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Political factors of economic growth and regional
development in transition economies

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Political factors of economic growth and regional development in transition economies

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CONTENTS

Introduction.....	6
<i>Luděk Krtička, Jan Ženka</i>	
Cultural Governance in the City of Pilsen.....	9
<i>Blanka Marková</i>	
Economic performance of small city-regions in the post-communist context: evidence from Czechia	19
<i>Jan Ženka, Josef Novotný, Ondřej Slach and Viktor Květoň</i>	
Hic sunt leones: Why geographers fear sophisticated methods and how it cripples attempts at providing policy relevant research?.....	26
<i>Jan Kofroň</i>	
A new look at the U.S. geography of immigration: an approach based on relatedness between population groups revealed from their joint concentrations	35
<i>Jiří Hasman, Josef Novotný</i>	
Spatial differentiation and identification with the region and place by the representatives of local elites at Slovakia.....	50
<i>Slavomír Bucher, Miroslava Ištaková</i>	
EGTC as a Stimulus for the Development of Slovak Border Regions	59
<i>Alena Madziková, Lenka Čermáková</i>	
Networking in regional development of the Prešov region in terms of clusters and cluster policy	68
<i>Barbora Harizal, Anna Židová</i>	
The impact of driving forces of globalization on the nature of border effects in Slovakia	78
<i>Irina Kozárová</i>	
Regional disparities of the ageing process in Czech Republic after 1990.....	90
<i>Ivan Šotkovský</i>	
The role of rural tourism in the development of peripheral regions of Georgia	101
<i>Larisa D. Korganashvili</i>	
Globalization and Human Security – Statehood Transformed.....	111
<i>Bogdan Ștefanachi</i>	
Regionalism and localization in East Asia	119
<i>Jukka Aukia, Lukáš Laš</i>	
Fiscal policy in the service of family on the example of Poland.....	127
<i>Jolanta Gałuszka, Grzegorz Libor</i>	
The opportunity for the learning region in the opinion of Silesian decision makers. Sociological view on the base of empirical study.....	152
<i>Małgorzata Suchacka</i>	

Risk assessment at the eve of crisis. Entrepreneurial risk perception on the example of Tychy.....	165
<i>Łukasz Trembaczowski</i>	
European (Dis) Integration. Geopolitical Challenges to Central-Eastern Europe in 2013.	184
<i>Roman Szul</i>	
Problems associated with governance failure and limits of economic growth in Nigeria 1999 – 2013.....	195
<i>Hadiza Bilyaminu Yakubu</i>	

ACKNOWLEDGMENT

You have just opened proceedings from the 6th international conference on Globalization with the theme *Political factors of economic growth and regional development in transition economies*. Conference took place in Ostrava, Czechia on September 10-12, 2013. We would like to thank you to all who were helping us with organizing of the conference – to members of scientific and steering committee, our colleagues, reviewers and many others who helped with the smooth course of the conference. Especially we would like to thank keynote speakers Peter Jordan, Bolesław Domański, Jiří Blažek for their enriching and inspiring speeches and Pamenas Mwova for proof-reading of all papers you can find inside this publication.

Luděk Krtička, Jan Ženka and Tadeusz Siwek

Steering Committee

Introduction

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If we look back, we can see a 10 years long history of Globalization conferences. In 2003, the first year named “*Globalisation and its Geopolitical, Cultural, Economic and Ecological Context*” was held in Ostrava. More than 60 participants got involved, not only from Czechia, but also from Poland, Slovakia and Austria. At that time globalization was still under-represented in Czech academic discourse, but this has gradually begun to change. It was decided to organize Globalization conferences every second year, so in 2005 and 2007 our department organized the second Globalization conference “*Globalisation and its Impact to Society, Regions and States*” and the third “*Globalisation and its Impact on Localities.*” Number of participants was ranging from 30 to 50 and conference was slowly gaining more international character. Despite that after 2007 conference it seemed that globalization topic was exhausted. It was time to bring a new attractive theme for the next conference. In 2009 conference was organized under the name *Beyond Globalisation: Exploring the Limits of Globalisation in the Regional Context*. Smaller attendance was balanced by the top level keynote speakers of the

contemporary geography including Noel Castree (The University of Manchester), Derek Gregory (The University of Vancouver), Viggo Plum (The University of Roskilde) and Petr Drulák (The Czech Institute of International Affairs). Successful year was underlined by placing of proceedings on the Web of Science. In 2011, where the main theme was *Think Globally, Act Locally, Change Individually in the 21st Century*, conference reached 65 participants from 19 countries, Yet all, we were feeling that Globalization theme is a vanishing topic. We wanted to make some major shift in topic for upcoming year. After discussion we decided to concentrate on relatively unexplored interconnection of geopolitics, security issues and regional development. Therefore, in 2013 the conference called “*Political factors of economic growth and regional development in transition economies*” was held.

During the last two decades the pathways of economic growth and regional development in transition economies were strongly influenced by national, regional and urban policies. Scale, scope and dynamics of socio-economic transition and transformation were fuelled by economic globalization

transgressing national boundaries. Regional comparative advantages in terms of low production costs, unfulfilled market potential and relatively skilled workforce were generally not sufficient for establishing long-term economic growth and competitiveness without necessary political support.

Nevertheless, there is still a large gap in our knowledge of political drivers and limits of economic growth and regional development in transition economies. The research efforts in economic and political geography, economy, political science and development studies are still more or less isolated from each other. Therefore, the following thematic sessions are aimed at building bridges between the above mentioned disciplines of social sciences and studying also some less common topics such as geopolitical and security barriers of economic growth, prospects of development in deviant and specific forms of states or a discussion how relevant are recent concepts of regional development in specific historical and institutional contexts of transition economies.

If you look at the individual contributions you can generally expect diverse content inside this publication. First author *Blanka Marková* focused on Cultural Governance in the City of Pilsen, which is preparing for the European Capital of Culture 2015. Second article concerning economic performance of small city-regions in Czechia (*Jan Ženka, Josef Novotný, Ondřej Slach and Viktor Kv to*) reveals if economic growth of such regions is fuelled rather by

industrial specialization or diversity. Third article by *Jan Kofro* shows how geography pays relatively little attention to methodology and offers initial ideas on how to change the current situation. A new look at the U.S. geography of immigration (*Jiří Hasman and Josef Novotný*) is brought in another article. The other four articles are from Slovak authors and focus on different topics: how people living in the Slovak self-governing regions define their identity (*Slavomír Bucher, Miroslava Ištaková*); issue of the development of cross-border cooperation in the border regions of Slovakia (*Alena Madziková, Lenka ermáková*); issues of clusters and cluster policy in Slovakia and Prešov region (*Barbora Harizal, Anna Židová*) and changes in the nature of border effects in the Slovak border regions that were initiated by driving forces of globalization (*Irina Kozárová*). Next article by *Ivan Šotkovský* deals with the differences of the age distributions on the NUTS 3 territory in the Czech Republic for the last twenty years. *Larisa D. Kroganashvili* writes about rural tourism in Georgia and how it can become an important factor in the development of peripheral and depressed areas. *Bogdan tefanachi* deals with the term of human security under the different conditions of state sovereignty. Topic of regionalism and localization in East Asia (*Jukka Aukia, Lukáš Laš*) is covered by another article. Fiscal policy in the service of family on the example of Poland (*Jolanta Gałuszka, Grzegorz Libor*) shows different social policies in family support in Poland and other countries. Subsequent two articles are related to the Polish regions. In the

first one, *Małgorzata Suchacka* presents changes that are taking place in the industrial region of Silesia voivodship from the sociological point of view. In the second one, *Lukasz Trembaczowski* deals with theme of risk assessment and entrepreneurs in Tychy region. In the penultimate article *Roman Szul* points to geopolitical challenges to Central-Eastern Europe in 2013 and in the last article *Hadiza Bilyaminu Yakubu* (outermost conference participant) introduces problems associated with governance failure and limits of economic growth in Nigeria.

Globalization conference in 2013 tried to capture scale, scope and dynamics of some specific aspects of economic globalization. We hope that keynote speeches were inspiring and enriching for all present and that articles published in this publication will be beneficial for you as well.

Cultural Governance in the City of Pilsen

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Abstract: In the era of inter-urban competition for skilled labour, tourists and investors, cities are using festivalization as urban branding strategy. Cities apply for events organizing to upgrade their status in the hierarchies of the global urban system. Festivals/events create the base for urban regeneration in many post-industrial cities in as well. Events are spatially bounded sites in global network of host locations and they are also embedded in a particular urban and regional environment. Cities compete for festivals to get better image but event organizers than struggle for corporate or public funding, audiences, and media attention. They act as project, but also as network managers in their respective fields.

The event European Capital of Culture (ECoC) was designed in 1985 by the former Greek Minister of Culture, Melina Mercouri, with the intent to reflect the cultural positioning of the European Union as a “unity in diversity”, with each host city displaying its own local and/or national culture alongside the shared elements of “European Culture”. Organizing ECoC should also bring economic benefit to host cities. Event organizers thus face the conflict between artistic and economic logics. Cultural programmes in the framework of ECoC are unique with regards to their scope, duration, and wide spectrum of actors and partners which also requires a special mode of governance. The research question of this paper is, *what is the role of European Capital of Culture event organizers in brokering network relationships and forming the cultural governance in Czech host city of Pilsen?*

The paper is based on qualitative research methods such as participant observation, formal and informal interviews, media content analysis and strategic documents and literature review.

Key words: culture, governance, Pilsen, European Capital of Culture

I INTRODUCTION

For a long time, culture was not among the factors which were appropriately respected in the practice of urban development. It was not until 1970s when

the close relation between culture and urban regeneration was identified (Tretter 2009; García 2004), while the new utilization of culture in urban regeneration strategies of post-industrial cities was labelled as “cultural turn”

(Miles 2005; Amin, Thrift 2007). The cultural offer, the quality of social environment, regional specifics, the region's image, the quality of the environment can be one of the factors of the territorial development. These factors influence the decision where people want to live and spend their leisure and where variously oriented entities want to operate (Rumpel et al. 2008). Blažek and Netrdová (2009) call these soft factors mentioned as "key factors of differentiation", when culture is a phenomenon characterized by intense local features, thus helps to distinguish individual destinations (Scott 2000) and becomes an integral part of territorial marketing (Rumpel 2002). One part of the development strategies led by culture (culture-led strategy) can also be organizing of cultural events (event - led strategy) (Richards, Wilson 2004), while functioning as a new form of organization of planning processes through projects (Ibert 2007, 50). The main objective of the implementation of these events is to improve the image of the city or region, attraction of talents, visitors, potential investors and higher quality of life (Paiola 2008). Quinn (2005) states that festivals/events are arenas, where local knowledge is produced and reproduced, where the history, cultural inheritance and social structures that distinguish one place from another, are revised, rejected or recreated. Allen et al. (2010) emphasises the role that festivals play in promoting social cohesion and reproducing social relations. Verification of these claims is very difficult. Most studies that deal with the impact of arts and culture in urban and regional development use simple measuring

indicators of economic growth, income and employment (Bille, Schulze 2006).

One of the frequently used tools of cities' cultural regeneration is organization of various events, among which belongs also the European Capital of Culture (ECoC). The ECoC ranks among the ambitious European cultural events with positive impact on image of the given city (Richards, Wilson 2004). The title of European Capital of Culture has been awarded annually since 1985 by the European Union, and with financial support of the European Commission. Until 1990, the possession of the ECoC title was understood narrowly as a realization of a one-year long cultural festival. Scotland's Glasgow, as the first city in the history, made use of the ECoC programme as a tool of urban regeneration (García 2004), involving actors from the public, private, as well as non-profit sector (*public-private-partnership*) into the implementation of cultural activities and their financing. In Cork the festival enabled new modes of urban entrepreneurial governance to be practiced and new visions of the city projected (O'Callaghan, Linehan 2007).

The article concentrates on identifying the actors of cultural policy and cultural event of the European Capital of Culture and analyzing their interactions in the context of cultural governance in Pilsen. The issue of governance research is essential to improve and optimize the management system in relation to urban development and regional development. The concept of governance was introduced recently in Czech Republic (Rumpel, Slach 2012).

II EVENT-LED DEVELOPMENT

STRATEGY

Mega-events, otherwise referred to as hallmark or special events, are major fairs, festivals, expositions, cultural and sporting events which are held on either a regular or a one-off basis (Hall 1992). Mega-events have assumed a key role in urban and regional tourism marketing and promotion as well as wider urban and regional development strategies. Regional effects can be achieved by developing effective institutional relationships between regional stakeholders and by using a diverse range of projects that did not rely too heavily on the event (and therefore its territorial concentration) (Smith, Fox 2002). Some authors (Lena 2011, Richards 2007) speak about “festivalization” – urban branding strategy to attract creative talents. Nations, regions, cities and corporations have used mega-events to promote a favourable image in the international tourist, migration and business marketplace (Malecki 2004). Mega-events are therefore one of the means by which places seek to become ‘sticky’ (Markusen 1996) – that is attract and retain mobile capital and people – through place enhancement and regeneration and the promotion of selective place information (Hall, C.M. 2005a, b). On the contrary Hiller (2000, 440) suggests that mega-events are best understood as “public relations ventures far removed from the realities of urban problems” and according to Harvey (1989, 92) events can be understood as part of the drive to turn cities into centres of consumption

through the “organisation of spectacle and theatricality.” This can be rejected by local inhabitants because regeneration based on attracting incomers rather than engaging an indigenous community raises the prospect of uneven development and reduced social cohesion (Little 2008). Carriere and Demaziere (2002) advocate urban development that includes an event, rather than using an event to encourage urban development.

Festivals are hybrid events, crossing multiple institutional logics and serve as arenas for the determination, reproduction and contestation of multiple kinds of values (Rüllig, Pedersen 2013, 322). Events are also product category with high symbolic content (Schüssler, Sydow 2013) when events also act as gatekeepers or brokers of creative production (Rüllig and Pedersen 2010). Economic geographers take festivals as “temporary social organizations” that shape the development of organizational fields (Lampel and Meyer 2008, 1026) when Maskell, Bathelt and Malmberg (2006) speak about professional gatehings as about “temporary clusters” that enable processes of intense knowledge exchange and network building. Festivals strategically compete for limited resources and they need to cater to multiple and diverse stakeholders within moving and highly uncertain environments at the boundary between art and commerce (Rüllig and Pedersen 2010).

Organization of mega-events requires specific inputs as corporate or public

funding, infrastructure (hotels, airports), audiences and media attention (Rüllig and Pedersen 2010). Event organizers thus not only act as project, but also as network managers, Giddens (1984) calls them “knowledgeable agents.” Organizing of mega-events is a learning process not only for event-organizers. As volunteers are needed to help stage events, by offering training and giving volunteers employment experience, new skills can be nurtured. Ansell and Gash (2008) emphasize the role of organized events for “a process of building trust, mutual respect, shared understanding, and commitment to the process” between stakeholders. For the analysis of different stakeholders and their relations there exist the concept of governance.

III CULTURAL GOVERNANCE

When using a “neo-institutionalism” perspective (Healey 1999, 2004; Jessop 2000) governance institutions refer to the norms and, standards of a society or social group, which shape both formal and informal ways of thinking and ways of acting. Analysts focus attention on actors, interactive practices, arenas and networks. They analyse the formation and dissemination of discourses and practices, the relation between deeper cultural values and specific episodes of governance, and the interaction of the activities of specific actors and wider structuring forces. Cultural and creative industries (CCI) are characterized by forms of “self-regulation” (Lange 2009). Here, the CCI need suitable policy for their development. Moon defines cultural governance in a limited conception as a

direct or indirect involvement of governments in promoting and administering cultural programs and activities. There exist two views on the government-supported cultural activities. One argues that government support is necessary to create appropriate conditions for cultural organizations and creative individuals. The second is concerned that the government through the support extends the control over cultural activities and may possibly interfere with the freedom of artists and the arts in general, in other words, „more government means less creativity“ (Healey 2004).

The concept of cultural governance serves for analysis of interactions among individual stakeholders (actors), whose objective is to strengthen the quality of cultural offer in a city/region. Conceptual framework for cultural governance research was recently developed by Thomas Schmitt (2011). “Functionality of the cultural governance concept depends first of all on the strategic coalition among the culture actors, public administration, and securing stable financial mechanisms” (Moon 2010, 450). The requirement for plurality in culture and governance system is confirmed also by UNESCO (1996) in its report “Our Creative Diversity”, where is supported the formation of new cultural policies and initiatives, independent from the national agenda. Cultural governance can be a specific form of urban governance, which is derived from governance in relation to the urban areas with the purpose to reflect various components of public services, which are

organized in order to achieve enhancement of citizens' prosperity.

Political institutions in every city are interconnected by formal and (specific) informal relations, which are called modes of governance (DiGaetano/Strom 2003) when mode of governance is as crucial as the focus of policy itself (Bianchini, 8 in Pratt 1997 – Production values). Comparison of governance modes (models) requires distinguishing particularly informal political relations, which determine how the cities are governed, who has the principal decision-making powers (combination of politicians, officers, interest groups, etc.), and what are the political aims (materialistic – immediate profit, special-purpose – long-term effects, symbolic). According to DiGaetano/Strom (2003), the following modes of governance can be distinguished: clientelistic, corporate, managerial, pluralistic, and populist. Pierre (1999) classifies modes as managerial, corporate, growth-oriented, and public-welfare. All the above named modes of governance belong to among the ideal pure types (DiGaetano/Strom 2003). However, most frequently can be encountered different hybrids of all modes. Urban governance thus should be more innovative and entrepreneurial than a common hierarchical mode of government if it wants to find all existing methods on how to alleviate a bad economic situation of the given locality and thus ensure a better future for its inhabitants (Harvey 1989).

IV METHODS

This article is based on compilation of available literature concerned with the

role of events in regional development and cultural governance, internet researches and observations. To complement the current information the qualitative research tools – the interviews (face-to-face in depth interviews and informal interviews) were used. Interviews were conducted with Marcela Krejzová, Milan Svoboda, Michaela Mixová, Jana Komišová, Petr Šimon, Šárka Havlíčková, Roman Černík. The main objective of the article is to describe and analyze the cultural governance in the City of Pilsen according to the methods of the authors' Alan DiGaetano and Elizabeth Strom (2003). In order to fulfil the main objective, the article needed to answer the following research questions:

1. What is the role of events in local and regional development?
2. Who are the actors preparing the European Capital of Culture event in Pilsen and what is their purpose?
3. Are there any experiences with organizing cultural event in Pilsen transferable to other Czech Cities?

V PILSEN 2015

The case study of the City of Pilsen candidacy for the title of ECoC describes relations that were created among the spectrum of actors active at different hierarchical levels during preparation of a cultural mega-event.

Pilsen is the fourth largest city in the Czech Republic. In the western part of Bohemia it occupies a dominant position as the industrial, commercial, cultural and administrative center. The city was

founded in 1295 at the confluence of rivers Úhlava, Úslava, Radbůza and Mže by the Czech king Wenceslas II. Today Pilsen covers an area of 125 km² and a population of about 167,000 inhabitants. In the period of industrialization in the 19th century there were established industry giants - engineering complex Skoda and Pilsner Urquell. Among extraordinary project across the Czech Republic is also the establishing of a modern industrial zone Bory field. The efforts to improve education levels peaked in 1991 when the West bohemian University was founded.

The most important cultural building in Pilsen is the J. K. Tyl Theatre. Pilsen is the venue of cultural events and festivals of international importance - Smetana Days, Skupova Pilsen Historic weekend, On the Street Festival, Pilsner Fest, the International Biennial of Drawing and Theatre festival. The city is the founder of subsidised organizations in the field of culture (J. K. Tyl Theatre, Theatre Alfa, Esprit - Pilsen Cultural Service, Observatory and Planetarium), the founder of non-profit organisations (Pilsen 2015, Biennial of Drawing Pilsen, Under the Lamp Theatre, Pilsen Philharmonic Orchestra, Pilsen Municipal Gallery) and supports a number of organizations through annual and also perennial (four-year) grants.

Pilsen runs two Integrated City Development Plans (Integrated City Development Plans are tools for drawing financial resources from the EU Structural Funds and their main task is to ensure concentration and synergy of funds to address the key issue of

development). The first is called the "Pilsen the University City" and the second one significant for the development of culture "Pilsen - European Capital of Culture 2015", where stands: "To achieve a truly profound change of its image and increase its attractiveness the city has to make very sharp and generous solution to be able to reach people beyond the borders of the Czech Republic. Such a tool is the nomination for the title "European Capital of Culture" and investment and non-investment projects, which the nomination forces."

The aim to become a candidate on the title of European Capital of Culture 2015 (ECOC) first appeared 2006 when the project was implemented into the Urban Development Programme. The idea came from former deputy for culture, tourism and social services Marcela Krejzová and Roman Černík, then acting as head of the Department of Culture of the City of Pilsen. The Institute for Coordination of European Projects (ICEP, the city's organization) started to prepare the candidacy which involved activities as project management and fundraising at that time. The initial interest in the project was developed with the support of the idea of new building for J.K. Tyl Theater. Other projects were added with the development of the candidacy. The team composed from the members of the Institute for Coordination of European Projects in cooperation with the Department of Marketing and Presentation of the City of Pilsen got the financial support from Regional Operational Programme Southwest of 8,9 mio CZK for the implementation of

communication campaign relating to the candidacy for the European Capital of Culture 2015. Main inspiration for the candidacy of the City of Pilsen was the Austrian city of Linz, which received the title in 2009. The candidacy was prepared by employees of the Institute of Coordination of European Projects and the Urban Planning and Development Institute of the City of Pilsen under the supervision of external consultants Mattijs Maussen and Anna Podlesná.

In 2008 ICEP announced a tender for conducting Cultural Development Programme for 2009-2019 that won the consortium KVAS o.s. and Agora CE o.s. (and which was financed in the framework of Integrated City Development Plan Pilsen – European Capital of Culture 2015). During the planning of the Cultural Development Programme the working group “Culture“ was formed. It was led by Marcela Krejsová who also steered the processing of bidding book for the first round of ECOC application. Cultural Development Programme for 2009-2019, which builds on the original Report on the state of Culture in Pilsen and consequently the concept of cultural policy of the city of Pilsen in 2001, was designed to react on the ECOC candidacy conditions. Almost every city that was a candidate on the ECOC title built the candidacy on the strategic development documents. Cultural development programme plans to keep funding of cultural activities at least at 9% of operating expenses of the City of Pilsen and thereby ensure its long-term sustainability. Financing of cultural activities means operating of the

city’s cultural organizations, subsidies, annual and multi-year grants.

After entering the second round of the candidacy (together with the City of Ostrava) artistic director Yvona Kreuzmannová entered the team. The director of Pilsen 2015 was Milan Svoboda. Pilsen won the candidacy on 8. September 2010. Pilsen 2015 is non-profit organisation according to Czech law founded by the statutory city of Pilsen in 2010 with the purpose to prepare and implement the project Pilsen ECOC 2015. The operation of the organization will end in December 2016. Since winning the title many changes occurred in the team of Pilsen 2015. Marcela Krejsová, Yvona Kreuzmannová and former director Milan Svoboda left, new director Tomáš Froyda came for certain period but at the beginning of 2013 he was replaced temporarily by Erich Beneš who consolidated staffing and organizational environment. Pilsen 2015 from the outset faced problems with corporate governance standards because the city failed to attract personality of national and international importance with a wide cultural vision and international experience (interview with Jana Komišová, 2013). In the time of drafting this text (July 2013) the team was temporarily led by program director Jiří Sulženko and Pilsen 2015 is looking for new director – experienced cultural manager where the negotiation with cultural experts is led by the representants of the City Hall.

The team is thus growing and becoming more professional recently. Thanks to Pilsen 2015 many cultural and

educational events are held (e.g. Kulturquell, Culture Friendly City, Week of Cultural Factories, Arts Management Courses) that contribute to updating of cultural policies in a number of Czech cities (České Budějovice, Pardubice). The organization also participates in many international cultural networks and projects. One of them is the Cross Innovation project, which was launched in 2012 and will be completed in December 2014. The aim of the project is to identify and share examples of good practice in cross-policy innovation - how creative industries collaborate with other growth sectors in 11 cities of the Member States of the European Union. Within the Cross Innovation project it was assumed that "the event Pilsen 2015 acts as a major broker between different stakeholders who influence the development of CCI in the city of Pilsen" (internal materials of Pilsen 2015, 2013). A significant barrier for the development of CCI in Pilsen is weak communication between sectors and therefore there is a lack of information about their activities and ongoing projects. Communication goes in one hand with project PR that is internally quite weak and externally even negative. Local citizen complain that they are not informed about Pilsen 2015 activities, national media write articles about the organizational problems and lack of finance for the year 2015. This should change with new marketing director and team professionalization. Pilsen 2015 is trying to eliminate communication barriers by launching multilateral dialogue with various sectors and stakeholders who can influence the development of the cultural policy (and so ECoC event, activities and frameworks

fostering cultural and creative industries). The crucial questions for the successful development of the project are the involvement of local citizens into ECoC 2015 project, financial stability, and organization stability of the team and sustainability of the project's effects after the year 2015.

VI CONCLUSION

The paper outlines fundamental theoretical knowledge about the importance of events for the local and regional development, and describes the concept of governance, particularly of cultural governance. Pilsen would like to use the European Capital of Culture event as a driver for better image of the locality and as a tool for enhancing the attractiveness of the city. Specific cultural events like ECoC require a corresponding special mode of governance. From the perspective of practice of local development, the paper analyzes key actors of the Statutory City of Pilsen's candidacy for the title ECoC 2015 and organization structures created by these actors. Cultural governance on the territory of the Statutory City of Pilsen changed in the sense of creation of an independent company Pilsen 2015 o.p.s., which functions as an intermediary institution which contributes to the formation of new external and internal networks. New networks can be an impulse for a number of other projects that could be an impulse for future development of the city and the region.

Based on the analysis of actors and their interests, their formal and informal relations, objectives, and structure of key decision makers, the clientelistic mode of

governance was identified on the basis of methodology used by authors DiGaetano/Strom (2003). The first policy aim was with special purpose – to raise new iconic building for J.K. Tyl theatre. The decision for candidacy for the ECoC title was made top-down without any involvement of the citizens into the process. Although new infrastructural projects are usually very successful in attracting media and public attention - which in fact, is a central, if not the most important goal of mega-events – some cities have faced difficulties in sustaining the new infrastructures after the end of the event (Nemeth, 2010). Whether the new theatre building will be able to get enough money for its future functioning is an open question. The preparation of the year 2015 is accompanied by organizational, financial and marketing difficulties which may harm the successful implementation of the European cultural project. Nevertheless, culture became an important thematic part of the development agenda of the Statutory City of Pilsen and other Czech cities as well (Ostrava, Hradec Králové, České Budějovice, Pardubice etc.), thanks to the ECoC project. The experience of intermediary institutions as an institutional tool for cultural development of a locality is transferable also to other cities in the Czech Republic.

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Economic performance of small city-regions in the post-communist context: evidence from Czechia

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Abstract: We examine whether current economic performance of the Czech small city-regions is fuelled rather by industrial specialization or diversification when additionally accounting for urbanization economies, spatial interactions between regions, and industrial legacy from the communist era. Regression models showed that both industrial specialization and legacy of past industrialization significantly associate with higher current economic performance. At the same time, we have shown that while urbanization economies arising from the urban scale matter, the effects of the position in the settlement hierarchy on economic performance are stronger than population size per se.

Keywords: small regions, non-core regions, economic performance, specialization, diversity, localization economies, path-dependence

I INTRODUCTION

Economic diversity is generally expected to spur regional economic growth and innovation performance through various mechanisms such as Jacobian externalities or spillovers among technologically related industries (e.g. Glaeser et al. 1992; Frenken et al. 2007). Nevertheless, the effects of economic diversity are far from being straightforward and universal. There are at least two key factors which affect and

mediate the effects of industrial structure - geographical scale and institutional context. The same patterns of industrial specialization or diversity are not likely to produce the same results in large, medium-sized and small cities or regions (Beaudry and Schiffauerova 2009). Moreover, industrial structure per se is not sufficient to generate agglomeration economies. There are other necessary conditions such as context-specific and embedded regional institutions

including mutual trust or cultural proximity (Boschma 2005).

There has been a growing awareness that small non-metropolitan regions are disadvantaged in their ability to capitalize on economic diversity and develop competitive regional innovation systems (Asheim and Coenen 2005; Doloreux et al. 2012). In general, small regions are constrained by low employment density, weak local competition, narrow industrial base, small local markets, limited supplier and knowledge base and thin regional innovation systems (Isaksen and Karlsen 2013). As long as they concentrate firms oriented rather on standardized production of mature products than on invention of completely new products and technologies (Duranton and Puga 2000), localisation economies stemming from industrial specialization seem to be more relevant factor of economic performance than urbanization economies arising from urban scale and economic diversity (Henderson et al. 1995).

In this paper we will test the effects of industrial specialization and diversity on economic performance of small regions in the post-communist context of Central Europe, which is generally less conducive for knowledge creation and dissemination (see Blažek et al. 2011; Radosevic 2011; Ženka et al. 2013; Žižalová 2011). Czech small city-regions are expected to be too small and underdeveloped to capitalize significantly on economic diversity, providing thus a least likely case for the

effect of Jacobian externalities (Kofroň 2012). We will test a hypothesis that:

H1: Specialized small city-regions in Czechia perform economically better than those diversified.

On the other hand, larger city-regions are better endowed by human capital due to the presence of regional universities and may attract higher-tier suppliers, competence centres of the TNCs and also knowledge-intensive services. We thus expect that:

H2: Urbanization economies related to the city size also matter for economic performance of small regions in Czechia. Larger units and city-regions on higher tiers of urban hierarchy perform better than smaller city regions in less favourable position in the urban hierarchy.

And similarly that:

H3: Not only urban size and density per se but also proximity to larger centres and intense spatial links to these centres play important role with respect to economic performance.

Development paths of small regions are rooted in their history and significantly influenced, if not determined by their inherited specialization and large investment projects and decisions made in the past. In our final hypothesis we expect that:

H4: Significant effects of specialization inherited from the communist period will be detectable in terms of the relationship between past industrial

specialization and present economic performance.

II DATA AND METHODS

For our purposes small regions are defined as municipalities with extended competences (“*obce s rozšířenou působností*”) with the population below 200,000. These administrative units are roughly comparable to the local labour areas, which consist of urban centres and their commuting hinterlands.

We draw on unique database by the Czech Statistical Office, which includes data from annual survey among the Czech-based firms in productive sectors in 2009. Statistical data cover employment and financial indicators for all industries except for mining and quarrying, electricity, gas and water supply, retail and public services. Our analysis thus slightly underestimates economic performance of larger cities (80-200 thousand inhabitants) and a few mining regions. In addition we also use some historical data on the employment disaggregated to regions and individual economic activities for the year 1987.

For the analysis, we exclude three outliers regarding the population size in terms of the largest city regions of Prague, Brno, and Ostrava (so that $N = 203$). The main dependent variable for our analysis is the per capita value added. Importantly, there is only negligible spatial dependence with respect to our dependent variable.

We distinguish between urbanization economies sourcing from the concentration of population and

economic activity per se, and those related to the effects of interactions between regional centres. In order to account for the latter, we employ two proxy variables in terms of the aggregate travel accessibility and employment potential. We consider the interaction matrix D_{ij} of pair-wise travel accessibility distances d_{ij} measured in time. A simple measure of the aggregate travel accessibility of a region i , also indicating the centrality of its position within a given settlement system, can be expressed as:

$$D_i = \sum_j d_{ij}$$

where lower values indicate better aggregate travel accessibility.

To obtain a measure of employment potential we use a simple gravity model. First, directed “employment” interactions (g_{ij}) between regions i and j are estimated as a function of travel accessibility d_{ij} , employment size (e), unemployment (u) and wage levels (w) as:

$$g_{ij} = \frac{u_j w_i}{u_i w_j} \sqrt{\frac{e_i e_j}{d_{ij}^2}}$$

Second, a measure of employment potential of a region i can be expressed as the sum of employment interactions to other regions:

$$F_i = \sum_j g_{ij}$$

From several possible indicators of economic diversity and specialization we use the common Herfindahl index (HHI) calculated from the relative shares of

those employed in individual economic sectors (NACE 2-digit classification) in total employment. We also consider HHI for the year 1987 based on the employment in manufacturing industries and the number of employed in manufacturing in 1987 divided by total population to capture the effects of industrialization and specialization at the very end of communist period. The

Finger-Kreinin index (FKI) is used to account for the extent of structural change in regional manufacturing employment over the period of post-communist transformation. After appropriate checks of the raw data we consider logarithmic transformations of some of the variables. The list of variables is shown in Table 1.

Table 1 List of variables employed in the analysis

Variable	Proxy indicator and year or period	Abbrev.	Mean	Std. Dev.	Source of data
Present economic performance	Value added per capita 2009	VA_09	92.938 CZK	49.925	CSO 2009a
Urbanization economies	Population 2009	POP	42123 inhabitants	32066	CSO2009b
	Population density 2009	DENSITY	135 inhabitants per sq. km	128	
Present economic specialization / diversity	Herfindahl index for employment in 2009	HHI_09	0.084	0.044	CSO 2009a
Travel accessibility	As explained in the text above	Di	2135674 seconds	349327	Accessibility model
Employment potential	As explained in the text above, 2009	Fi	253.630	228.792	Accessibility model, CSO
Industrial legacy from the communist era	Share of employed in manufacturing in total population in 1987	INDUSTRY_87	0.160	0.078	CSO 1987
	Herfindahl index for manufacturing employment in 1987	HHI_87_M	0.355	0.190	CSO 1987
Extent of structural change	Finger-Kreinin index of structural change in manufacturing employment 1987-2009	FKI_87_09	0.500	0.082	CSO 1987, 2009a

For all variables N=203 Czech regions (excluding metropolitan regions of Prague, Brno, and Ostrava). Source: The Authors

III RESULTS

In Table 2 we present three OLS regression models with some checks for multi-collinearity between variables. The specification of the full model (1) is

problematic because of multi-collinearity concerns especially with respect to the simultaneous inclusion of *Fi* and *Di* and of *DENSITY* and *POP* variables. We thus include two additional model

specifications in which some of the explanatory variables have been omitted.

Table 2 OLS regressions – dependent variable per capita value added (ln transformed)

	(1)			(2)			(3)		
	B	Std. error	Col.tol.	B	Std. error	Col.tol. ¹	B	Std. error	Col.tol.
HII_09	1.943***	0.507	0.589	4.448***	0.634	0.746	2.415***	0.422	0.904
POP (ln)	0.134***	0.050	0.264	0.331***	0.040	0.831	-	-	-
DENSITY (ln)	-0.028	0.035	0.609	-	-	-	-0.058*	0.031	0.820
Fi (ln)	0.615***	0.045	0.303	-	-	-	0.492***	0.027	0.863
Di (ln)	0.474***	0.133	0.650	-0.604***	0.151	0.991	-	-	-
INDUSTRY_87	0.709***	0.250	0.761	1.234***	0.322	0.906	0.864***	0.246	0.827
HHI_87	-0.125	0.118	0.579	-0.039	0.143	0.777	-	-	-
FKI_87_09	0.003	0.242	0.736	-	-	-	0.016	0.221	0.943
R ²	0.716			0.429			0.694		
N	203			203			203		

¹Collinearity tolerance. Source: The Authors

The most striking result of our regression analysis is a very strong positive relationship between the 1987 industrialization and 2009 economic performance of small city-regions. Considering the excessive pre-1989 level of industrialization¹ and low international competitiveness of the CE industries, it would be hardly surprising if we found that highly industrialized regions in the communist era are now among the most problematic areas. Although there are some economically lagging old industrial regions with high unemployment rate as a consequence of post-1989 deindustrialization, the overall pattern clearly shows that regions highly industrialized in 1987 performed economically well in 2009.

The results have shown that regions with higher present economic specialization perform economically better than those with more diversified economic structure. The highest value added per capita is found in industrial centres originally specialized on capital and technology-intensive industries. These city-regions were able to keep their original specialization and to prevent the largest plants from closure due to massive inflow of FDI.

Considering the influence of urbanization economies related to the city size, we found a medium-strong positive correlation with value added per capita. Larger city-regions with diverse economic structure exhibit generally above average economic performance or

at least average in case of old industrial regions with high unemployment.

The position in the settlement hierarchy influences economic performance even more than population size of particular cities. This is suggested by significant coefficients for both travel accessibility (model 2 in Table 2) and employment potential (model 3 in Table 2) variables. Considering small population size of analysed city-regions, it makes sense that some of them may capitalize on urbanization economies created in nearby large metropolitan areas to compensate their limited endogenous potential.

IV CONCLUSIONS

The main aim of this paper was to explain the role of regional specialisation and diversity with respect to differences in economic performance and vulnerability of small city-regions in Czechia. Several interesting findings have been reached in this paper that can be summarized as follows.

Firstly, specialized small city-regions in Czechia perform better than those diversified in terms of per capita value added. Secondly, urbanization economies related to the city-size also matter both for economic performance and labour market. Larger cities perform generally better than smaller units. Thirdly, the position in a settlement hierarchy is more important factor than population size as suggested by high per capita value added in some small cities in proximity to large metropolitan areas. Fourthly, we found a strong positive correlation between the industrial

tradition in 1987 and economic performance of small city-regions in 2009.

To conclude our article with some policy implications, we warn against simplistic and uncritical view on the relationship between industrial structure and regional economic performance. Economic diversity is not necessarily always connected with high economic and innovation performance, especially not in the case of small regions in institutional contexts not conducive for agglomeration effects.

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NOTES

1. Note again that the term industrialization is employed here as referring to the extent of employment in manufacturing industries.

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Hic sunt leones: Why geographers fear sophisticated methods and how it cripples attempts at providing policy relevant research?

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Abstract: The paper focuses on the issue of methodology, which has been to some extent neglected in recent geographical thought. It is argued that attitudes toward methodology and methods differ significantly within the social sciences. The paper offers preliminary comparative analysis of political science, economy and geography which clearly shows geographical neglect of methodological questions in research and education. It is argued that this situation is highly problematic, because methodological tools for causal inference have double significance. Firstly, they enable to create and test theories and thus to accumulate knowledge. Secondly, political arguments are based on causal logic quite often. Therefore, without tools for engagement with this kind of arguments geography faces high obstacles in its disciplinary goal – to become social engaged and namely socially useful science.

Keywords: Geography, methodology, theory testing, interaction terms, fuzzy set qualitative comparative analysis

I INTRODUCTION

As a student of political geography and later an IR scholar I have had an opportunity to compare attitudes toward methodology in these two fields. The fact is that the attitudes differ significantly. Geographers, on average, display less attention to methodological questions, than their counterparts in political science (PS) or economics. This situation is problematic, because methodological blindness affects ability of geographers

to communicate with their counterparts from other social sciences and namely it is a limiting factor in an attempt to provide policy relevant research.

The following paragraphs are organized as follows: Firstly, I explain the importance of causal argument for policy relevant engagements. Secondly, I compare attitudes toward methodology and methods in geography, PS and economics. The third part empirically

investigates the use of interaction terms and qualitative comparative analysis (QCA) in geography and some other social sciences. The fourth part tries to offer some preliminary hypothesis on the causes of the situation. And the final part makes conclusions and offers some possible remedies.

II WHY THE CAUSAL ARGUMENT IS SO IMPORTANT

In agreement with Chernoff (2009), I am convinced that political argument is very often – if implicitly – based on causal logic. When a politician says that the level of taxation must be lowered in order to enhance prosperity (GDP growth), he is making in fact a theoretical statement, that the economic growth is affected by the level of taxation.¹ It seems that similar arguments constitute an important part of political debates.² This very nature of political arguments means that social scientists should engage in causal theorizing. With this kind of knowledge in hand, social scientists can easily engage in public and policy debates. Without strong causal theories and methodological tools for their assessment social scientists would be ill-prepared for policy intervention goals. Simply, causal theories are needed not only if we want to cumulate knowledge, but namely when we call for socially engaged geography.

The fact is that the social sciences have to deal with extreme problems when searching for causal theories. Infeasibility of a natural experiment accompanied with omnipresent complexity of phenomena under investigation calls for

development, refinement and smart application of sophisticated, yet if possible simple and intuitively comprehensible, methods. It is important to remember that the extra hurdles social scientists must overcome in search for causal explanation call for methodological awareness combined with strong methodological training.³

III THE EXTENT OF METHODOLOGICAL BLINDNESS, COMPARISON WITH SOME OTHER SOCIAL SCIENCES

One of the very striking aspects of geographical thought is its relatively weak focus on methodology. This aspect becomes salient when geography is compared with PS, economics or sociology. This chapter tries to compare attitudes toward methodology in geography vis-à-vis PS and economy. These two disciplines were selected for several reasons. Firstly, these three disciplines pertain to the social sciences. Therefore, they face similar constraints regarding their endeavor. Second, both (compared) disciplines are different enough to rule out the possibility that their focus on methodology is a result of specific research goals, or field-specific culture. Third, these disciplines share borders with geography and it is possible to find some research overlaps. Following paragraphs describe methodological standards in the selected fields.

Focusing on (social) geography we find a plethora of methods. Generally, both quantitative and qualitative methods are employed. Quantitative methods include

namely large-n statistical methods sometimes using data from geographical information systems. The fact is that deductive (in)formal theory, or mathematical modeling is rare in the current social geography. As far as qualitative branch of research methods is concerned, there is wide use of interpretative qualitative studies. For example discursive analysis is widely spread within political geography. Geographers use qualitative methods even in more traditional way. However, geographers have not employed methods of sophisticated case and comparative studies designed for causal identification (see Kofroň 2012b). Thus geographical case studies tend to be rather oriented toward interpretation or description without strong theoretical contribution (ibid).

It is widely known that economics operates at the extreme quantitative pole of the social sciences. Economists have used and developed (or refined) sophisticated quantitative methods. These include time series, duration analyses, game theory etc. Economists thus use both various statistical methods and sophisticated formal modeling. On the other hand economists only rarely use qualitative methods. Generally it is possible to say that economists never use interpretative qualitative studies. They employ, if implicitly, case and comparative studies (for examples Porter 1990, Olson 1984). One has to note, that in economics, there is ever-growing tendency to employ carefully designed experiments (see Bauer, Cassar, Chytilová, Henrich 2013).

As far as methodology is concerned, PS is extremely diverse and despite its well-developed methodological breadth, political scientists employ on the one hand sophisticated quantitative methods and on the other rigorous qualitative methods. Regarding quantitative methods, formal modeling enjoyed its hay days during late 80's and 90's; however the stream has switched toward sophisticated statistical methods recently. One remarkable point is that political scientists have stood at the forefront of the development of qualitative methods designed for causal inference (Gerring 2007; George, Bennett 2005; King, Keohane, Verba 1994, etc.).

Previous paragraphs have exposed methodological overlaps as well as discontents among the three disciplines. One is therefore interested in the standing of methodology/methodologists in the four mentioned disciplines. First of all, one can say that in economics, methods are inherently connected with the field. The fact is that modern economics has incorporated very high standards for methodological (namely mathematical) skills. Further, these standards are oriented only toward one kind of methodology – positivist, quantitative (statistical or formal modeling) methodology. The subfield of econometrics (with the leading journal *Econometrica*) represents the extreme expression of this situation. The curriculum of standard economics program is heavily focused on mastering quantitative skills from its very start⁴. As a general rule, economist graduates are highly competent at methods endorsed by the discipline.

It can be said, that PS has not been able to impose high all-field methodological standards. We can say that there are separate groups with different skills and standards. As a general rule, it can be said, that those working within a given methodological approach display strong knowledge of preferred methods. It is remarkable, that those working within qualitative (causal) tradition have been able to develop high standards for this approach, which are generally, respected by positivists and scientific realists. Nevertheless, it must be noted, that inter-communication among qualitative and quantitative scholars is problematic. Communication between these two traditions is limited by their different “language” and namely different assumptions, which are inherently implied by each paradigm (see Mahoney, Geertz 2012).⁵ One can guess that it is exactly this methodological split, which creates excellent opportunities for methodologists. In fact methodology shall be seen as a queen sub-discipline in the current PS. All top and many second tier journals in PS publish articles focused on methodology and methods. Unsurprisingly, these articles tend to be the most cited pieces. Excellent US departments (see programs at Harvard, Chicago, Princeton, MIT, UCLA etc.) offer or demand serious training in quantitative and to some extent qualitative methods. These courses are; however predominantly focused on graduate and not on undergraduate students, which is in stark contrast with economics.

When compared with economics or PS, geography displays surprising

nonchalance toward methodology. One can say that there are no strict standards in the discipline. And this statement holds for both quantitative and namely qualitative methodologies. It does not mean that individual geographers lack technical skills or ability to devise sound research design. Rather there is absence of general methodological awareness and structured methodological training.⁶ Methodology is quite often mistakenly reduced to the problems of data gathering. Geographical approach should be described as an ad-hoc approach. Methodology is neither an important sub-field, nor core area of under or post-graduate research. Too often, methodological training is left to individual pursuit. Not surprisingly, range of offered methodological courses is limited and sometime even poorly executed (authors own experience from the Charles University), and on the top of all, geographical journals do not pay attention to methodological work (there is not a venue for purely methods articles in geography). Simply, if compared to political scientists or Economists, geographers usually lack systematic methodological training. One can speculate that this situation makes geographers unable to publish in excellent economics or PS journals, whereas the inverse is not true.

IV INTERACTION TERMS AND FSQCA

To empirically demonstrate previous discussion, I provide data indirectly indicating the use of the two specific methods – interaction terms (see Brambor, Clark, Golder 2006) and (fuzzy set) qualitative comparative analyses (for

QCA see Ragin 1987). These two methods were selected for two reasons. Firstly, one is quantitative, while the second is rather qualitative. Therefore I try to minimize the objection to a potential bias towards some methodological approach. Secondly, I do believe that these two methods offer significant potential for geographical research. Both methods are useful, when we face a situation when some outcome is produced by specific configuration of variables. For example, that an event “A” is caused by conjunction of high values of variables “X₁” and “X₂” under condition that the variable X₃ is missing or has very low values.

One can argue that the two methods offer interesting opportunity for geographers studying complex social systems. Given the fact that geographers quite often quarrel about the adequacy of simple regression models to capture complex relationships among variables, one expects that these methods are widely spread or at least widely discussed in geographical community. Table 1 provides data drawn from ISI WOS. The first three items relates to interaction terms, while the last two relates to (fs)QCA.

Table 1 Citations to methodological articles and books from different fields

Author	Title	Year of pub.	Sum of cit.	Citations according to the field of study (%) The first number indicates rank of a discipline in a list of cites ordered according to discipline of a citing journal	
				Rank	Percentage
Brambor, Clark, Golder	Understanding Interaction Models: Improving Empirical Analyses.	2006	727	1) PS	60,4
				2) Economics	15,1
				3) IR	14,9
				4) Sociology	5,4
				14) Geography	1,4
Allison, P.	Testing for interaction in multiple-regression	1997	186	1) Sociology	28,5
				5) PS	6,5
				19) Economics	2,2
				27) IR	1,6
				-) Geography	0
Ai, C.	Interaction terms in logit and probit models	200x	762	1) Economics	40,4
				6) PS	9,4
				9) Sociology	5
				11) IR	3,3
				29) Geography	0,7
Ragin, C	Comparative method	1987 (and subsequent)	1151	1) Sociology	26,2
				2) PS	19,5
				7) IR	5
				10) Economics	3,4
				14) Geography	2,1
Ragin	Fuzzy set social science	2000	551	1) PS	27,8
				2) Sociology	21,1
				3) IR	6,7
				10) Economics	3,3
				13) geography	2,5

Source: ISI WOS (9.9.2013), Note: IR stands for International Relations, which is a sub-filed of PS, however ISI WOS distinguish these two as separate (if overlapping) fields.

The table reveals the true scope of the problem. It is clear that geography displays relatively little attention to methodology. In all cases geographers were last in number of cites to methodological papers or books. In order to keep paper short, it was not possible to include dozens of other significant articles, nevertheless off-paper analysis included five other pieces and the results were really similar.

Actually, the situation is worse than the numbers indicate. At least half of cites from geography to articles dealing with interaction terms were made by non-geographers. It seems that proper geographers have relatively weak knowledge of potentially useful techniques. Wishing to see bright future, it shall be noted that roughly half of the geographical cites to articles dealing with “interaction terms” appeared in 2012 and 2013. Thus one could argue that geographers have learned these methods just recently and the dissemination of these methods is in progress eventually. It may be a sign of better future.

V A FEW HYPOTHESES ON THE CAUSES OF METHODOLOGICAL BLINDNESS

Now, I would like to offer two tentative explanations of the fore-mentioned attitude of geography towards methodology. The first explanation rests on the relatively small size of the field. The second explanation blames some broader epistemological tendencies in the field.

Small field and the lack of talent

Geography is on the one side very broad discipline as far as breadth of studied topics is concerned, however it is rather small field if we consider student enrolment, number of departments and active researchers. Preceding sentence is not perfectly accurate, since geography is small or underrepresented only at the very top echelons of universities (see Kofroň 2012a). The problem however is that the top echelon is normally responsible for disproportionate share of methodological and theoretical innovations.

The fact is that geography has been repulsed from the top US universities (Harvard, Chicago, Yale, Princeton etc.). These very same universities are, however responsible for most of the theoretical and methodological progress in economics or PS. In this situation geographers lack possibilities to intellectually engage in an environment demanding intellectual progress. Further, geographers lack direct access to scholars standing at the forefront of methodological innovation. This combination of the absence of direct pressure from the environment supplemented with lack of learning opportunities leads to the fore mentioned methodological lag.

The problem is a bit more severe than it seems to be. Graduate students of geography are usually unable to take courses of methodological stars (from other fields), since geographers study at different (lower ranked) universities. This situation creates barriers for development of geographers-

methodologists, which would be able to refine non-geographical methods for geographical needs.

Another significant effect of the absence of geographical departments at the elite universities is that geography has to deal with lack of talents. As there is no geography major at many superb universities, the most talented students lack chance to take geographical courses, pursue PHD in geography and later engage in the field as the methodologists. One can say that this is a problem for the discipline as whole. However, this situation is gravest for the subfield of methodology. Simply, methods demand smart people to master them, and even smarter people to create new or refine already existing methods.

Epistemological crusade of post-modernists

I argue that methodological blindness toward causal identification methods is by part caused by long and very successful crusade of post-modernism. This crusade is indeed targeted at positivism (or everything that resemble positivism) and more broadly at causal explanation (see Matoušek 2013).⁷

It is possible to claim, that geography is strongly influenced by post-modernism or specifically by ant-positivism (Gibbons 2001), at least if compared with (north-American) Economics or PS. This post-modern influence is inherently nothing to worry about. The problem is that some partisans of the critical science project and post-modernism hold moderately or extremely hostile views on methods designed for causal identification and

more broadly they dispute causal theorizing at the very first place (see Kam, Schwanen 2009⁸). Due to the space limitation I will not elaborate on this aspect, it suffices to say that epistemological preferences play a great role. Simply those who reject causality (be it in the form of positivist or scientific realist conceptualization) tend to reject methods designed for this kind of analysis. To sum it up, an important part of profession does not have vested interests in developing and refining methods for causal analysis. Under these conditions it is pretty hard to introduce a change in methodological standards for graduate students since there will be a strong resistance from powerful players within the field.

Combination of epistemological crusade against (namely neo-positivists) scholars engaged with causal arguments with decay of geography at the top US universities has led to under appreciation of methodological issues and questions. There are serious impacts on the field's ability to engage in academic debates regarding causal identification. And since causal arguments lies at the center of political debates, geographers lacks chance to enter important public debates too.

VI CONCLUSION

Methodology is important for proper identification or testing of (hypothesized) causal mechanisms – a task related to the broader goal of knowledge accumulation. Further, as I tried to argue, causal arguments are extremely important in large parts of political argumentation. Therefore, if we

want geography to be a socially engaged discipline, we should teach and employ methods designed for causal identification. However, as I showed in preliminary comparative analysis of geography, political science and economy, there is surprisingly small use of some promising methods – like fsQCA and interaction terms – in the field of social geography. This situation calls for remedy.

Having said this, I do not want to argue that methodology is the only one quality of a research. Sophisticated methods cannot save irrelevant or poorly executed research. The last one thing I would like to promote is research solely driven by methods – research of small, unimportant, uninteresting and disconnected (micro) questions, which however offers possibility to employ cutting edge methods. In contrast, I do call for engaging big and important questions which are usually hard to solve and where lots of cutting edge methods have only limited applicability. Nevertheless, methodology is an important factor which may influence broader significance of our research. Therefore nonchalance toward broader methodological questions and methodological training is extremely dangerous, not only for individual researchers but for the whole field of social geography.

Below I offer four initial ideas on how to change the current situation:

1. To organize conference panels dealing with diverse methods used for causal analysis.

2. To offer standardized curriculum of research design for undergraduates (accompanied with selective introductory classes of quantitative and qualitative methods). To develop strong method courses for master and PHD level. There are two barriers: (i) Possibility to quickly change a curriculum is (in the Czech Republic) limited, (ii) there is clear lack of competent instructors.
3. To introduce award for the best methodological article in a given journal.
4. To start a journal focused on methodological research – it is a task for international community – surely a long run goal.

NOTES

1. Specifically, that a decrease in taxation produces an increase of GDP
2. An alternative kind of arguments is based on moral-normative beliefs.
3. These of course have to be accompanied with strong substantive knowledge.
4. See and compare curriculum of economics at Chicago U., Princeton, Yale, Harvard, Charles University at Prague etc.
5. This situation is even more interesting, if we consider that both qualitative and quantitative scholars endorse epistemological position of scientific realism or neo-positivism.
6. Geographical departments demand only limited methodological training for their graduate students. The problem of fair comparison to economics or PS is however severe, because there are not many geographical departments at elite universities. It is necessary to say that lower ranked departments of economics of PS do not offer the same level of methodological training as the very top departments.

