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**I. Economics, Finances  
and Management**





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**TRANSFORMATION OF INDUSTRIAL, TECHNOLOGICAL  
AND ORGANIZATIONAL AND INSTITUTIONAL  
STRUCTURES OF THE COUNTRY ECONOMY  
IN THE CONDITIONS OF INTEGRATION PROCESSES  
OF GLOBALIZATION**

**TRANSFORMACJA STRUKTUR PRZEMYSŁOWYCH,  
TECHNOLOGICZNYCH I ORGANIZACYJNYCH  
I INSTYTUCJONALNYCH GOSPODARKI KRAJOWEJ  
W WARUNKACH INTEGRACJI PROCESÓW GLOBALIZACJI**

**ТРАНСФОРМАЦИЯ ОТРАСЛЕВЫХ, ТЕХНОЛОГИЧЕСКИХ  
И ОРГАНИЗАЦИОННО-ИНСТИТУЦИОНАЛЬНЫХ  
СТРУКТУР ЭКОНОМИКИ СТРАНЫ В УСЛОВИЯХ  
ИНТЕГРАЦИОННЫХ ПРОЦЕССОВ ГЛОБАЛИЗАЦИИ**

**Abstract**

*The article examines the methodological and practical issues of transformation and formation of industrial, technological, organizational and institutional structures of the country's economy in the context of the integration processes of globalization. Modern interpretations of the sectoral and technological structures of the economy, the processes of technology development and their diffusion into host industries are highlighted and systematized. The influence of globalization factors on the sectoral and technological structure of the economy in individual countries is shown, the relationship between the development of technological structures and the transformation of organizational and institutional systems is revealed. The processes of transformation of the organizational*

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and institutional systems of the economy in the context of globalization and intercountry regionalization are identified and systematized.

**Keywords:** transformation of industrial, technological, organizational and institutional structures, integration processes of globalization, diffusion of technologies, innovative technologies, technological structure

### **Streszczenie**

Artykuł zajmuje się metodologicznymi i praktycznymi problemami transformacji i kształtowania sektorowych, technologicznych, organizacyjnych i instytucjonalnych struktur gospodarki kraju w kontekście procesów integracyjnych globalizacji. Współczesne interpretacje sektorowych i technologicznych struktur gospodarki, procesy rozwoju technologii i ich dyfuzja do przemysłu goszczącego są podkreślane i usystematyzowane. Pokazano wpływ czynników globalizacyjnych na sektorową i technologiczną strukturę gospodarki w poszczególnych krajach, ujawniono związek między rozwojem struktur technologicznych a transformacją systemów organizacyjnych i instytucjonalnych. Procesy transformacji systemów organizacyjnych i instytucjonalnych gospodarki w kontekście globalizacji i regionalizacji między krajami są identyfikowane i usystematyzowane.

**Słowa kluczowe:** transformacja struktur sektorowych, technologicznych, organizacyjnych i instytucjonalnych, procesy integracyjne globalizacji, dyfuzja technologii, innowacyjne technologie, struktura technologiczna

### **Аннотация**

В статье исследуются методологические и практические вопросы трансформации и формирования отраслевых, технологических, организационных и институциональных структур экономики страны в условиях интеграционных процессов глобализации. Освещены и систематизированы современные интерпретации отраслевой и технологической структур экономики, процессы развития технологий и их диффузии в хозяйственные отрасли. Показано влияние факторов глобализации на отраслевую и технологическую структуры экономики в отдельных странах, выявлена взаимосвязь между развитием технологических укладов и трансформацией организационных и институциональных систем. Выявлены и систематизированы процессы трансформации организационных и институциональных систем экономики в условиях глобализации и межстрановой регионализации.

**Ключевые слова:** трансформация отраслевых, технологических, организационных и институциональных структур, интеграционные процессы глобализации, диффузия технологий, инновационные технологии, технологический уклад

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

After the post-Soviet collapse of the economy in the early 1990s, in Georgia, as in most post-Soviet countries, the sectoral structure of the economy changed dramatically. Many necessary sectors and industries were lost. Although most of them were based on outdated technologies, the national economic complex was diversified and to a certain extent self-sufficient (given the sufficient balance between the volumes of import and export of products). Much time has passed since then, relative economic stability has been achieved in Georgia, construction is rapidly developing, transport infrastructure, production is equipped with IT technologies, but the industry structure still does not meet modern

standards of neoindustrial type. As a result, it is not possible to achieve satisfactory parameters of the export-import balance, reanimate many relevant industrial sectors on a new technological basis, use unclaimed agricultural production capacities. The main reason for this is the insufficient speed of perception of the possibilities of technological progress and integration into global and intercountry regional (for example, EU) world economic systems. Therefore, it is important to explore the modern processes of formation of sectoral, technological and organizational-institutional structures within individual countries in the context of the integration processes of globalization, to which this article is dedicated.

**Analysis of the latest research in which the solution of the problem was initiated.**

A number of authors' works are devoted to the analysis of the economy of a post-communist country and its development paths in the context of globalization (Abesadze R., Burduli V., 2011; Burduli V., 2007; Абесадзе Р., Бурдули В., 2011; Абесадзе Р. Высокие ..., 2011; Бурдули В., 2009; Бурдули В., 2008) etc. A fundamental study of these processes is given in the writings of V. Papava (Papava V., 2005; Papava V., 2011) etc. When considering the problems of modern interpretations of the sectoral and technological structures of the economy and the development of technologies and their diffusion into economic sectors, we were guided by the fundamental ideas of J. Gelbrait, E. Toffler (Toffler E.), S. Glazyev (Глазьев С. Возможности ..., Глазьев С., 2009), with their developments (Бурдули В., 2009; Церетели Г., Бурдули В., 1998; Burduli V. 2004, p. 113-132; Tsereteli G., 2003; etc), as well as

developments of foreign scientists (Хруцкий В., 1992; Семенова Е., 2006; Любимцева С., 2008; Фролов Д. 2011; etc). When systematizing the influence of globalization factors on the sectoral and technological structure of the economy, we took into account both the considerations of foreign authors (Структурная политика ..., 2018; The Barselona ..., 2008; Стиглиц Дж., 1998; Бландиньер Ж.-П., 2010; Иванов Н., 2008; Ананьин О., Хаиткулов Р., Шестаков Д., 2010; Кузин Д., 1993; Хруцкий В., 1992; Кондратьев В. 2014; Турбан Г., 2010; Белов В., Баранова К., 2010; Смирнов Е., 2016) and the considerations of national authors (Papava V., 2005; Papava V., 2011; Abesadze R., Burduli V., 2011; Burduli V., 1996; Burduli V., 2004, p. 222-254, 332-338; Abesadze R., Burduli V., Datunashvili L., 2011; etc). In studying the relationship between the development

of technological structures and the transformation of organizational and institutional systems, we relied on the provisions outlined both in the works of foreign authors (Hamilton W., 1919; Shumpeter J., 1939; Веблен Т., 2007; Кондратьев Н., 2002; Мокур Ј., 1999; Murphy К. М., Shlifer А., Wishny R. М., 1989; Rosenberg N., 1982; Глазьев С. Возможности ...; Глазьев С., 2009; Сизязкина М., 2008; Фролов Д., 2011; Бландиньер Ж.-П., 2010; Иванова Н., Данилин И., 2010; Архипов В., 2009; Кузин Д., 1993) and in some of our developments (Tsereteli G., Burduli V., 2004; Burduli V., Burduli K., 2008; Бурдули В.,

Церетели Г., 1998; Бурдули В., 2009; Абесадзе Р., 2011). In studying the problems of transforming organizational and institutional structures in the context of globalization, we primarily relied on the works published in the journal *World Economy and International Relations* (Шишков Ю., 2010; Иванов Н., 2008; Добросоцкий В., 2000; etc), as well as the work of J.-P. Blandinier (Бландиньер Ж.-П., 2010) and V. Khrutsky (Хруцкий В., 1992) and own developments (Burduli V., 2008; Бурдули В., 2016; Burduli V., Arevadze N., 2010; Abesadze R., Burduli V., Datunashvili L. etc).

### **Goals of the paper.**

The main goal of the work is to identify and systematize the transformation processes of sectoral, technological, organizational and institutional structures of the economy in the context of globalization. The main goal includes the following sub-goals: the identification and systematization of modern interpretations of the sectoral and technological structures of the economy; identification and systematization of the processes of technology development and their diffusion into economic sectors; identification

and systematization of the influence of globalization factors on the sectoral and technological structure of the economy in individual countries; identification of the relationship between the development of technological structures and the transformation of organizational and institutional systems; identification and systematization of the transformation processes of organizational and institutional systems of the economy in the context of globalization and intercountry regionalization.

### **Exposition of main material of research. The initial prerequisites for the formation of a regional innovation policy and its mechanisms.**

#### **Modern interpretations of the sectoral and technological structure of the economy.**

The sectoral structure of the economy is one of the main parameters that determine one or another level of indicators of the country's socio-economic development. Therefore, it is very important to study its state and dynamics, identify the directions of rationalization of this structure, improve the economic mechanisms that coordinate its transformation.

Production in each specific economic sector is carried out on the basis of a set of technologies, both specific to the industry and used in many industries, which are gradually developing, on the basis of which labor productivity increases, the parameters of material intensity and energy intensity of production change, the capital intensity of production changes. There are also new industries based on the use of new technologies in production, and the spread and use of technologically new products produced

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**Burduli V., Abesadze R., (2018)** Transformation Of Industrial, Technological And Organizational And Institutional Structures Of The Country Economy In The Conditions Of Integration Processes Of Globalization. *International Journal of New Economics and Social Sciences*, 2 (8) 2018: 13-42

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with their help, both for production purposes and for mass consumption, is taking place.

As is known, economic sectors (branches in the context of types of activity or in terms of types of products or services produced in them) develop on the basis of diffusion of innovations in them, or, in other words, diffusion of new technologies in them. Moreover, there is not only an upgrade (modernization) of physical technologies, but also social and institutional (management or business technologies, i.e. technologies of market and other production interrelations, as well as technologies of state coordination of structural and sectoral development), to which the rapid development of IT technologies and modern globalization processes are bringing their contribution (which in themselves are largely due to technological progress).

First of all, modern and promising sectoral structures should be considered in an enlarged generalized aspect, defined by the terms post-industrial (D. Bell) or super-industrial (third wave) (E. Toffler) structure, which are used mainly in relation to developed countries. However, for developing countries (including new industrial and post-Soviet), the term “neo-industrial structure” is more appropriate (the term “new industrial society” as we know was introduced by J. Galbraith. Here we use the term “neo-industrial” in the context of the development of industry and the technological structure of the economy, it can also be used in the characterization of business structures). This term more accurately reflects the trends of economic development observed in the world (including in developed countries) and is increasingly used in scientific and publicistic literature. Thus, the concepts of “neoindustrial technological structure”, “the structure of neoindustrial


economy (economies)”, “neoindustrial phase of development”, “neoindustrial type of development”, “European... services of neo-industrial economy”, “neoindustrial systems ... national industrial structures” and others are now found on the Internet more often (in scientific literature, in presentations of large corporations, etc.) than in conjunction with the term “post-industrial”. The latter term, in our opinion, does not quite accurately reflect the structural and economic phenomena occurring in developed and developing countries. After all, the industry is not curtailed, it takes on new features, many new “industries” appear (i.e., sectors), and existing ones are being modernized. Perhaps, only to a certain extent decreased its total specific consumption of materials (in a unit cost of manufactured products and services).

Achieving a neo-industrial type of economic structure of a country suggests the following nature of the development of this structure in the context of economic sectors:

- the emergence of new industries, first of all, the production of information and telecommunications (IT) equipment, as well as some others, which acquire considerable weight in the industry structure;
- sustainable development of innovation activity both within individual economic sectors of the economy, and as objects of a separate sector of the economy;
- an increase in the share of intellectual products and services in the total cost of products and services produced;
- an increase in the share of the service sector in the total volume of products and services produced;
- sustainable development of industries with high and key technologies, as well as the production of relevant products and services;

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- timely diffusion of new and modernized technologies in a number of traditional industries;

- transformation and change of the role and place in the economy of some key traditional industries, in other words, the emergence on their base of new, to some extent, replacing the industries based on the use of new innovative technologies (the most typical examples are the production of metal plastics, which replaces a very capacious part of the traditional ferrous metallurgy industry; complete replacement of tube electronic computing equipment and technologies of their use by computer technologies);

- in Georgia, as in a post-Soviet country, re-animation on the basis of modernized technologies temporarily lost the importance of traditional industries (in light industry, high-tech industries, furniture industry, etc.);

- orientation of the development of the agro-industrial complex towards the goals of ensuring the country's long-term food security;

- development of technologies for the production of individualized services and products (individual tailoring, housing, furniture, some types of medical care, etc.).

However, in the economic literature in this aspect, the possibility of a wide individualization of the production of vehicles, IT technologies and some other products is exaggerated (which can be provided only for very rich people and cannot acquire mass character; the prevailing trend here is the opposite and considers standardization).

In addition to studying the sectoral structure directly in the context of economic sectors, differentiation of industries (types of activities) in terms of the technologies they use (new technologies and traditional, key (leading) and high, etc.), as well as other

criteria, is becoming increasingly important. (export-oriented, import-substituting, according to the nature and relevance of the goods produced), since appropriate evaluation characteristics help to make more effective decisions on the coordination of production development (including its institutional organizations) in public administration and business environment as well.

