behaviour and relationships expected in this socio-economic-political field are often defined dominantly by the circumstantial grounds and implicit contexts, especially in the learning processes in the communication, rather than by the formal contract. It follows that the effective mechanism of enforcement of such complementary arrangements and contracts is not entirely an administrative regulative process, but the actors' understanding of the requirements of the parties to continue data transfer voluntarily together.

(Average evaluation by experts: 3, 7 in 2-4).

5. In broad terms we assume that, for more effective disclosure and truthfulness of the national socio-economic communication activity and performance, there is the rationality to add to the conventional arrangements complementary voluntary partnership codes with social moral contracts with respective moral side-payments schemes and with respective matters of social responsibility of monitoring.

(Average evaluation by experts: 4, 0 in 2-5).

II-II

Guidelines for mechanisms design

1. Reporting arrangements between the Partners and the Public and the Monitor will generally be conventional, but a few changes are proposed. First of all: conventional administratively regulated reporting by Partners will be complemented with more formalized narrative communication reviews on their policies and performance qualities in the field of advancement of their public socio-economic announcement and learning structures and activities, and also in the field of improving absorption of credible incoming knowledge.

Especially in eradicating needlessly secretive matters in public, and eradicating much of the concern of the public about obscure manipulations and distortions by the announcer, deliberately or erroneously.

General partners should publish their annual clear reports about their information policies advancements, accessible in their website. No other monitoring processes would be proposed.

(Average evaluation by experts: 4, 0 in 2-5).

2. The Monitor should be supplied with necessary moderate moral and other “carrots and sticks” to stimulate the process for advancement of greater openness and clear explanation and sequential learning in the communication processes, and for the Partners’ conformity with the voluntary guidelines of the Code *in spe*.

(Average evaluation by experts: 4, 2 in 2-5).

3. It seems that the incentives, signalled by the Monitoring groups to the Partner for truth-telling, should differentiate between economic and political actors - the last ones may have some political justifications for strategic manipulations of socio-economic announcements, but they have to do it in a calculative way - considering corresponding socio-economic consequences externalities.

(Average evaluation by experts: 4, 2 in 4-5).

4. The monitoring should work under the subordination of the network of significant non-governmental non-profit seeking institutions.

(Average evaluation by experts: 3, 2 in 2-4).

Instead of the summary of comments some remarks by András Inotai on the Questionnaire: „ ... I full agree with the questions raised on page 4 of your document. Most of them are directed to relevant developments (both positive and negative) that have to be fundamentally and transparently understood in order to be able to provide answers to several developments that take the largest part of the society by surprise (mostly in adverse sense).

One general remark: yes, „so far, we all do not sufficiently understand the importance of informational transparency”. However, the missing understanding is only partly due to insufficient or distorted information

coming from decision-makers. At the same time, large part of the society does not care about trying to understand what is really going on. There is widespread Hungarian experience, that information may be fully communicated, but the society is not interested in grasping and understanding it. Even worse, opposition parties make use of every opportunity to artificially and deliberately distort the communication policy of the government (even if it is not distorted just from the very beginning). In my view, it has become qualitatively more difficult to understand what is going on in the world (globalization, European integration, regional relations, etc.).

However, such an undistorted understanding is a key element of successful and sustainable development in small and open economies, as that of Estonia (or Hungary). Therefore, transparent, quick, balanced and future-oriented information is a factor of our international competitiveness. This service cannot (and must not) be provided by politicians (either in power or in opposition) who used to distort information due to their position. Also, the high responsibility of the media has to be underlined. My proposal, although probably extremely naive, is that responsible and intellectuals who do not belong to any political party (ideology) should be given much more room for balanced and transparent communication. Of course, these intellectuals (experts) have to be willing to resume such a task and have to be able to explain even the complicated topics in a language understandable to the broad public. Whether a fruitful cooperation between power-driven politicians and responsible, future-oriented experts is possible, remains to be seen. But we should do everything we can to achieve such a situation - just because WE do have responsibility for the future of our countries and people (in a much longer term than the democratic political cycle of generally 4 years).

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