7. As a graduate student I was warned by my supervisor once, that I should not openly self-identify as neo-positivist since this epistemological stance has very bad name in geography.
8. The article interestingly aims at reconciliation of critical geography with quantitative methods.

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A new look at the U.S. geography of immigration: an approach based on relatedness between population groups revealed from their joint concentrations

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Abstract: The paper examines patterns of spatial behaviour of the U.S. immigrants when focusing on the relatedness between different population groups as revealed from their joint spatial concentrations. This approach is based on a basic assumption that population groups with similar destination choices are more likely to have something in common. We first quantified this revealed relatedness based on joint concentrations in 3,143 U.S. counties and, subsequently, at the detailed level of census tracts of the six key immigrant metropolitan statistical areas. We then examined patterns of the relatedness by various techniques including the network visualizations, identification of communities of population groups by affinity propagation, and a regression framework. We found strong similarity in spatial behaviour of Western European migrant groups on the national level, whereas on the metropolitan level, the tightest clusters of related groups contained migrant groups from the less developed regions. The results also suggest possible links between contemporary spatial distribution and historical waves of migration to the USA. Finally, the results obtained from regression analysis showed that the choice of a destination region is driven mostly by economic factors and, particularly on the level of metropolitan areas, by cultural factors.

Keywords: Affinity Propagation, Destination Choice, International Migration, Network Analysis, Spatial Distribution of Immigrants, USA

I INTRODUCTION

The entry of immigrants into their incoming country as well as their

subsequent spread over the country's territory occurs through processes and mechanisms that have a strong spatial bias. The specific population groups,

whether defined on the basis of the country of origin, race, language, ethnicity, common ancestry or another aspect of population differentiation, tend to reveal different levels and patterns of their spatial concentrations. The understanding of these similarities and dissimilarities in destination choices is an important task from both academic and policy perspectives.

This paper attempts to draw an aggregate picture of the geography of U.S. immigration. As such, it belongs to the literature concerned with aggregate analysis of overall migration patterns and their determinants (e.g. Lianos 2001; Bauer et al. 2005; Hou 2007; Liaw and Frey 2007; Maré et al. 2007; Novotný et al. 2007; Fonseca 2008; McConell 2008; Lichter and Johnson 2009; Pena 2009; Riosmena and Massey 2012).¹ It however presents an approach which is different from traditional literature and which focuses on the relatedness between different population groups as revealed from their joint concentrations in the U.S. regions and localities. Unlike in traditional approaches based mostly on between-region comparisons of population compositions, the concern of this article is with the comparisons between population groups themselves. A basic assumption behind the “relatedness approach” presented here is that (immigrant) groups with similar destination choices are more likely to have something in common than members of groups with dissimilar migration behaviour. These groups with similar spatial choices can be assumed to bear some similar or complimentary assets and capabilities as well as entail

similar needs and requirements for regions and localities where they tend to concentrate.

The first goal of the paper is to quantify the relatedness between distinguishable population groups in the U.S. (defined by the country of origin and common ancestry) and examine the patterns of the relatedness (that is the patterns of similarities and dissimilarities in destination choices of immigrant groups). The second goal is then to search for some explanations of these patterns.

For the analysis of the paper, we apply similar methodology that has already been shown to be effective in the analysis of relatedness revealed from various spatial data in very different contexts (Hidalgo et al. 2007; Novotný and Cheshire 2012; Boschma et al. 2013).

The rest of the paper is organized as follows. In the second section we will explain methods and describe data. We then attempt to identify patterns of the proximities by using some techniques of network analysis and a novel method called affinity propagation. In the next step, we briefly overview main determinants of destination choices suggested in literature and test their proxy variables in a regression framework as predictors of the relatedness calculated in the first step. The paper closes with some concluding remarks presented in its end section.

II DATA AND METHODS

Data

For the main analysis we consider relatedness based on joint concentrations in 3,143 U.S. counties when applying two alternative definitions of population groups in terms of the country of birth and the first ancestry reported.² In order to allow comparisons of results over different spatial levels, in selected parts of our study we also consider two other definitions of the U.S. regions (942 Metropolitan and Micropolitan Statistical Areas, thereafter M/MSA, and 51 states) and separate quantifications of relatedness in six key immigrant Metropolitan Statistical Areas (MSAs) including Chicago, Houston, Los Angeles, Miami, New York and Atlanta at the micro-level of census tracts. These data comes from the 2006-2010 American Community Survey, combining information from the Population Estimates Program 2006-2009 and the U.S. Census 2010.

Analyzing patterns and correlates of between-group proximity

For the quantification of the pair-wise relatedness between immigrant groups we apply the symmetric Dice measure ($D_{i,j}$) which captures the probability that group i concentrates in the region conditional to the concentration of group j in the same region. Hence, higher relatedness means that both groups have more similar spatial behavior. For each data set considered we calculate the proximity matrix storing relatedness figures (symmetric Dice measure $D_{i,j}$) for all possible pairs of immigrant

population groups in a given data set. From more possible ways of uncovering the patterns in the proximity matrices, we use illustrative network visualizations.³ For detail description of our methodology see Novotný and Cheshire (2012), who used the same approach measures.

In addition, we employ a novel method called affinity propagation (AP) that allows classifying of cases in a given proximity matrix into several communities or clusters based on their relatedness figures. In addition to the fact that the AP has been found to produce more accurate results than some other more familiar clustering methods (Frey and Dueck 2007), its key advantage in the present context is that it also can be used for the identification of the most typical exemplars assigned to each of the determined clusters. For executing the AP, we use the APCluster packet (Bodenhoefr et al. 2011) for the R software.

Analyzing correlates of the relatedness

We examine correlates of the relatedness between different population groups in a multiple regression framework. The proximity values of $D_{i,j}$ are considered as dependent variables, while the set of independent predictors is determined on the basis of previous literature (will be discussed below). Culture proximity will be tested by two dummy variables which capture whether the considered pairs of countries differ or not in their dominant religion⁴ and in their dominant language.⁵ Geographical proximity will be represented by weighted geographical distance between both

countries (variable *distw* from the CEPII dataset). Human capital similarity will be described by the difference in their school attendance rates (United Nations Statistics Division). For economical proximity, we will use export structure similarity (the DICE indicator calculated from data from the NBER World Trade Database) and difference in natural logarithms of GDP PPP (Penn World Tables 7.1). As control variable, we used the difference in natural logarithms of the total size of particular migration groups.

Because of working with the proximity data sets violating the condition of independent observations, we perform the Quadratic Assignment Procedure for standard errors estimates in regression (Hanneman and Riddle 2005; Butts 2008).

III RESULTS OF THE ANALYSIS OF RELATEDNESS

The highest similarity and network analysis

Table 1 presents the pairs of population groups with the highest relatedness. It reveals that for both definitions of population groups the highest relatedness has been found for groups from Western countries. The strongest relationships for groups from non-Western countries have been identified for the pairs: Jamaica – Trinidad and Tobago (32nd place) and then China – India (58th), when considering data on the country of birth. Similarly for data on common ancestry, Jamaica – Trinidad and Tobago have the highest relatedness (38th place), while links between Jamaica and Barbados and Jamaica and West Indies are also in the top 50 highest relatedness links.

Table 1 Population groups with the highest relatedness

Country of Birth				Common Ancestry		
Germany	Canada	0.666	1.	Danish	Swedish	0.719
England	Canada	0.628	2.	Norwegian	Scandinavian	0.706
England	Germany	0.623	3.	American	English	0.704
United Kingdom	England	0.493	4.	English	Scotch-Irish	0.700
United Kingdom	Netherlands	0.476	5.	Scotch-Irish	Scottish	0.674
Scotland	France	0.466	6.	Danish	Norwegian	0.669
United Kingdom	Canada	0.464	7.	English	Scottish	0.654
France	Netherlands	0.452	8.	American	Scotch-Irish	0.632
Scotland	Netherlands	0.448	9.	Norwegian	Swedish	0.616
United Kingdom	Scotland	0.448	10.	Danish	Scandinavian	0.592

Source: United States Census Bureau; authors' calculations

These results already indicate clustering of geographically and culturally proximate countries. To uncover the

aggregate patterns, we constructed network graphs visualising pair wise similarities between the population

groups. The network based on the country of birth data (Appendix 1) confirmed the highest concentration of groups from the West-European region with other groups from developed countries not far from this cluster. Interconnected, but considerably less dense communities have been revealed for Latin American (LA) countries. Countries from Sub Saharan Africa (SSA), Former Soviet Union (FSU), Southern Asia and Islamic region form much less evident communities.

Clustering of countries pertaining to individual world regions is even more apparent in the network of groups defined by the common ancestry (Appendix 2). Countries from all regions but FSU form communities positioned in specific segments of the network nearby one to each other. Recall data for most Asian and LA ancestries are missing. Interestingly, the RSA and Cape Verde have quite specific position within Africa in the both datasets.

For verification of the results robustness (e.g. against too much zero values), we computed similarities for larger spatial units (for country of birth data only). Basic pattern for M/MSAs remained similar, so there is a central cluster of developed countries surrounded by several more extensive clusters (LA and Asian are the most apparent). Results are however less illustrative for the state-level data, European cluster was outspreaded and connected to SSA. LA cluster was preserved, while Asian broke down. Computation of Mantel correlation shows high Pearson coefficient between similarities for both

finer spatial units, but lower for the country-level data.

Affinity propagation

The ten communities of countries identified by the affinity propagation (AP) technique are indicated by colours on the network plot in Appendix 3. The exemplars of the communities are marked by red borders. It clearly illustrates that both AP and network analysis are complementary. Again, most of the identified communities consist of geographically and culturally related countries.

The clearest results came out for groups from SSA and the Caribbean. Formation of these and several other clusters can be explained by historical waves of the migration to the U.S. It suggests that immigrants in different waves chose different destinations, while this pattern of these waves is decisive (likely through migration network) also for their contemporary (mainly European) descendants. Canadian cluster (cluster where Canada was identified as the exemplar) contains the UK, England and Germany, that is countries, which fed the US population at the beginning. At the same time, this cluster also includes the most important contemporary source countries (Mexico, Philippines, and South Korea). In other words, the cluster encompasses groups, which are represented in the most of the U.S. counties. This is in accordance with the spatial assimilation model, which expects saturation of migration networks in cases of populous immigrant groups and subsequent spatial dispersion of these immigrants (see section 4).

Groups of immigrants from North-Western European countries can be found in the Australian cluster together with the largest countries of the World (China, India, Russia) and important emigration states (Australia, Northern Europe, South Africa, former Czechoslovakia). Yugoslavian cluster is third in this sequence and it contains main source countries of U.S. immigration on the turn of 19th and 20th century in terms of countries from Southern, Central and Eastern Europe. To the some extent, we can even continue by cluster “Other South Central Asia”, which is formed by East-European and Central-Asian countries.

Metropolitan Statistical Areas

Let us look whether the pattern found on the aggregate U.S. level would be reproduced when analyzing separately most important MSAs and focusing on co-concentration in their census tracts. The results suggest rather the opposite. While the population groups from developed countries tend to form most dense communities at the macro-level of all the U.S. this is no longer true when inspecting micro-level patterns of spatial distribution of immigrants. In these cases, the core clusters consist mostly of the groups from Eastern Asian countries and often also from the groups from Latin American countries.

To compare results between different datasets, we computed Mantel correlations. The correlations are high (0.5 – 0.7) when comparing the results obtained for individual MSAs. Correlations between results obtained for the metropolitan level and for the

national level data is moderate in the case of the results for the counties and M/MSAs (usually 0.3 – 0.4, but in all cases somewhat stronger with counties), but very low for the states (around 0.1 and not significant).

For detection, how much links are repeated in the MSAs, approach was chosen as follows. The AP was computed for the each MSA holding the parameters of the clustering technique constant. Then the degree of co-occurrence of individual pairs of countries in the same cluster was assessed. Based on the degree of co-occurrence, another network was plotted (Appendix 4). It is apparent, that countries cluster well by regions, the only exception is more heterogeneous central cluster.

IV DETERMINANTS OF THE SPATIAL BEHAVIOR OF IMMIGRANTS

Although applying specific methodology, which is largely inductive in nature, this paper also tests several arguments derived from existing theoretical and empirical literature on various determinants of migrants' destination choices (for an overview see e.g. Massey 2003; Bijak 2006; Drbohlav and Uherek 2007).

Migration networks

From a number of determinants, the key role is often attributed to the migrants' cultural proximity. Perhaps the most commonly stressed underlying mechanism behind this factor is the existence of networks of migrants that are usually assumed to work because of their similar cultural background (i.e. same region or country of origin). Due to

these migration networks spatial concentrations of specific population groups in certain destinations can emerge (Massey et al. 1993). It is however thought that networks can have somewhat different impacts on destination choice depending on migrant's language (see next subsection), skills (Brezzi et al. 2010) or race (Skop 2001; Liaw and Frey 2007). It is also argued that high intensity of a migration network exceeding a certain critical level can lead to its saturation and a kind of "congestion costs" like rising housing costs and decreasing wages (Light and von Scheven 2008). Hence according to the spatial assimilation model (Massey 1985), when migrants acculturate in the concentration area, they can disperse elsewhere. Although this model formerly focused on intrametropolitan moves, in recent years it has been used to explain regional moves as well (Ellis and Goodwin-White 2006; Hall 2009). This may mean that the largest migrant groups will not be as concentrated as smaller groups, what is often documented by recent spatial dispersion of Mexicans in the USA. As all these moves depend also on personal characteristics of migrants (e.g. skills, language proficiency), they can differ according to the migrants origin (Hall 2009).

A key departure for the present study is that the benefits of the established migration network will also be utilized by the members of ethno-culturally proximate groups. There is some support for such expectations in the literature. According to our knowledge, there is unfortunately no paper testing

empirically the hypothesis about the relatedness between individual (culturally proximate) groups, though some of the existing studies adopt a broader view at migration networks when considering migrants from a wider source region than a single country (see e.g. Shah and Menon 1999; Rodriguez and Cohen 2005; Chelpi-den Hamer and Mazzucato 2010).

Knowledge of languages

Lack of language knowledge spoken in a given host country can make the power of migration networks stronger. As a consequence, immigrants who don't speak a given local language can be expected to be much more concentrated spatially (Chiswick et al. 2002; Chiswick and Miller 2004). In some cases, this may even lead to their economically sub-optimal destination choices (e.g. to the selection of economically more lagging areas – Bauer et al. 2005). In addition, it is argued that migrants speaking local language migrate to cities where they find a job in the services (where the language knowledge is crucial) whereas migrants without local language proficiency prefer peripheral agricultural regions with a labour shortage (Fonseca 2008).

These arguments suggest that migrants with the knowledge of the same or closely related languages will be more probably concentrated in the same regions. By contrast, those migrants speaking the language of host country should be less concentrated spatially, with the similar spatial behaviour as the majority.

Economic factors

The economic characteristics of regions are often regarded as crucial determinants of immigrants' destination decisions. Migrants are typically conceptualized as rational actors utilizing their capabilities such as knowledge and skills to maximize their profits and minimize costs of the migration. They therefore opt for those destinations in which they can utilize their capabilities the most. Implicitly, it can be assumed that migrants with the same origin would often have similar capabilities (van Tubergen et al. 2004; Andersson 2011; Phythian et al. 2011) so they will also tend to concentrate spatially in their host countries. Overall the focus on the matching between economic characteristics of migrants and their source and target destinations is in contradiction to the simplistic neoclassical theories claiming that migrants, regardless of their skills, automatically prefer the regions with the highest wages (or the lowest unemployment rates) until regional differences diminish, though it does naturally not mean that migrants generally do not favour economically more well-off regions.

Most of the existing empirical studies test economic determinants only by focusing on the relationship between the intensity of migration inflows and regional/country per capita GDP or their unemployment rate (Liaw and Frey 2007; Pena 2009). Only a few authors also included socio-economic characteristics of migrants into their models and were able to confirm that the spatial behaviour of migrants depends on these factors

(Rehel and Silvester 2009; Brezzi et al. 2010).

The role of distance

Spatial distance between the places of origin and target destination is considered as an influential factor too, because of additional costs associated with migration to more remote areas. This involves both the costs related to the movement between countries (Kritz 1998) and within them such as travels from the major gateways in terms of international airports (Chiswick and Miller 2004). As a result, migrants coming from the same direction can be expected to head to the similar – easily accessible – destinations.

The existing evidence has confirmed that migrants often concentrate in border regions, whether they are Mexicans in Texas and California, Cubans in Florida (Skop 2001) or Asians in California (Kritz 1998).

Regression results

Table 2 shows the multiple regression results for the model with the pair wise relatedness between population groups based on their co-concentration in spatial units as dependent variable and proximate variables for potential predictors of similarity in spatial behavior as independents. These results suggest that only similarities of export structure, migration groups' size and the common religion have been found significant across nearly all the datasets.

Results for other variables differed between national and metropolitan level. Common language and similar economic

level were significant in the MSAs, but not in the USA. On the contrary, education has been confirmed for the U.S. level, while in the MSAs it has been insignificant or even had unexpected sign. Similar result was shown in the case of geographical distance, what should

mean that it determines, which part of the USA migrant chooses, but other variables are more relevant on the metropolitan level. Share of the explained variability on the national level (R^2) strongly decreases with less detailed division of data.

Table 2 The regression analysis results: pair wise similarity in spatial distribution of population groups considered as dependent variable

	Language	Religion	Education	Export Structure	GDP PPP	Geographical Distance	Migration Group Size	R^2 [%]
Counties	0.010	0.041**	-0.051*	0.205***	-0.008	-0.248***	-0.251***	22.0
M/MSAs	-0.006	0.011	-0.041	0.202***	0.011	-0.272***	-0.130***	16.8
States	0.030	-0.046**	-0.033	0.130***	0.071**	-0.326***	-0.027	13.9
Atlanta	0.151***	0.023	-0.035	0.042*	-0.040	0.111***	-0.370***	17.0
Chicago	0.037	-0.015	0.065*	0.195***	-0.177***	-0.089***	-0.293***	17.6
Houston	0.149***	0.049**	0.050	0.076***	-0.124***	0.137***	-0.350***	16.6
Miami	0.177***	0.167***	-0.006	0.079***	-0.157***	0.121***	-0.385***	27.6
Los Angeles	0.077***	0.043**	0.018	0.176***	-0.122***	0.045	-0.364***	19.8
New York	0.143***	0.080***	0.030	0.219***	-0.176***	-0.013	-0.349***	26.5

Source: CEPII dataset; NBER World Trade Database; Penn World Tables 7.1; United Nations Statistics Division; United States Census Bureau; authors' calculations).

*Note: values represent standardized coefficients; * p-value higher than 90 %, ** 95 % and *** 99 %; p-values and R^2 were computed with the use of the Quadratic Assignment Procedure.*

V CONCLUSION

This paper employed some novel methods in the context of migration and population studies in order to uncover patterns of spatial behaviour of the U.S. immigrants. Our analysis has confirmed basic assumption that the population groups with similar origin choose similar destinations. We have found strong relatedness among Western European immigrants on the national level, whereas on the metropolitan level, the most similar spatial choices have been shown for groups from less developed regions. Results of the AP suggested possible links between the current

spatial distribution and historical waves of immigration to the U.S. Finally, regression analysis showed that destination choices have been mostly determined by economic factors and, on the level of metropolitan areas, particularly by cultural factors. By contrast, geographical distance between source countries has been only revealed significantly on the national level of analysis.

Owing to rather inductive descriptive character of the results obtained here, this paper has brought up some

questions for more further intensive research on particular findings.

ACKNOWLEDGMENTS

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NOTES

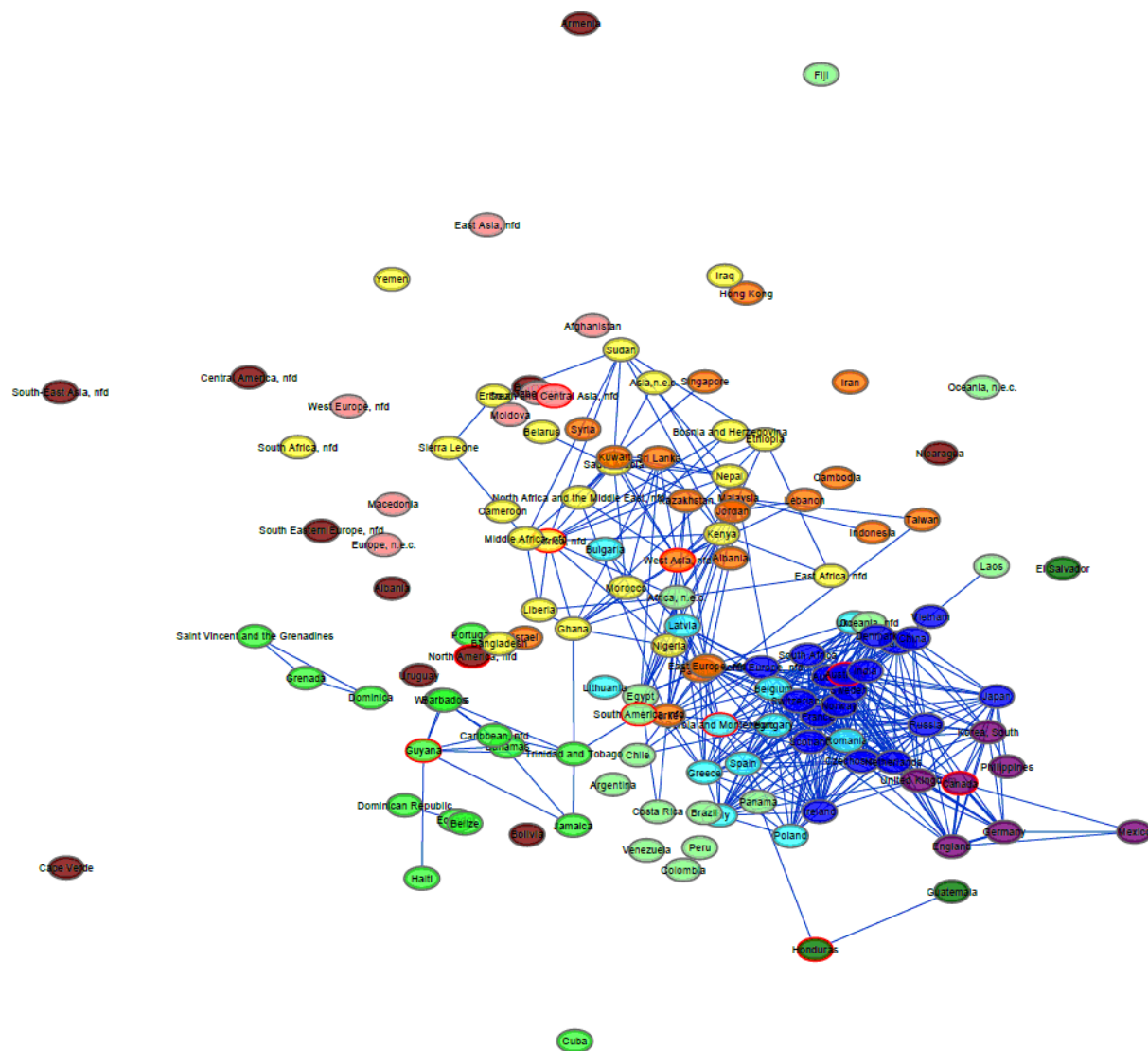
1. We should however note that overall spatial pattern of foreigners is shaped by their subsequent internal migration within destination country as well (see Ellis and Goodwin-White 2006; Hall 2009; Ishikawa and Liaw 2009; Rehel and Silvestre 2009).
2. As the first ancestry reported data contains Puerto Rican counties as well, dataset augments to 3,221 counties. However, most of the Asian and Latina American ancestries are missing in these data.
3. The network can be understood as a physical system where nodes (immigrant groups) attract each other by forces proportional to $D_{i,j}$. The algorithm minimizes the energy of the physical system and assigns the nodes with positions in two-dimensional space accordingly.
4. If both countries have the same religion, value was set to 1. In the opposite case and if indigenous religion prevails in the both countries, value was set to 0.
5. If at least 9 % of population in each state uses common language, value was set to 1. We use the variable `comlang_ethno` from the CEPII dataset.

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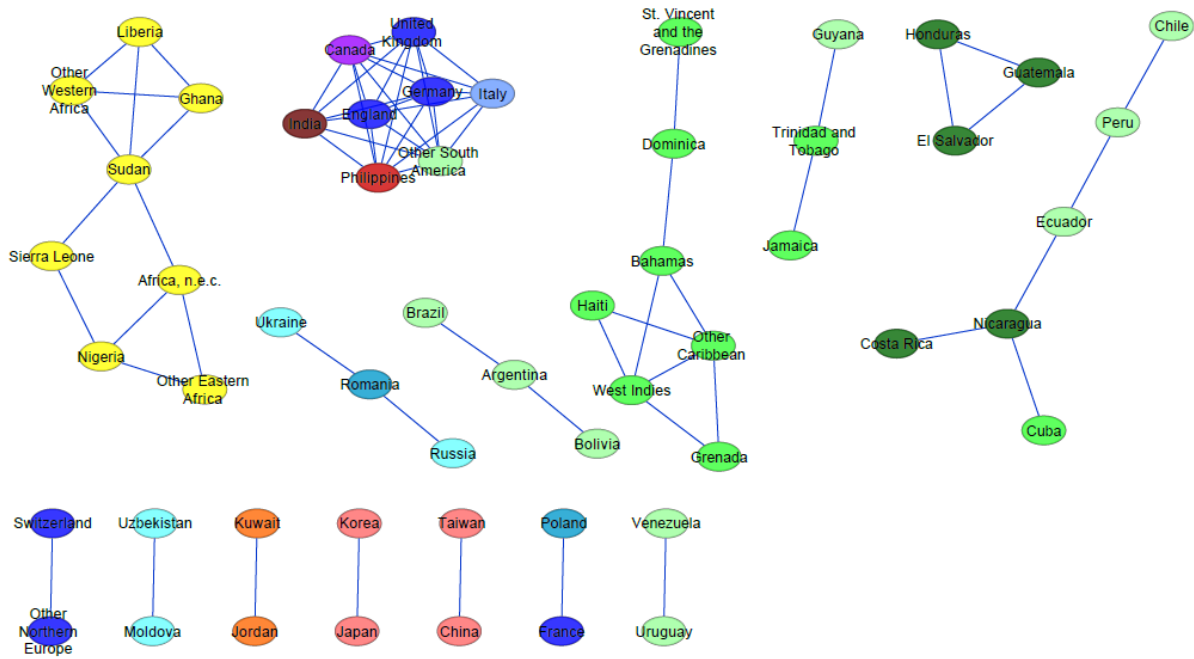
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Appendix 3 Network visualization based in the relatedness links between groups defined by the country of birth (AP clusters distinguished by colours)



Appendix 4 AP clusters based on the analysis of relatedness within the six U.S. MSAs



Note: the edge width corresponds to the co-occurrence of both countries (thinner 5, thicker 6). The nodes are colored by the macroregions and the node size corresponds to how often given state was an exemplar (most Canada and Guyana – 5x)

Spatial differentiation and identification with the region and place by the representatives of local elites at Slovakia

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Abstract: This article seeks to contribute to a discussion concerning the concept of socio-cultural identity in geographical science. The main aim is to describe how people living in the Slovak self-governing regions define their identity. Which identity is the most important for them? How proud are they of their self-governing regions? Slovakia consists of several types of regions of the sub-national level. Regional/local identity is a phenomenon where people identify themselves with the social system of a certain region with its folks, culture, traditions, landscape, etc. Theory of institutionalization of regions by Finnish geographer Paasi provides us a useful framework for understanding how regions and regional identity emergence, and are continually reproduced and transformed in and through the practice of individuals and institutions at a variety of spatial levels. The results of the survey indicate the regional disparities of so-called soft factors of the social identity development in self-governing regions (inhabitants, relationship to the territory of a municipality, local pride, etc.). In addition, we discuss the need for a comprehensive approach linking together ethnography, geographical and sociological methods.

In regard of ongoing modernization and acquisition of new political, socio-cultural and economic models of life, there is a regression of tradition, customs and norms in Slovak society which have been dominating in society for the last decades. Within the identity research in Slovak society, the model based on empirical research of territorial identity is sketched. Territorial identity is defined as the dimensional and relational phenomenon, based on cultural, regional, national-religious and neighbourhood-local concept of society. The paper should offer solutions related to the relationship between the dimension of territorial identity and dimensions of basic relational concepts of society.

Collective memory and its social relations are determined by cultural and historical traditions, which have been formed under the influence of economic and political processes in a particular region. The strength of social and cultural identity (traditions) ultimately depends on the process of the historical acceptance place by its folks.

Key words: regional identity, identity of regions, Self-governing regions, Slovakia, patriotism.

I INTRODUCTION

The main aim of this article is to contribute to a discussion about the concept and meanings of the socio-cultural identity as the multidisciplinary entity in the social sciences. We try to outline the impact of (so-called) soft factors on the constitution of social and cultural identity in the self-governing regions at Slovakia.

Regional/local identity is a phenomenon where people identify themselves with the social system of a certain region with its people, culture, traditions, landscape, etc. (Raagmaa 1999). It is generally agreed that the concept of regional identity is complex and hard to define. According to Paasi (2002) the concept of regional identity is still unclear, although it has been an important element in geographical research for a long time. However, Tempelman (1999) does not consider this an issue as the question 'what regional identities do' is of greater importance and relevance.

Paasi (1986, 2001, 2003, 2004) and Thirft (1998) declare that the development of regional structures, in terms of the establishment of institutions, is preceded by the symbolic formation of a region. A driving force in the process of institutionalization is cultural-historical and ethnographic regional potential. The

fellowship of inhabitants during diverse cultural and social manifestations (events, occasions, holidays etc.) improves the creation and maintenance of local or regional memory and pride. Eventually, in the position of power stays the initiative of individuals, region (external or self-) image, name as well as institutions diffusing the positive image and awareness through mass media, regional literature and educational system.

II THE THEORETICAL FRAMEWORK OF REGIONAL IDENTITY

Hence 'place' is conceptualized flexible, ad hoc, without any presuppositions of the scale, showing a relativist tendency to leave the general meanings of categories open. The place is thus understood contextually (and at times metaphorically) in relation to ethnicity, class, gender, sexuality, body, self, etc., often in such manner that it becomes one constitutive element in the politics of identity (Massey et al. 1999).

Social identities are different by its intention and subjectivity to the place and time, in our research. If we want to get back to the phenomenon essence, which is the object of our research, we would have to apply an individual approach to each respondent to

understand his attitudes and thoughts to those problems. Consequently, there would be a four base decomposition of social identities and their disproportions in space and time. By using these methods we are getting into the situation, where the object of research is the essence of the phenomenon, the basic attribute of phenomenological learning.

Questions of identity and identity formation also significantly intervene into psychological sciences. Thanks to psychology; the self-identity, the identity of "being", searching for the meaning of self-existence and finding one's position in the world; is created. Giddens (1997) understands self-identity as a projection of interactions in the light of these relations and his own biographical history's experiences. Psycho-sociological questions of identity construction and mostly the collective identity itself, is under the investigation of Eisenstadt - Giesen (1995). According to them, the mainspring of the making collective identity is creating of similarity attributes in contrast to the difference, disparity from others.

Krylov (2010) in his monograph - "Regional identity of European Russia" defines a category of issues related to the term of place and neighbourhood. By using stylization of questions in the survey author affects aspects of interior place, its cultural and historical relevance, as well as local human relations with the local community.

An important role in the process of transformation of spatial identification plays a neighbourhood (propinquity)

factor between the individual communities. The core of local identity lies in the very relation of people to the place. This relationship to the place has been shaped in the historical process of region formation, which contributed to the transformation of its power structures, whereby informal relations constituted by endogenous area's potential ("bottom-up") were superior to the bureaucratic machinery of the institutional apparatus of the state.

III METHODOLOGY

As sources of inspiration for the survey serve various theoretical studies, focused on national and cultural identity, national pride and identification of inhabitants with local administrative units and social groups. In regard to Heřmanová and Chromý (2009), Shamai and Kellerman (1985) or Hall (1980), folk customs and traditional rural (folklore) festivals can be considered as the primary indicator of the identification of inhabitants with their cultural heritage and cultural-historical potential of the region. The chosen questions were adapted, respecting the works of Vondrušková (2000), Heřmanová (2008), Zemánek (2003) and the theoretic-methodological concept of regional institutionalization stated by Silverman (2000), Lagendijk and Cornford (2000).

The basic assumption of this research was the compilation of a set of questions dealing with the identification of respondents with the region, place and social groups, as well as self-reflection of inhabitants regarding cultural-historical potential of the specific region. The completion of data, gathered during the

survey with the (working) title "The Identity of Slovak regions", was realized from May 15, 2011 until September 15, 2011. The target group consisted of local deputies that had been elected to parish, municipal and local councils in 2010 and the exact number of aldermen was 21 020 (Statistical Office of the Slovak Republic, Election Statistics, November 28, 2010). While it would not have been possible to realize personal interviews using PAPI ("paper and pencil") method with such an extensive ensemble of respondents, we decided to apply a less complicated form of the online questionnaire. Therefore, the next indispensable factor for functional categorization was the availability of active email addresses of local deputies. To the active email addresses of aldermen, published on municipal and city websites and provided by local (parish) councils were sent 9 547 online questionnaires. We obtained responses from 2 114 council members – 22.1 %. Considering the extent and character of the target group, a set of close-ended questions was preferred.

The results of previous research correspond with the questions stated into the survey, which were (in accordance with the concept of the new regional geography) oriented on social relations, cultural structures and/or organization of autochthonous, allochthonous, urban and rural population in the Slovak self-governing regions. Consequently, the basic set of entities was divided into four categories

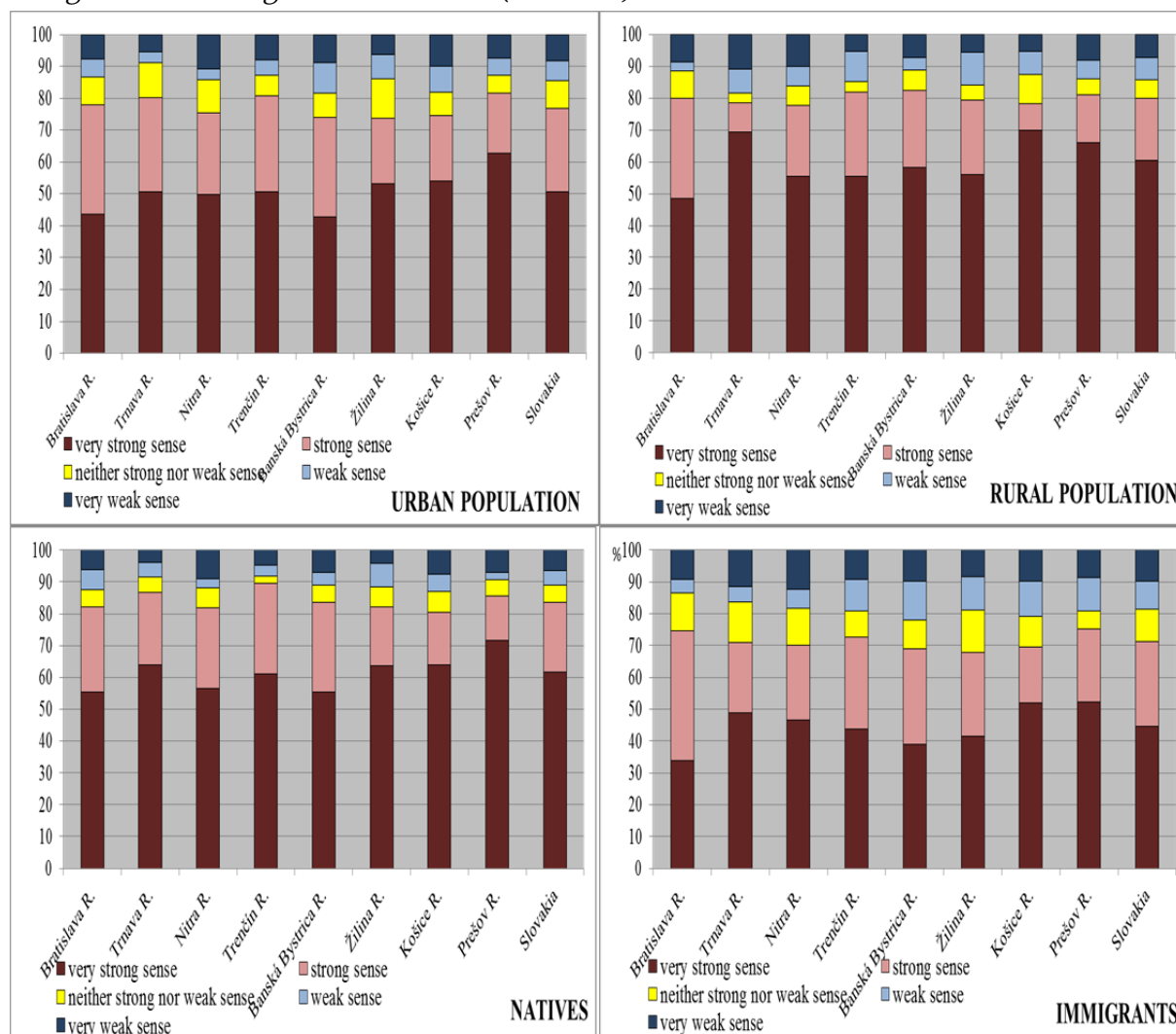
according to the identification of respondents with a particular region or place, as follows: the collective identity of autochthonous (the natives), of allochthonous (the immigrants), urban and rural population of the self-governing regions at Slovakia.

IV RESPONDENTS' AND ITS RELATION TO THE DIFFERENT HIERARCHICAL TERRITORIAL ADMINISTRATIVE UNITS

The subhead identifies the respondent's relationship to particular territorial units according to the distribution of responses which were linked with the sense of patriotism to the rural / urban area, district, region, Slovak republic and to the European Union. The wording of the question is: Put in order your sense of patriotism, from 1 point (strong feelings) to 5 points (weak feelings); i.e.: "Primarily, I am inhabitant of our": (A) the rural / urban area, (B) the district, (C) the county, (D) Slovakia (E) of the European Union.

Respondents expressed the highest degree of sympathy at the local level - specifically to the rural / urban area. As can be seen in the Figure 4, in the responses of natives and rural populations can be observed very strong feeling in the rural / urban area. A positive attitude (very strong feeling) to the rural / urban area expressed at the national level 61.5% of natives and 60.4% of the rural population.

Figure 1 Collective identities and their patriotism relationship to the rural / urban area – self-government regions in Slovakia. (n = 2 114)



Source: The database of questionnaire survey.

It has been shown that respondents living in the place of permanent residence since their birth and rural populations have shown very strong, respectively strong feeling for their permanent residence. We assume that the mentioned links related to the residence are connected, to a certain extent, with the place of childhood and respondents' family as for rural area is typical predominance of autochthonous population, in contrast to urban settlements. For a rural population is the rural area understood as a home, where

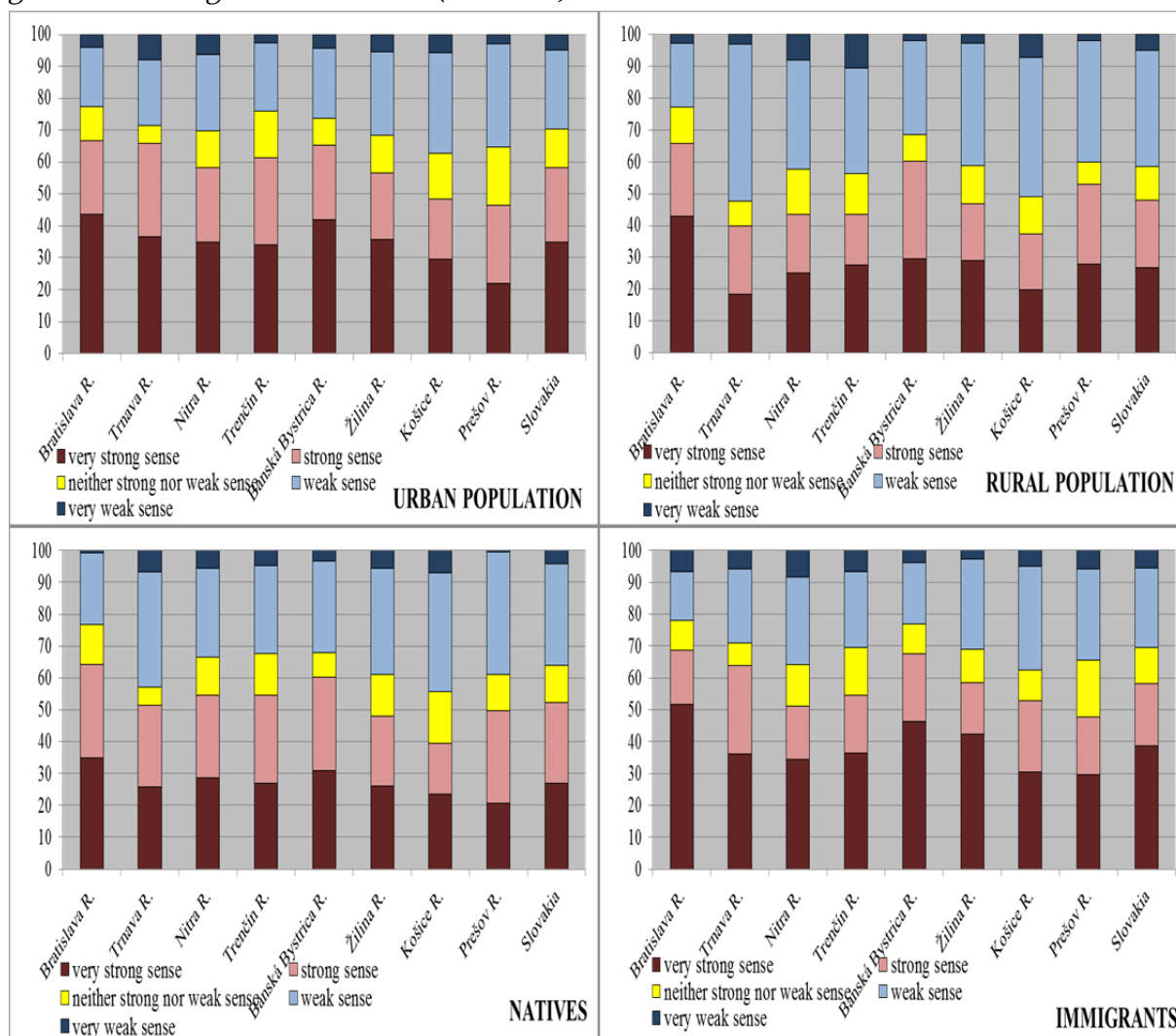
the main role has family and contacts with neighbours.

Slovak Republic was the second hierarchical group of the most important territorial unit to which respondents expressed their sympathy – patriotism. The diversity of religious and ethnic structure, as well as perceptions of the state as a complicated social-territorial complex, affected the level of patriotism, understood by collective identity population. Once again, we can see the difference of the relation to the territory by a vertical cross-section of collective

identities in the perception plane: natives - immigrants, urban - rural population. At the national level, the highest value reached (very strong feeling of belonging and patriotism in

Slovakia) immigrants (38.6%) and urban population (35.0%), in contrast to the natives (26.9%) and rural population (26.7%). The individual differences between collective identity shows Figure 2.

Figure 2 Collective identity and their relationship to patriotism in Slovakia - self-government regions in Slovakia (n = 2 114)



Source: The database of questionnaire survey.

By comparison of graphs of collective identities and their relationship to Slovakia, we can easily identify “core area” of national patriotism (light colour - very strong feelings), which is defined by Bratislava region, Banská Bystrica region and Žilina region (Figure 2).

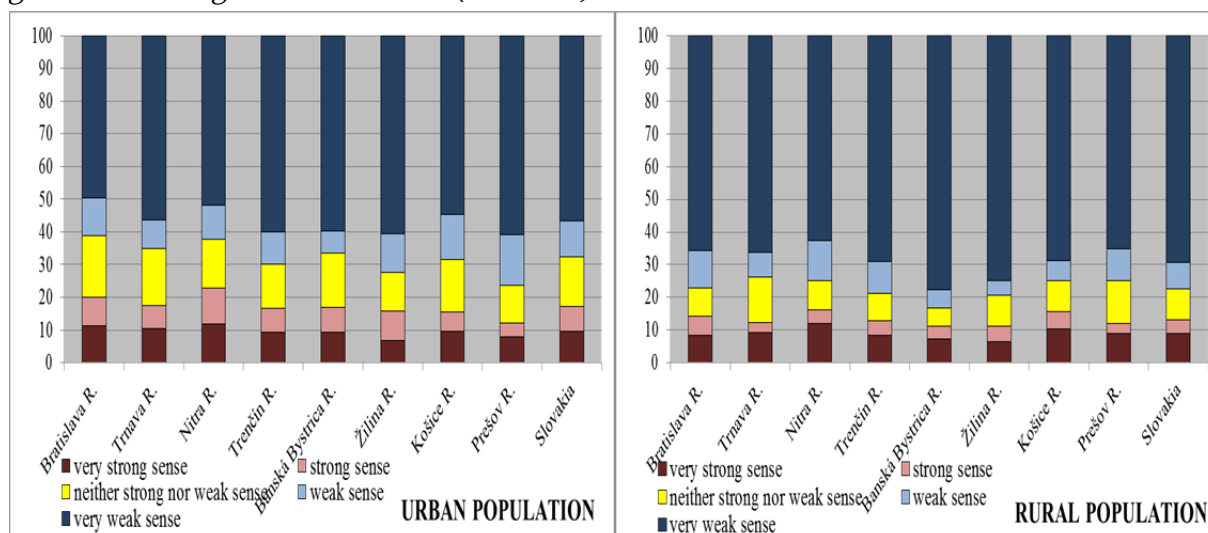
With sufficient distance from the local (the rural / urban area) and national (state) patriotism, we can observe the elements of transnational and European identification of respondents. Abreast of collective identities, at the observed level in Slovakian immigrants (11% of respondents have a very strong sense of patriotism towards a united Europe) and

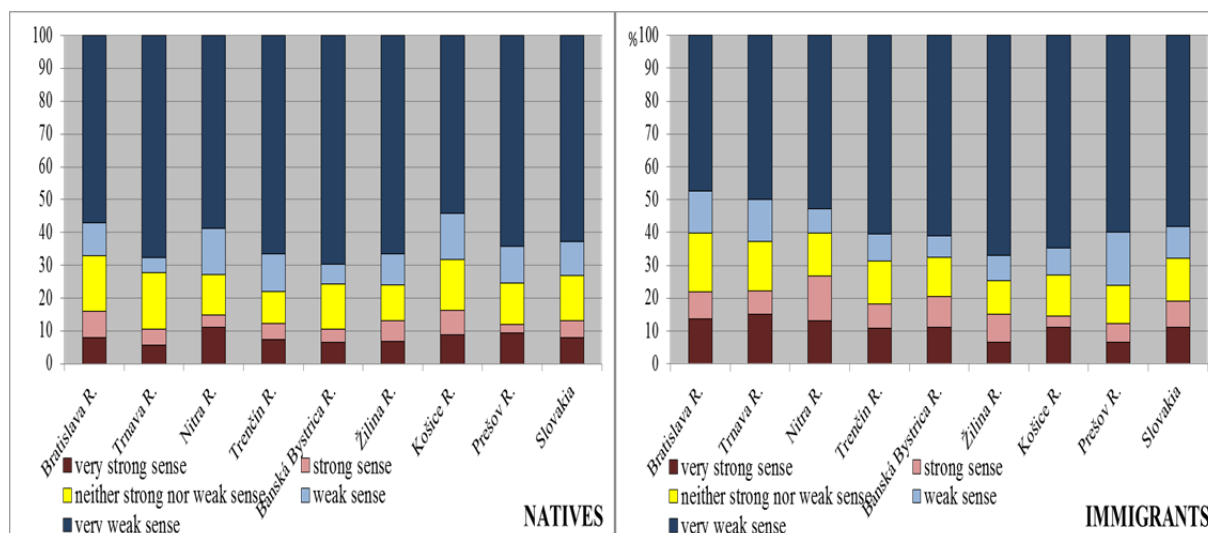
the urban population (9.6%), there is noticeable identification with “European patriotism.”

Within the all four collective identities, Bratislava region and Nitra region (taking into account very strong, strong and medium feeling of respondents to a united Europe) act as the most ideal project for culturally heterogeneous and pluralistic Europe. In the case of Nitra region, “the European patriotism” is affected by marginal position within the frame of Slovakia with dominating Hungarian minority, which does not identify itself with the Slovak national nationalism. The Hungarian minority sees the maintenance of own identity,

language, culture, tradition in a united Europe - Europe's regions and cross-border cooperation. Respondents of the most developed region in Slovakia are able to imagine a connection of national interests with European values. Attractiveness of geographic location, economic background, as well as the localization of multinational corporations, institutions and political system of the country predetermine Bratislava region for closer cross-border and international cooperation (e.g. New golden triangle Bratislava - Vienna - Brno), which will be reflected in the swift acceptance of European norms and values (Figure 3).

Figure 3 Collective identities and their relationship of patriotism of united Europe - self-government regions in Slovakia. (n = 2 114)





Source: The database of questionnaire survey

Identification through the personal experience can be, in case of respondents from Bratislava region, a key aspect of identification with European identity – a personal contact with “Europe” (travelling, working, studying, languages) our individual sense of unity (reflection of Europe as a home).

V CONCLUSION

The main aim of this article is to contribute to a discussion about the concept and meanings of the socio-cultural identity as the multidisciplinary entity in the social sciences. We try to outline the impact of (so-called) soft factors on the constitution of social and cultural identity in the self-governing regions at Slovakia. In the centre of this research stays the statistical analysis of regional identity of Slovak self-governing regions, based upon the own questionnaire survey.

In the study, we focus on the identification of relationship between the collective identities of representatives of local elites, and the cultural heritage and socio-cultural

potential of a region. The principal objective is to consider spatial differentiation of the place of residence perception by collective identities at the level of self-governing regions, examine different manners of collective identities in terms of local pride, and to reflect the social life in the respondents' place of residence.

Very strong sense of patriotism from all territorial units was recorded in the lowest territorial administrative unit – the rural / urban area. Almost 55% of respondents in Slovakia identified the rural / urban area as a territory to which possesses the highest sympathy, followed by the Slovak Republic (32.2%), a united Europe (9.4%), region (4.3%), and district (4.0%). Individual results confirm the hypothesis 1, which deals with varying degree of identification (sense of patriotism) of collective identities with different territorial administrative units.

Opinions of respondents were greatly influenced by emotional aspect as well as their own experiences, eventually by

experiences on various hierarchical levels of the territorial administrative division of Slovakia. The sources of our research can be useful for further study of regional identity, which depends on the cultural, historical and natural specificities of regions which create a mosaic of existential space of their inhabitants.

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EGTC as a Stimulus for the Development of Slovak Border Regions

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Abstract: The article deals with an issue of the development of cross-border cooperation in the border regions of Slovakia. Within regional structures of Slovakia, border regions are predominantly peripheral regions in which a number of reasons and types of peripherality accumulate. The main aim of the article is to highlight a new institutional form of cross-border cooperation - EGTC (European Grouping of Territorial Cooperation), which has been created in the now ending EU programming period 2007-2013, in the context of European territorial cooperation and its functioning in conditions of the Slovak border regions. The paper characterizes EGTC as a tool for participation of border regions in the development of cross-border cooperation, one of the priorities of EU regional policy. It gives the genesis of the EGTC with Slovak border regions, their current status and on the example of EGTC Tatry it points out the complexity of the process of creating of such a grouping and its basic attributes. We reflect upon the level of development of Slovak cross-border regions as well as upon the extent to which the activities within the framework of the Euro-regions and EGTC are stimulating for the development of these regions.

Key words: EGTC, Euro-region, cross-border cooperation, border region

I INTRODUCTION

The growing importance of territorial cohesion within the EU regional policy in the programming period 2007-2013 indicates the existence of its very own objective - European Territorial Cooperation. One of the priority areas of this objective is cross-border cooperation on internal and external

borders of the EU, aimed at strengthening of the collaboration between local and regional communities, as well as at social, economic and cultural development of the border regions. Due to financing of cross-border activities from EU funds (mainly from ERDF), development of cross-border cooperation and its

institutionalized subjects – Euro-regions is much more dynamic, which is reflected in an increasing importance of such activities in the regional development of an integrating territory stretching over state borders. Such situation has required preparation and subsequent implementation of a new instrument of cross-border cooperation – EGTC, whose task should have been an elimination of some of the barriers of Euro-regional cooperation and streamlining of its operations.

The paper focuses on the establishment of EGTC within Slovak border regions. To obtain the information on the current state and prospects of EGTC, we used not only the websites of individual cooperation groupings, but also a questionnaire and an interview, both of which were addressing EGTC representatives operating in the Slovak border regions. Reagent rate was quite low - only about 30 %. Obtained results should therefore be seen as specific examples without our ambition for broader generalization.

II EURO-REGIONAL COOPERATION AND SLOVAKIA

Cross-border cooperation has been a part of the integration processes in Europe since the end of the 1950's. In the beginning, there were informal debates aimed at mutual understanding, elimination of consequences of wartime inheritance as well as at social, cultural and economic development of border regions. These contacts and following activities that were crossing barriers in the form of state borders have been

gradually expanded and deepened, which has also led to their qualitative shift - from informal cooperation of representatives of local and regional authorities to gradual institutionalization into more or less integrated structures. In Central Europe, and thus also in Slovakia, the most common forms of these structures are the Euro-regions. Their establishment dates back into the 1990's and the first decade of the 21st century. Despite the support of regional cooperation and cross-border cooperation development at European level, establishment of Euro-regions in Slovakia was limited by rejecting attitude of Slovakian political representation as well as by the lack of laws on the development of cross-border cooperation and creation of Euro-regional structures in our legal system (Halás 2007, 24).