There are various options for differentiating industries (or individual industries) according to the criterion for assessing the level of technology in which these industries (or sectors, corporations) are considered low-tech, medium-tech or high-tech (Любимцева С., 2008, p. 31), or by industries (or industries) based on high and key (leading) technologies (according to the German Institute for Economic Research (DIV) (Семенова Е., 2006, p. 14)). In all these cases, the level of manufacturability is determined by the share of expenditure on research and development in sales. At the same time, some researchers, in order to establish the level of manufacturability, are guided by fixed levels of interest that determine the share of R & D in sales. However, in many corporations and, therefore, in their respective industries, these figures vary from year to year and therefore a number of research centers (for example, the US National Fund) determines their nomenclature arbitrarily, without formulating special criteria (Семенова Е., 2006, p. 15).

In the theory of long-term technical and economic development (Глазьев С. Возможности ...; Глазьев С., 2009), in the system of "technological structure", both technologies and sectors are structured: the technologies of the key factor of the technological structure, and the core of the technological structure, as well as other sectors,

in which, in the process of their technological development, differ, there is a diffusion of the necessary technologies of the dominant technological structure. The combination of technologies (technological structure) and sectors (some technologies are simultaneously represented by sectors), together with technological and institutional interconnections, is considered as a technological mode, which in any country is in a process of continuous development. Modernization of existing industries can also occur on the basis of modernization of industry-specific old technologies.

Consideration of the economy in the context of the real and financial sectors of the economy is becoming increasingly important, firstly, in order to research and develop proactive measures to prevent unwanted operations in the process of interaction between various sectors of the real and financial sectors of the economy that can provoke negative phenomena in the economy, secondly so that theorists could understand the institutional contradictions of the global system of reproduction of fictitious capital, due to the manifestation of which prices to a certain extent lose their objectivity, which complicates the process of expedient inter-sectoral and inter-country flow of capital (Бурдули В., 2009, p. 30; Фролов Д. 2011, p. 31). By the way, organizational and institutional issues of improving the interaction of the financial and real sectors were considered by us in (Burduli V., Burduli K., 2008; Burduli V., 2004, p. 113-132; Бурдули В., Церетели Г., 1998), and the current development trends of the institutional organization associated with the real production of the financial sector are in (Burduli V., Kuratashvili A., 2008; Burduli V. 2004, p. 113-132; Церетели Г., Бурдули В., 1998).

Modern methods of structuring sectors according to the above and other criteria (for example, in the form of branches of primary, secondary and third sectors) and, most importantly, the development strategy of the sectoral structure in Georgia, based on the use of these criteria, are highlighted in the works of G. Tsereteli (Tsereteli G. 2000; Tsereteli G., 2003), which gave orientation to our current developments in this direction.

There are systems for classifying sectors according to other criteria. So in South Korea and in some other countries, industries already 20-30 years ago differed in the "criterion of priority." The main priority criteria were the following: 1. The export potential of the sectors 2. The outlook for demand for the sectors's products in the domestic market 3. Prospects for the development of the country in the case of accelerated development of the industry (or "the achievement of a high industrial stage by a country"); 4. Minimizing the deficit in the country's trade balance; 5. Minimizing dependence on raw materials and imports, reducing the resource intensity of the industry as a whole (this criterion, generally speaking, like the rest, is important not only for sectors of industry, but also for other sectors of the economy); 6. a favorable side effect (increasing the efficiency of other sectors; now the term "industry multiplier effect" is more commonly used instead of this term) (Хруцкий В., 1992, p. 97, 98). It should be noted that some sectors satisfy several priority criteria at once. At present, some more criteria can be added to these criteria, for example: 7. High level of competitiveness of the sector in the world market; 8. High intellectual intensity of the sector; 9. Sufficiently high labor and intellectual intensity of the sector due to the reduction of material and energy intensity; 10. Minimum or zero

level of environmental pollution, the possibility of full utilization of waste, and some others.

In modern statistical reporting (as opposed to previous reporting), the sectoral structure of the economy is considered as the structure of the economy by type of activity, large aggregated activities are often called sectors (industrial sector, agricultural sector, construction sector) or areas of activity (services). More detailed activities, for example, in industry, in most economic research are called sectors. As a matter of fact, the type of activity literally means a specific specialty, for example, a manager, a marketer, etc. In the statistical reporting, some of these workers, depending on their position, are displayed in various economic sectors, and some - in sectors that reflect specialty. For example, a marketer may work in an industrial company and in a specialized marketing company. In the first case, in the statistical reporting he will be taken into account in the industrial sector, in the second - in the aggregate sector "service sector". To avoid misunderstandings, we note that the term "type of economic activity" in our study means the same thing as the economic "branch", which is more often used in the economic literature. In any sector, production is carried out on the basis of its characteristic set of technologies.

#### **Technology development and their diffusion in economic sectors.**

Production efficiency in the system of national accounts is measured in the context of economic sectors. At the same time, technological progress occurs and can be traced in the context of the types of technologies. Therefore, in order to assess the effectiveness of introducing new or modernized production technologies into economic sectors, it is important to trace the diffusion

of various technologies into economic sectors in the context of the adopted sectoral nomenclature of national accounts (with more detailed elaboration of industries and agriculture).

Adhering to the principles of systematization of sectors and technologies, given in the theory of long-term technical and economic development (Глазьев С. Возможности ...; Глазьев С., 2009), one can trace the diffusion efficiency of new and modernized traditional technologies into economic sectors. Moreover, it must be borne in mind that the development of technological structures, the transition from one dominant technological order to another, is similar to the processes presented by E. Toffler in relation to the transition from the pre-industrial stage to the industrial and from industrial to the "superindustrial", as a sequence of waves. The wave of E. Toffler is a breakthrough in science and technology. The development of agriculture was such a jerk for the first wave, an industrial revolution was - for the second wave. The third, "superindustrial" wave is the introduction of new modern technologies (IT technologies, etc.), which is currently developing (Toffler E.). Similarly, the transition from one "industrial" technological structure to another is based on the emergence of new "technologies of a key factor and core" of a particular technological structure. And here, too, there is a gradual process: at the same time there are elements, and key and other technologies of the previous and now dominant technological structure are being introduced. It is noteworthy that such an approach makes it possible to present the process of technological development and evaluate its effectiveness in a sufficiently detailed aspect (which is important for making effective management decisions in both the business

environment and government structures), both in the context of individual business sectors and in the whole - in terms of the quality assessment of the sectoral structure of individual countries.

The spread of technology (diffusion) into the sectoral structure of the country's economy as a whole and into individual economic sectors is as follows:

- new sectors are being formed that produce production and consumer technologies of a "key factor" oriented towards neo-industrial development within the framework of the modern technological order;

- in the post-Soviet countries, on the basis of modernization, some lost technologies (industries, production), representing a necessary component of a neo-industrial economic structure, are being reanimated;

- to a varying degree (depending on the technological nature of sectors), there is a diffusion of key factor technologies into other sectors and a corresponding modernization of production technologies in them (for example, in some developing countries the use of technology is increasing, especially in agriculture relating to the technologies of the key factor of the 4th technological mode of the internal combustion engine; in the modern, providing neoindustrial type of development, the 6th technological structure, diffusion occurs in commercial sector of IT technology, technologies of mechanical processes automation, etc.);

- however, the technological modernization of traditional industries takes place not only through the introduction of key factor technologies, but also the "refinement" of the technologies used without their participation (for example, in agriculture, through the modernization of traditional crop rotation schemes, soil enrichment system and

its defense from erosion; in traditional industries, the "fine-tuning" of mechanical technologies takes place also on the basis of the inclusion of elements of key factor technologies and without their participation).

In general, new and high technologies, the development of which is of paramount importance for the formation of a modern technological structure and the corresponding sectoral structure of the neo-industrial type, can be classified as follows (Abesadze R., 2011, p. 3, 4; Бурдули В., 2011, p. 24): cognitive technologies, in most branches of IT technology, computer software technology and automation of mechanical processes, microelectronics, biotechnology (microbiology, molecular and cellular biology, biochemistry, embryology, etc.), nanotechnology, photonics, etc., atomic physics, aerospace technology, environmentally friendly energy sources (based on the use of renewable resources), possibly electric power engines (if you can create enough small-sized batteries), new ecologically sufficiently clean technologies for utilization and industrial waste processing, etc. Cognitive technologies are especially promising (computer technologies and programming, with programmers who have a deep knowledge of any related current specialty; nanometrology; scanning microscopes, etc.). Of course, most of the key technologies of previous technological structures, as well as modernized technologies of the basic industries (agriculture, food and light industries, etc.), which provide basic vital human needs and are the most important components of the modern neo-industrial economic structure, do not lose their value either.

**The impact of globalization factors on the sectoral and technological structure of the economy in individual countries.**

The development in individual countries of the sectoral and technological structure of the economy is currently not possible to be considered in isolation from the processes of globalization, which is also evident from the above text. However, in this subsection an attempt is made to formulate systematically the most important aspects of the impact of globalization factors on the formation of the sectoral and technological structure of the economy of individual, primarily developing countries. Technological development in itself affects the forms and methods of organizing modern globalization processes, is the main generator of their development and distribution. And the spread of technological progress and, accordingly, the formation of progressive, characteristic of neo-industrial development, sectoral structures in many countries is one of the characteristic features (even the main feature) of modern globalization. Therefore, the scientific study of this particular process must be given special attention. Among the factors of modern globalization that influence and determine the formation and development of the sectoral and technological structure of individual (especially developed and developing) countries, the following should be noted:

1. Significantly increased the possibility of accelerated diffusion of new production technologies from countries - technological leaders to recipient countries (with a favorable economic climate in these countries), both developed and developing. Moreover, the development of new and modernized technologies takes place both by attracting real foreign capital (primarily in the form of TNS enterprises) and by purchasing and mastering new and modernized traditional technologies (in the conditions of small and medium-sized countries, production of its

own production technologies is possible only for certain selected directions);

2. New opportunities are opening up for the accelerated adaptation of the organizational and institutional structures of business and the state institutional systems that support it to the perception of new technologies and the neo-industrial transformation of the sectoral structure of the economy within the framework of the developing global and regional economic orders. Examples of a number of developed and developing countries (in which a favorable institutional business climate is established and a modern organizational and institutional business structure has been created) clearly demonstrate this fact. [Бландиньер Ж.-П., 2010; Иванов Н., 2008];

3. The role of international technological cooperation is greatly enhanced. The economies of countries, their sectors and business are included in the relevant global and regional interstate networks. This is an extremely important process, ensuring the greatest possible sectoral and technological diversification of production, especially in a small country with a transforming economy, for business environment of which is very important to participate not only in global, but also, especially, in regional cooperation technological networks;

4. The development of globalization is increasingly regulated by global economic organizations. Trade liberalization (tariff reduction), which is regulated by the WTO, on the one hand, expands export opportunities for countries, on the other hand, to a certain extent, it puts pressure on national producers. Both factors have a definite influence on the development of the sectoral and technological structure in individual countries;

5. The IMF and the WB when issuing loans also prescribe certain conditions for their

use: appropriate agreements on the use of loans have a positive influence on the effective development of sectoral and technological structures in the recipient countries (see (Papava V., 2011. The role ...) and other works of the specified author);

6. Certain advantages to countries are provided by their participation in regional inter-country organizations, by agreements which (on customs tariffs, on the use of regional development funds, etc.) also provide an opportunity to rationalize the sectoral and technological structure in individual countries. However, even in the conditions of participation in regional unions, governments of individual countries should control the situation so that the development of individual industries was not curtailed;

7. Trade liberalization in the context of globalization intensifies competition at the international level, which prompts governments and business representatives to take active measures to increase the competitiveness of products of national enterprises;

8. Equipped with modern technologies, TNCs are increasingly being introduced into national production systems, thereby contributing to the formation of country-specific industry structures. However, more and more countries are joining global processes, creating a favorable economic climate for business, which aggravates cross-country competition to attract TNC enterprises to these countries;

9. Globalization processes (low trade tariffs, availability of information on the proposed technologies, etc.) facilitate the purchase by domestic entrepreneurs of new licensed technologies for the manufacturing industries. States and business should make the necessary efforts to train specialists and labor to master such technologies and produce competitive products;

10. Installations and prescriptions of the WTO and global credit institutions to some extent weaken the capabilities of domestic producers due to the pressure of competing imports and a certain difficulty in exports, because the use of mechanisms for its subsidization is limited. However, the possibility of supporting and protecting national business is still allowed: subsidies and compensation fees can be applied in accordance with the article on subsidies and countervailing measures of the GATT (of which the WTO is the successor), the Agreement on Agriculture, the Agreement on Textile Products. In the form of temporary measures, anti-dumping measures and countervailing duties (discriminatory measures for individual countries and individual trading partners) and tariffs and quotas are applied to compensate for fair competition with imports detrimental to the local industry (non-discriminatory measures applied to all partners). Non-tariff methods of regulation are also used that are not provided for in WTO agreements and do not contradict them. Permanent measures are also practiced (general exemption from obligations), which must be officially approved by the WTO Council [Турбан Г., 2010, p. 431] and are provided only in rare cases.

11. Under the influence of globalization processes, in order to adapt to them, the functions of government in individual countries are changing. In successfully developing countries, national systems supporting neo-industrial development and, consequently, business are becoming increasingly sophisticated.

In the 90s, as we know, state support for structural sectoral (industrial) policies began to be limited (by the attitudes of global economic organizations) to. However, the range of economic policy objectives in

2003 was complemented by the creation of national innovation systems, designed to perform part of the functions that were traditionally associated with industrial policy (Ананьин О., Хаиткулов Р., Шестаков Д., 2010, p. 23). As we know, government support for the innovation sector is encouraged by global economic organizations and is intensively used in many countries (Abesadze R., Burduli V., 2011).

Of course, structural sectoral (industrial) policies (Burduli V., 1996; Burduli V., 2004, p. 222-254, 332-338; Кузин Д., 1993; Хруцкий В., 1992) has not lost its significance even now, more precisely, its value is increasing more and more (see, for example, V. Kondratiev's article "Fresh breath of industrial policy" (Кондратьев В. 2014)). *It is more accurate to call industrial policy "structural sectoral policy", since its range of tasks includes coordination of the development not only of industries, but also of agriculture, construction, etc. (in Germany, it has long been originally designated as "sectoral structural policy" (Белов В., Баранова К., 2010)); at the same time, it is possible to identify separate areas in it, for example: the policy of ensuring food security; the policy of coordinated development of agricultural production, providing light industry with raw materials, and relevant sectors of this industry (textile, leather and footwear); support policies for export-oriented industries, import-substituting industries, etc.* However, the role and importance of individual instruments of structural sectoral (industrial) policy has changed. For example, it became limited to direct subsidies for the export of industrial products, subsidies for activities and exports of agricultural enterprises associated with the direct growth of agricultural products, as well as subsidies for food exports in

general (that is, industrially processed agricultural products and unprocessed ones). Non-innovation support has shifted to a greater extent towards indirect regulatory methods (tax, financial and credit), although in some developed and developing countries there are different types of funds supporting industry development. And in agriculture, support is governed by the conditions of the so-called "yellow", "blue" and "green" baskets of the WTO (Abesadze R., Burduli V., Datunashvili L., 2011; Burduli V., Datunashvili L., 2012).

Another circumstance that we want to note is the need for a rational combination of structural, industrial (structural sectoral), regional (structural regional) and innovation policies, as well as business coordination in the private sector (according to the Association Agreement of Georgia with the EU - "Enterprise policies"), since the degree of interrelation between the mechanisms for their coordination depends on the effectiveness of development and functioning of innovation systems, in particular, and the economy, in general. The role of innovation policy, which in developed countries is becoming an essential component of structural policy, is growing more and more. So, E. Smirnov calls it an innovative vector of industrial policy, the importance of which is increasing (Смирнов Е., 2016). As is known, Georgia has signed the Association Agreement (Association ...) with the EU, in the provisions of which the "structural policy" is shown in the broad sense, then "industrial policy" and "innovation policy" are clearly defined as an integral part of industrial policy and "Enterprise policy" as well. In the study (Структурная политика ..., 2018), all dots above the "i" are placed: structural policy is viewed as in-



dustrial policy in a broader sense, and innovative and regional policies are its most important components.

Formulated in a number of scientific developments, modern principles of neoliberal politics [The Barselona ..., 2008; Стиглиц Дж., 1998], some of which are already reflected in the attitudes and regulations of global international organizations, allow states to modernize economic policies within certain limits, reacting to current short-term and long-term circumstances, and in particular, to modernize measures aimed at supporting the non-industrial sector development.

**The relationship between the development of technological structures and the transformation of organizational and institutional systems.**

The development of the technological structure of the economy (and more precisely the technological structure) is closely interconnected with the development of organizational and institutional forms of business and the mechanisms of state regulation of economic development. When studying this interdependence, it is necessary to proceed from the fact that the processes occurring in a modern globalizing economy can be explained with a sufficient degree of reliability on the basis of the complementarity (synthesis) of realistic provisions of both old and relatively new economic theories, which is actually substantiated, for example, in the monograph (Papava V., 2011). The interconnection and interdependence of the development of a set of technologies and providing an institutional-organizational economic superstructure help to comprehend the relevant developments of some classics of economics (Hamilton W., 1919; Shumpeter J, 1939; Веблен Т., 2007; Кондратьев Н., 2002).

In addition, at different times, especially in the last period, many scientific papers have been published explaining certain aspects of this interdependence, for example (Мокыр J., 1999; Murphy K. M., Shlifer A., Wishny R. M., 1989; Rosenberg N., 1982; Глазьев С. Возможности ...; Сизякина М., 2008; и др.). Of particular interest is the approach of M. Sizyagina, in which, in the context of the T. Veblen-C. Airs dichotomy between the industry (technology system) and business, first, it is shown that technologies have their own set of institutional relationships and structures, second, institutions are considered as social technologies; third, it is stated that technology development "requires the participation of many complementary and interdependent actors, including, along with business organizations and state educational centers , research institutes, technical societies, trade unions and others. ". Naturally, the system of institutions, in addition to social, includes business technologies, technologies of state and global regulation, and they are implemented through specific organizations (corporations, various forms of small and medium business, systems of state and global regulation, etc.) and the relationship between them. Organizations included the author of the term "institutionalism" William Hamilton himself, who under institutions meant customs, corporations, trade unions, the state, etc. (Hamilton W., 1919). In our work (Tsereteli G., Burduli V., 2004), when classifying institutions and characterizing their relationship with the structure of production, it was argued that organizations should be included in the system of institutions, since their structure and attitudes also change (taking into account a certain time lag) under the impact of technology development and their characteristic formal and informal institutions. Therefore,

institutions should be viewed in a broad sense as institutions, organizations, related norms, rules and procedures that form the regulatory mechanisms for the transactions of their agents [Иншаков О., 2010]. Compromise technological interpretation of institutions allows us to develop their understanding of “not so much as “restrictions” of behavior, but rather as certain effective ways of activity” (Nelson R. R., 2002, p. 22), and “forming a holistic theory of economic development and crises involves the synthesis of institutional and technological paradigms based on the recognition of the key role of institutions in the progress of transformational and transactional technologies” (Фролов Д., 2011, p. 28), which we pointed out in our works (Burduli V., Burduli K., 2008; Бурдули В., Церетели Г., 1998). Taking into account the above considerations, the relationship between the development of the technological structure of the economy and the backbone institutional and organizational structure of production and its state and global regulation in the framework of economic conjuncture cycles is considered below.

Recently, new approaches have been formed, linking the impact of the level of development of the technological structure on the state of the economy and economic relations in both in-country and international (global) aspects. The substantive theory in this direction is the theory of long-term technical and economic development (Глазьев С. Возможности ...; Глазьев С., 2009), especially from the point of view of interpreting the causes of economic crises in general and the last world economic crisis in particular.

In this theory, techno-economic development is presented as a process of consistent replacement of large complexes of technologically related industries and is shown

how the structure of the technological mode changes, the institutional and organizational forms of its market and state coordination and regulation change in the course of the impact of long waves of economic conditions (Кондратьев Н., 2002), the production complexes of a new technological order are emerging in the depths of the dominant order in a certain period of time and how this order is gradually transformed into a subsequent, more developed, technological way with the corresponding infrastructure of market coordination and state (and interstate) regulation.

According to this concept (Глазьев С. Возможности ...; Глазьев С., 2009), starting from the industrial revolution in England up to now, five technological structures have consistently changed, and now in the depths of the fifth technological order, the sixth is born, and life cycles of technological structures are gradually shrinking as the NTP accelerates and the duration of research and production cycles decreases. In each technological order, the key factors of the technological structure are identified, that form its core and the set of supporting industries; a period of dominance of the technological structure is also established. So, the key factor of the 4th technological order (1930-1970) was the internal combustion engine and petrochemistry, and the core was the automobile, tractor construction, nonferrous metallurgy, durable goods, synthetic materials, organic chemistry, oil production and processing. At the same time, the core of the new (5th) technological order was being formed. In the fifth technological order (1970–2010), the key factor was microelectronic components, the core - the electronics industry, computing, fiber optic equipment, software, telecommunications, robotics, gas production and processing, information services.

In each order, the supporting industries of the technological order are distinguished. In our opinion, almost all existing sectors of the real, financial and other sectors of the economy are carrying branches, because under the influence of scientific and technological progress (to a greater or lesser extent, the product of the key factor and the core take part in their technologies) their continuous development occurs, as a result of which the proportions of the sectoral structure of the economy (in terms of production, employment, etc.) change in accordance with the specifics of each technological order.

In this regard, it should be noted that one should not underestimate the role of some traditional activities that are fundamental in any technological structure, so it is also necessary to include them in the structure of supporting industries of newer technological structures (Бурдули В., 2009), despite the fact that technological development opportunities of some of them, for example, the textile and food industries, have to a certain extent reached saturation, and investment in innovative technological re-equipment in these sectors is lower than in the industries that form the core of the technological order and in most of the supporting industries. Moreover, in some periods the technological lag of some traditional industries becomes problematic even in developed countries. This was the case, for example, in the 70s with the textile industry in Europe (Ж.-П. Бландиньер, 2010. p. 13), and later, problems with the technological lag of this industry arose in the United States. It is impossible to exaggerate the role of some new, partly “virtual” sectors, the oversaturation of which manifests itself in the downward wave of the life cycle of the technological structure. At the same time, it should be noted that in the process

of development of the technological structure, the capital market cannot accurately identify the necessary production volumes of a developing industry, in the process of scientific and technical progress occurs not only capital flows into new industries, but also the release of workers from the sphere of material and other production sectors, and there is also a need to attract them to a new industry, ensuring the functioning of production at a new stage of technological development, i.e. redistributing of employees, ensuring the release of workers with work in new sectors of activity.

Thus, the place of both traditional (old) and new industries is determined in the process of technological development, and the redundancy of certain technologies is detected only on a downward wave of cycles (especially long wave) of economic conjuncture. The costs of development of technological structures are inevitable, their decrease can be facilitated only by a well-thought-out policy of state regulation (and now regulation by global and regional interstate organizations) of the market.

With the development of technological orders, there is also a change in the institutional and organizational structures of production, which are mainly determined by the inherent properties of the technological orders, and there is also a sector specificity of changes, which is more pronounced in the context of large production sectors. Thus, in the process of development of the 5th technological mode in industry, network forms of organizing production have been greatly developed. The Fordist method of management and organization of production to some extent gives way to the network principle (Абесадзе Р., 2011; Бландиньер Ж.-П., 2010), organized industrial and innovation clusters are formed vertically and horizontally (in the context of

regions), the principles of interaction of large, medium and small enterprises, forms of competition of enterprises that become more and more global, change.

The development of technological structures is accompanied by a change in the institutional and organizational forms of market coordination and state and global regulation of the economy. Many of these forms are developing under the influence of the characteristics of the emerging technological structures and they must be attributed to the system of immanent factors that characterize the technological structure. However, some are formed under the influence of political factors, the dominant views in society on the coordination of economic development and other factors that are subjective in relation to the immanent development of technological structures. S. Glazyev considers this process in the following context: regimes of state regulation in the leading countries; international regulatory regimes; major economic institutions; organization of innovative activity in the leading countries (Глазьев С. Возможности ...). Adhering to this systematization, we list the main characteristics of these parameters in the framework of the 5th technological order.

Under the conditions of the development of the 5th technological order, the Keynesian methods of regulation were replaced by neoliberal methods, there was a significant decrease in the intensity of state regulation, including regulation of financial markets and capital markets. To some extent, there was a weakening of the trade union movement, connected, in particular, with the aforementioned decline in the role of Fordist methods of regulation and organization of production in favor of networking. State support for small and medium businesses increased, but when the financial and eco-

nomical crisis hit in 2008, most countries preferred financial support from large banks and industrial corporations, but indirect tax and financial regulation methods increased everywhere. In general, measures of state support for the economy and the social sphere (the latter supports demand) increased significantly during the crisis. They are temporary in nature, although the possibility of prolonging the actions of some fiscal and financial-credit methods of regulation introduced during the crisis is not excluded.

In international regulatory regimes, the role of regional inter-country regulatory bodies (especially in the EU) and global economic organizations (IMF, GATT-WTO, etc.) has increased. Among the main economic institutions the role of large national and transnational corporations with modern technologies became even more active, but the role of outsourcing greatly increased, which initiated the formation of many medium and small enterprises within developed countries and the development of production in a number of developing countries, including NIS. In the field of information technology, there has been an international integration of small and medium-sized firms. All this contributed to the development of network methods of organization and management. In many industries, the integration of production and sales occurred during this period, which reduced the number of intermediaries.

In the field of organization of innovations: there was a development of innovative and industrial-innovation zones; state support for new technologies has increased; forms of cooperation between universities and research institutes with production have developed; new modes of ownership have appeared for the intellectual, in particular, software, product and biotechnology; in the

USA and some other countries, and more recently in China, an innovative venture business has developed; before the crisis, innovative activity in large corporations increased, but during the crisis a number of corporations experienced a certain failure, but it is obvious that it will increase again, especially in connection with the needs of the new technological order.

Currently, the fifth technological order in developed countries is at the end of a downward wave of a large cycle of economic conditions, which, in particular, is evidenced in one way or another by the crises of the late 90s of the twentieth century (financial crisis, the beginning of the IT crisis) and the first decades of the twenty-first century - IT crisis, energy-ecological, food and, finally, the most serious, financial and economic, which, despite the measures taken by the government regulation, has a certain loop in the temporal aspect. This is evident, in particular, from the low GDP growth rates of developed countries and the high levels of unemployment in many countries. The fact that during the final stage of a downward wave of a large cycle of economic conjuncture a series of economic crises continues for a certain period, was established in N. D. Kondratieff's theory (based on an empirical analysis of previous periods) (Кондратьев Н., 2002) and is confirmed as predicted by him economic events of the 30s of the twentieth century, and modern events as well.