This was reflected by the existence of only two Euro-regions, in activities of which leaders of Slovak border region participated – i.e. the Carpathian Euro-region (1993) and Euro-region Tatry (1994). After the change of the government and the adoption of international treaties and conventions constituting the legal framework for cross-border cooperation (Rajčáková 2005, 75), these favourable conditions have resulted in a "boom" of Euro-regions - in the period from 1999 to 2001, the majority of Slovak Euro-regions was formed (9 out of 11). The time delay in comparison with the development of Euro-regions in the Western and Northern Europe was caused by the different political development in this part of European continent and has

affected some distinct features and specifics of their functioning. Slovakian Euro-regions (represented by national associations) were characterized by a low degree of institutionalization, by the absence of clearly defined position in the cross-border cooperation or as the actors in regional development, as well as by insufficient funding and staff capacity (Világi et al 2006, 31). Euro-regions have obtained significant support in the form of funding of activities, projects, programmes and strategies of cross-border cooperation from the European Union and its institutions (Phare CBC, Interreg IIIA, operational cross-border programs within the European Territorial Cooperation objective). Comprehensive analysis of the establishment of Euro-regions in Slovakia was elaborated by Halás (Halás 2007).

Despite undisputed positive impact of the activities within the Euro-regions on the regional development in usually peripheral regions (with the exception of the border between Slovakia and Austria) that are divided by the state border with an accumulation of several problems of economic and social development, some barriers limiting the status and opportunities of Euro-regions to develop cooperation with other actors at the local and regional levels operating in the border region have remained. Increase in the efficiency of cross-border cooperation, the qualitative change in its internal structures (acquisition of legal subjectivity and related responsibilities - including reducing bureaucracy) as well as changes in the external ones

concerning mutual relations with state and European authorities and institutions based on partnership were the main reasons for the implementation of the EGTC as a tool of EU regional policy.

III EGTC IN EUROPE AND IN SLOVAKIA

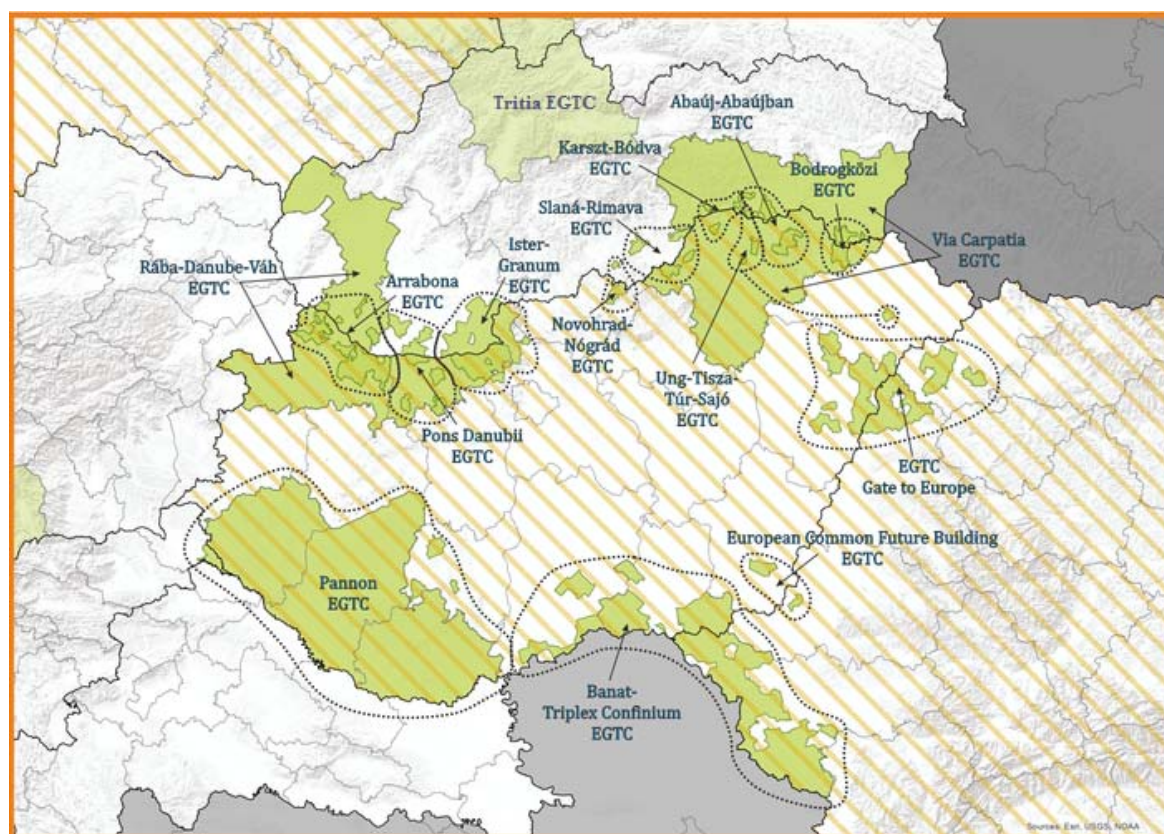
EGTC is defined as a new legal instrument that allows public entities from various countries to create a formalized collaboration groups. It was introduced in 2006 (Regulation (EU) No 1082/2006 of the European Parliament and of the Council on EGTC), in Slovakia it came into effect since 2008. These new groups differ from the majority of previously existing structures of cross-border cooperation in terms of gaining their own legal subjectivity according to EU law. Gabbe and Ramirez (2013) point to the fact that before 2006 it was considerably complicated to establish CBC structures based on the public law. There were only a few of this type of Euro-regions along the border of Germany, the Netherlands and Belgium, respectively in the border region of the Upper Rhine. This was enabled by interstate bilateral and multilateral agreements (e.g. the Anholt Treaty between Germany and the Netherlands, or Karlsruhe Treaty among Germany, France, Luxembourg and Switzerland). There is practically no fundamental difference among these Euro-regions and EGTC. EGTC therefore allows creating groupings of authorities of different EU member states without signing international agreements

ratified by the particular national partners.

First EGTC were established in Europe in 2008. The very first grouping was Eurométropole Lille - Kortrijk - Tournai EGTC in the Franco-Belgian border. At the end of 2012, the Committee of the Regions Register has recorded 32 EGTC. From the geographical point of view the majority of EGTC were created in a group of countries - Hungary, Slovakia,

Romania (12 EGTC), mainly due to dynamic development of the Hungarian border (Pucher et al 2013, 5). Followed by another group of countries - Spain, Portugal, France (7 groupings) and the group of countries - France, Germany, Belgium (5 groupings). In the region of Central Europe Ister-Granum on the Hungarian-Slovak border became the first established EGTC, registered in November 2008.

Figure 1 EGTC in Slovakia (as of August 31st, 2013)



Source: http://cesci-net.eu/tiny_mce/uploaded/Europa_EGTC_ENG1_6.png

The aim of the establishment and functioning of the EGTC is not only cross-border cooperation but also two other levels of cooperation under the European territorial cooperation objective - interregional and transnational cooperation. Main activity

of these groups is the implementation of projects that can be supported by the EU (mainly ERDF funds), but also by the programmes outside the EU. In the new programming period 2014-2020 EGTC is seen as a key instrument of territorial cooperation. Most EGTC have wide-

ranging activities, and there is not a specified area of their operation, but the main objective is the development and implementation of joint projects with a financial support from EU funds. Projects of Hungarian-Slovak-Romanian group are oriented on regional development with a focus on infrastructure, entrepreneurship, tourism development and protection of natural and cultural heritage. The focus of the Franco-Belgian-German group is to define spatial planning, urban development, and also to promote cooperation in culture, education and sport (Pucher et al 2013).

The emergence of EGTC in Slovakia is related to the adoption of the Act No 90/2008 Coll. on European Grouping of Territorial Cooperation and the supplement to the Act No 540/2001 Coll. on State Statistics, as amended. Since 2008 the constitution of the EGTC in Slovakia has begun. As of September 2013, the Committee of the Regions Register has recorded (Decision No 114/2012) 12 functioning EGTC with a participation of Slovak partners, though only three of which were registered in Slovakia (their statutory office being in Slovakia as well).

The ways in which EGTC in Slovakia have been created can be divided into the following variants:

1. Transformation of existing Euro-regions to EGTC (e.g. Ister-Granum, Kras-Bodvaetc.),
2. Creation of EGTC as a new form of cross-border cooperation without previous cooperative structures in that area such as Euro-region or

working community (e.g. TRITIA, Arrabona etc.),

3. Another form of establishment (e.g. EGTC Tatry) using good experience and contacts from Euro-regional cooperation.

The best conditions for the formation of an EGTC are along the Hungarian border (Figure 1). It is connected with a number of positive factors: the length of the border, high proportion of the Hungarian population, physical geographical conditions and support of cross-border cooperation by the Hungarian government including financial funding, complete coverage of the border regions by the functioning Euro-regions, while in Slovak-Hungarian border regions are some of them territorially overlapping. The result is a formation of 11 EGTC clusters in this area, but the majority of them (8 EGTC) were registered in Hungary. Besides these groupings, there is only one more officially registered EGTC - TRITIA in Slovak-Polish-Czech border. Its specific feature is the fact that the association itself was founded by representatives of regional authorities (NUTS level III) of three neighbouring states. EGTC Tatry in Slovak-Polish border is in the final stage of its registration in the Committee of the Regions Register. An overview of EGTC functioning in Slovakia is shown in Table 1.

Table 1: EGTC in Slovakia (as of September 10th, 2013)

No.	EGTC (abbreviation)	Seat	Member States	Date of Establishment
1	EGTC Ister-Granum	Esztergom, HU	HU/SK	November 12 th , 2008
2	EGTC Ung-Tisza-Túr-Sajó	Miskolc, HU	HU/SK	January 15 th , 2009
3	EGTC Kras-Bodva	Turňa nad Bodvou, SK	SK/HU	February 11 th , 2009
4	EGTC ABOV in ABOV	Miskolc, HU	HU/SK	June 11 th , 2010
5	EGTC Pons Danubii	Komarno, SK	SK/HU	December 16 th , 2010
6	EGTC Arrabona	Győr, HU	HU/SK	June 7 th , 2011
7	EGTC Rába-Duna-Vág	Tatabánya, HU	HU/SK	December 10 th , 2011
8	EGTC Novohrad-Nógrád	Salgótarján, HU	HU/SK	December 21 st , 2011
9	EGTC BODROGKÖZI	Miskolc, HU	HU/SK	April 11 th , 2012
10	EGTC TRITIA	Cieszyn, PL	PL/CZ/SK	February 25 th , 2013
11	EGTC Slaná-Rimava	Putnok, HU	HU/SK	April 3 rd , 2013
12	EGTC Via Carpatia	Košice, SK	SK/HU	May 31 st , 2013
13	EGTC Tatry	Nowy Targ, PL	PL/SK	in process of registration

Zdroj: portal.cor.europa.eu

Based on the conducted interviews and information from questionnaires filled out by the representatives of EGTC operating also in Slovakia, we tried to determine the benefits, and possibly the barriers of the functioning of the EGTC compared to Euro-regional structures. First of all, a change in the status of EGTC, which is now recognized as a separate legal entity on both sides of the border, and what enables development of border regions on both sides of the border in an integrated manner, was evaluated very positively. In order to achieve the planned development objectives in the area, it is possible to set up and run own institutions and businesses, buy property, employ people and so on. The fact that that the grouping acts as one cross-border entity, which means a joint budget as well as joint managing authorities etc. is seen as a further benefit. The difference between individual national laws is

perceived as the greatest barrier to mutual collaboration. EGTC is a good tool for an implementation of joint projects, but the sustainability of the project results requires establishment and functioning of various institutions. However, running of these institutions encounters an obstacle which is in the divergence of national laws, for example in the field of public health, public transport system etc. There is also a criticism on ambiguous and controversial wording in the Regulation (EU) No 1082/2006 of the European Parliament and of the Council on EGTC, and many requirements for its revision.

IV FROM EURO-REGION TO EGTC TATRY

At the time of preparation of this paper, final steps in the formal registration of a new cluster in Slovak-Polish border - EGTC Tatry Ltd were carried out. Its

establishment is as a result of well-working cross-border cooperation in this territory within the Euro-region Tatrý, officially created in 1994. It represented a complementary civil path to European integration at the time when none of the both states was a part of the EU (Związek Euro-region Tatrý 2013, 62). From the very beginning, the Euro-region has had a very dynamic structure that has changed its territorial scope and has accepted new members. The Euro-region has formed itself into the body with a high level of integration and functional organizational structure. In the relatively wide range of activities, the projects of cross-border cooperation in cultural, sporting and educational areas dominate. Economic development and tourism especially in the so-called "hard" (infrastructure investments) and "soft" cooperation projects (organization of conferences - e.g. economic forums, exhibitions etc.) presents an important cooperation field. The main attention is focused on the implementation of micro-scale projects – i.e. low-budget projects serving for the convergence and mutual understanding of people living in the border regions, by what one of the main ideas of cross-border cooperation is put into effect (Lewkowicz 2013, 159).

Since 2008, the participating parties have agreed on the idea to transform the Euro-region Tatrý to a grouping of territorial cooperation. In the process of its creation, the project "From Euro-region Tatrý to EGTC" within the Cross-border Cooperation Programme SR - PR 2007-2013 was prepared and implemented. After bilateral

negotiations a mutual joint agreement was achieved to create the EGTC Tatrý, members of which would be the Association Region Tatrý for the Slovak side and Euro-region Tatrý for the Polish side. For the seat of the grouping, Nowy Targ was selected, thus the country of its registration has become Poland. This decision reflected a pragmatic reason - in particular, the experience of cross-border cooperation and its management as well as the fact that Cross-Border Cooperation Programme SR - PR 2014-2020 will be controlled by the Polish government. EGTC has a wide range of areas of cooperation; therefore, it is not specifically focused on a particular project. Basic documents of this grouping such as the Convention and the Statutes were gradually adopted in the course of 2013 and with the consent of the Government of Slovak Republic on the establishment of EGTC Tatrý and its registration at the Ministry of Foreign Affairs of the Republic of Poland, basic conditions of its creation were fulfilled. Its ambitions are associated with obtaining the financial support in the new programming period, including the financing for large investment activities, what could not be achieved within the system of Euro-regional cooperation. One of the goals is to empower the status of EGTC as a relevant entity and partner of governments for the solving of strategies and concepts for the development of the border regions (Związek Euro-region Tatrý 2013, 171). For the next period, there will therefore be two entities of cross-border cooperation standing and operating simultaneously – Euro-region Tatrý as well as EGTC Tatrý.

V CONCLUSION

In the development of cross-border cooperation in the conditions of Slovak border regions, delayed start of its actual functioning compared to neighbouring countries (Czech Republic, Hungary, Poland, Austria) is negatively reflected, mostly due to unfavourable political conditions that influenced the cooperation during 1990's. This fact has disadvantaged particular Slovak entities in the Euro-regions in the level of their competences, partner status, and thereby it has negatively affected the level of efficiency of Euro-regional cooperation. Unlike the already mentioned neighbouring states, the support of Euro-regions from the Slovak government is lower as well as their acceptance as an important subject not only in implementation but also in the development of cross-border cooperation strategies. This also corresponds with a process of EGTC forming - despite the relatively large number of existing EGTC on Slovakian territory (and also due to the size of Slovakia) only 3 out of 13 clusters have their official seats in Slovakia (EGTC Kras-Bodva, Pons and Via Danubia Carpatia).

Based on our findings, we can agree with the statement according to which EGTC presents a new impulse heading towards a new cross-border cooperation characterized by better quality and higher affectivity. Realization of EGTC potential is limited by more efficient cooperation and coordination of entities of cross-border cooperation at the local, regional and national level.

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Networking in regional development of the Prešov region in terms of clusters and cluster policy

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Abstract: In the paper we analyze clusters and cluster policy as one of the tools for the solution of regional development issues. We provide detailed characteristics of how the cluster policy works in Slovakia, whether it brings real and effective contributions to the regional development and if it is worthy to implement cluster policy in the given institutional, political, economic and social conditions. Based on the case study of (potential) clusters in the Prešov region, we argue that required preconditions for successful implementation of cluster policies in Slovakia are not met.

Keywords: innovations, networking, clusters, cluster policy, regional development, Prešov region

I INTRODUCTION

The paper presents a theoretical knowledge about clusters and its empirical application in the model territory of the Prešov self-governing region through the evaluation of potential for the formation of clusters. Taking into account the current aspects of regional policy in Slovakia and the European Union, we have tried to analyze networks as a potential source of development in the region. The main goal is the assessment of the potential of the Prešov region for the formation of industrial clusters.

The methodology of evaluation and geographic interpretation of networks formation is developed on the basis of a number of scientific procedures realized and used by authors in studies on similar issues (Stejskal 2007; Združenie pro rozvoj Moravskoslezského kraje 2004; RPIC 2005; Berman group 2012). The research was divided into three stages which resulted in the following summary.

II CLUSTER POLICIES - GENERAL DEFINITION, SLOVAK EXPERIENCE

The incorporation of clusters into economic and regional development was introduced by M. Porter (1990), who began to promote them as essential tools of industrial and regional policy and as one of the tools for achieving the competitiveness of regions and countries. Clusters are directly linked to the issue of innovation; they are an instrument of innovation policy. Even though, they cannot be perceived as a solution to all the problems of economy and regional development, they are definitely a driving force of economic growth and competitiveness. Porter (1998, 78) defines industrial or sectoral clusters as *“geographic concentration of interconnected sectors, specialized suppliers, service providers, firms in related industries and associated institutions, such as universities, agencies, trade associations and the like, which compete, but also cooperate; have common features, but also complement each other”*.

According to Pavelková (2009, 47) cluster policy can be defined as "a set of activities (programs, strategies, procedures, laws, regulations) aimed at achieving a particular or universal objective. These activities are usually carried out over several years according to a plan with an assigned budget". Development strategies must be based on the identification of potential or existing bases of competitive advantage of the region. Practically, this means that regional

policy has to create a framework for interaction, in which companies, organizations and public agencies are able to find a common solution, where information is exchanged, where the interactive learning is carried out and the relative regional advantages are developed and improved mainly by clusters (Pavelková, 2009).

In Slovakia, the formation of clusters is embedded in regional strategic and programming documents, such as Regional innovation strategy, Program of economic and social development, i.e. Cluster policy as such is still missing. There is no legislation that would direct the activities of clusters, define forms of cooperation with local governments and public administration, or financing. Individual institutions work separately and without coordination. The activity of clusters is currently funded only by members' contributions and from EU funds. The issue of clusters in Slovakia is under the auspices of the Slovak Innovation and Energy agency - SIEA. Representatives of some existing clusters established the Union of clusters in order to promote unify and enforce the common objectives. It has the ambition to be a partner for communication not only at national but also international level. Today, it associates 8 clusters and cooperates on the preparation of strategic documents in the field of cluster policy in Slovakia. For more detailed classification and evaluation of clusters in Slovakia see Némethyová (2011).

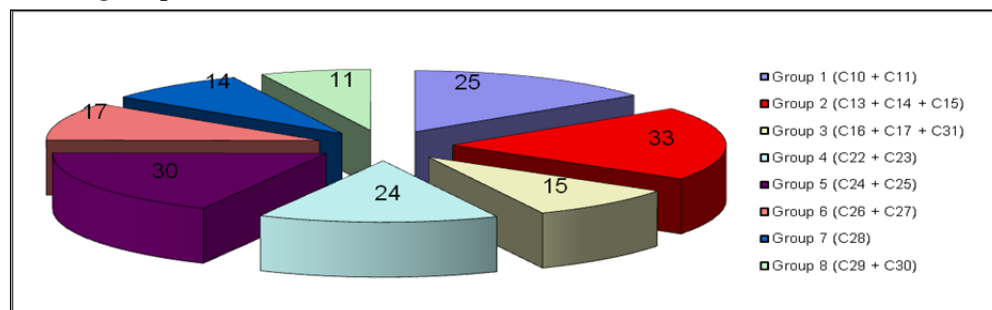
III DATA AND METHODS

We use both quantitative and qualitative methods to measure the potential for cluster formation. A 'top-down' statistical approach allows us to identify the industries suitable for the clusters development. We combine the following indicators - localization coefficient, coefficient of specialization and coefficient of dominance¹. The coefficients are calculated from employment data, which are relatively easily accessible and comparable across various branches of an industry. For the calculation of the localization coefficient we used the employment rates within sectors in 2010 involving all employees in the region. To calculate the specialization and dominance indexes, we used the data on employment in enterprises with 20 or more employees and all budgetary, subsidized and community organizations. Hard data came from the databases of offices and institutions active in the field of regional development and innovation (Regional administration bodies, Regional development agency and other) or

public interest (Statistical Office of the Slovak Republic).

The above mentioned statistical indicators may identify the potential existence of a cluster, but do not specify supplier-customer relations, mutual cooperation and networking of companies. Identification of a specialized industrial concentration does not guarantee the existence of a functioning cluster. Moreover, these indicators do not allow identifying intersectoral clusters. In order to minimize these shortcomings we used a qualitative bottom-up approach, based on the field research conducted in selected enterprises between 1st February and 30th April, 2012. The database of companies was provided by the Statistical Office in Prešov according to our pre-defined requirements. The sample consisted of 218 companies with 20 or more employees in industrial sectors with a significant cluster potential, which were selected according to the result of previous statistical analysis (see simplified Figure 1).

Figure 1: Structure of enterprises participating in the research according to merged sector groups.



Source: research results

IV RESULTS

We start with the identification and description of industries suitable for the

cluster development using the localization quotient (LQ), coefficient of specialization (S_{rs}) and the coefficient of dominance (D_{rs}) – see Table 1.

Table 1: Chosen indicators of evaluation of potential for clusters formation in the Prešov self-governing region in 2010

Industries by SK NACE	Number of employees		Indicators			
	Slovakia 2010	Prešov region 2010	Employment in sector	LQ	S_{rs}	D_{rs}
Manufacturing	322 299	26802	11.10%	-	-	-
Man. of food . beverages and tobacco products	30 190	4909	2.04%	1.42	1.88	0.18
Man. of textiles. wearing apparel. leather and related products	25 712	5493	2.30%	2	2.5	0.2
Man. of wood and paper products. printing	16 574	1623	0.68%	0.87	1.15	0.06
Man. of coke and refined petroleum products	2 471	0	0	0	0	0
Man. of chemicals and chemical products	8 271	652	0.27%	0.71	0.89	0.02
Man. of pharmaceutical products	2 201	D	D	D	D	D
Man. of rubber and plastic products	36 915	3551	1.48%	0.85	1.1	0.13
Man. of basic metals and fabricated metal products	48 512	2018	0.83%	0.37	0.47	0.08
Man. of computer. electronic and optical products	18 700	1131	0.47%	0.54	0.69	0.04
Man. of electrical equipment	24 036	1102	0.45%	0.4	0.52	0.04
Man. of machinery and equipment	29 888	2345	0.98%	0.7	0.9	0.09
Man. of transport equipmen	54 059	2691	1.12%	0.75	0.56	0.1
Other manufacturing	24 770	1287	0.53%	0.46	0.59	0.05
Average number of employees (enterprises with 20 and more employees)	1 250 925	108 691	-	-	-	-
Total employment	2 151 930	240 242	100%	-	-	-

Source: Statistical Office of SR, Nemethyova 2012

The highest potential for the cluster formation was found in the following manufacturing industries: textile, clothing and leather, food and beverages, pulp and furniture, rubber and plastic products, machinery and other equipment, transport equipment and components and electrical industries. In addition to these clearly defined industries, it is possible to establish intersectoral clusters which do

not correspond with the SK NACE classification.

Within the qualitative assessment of the potential for the development of cluster initiatives, we first tried to determine the level of respondents' awareness about this form of business cooperation and their knowledge on possible cooperation with companies with the same or similar value chains. We examined whether the interviewed representatives and leaders of

companies even knew what a cluster is and why the cluster effects should spur regional development. The survey results were not very positive. Even though the EU encourages and promotes clusters, the interviewed enterprises do not have sufficient knowledge and information about this issue. Only 31% of the total number of representatives knew what the clusters are and what their role is in regional

development and in the development of the enterprise itself. The largest share of enterprises that were interested in this issue, was recorded in the manufacturing and processing of plastics (54% of enterprises), production of motor vehicles and accessories (45% of enterprises) and manufacture of machinery and equipment (43% of companies), see table 2.

Table 2: Awareness of researched enterprises about the cluster issues

Do you know what a cluster is and what its role?	Enterprises in sector groups																Enterprises total	
	1. group		2. group		3. group		4. group		5. group		6. group		7. group		8. group			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
YES	5	20%	8	24%	2	13%	13	54%	9	30%	5	29%	6	43%	5	45%	53	31%
NO	20	80%	25	76%	13	87%	11	46%	21	70%	12	71%	8	57%	6	55%	116	69%
Enterp. total	25	100%	33	100%	15	100%	24	100%	30	100%	17	100%	14	100%	11	100%	169	100%

Source: research results

Representatives of 69% of enterprises heard this term for the first time and after the clarification of terminology, they claimed to be the members of such associations, but in fact these were not clusters. However, we could consider this cooperation as an eventual platform for future cluster initiatives and we should support already existing effort. The only real cluster, which was also confirmed by qualitative research, is the AT + R cluster. It involves the companies Spinea, Procont and Vukov Extra.

Low awareness about cluster issues is closely related to the resulting lack of interest in the membership in such associations. From 169 companies, only 41% would be interested in membership in a cluster. The largest proportion of companies willing to enter clusters has been found out in the sector of manufacturing of motor vehicles and

accessories (64%), where already exists developing cooperation of enterprises in this sector in Slovakia, presence of several major car producers and associated manufacturers and suppliers and existing cluster platform association Auto cluster. The second highest interest (59%) was in the sector related to the manufacture of computers, electronic and optical products and manufacture of electrical equipment, which has an important position in the region and is strongly progressive growth industry. Higher than 50% interest was proved among the enterprises in the production of furniture, where particularly in the area of Poprad and Kežmarok the companies declared already existing cooperation which should be developed (Table 3). The companies with an interest in

clustering are displayed in the map (see Appendix 1).

Table 3 Structure of researched enterprises according to sector groups and interest in clustering

Interest in clustering	Enterprises in sector groups																Enterprises total	
	1. group		2. group		3. group		4. group		5. group		6. group		7. group		8. group		No.	%
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%		
YES	7	28%	12	36%	8	53%	10	42%	9	30%	10	59%	7	50%	7	64%	70	41%
NO	18	72%	21	64%	7	47%	14	58%	21	70%	7	41%	7	50%	4	36%	99	59%
Enterp. total	25	100%	33	100%	15	100%	24	100%	30	100%	17	100%	14	100%	11	100%	169	100%
Willing to pay fees	6	24%	11	33%	8	53%	8	33%	7	23%	6	35%	5	36%	7	73%	58	34%

Source: research results

Secondarily, we examined whether the potential future cluster members were willing to pay membership fees in a cluster, as one of the most common ways of funding cluster initiatives in Slovakia. In this case, the interest in clustering even decreased. Only 34% of surveyed enterprises would be interested to enter cluster initiatives. If we divide them into cooperative groups defined by industries with similar value chain, in each group there is a potential of only about 10 companies that are willing and interested in cooperation and clusters. In comparison with cluster associations in Western Europe, the number of members in a potential cluster is very low and such clusters have insufficient economic potential and become less competitive on both national and international level. We encounter here the problem of unwillingness to cooperate, create partnerships and develop common platforms. Businesses behave as individual entities with their own existing strategy and paved way, which do not want to change and adapt to emerging conditions. This breaks the

basic principle of networking and existence of flexible and adaptive network partnerships that are successful way of proceeding. On the other hand, the few companies which are willing to engage in clusters, can serve as a basic platform for further development and attract new members, particularly on the basis of personal contacts of companies' leaders and associates.

In the interview, participants were also asked what they would expect of the newly formed clusters. Most of the respondents, in addition to other requirements, agreed on one point. Not only those who would be interested in clustering, but especially those who are no longer willing to participate, pointed out on the problem with the inefficient formal forms of cooperation that have existed previously in the form of various associations. They are not interested in cluster initiatives anymore because they are afraid that they will exist only "on the paper" and will not bring the real effects and benefits. Some companies have even claimed that: "in Slovak conditions such initiatives have no

chance to emerge and survive." Based on the conducted research, we have to admit that this is partly true. Businesses have no real interest to cooperate; and to change these opinions and mentality of leaders will be very difficult in close future.

Due to the thematic width of conducted field research it is not possible to evaluate the cluster potential exhaustively. Even though, we can state the following facts and arguments from the research:

1. It is very difficult, but not unrealistic to develop partnerships and clusters in the Prešov self-governing region. Enterprises have insufficient information about the possibilities of mutual cooperation. Only 31% of respondents knew what clusters are and what their role is. It is necessary to promote this form of cooperation and involve companies into existing cooperative associations. The most effective way is to attract enterprises by personal contacts and joint research topics that are often interdisciplinary and require a unique combination of partnerships across different disciplines. Cooperation of seemingly unrelated fields and different types of institutions will be necessary in the future. Structure of enterprises and the composition of actors with certain linkages create the character of economic development.
2. Subsidiaries that are parts of multinational groups are in terms of decision-making directly dependent on the mother company and cannot

be arbitrarily involved in cluster initiatives and similar associations.

3. The research has shown reluctance of businesses to cooperate with research institutions, universities, local and regional associations and competitors (ranging around 30%), and the resulting low probability of creating any partnerships.

V CONCLUSIONS

In conclusion, we can say that the results of quantitative and qualitative research are not completely identical. While the quantitative research defines the potential for clustering in seven key areas of production (see above) with the production of food, textiles, garments and plastics as the most significant sectors are, the qualitative research has brought exactly opposite results. Low innovativeness and improbability of clusters formation was shown exactly in food and textile industry, in the manufacturing of plastics and metal products, where the interest in clustering was around 30%. Despite the fact that these sectors are major employers in the region and represent a significant proportion of economic potential, they are not able and willing to create cluster partnerships. Especially in textile, clothing and plastics industries the enterprises are often the subsidiaries of foreign companies with low cluster potential and decision-making competences. On the contrary, the qualitative research confirmed high innovation potential and cluster potential in the manufacturing of vehicles and their components, electrical engineering, manufacturing machinery and equipment and also in

the manufacture of wood products and furniture. Furthermore, the companies in these sectors are more interested in cooperation, cooperate more often with universities and research institutions and also have their own research and development.

VI SUMMARY

The fact that networking and creating partnerships has positive influence on regional development and it increases competitiveness is unquestionable. At this stage, therefore, we must admit that we agree with the process of creating and defining clusters, as it is introduced by e.g. Pavelková et al. (2009, 83–130), and as it is currently applied and realized in Slovak and European regional policy. However, the emphasis should be placed mainly on the second part of clusters identification, and that is qualitative research. It is normally used only to supplement the results of quantitative analysis, but we perceive it as at least equal if not more important. It not only provides a lot of information about the potential cluster, but also gives an answer to the question whether there are sufficient regional conditions and mechanisms for its creation and whether its establishment is relevant and needed. Defining partnerships based on economic indicators and quantitative methods, their artificial clustering under some kind of institution is not efficient, since it ignores the existing informal partnerships, linkages and friendships. They appear in our previous research as more valuable and more effective. To join and get actors to work together

without their intrinsic motivation and interest in cooperative groups is at least ineffective, if not impossible.

ACKNOWLEDGEMENT

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NOTES

1. Localization coefficient defines the concentration of the given industry in the region in comparison to its level in the state. Coefficient of specialization defines the specialization of the region in the given industry in comparison to other regions in Slovakia. Coefficient of dominance defines the share of the given industry on total employment in the region and whether this share is enough for cluster linkages and spillover effects. See Némethyová, 2012.

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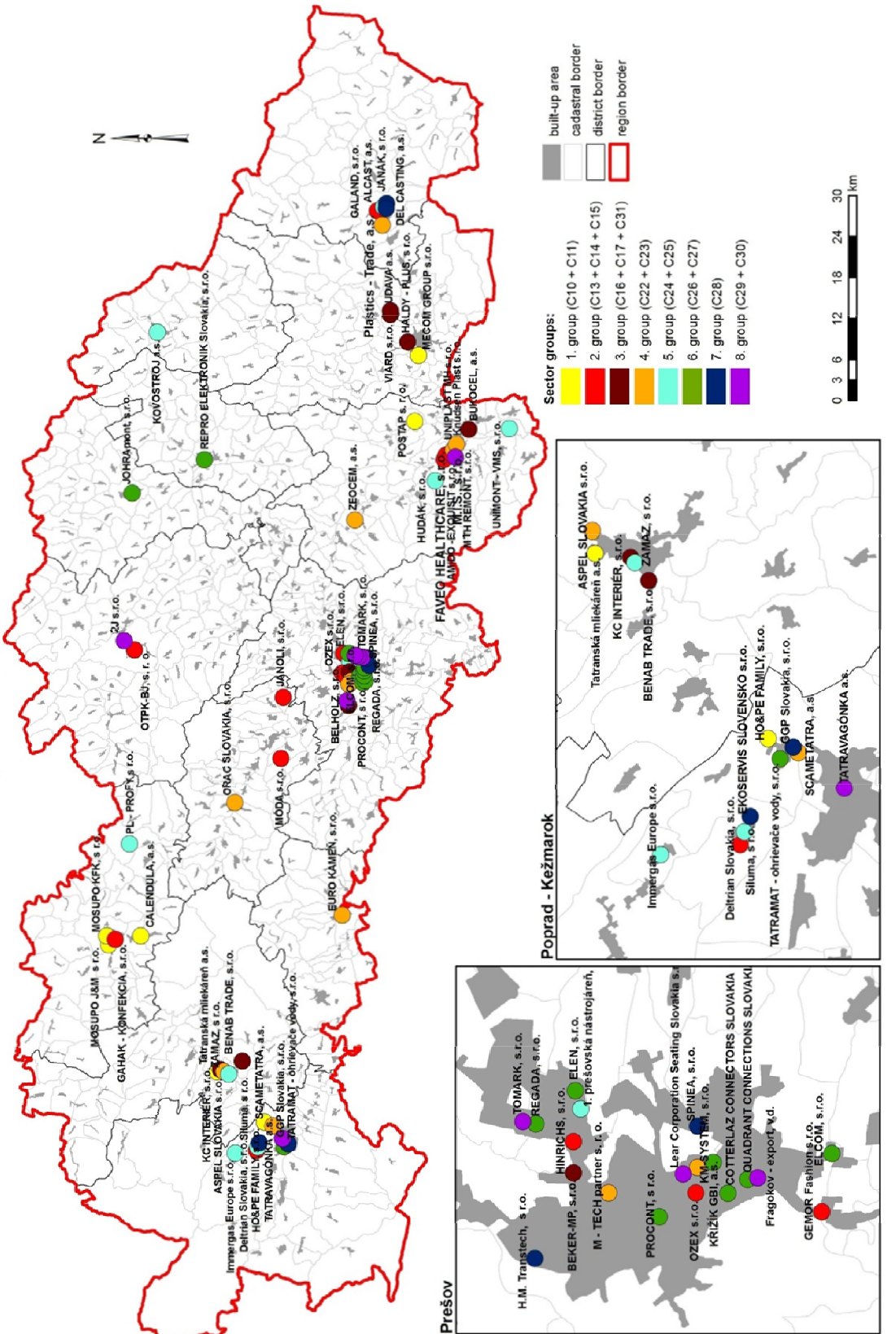
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Appendix 1

Structure of researched enterprises interesting in clustering according to sector groups

Authors: Harizal, Židová, 2013



The impact of driving forces of globalization on the nature of border effects in Slovakia

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Abstract: The paper analyses changes in the nature of border effects in the Slovak border regions that were initiated by the driving forces of globalization. It focuses on the period from the establishment of the Slovak Republic to the present. The author comes to the conclusion that the driving forces of globalization will have an impact on the changes in the border effects in Slovakia also in the near future. She points out that the changes in the nature of the Slovak-Ukrainian border and the relevant border effects will depend on the positions of the decision-making bodies of the EU, Ukraine, Russia, etc. to the accession of the Ukraine to the EU, or the NATO, and that border effects in the Slovak-Czech, the Slovak-Polish, or the Slovak-Hungarian border regions will change after the relevant countries adopt the euro.

Keywords: globalization, driving forces of globalization, border, border effect, Slovakia

I INTRODUCTION

The study aims to examine which driving forces of globalization were involved in the establishment and changes of the state borders of Slovakia from 1993 to the present and what impact these changes had on the nature of border effects that occurred in the Slovak border regions. In order to meet this objective, it employs the following procedure: firstly, it gives the definitions of the basic terms (border, border effect) and presents the typologies of borders and border effects used in the research analysis; secondly, it searches for manifestations of globalization that had

an impact on the establishment or change in the nature of the Slovak state borders from 1993 to the present and identifies driving forces of globalization behind these manifestations of globalization; thirdly, it studies the nature of the changes in the Slovak state borders initiated by the driving forces of globalization and how these changes in the state borders influenced the nature of the border effects in the Slovak border regions. In its conclusion the study outlines the prognosis of what factors may impact on the changes in the nature of border effects in the

relevant border regions in the near future.

II BORDER AND BORDER EFFECT – DEFINITION AND TYPOLOGY

There exist many definitions of the terms *border* and *border effect*¹. In this paper a border is understood in one of its narrow senses as a state border, i.e. a line or zone dividing two different countries. A border is a phenomenon

that changes over time². The changes of borders may be quantitative (e.g. relating to the length of a border) or qualitative (e.g. relating to the nature and functions of a border) in their character. Throughout the history there have developed various types of borders³. See the Table 1 for the typologies of borders which are used in this study to characterize the changes in the state borders of Slovakia.

Table 1 Selected typologies of borders

Criterion	Type of border
Border age	Relatively old
	Relatively new
Economic development of neighbouring regions	Symmetrical
	Asymmetrical
Border openness	Opened
	Partially opened
	Closed
Border permeability	Permeable
	Impermeable

Source: Elaborated according to Dokoupil 2004, 48-52 and Chromý 1999, 20.

By the term *border effect* I understand the impact of the existence of a border between two states that is observable in border regions. The nature of border effect is determined mainly by the type of a border, the function of a border, and the character of neighbouring

regions (Dokoupil 2004, 53).⁴ Depending on the combination and intensity of these factors, there may occur several types of border effects. The typologies of border effects relevant for this study see in the Table 2.

Table 2 Selected typologies of border effects

Author of the typology of border effects	Criterion/Criteria	Type of border effect
Graffoldo-Strassenberg (1974)	Border function	Barrier effect
		Contact effect
	Border relations	Peripheral effect
		Diffusion effect
		Potentially differential effect

Seger and Beluszky (1993)	Border relations (Contradictions of pair categories)	Area effect
		Continual effect
		Peripheral effect
		Skip effect
		Effect of Potential Difference
		Diffusion effect
		Political and historical effect
Martinez (1994)	Relations between neighbouring regions	Estrangement effect
		Co-existence effect
		Co-operation effect
		Integration effect
Dokoupil (2001)	Border openness	Permeability effect
		Filtration effect
		Concentration effect
	Border symmetry	Diversification effect
		Polarization effect

Source: Elaborated according to Dokoupil 2002, 33-35, 41.

III THE IMPACT OF THE DRIVING FORCES OF GLOBALIZATION ON THE NATURE OF BORDER EFFECTS IN THE SLOVAK BORDER REGIONS

The nature and the functions of a border as well as the character of neighbouring regions change under the impact of globalization process driven by its driving forces⁵. Such a change may consequently cause a difference in a border effect that occurs in a particular border region. The driving forces of globalization thus indirectly influence the nature of border effects.

The working of the above mentioned processes is illustrated below by the analysis of the impact of the driving forces of globalization on the nature of border effects in the Slovak border regions from the period of the establishment of the Slovak Republic in 1993 to the present.

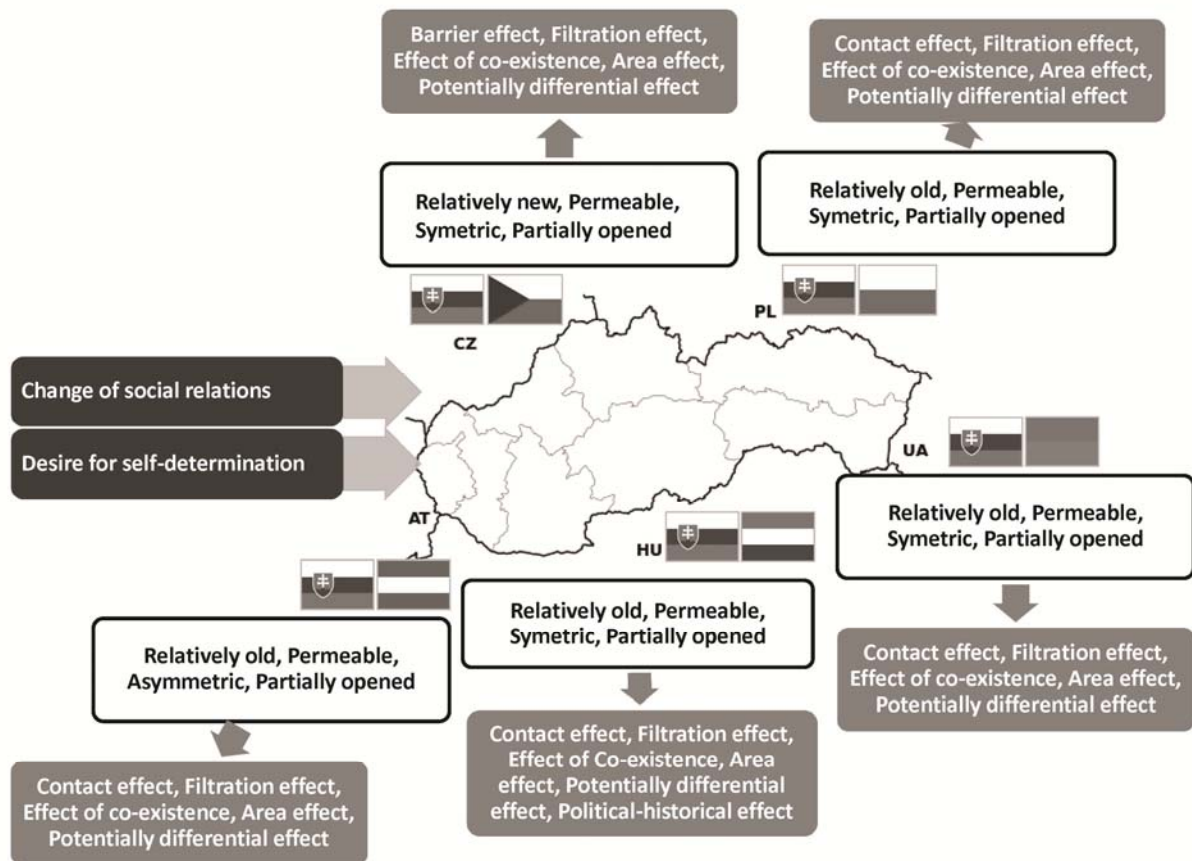
The establishment of the Slovak Republic itself was not a manifestation of the globalization process. It was the result of the process of disintegration, i.e. the dissolution of the Czech and Slovak Federative Republic (CSFR) into two independent states. However, behind the establishment of the Slovak Republic the working of at least two driving forces of globalization may be identified. Firstly, this process took place in the context of the global *changes of social relations* after the collapse of the Soviet Union, which gave rise to other independent states in Europe and Asia in approximately the same period of time. Secondly, the *desire for self-determination* was another driving force of globalization which had an impact on the rise of these independent states, including Slovakia.

In 1993 Slovakia shared its borders with the Czech Republic, Poland, Ukraine,

Hungary, and Austria. All of these borders were permeable, and partially opened. Except from the Slovak-Austrian border, they were symmetric. They were also relatively old, apart from the Slovak-Czech border, which changed from an administrative border to a relatively new state border in 1993⁶. In all Slovak border regions then occurred a filtration border effect, a co-existence border effect, an area border effect, and a potentially differential

border effect. In most of these border regions there also occurred a contact border effect, except from the Slovak-Czech border region, where a barrier border effect was present due to the change of the nature of this border from opened to partially opened one. Moreover, a specific political-historical border effect reoccurred in border regions along the Slovak-Hungarian border⁷ (see Figure 1).

Figure 1 Nature of the Slovak borders and the border effects in the Slovak border regions in 1993



Source: Author

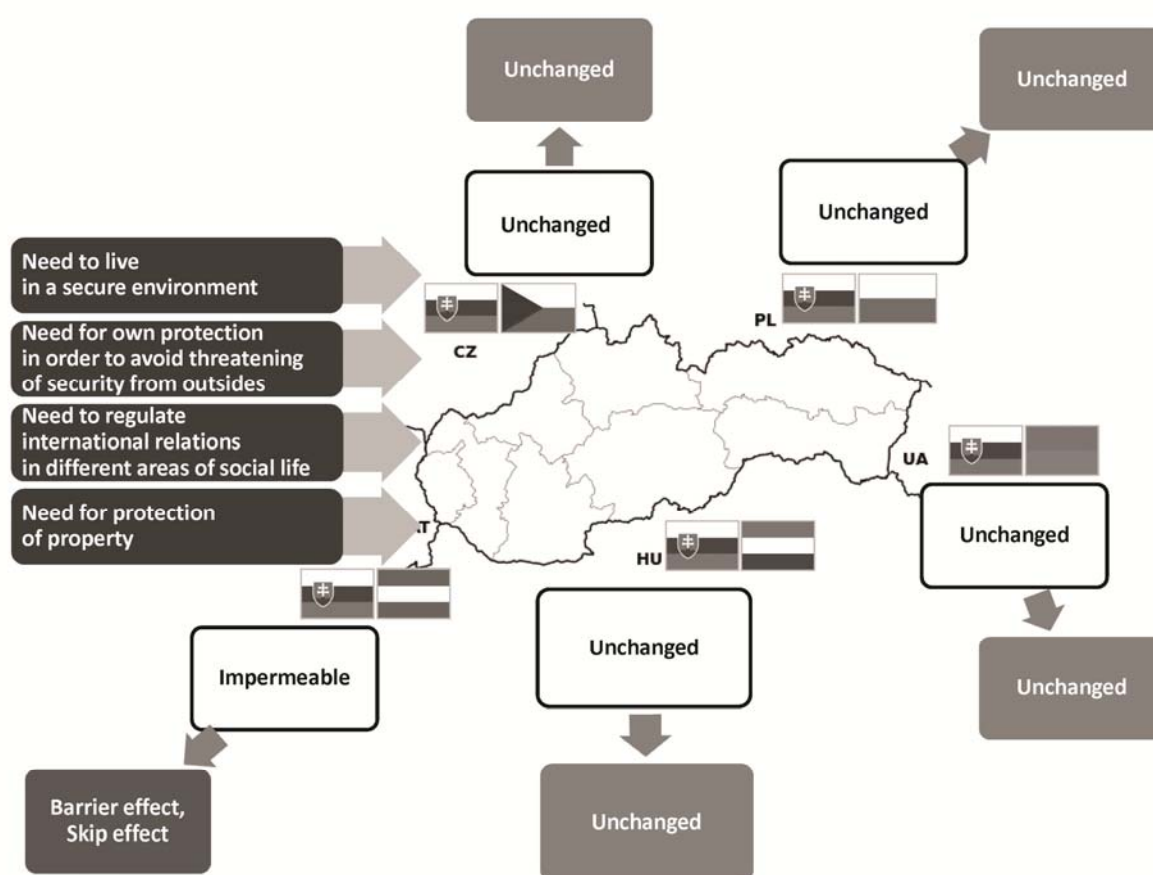
In 1995 the nature of the Slovak-Austrian border was changed by the entrance of Austria into the Schengen area. This enlargement process was driven by the following complex of the driving forces of globalization: *the need to live in a*

secure environment, the need for own protection in order to avoid threatening of security from outsides, the need to regulate international relations in different areas of social life and the need for protection of property. The

prevailing of these driving forces in the relevant decision-making bodies (especially the Austrian state authorities and the Council of the EU) and the following implementation of the enlargement had an impact on the change of the nature and function of the Slovak-Austrian border. The border changed from permeable into impermeable one and as an external border of the Schengen area it started to

function as a barrier. Consequently, the contact effect occurring in the border regions along the Slovak-Austrian border changed into a barrier effect. In addition, there also occurred a skip effect in the relevant border regions, for the human and material flows across the border mostly originated and finished in the capitals of Slovakia and Austria, which are situated very close to each other (see Figure 2).

Figure 2 Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in 1995



Source: Author

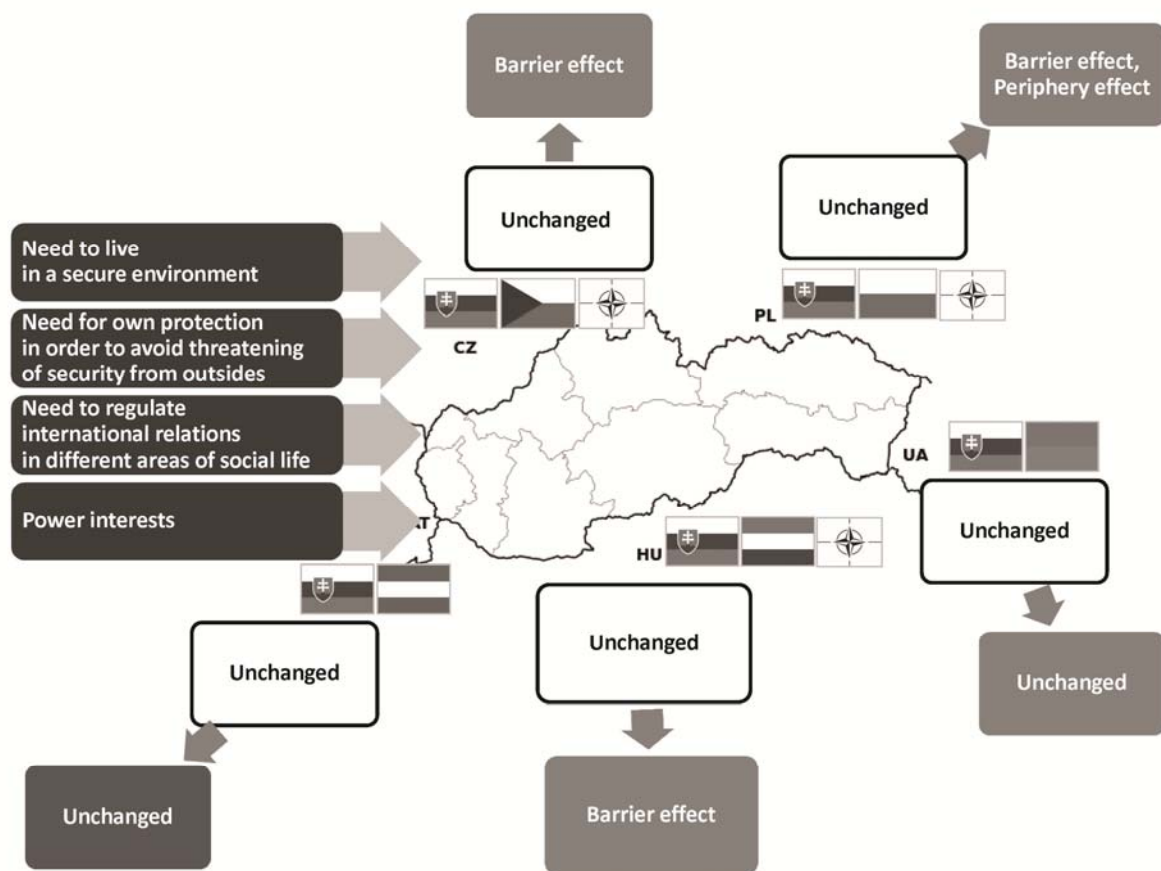
In 1999 the character of neighbouring regions along the Slovak-Czech, the Slovak-Polish, and the Slovak-Hungarian borders changed after the accession of the Czech Republic, Poland, and Hungary into the NATO. The

accession of these countries into the military alliance was driven by *the need to live in a secure environment, the need for own protection in order to avoid threatening of security from outsides, the need to regulate*

international relations in different areas of social life, and power interests. The successful applying of these driving forces, which manifested itself in the 1999 NATO enlargement, changed the political-security situation in Slovakia. Slovakia as a non-member country shared the larger part of its borders with the NATO member countries. Due to

this change, there occurred a barrier effect in the Slovak-Czech, the Slovak-Polish, and the Slovak-Hungarian border regions. In the north-eastern border regions of Slovakia there also strengthened a periphery effect, for their distance from the Slovak capital and imperfections in infrastructure (see Figure 3).