The fact of the development of technological structures in the framework of long and other waves of economic conditions is confirmed by the collapse of the value of the property of new leading industries in the framework of long and other waves of economic conditions in the stock markets. So, during the crisis of 2000-2001 the market value of the "new economy" companies

collapsed on average by 60%, while in general their collapse cost investors almost 0.5 trillion US doll. (Иванова Н., Данилин И., 2010, p. 26). Such situations of the emergence, according to modern terminology, of "bubbles" in the process of overheating, and then deterioration of the conjuncture in new industries, occurred in the earlier technological patterns. Thus, during the "construction of railways in the nineteenth century there was a speculative rise in the value of companies involved in this area, followed by the collapse of many of them. Nevertheless, this construction served as a powerful stimulus for overall economic growth" (Иванова Н., Данилин И., 2010, p. 27). However, IT sector companies survived during the recent crisis and continue to operate successfully, despite the fact that their stock value has sharply declined. The nature of the "creeping" food crisis of 2005–2008, when food prices were steadily rising in the world, is also associated with the conditions for the development of the 5th technological order and the emergence in its depths of production of the new 6th technological order. So, one of the main reasons for the increase in food prices is the fact that in a number of countries food crops are used to produce biofuels (Архипов В., 2009, p. 51). Technologies for the production of biofuels are also new, although it is not known how appropriate their wide inclusion in the technological structure of the new technological order is, since their appearance, in addition to the impact of higher food prices, caused a serious additional burden on the planet's already depleted land resources. The lessons of this crisis also indicate how important it is to correctly define the role of traditional industries, in this case agriculture, in the modern technological order.

Finally, let's talk about the current financial and economic crisis of 2008. How much does it fit into the theory of long-term technical and economic development and the theory of long waves of economic conjuncture cycles? As you know, the root cause of the crisis was overheating in the financial sector, which caused, in particular, the collapse of the US mortgage loan market, then the collapse of an incomparably larger, mostly "virtual" in essence, derivatives market. Other deep crises also began with the collapse of financial markets. In particular, the crisis of 1929 also began with the collapse of the stock market, then went over to the banking sector and manifested itself in an overproduction crisis that affected all major sectors of the real sector due to a decrease in effective demand caused by an unprecedented increase in unemployment. And the root causes of this lay in deepening the inconsistency of the technological structure of the market with the needs of the disparity of prices for industrial and agricultural products, the release of workers in industry, agriculture and other industries due to the development of technology and the inability of the business sector to switch to other activities in a timely manner.

One of the main reasons that triggered the outbreak of the 2008 crisis was a colossal "overheating" in the sphere of new "technologies" of the financial market, namely, the derivatives market, which indicates the separation of the "virtual" part of the financial sector from the real economy, credit operations and financing demand and production. But, unfortunately, this also affected the ability of the "real" financial sector to finance material production, which was the reason for the assistance of the states in this part of the financial sector. The difficulties that have arisen in the sector of

material production and services in developed countries due to the lag and deepening of the mismatch of the technological structure with the needs of the market, this time to a certain extent have been alleviated by the recent increase in demand in developing countries, the transfer of technology investments to developing countries where the saturation of the market with modern technologies was lower (although there was a decline in production during the crisis). That is, the globalization factor, to a certain extent, smoothed the depth of the crisis and the current crisis at the stage of the downward wave of the large cycle of the 5th technological order conjuncture did not entail such serious consequences as the crisis of 1929-1933. However, its manifestations are not over yet. To accelerate overcoming its impact on the economy, the state and society should orient the constitutional and organizational forms of coordination and regulation to accelerate the development of both traditional and new industries in accordance with the requirements of the 6th technological mode in the modernization of traditional and other supporting industries and the development of new, key industries constituting the core of the key structure.

Even knowing what new promising technologies originated in the depths of the fifth dominant technological order, it is difficult to determine with great certainty the technology of the key factor of the new technological order. Assumptions about the content of key technologies are expressed in various publications. Apparently, as noted in the previous paragraph, the key technologies that in one way or another influence the nature of technologies in all sectors without exception will be cognitive (cognitive), nano-, bio- and information-communication technologies, environmentally friendly energy sources, perhaps, electric-

battery engines (if small enough, sufficiently capacious batteries can be created), etc. The core represents industries based on these technologies, whose products will be used as raw materials and technology in other industries.

Let us now consider the possible directions of development of institutional and organizational forms of coordination and regulation of the economy.

In the field of state coordination and regulation, in particular, in the conditions of the recent crises, the inefficiency of the neoliberal regulatory mechanism has emerged. In order to neutralize the crisis processes that have arisen during the last financial and economic crisis most countries began to apply methods of direct financing for the production of crisis sectors and sectors of the economy and additional investments as well in the social sphere (temporarily), as well as additional indirect methods of tax and financial credit regulation. It is obvious that some states will reconsider to a certain extent approaches to state regulation (which, however, in some areas is limited by the guidelines of the WTO and other international organizations). There are reactive and proactive systems of government regulation (Кузин Д., 1993). Reactive regulation begins when negative events in the economy have already occurred. This was done in most countries during the crisis that began in 2008. Proactive regulation provides for proactive measures in order to prevent or smooth out the manifestation of crisis or other negative phenomena in the economy. Such regulation was widely used in European countries, especially within all varieties of the continental model, during the period of dominance of the Keynesian regulatory model, then the intensity of proactive regulation gradually subsided, but still used in some countries, which allowed

them to mitigate the crisis, but to do it in full failed everywhere. It seems that, taking into account the increasing frequency of crises and the experience of the modern, deepest crisis since the Great Depression, in many countries the regime of continuous proactive regulation will somewhat intensify.

In the development of international regulatory regimes, it is obvious that, besides the EU, the role of other large regional organizations will increase. Some changes in the attitudes of the WTO, on the basis of negotiations and the establishment of consensus between developed, developing and other countries, are also supposed to be expected. What should be the attitudes of a small country, in particular, Georgia, which is in the period of post-communist transformation of the economy, in the field of technology development and bringing the sectoral structure of the economy into a state that meets the requirements of the modern technological structure? In our opinion, firstly, in the structure of the economy, it is necessary to restore the role of some traditional industries based on the use of modern technologies in them. Secondly, to diversify production on the basis of medium and small enterprises based on new, widely used technologies of the 5th technological order. Thirdly, it is necessary to navigate one or several new industries from the core of the modern technological order (for example, the health care industries, or a slightly wider range of industries, in sizes that are within the potential of a small country) and focus the business environment on development of production in selected industries, with appropriate support from the state and the public. Such development should be ensured by further improving the mechanisms for coordinating and regulating the economy, taking into account the

trends occurring in the regulatory systems of developed and most successful developing countries and taking into account the prescriptions of international regulatory bodies.

**Transformation of the organizational and institutional structures of the economy in the context of globalization.**

The economic forms of modern globalization are the result of the development of technological structures, i.e. the result of the interconnected development of technological, sectoral, institutional and organizational structures. They are related to the spreading and distribution of new and traditional technologies in the economic sectors of various countries, the international diffusion of innovations, the emergence of global and intercountry regional institutions of regulation and coordination, the characteristics of intercountry capital flow and productivity growth, the sharp development of international trade and production cooperative ties and international scientific and technical cooperation, with the deepening of managerial relationships (in state and knowledge structures) within individual states, on an intergovernmental regional and global scale, strengthening the role and activity of TNCs, developing and redefining the role of medium and small enterprises, individual entrepreneurship, the growing role of network methods of organizing and managing production, developing vertically and horizontally (in terms of regions) organized clusters.

The economic roots of modern globalization arose much earlier, before the term “globalization” arose after the 70s. In the process of globalization, together with the development of technology, the forms of intrastate and interstate capital overflow are changing, significant changes occur in the

system of commodity exchange (in particular, export-import volumes in world trade are constantly growing and now have reached 60% of world GDP (Шишков Ю., 2010, p. 8)), forms of ownership and management are developing, the role of resource-saving and intellectual technologies is growing, the innovation component of technological structures has long gone beyond individual countries. The growth of the global population requires the continuous growth of traditional branches of material production in the context of their modernization. Acceleration of technological development causes, on the one hand, the release of part of workers in traditional industries, and on the other hand, the emergence of new activities that have an increasingly strong influence on the formation and change of the structure of employees, leads to the direction of increasing efforts to solve problems associated with sectoral, technological and regional restructuring of the economy and reducing unemployment.

At the same time, in modern conditions, in the coordination of sectoral development, along with the process of globalization, the process of regionalization is also developing (both in the intercountry aspect and in the context of individual countries and their regions). For example, the process of in-country regionalization (increasing the role of in-country regions in coordinating economic development) is due to the objective conditions for the development of modern technological structures in the context of globalization and its manifestation began long ago, back in the 70s of the 20th century (Didier P., 1989; Martin P., Nonn H., 1989; Абесадзе Р., Бурдули В., 2011; Лопатников Д., 2006).

Together with the development of globalization, the growth in the number and the gradual evolution of the functions of global



and intercountry lending and regulatory bodies, the functions of state and regional intra-state coordination bodies are changing, and they are being adapted to new conditions. Spontaneous reaction of local societies to objective processes caused by the development of technological structures and conditions of globalization is the tendency to restructure institutional and organizational structures, which can be traced "at all levels of society's life - from firms and communities to integration blocks of states. One of the paradoxes of globalization is that it goes hand in hand with localization processes: there is an increase in the economic and political role of local communities that find themselves drawn into a complex system of global connections and dependencies. This opens up new opportunities for them and at the same time creates new threats, forcing them to independently look for means of adaptation to new conditions" (Иванов Н., 2008, p. 4). For successful development in the new conditions, local communities must find ways to coordinate their development and incorporate into the systems of international and domestic cooperation that are adequate to these conditions, which will ensure the competitiveness of their firms both domestically (which is open to competing goods in the context of globalization) and internationally.

It should be noted that at the local (country and in-country regional) level, the response to the challenges of globalization and adaptation to them is often delayed. To some extent, this is typical for all post-Soviet countries that are in a transformational period, in which the existing technological structure in many industries is quite backward and does not comply with the principles of neo-industrial development. In particular, the share of production systems with a high stage of generating added value (that is,

with a high degree of processing from raw materials to final products) is small, the spread of modern forms of industrial cooperation (including in the innovation sphere) the development of modern export-oriented systems and import-substituting enterprises is late. Therefore, a theoretical understanding of the challenges of globalization and the development of prerequisites for the creation at the levels of the country and its regions of a modern economy based on ensuring sustainable neo-industrial development and improving the regulatory mechanism of this process are necessary. Despite the fact that in Georgia, as is evident from indices of rating agencies, the institutional and prudential mechanism is much more favorable for business development than in many other countries, it is necessary to further improve it in order to achieve a higher rate of sustainable neo-industrial development in comparison with rates typical for the current period, especially in the development of production systems that provide a high stage of processing (for example, in industry it is necessary to orient not only on the creation of assembly plants, but on the creation of a set of industries that provide the maximum possible processing from raw materials and materials to the final product). In the context of globalization, due to increased competition, the need to expand sales markets for products and services, the need to reduce production costs through the use of cheaper labor and other favorable conditions, an increasingly important role is played by inter-country movement of capital flows (primarily in the form of technology). The process of transferring to developing countries not only traditional technologies, but also IT technologies, automation systems for mechanical processes, flexible technologies and other high-tech technologies, especially in countries with a

large consumer market or with preferential opportunities to export products to other countries are occurring (for example, by participating in interstate regional associations). Those developing countries that have favorably oriented regulatory systems for attracting modern technologies are able to develop at the most modern level.

The transformation of redistribution systems (capital, technology, diffusion of innovations, growth of labor productivity, and within countries — budget revenues and expenditures) is primarily determined by the conditions of developing inter-country and in-country markets, which change as a result of technology development, demand conditions and market coordination. Systems of global, intercountry, regional, state, and domestic coordination and regulation are also experiencing transformation as a result of the action of modern exogenous and endogenous realities, but as a result of the pressure of some factors (special interest groups, the need to achieve a compromise of interests between different countries and within countries between different population groups etc.) the necessary decisions are often made late. As a result of the development of network forms of organization and production management in the context of globalization, a profound reorganization of the mode of production occurred (Бландиньер Ж.-П., 2010, p. 3), which is embodied in changing the structure and scale of production in TNCs, in changing the forms of interaction between large corporations, medium and small firms and, domestically and internationally, within certain types of activities (especially in IT and some other new technologies), in the emergence of networks of medium and small firms. Network methods of organization and interconnections ensure close co-

operation of business entities in the framework of common information, scientific, technical, financial and marketing networks, thereby reducing production costs. Such cooperation does not exclude competition within networks and increases competition between networks in the global market (Иванов Н., 2008, p. 5).

For developing countries and for countries whose economies are at the stage of post-Soviet transformation, the problem of sectoral and technological diversification of production at the level of the country as a whole and its regions is becoming increasingly urgent. In the context of globalization, new and modernized traditional technologies, especially IT and flexible technologies, automation systems for mechanical processes, etc., the processes of outsourcing and franchising, which under the conditions of development of network structures and corresponding forms of industrial cooperation, make it possible to increase the role of small and fast medium-sized enterprises, as well as divisions of high-tech TNCs at the local level (small and medium-sized countries and their regions). Also within these local entities, industrial cooperation of local enterprises is developing, both as a whole with TNCs and with their enterprises located at local levels. The liberalization of international trade, as well as opportunities for TNCs, favor the export sales of their products. Therefore, the diversification of production on the basis of these mechanisms, ensuring a high stage of product processing in the corresponding production systems, is an important factor that has arisen in the context of globalization for the effective neo-industrial development of production (particularly in small countries and their regions), which makes it possible to master and use modern technologies.

To solve these problems of diversification of production, local communities (small and medium-sized countries and their regions) create a favorable investment environment on their territory, in particular: create convenient tax systems for investment and production; with the participation of businesses, they create the necessary financial systems, train specialists and labor through creating the necessary training systems, create the necessary transport communications and modern product promotion systems, as well as other elements of the production infrastructure, including utilities, develop the main and regional centers of attraction (Burduli V., 2006; Burduli V., Arevadze N., 2010, p. 89, 92). Special economic zones (industrial and innovative-industrial nature) are an extreme form, which makes it possible to diversify production at the level of local communities.

Thus, to solve in Georgia the tasks that stem from the challenges of globalization in achieving sustainable and accelerated neo-industrial development of the country, such as the formation of a modern sectoral and technological structure, the accelerated development of industry and agriculture, innovation and agro-industrial complexes, the development of centers of gravity, improvement of business structures in economic sectors, diversification of the economy in the country and its regions, development of regional service systems The development of organizational and institutional systems for the coordination of social and economic development in the country as a whole and in its regions is necessary.

This primarily involves the development of an appropriate strategy in which must be defined:

- ways to improve the system of distribution of powers between the central, regional and local governments;

- at all levels of management ways to improve the institutional structure;

- the task of becoming a modern technological structure. This means at the country level as a whole and in terms of its regions (taking into account the conditions and characteristics of the regions) the choice (in cities and rural areas) of priority sectors, the development and implementation of policies to stimulate the development of centers of gravity (central, industrial hubs, innovation centers, etc.), determining the development paths of export-oriented, import-oriented and other relevant industries based on the creation of auxiliary and production facilities necessary for their functioning;

- ways to diversify production (in cities and rural areas) in the country as a whole and in the context of its regions;

- along with large cities, the development of centers of attraction of small and medium sizes;

- ways to stimulate the development of the necessary for the main production of the real sector of auxiliary services and firms (in rural areas) characteristic of a market economy;

- ways of establishing an effective in modern conditions relationship between large, medium and small enterprises, as well as - the relationship between attracted foreign enterprises and the development of national entrepreneurship.

To implement the neo-industrial development strategy and ensure the implementation of sectoral (industrial) policies, it is necessary to further improve the mechanisms of coordination and regulation of such development. This is especially important for a country under the post-communist transformation and it involves both at country and local (regional, local) levels

coordinating the development of market institutions and organizations (financial, production) and government regulation tools. It should be borne in mind that neoindustrial development involves not only the development of new and traditional high-tech industries, but also the creation of an industry structure in which the traditional industries that satisfy the main material needs of a human being (fabric and clothing, footwear and other leather goods) occupy an appropriate place. Meanwhile, production in these sectors in Georgia after the post-communist collapse of the economy has sharply declined, which declines agricultural production as well. The impossibility of marketing the corresponding raw materials (wool, leather, silkworm cocoons) makes many agricultural enterprises unprofitable, and production in agriculture is declining. Therefore, in the neo-industrial development strategy, together with the provision of favorable conditions for the development of high-tech industries, it is necessary to provide measures to stimulate business in order to reanimate these industries on a new technological basis.


The improvement of **the fiscal mechanism** aimed at ensuring neoindustrial development involves improving the tax rate system (in particular, introducing the progressiveness of the income tax rate), introducing a system of tax incentives focused on stimulating accelerated development and creating an enabling environment for priority industries, which is practiced in various forms in developed and many developing countries (Burduli V. 2008; Бурдули В., 2016). In some countries, special lines are allocated in the budgets (permanently or temporarily) to support the priority sectors (industries) of the private sector, which are used either directly (now within the framework of the rules established by the WTO)

or with the help of organizations created for this purpose (for example, development banks) and supported by legislation (as an example, the Japanese law of 1983 “On special measures to improve the structure of certain industries” (Хруцкий В., p. 100). In a number of countries, there are special organizations for coordinating the food market and supporting the export of agricultural products (see: Добросоцкий В., 2000)).

The fiscal mechanism of Georgia requires improvement from the point of view that at the regional (district) level there is no fiscal system. This is when, in the context of globalization, the functions of regional coordination in developed countries are growing, especially in the area of business support and the creation of a production structure on a regional scale. At present, the competition for the attraction of real foreign capital, equipped with modern technologies, and, above all, TNC enterprises, has greatly intensified among developing countries. “After all, along with the branches of TNCs, new production technologies are coming, access to the much-desired capital resources is opening, and most importantly, it is possible to use well-known brands and distribution networks to enter the markets of large countries” [Шишков Ю., 2010, p. 8]. Taking this into account, and also taking into account the fact that it is impossible to create a full-fledged industrial (branch) complex based on modern technologies in any country, especially in a small one, it is necessary to envisage fiscal and other institutional preferences for the functioning of TNC enterprises in the country and other companies equipped with modern technologies (suitable for placement in the country) of the real sector (this does not apply to agriculture, since with the extensive involvement of foreigners in it, would leach of the national producer from rural areas).

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The granting of such preferences can be negotiated on the basis of separate negotiations with companies intending to locate their enterprises in the country (if the reasonability of their involvement is justified), which is accepted in international practice (“in the area of international direct investment migration, a sovereign state has to agree with a quasi-sovereign TNC” (Шишков Ю., 2010, p. 9)). It is naturally necessary to encourage the purchase and development of modern technologies of the real sector by domestic entrepreneurs.

**The financial policy** in the country should be more clearly aimed at stimulating (within the framework of the rules established by the WTO) the establishment of enterprises based on technologies characteristic of modern technological structures, in order to accelerate the formation of a neo-industrial type of industry structure in the country. The already well-developed system of private banks in the country with the help of state-regulated banking instruments needs to be more clearly focused on increasing the volume of long-term lending for the development of priority sectors, through the appropriate use of central bank’s regulatory mechanisms. For developed countries, the presence of financial-industrial groups is typical, within which the financing of industrial development by commercial banks is facilitated. In addition, in developed countries there are private and state development funds or investment funds for additional financing in the form of subsidies for priority industrial and agricultural enterprises within the framework of the rules established by the WTO regulations and recommendations of global credit organizations. In Georgia, at present, there is a private, rather large co-investment fund and a state-owned partner fund. Ways to


improve the performance of these funds based on their specific reorganization, as well as ways to create financial-industrial groups in Georgia are presented in our work (Бурдули В., 2016). To subsidize agricultural production currently exists a separate procedure regulated by the WTO. A number of our works suggests ways of expediently subsidizing agricultural development within the framework of the relevant WTO guidelines (Abesadze R., Burduli V., Datunashvili L., 2011; Burduli V., Datunashvili L., 2012).

At the state level as a whole, as well as at the level of its regions and local entities, the further development of the institutional mode of management is necessary (in public and private enterprises, as well as between them and between the state and private enterprises). Following the example of developed countries, the variety of mechanisms for the economic management of state-owned enterprises should grow, as well as the variety of contracts between the state and private enterprises for the execution of works ordered by state, regional and local authorities. Also of great importance is the development of institutional relations, which are carried out on the basis of dialogue and conclusion of contracts between state and regional bodies, on the one hand, and entrepreneurs, on the other, on state preferences and business obligations. The development of modern institutional relations in rural areas based on the creation of branch associations of owners, the formation of state, mixed and private specialized auxiliary enterprises, organizations, firms and farms and the allocation of subsidies to agricultural producers for the development of primary production is particularly relevant.

## Conclusions.

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Technological development and the development of economic mechanisms of globalization are interrelated and interdependent processes. They influence the formation of sectoral structures in individual countries, and also determine the corresponding development of institutional and organizational structures of business both at the global level and in individual countries. Under the influence of technological progress in the context of globalization, global, regional intercountry and country authorities and mechanisms of coordination and regulation are also being improved and adapted to new conditions.

Countries that are adapting to globalization conditions in a timely manner and, above all, capable of a sustainable perception of technological progress in the context of globalization, are successfully moving to the modern neo-industrial stage of development.

For the formation of an effective sectoral structure characteristic of neo-industrial development, it is important to master the experience of successfully developing countries in systematizing and evaluating the effectiveness of sectoral and technological

structures and the priority of individual industries and technologies, as well as in institutional and organizational support of neo-industrial development of the sectoral structure business. Research and systematization of these processes are conducted in this article.


The tasks of creating an effective sectoral structure of the neoindustrial type in the context of globalization in the country undergoing post-communist transformation, particularly in Georgia, imply further improvement of sectoral and technological structure evaluation systems (with a corresponding development of statistical reporting methods and their processing), business organization systems and, of course, the state coordination systems promoting its development (taking into account the critical assessment and perception of this experience). This will ensure a deeper integration of the country's economy into the system of global and interstate regional cooperative (including through the involvement of TNC enterprises) and trade relations, the formation of a neo-industrial branch structure, the achievement of high and rational employment and sustainable socio-economic development.

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**APPLICATION OF DATA BASE SYSTEMS BIG DATA  
AND BUSINESS INTELLIGENCE SOFTWARE  
IN INTEGRATED RISK MANAGEMENT IN ORGANIZATION**

**ZASTOSOWANIE SYSTEMÓW BAZODANOWYCH BIG DATA  
I APLIKACJI ANALITYKI BIZNESOWEJ W PROCESACH  
ZINTEGROWANEGO ZARZĄDZANIA RYZYKIEM  
W ORGANIZACJI**

**ПРИМЕНЕНИЕ СИСТЕМ БАЗ ДАННЫХ BIG DATA  
И ПРИЛОЖЕНИЙ ДЛЯ АНАЛИЗА БИЗНЕС-ДАННЫХ  
В ИНТЕГРИРОВАННОМ УПРАВЛЕНИИ РИСКАМИ  
В ОРГАНИЗАЦИИ**

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### Abstract

Currently, business analytics uses computerized platforms containing ready-made reporting formulas in the field of Business Intelligence. In recent years, software companies supporting enterprise management offer advanced applications of information-analytical Business Intelligence class systems consisting of modular development of these systems and combining business intelligence software with platforms that use data warehouse technology, multi-dimensional analytical processing software and data mining and processing applications. This article describes an example of this type of computerized analytical platform for business entities, which is included in analytical applications that allow quick access to necessary, aggregated and multi-criteria processed information. The software allows entrepreneurs and corporate managers as well as entities from the SME sector on the one hand to use embedded patterns of reports or analyzes, and on the other hand to self-develop and configure analyzes carried out, tailored to the specifics of a specific entity. Such analytical applications make it possible to build integrated risk management systems in the organization.

**Keywords:** risk management, digitization of business processes, computerization of economic analyzes, corporate finance, Big Data, Business Intelligence, Internet, integrated risk management system

### Streszczenie

Obecnie w analityce biznesowej wykorzystywane są z informatyzowane platformy zawierające gotowe formuły raportowania w zakresie Business Intelligence. W ostatnich latach producenci oprogramowania wspomagającego zarządzanie przedsiębiorstwem oferują zaawansowane zastosowania informacyjno-analitycznych systemów klasy Business Intelligence polegające na modułowej rozbudowie tych systemów i łączeniu oprogramowania analityki biznesowej z platformami wykorzystującymi technologię hurtowni danych, oprogramowaniem wielowymiarowego przetwarzania analitycznego oraz aplikacjami eksploracji i przetwarzania danych. W niniejszym artykule opisano przykład tego typu z informatyzowanej platformy analitycznej dla podmiotów gospodarczych, która zalicza się do aplikacji analitycznych umożliwiających szybki dostęp do niezbędnych, zagregowanych i wielokryterialnie przetwarzanych informacji. Oprogramowanie to pozwala przedsiębiorcom i menadżerom korporacji jak również podmiotów z sektora MSP z jednej strony na korzystanie z wbudowanych wzorców raportów czy analiz, a z drugiej na samodzielne opracowywanie i konfigurowanie przeprowadzanych analiz, dostosowanych do specyfiki konkretnego podmiotu. Tego typu aplikacje analityczne umożliwiają zbudowanie w organizacji systemów zintegrowanego zarządzania ryzykiem

**Słowa kluczowe:** zarządzanie ryzykiem, cyfryzacja procesów biznesowych, informatyzacja analiz ekonomicznych, finanse przedsiębiorstw, Big Data, Business Intelligence, Internet, zintegrowany system zarządzania ryzykiem

**Аннотация**

В настоящее время в бизнес-аналитике используются компьютеризированные платформы, содержащие готовые формулы отчетности. В последние годы компании-разработчики программного обеспечения, поддерживающие управление предприятием, предлагают передовые приложения информационно-аналитических систем класса Business Intelligence, состоящие из модульной разработки этих систем и объединения программного обеспечения для бизнес-аналитики с платформами, использующими технологию хранилища данных, многомерным программным обеспечением для аналитической обработки и приложениями для анализа и обработки данных. В этой статье описан пример компьютеризированной аналитической платформы этого типа для бизнес-субъектов, которая включена в аналитические приложения, которые обеспечивают быстрый доступ к необходимой, агрегированной и многокритериальной обработанной информации. Программное обеспечение позволяет предпринимателям и корпоративным менеджерам, а также организациям из сектора МСП, с одной стороны, использовать встроенные шаблоны отчетов или анализов, а с другой стороны, самостоятельно разрабатывать и конфигурировать выполняемые анализы с учетом специфики конкретной организации. Аналитические приложения такого типа позволяют строить интегрированные системы управления рисками в организации.