Figure 3 Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in 1999



Source: Author

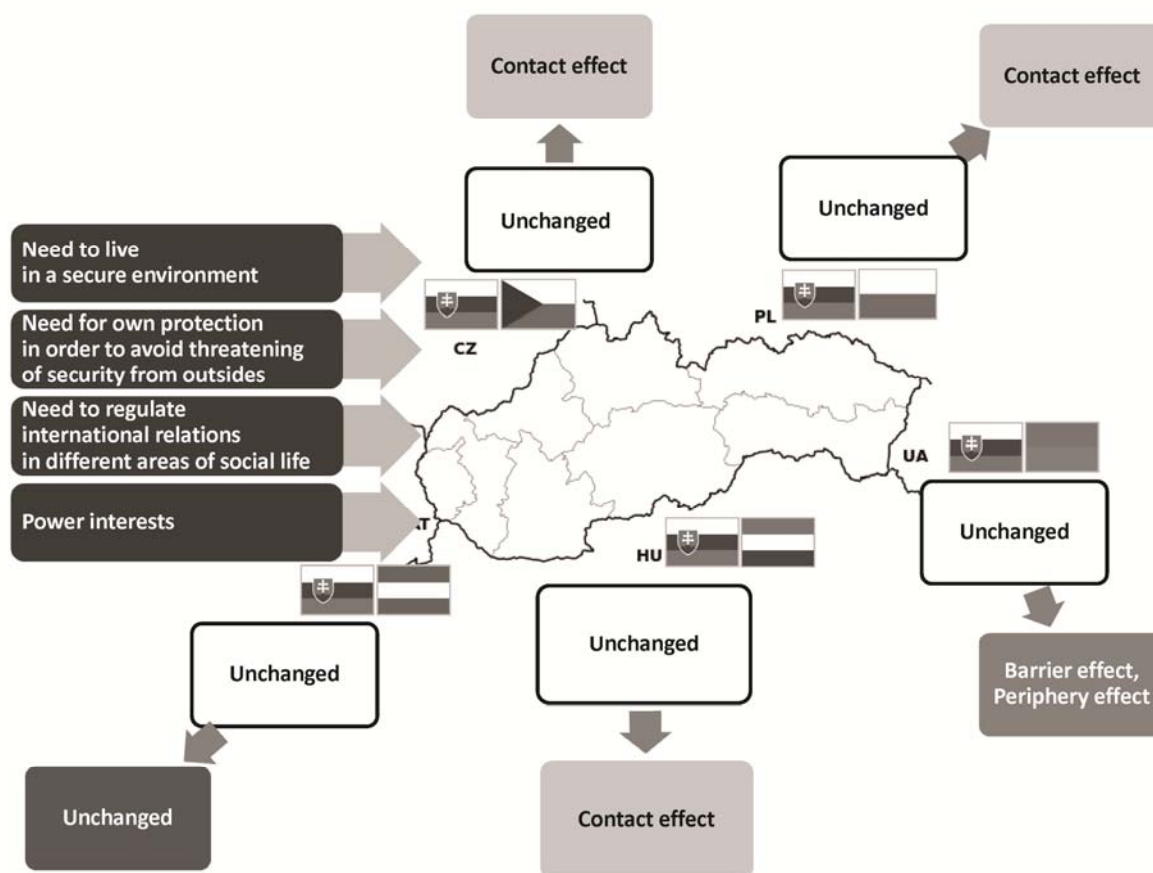
The nature of the border effects in the Slovak-Czech, the Slovak-Polish, and the Slovak-Hungarian border regions altered again in 2004, when Slovakia accessed the NATO. The 2004 NATO enlargement was driven by the identical complex of the driving forces of globalization as the enlargement in 1999.

As a result of this development, the contact effect reoccurred in the border regions along the borders of Slovakia with the Czech Republic, Poland, and Hungary, while a barrier effect and a periphery effect was present in the border regions along the Slovak-Ukrainian border, which became a new

border between the member and the non-member state of the NATO (see

Figure 4).

Figure 4 Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in March 2004

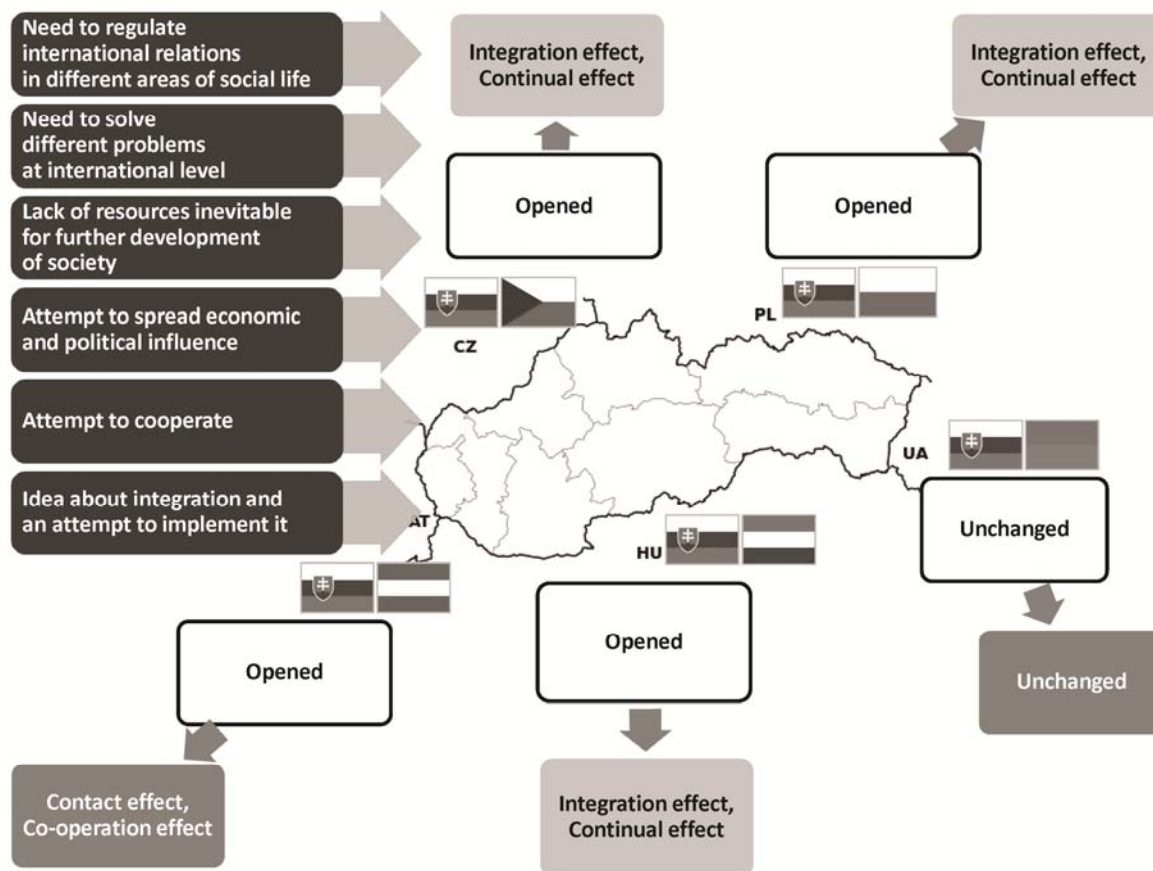


Source: Author

In 2004 Slovakia also became a member state of the EU. Within this integration process the following driving forces of globalization were at work: *the need to regulate international relations, the need to solve different problems at international level, the lack of resources inevitable for further development of society, the attempt to spread economic and political influence, and the idea about integration and the attempt to implement it.* The Slovak integration into the EU had an enormous impact on the nature of the most Slovak borders and the border effects in the Slovak

border regions (see Figure 5). The borders of Slovakia with the Czech Republic, Poland, Hungary, and Austria opened and there prevailed integration and a continual border effect in the border regions along the Slovak-Czech, the Slovak-Polish, and the Slovak-Hungarian borders. In the Slovak-Austrian border regions there occurred a contact and a co-operation effect; the level of co-operation there was not as high as in the previously mentioned regions due to the existence of the Schengen border between Slovakia and Austria.

Figure 5 Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in May 2004

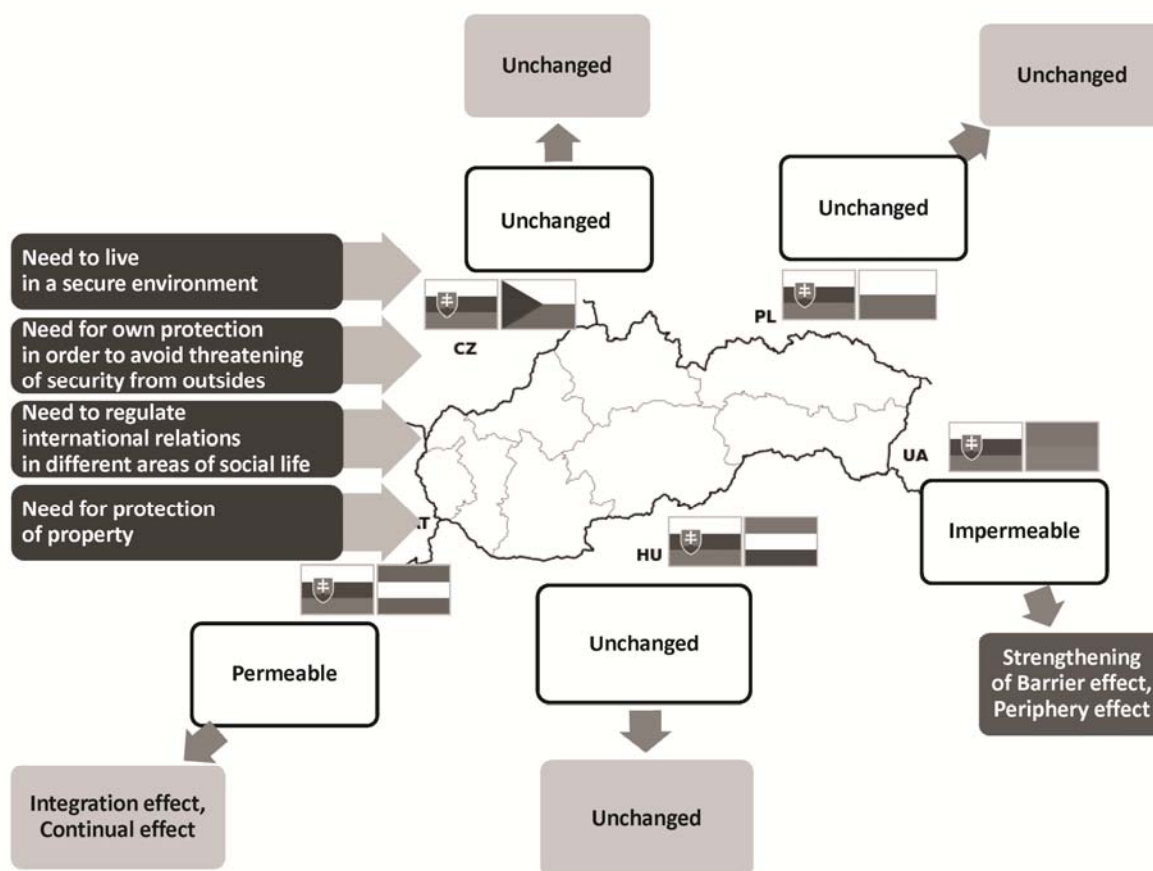


Source: Author

The nature of the Slovak-Austrian border altered in 2007, when Slovakia entered the Schengen area. Driven by the identical driving forces of globalization as in 1995, the 2007 enlargement of the Schengen area influenced the permeability of the Slovak western and eastern borders. The Slovak-Austrian border became permeable and there have gradually prevailed integration and a continual border effect. On the other hand,

however, the external Schengen border was shifted to the Slovak-Ukrainian border, which have become impermeable in its character. There strengthened a barrier and a periphery effect in the relevant border regions. The permeability of the Slovak borders with the Czech Republic, Poland, and Hungary remained unchanged, for these countries entered the Schengen area in the same term as the Slovak Republic (see Figure 6).

Figure 6 Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in 2007

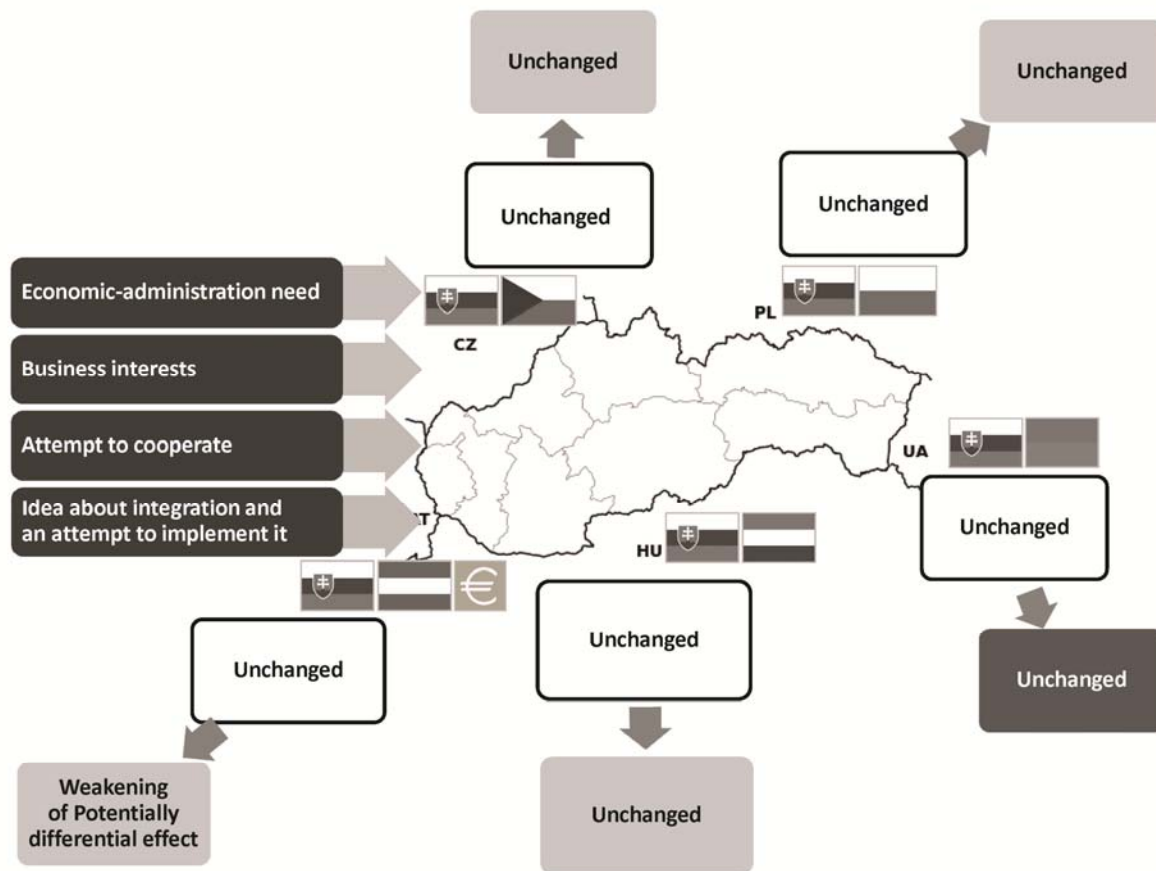


Source: Author

In 2009 Slovakia entered into the Euro area. Behind this process the working of these driving forces of globalization can be identified: *the economic-administration need, business interests, the attempt to cooperate, and the idea about integration and the attempt to implement it.* The adopting of the euro

by Slovakia did not considerably change the border effects in the Slovak border regions (see Figure 7). However, it weakened a potentially differential effect in the Slovak-Austrian border regions due to the use of the same currency in both countries.

Figure 7 *Impact of the driving forces of globalization on the nature of border effects in the Slovak border regions in 2009*



Source: Author

Some driving forces of globalization tend to change the character of the neighbouring regions to the effect that they aim to completely eliminate the differences between these regions (including eliminating of any borders dividing these regions as well as minimizing the existence of any border effects). In the context of Slovakia there operate the following driving forces of globalization with the above mentioned impact: *the need to solve different problems at international level, the attempt to overcome a state of being isolated, the attempt to cooperate, and the idea about integration and an attempt to implement it.* The bearers of these driving forces of globalization

operate at continental (the EU), state (state authorities) and local level (local, municipal, regional authorities). The working of these driving forces in the Slovak context have manifested themselves by the establishment of the two large-scale cross-border cooperation entities (the Working community of the Danube regions, the Carpathian euro-region), eleven euro-regions (Euro-region Tatry, Euro-region Beskydy, Euro-region Bílé – Biele Karpaty, Euro-region Weinviertel – Jižní Morava – Záhorie, Euro-region Podunajský trojospolok, Euro-region Ister-Granum, Ipeľ – Ipoly Euro-region, Euro-region Neogradiensis, Euro-region Slaná – Rimava, Euro-region Kras, Euro-

region Vagus – Danubius – Ipolia), and five European groupings of territorial cooperation (Ister – Granum, Karst – Bódva, Ung – Tisza – Túr – Sajó, Pons Danubii, Abaúj – Abújban) (Association of European Border Regions 2013).

IV CONCLUSION

The future development of the driving forces of globalization at global, continental, regional, and local level is one of the factors the further changes in border effects in the Slovak border regions will depend on. The changes in the nature of the Slovak-Ukrainian border and the border effects in the relevant regions will, for example, depend on the positions of the decision-making bodies of the EU, Ukraine, Russia, etc. to the accession of the Ukraine to the EU, or the NATO. The border effects in the Slovak-Czech, the Slovak-Polish, or the Slovak-Hungarian border regions will change, for example, if the relevant countries enter the Euro area.

ACKNOWLEDGEMENT

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NOTES

1. For the different definitions of the terms border and border effect see Chromý 1999, 17-20 and Dokoupil 2004, 47-53.
2. For the development of borders from the pre-industrial period to the present see Chromý 1999, 21-22.
3. For various typologies of borders see Ištók 2003a, 334-347 and Dokoupil 2004, 47-52.
4. Langer formulates a set of variables that shall be taken into consideration when

studying the impact of a border in a more detailed way. He points out to the following factors: the age of the border, the mode of emergence of the border, the course of the border, the border semantic, the border regime, permeability of the border, openness of the border, technical equipment and installations on the border, the status of the border, and the emotional loading of the border (Langer 1999, 40).

5. For the explanation of the concept of the driving forces of globalization and the detailed list of the driving forces of globalization see Mattová 2010, 25-33 and Mattová 2011, 213-219.
6. For the changes in the demarcation of the Slovak-Czech border after 1993 see Krejčí 2010, 275.
7. For the detailed analysis of the development of the demarcation process of the Slovak-Hungarian border and its political and geographical implications see Ištók 2003b, 98-108.

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Regional disparities of the ageing process in Czech Republic after 1990

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Abstract: The article deals with the differences of the age distributions on the NUTS 3 territory in the Czech Republic for the last twenty years. The research is uses data from 1991 to 2011 census. The Czech Republic has consisted of thirteen regions and one capital city with regional status since January 1st 2000. This means that the Czech Republic is administratively divided into 14 regions. We were researching their ageing process during last 20 years. The typology is given by weigh of the children's and oldest component. The analyses on this spatial level are using choropleth maps for demographical data presentation where we used ArcGIS 10.1 as a complete system for information. The main goal is to sort all the fourteen regions on the basis of children and elderly ratio to the different population ageing groups: gently ageing population, ageing population, old population and very old population. The second main goal is to explain territorial differences of the ageing index in the years 1991 to 2011 and to measure their change for the last two decades. The differences of the ageing process between Czech regions are calculated against very interesting dynamic ageing index between years 1991 to 2011.

Keywords: Age distribution, ageing index, dynamic ageing index, Czech regions, dependence ratio, elderly ratio, children ratio, NUTS 3

I INTRODUCTION

The population plays an important role in all basic economic activities such as consumption, production and change. And the characteristics of these activities have a strong contexture on population size and development. The ageing process is one of the very prominent population structural matters. Age is basic structural characteristic on the field of demographic analysis, and we know

that economic behaviour is always affected by living phases.

We can divide the population age according to many groups, but we can identify three major groups as:

1. Young people or children (0 to 14 years old).
2. Old-age people or elderly people (65 years and more).

3. Working age population (15 to 64 years old).

The sum of the number of young and the number of elderly people are generally economically inactive. The developed countries have very accurate statistical information and they therefore work with one year age structure. The statistical data comes from censuses usually, and the demographic data can be used for planning actions too. The very special age model is population pyramid. **Population pyramids** show the distribution of the population by sex and by age groups (one-year, five-year or ten-year in general). Each bar corresponds to the share of the given sex and age group in the total (men and women combined) population. We can distinguish **three types of population pyramids**: expansive population (young population), stationary population (adult population) and constrictive population (old population). The population of the Czech Republic is constrictive type of population pyramid. The analysis of age structure is not only on major groups or

types of population pyramids but also on average age, median age, and life expectancy at birth. This is compared with shares of children and elderly people and some age dependency ratios as the very first analysis of the age structure.

The main aim of this study is to compare differences of the ageing process between Czech regions after year 1990 for the last twenty years. This spatial level is NUTS 3. The Nomenclature of Units for Territorial Statistics (**NUTS**) was established by Eurostat more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union (see Table 1). The NUTS classification has been used since 1988 in Community legislation. The main reason for implementation of the classification of territorial statistical units is its effort in obtaining especially economics and social information with possibilities to compare variety of European Union areas (Šotkovský, 2012).

Table 1 System NUTS on the area of European Union

EU	components of NUTS regions and the average size					
	country		cohesion region	region	county	municipality
(delimitation)	NUTS 0	NUTS 1	NUTS 2	NUTS 3	LAU 1	LAU 2
EU - 15	15	72	213	1 091	2 453	95 152
EU - 25	25	89	254	1 214	3 334	112 119
EU - 27	27	97	270	1 294	3 596	120 419
EU - 28	28	98	272	1 315	...	120 975

Source: author.

Need of comparability with other European regions led to proposition of the several levels for territorial division. Six levels include NUTS 0 (country),

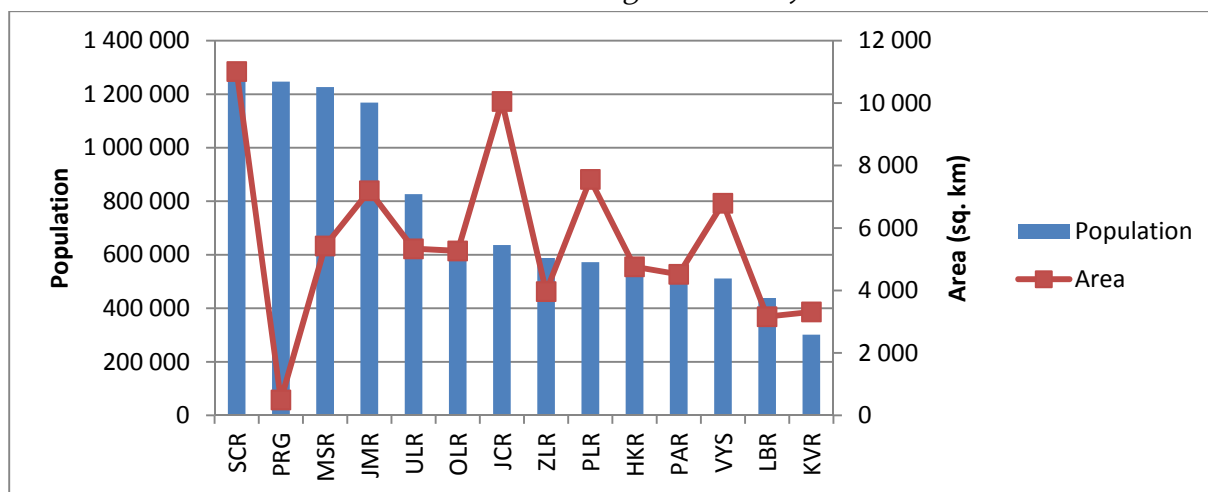
NUTS 1 (cohesion region), NUTS 3 (region), LAU 1 (county, district) and LAU 2 (municipality). Accordingly, some of the smaller self-governing regions

(NUTS 3) had to be merged together to form a cohesion region (NUTS 2), while some other regions were big enough to be able to serve as Cohesion regions at the same time. The article deals with the differences of the age distributions on the territory NUTS 3 in Czech Republic for the last twenty years. The research uses census data between the year 1991 to 2011. The spatial hierarchies of the Czech regions are completed by the fourteen spatial units (see Appendix, map 1). These (NUTS 3) regions in the Czech Republic are: Prague (PRG), Středočeský Region (SCR), Jihočeský Region (JCR), Plzeňský Region (PLR), Karlovarský Region (KVR), Ústecký Region (ULR), Liberecký Region (LBR), Královéhradecký Region (HKR), Pardubický Region (PAR), Vysočina Region (VYS), Jihomoravský Region (JMR), Zlínský Region (ZLR), Olomoucký Region (OLR) and Moravskoslezský Region (MSR). Three spatial units (Moravskoslezský Region, Středočeský Region, and Prague) have same delimitation on the levels two (Moravia-Silesia, Central Bohemia and Prague).

Regions (NUTS 3) came into existence in 1997 when the territories of the regions were determined as units of state administration. In 2000 they became also units of self-government, with their own elected regional parliaments and governments. Although the decision about the delineation of the newly established regions have been reached in a relatively high level of consensus, which gave them the potential to last for longer period, they had one unfortunate feature that made the things somewhat more complicated.

The Středočeský Region (SCR) is largest region on the Czech territory (14 %). The Moravskoslezský Region is sixth largest (nearly 7 %). The Středočeský Region is the most populated with circa 1.3 million people. The Moravskoslezský Region is third most populated with 1.2 million people (nearly 12 %) and the less populated region is Karlovarský Region with only 0.3 million people (3 %), see chart 1.

Chart 1 General characteristic of the Czech regions in the year 2012



Source: author (data from Czech Statistical Office, 2012)

II ANALYTIC APPROACHES AND METHODOLOGY OF THE AGE DISTRIBUTION OF THE POPULATION

Before a hundred years, Swede A. G. Sundbärg distinguished three age groups: progressive (expansive), stationary and regressive (constrictive). The population analyses have been very useful for more than a century, and during this time arose a number of demographic analytic approaches which are part of demographic methodology (Newell 1990). Specialized studies wanted to solve many problems linked to ageing process for the last several decades. We searched for the answers to the following fundamental investigative questions:

1. Is there a tendency to lower the degree of similarity in the age structures?
2. How has the process of changes in functional age groups of the population been proceeding?
3. What is the dynamics and degree of progression of population ageing process between 1991 and 2011?
4. How are the observed changes in the population ageing process situated in the context of comparisons between the regions?

ČSÚ (Czech Statistical Office) statistical data on the structure of population by sex, age and place of residence and recent population censuses between 1991 and 2011 have been used in the study.

Demographic changes in Moravskoslezský Region after 1989, similarly to the whole country, were characterized by a rapid decrease in demographic dynamics, which had mainly resulted from the decrease in the number of births, which was reflected by the decreasing women's fertility and the number of children they had during their reproductive age (Caldwell 2006). At the same time, a significant improvement in mortality rate characteristics which brought distinct extension of expected lifespan was observed. These changes influenced the population structure by age and, as a consequence, also the relations between the three productive groups. The share of people at the pre-productive age decreased and the share of old age group of people increased in the total population. This caused intensification of the process.

The basic indicators (Šotkovský 2010, 2012) which can show share of very important age groups are children and the elderly ratio. Very often we can compute the percentage substitution subsequently:

$$\text{children ratio} = \frac{P_{0-14}}{P} \times 100$$

$$\text{elderly ratio} = \frac{P_{65+}}{P} \times 100$$

Their common weights can be compared by the help of the ageing index (**AI**). The ageing index (Dlugosz, Kurek 2009) show us the relatively weight of the elderly to children and can be expressed as:

$$AI = \frac{P_{65+}}{P_{0-14}} \times 100$$

Very special view of development trend ageing process presents indicator dynamic ageing index (DAI) in case when we want follow up the time changes:

$$DAI = \left(\frac{t_1 P_{0-14}}{t_2 P} \times \frac{t_2 P_{0-14}}{t_1 P} \right) \times 100 + \left(\frac{t_2 P_{65+}}{t_2 P} \times \frac{t_1 P_{65+}}{t_1 P} \right) \times 100$$

For references territory diversity values of the children and elderly ratio and ageing index we will use cartogram method. All the used data come from the statistical office of the Czech Republic (CSO), their section “Statistics” and the theme “Population and social conditions” (part “Population”). The analyses on this spatial level is to work with the creation of cartogram method for processing of the demographical data (Dlugosz, Kurek 2009).

In demography the age dependency ratio (ADR) is an age-population ratio of those typically not in the labour force (the dependent part) and those typically in the labour force (the productive part). It is used to measure the pressure on productive population. In published international statistics, the dependent part usually includes those under the age of 15 and over the age of 64. The productive part makes up the population in between, ages 15 – 64. Data are shown as the proportion of dependents per 100 working-age population. ADR is expressed as:

$$ADR = \frac{P_{0-14} + P_{65+}}{P_{15-64}} \times 100$$

III REGIONAL DISPARITIES BETWEEN CZECH REGIONS

The regional differences on behalf of children are very extreme on the world and they achieve more than thirty five per cent. Some African states (Niger, Uganda, Mali, Guinea-Bissau, Democratic Congo, Chad, Malawi etc.) have more than 40 % of the children. On the other side are countries where children are less than 15 % (Japan, Bulgaria, Italy, Germany, Latvia, Spain, Ukraine and Czech Republic). The regional differences are not so extreme between fourteen regions (NUTS 3) on the Czech territory, only 3.3 per cent in the year 2011. This number compares the regions of Prague and Středočeský .

When we analyze changes of the **children ratio** on the population we can name the situation as the ageing process (Šotkovský 2009, 2010) from below. Our working model distinguishes the four phases in this case:

1. **Gently ageing population:** the proportion of children is between 20.0 to 24.9 percent.
2. **Ageing population:** the proportion of children is between 15.0 to 19.9 percent.
3. **Old population:** the proportion of children is between 12.5 to 14.9 percent.
4. **Very old population:** the proportion of children is less than 12.5 percent.

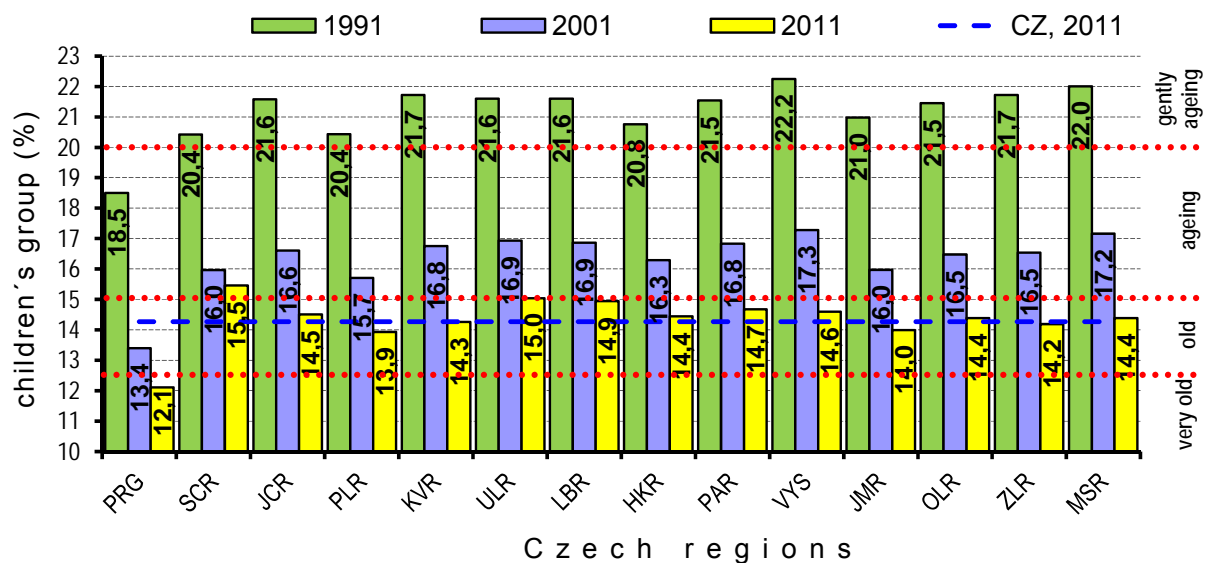
Czech regions had gently ageing population at the beginning the nineties. This means that they have 20 % and more children on the population. Only Prague

region had less than 20 % of the children (ageing population, chart 2). But now, twenty years later, twelve regions (Jihočeský, Plzeňský, Karlovarský, Ústecký, Liberecký, Královéhradecký, Pardubický, Vysočina, Jihomoravský, Olomoucký Zlínský and Moravskoslezský) have old population. Their relative weight of the children is between 12.5 to 14.9 percent. Only

population NUTS 3 Středočeský region (15.5 %) can be identified as ageing. Very old population has only region Prague with 12.1 % of the children's group.

The biggest percentage decrease in children's group during last nineteen years showed NUTS 2 Central Moravia (8.4 %), Moravia-Silesia (8.3 %), and South-East (8.1 %).

Chart 2: Development of children's group at the Czech regions after year 1990



Source: author (census 1991, 2001, 2011)

The indicator of the **elderly ratio** means how many people at the age of 65 and more are relatively in the population. Our second working model of the ageing process from above distinguishes (chart 3) the four phases:

1. **Gently ageing population:** the proportion of elderly is between 7.5 to 9.9 percent.
2. **Ageing population:** the proportion of elderly is between 10.0 to 12.4 percent,
3. **Old population:** the proportion of elderly is between 12.5 to 14.9 percent.

4. **Very old population:** the proportion of elderly is 15.0 percent and more.

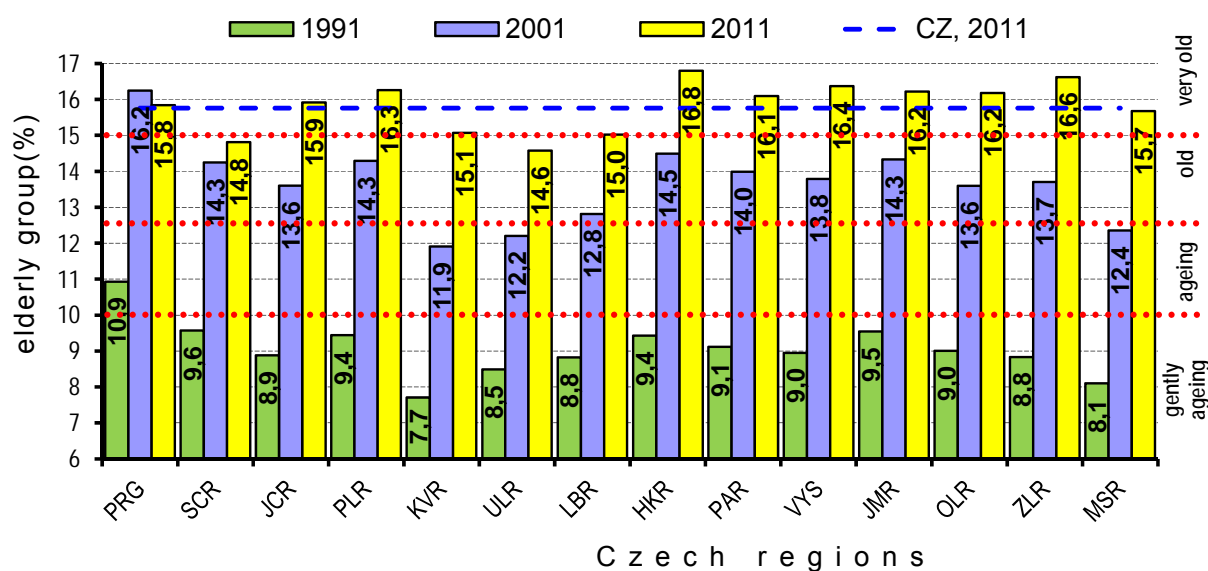
We were looking for ageing process during last twenty years (chart 3). The Czech population grew old about more than three per cent from 12.65 % to 15.76 %. Now we can accent some specialties, for instance:

1. Very old population has twelve regions NUTS 3: Královéhradecký, Zlínský, Vysočina, Plzeňský, Jihomoravský, Olomoucký, Pardubický, Jihočeský, Prague, Moravskoslezský, Karlovarský a

- Liberecký. Elderly people forms from their inhabitant more than fifteen per cent.
2. Old population (relative scale is between 12.5 and 14.9 %) has the other two regions: Středočeský and Ústecký.
 3. The biggest percentage increase in elderly group during last twenty years showed NUTS 3 Zlínský region (7.8 %), Moravskoslezský region (7.6 %) and Vysočina (7.4 %).

4. The greatest change in age structure according to dynamic ageing index (aggregate of percentage decrease children group and percentage increase elderly group) registered Moravskoslezský and Zlínský regions (more than 16 %). The smallest change in age structure have regions Prague and Středočeský (less than 10 %) according to dynamic ageing index.

Chart 3 Development of elderly group at the Czech regions after year 1990



Source: author (census 1991, 2001, 2011)

IV TERRITORIAL DIFFERENCE AGAINST THE AGEING INDEX IN THE YEARS 1991 AND 2011

The **ageing index** is calculated as the number of persons 65 years old (elderly group) or over per hundred persons under age 15 (children group). The ageing index is a composite demographic ratio, defined as the percentage between the old age population (over 65) and the young population (under 15). It is one of

the several demographic indicators (e.g. old age dependency index, average age, turnover index) that can be used to measure the rate at which a population ages.

According to the 2010 figures, Italy ranks second for the ageing index, as in recent years, falling just behind Germany (144 and 153 respectively). The average EU rate of 111 shows a greater balance between the elderly and the young. Overall, eleven countries have a higher

than EU-average ageing index: in addition to the two mentioned above, we find, among others, Spain, Greece, Bulgaria, Hungary, Slovenia and Portugal. By contrast, there are countries where the number of the younger age classes is greater. The most favourable ratio of all is found in Ireland (53) while larger countries include Poland (89), France (90) and Czech Republic (110). The Czech Republic is country, where live more seniors at the age of 65 and more than children from year 2006. Nevertheless sixty years ago was ageing index only 35. Weight of senior to the weight of children was third.

On a regional level, Prague held the highest ageing index rate (83) in the year 1991. The regions Středočeský, Královéhradecký, Jihomoravský and Plzeňský succeeded Prague. And only two regions (Karlovarský and Moravskoslezský) had ageing index less than 50. The other seven regions had index between 50 and 60. There was strong predominance of children group over the elderly group about forty percent (see Appendix, map 2).

The region with the lowest ageing index rate were Středočeský (96) and Ústecký (97) in the year 2011. Those regions are still the only two areas in Czech Republic where there are more young people than old and their ageing index was less than 100. The regions with the highest ageing index were Prague (131), Plzeňský, Zlínský, Jihomoravský and Královéhradecký where ageing index was 115 and more (see Appendix, map 3). As with many demographic processes, population ageing is a slow-growing yet

constant and apparently unstoppable process.

It is very interesting to compare ageing process on the Czech territory between 1991 and 2011 against dynamic ageing index (see Appendix, map 4). The national index grew by 50 percentage points from 60 to 110. The largest growth was seen in the regions Zlínský, Karlovarský, and Moravskoslezský which grew by 60 percentage points. This indicator increased less in the regions of Prague, Ústecký, Liberecký and especially in the Středočeský region (only 30 percentage points). Ageing process in the time very well shows indicator dynamic ageing index.

V CONCLUSION

The highest increase in the number of elderly people was observed on the territory of Czech Republic for the last twenty years from 13 % to 16 %. But even highest rate of decrease was recorded on the case of number of children from 21 % to 14 %. More than 15 % children was only in Středočeský region and only 12 per cent was in Prague.

During the period between 1991 and 2011 there was an increase in coefficient ageing index in general from 60 to 110 people. Regions of Czech Republic show quite a significant diversity with regard to the process of population ageing for the last twenty years. But it is also true that differences between regions are decreasing.

Transformations of the process of population reproduction during the last decades, that were taking place together

with the processes of modernization, influenced the changes in the population age structure during the period between 1991 and 2011. Therefore the demand for services related to care about elderly people is going to increase considerably.

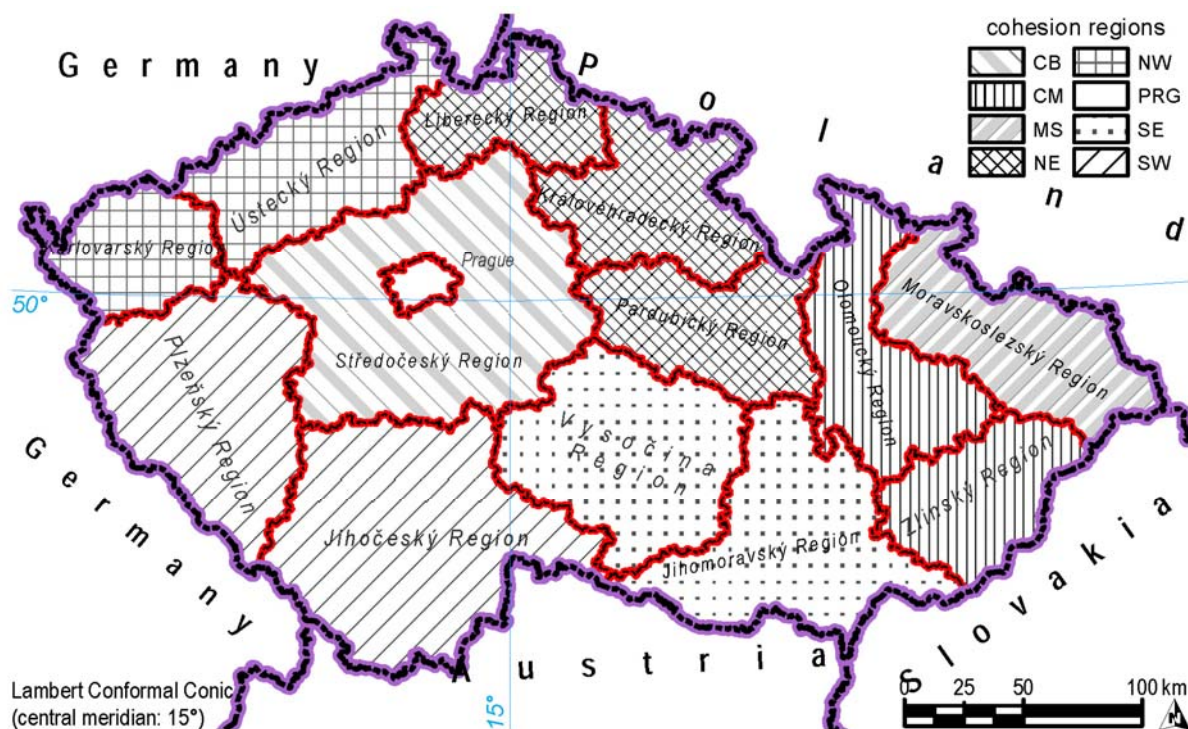
Very old population was in the region of **Prague**. There is only 12 % of the children's group and nearly 16 % citizens older 65 years. There is the largest overweight the elderly above children (**AI** equal to 131). On the contrary the biggest relatively substitution of children was in the Středočeský region with smallest substitution of the elderly people.

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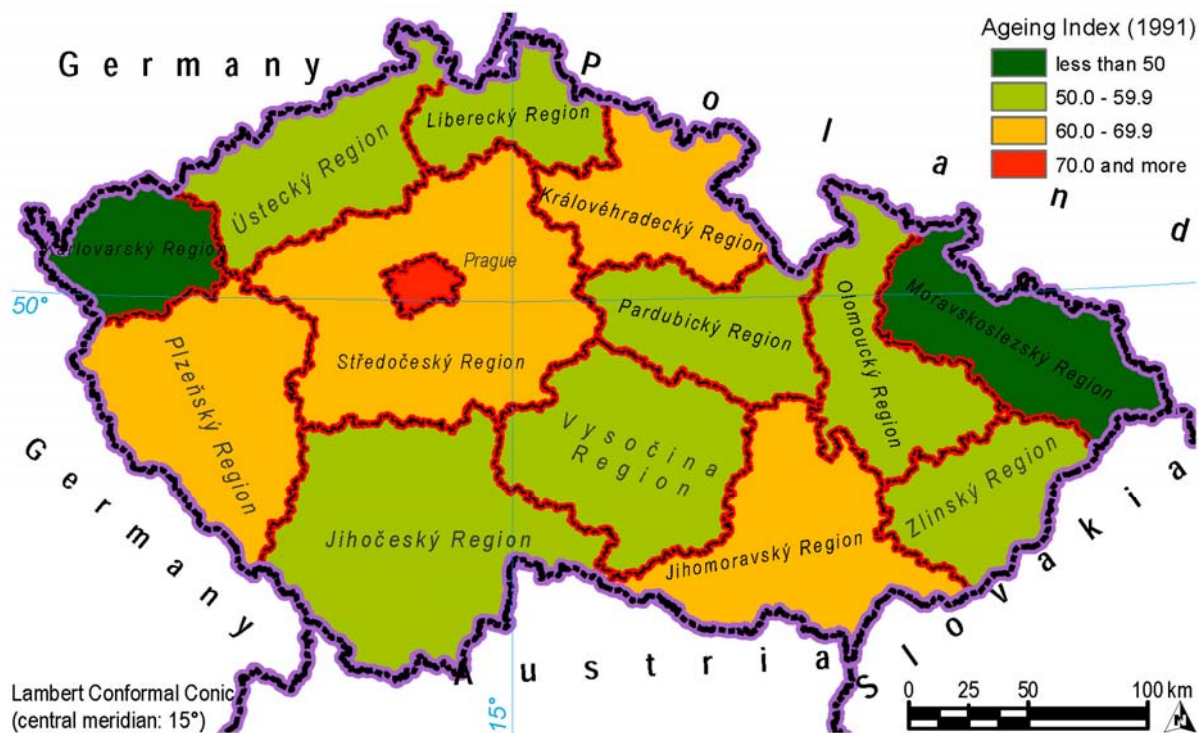
APPENDIX

Map 1 The NUTS classification on the Czech territory



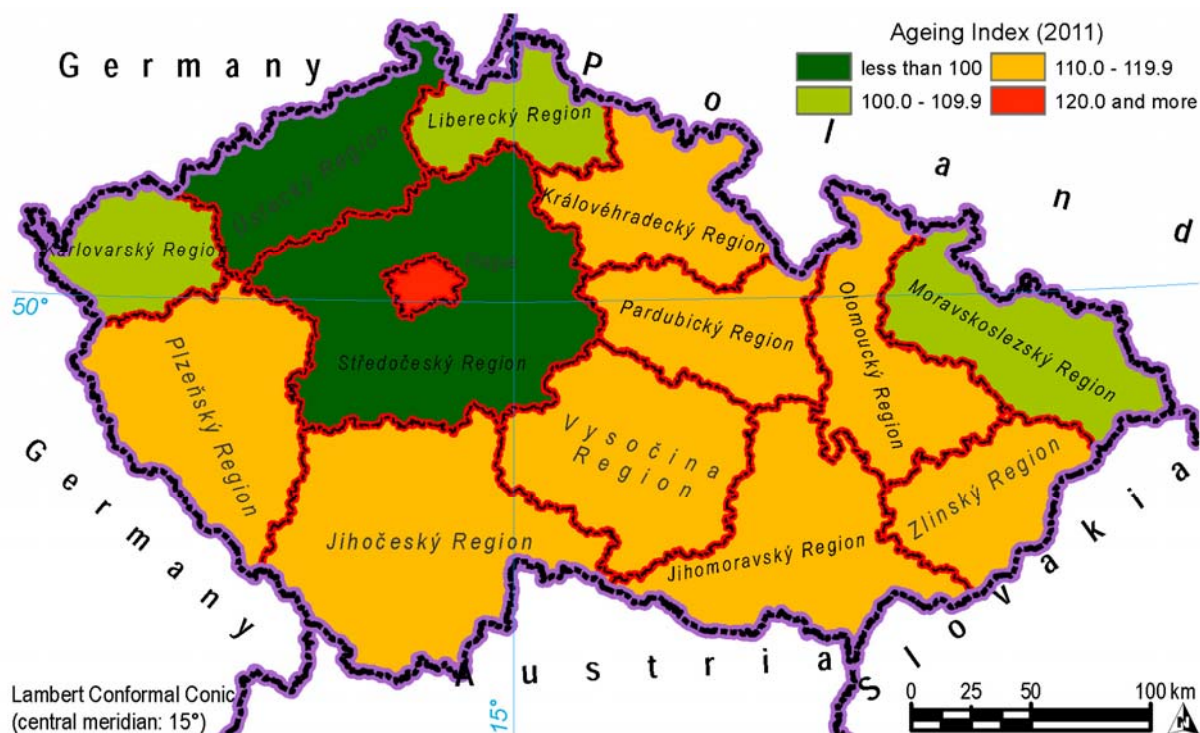
Source: author.

Map 2 Territorial difference of the ageing index in year 1991



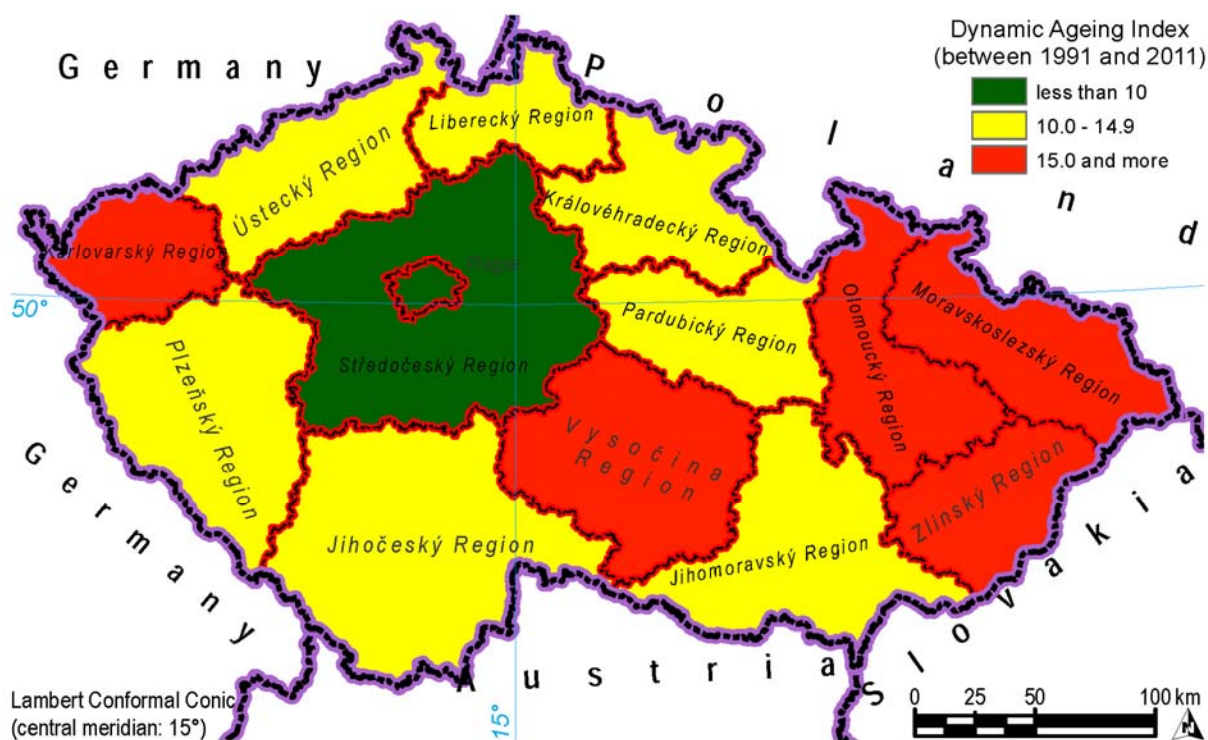
Source: author.

Map 3 Territorial difference of the ageing index in year 2011



Source: author.

Map 4 Territorial difference of the dynamic ageing index in years 1991 and 2011



Source: author

The role of rural tourism in the development of peripheral regions of Georgia

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Abstract: Currently, the socio-economic situation of the regions of Georgia is characterized as unevenly developed. Given such situation rural peripheral elements largely depend on the development level of the centers of the region. In this context, the article shows the dependence of "Centre-periphery" and the role of rural tourism in the social and economic development of regions of Georgia, analyzed the economic situation of Georgia as a whole and its individual regions separately. It is noted that for the development of rural tourism in Georgia agricultural, natural, cultural-historical and other resources are available. However, the existing capacity in the country is much underutilized. While increasing the effectiveness of utilization of these resources rural tourism can become an important factor in the development of peripheral and depressed areas and sparsely populated settlements, play a big role in the expansion of agricultural production, in the creation of new jobs and in increasing income of rural population, in reducing migration from rural areas and attracting young people to the countryside; in preservation and revitalization of abandoned settlements and sparsely populated areas, in the popularization of Georgian traditions and lifestyles; in improving rural business environment, etc. The paper discusses the concept and the development of rural tourism in the regions of Georgia, the specificity of Centre-periphery relations is shown.

Keywords: rural tourism, centre-periphery, region, development, Georgia

I INTRODUCTION

On April 9th 1991, Georgia passed an act on the restoration of independence, followed immediately by the political and economic transformation of the country. The most difficult period in the history of independent Georgia were the years of 1991-1994, when there were fundamental changes in the political

and economic structures, the rights and freedoms of citizens legislation was undergoing major changes, and the major changes in the social sector were under development. The situation was particularly critical in 1994, when GDP was only 32.5% of the 1990 level. Because of the difficult socio-economic situation of the country anti-crisis programs of macroeconomic stabilization and system

transformation have been developed, under which radical changes began: the transformation of the fiscal and the monetary sector, the privatization of state property, reform in health care, education, social services and etc. The transformation processes of the transition to market economy were undergoing with the recommendations of the IMF, which were based on liberal economic policies. The reforms have been successful, deep economic crisis have been overcome and the standard of living of the population have increased. Despite these successes, by income level Georgia is rated among the countries of Lower Middle Income. Thus it is necessary to find ways of development, which will contribute to the economic growth of Georgia as a whole and its individual regions separately.

The purpose of this paper is to show the differences in socio-economic development level of the regions of Georgia and identify opportunities for rural tourism as one of the factors in their development.

II THEORETICAL BACKGROUND

Currently, Georgia is a democratic state and is referred to as one of the most free countries. Its territorial location is adapted to a variety of natural-economic, social and national conditions of the population and represented by 12 regions: City of Tbilisi, Abkhazia AR, Adjara AR, Guria, Imereti, Kakheti, Mtskheta-Mtianeti, Racha-Lechkhumi and Kvemo Svaneti, Samegrelo-Zemo Svaneti, Samtskhe-

Javakheti, Kvemo Kartli and Shida Kartli. Each region of Georgia represents multifunctional and multifold systems and differs in the level of socio-economic development, industrial structure and spatial relationships. Theoretical and methodological basis for studying the possibility of development of peripheral regions is formed by theories of spatial development, in particular the theory of "center-periphery" by J. Friedmann (Friedmann 1966), the theory of "urban agglomeration" by H. Richardson's (Richardson 1979, 226), the theory of "Central place" by Walter Christaller (Christaller 1933), the theory of "Spatial concentration of Economy" by Paul Krugman (Krugman 1991, 483–499; Krugman 1997) and other researchers' works.