**Ключевые слова:** управление рисками, оцифровка бизнес-процессов, компьютеризация экономических анализов, корпоративные финансы, Интернет, интегрированная система управления рисками

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**


Rapid progress has been made in the field of the use of computerized analytical Business Intelligence platforms supporting business management processes in recent years. To the area of the fastest growing fields of ICT, which support business management processes, belongs dissemination of standards for the transfer of information and carrying out financial operations in the cloud as well as using the large data sets located in the Big Data platforms. Current Big Data technology solutions are not only

large databases, but data warehouses allowing for multi-aspect analysis of huge sets of quantitative data made for the purposes of reports submitted periodically to the managerial staff (Gwoździewicz S., Prokopowicz D., 2016a, p. 229-230).

Enterprises striving for market and business success try to build their competitive advantage by implementing new IT solutions for their operations. One of the areas of activity of companies and institutions significantly affecting the efficiency of their functioning is the issue of efficient

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risk management in the context of the organization's management process. The issue of improving the risk management process has gained a new meaning in the context of the global financial crisis that appeared in autumn 2008. The specificity of this crisis was its systemic character and the huge potential scale of bankruptcy of many entities, including banks, insurance companies and enterprises (Domańska-Szaruga B., Prokopowicz D., 2015, p. 37-48). In the context of the discussed issue, the issue of risk management is particularly important, including the improvement of integrated risk management systems using currently available IT solutions.

Many studies show that the efficient use of information technology and information resources of an organization affects the quality of decision making in the business management process. Risk management should be based on a prior analysis of reliable and up-to-date information about counterparties, market data and business activities (Prokopowicz D., 2014, p. 148 - 149). More and more companies and financial institutions use for this purpose business analyzes conducted on IT platforms offering Business Intelligence solutions (Gendron M. S., 2014, p. 157).

It is assumed that the analyzes carried out with the use of computerized Business Intelligence applications make it easier for managers to conduct real-time analyzes of large data sets related to the company's operations. Therefore, the dominant opinion is that Business Intelligence solutions (Analyze BI, 2017) are becoming more and more useful in organizational management processes. Considering the analytical and technological abilities of these applications, they are also well suited for building integrated risk management systems in the organization. Integrated risk manage-

ment systems are also built in business organizations operating in Poland, mainly in corporations and financial institutions (Dmowski A., Prokopowicz D., 2010, p. 335). The process of building and gradually improving these systems in Poland began in the second half of the 90s.

The downside of the analytical processes in enterprises is their time-consumption. In addition, the scope of this time-consuming, e.g. calculated by the number of analysts and managers' work hours, may additionally increase along with the increasing information resources collected on the Internet. Experts in the global network issue estimate that the Internet information resource doubles in approximately every two years. On the other hand, globally operating Internet companies such as Google or Facebook in their Big Data bases (Mayer-Schonberger V., 2015, p. 34) collect data about Internet users in such a wide range that they are not able to precisely predict to what this collected information will be used in 5 years. The Internet is not a static medium, because online libraries and other knowledge bases are rapidly changing and increasing. Therefore, enterprises actively using the opportunities offered by the Internet in their activities should effectively use the information resources contained in the global network, taking into account the dynamic nature of the variability of data collected on the Internet (Surma J., 2016, p. 57). The scope of the use of information and technological possibilities of the Internet by economic entities is constantly growing and currently it is impossible to determine the limits of this development. More and more enterprises, financial and public institutions define the Internet (in the context of their business) as a medium that can not be ignored. More and more organizations are observing the need to up-

date and process information on the Internet and want to improve the Internet marketing techniques (Wehbe B., Decker J., Alexander M., 2015, p. 62-63). Organizations use the information and technological abilities of the global network in the context of analytical processes carried out in the Business Intelligence formula, managers are making decisions on a base of these processes (Radziszewski P., 2016, p. 43). IT systems containing embedded analytical applications that integrate most or all of the business entity's activities have been built since the 1990s in financial institutions, including large commercial banks operating in Poland. These systems, usually referred to as integrated IT systems, combine many activities of institutions, thus replacing several independent applications operating in different departments. As a result, institutions of the market financial system from the end of the last century usually set key trends in the development of ICT and the construction of integrated IT systems. However, in recent years, the issue of electronic transfer and processing of large data

sets is also increasingly applicable to other types of entities, including non-financial enterprises and public institutions, due to the ongoing digitization of enterprises and public institutions (Gwoździewicz S., 2014, p. 74). The most dynamically developing fields of ICT technology (which determine the successive stages of progress in the field of internet data transmission) include the dissemination of data processing standards in the cloud computing as well as using the large data sets located in the Big Data platforms (Libuda Ł., 2016, p. 17). In connection with the above, a technological revolution is currently underway, which will allow for computerized integration of many areas of analytical activity conducted in organizations, including enterprises, financial and public institutions. In recent years, computerized analytical Business Intelligence platforms and Big Data database systems are used to improve processes of business analysis and risk quantification instruments.


### **Analysis of latest research where the solution of the problem was initiated.**

The issues of the use of computerized Business Intelligence analytics platforms and data processing in Big Data database systems in integrated risk management processes in economic entities described in the present study were discussed in numerous scientific publications by scientists operating in various scientific environments and originating from various countries; these issues have global character. The increase in the interest of scientists in these issues results from its timeliness and high level of significance and from the growing importance of Business Intelligence analytics and data processing in Big Data database systems. Through verification of opinions,

considerations, conclusions and research theses contained in the cited publications the main research aspects and the outline of supporting business entities management processes with the use of information processing in Big Data database systems and computerized Business Intelligence analytics platforms were formulated. Main research aspects and the outline of the analyzed topic were used as the basis for determining the objectives and research methods used in this study. The aims of paper and research methods are presented in the next section of this article. The basis for these main components of the research process that was carried out in this study was

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to define a synthetic image of the problem of management support in business entities by using information processing in Big Data database systems and computerized Business Intelligence analytics platforms after collecting analytical data and verifying the conclusions contained in the quoted publications. Prior to the research, collecting and developing research results on various aspects of the issues of supporting business entity management processes through the use of computerized Business Intelligence analytics platforms and information processing in Big Data database systems, the authors of this study have reviewed the literature on the above-mentioned issues. Determining and specifying the research problem, which was then characterized and analyzed in this article, was preceded by a review of the publications in which key issues were Business Intelligence and Big Data. The review of the literature shows that the topic of Business Intelligence and Big Data applications in the company management process described in various publications were examined only on selected issues, while no attempt was made to synthetically capture the problem, and to consider all key aspects of the Business Intelligence analytics and big data technologies; considerations does not have an interdisciplinary attribute and the conclusions from the research was not a derivative of a fully synthetic approach. Synthetic research approach has been used in this study. One of the key methodological premises of the present study of the use of computerized Business Intelligence analytics platforms and data processing in Big

Data database systems in integrated risk management processes in business entities was the application of a synthetic research approach to achieve interdisciplinary combination of various aspects of the described and researched issues of Business Analytics applications Intelligence and Big Data technology in the business management process. The key conclusions that were formulated in the summary part are a derivative of the synthetic research approach used. Based on the content of the studied source materials and expert publications, it has been demonstrated that in recent years the problem of supporting risk management processes in business entities through the use of information processing in Big Data technology and Business Intelligence platforms is among the most developmental areas in the field of practical applications of the process organization management as well as scientific research of this issue. This article describes the issues of the applications of Business Intelligence analytics and Big Data technology in the enterprise management process with the use of a synthetic approach to research and considerations undertaken by authors in earlier publications: A. Dmowski (Dmowski A., Prokopowicz D., 2010); D. Prokopowicz (Prokopowicz D., 2003, Prokopowicz D., 2013, Prokopowicz D., 2014, Prokopowicz D., 2015), S. Gwoździewicz (Gwoździewicz S., 2014; Gwoździewicz S., Prokopowicz D., 2016a, b ), J. Grzegorek (Grzegorek J., Prokopowicz D., 2017), B. Domańska-Szaruga (Domańska-Szaruga B., Prokopowicz D., 2015) and other authors of the cited publications.

### **Aims of paper. Methods.**

Before writing this article, a literature review of the issues of supporting risk management processes in business entities

through the use of information processing in Big Data technology and in Business Intelligence platforms has been made. The

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literature review was also preceded by specifying the key issues, which were analyzed, the objectives of the research undertaken and the formulation of key questions and research thesis. The subject of this work initially defined conceptually and axiomatically was also clarified after the review of publications of other researchers regarding the application of Big Data database systems and business analytics applications in the processes of integrated risk management in the organization. In view of the above, the article presents an analysis of the application of Business Intelligence analytics and Big Data technology in the business management process in a synthetic approach.


The analysis of source materials shows that the studied issues of the topic of the use of computerized Business Intelligence analytics platforms and data processing in Big Data database systems in integrated risk management processes in enterprises have been described and considered in the current scientific literature only in selected aspects. No attempts have been made to carry out research that would consist in developing a synthetic approach to this problem. A full synthetic approach would integrate various key aspects of supporting risk management processes in business entities through the use of information processing in Big Data database systems and computerized Business Intelligence platforms, the considerations would have an interdisciplinary attribute and the conclusions from the research would also have a synthetic approach. This type of research approach has been used in this study. One of the key methodological premises of the analysis of Business Intelligence and Big Data in the business management process was the use of a fully objective description of all premises, conditions, components of the analyzed topic and factors affecting particular

aspects of Business Intelligence analytics and Big Data technology. While analyzing the problem of the use of computerized Business Intelligence analytics platforms and data processing in Big Data database systems in integrated risk management processes in business entities, the authors of this study have verified the theses and conclusions formulated by the authors of the cited publications. Verified theses and conclusions that repeatedly represented a diverse view, heterogeneous evaluation of key aspects of the topic in terms of their level of significance and identified correlations were used to formulate key questions and research theses for this study. Based on the verification, conclusions were formulated, which were included in the summary part. While formulating these conclusions, the research carried out was guided by the principle of scientific objectivity, impartiality and synthetic of the research approach.

During the research, various research methods were used, which were listed below: descriptive and comparative methods, inductive reasoning, deductive reasoning, descriptive-vector method, media observation method. The choice of methods was determined by the type of research materials in which various aspects of the problem of supporting risk management processes in business entities through the use of information processing in Big Data database systems and computerized Business Intelligence analytics platforms were described. The purpose of presenting key issues of the subject, explaining particularly important relationships, correlations between the components of the application of computerized Business Intelligence platforms and data processing in Big Data database systems in integrated risk management processes in business entities mainly

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uses a descriptive method. The comparative method was used primarily in the comparisons of selected aspects of the studied issues of applications of Business Intelligence analytics and Big Data technology in the process of managing various business entities. Inductive reasoning was used to select unambiguous facts and aspects of the problem of supporting business entity management processes through the use of Business Intelligence analytics and information processing in Big Data technology meeting the requirement of indisputability in their experimental verification.

In connection with the above, guided by the principle of scientific objectivity, impartiality and synthetics of the research based on the verification of the content of the cited publications for the purpose of this study, the following main research thesis was formulated: In recent years, the importance of supporting management processes, including risk management in business entities information processing in Big Data database systems and computerized Business Intelligence analytics platforms is increasing. The final part of this study contains a reference to the verifying the research thesis.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Determinants of the implementation of integrated risk management in corporations and financial institutions

The development of computer science, the increase in the importance of derivatives on capital markets, new distribution channels for products, services, factors of production and information, deregulation of financial markets, the development of over-national corporations are factors that determined the processes of economic globalization since the 1970s (Gwoździewicz S., Prokopowicz D., 2016b, p. 65-66). One of the important factors of these processes was the growing level of risk of financial markets and risk related to entities operating on these markets. The problem of the growing level of risk appeared periodically and grew during periods of global economy downturn and usually also large discounts of the market valuation of assets of business entities. The escalation of these cyclically emerging processes took place in autumn 2008 and led to a global financial crisis (Domańska-Szaruga B., Prokopowicz D., 2015, p. 41-42).

Many years before 2008, individual identification tools, individual quantification methods, and econometric models have already been improved, but this has not saved the financial systems and entire national economies from the crisis. The source of the crisis was the lack of a full correlation of the process of improving financial risk management conducted in individual financial entities and macroeconomic risk management of the entire system, conducted monetary policy, ignoring signals suggesting growing financial problems and deteriorating economic conditions in the real economy. Some entities tried to hide these problems in the initial stage of their occurrence, using creative accounting, however over time when the risk of bankruptcy of the entire institution was already very high and still grew strongly the only solution that could protect an institution from bankruptcy were low-interest government loans.

The approach to risk management has changed over the last years. Currently, the management of individual types of banking

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risks gives way to integrated risk management systems and risk management of the active operations. Changes taking place on the financial markets, which are above all: progress in the field of information technology and in the field of electronic services,

widespread application of statistical econometric and credit scoring models in the credit departments of financial institutions, banks' expansion towards new areas of investment banking, including active participation in derivatives markets (Świdorska J., 2013, p. 84),

Banks leaving the traditional area of deposit and credit banking,

mutual overlap between sources of particular types of banking risks,

led to the modification of the overall concept of risk management with an emphasis on increasing the importance of integration and systemic risk management as well as the risk of active operations (e.g. all loans and pseudo loans granted by a given bank). Integrated risk management is a process in which activities of individual departments of institutions should be aimed at achieving the same goals. The integration of various activities requires the existence of a centralized information system that would cover all aspects of the organization's functioning. Such a system should also (Prokopowicz D., 2015, p. 86-87):

provide all units and departments authorized to make decisions with relevant information,

enable making decisions at operational levels consistent with the organization's strategic objectives,

support decision-making at all levels of the organizational structure by providing up-to-date information reflecting the operation of the entire entity as well as its individual departments.