According to Friedmann, uneven economic growth and the process of spatial polarization inevitably give rise to imbalances between center and peripheral regions. The model of "center-periphery" reflects the conditions under which the peripheral elements are more dependent on development of the center of the regions. This dependence is stronger, the higher the level of development of the center. General terms and conditions of this dependence can include specifics of economic, social, cultural, informational flows and direction of these flows determine the nature of the interaction between central and peripheral structures. Driving force for the continuous development and reproduction of the system of relations of "center-periphery"

is a constant qualitative transformation of the core, due to the generation, introduction and diffusion of innovations.

Relationship model "center-periphery" involves determining the hierarchy of centers and peripheries (vertical structure) and their plane regional projections (horizontal structure). There are four basic approaches to modeling of relationships of "center-periphery": historical, innovative, managerial and socio-economic. Historical approach considers the historical cores of formation of certain regions as centers, including states. Innovative approach considers places of creation of innovation as centers. Managerial approach considers the administrative hierarchy and assumes capitals of different level and statuses as centers. Socio-economic approach considers more developed and modern territories from economic point of view as centers (Turanovsky 2006, 53).

In the simplest representation of the relationship of "center-periphery" involves the division of space into two parts: 1. Center (nucleus, heartland) and 2. Peripherals (hinterland). Identification of centers or nucleus is a traditional operation in regional studies (e.g. the theory of central places is dedicated to this).

Currently the theory of the "center-periphery" allows you to create methodological basis, its determination and diagnosis within a given regional system. However, they are mainly focused on solving problems at the global level for the given systems of

cities and countries (Dezzani 2001; Taylor 2002, 2367-2394; H2001, etc.), and the regional level of analysis is still not much researched.

It should be noted that in the specific literature the concepts of "center" and "periphery" are differently interpreted. In this paper, the term "periphery" means rural regional area, and the term "center" – cities of different hierarchies.

III GENERAL CHARACTERISTICS OF ECONOMIC DEVELOPMENT OF GEORGIA AND ITS REGIONS

It has been over 20 years since Georgia gained independence and embarked on market economy development. During these years, the Georgian economy was growing at different rates. The deepest decline occurred in 1992, when its volume reduced by 44.9% compared to the previous year, the highest growth rate was observed in 2007 – 12.3% (Table 1). In 2012 compared to 1990, Georgia's GDP increased 2 times, GDP per capita reached 3,508 USD.

During post-soviet years, the Georgian economy has undergone considerable transformation: if in 1990, the share of Agriculture was 32%, Industry - 33% Services - 35% of GDP, then in 2012, these figures were 9%, 23% and 68% respectively (Table 1). Given this, for Georgia's economy is characterized by large dependence on imports. In 2012, Georgia's exports amounted to USD 2.377 billion, imports to USD 7.842 billion¹, so trade deficit reached USD 5.465 billion. For the whole post-soviet years only negative trade balance was specific to Georgia and this poses a

serious threat to the national security of the country. Overall, the growth of the services sector shows a transition to a

post-industrial stage of development of a society in which the majority of all employees work in the services sector.

Table 1 The dynamics and structure of the GDP of Georgia, 1990-2012.

№	Year	GDP			% of GDP			Exports	Imports
		current US\$	growth (annual %)	per capita (current USD)	Agriculture, value added	Industry, value added	Services, etc., value added	of goods and services, %	
1	1990	7,737,994,864	-14.8	1,611	32	33	35	40	46
2	1991	6,337,314,652	-21.1	1,310	29	37	34	28	31
3	1992	3,691,110,628	-44.9	757	53	24	23	36	66
4	1993	2,701,180,604	-29.3	550	59	22	19	47	72
5	1994	2,513,870,709	-10.4	517	66	10	24	58	109
6	1995	2,693,731,880	2.6	569	52	16	32	26	42
7	1996	3,094,915,506	11.2	670	34	24	42	13	32
8	1997	3,510,540,844	10.5	775	29	24	47	16	42
9	1998	3,613,500,142	3.1	805	28	23	50	16	37
10	1999	2,800,024,342	2.9	629	26	23	51	19	38
11	2000	3,057,453,461	1.8	692	22	22	56	23	40
12	2001	3,219,487,823	4.8	734	22	22	56	24	39
13	2002	3,395,778,661	5.5	779	21	24	55	29	42
14	2003	3,991,374,540	11.1	922	21	26	54	32	46
15	2004	5,125,273,877	5.9	1,187	18	26	56	32	48
16	2005	6,411,147,323	9.6	1,470	17	27	56	34	52
17	2006	7,761,900,179	9.4	1,765	13	25	62	33	57
18	2007	10,172,260,738	12.3	2,318	11	24	65	31	58
19	2008	12,799,337,250	2.3	2,920	9	22	69	29	58
20	2009	10,766,836,277	-3.8	2,441	9	22	69	30	49
21	2010	11,638,236,643	6.3	2,614	8	22	69	35	53
22	2011	14,434,619,972	7.0	3,220	9	23	67	36	55
23	2012	15,829,300,979	6.0	3,508	9	23	68	40	58

Source: <http://data.worldbank.org/indicator>

Georgian regions significantly differ in their contribution to the country's GDP. Almost half of GDP (47.3%) is created in the Georgian capital Tbilisi. Adjara AR contribution is 7.7%, Imereti with Racha-Lechkhumi and Kvemo Svaneti - 12.1%, Kvemo Kartli - 8.5%, Samegrelo-Zemo Svaneti - 7.2%, Shida Kartli with

Mtskheta-Mtianeti - 6.4%, Kakheti - 5.5%, Samtskhe-Javakheti - 3.2% and Guria - 2.1% (see Table 2). Regions also differ in terms of population, the number of villages and municipalities, territories and other indicators. Number of population of Georgia as of January 1st 2013 is 4 497, 6 thousand people

(Table 2), excluding the population of occupied territories of Abkhazian Autonomous Republic and Tskhinvali region. Hence, 53.2% is urban population and 46.8% is rural population. In Tbilisi amount of population is 1171.2 thousand (26.1% of the total population excluding the population of occupied territories of Abkhazian autonomous Republic and Tskhinvali region). As seen from Table 2, the largest population is in the Imereti – 707.5 thousand people (15.70%),

followed by Kvemo Kartli – 511.1 thousand people (11.3%), Samegrelo-Zemo Svaneti – 479.5 thousand people (10.7%), Kakheti – 407.1 thousand people (9.1%), etc. In all the regions of Georgia, the amount of the rural population exceeds the urban population. The largest number of villages is typical for Mtskheta-Mtianeti (582 villages), but here the average number of inhabitants per 1 village is 142 people. Large villages are typical for Kakheti, where one village has an average of 1171 people (Table 2).

Table 2 Data on the regions of Georgia, 2012

Region	GDP, mln lari	Population at the beginning of the year (thsd.)			Number of villages	Average number of people per village
		total	urban	rural		
City of Tbilisi	9914.3	1172.7 ²	1142.1	30.6	-	-
Adjara AR	1621.9	393.7	173.1	220.6	333	662
Guria	437.6	140.3	37.1	103.2	186	555
Imereti	2551.9 ³	707.5	338.3	369.2	529	698
Kakheti	1149.7	407.1	84	323.1	276	1171
Mtskheta-Mtianeti		109.7	27.1	82.6	582	142
Racha-Lechkhumi and Kvemo Svaneti		47	9.1	37.9	251	151
Samegrelo-Zemo Svaneti	1509.6	479.5	193.4	286.1	490	584
Samtskhe-Javakheti	665.0	214.2	66.5	147.7	258	572
Kvemo Kartli	1790.6	511.3	199.4	311.9	338	923
Shida Kartli ⁴	1334.6	314.6	121.6	193	366	527
Georgia-total ⁵	20975.4	4497.6	2391.7	2105.9	3609	584

Source: http://geostat.ge/index.php?action=page&p_id=1181&lang=eng

In 2012, economically active population amounted to 2029.1 thousand people or 66.9% of the total population, of which 305.1 thousand are unemployed. In 2012, Georgia's unemployment rate was 15%. The highest unemployment rates in

Tbilisi - 29.1%, followed by the Samegrelo-Zemo Svaneti – 16.8%, and the third – Adjara AR – 16.4%. The lowest unemployment rate is in Kakheti 6.5% (Table 3).

Table 3 Distribution by Economically active population (In 2012), thousand persons.

	City of Tbilisi	Kakheti	Shida Kartli	Kvemo Kartli	Adjara AR	Samegrelo-Zemo Svaneti	Imereti	Other regions	Georgia total
Economically active population (labour force)	437.2	199.7	149.9	202.2	207.9	215.8	389.6	226.7	2029.1
Of which:									
Employed	309.9	186.6	134.0	180.1	173.8	179.5	350.6	209.6	1724.0
of which:									
hired	251.7	44.2	31.1	63.6	60.4	48.4	111.5	51.8	662.6
self-employed	58.0	142.4	102.7	116.2	113.2	126.7	237.6	157.1	1054.0
not stated	0.1	0.0	0.2	0.3	0.1	4.4	1.5	0.7	7.4
Unemployed	127.3	13.1	15.9	22.2	34.2	36.3	39.1	17.0	305.1
Population out labour force	331.7	78.4	59.6	108.9	84.7	84.2	173.4	84.3	1005.2
Unemployment rate. %	29.1	6.5	10.6	11.0	16.4	16.8	10.0	7.5	15.0
Economic activity rate. %	56.9	71.8	71.5	65.0	71.1	71.9	69.2	72.9	66.9
Employment rate. %	40.3	67.1	63.9	57.9	59.4	59.8	62.3	67.4	56.8

Source: http://geostat.ge/index.php?action=page&p_id=145&lang=geo

Historically agriculture was one of the main sectors for Georgia, but as can be seen from Table 1 for the years 1990-2012, its share in GDP fell by 23%. Despite this, in 2009, the Georgia agriculture employed 57% of all active and 63.2% of the employed population⁶. The unemployment rate in rural areas is almost 4 times lower than in the city: in 2012 the unemployment rate in rural areas was 7.0%, in the city - 26.2%. Despite the high level of rural employment, their income is below the income of the urban population: in 2012, the average monthly income per capita of urban residents is 1.3 times higher than the income of the rural population⁷. Due to this level of poverty is high in rural areas.

IV RURAL TOURISM AS A FACTOR OF DEVELOPMENT OF PERIPHERAL REGIONS OF GEORGIA

Tourism in Georgia is one of the priority sectors of the economy, to the development of which much attention is paid. The presence of rich tourism potential in the country contributes to the development of virtually all types of tourism. Among them especially should be noted rural tourism, which is interesting from the point of view of cultural heritage preservation and income generation, and for the revival of the depressed areas and low populated regions. The development of rural tourism is also important in the context of expanding the range of tourist services, support local farmers, mass production of organic food, rural development, and etc. As you know, tourism (including rural tourism) has a multiplier effect, so it can stimulate the development of other sectors:

agriculture, transport, trade, social services, etc.

Rural tourism sector of tourism industry is focused on the use of natural, cultural, historical and other resources of the countryside and its features. From the functional point of view, rural tourism is closely linked to other forms of tourism, especially with recreational (sea and mountain), cultural, specialized forms of tourism (skiing, hunting, fishing, cult and the like). With these types of tourism it has the same nature. In organizational terms, a unifying framework is a family tourist business. All these allow including rural tourism in the combined programs that will allow differentiating tourism products and increasing the demand for it. And every region of Georgia because of its uniqueness can have its competitive tourist product, the involvement of which in economic turnover will significantly improve economic efficiency and competitiveness of the regions.

Interest in rural tourism is observed throughout the world, including Georgia. Each country seeks to create its own national model of development of rural tourism and such possibilities also exist in Georgia: rich in agricultural, natural, cultural-historical and other resources of rural areas, but the potential which exists in the country is underutilized. The reason lies in a number of problems, notably the lack of development of tourism infrastructure, poor quality of service at high prices for travel services, low utilization of tourism opportunities, lack of awareness of rural

residents about its advantages, lack of experience of managing touristic business, etc.

The development of rural tourism in Georgia can be based on two concepts:

1. Small farmers and family farms should deal with rural tourism using their own material, financial and other resources.
2. Integrated development of rural tourism, causing it to become the main type of business, providing services to tourists with recreational use of rural resources.

In the first case, due to limited funding, expecting to attract a large number of tourists is not possible; however, this model provides the basis for the development of rural tourism. Often, these two concepts are considered as two stages of the same process. For example, in European countries rural tourism was developed the same way: its initial motives were primarily social in nature, and public policy has been designed to support local tourism. In this regard, in Europe, up to the present day government policies supporting rural tourism are focused on economically peripheral underdeveloped areas. As a rule, this policy is due to the loss of competitiveness of agricultural products and the need for restructuring of agricultural industry in order to increase its effectiveness. Accordingly, rural tourism was considered and still is treated as an alternative type of economic activity that can provide

income to peripheral underdeveloped regions.

On the basis of the above-noted two concepts, rural tourism in the regions of Georgia can be developed in the following ways:

1. The organization of specialized and integrated rural tours on the principle of the Western European model "Small Family Farm", which provides a network of tourism accommodation on the basis of the rural housing (private farmhouses, farms, etc.). In this case, the living conditions for tourists are as close as possible to the village life. Visitors can participate in traditional activities of rural residents (milking cows, hay, collection and preparation of vegetables, grapes, fruits, berries, etc.), in various festivals, folk festivals, etc. The advantage of this kind of rural tourism is the insignificance of the financial costs to service tourists, and disadvantage is low scale.
2. Creation of tourism on the basis of ethnographic villages on the principle of Asian model "National Village" with characteristics of each corner of the Georgian lifestyle, folklore and historical sites. The advantages of this type of rural tourism include: additional employment of the rural population as a result of the provision of tourist services, increasing agricultural and

souvenir products, high scale, high profitability of business, etc. However, in contrast to the first type of rural tourism this kind requires considerable investment.

The analysis of foreign experience shows that as a result of the development of rural tourism in Georgia it is possible to diversify tourism sector and the economic activity of the rural population; to form a promising tourist segment; to create new jobs and increase rural incomes, to replenish local budgets; strengthen links between urban and rural populations; reduce migration from rural areas and to keep the youth in rural areas; to preserve and revive the abandoned settlements and sparsely populated areas; stimulate learning folk customs, traditions and rituals; popularize Georgian traditions and lifestyle; to develop various kinds of folk arts and crafts; to improve landscape of farmstead areas and the villages; to develop the infrastructure of rural settlements and territories; to expand the production of agricultural products and its local sales; to improve rural business environment, etc. Thus, rural tourism can be considered as a factor of social and economic development of the regions of Georgia.

Currently, the economic activity is observed in the major cities and tourist centers of the country, which allows rapid return on investment. Therefore, in the near future equality of regions and municipalities cannot be expected; however, increasing the efficiency of the management of regions may mitigate

these inequalities. Effective management can be performed through a wide range of specific actions and by identifying the factors of economic development in the regions of the country, it is necessary to pay attention not to the quantitative growth but to the qualitative changes, it is advisable to use the principle of polarized (focused) development, which involves a special focus of financial, administrative and managerial, human and other resources in the "reference areas", so called poles and growth centers and the subsequent distribution of innovative activity in other regions.

We should pay attention to distinguish the concepts of "growth pole" and "growth center". Under the growth pole here it is considered a functional description of the site, where propulsive economic sectors are focused, and under growth center – the geographical part of the space – a particular rural settlement, rural destination. In our case, a growth pole is rural tourism, the development of which takes place in rural areas. These rural settlements–destinations are centers, sources of growth, giving impetus to the development of the region. Depending on location rural settlement–destinations can be roughly classified into three (or more if necessary) levels: the first or highest level, this destinations located in the orbit of the country capital Tbilisi, the second level – destinations around the major cities with a population of over 100 thousand. Such cities in Georgia are Kutaisi (196.8 thousand), Batumi (125.8 thousand) and Rustavi (122.5 thousand). The third level

– destinations around the cities with less than 100 thousand population. Due to the nature of rural tourism (as a rule, it exists in the rural areas) hierarchical series of its formation is different from other types of tourism. The idea is that it should not be important that the proximity of a large city was a decisive factor for the development of rural tourism: though a major city is a supplier of tourists to rural destinations, but it only indirectly affects the development of rural tourism, as there are other suppliers of tourists, for example, it is possible to attract through international tourism. Unfortunately due to lack of sufficient data in this work it is not possible to show the influence of big cities in the development of rural tourism, but the work is undergoing and its results may bring a definite contribution to the development of "center-periphery model.

V CONCLUSION

Statistical data of Economic Development of Georgia and its regions show their center-periphery differences. A rural tourism can become a mitigating factor for these differences and the revival of the depressed regions, for the development of which the country has sufficient capacity. Rural tourism is characterized by specific features, as a result of which rural settlement–destinations are centers, sources of growth, and they clearly cannot relate to the periphery of the regional areas. Furthermore specificity is also characterized by hierarchical series of formation of rural tourism.

NOTES

1. For details see National Statistics Office of Georgia
http://geostat.ge/index.php?action=page&p_id=137&lang=eng
2. Reflected only the number of regular citizens, though in reality there are about 300 thousand people more living in the capital. These are temporarily arrived from regions: students, workers, etc.
3. Imereti with Racha-Lechkhumi and Kvemo Svaneti
4. Shida Kartli with Mtskheta-Mtianeti.
5. Excluding the population of occupied territories of Abkhazian Autonomous Republic and Tskhinvali region.
6. For details see Labour market in Georgia
http://geostat.ge/cms/site_images/_files/georgian/labour/labour-market-2009.pdf
7. For details see National Statistics Office of Georgia
http://geostat.ge/index.php?action=page&p_id=149&lang=eng

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Globalization and Human Security – Statehood Transformed

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Abstract: If national security, in the classical (traditional) manner, is consistent with the defense of the state, as reflected in various strategic analyses, human security could be a contemporary challenge to the orthodox realism and so, it would create prerequisites for a more sophisticated understanding of sovereignty. Within the framework of globalization, the idea of Westphalia way of dealing with sovereignty is put into question even if the demilitarization of security doesn't imply the elimination of traditional strategic concerns but only the supplementation of these with some other that no longer can be solved through the exclusive focus on the state level.

If the international system, based on the mutual recognition of sovereignty, is the least bad system of organizing international relations, however, failed states put under grave danger human security; this means that it is open the way for humanitarian interventions, which could open the path towards defining a new regime of sovereignty. The study argues that the human security (as *responsibility to protect*) could be a new way of understanding sovereignty, not excluding the state but linking the concepts that traditionally divide the international community and sovereign state; the new notion of sovereignty becomes a mechanism of surpassing the arbitrary power of state (reflecting the state control and the freedom from any interference) by the accountability of its actions (reflecting a better way to balance order and justice).

Keywords: state, sovereignty, security, human security, responsibility

I INTRODUCTION

The contemporary transformations epitomized in the process of globalization offer the conditions to rethink the traditional way of understanding sovereignty by

challenging the central role of the state as (the only) relevant security referent.

Under the pressure of globalization, the world has transformed and is still transforming itself into a huge stage no longer divided by barriers or unnecessary sets, into a world within

“we all form part of a giant troupe of interdependent actors and actresses. We don’t all recite the same lines or even perform similar repertory pieces, but none of us is entirely independent” (Ohmae 2005, 5). The direct implication of this central aspect of contemporary history (Ohmae 1995, 15) is represented by the diffusion of power, which, at least at horizontal level, had shifted from states to markets and thus to non-state authorities (Strange 1996, 189). In other words, on the background of global interdependencies, international organizations and transnational organizations and movements challenges more and more the traditional status of state, generating authority crises at the state level because of the transfer of loyalty from state to non-state actors. In this light, Susan Strange pointed very well that, in a globalized world, authority in society is legitimately exercised by agents other than states and, in the same time, “power over outcomes is exercised impersonally by markets and often unintentionally by those who buy and sell and deal in markets”(Strange 1996, 12).

The main feature of modern (traditional) world was the recognition of the principle of state sovereignty and a clear separation between its internal and external affairs. But, the global economy and the information revolution have profoundly reconfigured the fundamental institutions of modern state governance processes and - through this - have changed two of its central features: sovereignty and territoriality. The contemporary state

(“postmodern”) no longer rely on the system balances and no longer emphasizes the importance of sovereignty or clear division between internal and external policies (Cooper 2007, 41–81). Sovereignty and territory were relocated to other institutional arenas outside the state and outside the traditional territorial framework, sovereignty being decentralized and territory partly denationalized. As a consequence of these changes, the nation-state is now constrained, on the one hand, by the global market forces and, on the other hand, by the political imperatives of the transfer of power. If market forces denationalize territory, the transfer of power leads to the relocation of sovereignty in a variety of institutional arenas, such as transnational (legal) regimes. Today nation-states are no longer the only centers or main forms of government and authority in the world (Rosenau 1997), becoming just some between many actors that populated the space of post-international politics (Rosenau 1990). Their role has diminished and is still diminishing, if only because they are unable to provide solutions to the so called “global” or “transnational” issues (poverty, global warming, environmental issues etc.).

In order to have an appropriate understanding of that transformation it is necessary to interrogate the sovereignty as the central aspect of modernity, underlying some of its new understandings within the framework of globalization. But, a direct approach to sovereignty may be ineffective because it would raise a lot of reserves; a more

functional way of analyzing sovereignty is through the way security is conceived. There is a very deep connection between sovereignty and security, invoking national security meaning nothing more than call to mobilize all available resources in order to ensure sovereignty. Sovereignty is thus operationalized in the discourse of security. Therefore, a look through security to sovereignty could better shape, seemingly very monolithic, understanding of sovereignty. If sovereignty syntax seems to be constant in time and space since the seventeenth century, its semantics may vary according to the emergence of alternative discourses on security. Thus, if national security, in the classical (traditional) manner, is consistent with the defense of the state, as reflected in various strategic analyses, human security could be a contemporary challenge to the orthodox realism and so, it would create prerequisites for a more sophisticated understanding of sovereignty. Moreover, within the new framework of understanding these profound transformations, a broader way of understand security as a different concept than the defense is arising and because of that, the idea of Westphalia way of dealing with sovereignty is put into question. On the other hand, the demilitarization of security doesn't imply the elimination of traditional strategic concerns but only the supplementation of these with some other that no longer can be solved through the exclusive focus on the state level.

The globalization processes create the conditions and shape the necessity to define people – centered security adding normative priority to the impact different policies have on the individual and from such a perspective to have a new comprehension of sovereignty. So, it becomes possible or, in some cases necessary, to translate the security responsibilities from a nation state to some agents or even states in order to implement the principles of security that sovereign states owe to their own citizens. The ethnic atrocities in failed states from Africa could offer the appropriate framework for putting into the question of the traditional way of understanding the nation-state. From such a perspective, the Sudanese catastrophe is consistent, on the one hand, with the precepts of national self-determination, non-intervention and autonomy and, on the other hand, the globalization could unmasked the necessity of interconnection between ethics and politics in the complex landscape of social, economic, political and environmental security (Burgess 2004, 278).

II STATE AND SECURITY IN “THE REALIST WORLD”

The traditional view (realist/neo-realist) on international relations is built around the concepts of power and security as grounding the relations between and among states: the realist model of international politics is seen as a struggle for power (Morgenthau 1948). The central topic is the state or the state's power, and, due to the anarchic environment, its insecurity. States are

seen as “locked into a power struggle, and security easily slipped into the subordinate role in which it was seen as a derivative of power”. In the realist orthodoxy, power is the key concept and consequently security becomes either the image of “how well any particular state or allied group of states was doing in the struggle for power, or how stable the balance of power overall appeared to be” (Buzan 1991, 7).

For (neo)realists, the most important actors in the international system being not the individuals *per se* but states, the significant worry is the prospect of going to war and security as a primary concern. This becomes obvious because for the states the primary motive is to protect their sovereignty. According to such view, which privileges the state as the only repository of sovereignty (because of that the national security / state defense is so important), the international order could be guaranteed and (inter)national security achieved “only if states respect each other's sovereignty by adhering to the norms of non-intervention in internal affairs of other states” (Ayoob 2002, 81). Stephen Krasner identified four different meanings for the term sovereignty: international legal sovereignty, associated with mutual recognition, usually between territorial entities that have formal juridical independence, meaning the reciprocal recognition of states; Westphalian sovereignty, based on the exclusion of external actors from authority structures within a given territory; domestic sovereignty, understood as formal organization of political authority within the state and

the ability of public authorities to exercise effective control within the borders of their own polity; and, interdependence sovereignty, referring to the ability of public authorities to regulate the movements over the borders (Krasner 1999). Based on traditional (realist) framework of understanding international relations, sovereignty means a combination of two components: internal and external. Internally, sovereignty refers to the exclusive competence of state to make authoritative decisions with regard to people and resources within a territory and, externally sovereignty represents the legal identity of the state in international law (Thakur 2011, 78). National sovereignty (in the same way as national security) transforms the state in the ultimate seat of power and authority. Translated in terms of external autonomy and internal control, the traditional meaning of sovereignty is encompassed under the terminology of sovereignty as *authority* (Badescu 2010, 20). And the essence of sovereignty seen through the lenses of security is “to act as a normative barrier to unwanted external interventions” (Ayoob 2002, 82); thus, sovereignty had acted as “a restraint on the interventionist instincts” (Ayoob 2002, 83) for the strong (ex colonial) states. But the Westphalian sovereignty and its corollary - the nonintervention were weakened by the recent shift from “sovereignty as a feature of governments to sovereignty as a functional concept for societies”; it means that the state-centered perspective could be, at least, added with a societal one, which could transform the individual in referent

object both, for security and sovereignty, in a human-centered perspective.

III PEOPLE-CENTERED PATTERN AND HUMAN SECURITY

The realist traditional explanation, through its exaggerated attention conferred to the state, fails to foresee or even hides a series of real threats towards the individual and thus, the security fails even in its core objective: to protect (the individual). Therefore, overcoming the traditional approaches brings into foreground a series of new concepts such as societal security, comprehensive security, (global) international security and human security. This paradigmatic rethinking is reflected in *The Human Development Report 1994*, document within which the end of the Cold War represents the boundary between old/obsolete (traditional) and new. In the new international context – deeply marked by the implications of globalization – the exclusivity of national security is no longer possible due to the fact that a series of new concepts interfere in the realities with which we operate because “abstract concepts such as value, norms, and expectations also influences both choices and outcome of security” (Liotta 2006, 51).

One of the striking features of globalization consists of moving away (at least partially) the state from the epicenter of policy making and implementing; the main consequence of this transformation constitutes a new *narrative*, represented by the transformation of the individual into the

reference object of security (this new *narrative* means the necessity to define human security adding normative priority to the impact different policies have on the individual). In other words, on the background of globalization, human security could be described as particular instance of “a more general approach that is referred to, for lack of a better phrase, as *people-centered* or *human-centered*” (Tigerstrom 2007, 15). Neither the traditional arrangements focused on the state and its military capabilities, nor the international organizations approaches that subsume the state-centric logic (even though they contest it) can no longer represent solutions for the contemporary world problems. The licit use of force (including the military force) will have to be argued by human security, as novel formula, by this understanding “a tough security policy aimed at protecting individuals and less at protecting states” (Kaldor 2010, 213) – this aspect marks the first phase in the state-centric abandonment approach. On the other hand, also as a natural prolongation of this mutation, human security will reflect the importance of the norms within the construction of the social reality since “the world we built will reflect our ethical beliefs” (Frost 1998, 126).

As a *peace dividend*, security can be conceived outside the *raison d'état* politics, outside the state-centric approach and thus we can foresee the normative judgments possibility. These transformations generated sufficient arguments in order to define human

security as encompassing four fundamental characteristics:

1. human security is a universal challenge and concern;
2. the human security components are interdependent;
3. human security can be sooner accomplished using prevention than subsequent intervention;
4. human security is centered on the individual (UNDP 1994, 23).

Therefore, human security brings in the foreground a state of whose sovereignty is “more and more conditioned – depending both on the domestic behavior and also on the international world approval” (Kaldor 2010, 186).

From a more narrow perspective, the Canadian government, in a document entitled *Freedom from Fear* defines human security as “the freedom from the generalized threats to human rights, their safety and lives” (DFAIT 2000, 3) meaning that human security represents the focus on “protecting the individuals from violence and defining an international agenda based on this objective” (DFAIT 2000, 1). This view is also undertaken in *The Human Security Report 2005* according to which “the primary goal of security is the protection of individuals” (Human Security Centre 2005), (this aspect being of great importance for the reaffirmation of the change regarding the referent of security) and focuses on security from political violence. In a more general manner, the report entitled *In Larger Freedom* stresses the necessity of the interrelation of the various perspectives on security and highlights the

importance of the development as a strategy for the fulfillment security. This equals the necessity to sum the two perspectives – broad and narrow – premise assumed by the International Commission on Intervention and State Sovereignty (ICISS 2001) when proposing an encompassing formula – “responsibility to protect” (*R2P*), having as constitutive elements the: responsibility to prevent, responsibility to react and responsibility to rebuild (ICISS 2001, 11–47) which, in their turn represent a reiteration of the actions inserted by the UN General Secretary – Boutros Boutros Ghali – in *An Agenda for Peace* (1992): preventive diplomacy, peace-making, peacekeeping and post-conflict peace building. In this context, the normative component of the human security appears to be obvious and the *R2P* transformation into the fundamental principle of the collective security marks “a commitment to ethical progress in international relations” (Weinert 2009, 159).

In this new framework was articulated the approach of sovereignty as *responsibility* in order to protect the people from a territory, which explicitly challenge the key principle of nonintervention. Sovereignty in terms of human-centered understanding could be described as “a new normative principle of international order”, as a “telling sign of the new, shared moral understandings” (Etzioni 2006, 84). And this offers the opportunity “to treating nations not as free agents, but as members of an international community who are expected to adhere to that community's evolving norms regarding

what is considered legitimate” (Etziona 2006, 83). The erosion of sacrosanct concept of national sovereignty is rooted in the reality of global interdependence, which has widened the distance between the legal status of state and the actual way states act. Moreover, the civil society begins “to use the international human rights norm and cross-national global coalitions to subject the actions of their own governments to increasingly critical scrutiny” (Thakur 2011, 80). Without denying the sovereignty as *authority* and as a consequence accepting the state as a major / important international actor, but in the same time underlying the centrality of freedom and human rights and as a consequence accepting the rise of a human centered system, sovereignty as *responsibility* “means that individual states are entitled to full sovereignty so long as they abide by the norms established by the international community” (Etziona 2006, 83). In lights of the above transformation the new understanding of sovereignty is significant from a triple perspective (Thakur 2011, 80). First, the state is still responsible for protecting the safety and the welfare of citizens. But, second, the states (even they are sovereign) are responsible to the citizens internally and to international community through the UN. And third, the states are responsible for their actions, that is to say, they are accountable for their acts of commission and omission. So, the reinterpretation of sovereignty is relevant for highlighting the connection between law and politics. And even more, because of the slide from the state to the individual, the law is profoundly linked with the ethics

and, becomes a means “to achieve the fundamental values of an international society” (Shelton 2006, 323). So, the human security (as *responsibility to protect*) could be a new way of understanding sovereignty, not excluding the state but linking the concepts that traditionally divide the international community and sovereign state. Moreover, security – defined and implemented as a people-centered pattern – by transforming the understanding of sovereignty implies the transformation of statehood and, this phenomenon is structured by the implications of globalization. Thus, a transformative perspective over statehood offers the right means for the comprehension of international politics according to contemporary evolutions.

IV CONCLUSION

The distinction between classical way of defining security and human security is an attempt to define the right relation between justice and order in international relations. If the international system, based on the mutual recognition of sovereignty, is the least bad system of organizing international relations, however, failed states put under grave danger human security; this means that it has opened the way for humanitarian interventions, which could open the path towards defining a new regime of sovereignty, reflecting the manner of how the statehood is transformed. In such circumstances, the state responsibilities and its sovereignty could be held to international scrutiny and we have to read the sovereignty mediated by the increasing role of the individual and

human rights and, because of that the state ceases to be a reality *per se*. So, the transformation of statehood, within the context shaped by forces of globalization, represents a new way of thinking about sovereignty and is basically the searching for a better way to balance order and justice, to identify the mechanism that eliminates the tension between human security and security of the state.

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Regionalism and localization in East Asia

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Abstract: Where the theory of international relations failed in anticipating the fall of the Soviet Empire, the theories of regionalism present few analytical tools to reach beyond formal information, and thus fail in predicting the current shortcomings of regionalism. It is argued that in East Asia two types of tacit knowledge are shaping the regional arrangement; in spreading the ideas of regionalism local norms would affect the level of acceptance, and among the top level “regionalism-talk” the only common nominator would be lack of realism.

Keywords: regionalism, tacit knowledge, constructivism, East Asia

I INTRODUCTION

Regionalism globally undergoes a twofold development. On the one hand the vast majority of nations are joining regional arrangements, on the other; regional groupings suffer from concrete progress. This writing sets sight on East Asia and on its manifold multilateralism. The regionalism trajectory there would seem to follow its European counterpart in succeeding in common political rhetoric, but failing in combining cultural aspects.

The aim here is to discuss the limits of regionalism in the context of East Asia. It is argued that in failing to predict the current crises in the European regionalism, a deeper view of regional arrangements in theory is needed. In

spreading the ideas of regionalism in East Asia, local norms would decide the level of acceptance, and, in producing these transnational ideas political elites seem to have a common understanding to articulate unrealistic outcomes.

The article first draws from the crises in international relations (IR) theory. Then through a conceptualization of multilateralism in East Asia, then constructivism in combination with tacit knowledge are introduced to the theory of regionalism. Finally, the paper turns to formal and informal integration as an example of the tacit dimension, before articulating a gap of frustration in the East Asian regional progress.

II THE FAILURE IN IR THEORY:

UPSURGE OF REGIONALISM

At the time the “end of history” was announced and the inevitable colliding of cultures argued as imminent, a crisis in the theory of IR was declared; it failed to estimate the fall of the Soviet Union. This raised the need to reconceptualize the world which would encompass an anticipation of the unanticipated, given further impetus by the 9/11 events. It was done for instance by Hettne & Söderbaum (2002); *New Regionalism*, and Amineh and Houweling (2005); *Critical Geopolitics*.

The surprise for theorists offered by the fall of the Soviet Union was of domestic nature. The idea of a “Soviet man” formed by education and upbringing, proved itself naïve and unsustainable. The critical geopolitics, on the other hand, considers from the above constructed identity as a failing social force impacting behaviour. New regionalism and geo-economics again recognize the continuing importance of the state while emphasizing the increasing political significance of sub-national and non-state actors. Indeed, the Soviet elite failed to recognize the complexity and importance of not only the human, but also of the sub-national agency.

Following these theoretical developments, the past few decades have seen a transition in the nature of the state and the strengthening of regional agreements all over the world, as almost every country has joined some kind of trading arrangement. Looking at the trade statistics of the 1990s, it is easy

to deduce that intra-regional trade is increasing (Woods 2000). It is also clear that the emerging regionalism affects multilateralism and the international trade regime.

This upsurge in regional activity can be unwound in several ways. Firstly, the end of bipolarity has removed the significance of Cold War perceptions and divisions, causing a more unipolar structure with a new division of power and labour. Another factor is the relative decline of American hegemony in combination with a changing US attitude towards regionalism. Also, the increased adoption of varieties of domestic neo-liberal policies explains new regional initiatives. Finally, the declining Westphalian system and the decreasing significance of territorial borders and the growth of interdependence and globalization gave impetus for regional cooperation (Amineh and Houweling 2005; Hettne and Soderbaum 2002).

III MULTILATERAL EAST ASIA

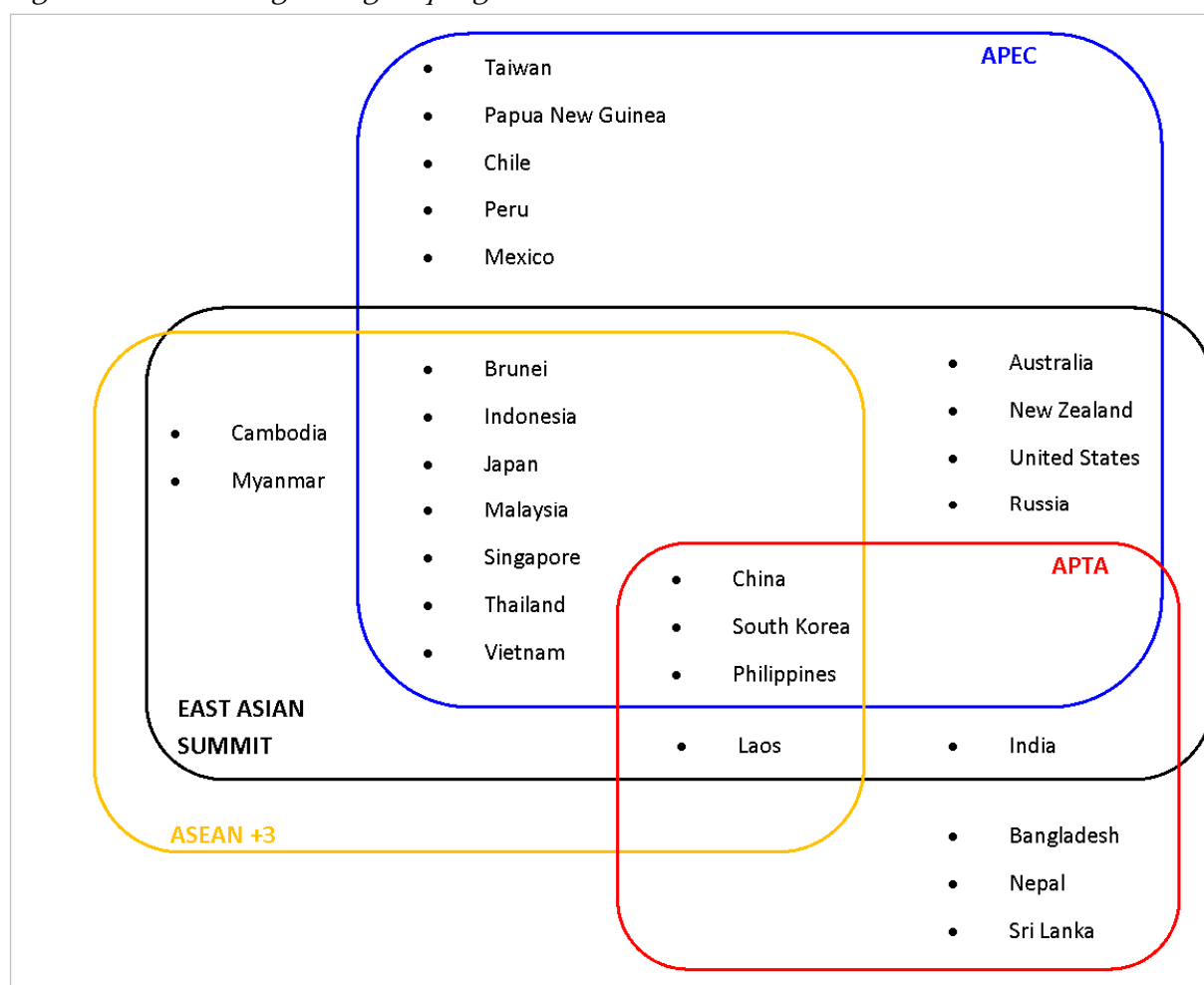
East Asia is abundant in various broader integrative regional initiatives (cf. Katzstein, Shiraishi 1997). Figure 1 presents relevant selected regional groupings such as APEC (Asia Pacific Economic Cooperation), APTA (Asia-Pacific Trade Agreement), ASEAN + 3 (Association of Southeast Asian Nations + China, South Korea, Japan), East Asian Summit and relative engagement of actors – that is, nation-states in a broader East Asian context. Among them and of interest is the central role of China, along with South Korea and

Philippines, participating in all mentioned regional arrangements.

Regional cooperation helps in replying to pressures of globalization, as experienced during East Asian financial crisis in 1997/1998. But the nature of the

crisis also proved a crack in regionally integrated economies of East Asia when China, Hong Kong and Singapore survived the crisis relatively well compared to Thailand, Malaysia, Indonesia, South Korea and Japan.

Figure 1 Selected regional groupings around East Asia



Source: authors.

Japan, on the other hand, has taken steps to promote liberalization of international trade, which would be positive for its stagnant economy. However, talks on Trans-Pacific Partnership in Japan show that there exists little consensus on internationalization of Japanese market in the given Asia-Pacific macro-region. The calling for Japan-Taiwan

partnership to help penetrate fast-growing Chinese markets can be seen as a sign towards regionalism, having, however, its limits. Taiwan is an important economic regional player with the recent melting relations across the Taiwan Strait. However the geopolitical state-of-affairs between China – Taiwan, and Japan preclude any

exaggerated promising ideas for complex East Asian regionalism.

Considering the diverse nature of the area, its contemporary history and geopolitical interests, it is difficult to believe in coherent East Asian regional cooperation. The ASEAN+3 project has shown some promise but like the SCO (Shanghai Co-operation Organization) or the BSEC (Organization of the Black Sea Economic Co-operation), little tangible has been achieved. Rather these can be interpreted only as single actor power projections (SCO) or well-meaning but useless power struggles between different players with overlapping agendas (BSEC). Also for these reasons, regional economic cooperation under the rubric of 'East Asia' in the theoretical model of regionalism is hard to envisage without deeper sense for informal values and ideas.

IV NEW REGIONALISM: A GAP IN THEORY

The new regionalism of Hettne (2002, 2005) recognizes the continuing importance of the state while emphasizing the increasing political significance of sub-national and non-state actors. Thus the goal of Hettne is to move towards a coherent construction of a new regionalism theory (NRT) built around the core concept of 'regioness', and indicating the multidimensional result of the process of regionalization of particular geographic area. Using the concept of regioness as the building block, Hettne makes a distinction from what was earlier known as the new regionalism approach (NRA). He notes that the theory of 'new regionalism'

cannot be about emerging regions only; it is more a theory about the world order in transformation and the emergence of a multi-level pattern of governance.

Hettne admits that as a political process, regionalism can also fail. But he doesn't give an explanation or any mechanism why it should or shouldn't fail or prevail. So, the theory of new regionalism would seem to emphasize more an upward direction of the new world order. In it, the world comprises of different politically created regions that interact and are the result of inevitable regionalization processes. While rightly recognizing the role of sub-national and non-state actors, it fails in seeing the trajectory of globalization as inevitable in merging transnational ideas. The question is not whether regionalism is a stepping stone or a hindrance to globalization, or in general, what is the relation between them. It should be about juxtaposition of globalization as an idea spreading mechanism and local norms deciding the acceptance of them. In other words, it underestimates the impact local traditions have in constructing regional identities, and thus fails in seeing the complete mechanisms of any regional enterprise.

In effect, the theory of new regionalism concentrates more on the power shift from nation states to transnational actors. As stated, this would not seem sufficient. Although information networks within the new channels of communication, most notably the internet, have altered the world, localized norms and old traditions still filter the transnational information. The

European experience in economic crisis with a northern (Finland) and central (Germany) traditions versus the southern (Greek) would confirm this. And, where the theory of international relations failed in anticipating the fall of Soviet Empire, also the new regionalism does not give any analytical tools to reach beyond formalized information, and thus fails in predicting the current failures of regionalism also in areas outside Europe.

V A CONSTRUCTIVIST APPROACH

More so than states (or non-state actors), regions, although usually based on geographical proximity, are fluid entities defined by historical, politico-economic and social factors. Therefore, regions can be seen as the result of social construction. It can be thus claimed that the tools of social constructivism can contribute in analyzing regional experience.

A twofold development characterizes the nature of present day constructivism. On one hand, the approach is very much multi-natured, and on the other, in recent days it has become a buzzword throughout social sciences. Where some have referred to it as 'secular religion' (Phillips 1995), or have talked about a 'promise of constructivism' (Hopf 1998), others saw it as a 'reflexive meta-theory' (Guzzini 2000). Importantly, when the earlier works concentrated on theoretical critiques on mainstream approaches, later writings also take empirical case studies into consideration (Nau 2002: American foreign policy; Callahan 2003:

Overseas Chinese and neo-nationalism; Acharya 2004: Asian regionalism).

Typical for constructivists is the juxtaposition of realist approach with the constructivist. Realists assume states as unitary agents, where some constructivists consider them as consisting of multiple actors. Accordingly, the neo-liberal theory where the rational economic man is seen as an individualist actor, is replaced by a social man, influenced and affected by norms, ideas, identities and generally culture of others.

What, then, is the relation between the tacit knowledge and the constructivist theory? By answering it, it is hoped to clarify the manner and nature of the previous. Firstly, tacit understanding would encompass a process of communication between multiple actors. It would not entail a view of states as single agents, and thus would not agree with the realist but with the constructivist approach. Also, a tacit understanding would deny all positivists precepts as generalizations of theory, and therefore would not be in line with the conventional view. Rather, it would deconstruct the use of information on the basis of single cases, and within these parameters take the constructivist approach somewhat deeper than the previous literature and cast novel light on the theory of new regionalism.

VI TACIT DIMENSION AND REGIONALISM

In a knowledge economy, all efforts are characterized by orientation of activities towards better use of knowledge where

important factors are intangible, such as human and social capital. This capital is spread through networks which – in order to maintain themselves – require personal face to face interaction and creation of relations of confidence. The mentioned tacit knowledge (know-how and who) can only be “*transferred between actors who share the same norms and values and social contexts, characterized by a high level of social capital*” (Neves and Rocha-Trindade 2008, 156).

In the political process of regionalism, explicit knowledge is considered to convert into “new” knowledge. This, however, is not true. The political process uses transnational ideas, and assumes that those will be accepted as explicit knowledge without any reservations on the local level. Like stated above, these ideas are not merged without the process of localization, which then gives birth to new knowledge. The process of localization is in essence social interaction. This interaction which contains and consists of tacit knowledge, determines the end result of the new knowledge. However, tacit knowledge cannot be translated nor converted, but only manifested, in what we do. So, while there have been arguments on a global networking as an idea spreading mechanism (Castells 1996), the importance of local norms have not been left out in accepting global or transnational ideas within the process of regionalism (Acharya 2004). This localization of ideas, or the hindering of information spreading among regional actors, is of central concern. No process of regionalism can

claim success on a single level idea mechanism; the processes of localization of knowledge are manifold.

Also the presence of another type of tacit knowledge should be recognized. Despite a growing enthusiasm by political elites, many goals of East Asian regionalism are all but fulfilled. The gap of frustration between articulated goals and actual outcomes, as Nair (2008) argues, is here interpreted as a common tacit dimension by the political regimes to produce a rhetorical level of ideas lacking realism.

Thus, it is argued, as in the EU, also in East Asia two types of tacit knowledge are shaping the regional arrangement. Firstly, in spreading the ideas of regionalism local norms would decide the level of acceptance, and, secondly, in producing these transnational ideas political elites seem to have a common tacit understanding to articulate unrealistic outcomes.

VII INFORMAL REGIONALISM

To differentiate between formal (political) and informal (cultural) regional coming together is to understand the gap between theory and practice. The most useful example of this are the Chinese *huaren* (华人 ethnic Chinese) networks which govern vast pieces of not only East Asian but also Southeast Asian economies, reaching to upper level political echelons. These transnational ties make a great deal in Chinese informal economy, and are based on mutual cultural understanding (Peng 2000; Beeson 2007). Thus ‘Greater China’ has even bigger potential with

trans-regional business networks than Japanese regional production networks in East Asia. This Chinese informal approach and rich Diaspora throughout Southeast Asia proved during the financial crisis in 1997 more flexible than other East Asian models of state.

Quite opposite to nation state agency, the *huaren* networks of Chinese Diaspora display a massive amount of informal tacit knowledge in their economic diplomacy. Mutual cultural understanding leads to not only economic but also political success. This feature of tacit understanding hinders formal regionalism; the Chinese way of working within and without the system makes formal region building efforts partly inefficient.

Also, if East Asia is suffering from lack of mutual norms, it is also lacks macro level management. Baldwin (2008) argues that the regional experience in East Asia is run by “mid-level” management – the corporations. According to him, East Asia has always been prone to conflict due to the diverse nature of the region, and is in need of top level management. Without it, Baldwin argues, East Asian regionalism remains fragile.

VIII CONCLUSION

The failures of IR theory in predicting the end of the Cold War and a simultaneous rise in regional coming together have led to new theoretical formulations. However, the level of enthusiasm in new regional thinking has not matched the challenges of diverse reality. This is true both for regions

experiencing some plurality (EU) and considerable diversity (East Asia).

In general, previous research is lacking in describing the nature of regionalism in East Asia. A more comprehensive approach in theory would be needed that takes into consideration both the macro level “top management” and micro level “norm localization”. Future research should consider the role of local norms in the theory of regionalism. It would seem that also the top level external political rhetoric is in the end influenced by internal norms. This cannot be explained without a deep understanding of local level culture which should be analysed as individual cases. An understanding dubbed here as tacit does not fill the gap in theory, but describes the edges of that hole.

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Fiscal policy in the service of family on the example of Poland

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Abstract: The main aim of the article is to depict the way in which fiscal policy can be used to improve the situation of families and their members on the example of Poland and other European and non – European countries. The article presents solutions in the field of family tax policy in selected countries. Polish regulations were confronted with tax systems used in Finland, Ireland, Norway, France, USA, UK and Germany. They are examples of mature democracy with a high level of care to citizens and their fiscal policy is flexible and evolves in response to changing needs of society. The family policies of individual countries included in the article are presented in a concise manner with the necessary simplifications in this case. For better presentation of pro-family policies, the issues are designed to embed issues in the demographic situation of the country and present the scale of spending by individual member.

Keywords: pluralization of life styles, public social expenditure, family tax benefits, Poland

I INTRODUCTION

The main aim of the article is to depict the way in which fiscal policy can be used to improve the situation of families and their members on the example of chosen European and non – European countries, especially in Poland.

There are different attitudes to the problem of what family is and how it should be defined. Those wishing to broaden the definition of the family seek to make private family life (as opposed

to public family life) an individual choice in which a variety of styles, configurations, and combinations are acceptable. Those who approach the study of family life from more traditional business or governmental points of view may seek to limit and constrict the definition of the family for economic reasons. In addition, those who view the family as a sacred religious institution may suggest a particular configuration and even gender role assignment within the family based on doctrine and beliefs

that support their point of view (Randal D. Day 2003, 35).

The family can be analysed and considered from different points of view. It can be treated as a single group or organization, as a population of such groups, as well as a social institution. Furthermore it can have various forms (Harold et al. 2000, 3). For instance, K. Ishwaran distinguishes between the nuclear family, the composite family, polygynous and polyandrous families, as well as extended families. Nevertheless, other typologies used as a basis residence or authority criterion can also be found. Here one can talk about matrilineal and patrilineal families, as well as patriarchal and matriarchal ones (Rosenberg 1983, 235–38).

The notion of the traditional family understood as a married couple with two or more children with a clear division of father and mother's social roles has appeared insufficient to include all existing forms of modern family which have emerged as a result of the development of educational possibilities of women and their professional activation, the conflict of social roles in family relationships, the changes in the reproduction processes, the widespread of individualization, as well as the conflicts between individual needs and desires to be in permanent and lasting relationships with other people (Firlit–Fesnak 2008, 189–90).

Because of their dissimilarity, these new forms of family are also called alternative ones. This alternativeness, however, can occur in three different options depending on the degree to which an alternative model of family is convergent with the features of traditional one. This is how one can distinguish them:

1. Parallel models (such as premarital cohabitation),
2. Included alternatives (such as visiting marriages),
3. Alternatives for family for example, homosexual couples raising a child or children.

II DEMOGRAPHIC SITUATION OF POLAND

While in the Western European countries all these phenomena had taken place earlier, they can be observed only in the last 20 years in Poland. As each process have both positive and negative aspects, among their negative aspects in Poland, one can indicate the changes in **the number of contracted marriages** from 307 373 in 1980 to 206 471 in 2011, **the number of marriages dissolved** from 209 856 in 1980 to 221 657 in 2011, as well as in the difference between contracted and dissolved marriages from 92 323 in 1980 to – 17 021 in 2011 involving both rural and urban areas. Moreover in 1980 4.6 of marriages per 1000 existing ones were dissolved by divorce, while in 2011 it was 7.1 (see Table 1).

Table 1 Marriages contracted and dissolved (balance of marriages)

Years	Contracted marriages	Marriages dissolved							Difference between contracted and dissolved marriages	Existing marriage in thous.	
		total	by death of			by divorce	total	by divorce			by death
			total	husband	wife						
Total											
1980	307373	209856	170023	126250	43773	39833	24.1	4.6	19.4	92323	8745.3
1990	255369	226363	183927	136895	47032	42436	24.6	4.6	19.9	25194	9232.8
2000	211150	209774	167004	123678	43326	42770	22.8	4.7	18.2	-3388	9186.1
2005	206916	228923	161345	119423	41922	67578	25.6	7.6	18.1	-24494	8927.6
2010	228337	220727	159427	116966	42461	61300	24.6	6.8	17.7	6305	8984.9
2011	206471	221657	157063	115369	41694	64594	24.3	7.1	17.2	-17021	9109.3
Urban areas											
1980	187333	126604	92736	68691	24045	33868	24.8	6.6	18.1	57286	5128.5
1990	140976	138800	104501	77180	27321	34299	24.4	6.0	18.3	-926	5696.8
2000	128148	134700	98660	72506	26154	36040	24.2	6.5	16.1	-10597	5576.5
2005	125630	149776	96165	70416	25749	53611	27.3	9.8	17.5	-35618	5484.5
2010	137218	143928	96534	69920	26614	47394	26.7	8.8	17.9	-21285	5393.3
2011	122737	144088	94902	68720	26182	49186	26.1	8.9	17.2	-34376	5510.5
Rural areas											
1980	120040	83149	77287	57559	19728	5862	23.1	1.6	21.4	35140	3617
1990	114393	86713	79426	59715	19711	7287	24.6	2.1	22.4	26970	3537.4
2000	83002	74998	68344	51172	17172	6654	20.7	1.8	18.9	7285	3617.5
2005	81286	79026	65180	49007	16173	13846	22.9	4.0	18.9	11245	3443.4
2010	91119	76316	62893	47046	15847	13423	21.2	3.7	17.5	28073	3594.0
2011	83734	77016	62161	46649	15512	14855	21.4	4.1	17.3	17908	3599.2

Source: Główny Urząd Statystyczny

With regard to **the bridegrooms and brides' age**, in the case of males a decrease in the group of fewer than 20 and between 20–24 can be noticed, as well as in the group of over 45. In the

case of females the situation is quite similar. However comparing urban and rural areas, a slight difference in the group of people at age 45–49 appears in favour of the second ones (Table 2).

Table 2 Bridegrooms and brides by age

SPECIFICATION	Total	At age specified										
		under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 and more	
MALES												
Per 1000 population aged 15 and more of each sex and age group												
TOTAL	1980	23.8	6.0	96.3	52.4	14.3	6.8	4.5	3.5	3.0	2.9	2.8
	1990	18.6	8.5	98.6	51.2	13.6	5.2	3.8	2.9	2.6	3.2	2.7
	2000	14.1	3.2	53.0	52.1	15.6	6.1	3.2	2.4	2.3	2.0	1.9
	2010	14.6	1.0	30.3	62.4	28.0	10.7	5.2	3.2	2.3	1.8	1.4
	2011	13.2	0.9	26.5	55.7	25.8	10.4	4.9	3.0	2.2	1.8	1.4
Urban areas	1980	24.7	6.5	95.9	50.6	14.5	7.8	5.6	4.6	4.0	3.9	4.0
	1990	17.2	8.6	96.8	46.4	12.3	6.0	4.3	3.7	3.3	3.2	2.7
	2000	13.9	2.9	48.5	53.4	16.5	6.6	3.6	2.9	2.8	2.6	2.6
	2010	14.5	0.7	24.4	60.1	29.8	12.2	6.2	3.9	2.8	2.1	1.7
	2011	13.0	0.7	20.8	53.1	27.2	11.7	5.9	3.7	2.6	2.2	1.8
Rural areas	1980	22.4	5.4	96.8	55.4	13.9	5.0	2.8	1.8	1.6	1.6	1.6
	1990	19.3	8.4	100.8	57.3	15.7	5.7	2.9	1.6	1.4	1.2	0.7
	2000	14.5	3.7	60.2	50.0	14.3	5.4	2.6	1.6	1.3	1.0	0.9
	2010	14.8	1.4	38.7	65.9	24.8	8.6	3.8	2.2	1.6	1.2	0.7
	2011	13.5	1.2	34.3	60.0	23.6	8.3	3.7	2.1	1.5	1.1	0.8
FEMALES												
Per 1000 population aged 15 and more of each sex and age group												
TOTAL	1980	21.9	40.1	107.6	27.8	9.4	4.6	3.2	2.8	2.3	2.0	1.3
	1990	17.2	40.4	108.5	25.9	8.5	4.7	3.3	2.7	2.1	1.6	0.7
	2000	13.0	15.6	71.0	33.3	8.3	3.5	2.4	2.2	2.0	1.6	0.7
	2010	13.4	7.4	56.1	55.6	17.6	6.8	3.3	2.4	1.8	1.3	0.5
	2011	12.1	6.3	50.0	50.6	16.7	6.7	3.4	2.3	1.8	1.3	0.5
Urban areas	1980	22.0	34.9	101.7	29.0	10.3	5.5	3.9	3.6	2.8	2.6	1.7
	1990	15.1	33.3	99.8	25.0	8.2	4.6	3.6	3.1	2.6	2.0	0.9
	2000	12.3	12.5	65.4	36.4	9.0	3.9	2.7	2.5	2.3	1.9	0.9
	2010	12.8	4.9	46.7	57.8	19.2	7.7	3.9	2.7	2.0	1.5	0.6
	2011	11.5	4.2	40.7	51.9	18.2	7.5	3.9	2.7	2.1	1.5	0.6
Rural areas	1980	21.7	47.2	117.6	25.3	7.5	3.0	2.1	1.7	1.6	1.3	0.9
	1990	21.8	50.3	120.5	27.3	9.1	4.8	2.7	1.8	1.3	1.1	0.4
	2000	14.2	20.5	80.4	28.2	7.2	2.9	1.8	1.5	1.2	0.9	0.4
	2010	14.5	10.5	70.0	51.8	14.7	5.5	2.4	1.7	1.3	1.0	0.3
	2011	13.2	8.8	63.3	48.4	14.2	5.4	2.6	1.7	1.3	0.9	0.3

Source: Główny Urząd Statystyczny

Some changes have also taken place with regard to **the first marriages and remarriages**. There is a decrease in the number of the first marriages for both

married people (husbands and wives) and at the same time an increase in the number of the first marriages for only one married persons, as well as in the

number of next marriages for both married people from 7.5 in 1980 to 9.6 percent in 2011 and from 5.0 in 1980 to

6.5 percent in 2011 in the second case (Table 3).

Table 3 First marriages and remarriages

Years	Total	First marriages						Next marriages for husband and wives
		for husband and wives	for one from married persons					
			total	husband - first and wife		wife - first and husband		
				widow	divorced	widower	divorced	
In absolute figures								
1980	307373	268803	23103	2239	7390	2225	11249	15467
1990	255369	218471	20603	2067	7740	1250	9546	16295
2000	211150	182696	15708	1496	5907	899	7406	12746
2010	228337	193414	21119	1139	8922	631	10427	13804
2011	206471	173280	19764	984	8571	580	9629	13427
In percentage								
1980	100,0	87,5	7.5	0.7	2.4	0.7	3.7	5.0
1990	100.0	85.6	8.0	0.8	3.0	0.5	3.7	6.4
2000	100.0	86.5	7.4	0.7	2.8	0.4	3.5	6.1
2010	100.0	84.7	9.2	0.5	3.9	0.3	4.6	6.0
2011	100.0	83.9	9.6	0.5	4.2	0.3	4.7	6.5

Source: Główny Urząd Statystyczny

Negative tendencies can also be observed when it comes to **separations**. In comparison to 2005 an increase in their number can be noticed both in rural and urban areas. However the

situation has improved since 2005 when 11 600 separations were reported versus 2 843 in 2011. Most of them were the result of wife's petition (Table 4).

Table 4 Separations

SPECIFICATION	Total	Urban areas	Rural areas	Per 100 thous. population			Per 1000 contracted marriages		
				total	urban areas	rural areas	total	urban areas	rural areas
2000	1340	1134	206	3.5	4.8	1.4	6.3	8.8	2.5
2005	11600	7700	3899	30.4	33.0	26.3	56.1	61.3	48.0
2010	2789	1984	790	7.2	8.5	5.2	12.2	14.5	8.7
2011	2843	2058	777	7.4	8.8	5.1	13.8	16.8	9.3
petition of husband	441	336	102	x	x	x	x	x	x
petition of wife	2062	1437	620	x	x	x	x	x	x
unanimous petition of both of persons	340	285	55	x	x	x	x	x	x

Source: Główny Urząd Statystyczny

Similar tendencies are also easy to find in the case of divorces which number has increased since 1980 almost twice, from 39 833 in 1980 to 64 594 in 2011.

There is no exception whether due to the type of area or population at age of 20 and more, as well as per 1000 of contracted marriages (Table 5).

Table 5 Divorces

<i>SPECIFICATION</i>	1980	1990	2000	2005	2010	2011
<i>TOTAL</i>	39833	42436	42770	67578	61300	64594
<i>Urban areas</i>	33868	34299	36040	53611	47394	49186
<i>Rural areas</i>	5862	7287	6654	13846	13423	14855
<i>Abroad</i>	x	x	76	121	483	553
<i>Per 10 thous. of population</i>	11.2	11.1	11.1	17.7	15.9	16.8
<i>Urban areas</i>	16.3	14.7	15.2	23.0	20.2	21.0
<i>Rural areas</i>	4.0	4.8	4.5	9.3	8.9	9.8
<i>Per 10 thous. of population at age 20 and more</i>	16.5	16.5	15.4	23.3	20.3	21.3
<i>Urban areas</i>	23.4	21.6	20.5	29.4	25.2	26.1
<i>Rural areas</i>	6.1	7.4	6.5	12.9	11.8	13.0
<i>Per 1000 of contracted marriages</i>	129.6	166.2	202.6	326.6	268.5	312.8
<i>Urban areas</i>	180.8	243.3	281.2	426.7	345.4	400.7
<i>Rural areas</i>	48.8	63.7	80.2	170.3	147.3	177.4

Source: Główny Urząd Statystyczny

Talking about the divorces it is also important to take into consideration **the situation of underage children**. Here an increase in the number of divorced couples without children and couples having two or three children can be reported. At the same time, however, a decrease in the number of the divorced couples with one or four and more

children can be seen (Table 6). It is clear that it is much easier to make decision about the divorce without being responsible for any children. It can also be assumed that it is much harder to avoid conflicts and other problems related to the maintaining of the family or / and raising children.

Table 6 Divorces by number of underage children

SPECIFICATION	Total	Divorced couples				
		without children	by number of children			
			1	2	3	4 and more
In absolute figures						
1980	39833	14962	17273	6206	1071	321
1990	42436	13207	16831	9909	1914	575
2000	42770	14994	17153	8265	1775	583
2010	61300	25002	23373	10655	1805	465
2011	64594	26902	24402	10889	1883	518
In percentage						
1980	100.0	37.6	43.4	15.6	2.7	0.8
1990	100.0	31.1	39.7	23.4	4.5	1.4
2000	100.0	35.1	40.1	19.3	4.2	1.4
2010	100.0	40.8	38.1	17.4	2.9	0.8
2011	100.0	41.6	37.8	16.9	2.9	0.8

Source: Główny Urząd Statystyczny

Another negative phenomenon is **the median age of mothers** that decide to have a baby. This median has increased since 1990 in each category of birth order. Polish women decide to give birth to their first child usually at age of 26.9, when in 1990 it was over 3 year earlier.

The average is now 28.8, while in 1990 it was 26.0 (Table 7). Here the reason is quite simple. Nowadays women give priority to their independence and career, not to their family life and matters.

Table 7 Births by order and median age of mothers

Year / Median Age of mothers	Total	Birth order								Average birth order
		1	2	3	4	5	6	7	8 and over	
Births Median age of mothers										
1990	26.0	23.0	26.4	29.5	31.6	33.0	34.0	35.2	36.8	x
2000	26.1	23.7	27.1	30.3	32.6	34.1	35.1	35.9	37.5	x
2005	27.4	25.4	28.7	31.3	33.3	34.7	35.7	36.6	37.7	x
2010	28.6	26.6	30.1	32.5	33.9	35.3	36.0	37.1	38.5	x
2011	28.8	26.9	30.2	32.5	34.1	35.1	36.3	36.6	38.5	x

Source: Główny Urząd Statystyczny

When it comes to **live and still births of infants** there are some positive and negative phenomena easy to observe. On one hand there is a decrease in the number of infants born in the years 1980

– 2011 from 695 759 to 388 416 both in the case of males and females, on the other hand a decrease in the number of the still births can be seen too from 5794 in 1980 to 1653 in 2011. Such an

improvement has taken place within rural areas as well (Table 8). Medical

advances have finally arrived in Poland as well.

Table 8 Births by sex of infant

YEARS	Total	Males	Females	Urban areas			Rural areas		
				total	males	females	total	males	females
Live births									
1980	695759	357117	338642	383387	196678	186709	312372	160439	151933
1990	547720	281664	266056	292490	150700	141790	255230	130964	124266
2000	378348	194824	183524	208328	107590	100738	170020	87234	82786
2010	413300	214428	198872	241920	125291	116629	171380	89137	82243
2011	388416	199921	188495	225701	116324	109377	162715	83597	79118
Still births									
1980	5794	3085	2709	3228	1700	1528	2566	1385	1181
1990	3940	2059	1881	2089	1085	1004	1851	974	877
2000	2128	1129	999	1125	593	532	1003	536	467
2010	1730	896	834	980	484	496	750	412	338
2011	1653	874	779	913	491	422	740	383	357

Source: Główny Urząd Statystyczny

Female fertility and reproduction rates of the population are other types of indicators that should be analyzed while analyzing the changes that take place within modern families. Fertility understood as live births per 1000 women varies depending on the age specified. In the group of women at age 15–29 and over 40 one can observe its decrease. However, this is not the case of women at age 30–39. As a result all four indicators – total fertility, gross and net reproduction, as well as

demographic dynamics rate – have decreased significantly since 1980. In the first case from 2.276 to 1.297 in 2011, in the second from 1.108 to 0.630 in the third one from 1.073 to 0.628, and in the fourth one from 1.970 to 1.034 in 2011. However it should be stressed that there is a difference between fertility rate in urban and rural areas. In the rural areas the fertility rate has diminished in each age group even for women over 30 (Table 9).

Table 9 Female fertility and reproductions rates of population

SPECIFICATION		Live births		Fertility - live births per 1000 women at age specified								Rates			
		in thous.	per 1000 population	15-49	15-19	20-24	25-29	30-34	35-39	40-44	45-49	total fertility	reproduction		Demographic dynamics
													gross	net	
TOTAL	1980	695.8	16.9	76	33	180	136	69	29	8	1	2.276	1.108	1.073	1.970
	1990	547.7	14.3	58	34	158	115	59	26	6	0	1.991	0.968	0.934	1.405
	2000	378.3	9.9	38	17	83	95	52	21	5	0	1.367	0.663	0.653	1.028
	2010	413.3	10.8	44	15	56	94	75	31	6	0	1.382	0.665	0.663	1.092
	2011	388.4	10.1	41	14	51	89	71	30	6	0	1.297	0.630	0.628	1.034
Urban areas	1980	383.4	18.4	66	28	151	121	59	22	5	0	1.928	0.939	0.910	1.994
	1990	292.5	12.4	47	29	128	105	56	21	5	0	1.721	0.836	0.779	1.308
	2000	208.3	8.8	32	15	68	86	48	19	4	0	1.201	0.581	0.572	0.955
	2010	241.9	10.4	42	15	47	89	75	32	6	0	1.309	0.631	0.631	1.064
	2011	225.7	9.6	39	13	41	82	72	31	6	0	1.211	0.587	0.587	1.001
Rural areas	1980	312.4	21.1	94	40	229	167	90	42	12	1	2.908	1.416	1.368	1.959
	1990	255.2	17.5	80	42	207	144	78	35	9	0	2.576	1.253	1.209	1.536
	2000	170.0	11.6	48	20	110	109	57	26	7	0	1.652	0.805	0.792	1.135
	2010	171.4	11.4	46	16	68	103	75	31	6	0	1.486	0.713	0.709	1.135
	2011	162.7	10.8	44	15	66	101	69	29	6	0	1.427	0.694	0.690	1.085

Source: Główny Urząd Statystyczny

However the question is whether the situation of Poland is exceptional and particular in comparison to other European and non – European countries?

On the background of the European Union members the image of Poland seems to be quite positive. This concerns not only the number of marriages per 1000 population, but also the number of divorces, the number of

live births per 1000 population, the number of illegitimate live births and the mean age of women at childbearing. Nevertheless, in some aspects the situation of Poland is worse than the EU average. This is the case of total fertility rate, infant deaths per 1000 live births, as well as natural increase per 1000 population. Generally the same negative and positive tendencies can be observed in Poland and the European Union countries (Table 10).

Table 10 Main demographic data – Poland (PL) against a background of European Union countries (EU27)

Specification	1990		2000		2010	
	EU27	PL	EU27	PL	EU27	PL
Marriages						
in thous.	2968	255	2504	211	2257	228
per 1000 population	6.3	6.7	5.2	5.5	4.5	6.0
Divorces						
in thous.	776	42	878	43	1014	65
per 1000 population	1.6	1.1	1.8	1.1	2.0	1.7
Live births						
in thous.	5838	548	5123	378	5370	413
per 1000 population	12.4	14.3	10.6	9.9	10.7	10.8
illegitimate (in %)	20	8	27	12	37	20
Total fertility rate	.	1.99	1.45	1.25	1.59	1.40
Mean age of women at childbearing	.	26.7	29.3	27.3	29.8	28.5
Infant deaths						
in thous.	60	11	30	3	22	2
per 1000 live births	10.3	19.3	5.9	8.1	4.1	5.0
Natural increase						
in thous.	924	157	298	10	517	35
per 1000 population	2.0	4.1	0.6	0.3	1.0	0.9

Source: Główny Urząd Statystyczny

Making more precise comparisons, in 2010 the situation of Poland was better than in France, Ireland, Germany and the United Kingdom with regard to the number of contracted marriages, but still not as good as in the United States. With regard to the number of divorces

only Ireland reported better results, while in the case of the natural increase it was Germany that noted worse score than Poland. Poland also achieved worse result than other countries excluding the United States in the infants' death rate per 1000 of live births (Table 11).

Table 11 Vital statistic of population

COUNTRIES	Years	Marriages	Divorces	Live births	Deaths	Natural increase	Infants death per 1000 of live births
		per 1000 population					
European countries							
France	2000	5.0	1.9	13.3	8.9	4.4	4.5
	2010	3.8	2.1	12.9	8.5	4.4	3.6
Ireland	2000	5.0	0.7	14.4	8.2	6.1	6.2
	2010	4.6	0.7	16.5	6.1	10.4	3.8
Germany	2000	5.1	2.4	9.3	10.2	-0.9	4.4
	2010	4.7	2.3	8.3	10.5	-2.2	3.4
Poland	2000	5.5	1.1	9.8	9.6	0.3	8.1
	2010	6.0	1.6	10.8	9.9	0.9	5.0
United Kingdom	2000	5.2	2.6	11.5	10.3	1.2	5.6
	2010	4.3	2.0	13.0	9.0	3.9	4.3
Other countries							
United States	2000	8.3	4.1	14.7	8.7	6.0	6.9
	2008	7.1	3.6	14.0	8.1	5.8	6.6

Source: Główny Urząd Statystyczny

However Poland presents much better results when it comes to the number of illegitimate births which is lower than in

other countries like Finland, France, Ireland, Germany and the United Kingdom (Table 12).

Table 12 Births

COUNTRIES	Years	Live births		Illegitimate births in %	Years	Late foetal deaths	
		in thous.	per 1000 of population			in absolute figures	per 1000 of live births
European countries							
Finland	2000	56.7	11.0	39.2	2000	231	4.1
	2010	61.0	11.4	41.1	2010	128	2.1
France	2000	808.2	13.3	43.6	2000	3900	4.8
	2010	833.7	12.9	55.0	2010	8781	10.4
Ireland	2000	54.8	14.4	31.5	2000	325	5.9
	2010	73.7	16.5	33.8	2008	294	4.0
Germany	2000	767.0	9.3	23.4	2000	3084	4.0
	2010	677.9	8.3	33.3	2010	2466	3.6
Norway	2000	59.2	13.2	49.6	2000	225	3.8
	2010	61.4	12.6	54.8	2010	190	3.1
Poland	2000	378.3	9.8	12.1	2000	1641	4.3
	2010	413.3	10.8	20.6	2010	1226	3.0
United Kingdom	2000	679.3	11.5	39.5	2000	3594	5.3

	2010	807.3	13.0	46.9	2010	4110	5.1
Other countries							
United States	2000	4058.8	14.7	.	1999	12 968	3.3
	2008	4247.7	14.0	.	2005	12 567	3.0

Source: Główny Urząd Statystyczny

On the other hand the total fertility rate of Poland is much lower than in the other already mentioned countries, but still there are some differences depending on the age specification of woman. Generally the same tendencies

can be observed in each of these countries – an increase in the fertility rates in the group of women at age 15–19 and 30–44 and a decrease at age of 15 to 24 (Table 13).

Table 13 Female fertility and reproduction rates of population

COUNTRIES	Years	Age specific fertility rates (per 1000 of women)								Total fertility rate	Mean age of women at child-bearing
		15-49	15-19	20-24	25-29	30-34	35-39	40-44	45-49		
European countries											
Finland	2001	46.5	10.7	59.7	114.1	101.9	47.5	9.7	0.5	1.73	29.7
	2009	51.9	8.5	59.6	116.2	120.1	56.8	12.0	0.4	1.86	30.1
France	2000	53.1	8.1	56.0	128.9	114.7	49.8	10.8	0.5	1.89	29.3
	2008	55.2	10.2	60.7	134.0	123.5	56.1	11.5	0.6	2.01	29.8
Ireland	2001	57.0	19.6	49.5	89.4	138.8	78.2	14.0	0.6	1.94	30.5
	2009	64.2	16.3	57.3	87.1	133.3	99.3	20.7	1.1	2.07	31.2
Germany	1997	41.1	9.6	54.7	90.2	80.2	31.3	5.4	0.3	1.36	28.7
	2009	35.3	9.1	39.6	80.0	89.7	43.5	8.0	0.3	1.36	30.2
Norway	2001	53.1	11.1	62.7	123.6	107.9	45.6	7.0	0.3	1.78	29.4
	2009	55.0	9.5	61.4	128.1	127.2	58.3	10.2	0.5	1.98	30.0
Poland	2000	37.5	17.0	83.3	94.6	51.7	21.4	4.8	0.2	1.37	27.4
	2009	43.6	16.2	58.8	96.0	74.4	29.9	5.8	0.2	1.40	28.6
United Kingdom	1999	49.5	30.7	72.4	98.9	88.9	39.5	7.6	0.4	1.68	28.4
	2009	53.5	25.0	73.0	107.3	112.6	57.9	11.9	0.7	1.94	29.4
Other countries											
United States	2000	57.7	49.4	112.0	121.1	93.9	40.3	7.9	0.4	2.13	.
	2008	57.8	41.5	103.0	115.1	99.3	46.9	9.8	0.6	2.09	.

Source: Główny Urząd Statystyczny

These negative phenomena without doubt affect the way in which family performs its functions and taking into account the fact that there is no one but many of them, it is not surprising that

public authorities take various steps to change the situation in which modern family has found itself now. These functions are: 1) procreative function; 2) socialization; 3) emotional function; 4)

cultural function; 5) supporting development; 6) religious / ethical function; 7) economic function; 8) stratification; 9) integration. (Konwacka and Sawicka 2008, 13–14). That is why John T. Pardeck writes that *family functions comprise the activities that help the system to realize its common purpose including the physical, mental, emotional, social, economic, cultural, and spiritual growth of family members. The functions of a family system are tied to the needs of its members as assessed by the family and larger society* (Pardeck 2002, 3). These functions are now being taken by already mentioned alternative types of family less or more successfully. Moreover some of them are now being realized by other social institutions like schools, banks or governmental agencies (Anderson 1997, 341).

But still the family itself remains a basic social unit, how it is usually called, that is why it requires additional public support of which one instrument is fiscal policy.

III SOCIAL POLICY IN PUBLIC

FINANCE – DETERMINANTS AND CHALLENGES

Present times are dominated by the dynamic development of technology, development of prosperity (well-being) especially in high industry countries, but gradually also in developing countries. Professional success, continuous efforts to improve social status had led to the collapse of family values. Women often value professional activities so highly that they put off their desire for having children.

Within the European Union the traditional nuclear family type, considered as two adults with dependent children and a sole male breadwinner, has declined dramatically. Dual-income and one-parent families, predominantly female, are increasingly common. Such variation in family structure, make the term “families” rather than “family”, with its traditional stereotypical connotations, the major focus.

We can observe a “pluralization” of life style and of the structural forms of private life as an aggregation of such individualized lives. In most of the countries in Europe, the traditional forms of family life have begun to lose out to other family type and in particular to the nonfamily form of private life, temporarily or even permanently excluding children (Kaufmann 1997, 17). In such circumstances, aging has become a serious problem particularly in Europe.

The age profile of the EU is expected to change dramatically in the coming decades, according to the EU's latest Ageing report. The population of the EU will be slightly higher in 2060 (517 million, up from 502 million in 2010). At the same time, it will be much older. While longer lives are a major achievement of European societies, the ageing of the population also poses significant challenges for their economies and welfare systems. The demographic changes are expected to have substantial consequences on public finances in the EU (Ageing report: UE).

The problems associated with the ageing of the population have led to a call for family policies designed to raise fertility. If such policies hope to contribute to increasing the birth rate, they must consider the fact that many women have set their sights on working (Atkinson 1999). The world of work must be designed to accommodate families. This issue has been quickly noticed and many countries, in particular highly developed countries took the initiative in public finance to improve the situation. Public expenditure on social policies has a key role to play in changing demographic trend. Unfortunately, not all countries have been successful. For example, Japan and Poland are the fastest ageing countries.

Since 1980, gross public social expenditure has increased from about 15.6 to 19.2 percent of GDP in 2007 on average across the 34 OECD countries. Experiences differ across OECD countries, but on average, public social spending-to-GDP ratios increased most significantly in the early 1980s, early 1990s and, again in the beginning of this millennium. In between these decennial turning points spending to-GDP ratios changed little; during the 1980s the average OECD public social spending-to-GDP ratio oscillated around 17 percent of GDP while during the 1990s it was generally just below 20 percent of GDP after the economic downturn in the early 1990s. In most OECD countries, spending-to-GDP ratios in 2007 were well above 1980s levels, except for Ireland and the Netherlands in particular, where during the 1990s persistent economic growth, tightening

of generosity of, and inflow into, disability benefits, and the privatization of sick-pay led to a decline in the public social spending-to-GDP ratio by 4 percent of GDP. The most important increases in the public social expenditure-to-GDP ratios (by more than 4 percentage points) were recorded for Denmark, Finland, Ireland, Japan, Spain, Estonia, the United States and the United Kingdom. Other countries, such as Australia, Hungary, Israel, Switzerland and Poland recorded a much more modest increase in term of public social spending as a percent of GDP: around 1 percentage point or less than half the OECD average (OECD Family Database).

The economic crisis which started in 2008/09 has had an important effect on indicators of social spending. International comparisons of the magnitude of the welfare state are often measured by comparing public social expenditure-to-GDP ratios. National aggregates suggest that, on average across the OECD, the public social spending-to-GDP ratio increased from 19.2 percent in 2007 to 22.5 percent at peak in 2009. Public social spending-to-GDP ratios rose rapidly in 2009 and 2010. Projections suggest they will stabilize and sometimes decline in 2011 and 2012. Nevertheless, levels remain higher than recorded prior to the economic crisis: on average across the OECD public social spending as a percent of GDP was 3 percentage points higher in 2010 than in 2007 (22.2 percent compared with 19.2 percent in 2007) (Adema, Fron and Ladaique 2011, 11).

According to OECD public spending on family benefits includes financial support that is exclusively for families and children. Spending recorded in other social policy areas such as health and housing also assist families, but not exclusively, and it is not included here. Broadly speaking, there are three types of public spending on family benefits (OECD - Social Policy Division):

1. Child-related cash transfers to families with children: this includes child allowances, with payment levels that in some countries vary with the age of the child, and sometimes are income tested; public income support payments during periods of parental leave and income support for sole parents families (in some countries).
2. Public spending on services for families with children includes, direct financing and subsidizing of providers of childcare and early education facilities, public childcare support through earmarked payments to parents, public spending on assistance for young people and residential facilities, public spending on family services, including centre-based facilities and home help services for families in need.
3. Financial support for families provided through the tax system. Tax expenditures towards families include tax exemptions (e.g. income from child benefits that is not included in the tax base); child tax allowances

(amounts for children that are deducted from gross income and are not included in taxable income), child tax credits, amounts that are deducted from the tax liability. If any excess of the child tax credit over the liability is returned to the taxpayer in cash, then the resulting cash payment is recorded under cash transfers above (the same applies to child tax credits that are paid out in cash to recipients as a general rule, for example, in Austria and Canada).

Many governments of OECD countries pursue social policy objectives through the tax system, sometimes by reducing taxation on particular sources of income, which is already reflected in the variation of direct taxation of benefit income. Governments thus make ample use of tax systems to support families with children, and accounting for relevant fiscal support thus allows to consider public support on family benefits in a comprehensive manner, i.e. accounting for cash transfers, spending on services (e.g. childcare) and fiscal support (OECD - Social Policy Division).

In Belgium, Germany, France, Ireland, Portugal, and Switzerland, support for families with children is embedded in the tax system, so that at a given income level, the larger the family the lower taxable income. These measures may not be tax expenditures (they do not establish a deviation from the national standard tax system), but such policies clearly establish financial support for

families with children. Child allowance or tax exemptions for children may be granted in order to increase the net income of such families. And tax splitting for spouses benefits couples with children indirectly. But families with children are also eligible for preferential tax treatment in other ways.

OECD countries spend on average 2.6 percent of their GDP on family benefits, with large variations across countries. Whilst public spending on family benefits is above 4 percent of GDP in Ireland, Luxembourg and the United Kingdom (in Ireland and United Kingdom this is partly due to increase in spending in income tested benefits during the crisis), public spending in this area is around 1 percent of GDP in Korea and Mexico. The proportional total amount spent in cash, services and tax measures is variable. The majority of countries spend a higher proportion on cash benefits than on services or tax benefits. Exceptions include Chile, Denmark, France, Iceland, Israel, Italy, Korea, Mexico, Netherlands, Norway, Spain, Sweden and the United States, where spending on services is same or higher. Also, the proportion spent on tax breaks towards family is of considerable size in Belgium, the Czech Republic, France, Germany, Japan, the Netherlands, Slovenia and the United States (more than 0.5 percent of GDP). In 2012 the tax wedge of a one earner married couple with two children increased in 22 and fell in 10 OECD countries. Here were increases of greater than 1 percentage point in eight countries - Japan (+2.4), New Zealand (+1.6), Iceland (+1.4), Australia (+1.3),

Poland and the United Kingdom (+1.2) and the Netherlands and Spain (+1.1). The family tax burden increase in Japan was due to the abolition of tax allowances for dependent children. The tax wedge fell by 1.6 percentage points in the Czech Republic and by 1.2 percentage points in Portugal; and by lower amounts in eight other countries: Canada, Greece, Israel, Italy, Luxembourg, Slovenia, Switzerland and Turkey (OECD 2013: Tax burden trends).

IV TAX PRIVILEGES FOR FAMILY AS A PART OF PUBLIC FINANCE POLICY – INTERNATIONAL COMPARISON

Family-orientated policy is one of the major areas of functioning in most developed states in the world. It aims to create conditions and financial support for the development and functioning of unit as a family, through its assistance in all the phases of the development. An important element of the policy is the construction of appropriate pro-family tax policy particularly in the field of tax reliefs and exemptions. These specific privileges are intended to serve as an incentive to develop or engage to take some steps to have a family, as well as mitigate disparities in income taxpayers. Tax reliefs and exemptions have two functions both economic and social. One of the social functions of the reliefs applied in the field of tax policy is promotion of pro-family policy of the state.

Tax systems can be divided into two main types: individual and joint. Under individual taxation, interdependence between family members is ignored. For

tax purposes each family member is treated as a separate individual. Under joint taxation, the interdependence of family members is recognized and their tax bill adjusted to take account of family obligations. This may be done through special tax allowances, special tax bands, or through income splitting. Under income splitting, aggregate household income is divided into a number of slices, each of which is taxed as though it were that of a single person without dependents. Income splitting has the effect of reducing, often significantly, the tax paid by a family.

Within the OECD, the distinction between individual and joint taxation is not always easy to maintain. Under some 'individual' tax regimes, joint taxation is an option; under some joint' regimes, individual taxation is an option. Many individual tax systems exhibit joint elements such as tax reliefs and credits for spouses, or allowances that are transferable between spouses. Thirteen OECD countries with individual taxation, including Italy and Japan, have such reliefs or transferable allowances (Neutrality of tax/benefit systems OECD, 2011), see Table 14.

Table 14 Tax treatment of married couples in OECD countries

Individual taxation no recognition of spousal obligation		Individual taxation spousal allowances/credits or transferable allowances		Joint taxation of married couples	
<i>Country</i>	<i>Population (m)</i>	<i>Country</i>	<i>Population (m)</i>	<i>Country</i>	<i>Population (m)</i>
Chile	17.1	Australia	22.3	Estonia	1.3
Finland	5.4	Austria	8.4	France	63.0
Greece	11.3	Belgium	10.9	Germany	81.7
Hungary	10.0	Czech Republic	10.5	Luxembourg	0.5
Israel	7.6	Denmark	5.5	Ireland	4.5
Mexico	112.3	Iceland	0.3	Norway	4.9
New Zealand	4.4	Italy	60.1	Poland	38.2
Slovenia	2.0	Japan	127.1	Portugal	10.6
Sweden	9.4	Korea	49.4	Switzerland	7.8
UK	61.3	Netherlands	16.1	USA	309.3
		Slovakia	5.4		
		Spain	46.1		
		Turkey	73.0		
Total	240.8	Total	435.6	Total	521.8
	20.1%		36.4%		43.5%

Source: OECD General population statistics, accessible at <http://stats.oecd.org/Index.aspx>

The total population of the listed countries is 1.2 billion. Of these, 43.5 percent live in countries with income splitting or some similar system, and a further 36.4 percent in countries with

spousal tax allowances/credits or transferable allowances. Only 20.1 percent live in countries with individual taxation without spousal allowances or credits. Most of these live in just two

countries: the UK and Mexico. Among highly developed large economies, the UK is alone in operating a tax system that ignores spousal obligations (Pearson, Binder 2012, 9–16).

Tax policy can be an effective instrument for encouraging a family. Overall burden on families in the selected countries, depending on the family model is shown in Table 15. As a result of family-friendly arrangements marginal tax burden of the family is at a preferential level, much lower than the nominal tax rates. It should be noted that due to the favorable tax solutions

for families, especially with children, unmarried people are deprived of the many tax benefits. According to this policy, the lonely persons fund family policy.

Marginal tax rate is very important indicator. It is not only the average tax rate that matters. The marginal tax rate, which shows how much of an extra unit of income is retained, is an important influence on whether people work, whether they increase working hours, and whether they look for a better-paid job.

Table 15 Pro-family tax systems in selected countries

Country	Tax System Transferable	Allowance	Relief for Spouses	Relief for Cohabitees	Relief for Lone Parents	Relief for Children	Notes
Finland	Individual	No	No	No	No	No	Child benefits - higher for single parents.
France	Family quotient system	N/A	Yes	As married if PACS (pacte civil de solidarité)	No	N/A	Tax unit is aggregate family income. Quotient system applies to married couples and to civil union partners. Refundable tax credit for low income earners - partly being replaced by new cash benefit.
Germany	Joint but separate assessment option	Allowances doubled if joint	No	No	Additional allowance	Yes	Jointly assessed couples get double allowances including child tax credits.
Ireland	Joint	N/A	Yes	Yes	No	No	Tax on combined income - can opt out, but tax payable by both spouses must be same as payable under joint taxation. Alternatively spouse can opt to be taxed as single. Married person's credit is double basic credit. Single parent also gets a double basic credit. Home careers allowance where one spouse works at home to care for children, the aged or incapacitated persons.
Norway	Individual but joint optional	No	No	As lone parent	Joint rate schedule	No	Separate rate schedule for married opting for joint taxation and also single parents. Allowance for child care cost - may be transferred to other spouse. Cash payments for dependent children - single parents get extra child support.
Poland	Individual but joint optional	N/A	Yes	No	No	No	Couple taxed on 2 times tax on half income. Singles with children can use income splitting - quotient is 2. Tax credit for each child.

UK	Individual	No	No	No	No	Tax credits	Married couples pay same tax and get same tax credits as single parents.
USA	Joint with separate option	N/A	Yes	No	Yes	Yes	Families taxed in one of three ways: jointly if married, separately, or (if unmarried), as heads of household. Married couple taxed jointly get \$11,600 deduction, heads of household \$8500, and singles \$5800. Refundable (non-wastable) earned income credit for low income families. No general cash transfers.

Source: Pearson, Alistair, and Binder David. 2011. *The taxation of families-international comparisons 2011*, Publishing by CARE, December 2012, 40-42.

In France, as in other Western European countries, family structure is changing. The number of families that no longer fit the “normal family” model has become significant in the past twenty years. Signs of these changes include the decreasing number of marriages, and the increasing numbers of divorces, of lone-parent families, and of couples living together outside marriage. But France is in a very good demographic situation – as a European condition.

The population for many years, steadily growing (58 million in 1990, 60.5 million in 200 and over 65 million in 2011), and the demographic forecast predicts this trend in the future. According to conservative estimates the population of France will increase to 68 million by 2030 and over 71 million in 2050. France is characterized by the high fertility rate – now oscillating around 2.0. In France, it is interesting to see the trend – as long as the end of the 70’s, that fell at a rate similar to the European average, whereas from the 80’s and 90’s especially, the French managed to not only maintain a higher level than the average in Europe, but a significant and – most importantly – have become a way to increase. This circumstance demands of special interest to examine

the mechanisms used in France family policy.

France has the most generous among European Union and all developed countries family-friendly policies. According to OECD data for 2007, the French public finance spends more than 3.7 percent of GDP on family policy – to the average of 2.2. of GDP – spending significant resources both in the form of tax incentives, direct cash transfers as well as indirect forms of financing children care of preschool age. France applies a specific system of taxation of individuals taking into account the functioning of the family as an economic unit. This system by using so-called family transfers take into account the fact that families with many children face higher maintenance costs associated (Czarnik, Kot, Urmański 2012, 5–8). France is the only country to practice a family quotient system. The family quotient takes into account household size. Family policy includes a great variety of instruments. Means-tested benefits (RSA, the “complément familial”, housing benefit, ARS) are intended to ensure a satisfactory standard of living to the poorest families. Each family is assigned a number of tax parts or shares, P, based

on its composition; the shares correspond roughly to the family's number of consumption units (CU), as these are defined by the OECD and INSEE; the tax system assumes that each family member has a standard of living equivalent to that of a single earner with revenue R/P; the family is then taxed like P single earners with income R/P. The degree of redistribution assured by the tax system is determined by the tax schedule, which defines the progressivity of the tax system; it is the same for all categories of households.

Overall, redistribution is greater for families than for couples without children: the ratio of disposable income between a couple who earns 10 times the minimum wage and a couple who earns the minimum wage is 6.2 if they have no children; 4.8 if they have two children; and 4.4 if they have three. The existence of the family quotient does not reduce the progressivity of the tax and social welfare system for large families. Family policy thus bears the full cost of the children, and the parents suffer no loss of purchasing power due to the presence of the children (Sterdyniak 2011).

In UK, there are no special tax benefits for families with children. Instead, there are benefits such as cash benefits – this is the most important benefit of having children in the UK. Families are eligible for Child Tax Credit if they have at least one child aged under 16, or aged 16–19 and in full-time non-advanced education (such as A levels) or approved training. CTC is made up of a number of elements: a family element of £545 per

year, a child element of £2,690 per child per year, a disabled child element worth £2,950 per child per year (payable in addition to the child element) and a severely disabled child element worth £1,190 per child per year (payable in addition to the disabled child element). Entitlement to CTC does not depend on employment status – both out-of-work families and lower-paid working parents are eligible for it – and it is paid directly to the main career in the family (nominated by the family itself) (Browne and Roantree 2012, 11-12).

Working Tax Credit (WTC) provides in-work support for low-paid working adults with or without children. It consists of a basic element worth £1,920 per year, with an extra £1,950 for couples and lone parents (i.e. everyone except single people without children). In addition, for families in which all adults work 16 hours or more per week, there is a childcare credit, worth 70% of eligible childcare expenditure of up to £175 for families with one child or £300 for families with two or more children (i.e. worth up to £122.50 or £210). Childcare credit is paid directly to the main career in the family. Both Working Tax Credit and Child Tax Credit are income related (Browne and Roantree 2012, 31).

Ireland as in France is also in a great demographic situation. But the 1980s was a decade in which marriage lost the popularity. Against a background of economic uncertainty and rising unemployment, the proportion of young women who were married in the age group 25-29 years slipped from two-thirds to just over one-half. The decline

in the popularity of marriage among the young was accompanied by a rise in educational participation, an increase in cohabitation and an increase in marriage breakdown. Since that time policy has changes: equality legislation, which facilitated women's access to the labour market, alterations in the tax code and the pattern of child income support (Kennedy and McCormack 1997, 197).

The population of Ireland since 1990, according to Eurostat data has increased from just over 3.5 million to nearly 4.5 million (almost 28 percent). Also, the age structure of society is very positive – more than 35 percent of the population is younger than 25 years, and only about 10 percent more than 65 years. Ireland has the highest fertility rate of the European Union – it was 2.07 in 2009, and in recent years has increased significantly. According to the OECD the Irish government in 2007 the family-friendly policies had allocated nearly 5 billion Euros, representing 2.7 percent of GDP. This puts Ireland above the European average. In the past, a significant investment on family policy increased (in 2000 amounted to only 1.8 percent of GDP). Interestingly, the majority of the public resources (85 percent) are spent in the form of direct cash transfers (Adema, Fron and Ladaique 2011).

The Irish tax system of natural person income tax does not provide special incentives associated with having children. The only exceptions in this field are the parents of children with disabilities who are entitled to deduct

from income the amount of 3.300 Euros per year. Similarly, in the UK there is a developed system of different types of cash benefits.

Finland, as in France and Ireland is also in good demographic situation. Basic indicator shows the demographic trend (fertility rate) continues to increase. According to a population projection of Statistics Finland, on the assumption that the present development continues the population of Finland will exceed 6 million in 2042. (Population Statistics 2009. Statistics Finland). Finland began to build its family policy support system in 1948 with the introduction of the child allowance system. Family benefits cover some of the costs arising from child care. Family benefits totaled some EUR 5.2 billion, or about 3 percent of GDP. Families with children mainly receive support in the form of child allowance and daycare services. The child allowance is the main means of evening out the expenses of families with children and families without children. It is paid from government funds for the support of every child under 17 resident in Finland. Child allowance is exempt from tax, and does not depend on the family's financial standing. The amount of child allowance depends on the number of children in the family. Then, maintenance allowance is intended to safeguard the maintenance of a child in a situation where a child under the age of 18 resident in Finland cannot receive sufficient maintenance from both parents. And, forms of housing support intended for families with children include the housing allowance, state-

guaranteed housing loans and other interest-subsidy measures, and tax subsidies on housing loans. The amount of the housing allowance depends on the family's size, income and housing costs, and on the size and age of their home (Ministry of Social Affairs and Health 2006, 4–24).

As for taxation, Finland changed over from family-based taxation to individual taxation in 1976. The change to individual taxation and the removal of family-based deductions has made taxation simpler and clearer. In Finland, the shift to individual taxation caused an increase in the number of married women in paid employment (Ministry of Social Affairs and Health 2006, 4–24).

Although, for many years the reform of family taxation has been an important issue in the policy debate in Germany, demographic data reveal that Germany is among the European countries with the one of the lowest birth rates. Furthermore, Germany ranks among those countries with the highest proportions of couples remaining childless. In sociology these trends are often referred to in terms of a “pluralization of family life form” and, as its biographical counterpart, an “individualization of the life course” (Federkeil 1997, 77).

In Germany, for many years there has been a catastrophic demographic situation- fertility rate of 1.2-1.4 kept constant since the 80's of XIX century. This situation has not improved appreciably in the recent years in which the average fertility rate for the

European Union is improving steadily. In recent years, as a result of reducing the number of new immigrants very weak demographic indicators caused a decrease in the population of Germany – from 2004 to 750 thousand people (with more than 82.5 million to 81.75 million). Demographic projections for the future predict a further decline of the German population to 77-79 million by 2030 and 64-70 million in 2050. According to the German statistical office of 2010, German spent on family-friendly policies around 100 billion Euros per year, which represents about 3 percent of their GDP. This puts them above the European average, while spending in this area are noticeably smaller than leaders such a France. In recent years, these expenses remained relatively stable, without showing an upward trend (Bundeszentralamt für Steuern).

Germany runs a joint taxation system with income splitting for married households. Under this system half of the joint income of both spouses is taxed according to the progressive tax schedule and the resulting tax burden is doubled for the household. As a consequence, both spouses face the same marginal tax rate independent of the distribution of labor income within the marriage. The existing system is criticized both on distributional as well as on efficient grounds. Compared to a non-married couple with the same joint income, the tax savings of the married couple – the so-called splitting advantage – increase up to a maximum level with the income difference and the income level. Therefore, the system does

not support families with children but subsidizes one-earner households with high incomes. The system also heavily distorts the labor supply decision of the married couple. Since the secondary earner faces the high marginal tax rate of the primary earner, it is not surprising that in Germany the labor market participation rate of married women is fairly low compared to other countries (Fehr, Kallweit and Kindermann 2013).

The structural weakness of the family support system in Poland is compounded by the consistently low fertility rate (1.23 children per woman, compared with an EU average of 1.51 children per women) and by the lowest level of economic activity in the EU – of all Poles aged 15 to 64 years, only 54 percent of them are in paid employment, compared with an EU average of 63 percent of people in this age group. A point to note in this context is the significantly low labour force participation rate among women, who account for 60.9 percent of the economically inactive population. Thus, changes to the social aid rules concerning families seem necessary to reverse unfavorable demographic trends and to improve the economic and social situation of families. Compared with other EU countries, Polish spending on family-related benefits is relatively low at 0.9 percent of GDP – the current EU average stands at 2.1 percent of GDP. Family policy came to be determined largely by the exigencies of state budget savings on the one hand and addressing the most pressing needs on the other.

The average worker in Poland faced a tax burden on labour income (tax wedge) of 35.5 percent in 2012 compared with the OECD average of 35.6 percent. Poland was ranked 21 of the 34 OECD member countries in this respect (in decreasing order). Some examples of the results reflected in the Overview charts for Poland are (OECD 2013):

1. The tax burden for the single average worker decreased by 2.7 percentage points from 38.2% to 35.5% between 2000 and 2012. Between 2009 and 2012, there was an increase of 1.3 percentage points.
2. The corresponding figures for the OECD were a decrease of 1.1 percentage points from 36.7 to 35.6 percent between 2000 and 2012 and an increase of 0.6 percentage points between 2009 and 2012.
3. The tax burden for the one-earner couple with 2 children at the average level decreased by 3.7 percentage points from 33.3 to 29.6 percent between 2000 and 2012. Between 2009 and 2012, there was an increase of 1.2 percentage points.
4. The corresponding figures for the OECD were a decrease of 1.6 percentage points from 27.7 to 26.1 percent between 2000 and 2012 and an increase of 1.1 percentage points between 2009 and 2012.

Parents (also single parent), if they bring up children are allowed to deduct from personal income tax an amount of PLN

92,67 (2012 also in 2013) per month for every child they bring up during the tax year. The deduction has been introduced as a financial support for families bringing up children. As a matter of the household composition (single-parent, etc.) the tax unit is the individual. Married couples have the option to file a joint tax return. Couples have the right to two tax credits. The same case applies to single parents, if they bring up children: up to the age of 18 or without age limit if they receive Medical Care Allowance or up to the age of 25 if they continue education and have no own income (except for incomes exempt from income tax, family pensions, and incomes in an amount not resulting in the obligation to pay a tax). Basic relief: a non-refundable tax credit of PLN 556 zł 02 (2012/2013). It is available for all taxpayers.

V CONCLUSION

The current trend of chasing prosperity which is taking place primarily in the developed countries has changed the traditional perception of the family. Life of people in free trade, professional ambitions and labour market requirements in many countries has been the cause of crisis of the family. Unfortunately, such a phenomenon has its serious consequences also for the functioning of the state, through its impact on the public finance. The role of the state in such circumstances is unique. State by the pro-family policies can create social and financial support institution of the family, including people to have children. The experience of countries such a UK, Ireland, and

Finland show that proper measures which have been taken in the past, at the present moment produce positive results. Unfortunately there is also an example of German, where government for years has been conducting family-friendly policy; however the effects are disproportionate to the public spending.

In Poland, as in many other European countries, family policy is expected to be shaped as a tool that helps to solve the problems such as low fertility, difficulties to reconcile family life and work as well as to support families with low income. However, inherited from the previous system of economy, including huge burden of public finance in the form of public debt and deficit, combined with the number of other economic and social challenges, strongly limits the role and capacity of the state.

Based on policy developments and practice, Poland is far from achieving Barcelona targets for the provision of childcare services, it complies with EU regulations on maternity and parental leave arrangements but also compares unfavorably with the member states which provide special arrangements for fathers, and, finally, lags behind employment goals and parent-friendly organization of work. Although participation in the Lisbon Strategy has proved important for raising the visibility of the reconciliation of work and family policies on the national political agenda, recent policy reforms have been either inconsistent or too modest in light of EU policy goals.

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The opportunity for the learning region in the opinion of Silesian decision makers. Sociological view on the base of empirical study.

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Abstract: The main objective of this paper is to discuss the results of research carried out in 2011 in four sub-regions of Silesia. The paper consists of theoretical and empirical parts. In the first chapter there are presented references to regional development, with particular emphasis on the concept of learning region and conditions of regional development in terms of historical Silesia. In the empirical part there are discussed assumptions, methods and results broken down into sub-regions showing the most important conclusions. The conclusion is a list of principal observations and prospective of sub-regional cooperation.

Keywords: learning region, regional development, innovations, enclave

I INTRODUCTION

Analyzes regarding the role of knowledge for society development dates back to ancient times, but only in the era of rapid economic growth and growing importance of knowledge - they took the form of deeper research. The moment of transition from industrial to post-industrial era is particularly important because knowledge plays a key role in this process. Researchers have recognized the importance of many relevant factors of social genesis - such as social capital, human capital, business networks, the level of social trust, climate and quality

of life, culture and business organizations in the region.

The aim of this paper is to present results of research on changes that are taking place in the industrial region on example of Silesia voivodship. Dynamic processes occurring there are connected with the change from typical industrial to post-industrial region. Industries based on the knowledge of experts and high-class professionals are increasingly apparent in industries that have grown up alongside traditionally associated with the region. Entrepreneurs who are the core of the

economy, should be supported by other forces of the region - especially local and regional government. Their common activities and opinions are largely determining the development's direction of each city and the entire region. The paper will consist of a brief theoretical introduction to the subject of learning region and results of research received in four sub-regions of Silesia voivodeship. The summary shall indicate the key conclusions of the study and outlined prospects for the levels of local government sub-regional cooperation.

II KNOWLEDGE DEVELOPMENT IN A REGIONAL CONTEXT – THEORETICAL VIEW.

Starting from the mid-twentieth century, economic development was increasingly associated with the development of knowledge in a particular area. "At the base of this development is to create environment favorable to the development of business, which implies the existence of appropriate equipment, educated community, socio-cultural active society and links between various localized or drop-down activities in this region." (Herbst 2007, 118–123). Not only were mainly skills of individual people and their cumulative knowledge taken into account but also their willingness to dialogue, compromise, cooperation, respect standards of the rules and the law. Issues of knowledge were analyzed in terms of human and social capital. These concepts are therefore the variables in explaining the differences in

regional development. M. Herbst has reviewed the literature on this topic.

Managers guru - Peter Drucker indicated the high value of employees' knowledge and innovation. He emphasized that it is even more important, than the financial condition of the company. Writing about the "knowledge workers", he stressed that knowledge is becoming a major production factor which was earlier the land or capital. He emphasized that not only the individual is responsible for building its value, but that value depends on the environment and other units. (Drucker 1999, 14).

The combination of considerations of economists, social geographers and sociologists had resulted in the mid 90's in the form of learning region concept or alternatively grasped, as a knowledge region. The role of informal social relations existing in a certain region, forming a complex network was recognized.

The classic concept of learning region by R. Florida is focused on measurements of the so-called creative class. He emphasized a number of important factors affecting the region - such as the transfer of knowledge and best practices of production, management, training to local producers to improve the quality of products manufactured based on local capabilities, the natural movement of personnel as carriers of knowledge, easy adaptation of international corporations to local conditions, developing the creative class. "The key issue which

Florida dealt with was to explain reasons for the differences in regional development and indirectly - searching for mobility sources of the creative class members and the factors that decide about their establishment in a particular place" (Klincewicz 2010, 151). He points out in almost every study that the creative class decides about dynamics of the city and the region. This group consists of educated people, generating innovation, stimulating economic growth, and having intense interest in participating in the culture. The simultaneous presence in a particular place and time of three important factors in a triad: the technology - talent - tolerance (3T), determines the formation of centers which focused on creative class. Florida applies his concept of the creative class and creative cities to the whole constructed model of learning region, taking into account its various dimensions. (Florida, 2005).

European research team gathered around GREMI (Groupe de Recherche Européen sur les Milieux Innovateurs) has popularized the term "local innovation environment." This meant for them the social network operating with a sense of belonging, local culture and customs. A characteristic feature was a collective learning process. Emphasizing of the regional dimension of the knowledge creation process has given a rise to many interesting sociological concepts. Particularly interesting was the modeling of local communities in the cooperative network of local stakeholders. Research on this topic was conducted by Mike

Osborne, Kate Sankey and Bruce Wilson. (Osborne, Sankey and Wilson, 2007)

For the need of this study in particular, interest appears to be on analysis of researchers that showed a lack of precise delimitation of local factors, regional factors or even greater - perhaps national coverage - and factors related to innovation policy. From this point of view it seems to be an interesting concept, which was proposed by Asheim. In his view, learning region is characterized by a specific type of economy, defined as rooted in the institutional thickness (Asheim, 2000). It means that authorities at various levels - economic, cultural and social world co-operate with each other in the complex structures, but in which the common awareness exists. It has to do with the desirability of jointly developed and accepted principles storage, use and transfer of knowledge. Properly functioning infrastructure is essential for that - from highways starting on IT highways ending.

Summing these cursory references to selected concepts it should be noted that they are inspiration for further empirical research and theoretical clarifications.

III REGIONAL TRANSFORMATION IN SILESIA VOIVODSHIP.

Analysis of opportunities for the creation of knowledge region in Silesia must be preceded by an awareness of the historical conditions, economic and social changes. It was associated with the acceleration of industrialization in

the XIX century. Colonial approach to Silesia did not create needs for local, well-educated specialists. Enclaves of newcomers and existing residents have formed and mutual animosity still has persisted. The effects of aggressive industrial economy and a failing socialist economy were difficult for everyone.