Constant development of IT makes possible construction of a centralized information system that meets the above criteria. Integrated risk management organized on the basis of such system is currently the most frequently discussed issue in the context of maintaining or increasing the competitiveness of an organization in the sector (Żabińska J., ed. 2011, p. 147).

Integrated risk management in corporations and financial institutions is based on (Butler C., 2002, p. 44):

identification and quantification of all types of risk resulting from the conducted activity,

assessing the significance of particular risks, both individually and in comprehensive terms,

development and implementation of a risk management strategy covering areas with which all of the examined risks are related.

Integrated risk management enables:

focusing of the management on those types of risk that are most important for the business,

application of various methods of comprehensive risk reduction and securing assets methods.

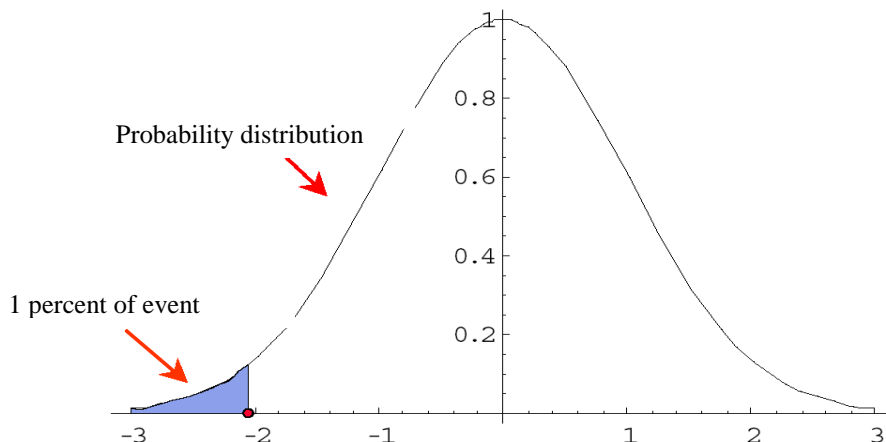
The process of improving systems and models of risk management in financial institutions can also be implemented actively through the exchange of experiences of individual financial institutions or passively, in a situation where the bank focuses only on the experience of its own operations. In the event of the detection of unforeseen effects of market, operational or credit risk in one of the financial institutions, the source of the event is identified and is fully analyzed also in the supervisory and advisory institutions. The conclusions from the analyzes are the basis for the amendment of legal regulations developed by supervisory bodies and for the improvement of risk

management systems implemented in individual entities (Prokopowicz D., 2015, p. 85). Increasing importance of integrated risk management in corporations and financial institutions

Improvement of integrated risk management in corporations should combine the methodology of modeling of individual risk categories using advanced mathematical and statistical methods and active shaping of revenues from sales through specific financial instruments with traditional methods based on, the limits of exposures and concentration (Koleśnik J., 2012, p. 67). In connection with the above, taking into account mainly the quantitative nature of both the risk measurement models and the data subject to the study, Business Intelligence applications are perfectly suited to building integrated risk management systems in the organization. The process of building and successive improvement of these systems in Poland began in the second half of the 90s and was determined mainly by the technological progress of quantitative methods of individual categories of risks embedded in computerized analytical platforms as well as adaptation of applied research methods to standards of European Union. An example of this determinant of adaptation processes to the requirements of the European Union is the banking sector in Poland. For a dozen years, new risk management standards

have been implemented in commercial banks operating in Poland as part of the process of adjusting the applied procedures and models for estimating individual financial and operational risk categories to the Basel Committee's guidelines on financial supervision (Prokopowicz D., 2003, p. 97-98). Commercial banks operating in Poland that use advanced methods in the credit risk management process, based on the Value at Risk method (Prokopowicz D., 2013, p. 18-19), have the opportunity to significantly reduce their credit activity costs. The Value at Risk method is the basis of advanced mathematical and statistical risk measurement methods. The most well-known system of internal models for measuring and aggregating risk is the system RiskMetrics™ (RiskMetrics™ – Technical Document, Fourth Edition, December 1996), developed by the American investment bank J. P. Morgan (Świdarska J., 2013, p. 96). The Value at Risk method allows (for the assumed probability) to define a situation of exceeding the level of a potential loss value. In general, the value of this probability is taken to be 0.05 or 0.01. The Value at Risk value is a summary and statistical measure of potential losses shown in the balance sheet under conditions of an effective, i.e. "normal" functioning of the market.

**Chart 1. Normal distribution model of VaR value estimation of active products at the 99% confidence level.**



Source: A. Kulik, *Dlaczego Value at Risk jest standardem w zarządzaniu ryzykiem? Zastosowania metody Cash Flow at Risk*, Konferencja Polskiego Stowarzyszenia Ryzyka Finansowego PRMIA, 10.01.2003, p. 19.

Since the mid-1990s, the number of banks in Poland applying new models based on Value at Risk. This trend is in line with the globally dominant tendencies because at present almost all capital banks operating in highly developed countries use advanced risk quantification methods with the new standards resulting from the provisions of the New Capital Accord (Żabińska J., ed., 2011, p. 39).

Banks use different econometric models in relation to risk analysis. For the risk analysis processes in unitary terms, i.e. in relation to a single credit or pseudo credit transaction, the most commonly used method currently applied in financial institutions is scoring method based on the formula of granting a specific number of points for each factor under investigation (Prokopowicz D., 2014, p. 151-152). This method is also based mainly on quantitative data describing a potential counterparty or the transaction under review before its finalization. The main premise for using this method is to strive for maximum

objectivity, standardization and reduction of operational costs of the analytical process. All the research methods listed above, are important factors subject to the permanent process of improving the integrated risk management process (Matuszyk A., 2008, p. 57). Due to the clearly prevailing quantitative nature of research methods, identification and quantification of individual risk categories, the continuation of the process of risk management improvement can be carried out by implementing Business Intelligence platforms that are currently under development.

Poland in this matter fits the global trends. In connection with the above, as a consequence of the adaptation of national regulations to the guidelines and recommendations of the Basel Committee on Financial Supervision, the security of the financial system in Poland should gradually increase. On the other hand, the implementing of Business Intelligence platforms in enterprises and financial institutions (Grzegorek J., Prokopowicz D., 2017, p. 223-

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234) should contribute to the organizational and technological improvement of

already built integrated risk management systems.

## Conclusions.

The public sector, often called the government sector, is the section of economy which concerns transactions performed by the government. Using the income obtained from taxes and other sources of income, the government finances its expenses, affecting the economy and investment decisions (Pas Ch., Lowes B., Davies., 2000, p.439-440). The above definition, however, has become a little outdated. More and more expenditure on healthcare or education is being financed on commercial terms, following the growing scope of privatization of entities operating in these areas (Karpiński A., Paradysz S., 2005, p.59-60).

An important issue which appears in discussions concerning the purposefulness and rationality of the amounts spent is the concept of their effective spending and accounting.

The degree of development, the role of the public sector and its efficiency can be measured by means of various measures, including (Karpiński A., Paradysz S., 2005, p.62-63):

- 1) the share of public sector in the whole employment in the country economy (OECD),
- 2) the share of expenditure on the public sector in the Gross Domestic Product (GDP),
- 3) the share of the public sector in fixed assets of the economy,

- 4) the level of satisfying the needs for public services in particular categories of service users (for example the unemployed, the retired, children),
- 5) the share of public funds in financing particular types of services (healthcare, education, cultural activity),
- 6) the results of the public opinion survey evaluating the degree of satisfying the needs for public services,
- 7) the efficiency of funds spent on public services,
- 8) qualitative indicators evaluating the public sector operations.

The above indicators and their cognitive values are, however, commonly criticized. Therefore we should consider developing and adopting uniform criteria for evaluating the ways of spending public funds. This is by no means an easy task, since the public sector is not homogenous, whereas tasks performed by public sector units are numerous and varied.


The development of uniform sector indicators in the context of groups of entities (for example healthcare units, education units, etc.) could become a tool for rationalizing the expended funds as well as the criterion of evaluating not only the correctness of their expenditure but also evaluating the achieved effects. Uniform indicators would also ensure comparability, needed so much when evaluating planning resources allocated for tasks performed by the public sector.

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## **CAUSES OF PUBLIC DEBT AND BUDGET DEFICIT**

## **PRZYCZYNY DŁUGU PUBLICZNEGO I DEFICYTU BUDŻETOWEGO**

## **ПРИЧИНЫ ПУБЛИЧНОГО ДОЛГА И ДЕФИЦИТА БЮДЖЕТА**

### **Abstract**

*The aim of the article is to present a problem concerning the reasons for the formation of a public debt and a budget deficit. The public debt is undoubtedly caused by the excessive costs that may arise, for example, because of the militarization of the economy, excessive administration or high social benefits. However, the reasons of too low taxes and other public revenues may be very numerous - from too low effective tax rates through ineffective and tax collection system to narrowing the tax base caused by the falling level of gross domestic product production. The main reason for the public deficit is a failure to adjust the size of public expenditure to the profitability of the economy. This maladjustment may have a permanent character resulting from the tendency to excessive expansion of public expenditure. It may also have a short-term character related to the alternate nature of over-expand economic development, which is expressed in the business cycle. The low efficiency of public spending, low efficiency of public debt collection and the burden on budgetary expenditure costs of existing debt can be distinguished among the other sources and causes of the public deficit.*


**Keywords:** *tax law, budget deficit, public debt, public finances, state budget, tax policy.*

### **Streszczenie**

*Celem artykułu jest przedstawienie problemu dotyczącego przyczyn powstawania długu publicznego i deficytu budżetowego. Przyczyną powstania długu publicznego niewątpliwie są nadmierne wydatki, które mogą być spowodowane np. militaryzacją gospodarki, rozbudowaną administracją czy też wysokimi transferami socjalnymi. Rządziej natomiast zbyt niskie podatki i inne dochody publiczne, których przyczyny mogą być bardzo liczne, od zbyt niskich efektywnych stawek podatkowych poprzez nieefektywny i mało skuteczny system ściągania podatków, do zawężenia bazy podatkowej spowodowanej spadającym poziomem produkcji produktu krajowego brutto. Główną przyczyną deficytu publicznego*

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*jest niedostosowanie rozmiarów wydatków publicznych do możliwości dochodowych gospodarki. Niedostosowanie to może mieć charakter trwały wynikający z tendencji do nadmiernego rozbudowania wydatków publicznych. Może mieć to również niedostosowanie krótkookresowe związane z przemennym charakterem rozwoju gospodarczego, co się wyraża w cyklu koniunkturalnym. Wśród pozostałych źródeł i przyczyn deficytu publicznego wyróżniamy: niską efektywność wydatkowania publicznego, niską skuteczność ściągania należności publicznych oraz obciążenie wydatków budżetowych kosztami już istniejącego długu publicznego.*

**Słowa kluczowe:** prawo podatkowe, deficyt budżetowy, dług publiczny, finanse publiczne, budżet państwa, polityka podatkowa.

#### **Аннотация**

*Цель статьи - представить проблему, касающуюся причин формирования государственного долга и дефицита бюджета. Государственный долг, несомненно, вызван чрезмерными расходами, которые могут возникать, например, из-за милитаризации экономики, расширенного администрирования или высоких социальных выплат. Реже - из-за слишком низких налогов и других государственных доходов, причины которых могут быть весьма многочисленными - от слишком низких эффективных налоговых ставок через неэффективную систему сбора налогов до сужения налоговой базы, вызванного падением уровня производства валового внутреннего продукта. Основной причиной дефицита государственного бюджета является неспособность изменить размер государственных расходов на прибыльность экономики. Эта несогласованность может иметь постоянный характер в результате тенденции к чрезмерному расширению государственных расходов. Она также может иметь кратковременное несоответствие, связанное с альтернативным характером экономического развития, который выражается в деловом цикле. Среди других источников и причин дефицита государственного бюджета мы выделяем: низкую эффективность государственных расходов, низкую эффективность сбора государственного долга и бремя расходов бюджета на расходы, связанные с уже существующим государственным долгом.*

**Ключевые слова:** налоговое право, дефицит бюджета, государственный долг, государственные финансы, государственный бюджет, налоговая политика.

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#### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The Constitution of the Republic of Poland uses the concept of state public debt (Constitution of the Republic of Poland of 27 April 1997, Article 216, paragraph 5), the Public Finance Act defines this concept as

"a nominal debt of public finance sector entities determined after elimination of financial flows between sector entities." According to the catalog of entities included in the public finance sector (Public Finance

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Act, Journal of Laws No. 155, item 1014 with subsequent amendments to Article 5) "public state debt" is a debt of the whole sector public finances, which means all entities included in this sector, such as local government units and entities not mentioned in the catalog by name, such as the State Treasury. By the State Treasury debt (Journal of Laws of 2009 No. 157 item 1241), the Act on public finance understands the nominal debt of the State Treasury (Szybowski D. 2018, pp. 206-207). The nominal debt of the State Treasury can also be called the debt of the State Treasury.