Deeper reflection and hope for change came with the political changes of the 90's. Transformation of all spheres of social life began with enclave forms. Artificially, prevented desire for knowledge exploded with multiplied force. Many private universities began to emerge and produce human potential. The problem was bankrupt factories and mines profitability. It concerned whole cities and degraded industrial areas. This fact brought about a lot of social consequences. However a few years before joining the European Union - with the benefit of EU funds - the situation began to improve. Both - the company and - above all professionals from municipal offices began to use their knowledge and skills to reach funds. Administrative change of the regional borders and the growth of multinational investment brought new investors. The appearance of new specialists and professional staff education gave chances for development to 5 - millionth province. Gradually, next to the traditional, yet modernized to a large extent industries have also appeared such as mechanical engineering, electronics, military, energy, information technology, medical services. Currently, although the regional economy is still dominated by coal mines and steel mills, the

expenditure on innovation activities is gradually increasing. The whole process has an enclave nature and starts from the small villages building their identity, not on the basis of a mine functioning next to, but on basis of people taking matters into their own hands.

IV METHODOLOGY OF THE STUDY

The results converted in this study are a part of larger project concerning knowledge transfer in the region traditionally considered as an industrial one. The studies were conducted in all four sub-regions in the first half of 2011. The study included 100 interviews with key regional actors - mainly entrepreneurs, but also experts and decision-makers associated with local and regional government. For this paper, 20 in-depth interviews were chosen with representatives of decision-makers. The qualitative method made it possible to capture the significant differences and similarities in the assessment of change. It has also identified some trends in the changes. All of respondents answered similar questions concerning the assessment of change, barriers and opportunities for the creation of knowledge region and the major capitals of the region. Among respondents there were 16 men and 4 women. Most of them - 14 people - represented municipalities and towns. They were presidents, mayors, and heads of departments or members of the city council. 3 persons were associated with management districts, and three more were representatives of the highest authorities of the marshal's office. The youngest respondent was 31

years old and the oldest 72. Most of them had at least several years of working experience in local government.

V SILESIA REGION – 4 SUBREGIONS – 4 DIFFERENT LANDS AND OPINIONS

The study shows that Silesia is not a monolith centered around the set of objectives. Development takes place in a spontaneous, chaotic way and largely depends on particular sub-region position in the region and potential of residents.

Respondents from the central sub-region are characterized with centralized perspective for changes taking place throughout the region. This implies the need for a comprehensive building an accurate image of the region. The current picture is not conducive to development. The positive image of the region – as modern and green, having a rich industrial and technical past - would attract a partner from abroad. Change of existing stereotypical image of the region seems to be an absolute necessity. Consequently, efforts should be directed on many levels – straight to residents and wider to environment of the region, at the national and international levels. Respondents pointed to potential directions and opportunities to change the image of the region. It must be admitted that their comments had a business character, even though they were not directly associated with it.

“There's no doubt. Here we look at them in terms of development, but more in terms of marketing strategy. It is a big idea, which has been developed (...) This is the motto: Positive energy that is being developed in different versions: human capital, spiritual, etc. Obviously this is supported by the fact, because we are the source of energy resources, in terms of the energy system of the country. The key is to change the perception of the region in the context of the inhabitants. Although we have managed to do a little, it is still a problem with it, and second: the external perception of the region on a national and international” (DI-C).¹

Respondents indicated on one hand, the lack of stable Silesia brand, and on the other - the obvious advantages of the region: a strong ethic of work, well-developed infrastructure and excellent human capital. Interviewees indicated phenomenon that adversely influence on chances of Silesia in the long perspective. These are certainly very negative image, as well as the outflow of talented young professionals from the region. Respondents also noted reducing of the attractiveness of the region due to rising labor costs. Today, this aspect has lost its importance, because qualified staff appreciates their skills. Advanced IT services, innovative technologies and highly processed innovative products are the most often indicated outlook for the region.

“The direction of development - to use the head - not muscles. The more processed product - it is better work and effects on the community in which it is

being done. We tried to pull the offices of engineering, design centers, research centers, etc. We have a large technical university and we cooperate because the supply of staff is important here. (...) In our city is the highest in Silesia average wage. It has real reason. These people earn enough not in the supermarket, but in western companies, in high-tech companies - professionals have to be paid. (...) We had a good position because of cheap labor market, and so we have developed for 20 years. It is coming to an end, for various reasons. At the moment we have our strengths to change a little" (D2-C).

Interviewees recognize next to traditionally associated with Silesia industries, those which are related to medicine and health care, and even industrial tourism. It belongs to the specificity of developed industrial regions.

[Directions of development] "Surely innovations, technology transfer, economy, industry, industrial, business and weekend tourism, and the use of health centers, which are here (cardiology, surgery, oncology) - this are potentials, which the region are famous for" (D5-C).

A problem, however - according to the respondents - may be lack of perspective thinking of regional elites. Building a regional social capital belongs to their tasks. Elite responsible for planning and decision-making are facing a huge challenge that requires relevant knowledge, perform monitoring and analysis, and training proper staff. Not

always this task is completed adequately, mainly due to the lack of consensus in the topic of the optimal duration of strategic planning.

"There is some optimum: planning for a year or in term of office is pointless. The horizon should be extended. Planning in terms longer than 20 years it is arrogance. The recent past shows that it is impossible to predict the future direction well and many other things in the long term. Technical changes, technological innovationist may tip it overt like a house of cards. In addition, there are other unknowns. The term is a maximum up to 20 years" (D2-C).

Taking into account the interviewees' opinion, it can be concluded that long-term planning and budgeting makes sense only both with a flexible approach to the project and approval of modifications in progress.

In the southern region reveals a separate perspective of recognizing the actual directions of development, which was present also in the statements of interviewees from other sub-regions except central. Interviewees frequently referred to the cities they represented, and very rarely appealed to strategies on voivodship level. They see changes in the character of this part of the region that lead from former industrial - to tourist and associated with the latest innovative technologies in aviation. Tourism, as well as wellness and medical industries need investment in tourist infrastructure, what respondents mainly take care of.

“As regards the Cieszyn District the main strategic objective (...) is to create conditions for widely understood tourism and recreation, and many those areas of life, such everyday, which are subordinate, ranging from roads, recreational infrastructure, tourism” (DI-S).

The need for investment in building road infrastructure seems to obscure the respondents' long term thinking. All participants focused on that argument, and some representatives of the poviát government, also focused on specific skills and tasks specified in the Act. There are no activities related to the promotion of entrepreneurship, so these types of tasks are undertaken only by the way. In this context, respondents pointed with special pride on Aviation Technology Park newly created on the border of Czechowice-Dziedzice and Kaniów. Associated with these high expectations are reflected by the involvement of local authorities in the establishment and development of the park.

The transition from an industrial to tourist sub-region was associated with the collapse of some companies. However, there are those that have successfully passed through the process of privatization - rationalized employment and automated companies' production. The main objectives of urban development are associated with the survival and further functioning of already existing industrial plants.

“We have these plants little here - mine, rolling, refinery or Lotos - this is a very

large employer, exactly is one of the biggest companies in our city. Also there were problems, actually with every major undertaking at time, as they were transforming” (DI-S).

Not all actions ended with success. Cities and towns compete for industrial plants.

“Silesia Cable Factory functioned for many years here and the zone has raised in Warszowice and they have moved to Warszowice”(DI-S).

Established economic zone has attracted investors associated with the airline and automotive industry. Respondents spoke about specific successes, such as the construction of a factory Valeo Group, sales of Silesia mine, expansion of the factory GM-Fiat Powertrain. The new owners of privatized companies give promise of investment in the facility, which allows having hope for their survival and development.

In summary of decision makers expressions one can notice emerging differences within the sub-region, where the competition in terms of the development of specific industries mainly runs between Bielsko-Biala, and Czechowice – Dziedzice, while the rest of the area revolves around tourism and recreation. The hope for all is the economic zone and Aviation Technology Park in Kaniów. All share common perspective of thinking in terms of road infrastructure. The concentration of the various local governments in the area of their own decisiveness makes lack of statements in

their general outlook on the development of the whole region. There are also no references for cooperation in this area.

Decision makers of the Northern Region - mainly mayors and heads of departments of city development - willingly shared their experience and their knowledge commenting on their achievements and difficulties. In general, dominant opinion was a statement that the socio-economic transformation in the last two decades has left in this sub-region an impressed stigma. Because a lot of factories collapsed, all efforts are focused on the inflow of new capital. The most important is the infrastructure and combating unemployment. Cities demonstrate awareness of the need to make the necessary and clearly defined tasks for development. In some of the cities, the implementation of their development policy is included in a strategy document. It is subject for periodic updates.

It can be seen as a changing approach of decision-makers to the nature of their business. Public Services - management of the city - will never remind a normal company, and although part of the activity can bring benefits to the city – it cannot be used as a simple ratio. There is characteristic reference in their statements to documents not at voivodship level but to the Dabrowski Basin. It does not appear from the statement that historical or cultural issues can be an obstacle - still present in the common perception - but it is still possible that they have a real influence

on the actions of the authorities at the local level. The feeling of marginalization and detachment from the rest of the region is quite common in the respondents' statements. This is shown also in the local plans, multiple development priorities - apparently thoroughly unspecified - mentioned by the respondents, and which are not based on regional strategies. With such basic matters as investment in water - sewage or complex solutions of road infrastructure, creation of technology parks and business incubators have no money. Main attention is focused on attracting any investor.

“We have no influence on what company comes to our area, whether new or old technology, so we do not pay immediate attention to innovation. It is related to the situation in which we find ourselves, with the unemployment rate ... every entrepreneur who wants something to do in our area is welcomed and improve the social situation in the municipality. However, any proposal which would undermine the protection of the environment could meet with the resistance of our site. Now it is going to be created an ultra-modern factory producing aircraft parts and military equipment here. It will be an ultra-modern facility a lot of innovative technology as the XXII century” (D5-N).

There is highlighted potential of new technologies - such as solar electricity production in Zawiercie, the innovative project heights in Czestochowa, the production of automotive parts and military equipment in Kłobuck. Most problems, however are reduced to the

basic issues, without which there can be no investment or even more innovation. Such ground of main problems makes cooperation with regional authorities not well seen. One respondent from Czestochowa describes it the best indicating the nature of the problem:

“The dialogue with the authorities of the region, the Marshal's Office is not good. The entire northern region is marginalized. It is pointed out as tourist, landscape, religious region, without any indication of the economic potential and human capital. This is wrongly perceived. We are losing a lot because of this policy. The development strategy of the region does not refer for our needs. We do not get from Katowice any information about investors who may locate their interests in Czestochowa” (D2-N).

The needs for independent solving the most urgent problems apply to all respondents in the region. Respondents describe a lot of their plans and major strengths of the sub-region - such as the location at the gates of the Krakow – Czestochowa. It opens a great opportunity especially for the development of rural tourism and hospitality. The perception of opportunity is also varied among the interviewees. The most contrasting examples are Myszków and Lubliniec. Myszków - once a city of 5 factories - now is the poorest city in the northern sub-region. The respondent described it mainly focusing on the key issues relevant to the quality of life and necessary conditions for doing business.

“Business support institutions in Myszkowie are not seen. I think it is a tragedy. I do not remember that any agency came to us with the offer to help in anything. The city does not have resources to set up a similar institution. However, we are working closely with businesses if it is only possible, to make them not to go away from here. (...) I do not feel favorable climate for creating or implementing innovations in the region. It is a simple slogan. City offers many incentives to encourage entrepreneurs. After 1989, many companies collapsed, unemployment grew. (...) It is unknown how to replace the gap left by the collapse of the industry. There is no idea. Cooperation is multilevel but we are still waiting for results” (D3-N).

The authorities of Myszków seem to be helpless and chaotic. It is difficult to see the opportunities and hope. The whole works quite spontaneously. Lubliniec together with that picture seems to be an oasis of optimism:

“There are two directions of development of the city: one is to build a base for a weekend tourist - a network of bicycle paths, we have beautiful forests, supporting a network of hotels, and the second is economic development. We were able to turn some areas into a special economic zone and we look forward to the development of the industry. (...) Economic issues are welcome, as a priority. We try to make decisions in one day. We declare that investors have global service. (...). There are certainly some people who thanks to an innovative approach have been successful. Such companies are few.

Innovations build the power of the city. In Silesia, people have always been accustomed to performing the function of the employee. (...) There is no strike or industrial action on a larger scale. There are no factors that hamper the development of the city. Only the world situation affects as elsewhere” (D4-N).

Northern sub-region`s problems seem to have a genesis in the distance from the administrative metropolis. At the same time there is a mistake in failing to take action aimed at a number of priorities. Certainly, lack of effective support from the provincial government is not conducive to long-term planning plotting. However respondents suggest that most of the northern sub-region firms are small, medium, well-rooted in their environment, based on the indigenous inhabitants of the region. In addition, there are a few key factories representing the existing character of the area. There is Huta Częstochowa - modernized and privatized, the glassworks, several plants of the automotive industry, modern manufacturing plant for aircraft parts. In view of the continuing work on urban infrastructure - necessary for the basic functioning of potential investors - all respondents, to a lesser or greater extent, have stressed the need for support from the government marshal.

The last analyzed sub-region – western with capitol in Rybnik seems to be strategic, independent, but in symbiosis with the rest of voivodship. Representatives of the cities of western sub-region referred to strategic documents of their local development of

their city. Strategies, they recalled, are gradually being implemented and updated. They spontaneously referred to the statements of these documents, which actually prove their high professionalism and preparation for their functions.

“We updated the strategy in 2005, and after such a deep analysis combined with research among inhabitants, among the companies operating in the city, institutions, - it seems to us that what we wrote a good plan of action for the coming years” (D3-W).

Flexible approach to the needs of the market and different backgrounds shows authentic focus of local government on the development.

“Strategies we have developed in 2007 and is document binding for 2020 it is 3.5 term horizon. We have enough depth analysis of the changes in Wodzisław taking into account the change in character of the city” (D2-W).

All participants referred to the strategies, which was quite unique compared to previous respondents from other sub-regions. This way, functioning strategies are not dead documents, but real plans which are the basis for realistic goals. In further part of interviews, respondents pointed out especially the need to create new jobs, bringing the investors, and changing the quality of life.

The objectives are quite meticulous, which shows the real focus of the local government on the problems which are quite mundane and concerns ordinary

people. On the example of one comment one can see the importance of the road infrastructure, promotion of the city, ecology, international contacts, housing, transport and education.

“The strategy therefore focuses on a few key issues - firstly - the potential of the city related to its location and potential of the A1 motorway. Consequently we have a number of tasks related to infrastructure. That is crucial. Second, using economic potential of Wodzisław Śląski as The South Gate of Poland. That is our slogan to promote the city from 2007 on national events, but also European and international. (...) Thus, the city has economic and localization potential, which should be used. About this part - the western sub-region is said to be as “green lungs of Silesia”. (...) Therefore, we focused on designation of land for housing construction, but in order to move to Wodzisław it is needed to build a wide range of services. It has to be constructions, communication, education, from early childcare, to the level of high school or secondary” (D3-W).

A hope connected with the highway building clearly was articulated by representative of Czerwionka – Leszczyny:

“At the same time a highway is being built, which can be seen as a series of communications. The resident of Czerwionka gets in the car and quickly gets to Katowice or Gliwice, Rybnik He cans work outside the municipality, and live here. We are also considering areas for investment. These are the areas on

the highway, so it is very attractive” (D1-W).

Each town seeks its objectives but it can be seen from interviewees, that Rybnik has the central and unquestionable position as the capital of the sub-region. The competition does not have questioning character. Representatives of Rybnik also are aware of the role they happen to play.

“The general objective is to strengthen Rybnik as the central site in the sub-region. It has to become sort of administrative, financial, educational center for whole sub-region, for over 650,000 people. All other goals are subordinate. The other is, of course, job creation, infrastructure development” (D4-W).

Every city is trying to build its attractiveness in a slightly different foundation, not simultaneously making something that would be the only factor sharply distinguishing the place of the others. Noteworthy is the fact that overlords of cities are well aware of the great value of environment and possibilities of tourist region, which once was regarded as industry, thus unattractive. Every city of the Western Sub-region is trying to build its development on natural foundations resulting from the position and its potential. What emerges clearly is opportunity that comes from the construction of the A1 motorway and back to undervalued natural values. Noticing these two contrasting elements is quite significant symbol of a return to roots, with a new opening to the wider

world. Specific tasks posed by the local government stand out in their statements.

VI CONCLUSIONS

Reflections on regional development - especially in the industrial region - come down to quite real world, where the case of urban infrastructure and usual problems of unemployed inhabitants wait for a solution. Clash of learning region theory and conclusions arising out of described research leads to the main comment about the stage of development of Silesia. Functioning in the literature characteristics of learning regions do not fit into such diverse industrial regions like Silesia. On one hand in most industrialized region in Poland very dynamic modernization processes are taking place and on the other - in a enclave way are being created centers of modern technology and innovative industries. At the same time accompanied by a collapse of the relics of an earlier era and transformed nieudacznie, temporary forms of survival. This creates particular social consequences with which local government often have to handle alone.

The most important research findings boil down to a few basic observations and prospective of local levels sub-regional cooperation:

1. Strategies of cities are quite often artificial documents, created for the needs of bureaucracy. The exception is the western sub-region, where all respondents independently referred to these documents. The fact that there is

strategy does not mean that the vision and actions are compatible with each other. It would be accurate to verify strategy at the regional level and take up wide consultation of its priorities at the local level.

2. Silesian Voivodeship - after more than 10 years since administrative reforms - is still hardly integrated. It is a product artificially created, and between sub-regions there is not enough social cohesion to think in terms of regional priorities. There would be advisable extensive information campaign under a single management with a series of events to integrate people of the region around common values.
3. Respondents of the central sub-region - probably just because they have the most centralized recognition of change`s perspective - perceive problem of image of the region and also the problem of unprepared regional elites. These two issues are key to the development of the entire region. It is therefore necessary to shape the future elite, which would primarily be expressed in the education and civic attitudes.
4. Other sub-regions of province - south, north and west - are focused on their own tasks of individual cities, the most contrasting opinions concern the north sub-region, where social problems related to the quality of life and the collapse of the economy are the most pressing.

This sub-region reported the highest expectations regarding cooperation with the center of the region.

The local governments of Silesia face difficult tasks. The creation of knowledge region in such difficult conditions is a long-term perspective. The only opportunity in this situation seems to be the common perception of the same regional advantages: a strong ethos of work, well-developed infrastructure and excellent human capital. Next to industries traditionally associated with Silesia, are developing modern medicine and health care, aviation, automotive and military, modern energy and engineering, and even tourism industries. It should be emphasized that the enclave of innovative companies and increasing professionalism of regional decision-makers give the opportunity to win the competition.

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NOTES

1. Shortcuts letters will refer to number of respondent - decision maker and his sub-region: Central (C), North (N), south (S) and West (W).

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Risk assessment at the eve of crisis. Entrepreneurial risk perception on the example of Tychy.

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Abstract: Globalizing World is undergoing radical changes, where ongoing crisis is only one of examples. Those changes are accompanied by uncertainty which become signum temporis of late-modern era. Entrepreneurs are a special case, because they experience risks of everyday life, the same as we all do, but their professional risks cover with management and economical risks. The aim of the paper is to present results of research made in summer 2007, just at the eve of crisis, at the random sample of entrepreneurs from Tychy. The starting point of research was psychometric paradigm taken from psychological risk perception research and adjusted to sociological perspective. In effect there was used triangulation of quantitative and qualitative methods. Quantitative research based on semantic differential like tool, used to measure 28 types of risk experienced by entrepreneurs. In factor analysis main factors of risk perception were established. Location of hazards on factors derived from the interrelationships among 14 risk characteristics describes how they are perceived by entrepreneurs. Qualitative research deepens understanding of such perception. Main management risks are going to be analyzed with use of that data.

Keywords: risk perception, entrepreneurs, psychometric paradigm

I INTRODUCTION

Growing uncertainty is being seen as one of the main features of today's world. This period of history we live in is described as post-modernity, late modernity (Giddens 1990), liquid modernity (Bauman 2000) and risk society (Beck 1992). Especially the latter

describes well the sense of uncertainty and loss in changing society, social relationships and institutions. This embracing feeling is usually described by terms of risk and fear (Bauman 2006). "Some commentators have also pointed to changes in the nature of risks themselves as increasing expert and

public concern. In the last part of the twentieth century, they argue, risks have become more globalized, less identifiable and more serious in their effects and therefore less easily manageable and anxiety provoking” (Lupton 1999). This seems to be especially true when we take into consideration the ongoing economical crisis, which is directly interwoven with globalization process. Globalization of economical markets, deregulation of financial flows are seen as risky, especially now when those markets appeared to be unpredictable and unstable. Of course we all face those risks, however they touch business sphere especially severely and entrepreneurs are facing them in their everyday conduct. Amount of enterprises closed due to the crisis show that many of entrepreneurs were not prepared to face those challenges. Were they wrong in their estimation of risks?

In this paper I would like to present results of the research conducted among entrepreneurs from Tychy in Poland in summer and autumn of 2007, just at the eve of crisis. The method and conceptualisation of quantitative research were based on psychometric approach to risk perception adapted to sociological perspective. The main research question was: How do entrepreneurs perceive risk? It was similar to the question used in original research conducted by Slovic and his co-workers (Slovic et. al. 1984, 1985; Fischhoff et. al. 1978). This general question covered two more detailed ones: What is the structure of risk characteristics in case of entrepreneurs?

and How given risks are perceived by them?

The quantitative research described above was followed by qualitative one, which was less concentrated on perception and more on experiences. The main question was: How are given risks understood, experienced and dealt with? However in case of this paper results from the qualitative research are only auxiliary in their explanatory function. Before results of those researches is presented and discussed some theoretical foreground must be prepared.

II PSYCHOLOGICAL APPROACHES TO RISK

Social theories of risk cover different theoretical perspectives and different disciplines. “Bradbury distinguishes two types of risk concepts: risk as a physical attribute and risk as a social construct” (Bradbury 1989). In technical risk analyses (i.e. toxicological, epidemiological, engineering), economic, and psychological approaches to risk the realistic stance is dominating, while in most of sociological as well as anthropological perspectives constructivist point of view. As a result in social sciences both outlooks on nature of risk are present, and the axis of division goes between anthropology (constructivist outlook) and psychology (realist outlook) The neutral ground, that, to some extent, allows us to go over this split, seems to lay in low constructivist perspective, which is common in sociological theories of risk.

Psychological perspectives on risk perception cover three different approaches: axiomatic paradigm, heuristic paradigm and psychometric paradigm (Gasparski 1992).

The axiomatic paradigm, also known as classical paradigm, treats risk as determined by two variables: probability and magnitude of loss. In a Subjectively Expected Utility model (adapted from decision theory), risk is measured as ratio of those variables' values. The lack of correspondence between risk estimates calculated with the use of SEU model with people's subjective feelings was the most questionable about this paradigm. What seems to be very risky to laics (i.e. neighbourhood of atomic power plant) may be estimated by experts (basing on axiomatic paradigm) as much safer than many of everyday activities (such as driving a car) which do not raise much fear and are seen by laics to be pretty safe. Those discrepancies in risk perception contributed to appearance of two new approaches: heuristic and psychometric one.

Researchers basing on heuristic paradigm were looking for an explanation why experts and laics differ in risk estimation. They concentrated their efforts on revealing heuristics used by laics in their thinking and biases in drawing conclusions from information they had (Kahneman and Tversky 1974; Fischhoff et al. 1981). Many such heuristics have been identified as influencing people's risk perception. This approach is descriptive while explaining laics judgments but

simultaneously treats risk measured with use of axiomatic paradigm normatively. However, risk perception touches the problem of values and their hierarchy. No experts can decide whether such values as economic growth are more important than health and to what extent. In other words, riskiness of a given threat is in the eye of the looker. Psychometric paradigm was also developed in reference to axiomatic paradigm limits. Specific studies proved that some contextual variables of risk (i.e. catastrophic potential, familiarity with the risk or personal control over risk magnitude) affect perception of risk seriousness. The research procedure was based on judgment of set of hazards on scales describing risk characteristics. Drawing profiles for every single hazard revealed that some of risk characteristics are highly correlated. Use of factor analysis allowed distinguishing small set (usually 2 or 3) of factors which played role of higher-order characteristics. Location of hazards in factor space described how they were perceived by respondents. (Slovic 1987, 280–85). Research with the use of this method was conducted not only in US, but also in Hungary (Englander et. al. 1986), Norway (Teigen et. al. 1988), Hong Kong, Japan, Poland (Goszczyńska et. al. 1991) and the Soviet Union (Mechitov and Rebrick 1989).

Only the last of described paradigms can be adapted in sociological research. This is so, because it can be adapted to weak constructivist sociological positions. Of course in the field of sociology one can also find objectivistic approaches like a rational actor concept or neo-Marxist

critical theory, but constructivist approach seems to be dominant in the field. Weak constructivist stances treat risk as existing, but available to us only through others perspective. In other words, the only risk we have access to is risk perceived and experienced by others. This stance is very similar to what Slovic says: "Risk does not exist <<out there>>, independent of our minds and cultures, waiting to be measured. Human beings have invented the concept of <<risk>> to help them understand and cope with the dangers and uncertainties of life. There is no such thing as <<real risk>> or <<objective risk>>." (Slovic 1992, 119). Even if this declaration can be seen as signing in to constructivist camp, psychometric approach is strongly criticized from constructivist stances, especially by anthropologists (Douglas 2007). Sociological positions are situated in between those poles and seem to be natural ground for bridging the divided.

III CRITIQUE OF PSYCHOLOGICAL

THEORY OF RISK AND ITS

SOCIOLOGICAL DEFENCE

Research presented in this paper was based on methods borrowed from a psychometric paradigm. Adaptation of this research to sociological perspective was aimed to overcome most of criticism of psychological theories of risk. Let me now discuss this criticism and simultaneously present ways of overcoming it.

The research was conducted on a random sample of entrepreneurs from Tychy. Entrepreneurs were chosen

deliberately and they can be seen as specific "laboratory". They experience risks typical for managing a company: namely economical and personnel risks and share the same risks as everyone in their private life. This complexity of experienced risks was the core premise to undertake research on this very social category.

Some of the critics of psychological perspectives on risk are questioning psychological tests' accuracy, because of their laboratory character. Taking this under consideration, described research was conducted with use of in-field standardized interviews done by pollsters in the entrepreneur's workplaces. The aim was to guarantee that situational background would be the same as in the case of real risks faced by entrepreneurs.

More criticism of psychological approaches was turned against small samples. The realized sample in described research was 249 cases of quantitative interview. All respondents were invited to take part in qualitative, in-depth interview, however only 39 of them agreed to take part in qualitative research.

The in-depth interviews were introduced to blunt criticism of psychological approaches, that research is concentrated only on measurable aspects of risk treated as homogenous phenomenon and neglecting situational and environmental variables. (Gasparski 2004, 96). In-depth interviews revealed quite a lot of interconnections of

hazards and differentiations of definitions of risks.

Douglas criticizes psychological approach from cultural stances. She claims that “The professional discussion of cognition and choice has no sustained theorizing about the social influences which select particular risks for attention. Yet it is hard to maintain seriously that perception of risk is private” (Douglas 1985, 3). In her perspective, risk is a socio-cultural construct and one of the most interesting problems is why some risks are downplayed while the others are treated with great fear? In other words, range of hazards is potentially infinite and no one is capable of comprehending them all, because it would require infinite resources for perception and estimation. That is why risks are selected, and some of them are ignored while other treated with anxiety (Douglas and Wildavsky 1983). Douglas criticized the psychological perspective for using the same list of hazards in different research. List of hazards presented to respondents has been pretty the same since first research and has only been slightly modified in international research (i.e. in Poland there were added some hazards connected with social disorder). Her doubts were circulating around lack of substantiation for such a selection as well as certainty whether they represent important threats and risks experienced by respondents. The used list of hazards was said to represent rather the anxieties of researchers than those of researched. (Douglas 2007, 332).

IV RESEARCH CONCEPT

Certainly, the list of selected hazards had to be changed in research devoted to entrepreneurs. The idea was to present a new list of hazards, which would be more coherent with entrepreneurs’ experience. Rejection of so far used list of hazards required proposition of a new one. The new list of hazards could have been constructed in one of two ways: either it would be based on theoretical ground or set in exploratory interviews. The second solution suffered from one important weakness: construction of questions asked in such an interview would result in different lists. Given hazard might be seen from personal or social point of view. Risk of losing key employees can be seen as a social problem, and in general this risk can be seen as high, but on an individual level, given that an entrepreneur may be not necessarily be afraid of it. This was the main premise for preparing the list of hazards on theoretical basis.

First list of hazards was taken from Ziółkowski classification of risks. This classification is built as hierarchy based on Maslow’s hierarchy of needs. However enlisted risks should not be equated with certain needs, because Maslow’s hierarchy is only an inspiration.

Risks enlisted by Ziółkowski cover:

1. risk of inability to guarantee appropriate physical conditions to live,
2. risk of loss of social security,

3. risks connected with the work sphere and its reconfigurations,
4. risk of loss of respect and prestige,
5. risk of loss of feeling of belonging and love,
6. problems with identity,
7. risks of globalization; (Ziółkowski 1999, 235–36).

Ad 1) Ziółkowski points food and shelter as basic factors connected with guaranteeing appropriate physical conditions. In other words, it is risk of not satisfying basic needs.

Ad 2) In this case, Ziółkowski turns to concept of ontological risk and basic trust developed by Giddens. “The phrase [ontological security – L.T] refers to the confidence that most humans beings have in the continuity of their self-identity and the constancy of surrounding social and material environments of action” (Giddens 1990: 92).

Ad 3) In case of entrepreneurs, this set of risks cover with all managerial risks.

Ad 4) Domański enlisted four types of prestige: personal (attributed to an agent because of his or hers personal virtues), positional (attributed to an agent because of his or hers position), situational (*ex definicione* is short-term in character and endowed on a certain event) and institutionalized (respect is encoded and guaranteed with sanctions). In this research, prestige is treated only in first two meanings.

Ad 5) Love is understood as “bestowing and receiving affection. When they are

not satisfied [needs of love and belonging – L.T] a person will feel severe absence of partner or kids” (Maslow 2006, 68).

Ad 6) In this case, Erikson’s identity health model was used. In this model identity is seen as mediating between body and social life requirements, as a sphere where individual existence finds its solid form on basis of contingency between individual’s auto-presentation and its social image (Erikson 1997, 272–74).

Ad 7) Globalization risks base on Giddens concept of globalization as new ways of time-space distanciation, of new relation between locality and distance. “Globalisation can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (Giddens 1990, 64).

The third on Ziółkowski’s list were risks connected with the work sphere. In case of entrepreneurs that covers with managerial and business risks. To take under consideration most of them (apparently no one is able to take under consideration all risks) the list of hazards was based on several sources:

- taxonomy of business risk by T. Kaczmarek (2006)
- R. Kendall’s typology of business hazards (Kendall 2000)
- list of production hazards by J. Bizon –Górecka

and in case of staff risks – list of risks by A. Lipka (2002).

Complete list of hazards presented to respondents for estimation consisted of 28 position:

- basic needs satisfaction
- ontological security
- political risk for company
- contract risk
- tax risk
- law ambiguity risk
- credit risk
- money exchange risk
- Tax Office control
- new competitors
- not honest competition
- risk of market competitiveness increase
- new technologies
- natural catastrophes
- investment risk
- bankruptcy risk
- financial stability risk
- lack of information
- recruitment risk
- loss of valuable employees
- low employees efficiency
- fluctuation risk
- technical breakdown
- accident risk
- loss of prestige
- loss of love
- loss of identity
- globalization risk

Each of hazards was to be rated with use of 14 risk qualitative characteristics. Those characteristics were adopted from M. Goszczyńska, T. Tyszka and P. Slovic research from mid 80's (Goszczyńska, et al. 1991)¹. Only one of their characteristics (lethal/no-lethal) was omitted because it didn't describe well any of enlisted hazards. Alternative

risk characteristics, like those connected with financial risks estimation (Zaleśkiewicz 1996, 155), could not be added, because they do describe well economical risks, but are not appropriate to estimate riskiness of personal risks. Eventually, list of characteristics was completed as follows:

- Voluntary/involuntary
- Effects immediate/effects delayed
- Known to those exposed/unknown to those exposed
- Risks known to science/risks unknown to science
- Old risk/new risk
- Chronic/immediate
- Not dread/dread
- Controllable/uncontrollable
- Controllable severity of results/uncontrollable severity of results
- Individual/catastrophic
- Low personal exposure/high personal exposure
- Low risk to future generations/high risk to future generations
- Observable/not observable
- Benefits overrunning risk/risk overrunning benefits

Those characteristics were describing ends of bipolar 7-grade scales. Each of respondents estimated riskiness of all hazards with use of those 14 characteristics. Summarily at the end it gave over 97 thousand of single judgments.

V STRUCTURE OF RISK CHARACTERISTICS

Analysis of data was done with use of a factor analysis. The distinguished factors can be seen as higher order/main characteristics. Each dimension is made up of combination of characteristics which are strongly correlated with a given factor after rotation. Matrix of rotated components is presented in Table 1.

All together there were distinguished 3 factors with value over 1, which are explaining 78 percent of variance.

Factor 1 (expl. 38 percent of variance) is made up of a combination of such characteristics as: Individual/catastrophic, risk to future

generations, controllable/uncontrollable, voluntary/involuntary, controllable/uncontrollable severity of results and personal exposure. This factor was named: **Scope of risk**

Factor 2 (expl. 25 percent of variance) is made up of a combination of such characteristics as: dread/non-dread, new/old, risk-benefit proportion, immediate/delayed effects. This last component was inversely correlated. This factor was named: **Dread risk**

Factor 3 (expl. 15 percent of variance) is made up of a combination of such characteristics as: risk known/unknown to those exposed, observable/non-observable, known to science/unknown to science. This factor was named: **Unknown risk**

Table 1 Matrix of rotated components

	Components		
	1	2	3
voluntary/involuntary	.841	.144	-.009
effects immediate/effects delayed	.109	-.787	.451
known to exposed/unknown to exposed	.425	.316	.801
known to science/unknown to science	-.186	-.042	.718
old/new	-.169	.800	-.126
chronic/immediate	.111	.749	.189
not dread/dread	.171	.869	.320
controllable/uncontrollable	.875	.131	.322
controllable severity of results/uncontrollable severity of results	.693	.460	.502
individual/catastrophic	.921	-.034	-.180
low personal exposure/high personal exposure	.665	-.318	-.235
low risk to future generations/high risk to future generations	.893	-.022	.189
observable/not observable	.050	.102	.877
benefits overrunning risk/risk overrunning benefits	.124	.775	.428

Principal components analysis. Rotation method: Varimax rotation.

Techniques used in this research differed from those used in other research, because of risk characteristics limited by one and completely new list of hazards. Because only one characteristic was omitted, it was quite probable that this change will not affect the risk characteristics structure and factor revealed in research will be the same as in original research. Limiting research to one socioeconomic category as entrepreneurs with high probability should not affect this structure of characteristics, because in research done in different countries those structures appeared to be moderately stable. However use of completely new list of hazard could have affected risk characteristics structure. So there can be added one additional question: Is risk characteristics structure similar to structures found in previous research? Analysis of distinguished factors allows us to give a positive answer to that question. All three factors have been found in previously conducted research. In his original study Slovic (1987, 281–82) distinguished two factors: unknown risk and dread risk derived from interrelations among all 15 risk characteristics. Further replications of research from 1978 (Fischhoff et. al 1978) with a wider list of hazards (ca. 90) and risk characteristics revealed stability of this factor structure. However, one more factor has been distinguished. It was named scope of risk. In research conducted in Poland in mid 80's, with some new hazards added to original list and list of 15 risk characteristics, 3 factors have been distinguished: dread risk, unknown risk and new risk (Goszczyńska et. al 1991, 1992). It should

be mentioned, that the last factor was composed of two risk characteristics: old/new and individual/catastrophic. It was noted that structure revealed in Polish research is contingent with research conducted in USA. One look at factor structure from research described in this paper allows to state, that this structure is contingent with both: Polish and American research. Moreover, the revealed structure is more contingent with former research than one from research on investment risk perception (Zaleśkiewicz 1996).

Analysis of factors and their components reveals also an important difference in order of distinguished factors. Entrepreneurs risk perception differs from other risk perception structures in priorities put to distinguished factors. In all mentioned above research unknown risk is playing role of first or second factor. Similarly dread risk in all but one of mentioned research was distinguished as first or second factor (explaining highest percent of variance). In case of entrepreneurs, dread risk is the second factor, and unknown risk the third, while first factor is scope of risk. This difference reflects structure of entrepreneur's risk perception.

One important comment has to be made here. Previous research concentrated on hazards of different importance for researches, and did not take into consideration if the researched experienced those risks. Moreover, those hazards differed in their generality: from economical crisis and internal disorders through pesticides

and atomic power plants to swimming and sunbathing. In research described in this paper hazards were chosen to suit best to entrepreneurs experiences. They are all risk potentil (and as also reveled in qualitative research also really) met by entrepreneurs in their everyday conduct. This reflects theoretical assumptions of weak constructivist instead of objectivistic outlook on risk. It is of course luring to state that change of list of hazards to more directly touching researched, changes also their perception in such a way, that most important is whether given hazard is individualistic and voluntary², or generally catastrophic and involuntary. But such a statement requires more research on different groups and hazards.

Before research results are presented in details, it should be mentioned, that quantitative analysis was complemented by qualitative research. All respondents that took part in standardized interviews were invited to take part in in-depth interview. Only 39 of 249 agreed to participate in this phase of research. During interview, they were asked questions concerning the same risks that were presented earlier, but they were free to explain how they understood, experienced and coped with them. This material supported understanding of some surprising results from quantitative research. Description of hazard's perception is accompanied by data gathered during qualitative interviews.

VI PERCEPTION OF HAZARDS.

The factor space describing entrepreneur's risk perception consists of three dimensions. Figures will present graphs of two dimensions to make it more legible. First Figure will present a factor space consisting of two main characteristics: scope of risk (horizontal axis) and dread risk (vertical axis). The second one is constructed of a dread factor (horizontal axis) and unknown risk factor (vertical axis).

Analyzing personal risks enumerated by Ziółkowski, we can see that they are all located in top-left quarter in Figure 1. It means that risks are seen as personal (especially risks of loss of prestige and love) and scary. In Figure 2, all personal risks from Ziółkowski's hierarchy are located in top-right quarter. As most unknown was seen loss of ontological security. This is so, because in qualitative interviews the questions about ontological security were directly responded only by those respondents who had suffered such a loss of security (safety cocoon rupture in Giddens words). Others had problems to estimate riskiness of this hazard.

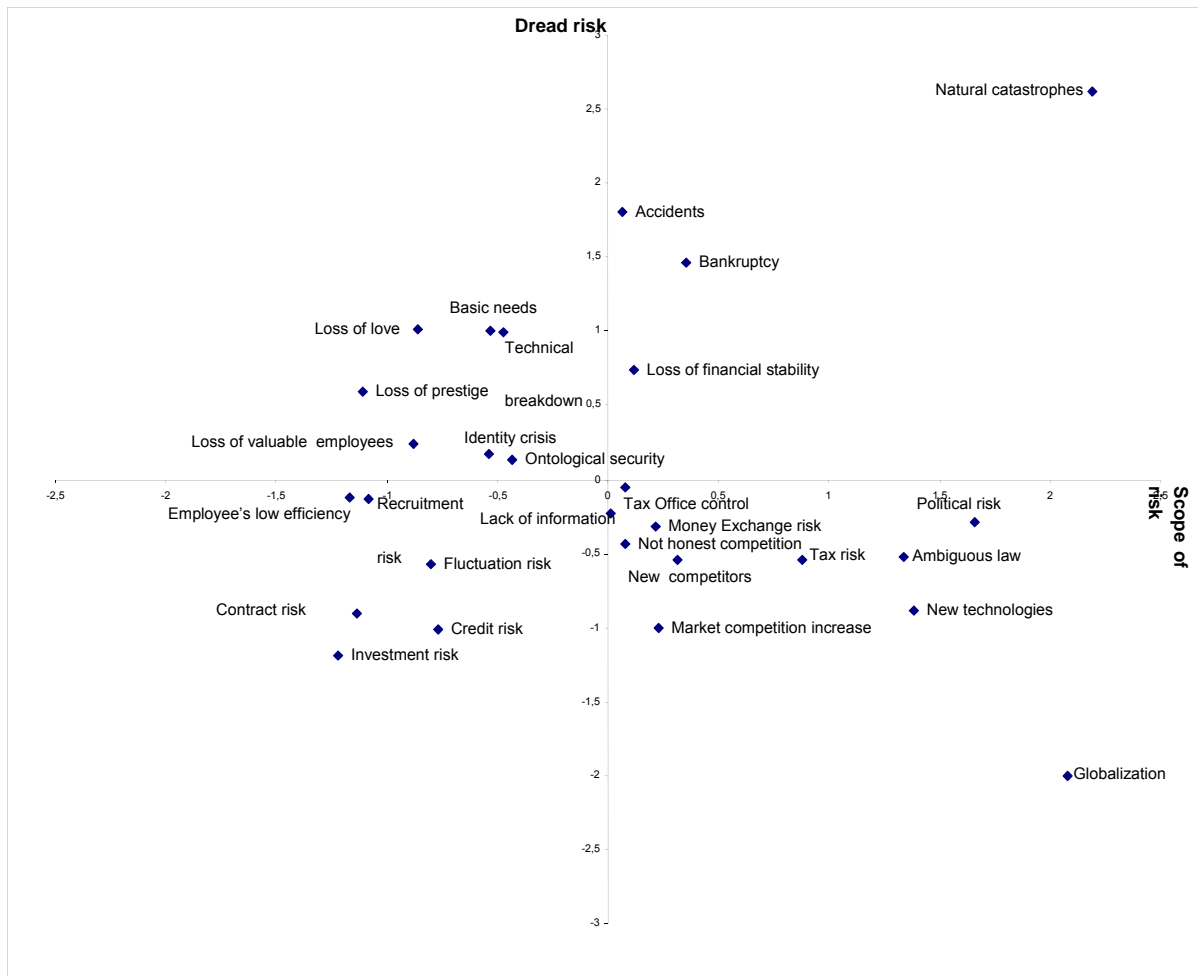
Identity crisis or loss was estimated nearly at the same level on dread scale, but it was seen as a bit more known risk. Those features appeared to be strongly connected in in-depth interviews. Most of respondents, that suffered security breakdown, suffered also identity crisis. These traumatic events they went through, questioned not only their trust in everyday order but also who they were.

Loss of love and loss of prestige were also seen as quite a threat. Entrepreneurs were more afraid of loss of love and prestige than of security or identity crisis. It should be highlighted that all those personal risks were rated higher on unknown factor than any of business risks. Entrepreneurs declared they don't know what happens in their families because their work-sphere is so overwhelming. Some said that they knew more about what happened in their firm than in their family. In other words, entrepreneurs were afraid of loss of feelings of their relatives, and being surprised by it someday.

Turning to risks from entrepreneur's work sphere one can notice some

regularities. All risks concerned with law are seen as of high scope but raising not much fear (bottom-left quarter in Figure 1). Moreover, one should remember that the feature of scope covers also the feature of controllability. The more to the right, the less controllable is seen a given risk. The highest scope and most uncontrollable are political risks. A bit more individual is tax risk. Tax Office control is seen as more individual than taxes, because the former touches a given entrepreneur, while taxes are a common problem. Signing a contract is seen as most individual and most controllable risk. In this cluster³ of hazards importance of scope dimension is well represented.

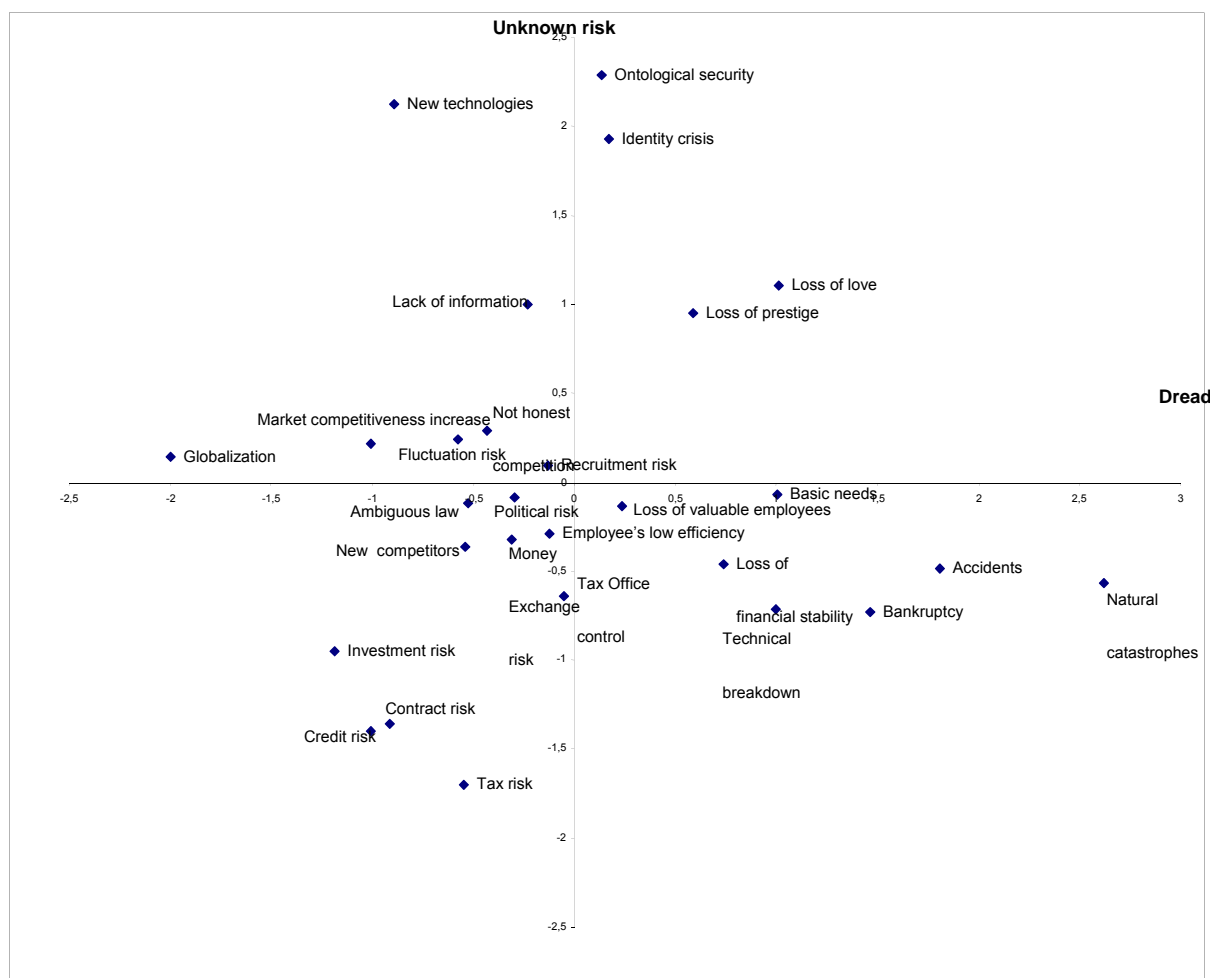
Figure 1 Location of hazards in factors 1 and 2 derived from the interrelationships among 14 risk characteristics



All types of law risks occupy middle positions on both dread and unknown risk factors scales. They are located in bottom left quarter (on Figure 2) so were perceived as moderately safe and known. Only Tax Office control was seen as better known. Explanation here is rather obvious concerning longevity

of those firms. Most of them have had undergone such controls many times. As one of our respondents said: *“we want them to control us, because taking under consideration amounts of our turnover, interests of unpaid taxes would kill us”*.

Figure 2 Location of hazards in factors 2 and 3 derived from the interrelationships among 14 risk characteristics



Risks connected with staff management were located mostly in bottom left quarter in Figure 1, that means they are seen as quite individual and rather not-scary risks. Only loss of crucial workers was raising higher anxiety. Entrepreneurs have seen relations with their personnel in individual relation perspective (most of companies were small and medium sized) than through lenses of labour market. On unknown risk factor, staff management hazards were located in growing order as

follows: low employees' efficiency, loss of valuable employees, recruitment risk and high fluctuation risk. This can be explained by changes on labour market that took place in the time research was conducted. Opening of western labour markets (especially on British Islands) vacuumed many potential workers.

Fluctuation risk was rising as changes on labour market were taking place. Most entrepreneurs were surprised by this change and relative weakening of their position. Best prepared to cope with this

risk were those entrepreneurs who run companies in branches suffering from high rotation levels such as gastronomy. Entrepreneurs reported situations when their employees were leaving job without a single word to simply never appear again. This changed power balance on labour market, which at this very moment was dominated by employees' side. Revenues were rising, even though workers were leaving their workplaces. In-depth interviews revealed strategies used by entrepreneurs to keep their workers: i.e. they offered their employees company credits: employees got a lucrative, low interest rate credit form company, but had to pay it all if they left the company. But usually entrepreneurs used strategy named by one of respondents as "cash is the best". Alternative strategy of dealing with this risk was based on creating good spirit and atmosphere in a company, so that workers would not be so eager to move.

In some branches rise of fluctuation overlapped with loss of valuable employees, because the most qualified and precious workers were most willing to leave, as they received lucrative offers from abroad. One of respondents reported, that soon after one driver left, he found job for all his truck drivers and he was left with no one to work. We can distinguish two perspectives in perception of this risk. First, are branches with relatively high entry costs. In such a case, loss of valuable workers meant that they were leaving job to work for another company. In the second case, when entry costs are low, and business is based mostly on staff

competences, loss of valuable workers meant that they were often starting their own business in the same branch and were not only rising competitiveness of market but also were leaving with valuable clients and sometimes other workers. In such cases interviewed entrepreneurs saw this risk as much higher than the prior group. Sometimes entrepreneurs used some specific strategies for keeping their workers i.e. were hiring women, because in their opinion, they were less mobile and were less concentrated on promotion, so they were less probable to move to another city. Usually they also used strategies of financial motivation and/or creating good climate in the company.

Recruitment risk was seen by entrepreneurs as connected with fluctuation. They pointed out that they see recruitment risk through costs lenses. Those costs are of dual character. At first glance we can notice direct costs created by recruitment: selection costs, training costs and workforce costs (when new employee is undergoing training and not working). At the second glance one can notice another costs: new workers are working usually slower than experienced employees, so workers efficiency is lowered, service quality is also lower. Coping strategy is based on recruiting an employee as long as they find proper worker. However changes on labour market that took place in that period of time made this strategy ineffective. Respondents started to calculate between costs of recruiting ready-to-work candidate and training best of those available for the moment to required competences level. However

it also appeared that they were rather reluctant to train new employees, because of rise of fluctuation risk.

Risks concerning market competition were seen as of higher scope but rather not worrying. Increase of market competition was located lowest on dread factor scale while new competitors as well as not honest competition were more worrying for respondents.

Market competition risks are seen near middle positions on unknown risk factor scale. However market competitiveness increase and un honest competition were located higher on this scale than risk from new competitors. This may seem paradoxical, but respondents were more afraid of already existing competitors than of new ones. Market situation was seen as stable and respondents in in-depth interviews pointed out that there is no place for new firms on the market. The only “new competitors” that could have appeared on local market were those that were already functioning somewhere else, but still not functioning in the research area (i.e. franchised restaurants). However actions of already existing competitors were more dangerous and more unexpected. This is so, because entrepreneurs usually haven't had long-term vision of their business. They claim that no plans can be done and due to that their market strategy is reactive. So their competitors were ranked so high on unknown risk feature, because those companies were imitating one another's movements.

Investment risk is located low both on scope and dread dimensions. Entrepreneurs have seen it as their individual risk (in the scope feature) and not dreadful. Entrepreneurs declared sometimes, that they did not see investments as risks. In their opinion all investments were necessary and lucrative: thanks to costs generated by those investments they paid smaller taxes and expected to gain profits from their investments.

Similarity was seen in credit risk: as of low dread level and rather individual. Research was conducted in summer of 2007, when credit for companies was rather cheap and easily available. This was the first time, when banks were looking for creditors rather than companies for credits. They saw credits as pretty safe, because banks were luring companies and entrepreneurs could choose between offers.

Exchange rate risk was also seen as rather not dreadful but was located much higher on scope of risk as well as unknown risk factors. At the moment of the research, Polish zloty was on its peak value. It was to fall down in couple of months to 2/3 of its value, but respondents were more afraid of getting it stronger than weaker. In fact many of interviewed owners took high credits in foreign currency (like Swiss franc) for investments. They were totally surprised by the crisis break out. Most of respondents had been running their business for more than a decade, so they could have expected that when they coped with bigger difficulties in the past, they would also cope with new

ones. In effect many of those firms do not exist now. Now we can say that they underestimated those risks. Does it mean that they underestimated risk of bankruptcy?

Risk of bankruptcy was seen as rather dreadful and loss of financial stability was seen as less dangerous. This can be explained by the fact that financial flows hold-ups happen from time to time but not always leading to bankruptcy. Even though entrepreneurs were afraid of loss of financial stability, they were even more afraid of bankruptcy. As it was to appear later, quite reasonably. At the moment when researches were conducted, respondents declared that they had observed good trends in financial stability of companies, because financial flow hold-ups were on much lower level than in first decade of transformation.

What may seem like surprising bankruptcy was seen as better known risk than loss of financial stability. This is so, because many businessmen had already gone through bankruptcy and they were running their second or third business. Moreover at some point, bankruptcy may be inevitable and because of that not surprising. Financial flow hold-ups may happen at any moment even in case of, so far, financially liable partner. Those hold-ups are named by respondents as calamity chains: their partners don't pay because partner's clients had not paid, and now the given entrepreneur cannot pay his contractors. And so it goes. Such a hold-up can happen at any moment in any place.

Second reason for loss of financial stability was arbitrary clerical decisions. In case of one of respondents Tax Office decided that one of interviewed respondents had to pay huge excise of already sold products. This decision was not only arbitrary but also unjust, because in the period when these products were sold, no excise was set. However, Tax Office blocked all company's accounts what nearly ended up with bankruptcy.

Because of non-observable and unexpected character of this risk it can be explained why loss of financial stability is seen as more unknown than bankruptcy.

Similar differences can be discovered in case of technical failure and accidents. The latter are seen by entrepreneurs as more unknown than the former. In in-depth interviews respondents declared often, that technical breakdown happen from time to time, while accidents were very rare. Moreover, respondents treated technical failures as inevitable in some time, so they expected them to happen sooner or later, but accidents were seen as something that should not happen, and something that was avoidable, so they were always unexpected.

Globalization is seen by entrepreneurs as non-controllable risk with high reaching scope. On the other hand it is located lowest on the dread level. In other word, entrepreneurs were not at all afraid of globalization. In fact they saw it more as a chance, because new

markets were opened and new business partners could be found.

VII CONCLUSIONS

The main aim of this research was to reveal how entrepreneurs perceive risk. This covered two research questions: What is the structure of risk characteristics in case of entrepreneurs?, and How given risks are perceived by them? Answer to the first question is rather unambiguous. There have been revealed three factors explaining entrepreneur's risk perception: scope of risk, dread risk and unknown risk. Structure of risk characteristics is consistent with those distinguished in formerly conducted research both in Poland and USA, however factors are differently ordered. Stability of structure may be, to some extent, created by use of the same risk characteristics. More important is the fact that stability of risk characteristics is observed on completely new list of hazards. One could expect that new hazards will result in completely different structure of risk perception.

Basing on factor space analysis perception profile for every hazard can be drawn. This was discussed in the details in subchapter devoted to perception of hazards. What is important, is that most of hazards can be grouped in clusters. Existence of those clusters was confirmed by hierarchical gatherings analysis (not presented in this paper) and similarity of risk perception profiles. Results were discussed in light of data from qualitative research what allowed to describe perception of hazards in more

detailed way and avoid assumptions in explanation of the results.

Qualitative research was playing auxiliary role in this paper; however in original research scenario situation was more complicated. Turning to traditionally understood triangulation, qualitative data was confronted with quantitative research results to raise accuracy of the research. Typically in triangulated research, it is assumed that the data from both researches will be contingent. To some extent it is true in case of described research here. But qualitative research was not limited to perception of risks but also referred to question whether those risks are really experienced by entrepreneurs. This also appeared to be true. Most of respondents declared that they experience mentioned risks (with exception to lost sense of security). In other words this confirms accuracy of chosen hazards, which appeared to be those really experienced by interviewees. Moreover this also confirmed completeness of proposed list of hazards. The only sphere of experienced risks, which was not covered by proposed list, was health. This also reveals weakness of Ziółkowski's hierarchy of risks, where health risks are also omitted.

The idea underlying in this research was to re-use tools from psychometric paradigm in such a way as to overcome its critique. This was to be achieved by marrying psychometric paradigm with weak constructivist perspective and qualitative research. In this perspective, risks can be seen only as experienced by

people. That is why, so much focus was put on designing new list of hazards (the old one was criticized to be arbitrary and objectivistic in character) which really are experienced by those researched. In either way one would receive artefacts instead of hazards perception profiles. Qualitative research natural for constructivist perspectives was not only to test accuracy of chosen hazards but also to reveal how they are understood by the researched. What is really surprising is the discovery that respondents defined and understood some kinds of hazards in different ways than experts. Hazard's list was based on expert typologies. But content of hazards differed. Let me discuss one example. For Lipka (2002) derecruitment risk means failure of derecruitment process (i.e costs of derecruitment overrunning projected gains) and probability of losing valuable employees due to reductions and leaking out company's confidential data. For entrepreneurs interviewed in qualitative research derecruitment risk was connected with former employees' detrimental activity like complaints to control institutions (State Labour Inspectorate i.e.) or suing employer to labour court.

Such differences in understanding certain risks does not necessarily undermine validity of results from quantitative research but rather reveals how respondents see those evaluated risks, and what, in their opinion, they have evaluated. In other words, triangulation of methods suffers from the same weaknesses as all mixed methods scenarios: there is always

probability, that qualitative research will put in question existence of phenomena investigated in quantitative research. Fortunately in described research this scenario did not take place, but still qualitative data showed that investigated hazards are interconnected and sometimes understood in different ways. The gap between constructivist and realist perspectives on risk has not been overwhelmed but there is hope to bridge this gap on grounds of weak-constructivist perspective delivering more accurate data.

NOTES

1. List of qualitative risk characteristics was broadened from original 9 characteristics used by Fischhoff et. al (1978) to 15 (Goszczyńska et. al 1991).
2. Components of first factor
3. Clusters of hazards have been revealed on tree models imaging hierarchical analysis of gatherings. Those clusters are not discussed in this paper.

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European (Dis) Integration. Geopolitical Challenges to Central-Eastern Europe in 2013.

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Abstract: By Central-Eastern Europe (CEE) 11 EU member states are understood as those which joined the EU in 2004-2013. Countries of this region are facing geopolitical challenges both common to the whole region and specific challenges to each of them. Challenges differ as to their strength and durability, some of them are related to processes of long duration and some are changeable. Long duration (constant) challenges to the whole region resulting from their geopolitical location between core Europe and Russia, in the old zone of influence of the USA and the potential new zone of interest of China, at present are of minor importance as global superpowers do not undertake new actions addressed directly to the region or forcing countries of the region to react immediately. In such a situation current and changeable issues are coming to the forefront as challenges to CEE countries. The most important of them are related to the processes in the European Union that can be called as integration-disintegration of Europe. In particular, these challenges entail questions: 1. to join or not to join the euro zone?, 2. what should be the relationship between the euro zone and the rest of the EU?, 3. what should be the future of specific EU policies (cohesion policy, common agricultural policy, energy policy, environment protection policy, etc.)? Each country reacts differently to these questions depending on objective considerations (level of development, dependence on individual sources of energy, etc) and on subjective opinions of their leaders. For example, as to the first question, several groups of countries can be identified: 1. countries in the euro zone: Slovenia, Slovakia, Estonia, 2. countries that want to join it and are near to join it: Latvia, Lithuania, 3. countries that so far are distant to join it: Bulgaria, Romania, Croatia, 4. hesitating countries (wanting to join it in the future when/if the euro zone has fixed its shortcomings): Poland, Hungary, 4. a country declaring that it is not interested in joining the euro zone: the Czech Republic.

Keywords: Central-Eastern Europe, EU, euro zone, international political situation, USA, Russia

I INTRODUCTION

Geopolitical challenges¹ faced by a country (or by a group of countries) can be divided into long duration (or constant) challenges resulting from its (or their) absolute and relative strength and its (their) geopolitical location, and short term (current, changeable) challenges resulting from the changing current international environment. The aim of this paper is to present current geopolitical challenges faced by Central-Eastern European (CEE) countries against the background of processes of integration and disintegration of the European Union.

By CEE countries in this paper 11 countries are understood as those which in 2004-2013 joined the European Union: Bulgaria, Croatia, the Czech Republic (or Czechia), Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

II LONG DURATION CHALLENGES OF THE CEE COUNTRIES

Since the end of the 18th century (disappearing of the Polish-Lithuanian Commonwealth and partitioning of its territory by the three neighbouring powers – Russian, Prussia and Austria) the territory of the present CEE countries has been located in the “intermediate” zone (in German called “Mitteleuropa”) between geopolitical powers of Russia and “core Europe” (notably Germany in its various manifestations). One can also add the weakening Ottoman Empire in the period until the First World War. None of the analysed countries existed as a

fully independent state practically until the end of the First World War. In 1867, due to reforms in the Habsburg (Austrian) monarchy Hungary got considerable autonomy in the double Austrian-Hungarian monarchy. In 1878 Romania and Bulgaria emerged from the Ottoman Empire, still as a kind of semiautonomous European-Russian condominiums.

The First World War and the revolution in Russia brought about a “geopolitical earthquake” in the region: emergence of practically all present-day states of CEE, with Czechia and Slovakia being then parts of Czechoslovakia and Slovenia and Croatia being parts of Yugoslavia. Hungary, after disappearance of Austria-Hungary, became a separate state (with a considerably smaller territory) while Bulgaria and Romania gained full independence. Appearance of independent states in Central-Eastern Europe, however, did not change the three long duration geopolitical characteristics of this region:

1. relative and absolute weakness of each of these countries,
2. geopolitical weakness of the whole region,
3. the “intermediate” location between superpowers.

These characteristics became evident during the Second World War when all of these countries were militarily defeated or politically dominated by the two powers: Germany and the USSR (a new form of Russian Empire).

The victory of the USSR in the Second World War resulted in the Soviet (Russian) domination in Central-Eastern Europe (including eastern part of Germany under Soviet occupation, the GDR). This domination took over several forms: annexation of the three Baltic states (Estonia, Latvia, Lithuania) as republics-members of the USSR, limited independence in foreign and internal policy of internationally recognized sovereign states as members of the “Soviet” (or “communist”) block, and an indirect influence of the USSR on a more independent state in the case of Yugoslavia. In the latter case, the geopolitical role of Yugoslavia as holding the balance between the Soviet block and the Western block helped to keep together parts of this multi-ethnic federation. In the post-war cold-war period the “intermediate” location of the CEE countries was changed inasmuch as the role of core Europe was replaced by that of the “West” headed by the USA. Although being in the zone of direct political domination of the USSR (Russia), countries of the region were also in the zone of direct cultural and indirect political influence of the West. In the popular perception of most societies in these countries, the West was associated with prosperity, national independence and individual freedom.

The crisis of the USSR at the end of the 1980s and the following disintegration of the Soviet block and of the USSR itself, triggered out a process of “westward drive” of the CEE countries (in the case of the GDR it took the form of its elimination and incorporation of its territory to the Federal Republic of

Germany). In the case of Slovenia and Croatia this westward drive was preceded by the disintegration of Yugoslavia which had lost its major reason of being with the end of the cold war. In the consecutive waves of EU- and NATO enlargements since 1999 (the first NATO enlargement) countries in the region joined the West.

III CENTRAL-EASTERN EUROPE AND THE EUROPEAN INTEGRATION

At present, presence of the analysed countries in the Western institutions (the EU and NATO) determines their geopolitical situation. Given that the outside powers, notably the re-emerging Russia and still internationally stronger China, let alone other international players, do not undertake serious actions (threat or offer) addressed to these countries, they do not face challenges related to their very existence or affiliation with geopolitical “attraction centres”. It does not mean that these countries do not face any challenges and do not need to take any strategic decision. These challenges and decisions are related, first of all, to current developments in the European Union. The situation in NATO, although not less important than that in the EU, has a different dynamic and does not require from its member states taking immediate decisions on many current issues. Therefore it will not be analysed in this paper.

With the “big eastern enlargement” of 2004 when ten new countries, including eight countries of Central - Eastern Europe (CEE), joined the European

Union, both the EU and the CEE countries entered a new stage in their evolution. Since that time evolution of the situation within the EU was determined by two divergent tendencies: towards further integration and towards disintegration. Accession of three more countries of CEE (Bulgaria and Romania in 2007, and Croatia in 2013) is an evidence of the integration. Rejection in 2005 of the Constitution for Europe, meant to be symbol and instrument of further European integration, if did not trigger disintegration processes, it slowed down the pace of integration and revealed existence of divergent forces within the EU. The euro, also meant to be a symbol and instrument of European integration and of the strength of the EU, started to play a double role: of integration of countries of the euro zone and disintegration of the EU as a whole by dividing the EU into the euro zone and the rest. The outbreak of the economic recession in 2008 and the sovereign debt crisis in the euro zone peripheries since 2011 even strengthened the double role of the euro and the related two tendencies: the tendency to further integration of the euro zone by introducing mechanisms of common control and coordination of banking systems and fiscal and monetary policies of euro zone countries accompanied by institutionalisation of political relations within the euro zone², and the tendency to disintegration putting the non-euro zone countries outside this process.

Of special importance is here the not univocal role of the euro revealed during the recession and debt crisis. In a

quite wide-spread opinion, troubles of Greece and some other members of the euro zone resulted from the euro, from not having at their disposal their own national currencies and the related monetary policy, directly exposing them to competition from stronger economies. At the same time the relatively good performance of Poland and other CEE countries having their national currencies with floating exchange rates could be attributed to existence of national currencies. Therefore, while before the recession and crisis the only question faced by the CEE member states of the EU seemed to be: how and when? (to join the euro zone), now some of them put the question: to join or not to join? They have to make a trade-off balance of the long-term would be political and economic advantages of being in the euro zone and the short-term real economic advantages and political disadvantages of being outside it.

Attitudes towards the euro are probably the most striking example of divisions within CEE countries. From this point of view these countries can be divided into five groups:

1. countries in the euro zone: Slovenia, Slovakia, Estonia³,
2. countries that want to join it and are about to join it: Latvia, Lithuania,
3. countries that so far are distant to join it: Bulgaria, Romania, Croatia (although Bulgaria, together with Latvia and Lithuania, is in the "waiting room" for the euro called ERM II),

4. hesitating countries (wanting to join it in the future when/if the euro zone has fixed its shortcomings): Poland⁴, Hungary,
5. a country declaring that it is not interested in joining the euro zone and accepts the division of the EU: the Czech Republic⁵.

The division of the CEE countries into “ins” and “outs” of the euro zone may have long lasting consequences for the economic and geopolitical position of Central-Eastern Europe in the EU, first of all for its position in the division into the “core” EU and the rest. In this regard CEE countries face several challenges: to accept the division or the reject it, if accepting the division: to be inside or outside the core, does being in the euro zone guarantee being in the core; how to be outside the euro zone and inside the core EU. Countries of the two first groups accept the division and want to be inside the core, the Czech Republic (at least until recently) accepts the division and wants to be outside the core, Poland rejects the division and is hesitating: it wants to be in the core without joining the euro zone in the near future. The changing economic situation and changing governments may correct position of individual countries. In this respect the change in Czechia in 2013 in the position of president of the republic (replacement of “eurosceptic” Václav Klaus by “eurofriendly” Miloš Zeman) and in the government (replacement of the conservative ODS by social democratic ČSSD) may cause a change in attitudes towards the European Union.

For the future of the EU – for its shape and way of functioning if not for its existence, of special importance is the cohesion policy and common agricultural policy (CAP). The cohesion policy meaning funds for lesser developed countries and regions has been one of major reasons for joining the EU for the poorer countries from the Southern and Central-Eastern Europe. As long as Germany and other richer countries were willing and able to finance this policy, it worked well. The still more visible change in attitudes in the richer countries to this policy combined with costs of rescuing (“bail-outs”) of the indebted countries and evidences of inefficient use of funds by (some of) their beneficiaries may cause a tendency towards reduction of cohesion funds and more difficult conditions to get access to them. This is producing tensions between the two groups of countries. The richer ones consider this policy as a kind of gift, or generosity, for their poorer neighbours and not as a constant obligation while the poorer ones regard it as kind of compensation for opening up of their markets for penetration by firms of the former countries. In such a situation withdrawal or reduction of cohesion funds may cause frustration among the poorer countries while retaining them in the present form and size may cause dissatisfaction among the richer ones. This may add to the already visible competition of national interests and dissatisfactions in the EU resulting from the division into the “North” and the “South”⁶.

Other issues, like energy and environment-protection policies and political relations with the outside world, notably with global powers like the USA, Russia and China, also add to the double processes of integration and disintegration of the EU.

A few years ago a hot issue in the intra-EU relations was a specific element of energy policy, namely sources and routes of import of natural gas. The idea to build *Nord Stream* pipeline on the Baltic Sea bottom directly connecting Russia with Germany (and then with further countries west to Germany) and bypassing Poland and the three Baltic states, and thus reducing their bargaining power in negotiations on price and conditions of import of gas with Russia, revealed differences in national interests as well as differences in influences of individual EU member states. Protests and alternative proposals of pipelines from Russia to the EU put forward by Poland and the three Baltic States were ignored by Germany, other west European countries and by the European Commission. In 2011 Nord Stream started transporting gas from Russia to Germany and further westwards. The same can be said on the other project – *Nabucco* that had to transport natural gas from the Caspian Sea area to south-eastern members of the EU. It had to reduce dependence of these countries on imports from Russia. Despite the official backing for this project by the European Commission, practical actions taken by the big powers of the EU – first Italy, then France and Germany, opting for the competing Russian project of *South*

Stream, deprived the Nabucco project of its viability. The main reason why Germany, France, Italy and other western European countries back Russian projects of Nord Stream and South Stream and central-eastern European countries oppose them and propose alternative projects, is their relative dependence on gas imports from Russia (relatively small in the first and high in the second group of countries) and their perception of Russia resulting from their general geopolitical considerations. For the first group of countries Russia is, first of all a partner, also a counterbalance for the USA. For the second group Russia is a power which can grow dangerous for them, therefore its hegemonic tendencies in Europe should be mitigated, also by the EU. It should be said, however, that despite conflicts of national interests and preponderance of interests of the bigger and stronger countries, the European Union (notably its institutions like the EC) try to limit the competition of national interests and to defend the weaker and more vulnerable member states by promoting liberalisation of the energy market in the EU and integration of national energy grids by building interconnections⁷.

At present a new conflict related to energy policy in the EU has emerged. It is a conflict over shale gas. Although it is not strictly a conflict between countries (or their governments) but between diverging opinions on the economic efficiency and environmental consequences of shale gas exploration and exploitation, there can be seen crystallisation of opposing camps of

countries of “friends” and “enemies” of shale gas, in the former being first of all Poland and the latter being led by France. One of issues related to this problem is the question whether the EU should intervene, by forcing new common and tough standards of environment protection or the existing regulations are sufficient and the decision of details of exploration and exploitation should be left to member states. A possible decision to introduce tough common standards would bring about serious negative consequences for such countries like Poland wanting to reduce its dependence on imports of gas and on coal.

IV THE CHANGING IMPACT OF LONG TERM DETERMINANTS ON THE CEE

Access of CEE countries to the Western institutions: NATO (in 1999 and 2004) and the EU (2004, 2007, 2013) does not mean that all problems concerning their long term security and position in the global geopolitics have disappeared and that nothing is happening forcing them to take a stance in international politics. On the contrary, since the end of the cold war NATO (representing the West in matters of security) is undergoing a process of search for its international identity which results in appearance of different interests, opinions and actions or inactions. Besides, the situation is dynamic in the sense that current interests, opinions and actions of the same actors (NATO member states) differ from their interests, opinions and actions ten or more years ago.

Change of interests, opinions and actions also relates to the CEE. This can be seen when comparing their actions and inactions in the two international crises: Iraq 2003 and Syria 2013, especially when comparing their reactions to American initiatives to invade Iraq and Syria. In 2003 during the Iraqi crisis CEE countries (at least most of them) tried to convince the USA as the main “pillar” of the West that really wanted to join the (US-led) West and to demonstrate their loyalty towards the USA. This came about in the moment of a deep crisis within the West (and in the EU itself) as the American initiative to invade Iraq encountered vehement opposition by some leading European nations, notably Germany and France (allied with Russia). It should also be added that the American action in Iraq had no sanction by the UNO, and thus was internationally illegal. Therefore supporting American position in the Iraqi crisis required from CEE countries deep conviction that it was their long term strategic interest to stand by the USA.

Most of CEE countries in a way supported the American invasion of Iraq, some of them by sending troops. Poland was one of those countries of the CEE which sent the largest number of troops. These countries bore human, financial and political costs (among other things deterioration of their image in Europe as US’s “Trojan horses”) of supporting the USA in the Iraqi war and occupation. This has brought back no discernible reward. Thereafter came a series of disappointments with the USA, especially in Poland. One can mention

e.g. the visa issue (Poland is the only EU member state whose citizens, including the president of the Republic of Poland, must apply for American visa requiring a humiliating procedure when traveling to the USA), the F-16 issue (purchase of military planes on very disadvantageous conditions), the anti-missile shield to be located in Poland (opposed by a majority Polish citizens), the Dream liner problems (high financial and image costs by the Polish Airlines which bought these planes and are bearing costs of its grounding), let alone a series of actions or inactions by the USA considered as offending for Poland (for instance, when president Obama in one of his speeches called former German Nazi concentration camps “Polish” death camps, and then when his administration refused to admit his mistake and apology).

As a result, both the public opinion and opinion of political leaders in countries of the CEE started to be more sceptical about the USA. A significant evolution underwent public opinion and opinions of politicians in Poland, from enthusiasm during the cold war (in the case of the public opinion) and in the 1990s (both the public opinion and opinions of politicians), until scepticism with elements of hostility towards the American “big brother”⁸. Now they have realized that their national security (and economic) interests are not necessarily identical with those of the USA and that they do not need to support any American initiative at any cost and in any circumstances.

In such a situation, when in September 2013 American president Obama was organising a military action against Syria’s regime (to punish it for the suspected use of chemical weapons) leaders of Central-Eastern European countries were either silent and waiting for further developments, or, like Polish prime minister Tusk, declared that their countries would not take part in the attack on Syria. When also Britain (due to its public opinion and the parliamentary voting against the intervention) refused to support the USA it turned out that the USA was alone (if not taking into account France which wanted to intervene in Syria for its own geopolitical considerations, and not to demonstrate its loyalty to the USA). Consequently, abandoned by its closest allies in Europe (in the UK and the CEE) the USA resigned from the action against Syria.

V CONCLUSIONS

One hundred years ago, in 1913, few of the present-day countries of central-eastern Europe existed as internationally recognized states, and practically none as fully independent state. This territory was divided between the then powers: Russia, Germany and the ailing Austria-Hungary. After the First World War most of them appeared as independent states, but their fate was largely determined by their relative and absolute weakness in relation to the two neighbouring powers: Germany and Russia turned the USSR. After the Second World War practically all of them fell in one form or another in the zone of influence of the USSR. The end

of the cold war and dissolution of the Soviet block and of the Soviet Union opened up for them (or pushed them) towards the West – NATO and the EU. As for 2013, their present geopolitical location in the West, together with less antagonistic relations between the West and the East (Russia) as compared to previous periods, makes that they do not need to face challenges related to their very existence or their geopolitical orientation. In such a situation of primary importance is their position in the European Union. The double process of European integration and disintegration – integration within the euro zone and disintegration into the core (euro zone) and the rest is the main challenge. So far responses of these countries are different – from full engagement into integration with the new core EU (built around the euro currency) to hesitation, and to acceptance of the position outside the core EU. The years of belonging to the Western world (and the related experiences) have also taught them a kind of assertiveness: while in 2003 these countries supported the American invasion of Iraq just to demonstrate their loyalty towards the USA, without taking into account possible consequences and costs for them (or imagining only positive consequences), in 2013 they ignored or overtly opposed the American call for a military intervention in Syria.

NOTES

1. The notion “geopolitical challenges” obviously refers to the term “geopolitics”, but it does not mean that the author of this paper shares all views

of “classics” of geopolitics, such Kjellén, Ratzel, Mackinder or Haushoffer, etc., according to which nations (or states) are like biological organisms or species fighting for survival, where stronger ones have the right to eliminate weaker ones by taking over their territories, or even the right to physically annihilate peoples classified as belonging to “inferior races”. It does mean, however, that in contemporary international relations, as in the past, there is a game in which some players (states or nations beside international organizations, companies, etc.) are stronger and some players are weaker. At stake are economic advantages, political maneuvering space, prestige, etc. of nations (states) although not necessarily their very existence.

2. Representative for this tendency is the opinion of the political analyst Alan Lamond who in his book *The Euro zone's Path to a Federalist Future* advocates for transforming the euro zone into a political union (federation): *“In the economic area the aim should be to progressively convert the euro zone, already a single market, into a single economy in which possibilities for specialization, economies of scale and growth would be enhanced. Particularly essential for this purpose, and for the maintenance of economic stability, is the establishment of banking union. Fiscal union requires the creation of a central budget large enough to make possible both automatic and discretionary transfers of income, and to help manage overall demand, within the euro zone as a whole. Political union is necessary not only to facilitate central decision-making but also to legitimize it and, through the development of a cross-border political life, to make it more democratically acceptable to the euro zone's citizens. What all this means, in short, is that closer union needs to be based not on the mutualization of debt, but on the mutualization of interests, among which is the interest most European countries share in acquiring the ability to play a*

powerful collective role in world economic and political affairs”, p. 6. http://www.fedtrust.co.uk/filepool/Eurozones_Path_to_Federalist_Future.pdf

3. Maybe the most enthusiastic country supporting integration of the European Union through strengthening of the euro zone is Estonia. See the speech of Prime Minister Andrus Ansip at the Estonian parliament, Riigikogu, on government's European Union policy, 5 November 2013: <http://valitsus.ee/en/government/prime-minister-and-ministers/andrus-ansip/speeches/76524>
4. As Polish finance Minister Jacek Vincent Rostowski puts it: “*Poland should not join the euro [zone] as long as the euro is not fixed and is a danger for countries belonging to its zone*”. Rostowski: Z euro poczekamy [Rostowski: we won't hurry up to take the euro], *Gazeta Wyborcza*, February 1, 2012. In other statement he pointed out that entering the euro zone would be beneficial economically and politically for Poland, provided that Poland is well prepared for it, otherwise it would be dangerous for Poland's economy as it is for those countries which entered the euro without being prepared. Rostowski: euro korzystne dla Polski i gospodarczo, i politycznie [Rostowski: the euro advantageous for Poland both economically and politically], March 6, 2013, <http://biznes.onet.pl/rostowski-euro-korzystne-dla-polski-i-gospodarczo-18490,5440052,news-detal>.
5. In an interview for the leading Polish journal *Gazeta Wyborcza* prime minister Nečas declared that so far the Czech Republic was not interested in joining the euro because it would be disadvantageous for his country, among other things due to the necessity to pay for those members of the euro zone which carried out irresponsible financial policy; besides he warned against the present bureaucracy-driven tendency for ever greater centralization and unification in the EU which would deprive it of the necessary flexibility and would be unacceptable for Europeans and cause centrifugal tendencies. For him, staying outside the euro-centered core EU was a deliberate choice of the Czech Republic. See: Michał Kokot, *Chcemy Europy kilku prędkości* [we want Europe of several speeds] “*Gazeta Wyborcza*”, 17 May, 2013. According to Prime Minister Nečas, the EU should take care of its dysfunctional market rather than of the euro. In such a way his view is identical with that of the British Prime Minister Cameron. See: *Nečas a Cameron: Místo o euro by se EU měla starat spíše o svůj nefunkční trh*, “*IHNED.cz*”, February 19, 2012. <http://zpravy.ihned.cz/c1-54773540-necas-a-cameron-misto-o-euro-by-se-eu-mela-starat-spise-o-svuj- nefunkcni-trh>.
6. As *The Economist* puts it: *One problem is the evisceration of national politics: whatever citizens may vote for, southerners end up with more austerity and northerners must pay for more bail outs*, A flawed temple. The loss of legitimacy may now be the biggest threat to the European project, “*The Economist*” March 6th, 2013.
7. For more about energy policy in the EU see Szul 2011.
8. See for instance: Mariusz Zawadzki: *Tracimy wiarę w NATO i USA, Kochamy Unię Europejską* [We are losing our faith in NATO and the USA, we love the European Union], “*Gazeta Wyborcza*”, September 19, 2013. The article presents results of a public opinion poll. Its author, among other things states: “*As regards the general attitude towards the USA, long ago passed away the time when Poles were the most pro-American nation in Europe*” (my translation from Polish). This poll also revealed that vast majority of Poles (70%) was against Polish engagement in the American action in Syria.

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Problems associated with governance failure and limits of economic growth in Nigeria 1999 – 2013

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Abstract: Within thirteen years of uninterrupted democracy and the longest period of military regime in Nigeria, the country could not be named among the world developed countries, despite the fact that Nigeria is blessed with enormous natural resources. This is because the prolonged military regime in Nigeria has done more damage to the country's political development. The paper argues that globalization, colonial legacy and political corruption are the causes of governance failure and limits of economic growth in Nigeria. The study adopts dependency theory as the theoretical frame work, to explain the limits of economic growth in Nigeria and a qualitative analysis based on secondary data is used. The study also raises and answers some pertinent question. There is also recommendation and conclusion.

Keywords: governance failure, economic growth, corruption, trade liberalization, Nigeria

I INTRODUCTION

Nigeria, during the fourth republic witnessed the coming of President Olusegun Obasanjo as the elected president in May 1999. Liberal democracy is a global system which every nation aspired to have. This has swept across the world nation states from the former Soviet Union and Eastern Europe to Africa and Asia. The system has gathered momentum as a result of its immense advantages and by implication because of the negative

consequences of bad governance (Bello Imam, in Idada and Uhunmwuango, 2012). Recent researches in Nigeria have concluded that the nation's economy is in poor health; as a result of the prolonged military rule which has hampered the country's political development. It is the case in many African countries; where good governance has become an exceedingly elusive thing (Jega, 2002, 28). African people through democratic struggles and decades of sacrifices have rejected authoritarianism. To that extent

democracy is viewed as the only framework through which development can be facilitated (Idada and Uhunmwangho, 2012).

However, it is clearly insufficient to claim that institutional weaknesses are the only or most significant problems associated with governance failure and limits of economic growth in Nigeria. One of the major explanations of the governance failure and limits of economic growth has been the absence of true democracy and the intermittent military intervention in politics. And with the benefit of hindsight and from the current experience since 1999, democracy has failed to produce any positive or better result in the country. Consequently, Nigeria, the most populous nation in Africa has not been successful in democracy, it has had long history of dancing around democracy but has never gotten it right. The political leaders have always raised their citizens by pointing glowing picture taking the nation to the 'promised land' of true democracy and economic prosperity. They swore that citizen's empowerment would become their top priority, yet they refused to fix the infrastructure and institutions that would propel the economy and create employment for the millions of graduate churned out by the educational institutions yearly. Like the leaders before him, President Goodluck Jonathan has promised the country a lot and the people cannot check their enthusiasm. (Dike 2010).

There are many postulations as to what causes the problems of governance

failure and limit of economic growth in Nigeria. Apart from the prolonged military rule that accounted for most of the failure of governance in Nigeria, and limits of economic growth, this paper submits that colonial legacy, globalization and political corruption are the causes of governance failure in Nigeria which affected the economic growth in the country. The objective of this paper, therefore, is to find out the problems associated with governance failure and limits of economic growth in Nigeria from 1999-date and suggest concrete solutions to these problems in order to have Nigeria and its economy developed. The paper raises pertinent questions which the research has tried to answer. These primarily are:

1. What are the actual problems associated with governance failure in Nigeria?
2. How could the problems be confronted in order to facilitate and develop Nigeria's economic growth?

The paper is divided into six sections: section one is the introduction, while section two provides conceptual and theoretical issues. A brief historical background of Nigeria is provided in section three, followed by discussion on the problems associated with governance failure and limit of economic growth in Nigeria from 1999 to date in section four, Sections five and six provide recommendations and conclusion.

II CONCEPTUAL AND THEORETICAL ISSUES

There is this concern that the objectives of globalization have not been realized in the under developed countries. Gallup polling shows that people perceive their living standards as falling, and express decreasing levels of confidence that their governments know what to do about it. (Howell 2012).

Globalization is transforming the authority and capacity of states differentially to set the social, political and economic agenda within their respective territorial boundaries. Decision making authority is being ceded to actors such as the International Monetary Fund (IMF). The World Bank, Transnational Corporations (TNC), the World Trade Organization (WTO) and so forth, those institutions are not autonomous actors, of course; rather, they represent the interest of the leading states, particularly the United States, and such states represent other interest, notably those global capital (Thomas, 1999, 2).

The idea about globalization and its interpretation is a contested terrain as a result; there are multifarious conceptions of what globalization is and its application. According to Gurtov, (1999, 12) globalization is meant “to marketize the world at the expense of the poorest economies and social groups, the state and whole cultures” (in Aluaigba, 2010, 54). Also globalization is thus seen as a myth with deceptive intent (Aluaigba, 2010, 55). Thomas reports that: *"Globalization is*

transforming the authority and capacity of states differentially to set the social, political and economic agenda within their respective territorial boundaries. Decision making authority is being ceded to actors such as the International Monocracy Fund (IMF). The World Bank, Transactions Corporations (TNC). The world trade Organization (WTO) and so forth, those institutions are not autonomous actors, of course; rather, they represent the interest of the leading states, particularly the United States, and such states represent other interest, notably those global capital" (1999:2).

Having understood the meaning of globalization, as one of the factors responsible for limit of economic growth in Nigeria, then, there is also political corruption. The concept of political corruption like most social science concepts has no uniform definition. Political corruption is believed to be unethical and all forms of unethical behaviours are viewed to represent a serious threat to the basic principles and values of government (Dukku 2012, 227). Political corruption according to Kabir (2012, 452) is a diversion of resources to the gain of individuals at the expense of the community (Kabir 2012, 452). Political corruption can also be defined as inducing initial or conspiring with another person institution to act contrary to the established norms through bribery, graft, extortion, laundering, threat, buying-off etc. (Dukku 2012, 228).

Heidenheimer, Johnson and Levine (1989) identified three definitions of political corruption: public-office centered, market-centered and public-interest-centered definitions. The public-office centered definitions view political corruption as an “act of misuse of public office for personal gains in which case the defendant must have a corrupt intent to benefit from an act either as a result of being influenced or influencing others”. The market-centered definitions situate “the act of corruption in terms of perception as an extra-legal institution used by individuals or groups to influence the actions of the bureaucracy”. The third public-interest-centered definition views “political corruption mainly as a damager of public interest in which case the very act of corruption negatively impact public interest” (in Fatai 2012, 286–87).

This paper adopts the dependency theory in its analysis. The dependency theory evolved in Latin America and became pronounced in the 1960s. Some prominent theorists linked with the theory include: Samir Amin, Walter Rodney, Paul Baran, Andre Gunder Frank, among others. The crux of the argument by the proponents of the dependency theory is that the structure of the international economic system has been one that the economies of developing nations are made dependent on the economies of developed countries.

In the world economic order, the developing countries are subordinated to the advanced or metropolitan

western countries such that the frail economies of dependent countries exist to build and sustain their counterparts in the advanced nations (Aluaigba 2010, 57). Late Claude Ake posits that: *“An economy is dependent to the extent that its position and relations to other economies in the international system and the articulation of its internal structure make it incapable of autocentric development. All the colonial economies of Africa were heavily dependent by the criteria of this definition”* (Ake 1981, 55).

It is also argued that the International Monetary Fund, the World Bank, and the World Trade Organization exist as institutions that foster the economic interests of western capitalist countries by enhancing the financial attachment of less developed Countries to the apron strings of capitalist nations (Aluaigba 2010, 57).

The high rate of indebtedness of less developed countries causes the stagnation of their domestic economies; The multiplier effects of this stagnation translates into the preponderance of hyper-unemployment, inflation, poverty and the low pricing of local export crops on the one hand (Aluaigba 2010, 58). On the other hand, chief raw materials, capital flight in the form of huge profits repatriated by multinational corporations to their home countries and debt servicing from the less developed countries are utilized in boosting the economies of advanced countries. Therefore, there is an economic divide and a very wide income gap between the rich

industrialized countries and less developed of which Nigeria is among. (Aluaigba 2010, 58).

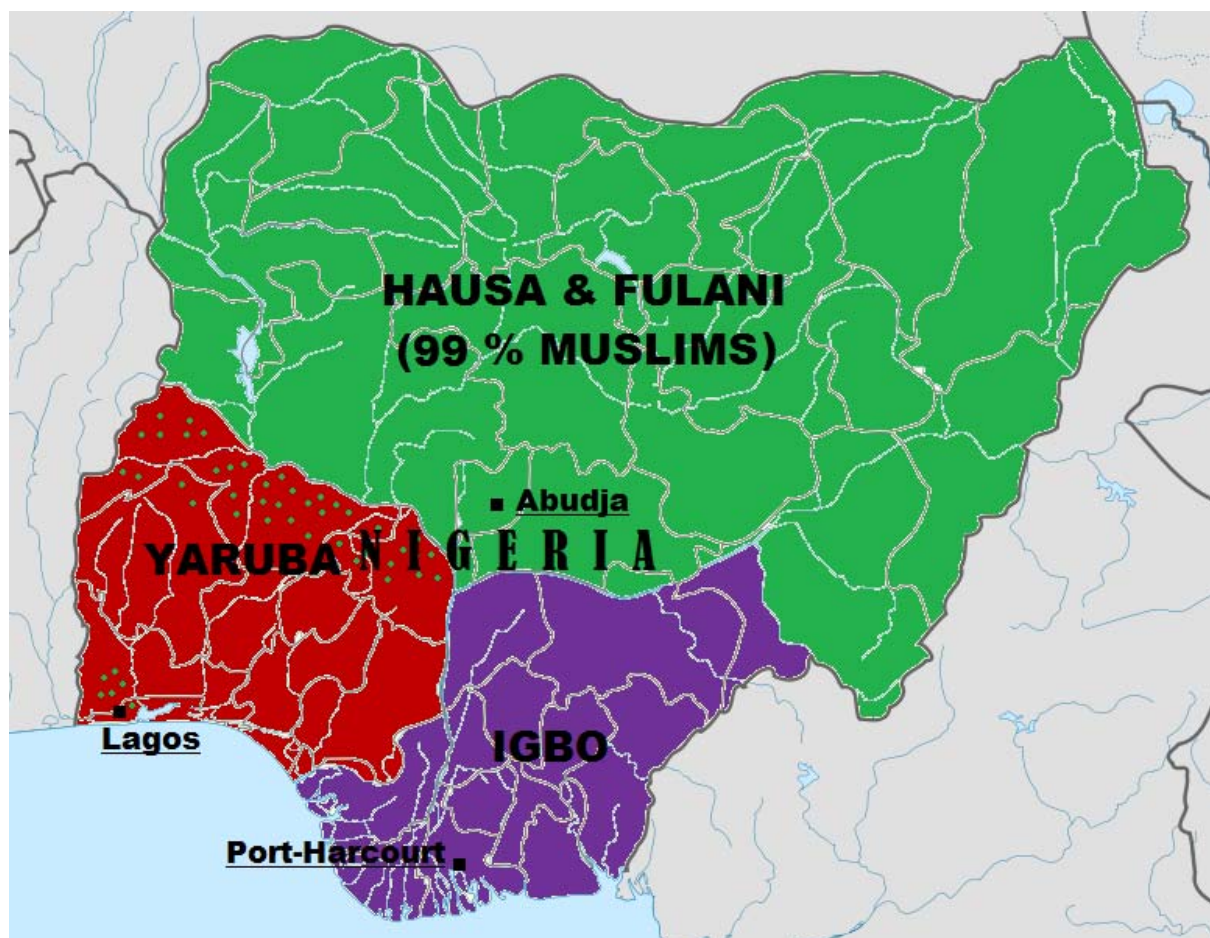
The dependency theory, is therefore, most appropriate in understanding the problems associated with governance failure and limit of economic growth in Nigeria.

III HISTORICAL BACKGROUND OF NIGERIA

Lady Flora gave the name Nigeria to the country, she later became the wife of Sir Lord Fredick Lugard, Lugard was the first colonial governor of Nigeria which was Conquered and made a British

colony in 1903, the name was derived from the word Niger, which is the name of the river that makes traversed the country and an outstanding landmark in the country. The 1991 census put the population of the country a little above eighty-nine million people, which is now projected to be about one hundred and fifty million. The country has an area of 923 768 square kilometers; is bounded by the West African States of Benin, Niger and Chad Republic, Cameroon Republic and to the north Gulf of Guinea. Nigeria is made up of different cultures and over 250 languages. The major ones are Hausa, Yoruba and Igbo.

Figure 1 Map of Nigeria showing the three major ethnic group



Source: Wikipedia, the Free Encyclopedia, 2013.

The river Niger and Benue naturally divided the country into three regions; these are the North, West and the East. But because of the British economic interest in the country and for easy administration during the colonial period, Lord Lugard amalgamated the country in 1914 (Emakpor 2005). Nigeria became independent on October 1st, 1960, with Sir Abubakar Tafawa Balewa becoming the First Prime Minister, Nigeria became a republic on October 1st, 1963 (Emakpor 2005). The country Nigeria is blessed with so much natural and human resources, yet it is rated among the poor nations of the world. The country is rocked by political instability and ethno-religious conflict. In her over fifty years of independence, the military have ruled for over twenty-nine years, while the civilians ruled for about twenty one years. To be sure, the various people and states that came to constitute the newly formed country were not, contrary to dominant positions, exactly total strangers. History has shown how trade, migration and other forms of social intercourse over several thousands of years have impacted on and characterized relations between some of the states and communities now constituting Nigeria (Kuna 2012, 20–21).

The nation was divided into 12 states on May 27th, 1967 from the existing four regions by Gen. Gowon. Gen. Murtala Muhammed made them 19 States on June 29th, 1975. On October, 1987, General Babangida increased the number to 21 States and then 30 states on August 23rd 1991, but by October 1st, 1996, they

became 36 which has remanded to this day.

IV GOVERNANCE FAILURE AND LIMITS OF ECONOMIC GROWTH

Over the years, the Nigerian government has failed to harness the vast human and material resources at its disposal to break the cycle of poverty and autocracy that have characterized it since independence in 1960. Thus, the Nigerian state has been constantly struggling between forces of democracy and military authoritarianism, (Idada and Uhunmwangho 2012) and the prolonged economic stagnation and rising poverty levels remain acute (Dantama and Usman 2012, 90). Presently, Nigeria finds it difficult to favourably compete with even some world fast developing nations. Observable phenomena in Nigeria have negated the equation of globalization plus industrialization as a factor of equal developments. The political intricacies embedded in globalization would ultimately not allow the workability of such in the country. Like most dependent countries, Nigeria wishes to develop by taking advantage of globalization but is repressed because the developed countries themselves would not want to lose their positions (Akanle and Akinpelu 2010, 25). As pointed earlier prolonged period of military rule is enough a factor to result to governance failure in Nigeria which lead to political instability in the country's political history, this consequently resulted into economic backwardness. Jega (2002, 34) posits that: *"The early phase of military*

governance in Nigeria, especially in the 1970s, increased oil revenues led to the increased spending on military. By the 1980s; defense expenditure was almost double that of education and/or health and social services"(Jega 2002, 34).

Paradoxically, after more than ten years of democratic government (1999–2013) in Nigeria, the economy is still not developing. What factors could be responsible for the limit of economic growth in Nigeria and governance failure? Below are some factors considered to be the causes.

V POLITICAL CORRUPTION

A strong evidence and consequence of failure of governance in Nigeria is political and bureaucratic corruption. Corruption is an aspect of poor governance and is defined as the abuse of public office for private gain. In Nigeria, corruption has assumed eccentric and ludicrous proportions (Ogundiya 2010, 207). A historical excursion into Nigeria's political development, especially during the first and second republics (1960–1966 and 1979–1983 respectively) will confirm that the major preoccupation among politicians was using the political apparatus for their own personal gains or those of their families or ethnic groups. Political corruption in Nigeria came with the deliberate thwarting of the accountability and control measures, which the colonial government had instituted into the parliamentary system of government (Agara 2012, 35). It is further argued that what then took place was the use of the political machinery as a self

perpetuating apparatus, for self aggrandizement and enrichment. The struggle for political ascendancy assumed a primordial status, with all its opportunities and paraphernalia of office, assuming a do-or-die (zero sum game) dimension (Agara 2012, 35). The political mentality in Nigeria presently is that politics is a means to wealth acquisition and for that, the end justifies the means. Indeed, the highest corruption in Nigeria is in the corridors of power as indicated by the number of governors and local government heads that have so far been investigated. At this level, corruption is carried out primarily through the over-inflation of contracts, with selfish motives; contracts are executed and re-executed countless times, monies given to public officers for their people are diverted to personal accounts and most times laundered to foreign accounts (Waziri 2010, 5). Amuwo (2012, 176) further argues that in Nigerian State political or State corruption and administrative corruption are mutually reinforcing, even though the former not the latter, gets prominent media attention perhaps on account of the sums involved and the growing impunity. It is inconceivable that state governor and ministers could steal public monies act alone, without the active participation and connivance of strategically placed senior civil and public servants. (Amuwo 2012, 176).

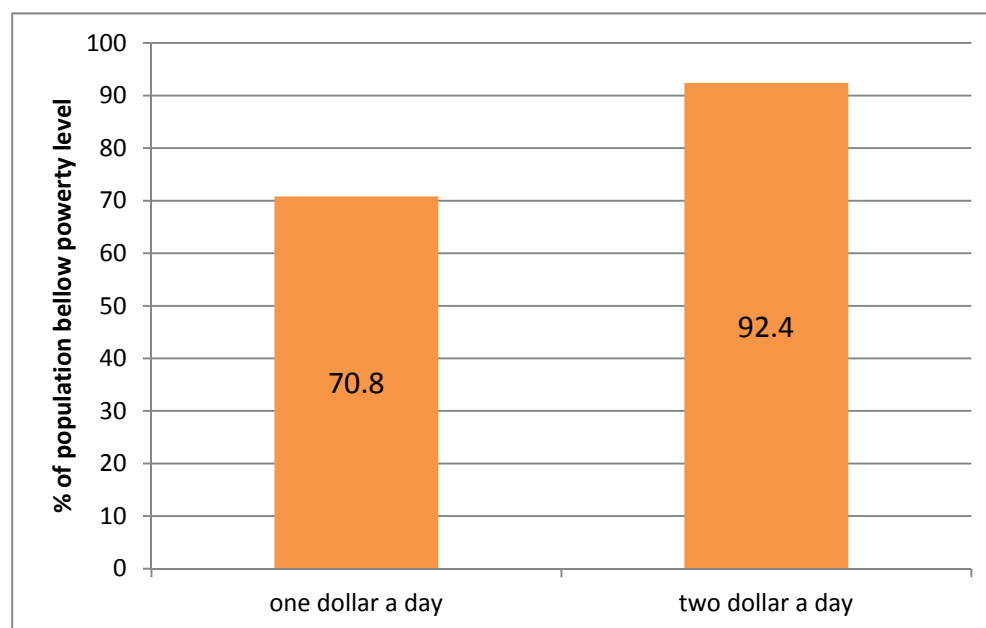
Highlighting the impacts of corruption on economic development and good governance, the global anti-corruption watchdog, Transparency International, in the introduction to its 2008 annual reports, averred thus: "*The growing*

incidence of the use of money in politics means political corruption remains a core governance problem around the world. It undermines public trust in the democratic process and damages individual's lives. In countries where democratic institutions remain fragile, political corruption diverts resources from providing basic social services for millions of poor and under privileged people"(in Luqman 2012, 412).

To date a total of about \$380 billion have been reported stolen by former military and political leaders. This amount is equivalent to all western aid given to Africa almost four decades and also equivalent to 300 years of British aid for the continent (Ogundiya 2010, 207). Corruption is rampant at all levels of government, crippling basic health and education services and other social

infrastructures. Good governance is an illusion in a state where corruption is prevalent as witnessed in the last decade; institutions of governance are abused by illicit and self-serving behaviours of political leaders. As a consequence poverty is unavoidable which has been and is still a major problem in Nigeria. The statistics is staggering despite the political clamour against poverty prevalence. Nigeria harbours one of the largest numbers of the poor in Africa. There is gross inability of most Nigerians to achieve a minimum standard of living. Statistics have indicated that 70.8 percent of Nigerians live below the poverty line of (one dollar) a day and up to 92.4 percent live below 2 (two dollar) a day at year 2003 (United Nations International Children Fund 2003; World Bank 2006; in Ogundiya 2010, 207).

Figure 2 Statistics indicating Nigerians Standard of living



Source: United Nation International Children Fund 2003; World Bank 2006.

VI PROBLEM OF ELECTORAL

POLITICS

The transition to civil rule in Nigeria in 1999 did not usher democracy, rather it ushered in a new era and form of authoritarianism or what Momoh (2009, 100) called authoritarian democracy. The categorization of Nigeria as fragile state is worrisome. Nigerians are aware that the country was much better than it is today in terms of governance, security, employment, education, health and social amenities among others. But, then, democracy, since 1999, was expected to change things for the better and to improve the lives of Nigerians. So far, not much has been gained. In a situation where politicians shuttle from one party to another in a sort of cross-carpeting the nation's politics and democracy suffer because the politicians are not directed by philosophy. The politicians have become an obstacle to political and economic development as their activities have negative impact on the polity (Dike 2010). Lamentably, in spite of the overwhelming statistics and glaring features of poverty and the avoidable problem in the democratic process, government officials continue to defend failure of governance (Bello-Imam and Obadan 2005). The military intervention in politics really impacted in the ongoing governance failure in the country. The military while in office involved in reckless financial abuses like the politicians. After retirements, they drop their uniform to join politics to contest for top-top political office, they use huge amount of money to buy votes of the electorate, and using money in

politics is one of the problems of Nigerian electoral system. The role of money in politics especially for those seeking political office has become norm; perhaps, the Nigerian electorate has become apathetic that whether staying under by the military or civilians, there is little hope for enjoying the dividends of the democracy. (Yakubu 2013, 17).

According to Yaqub (2009, 128), the democratic experience we had (1999–2003) was more qualitatively different from the succeeding period (2003–2007) (Yaqub, 2009, 128). Political watchers also insist that there was a retrogression rather than progression in the country. Since 1999, elections had been trailed by one controversy or the other. The process was far from being fair and had been characterized by rigging, ballot box snatching and stuffing, with fake ballot papers, vote-buying and all manners of violence.

VII TRADE LIBERALIZATION AND ECONOMIC GROWTH IN NIGERIA

As a consequence of the IMF and World Bank induced structural adjustment programmes (SAP), in Nigeria there was a liberalization of currency exchange rates, drastic reduction of agricultural subsidies. SAP contained agricultural specific reforms such as:

1. End to marketing monopolies,
2. reduced government involvement in the supply of inputs, marketing and processing,

3. reduced subsidies, price control and impediments to private sector activities,
4. no restraints on foreign trade and
5. promotion of the private sector.

Trade liberalization is expected to generate changes in the patterns and structure of production at all levels

including small holder-farming system in Nigeria. This is because the rapid growth of market development consequent upon trade liberalization should be accompanied by changes in the patterns of production and natural resources usage (Enete and Amusa 2010).

Table 1 The table below shows the factors responsible for limits of economic growth in Nigeria.

Factors	Frequency	Percent
Political Corruption	110	29
Colonial	40	12.5
Problem of electoral Politics	30	8.5
Trade Liberalization	60	25.0
Globalization	60	25.0
Total	300	100

Source: Compiled by the author. August, 2013.

Trade and financial liberalization policy were enacted purposely to foster competition and efficiency in the financial sector. (Shuni, Abdullahi and Aliero 2012, 210). However, it has been observed that the Nigerian economy has grossly under-performed relative to its enormous resources endowment and her peer nations. (Daji and Mukhtar 2012, 268). In other words, trade liberalization has had generally negative implications for the Nigerian economy as their poverty increased, essentially because of their unfavourable competitive positions in comparison with their developed country counterparts. In addition, poor infrastructure and high input costs (for example energy and credit) put Nigerian goods at a competitive disadvantage. The high cost of production tends to

make Nigerian exports uncompetitive (Enete and Amusa 2010).

The foregoing suggests that trade liberalization impacted negatively on Nigerian economy. The World Bank for example, estimates that removing on cotton subsidies and import tariffs would boost global economic welfare by an estimated \$283 million per year. This is because agriculture is the major, sometimes the only source of export earnings for many poor countries. These countries want to sell their goods in the United States and European markets, but often have hard times because of trade barriers, like tariffs. Nigeria continues to exhibit the features of a dual economy, with relatively dynamic oil export sector, contrasting with sluggish growth in the rest of the economy. Nigeria's crude oil production is mostly carried out under joint-venture

arrangements mostly with multinational companies. Exports are subject to licensing and OPEC's production quotas. A host of policy instruments are applied to the downstream petroleum sector, including state trading, import licensing, exclusive import rights, administered pricing as well as restrictions on foreign commercial presence and sizeable producer and consumer subsidies. As a result, there are serious shortages of petroleum products on the domestic market. This shows clearly that Nigeria's economy remains highly vulnerable to have benefited from trade liberalization.

VIII RECOMMENDATIONS

Having understood and discussed the problems associated with governance failure and limits of economic growth in Nigeria from 1999-date, the paper recommends the following as a solution for the country Nigeria to move forward;

First, the institutional safeguards for corruption, control outside the framework of the recently enacted anticorruption Act, are quite weak. There is the need for a well-articulated policy framework to address the role of the executive arm of government regarding corruption.

Second, for Nigeria to dilute foreign influence on her domestic economy, the Nigerian government should soft-pedal the rapid liberalization of her economy. Thus, there should be a selective approach to liberalization, which must not be total, as it is currently done. Instead of allowing the forces of globalization to dictate the pace of the

country's economic development, there should be a balance between "opening up" the economy to foreigners and the protection of local entrepreneurs and manufacturers. As Aluaigba (2010, 75) suggest that Nigeria as a strong economic force in Africa, can take advantage of sub-regional and regional economic blocs such as the Economic Community of West African States (ECOWAS) and the African Union (AU) to promote the collective interest of the member States against retrogressive external manipulation.

There is also the need for Nigerian government to take a bold step to establish better equipped programmes and plans for development to replace the scanty ill-equipped ones we currently have in Nigeria with a proper implementation.

Lastly, Nigerian government should put more efforts towards tackling the dilapidated infrastructure in the country. The lawmakers and election officials should try to minimize the use of money in politics to have achieved free, fair and credible elections. This will help Nigeria to bring about good governance and effective delivery of democratic government.

IX CONCLUSION

In conclusion, prolong military rule, globalization, colonial legacy, political corruption and trade liberalization are the problems associated with governance failure and limits of economic growth in Nigeria from 1999 to date. The people of Nigeria have a critical role to play in meeting the

challenges facing the economy by becoming politically educated so as to make the political leaders act right. However, without good governance and transparency, and without good will to fight corruption, the Nigerian economy will continue to shrink with high number of unemployment, crimes and poverty.

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