The Public Finance Act specifies that the state budget deficit can be covered by income from:

the sale of Treasury securities, loans taken in banks, budget surpluses from previous years and from inflows related to the privatization of Treasury assets.

In recent years, increased interest in issues of fiscal policy and its impact on the condition of the economy can be observed in the

economic literature. One of the most important reasons of this interest is an increase in the public debt ratios to GDP in many highly developed countries in the last decades (Dahl M. 2015a, pp.306-311). The increase is caused by long-term budget deficits. In the recent period this situation has deteriorated dramatically as a result of the global financial crisis, which proved to be severe for the economic situation of many countries (Dahl M. 2015b, pp.69-74). Currently, the greatest threat to global finances seems to be the worsening state of public finances. (Działo J. 2012, pp.25-40). According to economics, the unfulfilled obligation of the debtor's legal service to the creditor can be considered as a debt. The benefit can be financial as well as factual and therefore everything that is included in the contract between the creditor and the debtor. It must be remembered that a feasible service which completion date has not passed is a commitment not a debt. (Begg D., Fisher S., Vernasca G., Dornbusch R. 2014 pp. 31-32).

### **Analysis of latest research where the solution of the problem was initiated.**

The concepts of a public debt and state deficit was the subject of consideration, among others : Begg D., Samuelson P.A., Nordhaus W.D., Fisher S., Vernasca G., Dornbusch R., Marciniak S., Gołębiowski G., Daniłowska A., Lewkowicz P.J., Tyniewicki M., Mączyński D., Pach J., Górniewicz G..

In the first part of the article "Causes of public debt and budget deficit" the author presents Okun's law established by Arthur Melvin Okuneko. Okun's law states that there is a direct relationship between GDP and unemployment rate. This relationship is two-way, and the GDP growth is conducive to the decrease of unemployment rate, but also the increase in unemployment causes a decrease of GDP.

Examples of concepts formulated by eminent economists regarding the topic discussed are presented below:

Public debt (otherwise known as a national debt) is a total debt of the state. The public debt grows when "there is a deficit in the public sector, so new loans have to be taken to cover the surplus of expenses over income." (Begg D. 1998, p. 84). Another definition of the public debt according to Samuelson and Nordhaus is "the entirety of government commitments in the form of debentures and loans taken for shorter periods. The public debt does not include debentures held by quasi-government agencies, such as the central bank." (Samuelson P. A., Nordhaus W. D. 2004, pp. 578-579). In most countries, from the years perspec-

time budgetary deficits (streams) - not surpluses, can be observed, which increase the size of public debt (Begg D. 2007, p. 91). In turn, Stefan Marciniak states that "the

sum of budget deficits of previous periods is the public debt of the state." (Marciniak S. 2005, p. 447).

### **Aims of paper. Methods.**

One of the main research methods used in this publication is an induction method. This method involves articulating conclusions or defining certain regularities based on empirical phenomena or processes. The induction method is a kind of deduction based on the details of the general characteristics of the phenomenon, process or object. The use of the induction method requires the assumption that only facts can be the basis for scientific resolution. The induction methods include legal acts, analyzes, expertise, statistical data and scientific documents used in a social research. The second method used is a method of analysis. This method consists of two stages. The first stage is an analysis of the collected material in order to show the most important concepts and determine the issues. In this part of the analysis, the analytical and comparative method is used. The second stage of the analysis method is

a classical analysis of documents in which facts are presented. The next presented method which results from the two preceding methods is a synthesis method which is combining various elements into one coherent unity. It captures phenomena and processes as one by studying individual components. Another method used is a triangulation. The triangulation method ensures higher quality of a research and reduction of errors. It involves collecting data using two or more methods and comparing and combining results. Triangulation method is based on combining different concepts into a one. Because of complex research methods, data sources have been triangulated, the information on the effects and causes of public debt and the public deficit was compared, as well as theoretical triangulation based on the analysis of data from different theoretical concepts has been made.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Causes of public debt. Categories and types.**

The causes for a public debt can be considered in many ways.

As the causes of typical and common nature:

- a) overly developed social policy, which is a response to social expectations of the role of the state as a guarantor of social security for less prosperous social groups, as well as pressure from strong claim groups in this regard,
- b) extensive economic role of the state,
- c) the inefficiency of the mechanism of the modern economy manifested in the

fact that in many countries man power cannot be managed and unemployment problem can not be solved.

Causes of an individual, specific or incidental nature, such as costs related to political transformation, costs of reunification, natural disasters.

Causes considered by identifying sources of public debt.

Sources of public debt:

1. Sources of deficit as cumulated deficits for a period of time,

The public debt of a period is the sum - accumulated deficit raised by the loan repayment value (if in the period of, for example,

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the next 5 years, an average annual deficit will be PLN 30 billion, the increase in public debt should be calculated as  $(5 * 30)$  minus paid back amount.)

2. Beyond deficit sources:

- transformation of conditional state liabilities into definitive commitments (performance of state treasury guarantees),
- adverse changes in the exchange rate,
- implementation of state tasks by direct transfer of state treasury bonds and debentures (public debt is calculated in Poland by the accounting method incomes minus expenses),
- unrealized liabilities due to compensations, expropriations of lost processes and damages caused by state institutions, overdue compensation, etc.
- not disclosed in budget deficit debts of budgetary units.

The cause of public debt is undoubtedly excessive spending, which may be caused by the militarization of the economy, extensive administration or high social transfers. However, the reasons of too low taxes and other public revenues may be very numerous - from too low effective tax rates through ineffective and tax collection system to narrowing the tax base caused by the falling level of gross domestic product production.

Some people think that the basic sources and causes of public debt and budget deficits lie in the state, and more specifically in the social groups and institutions representing the state.

### **Evaluation of the level of public debt and legal consequences**

To assess the level of public debt, the debt-to-GDP ratio with 50% as a critical value is mainly used. This indicator can be supplemented by many others, such as:

- debt to export ratio (critical value 275%),
- interest to exports ratio (critical value of 20%),

- debt management to exports ratio (critical value 30%).

A country is considered to be seriously indebted if the level of at least three of the above four indicators exceeds the critical values. A country is considered as moderately indebted if the level of three out of the four above indicators exceeds 60% of their critical value (Gołębiowski G. 2008).

In the Maastricht Treaty, as a standard for convergence, is assumed that the share of the planned or current state budget deficit should not exceed 3% of GDP, and the public debt-to-GDP ratio - 60%. In addition to the Maastricht criteria, the government must respect the limits of debt set out in the Constitution of the Republic of Poland and in the Public Finance Act. According to article 216 point 5 of the Constitution of the Republic of Poland – “It is not allowed to borrow or grant financial guarantees, as a result of which public debt exceeds 3/5 of the value of annual gross domestic product”. The method of calculating the value of annual gross domestic product and state public debt is determined by law. Exceeding the limit of 60% is equal to violation of the provisions of the Constitution of the Republic of Poland and should result in resigning of the Council of Ministers and process in the State Tribunal. (Daniłowska A. 2008, pp.107-118).

The most serious consequences can be implemented in the situation when the PDP exceeds the level of 60% of GDP according to the Acts of 1998 and 2005, the restrictions concerned the prohibition of granting new guarantees (also in the next budget year), submission of the rehabilitation program to the Sejm by the Council of Ministers and prohibition of including deficit in the state budget and budgets of local government units. As in the Public Finance Act from 2009, in addition to the actions taken already in the situation when the ratio of public debt-to-GDP exceeds 55%, the

Council of Ministers should submit a rehabilitation program. Granting new sureties and guarantees is prohibited and budget expenditures of local government units specified in the budget resolution for the following year can not be more than the revenues of this budget. In comparison with the previous acts, the new Public Finance Act does not contain an absolute order to pass a draft budget act without a deficit, this order only applies to budgetary resolutions of public finance sector entities.

The basic regulation limiting the amount of public debt is art. 86 of the Public Finance Act. According to this article when the value of the ratio of the amount of state public debt to the gross domestic product referred to in art. 38 point 1 a, announced in accordance with art. 38 – until 31st may next year:

1) is greater than 50%, and not more than 55%, then for the next year the Council of Ministers prepares a draft Budget Act, in which the ratio of the state budget deficit to the state budget income can not be higher than the ratio of the state budget to state budget revenues from the current year resulting from the Budget Act;

2) is greater than 55% and less than 60%:, what results

a) for the next year the Council of Ministers adopts a draft budget act, in which:

- no state budget deficit is anticipated or is assumed as the level of difference in revenues and expenses of the state budget, ensuring that the ratio of State Treasury debt to gross domestic product forecasted at the end of the budget year concerned by the draft Budget Act will be lower than the ratio referred to in art. 38 point 1 b, published in accordance with art. 38,

- no salaries raise are planned for employees of the state budget sphere, including employees of units referred to in art. 139 paragraph 2;

- the indexation of pensions can not exceed the level corresponding to the increase in prices of consumer goods and services, announced by the Central Statistical Office for the previous financial year,

- granting loans and credits from the state budget is prohibited, with the exception of installments of loans and advances granted in previous years,

- no increase in expenditure is expected in the units referred to in art. 139 paragraph 2, at a higher level than in government administration;

b) the Council of Ministers reviews long-term programs and state budget expenditures financed with funds from foreign loans;

c) the Council of Ministers presents to the Sejm a rehabilitation program aimed at reducing the ratios referred to in art. 38 point 1a;

d) expenditure of the budget of the local government unit specified in the budgetary resolution for the following year may be higher than the revenues of this budget plus the budget surplus from previous years and free funds, only by the amount related to the implementation of tasks from the funds referred to in art. 5 paragraph 3;

3) is equal to or bigger than 60%:

a) the provisions of point 2 a and b shall be applied;

b) the Council of Ministers, no later than one month from the day of announcing the relation referred to in art. 38 point 1 a, presents to the Sejm a rehabilitation program aimed at limiting this relationship to a level below 60%;

c) expenditure of the budget of the local government unit specified in the budget resolution for the following year can not be higher than the revenues of this budget;

d) starting from the seventh day after the date of announcement of the relationship referred to in art. 38 pint 1 a, units of the public finance sector may not grant new

guarantees. (Lewkowicz P.J., Tyniewicki M. 2010 pp. 66-86).

When assessing legal regulations applicable when the level of budget deficit exceeds 60% of GDP, it should be remembered that the situation is a violation of the constitutional norm resulting from art. 216 paragraph 5. Consequences described in the Act should therefore be of an exceptional nature, leading as quickly as possible to the restoration of a state consistent with the Constitution of the Republic of Poland. (Mączyński D. 2012. pp. 173-182).

### **Incompatibility of expenditures with the state's income possibilities**

The main source of public debt and public deficit is the maladjustment of the size of public tasks to the income possibilities of the country's economy. This maladjustment may be permanent or periodic.

Maladjustment with a permanent character results from excessively extensive public spending and tasks. The state took too many responsibilities. The state has three traditional functions resulting from its tasks: organizational-defensive, social and economic.

The organizational-defensive function consists in ensuring efficient organization of the state and society (public administration, administrative and civil courts) as well as ensuring external (national defense) and internal security (police, fire brigade, prosecutor's office, criminal justice); This function is the oldest function of the state and it is necessary for its existence, so it is often called a classical function. Through the social function, the state has an impact on the pace of social development and on the socio-economic stratification of the population (transfer of funds from "rich to poor"); it causes a flattening of the diversity of the standard of living (the level of "wealth") of individuals and households: with the growth of the scale of income re-

distribution by public finances, the diversity in living standards decreases (Dahl M., Piskorska B., Olszewski P. 2015, pp.52-55).

The problem of rational, and not excessive spending is very complex. If too little funds are allocated to a specific area, then the state will perform worse in this field. This will result in both material losses and negative social consequences. For example if there is a reduction in expenses for the construction and repair of public roads, there is a risk of various losses. The losses in the form of cars damaged in accidents and the costs of treating people are easily measurable. However, moral losses due to death and pain can not be estimated. This also applies to the time lost in congestion that could be used for work or leisure. In the same way it is possible to demonstrate what the risk of losses arises when the police and justice, education, health care, culture, environmental protection or all other public expenditure are underfunded. The risk of losses resulting from the under-financing of individual areas and types of state activities is highly diversified. In some areas the risk is very big in others relatively easy to accept.

Periodic maladjustments are related to the fluctuation of economic processes, are the result of periodic fluctuations in public incomes and expenses due to the change in economic conditions, so during the high rate of economic growth we are experiencing an increase in public revenues while limiting the pressure on public spending (housing allowances, for unemployed, social welfare) however in a period of recession when there is low rate of economic growth, low public incomes and high public spending it is considered as short-term maladjustments. In Okun's law - Okun stated that there is a direct relationship between GDP and the unemployment rate, this relationship is two-way, so GDP

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growth is conducive to falling unemployment, but also unemployment increases GDP (however, it did not estimate the effects of unemployment). Arthur Melvin Okun, on the basis of research in the American economy, stated that the increase in unemployment by each percentage point above natural unemployment means a GDP decline by at least 2-3 percentage points. The national product fluctuates more strongly than employment. In the period of recession there are phenomena mitigating employment decline (shortening of working time, part-time employment) and deepening the reduction of the national product (lowering labor productivity by the partially-employed). The GNP gap - the difference between the potential and the actual GNP level, can be interpreted as a measure of economic losses caused by unemployment (PWN Encyclopedia).

#### **Low efficiency of spending public funds**

Low efficiency of spending public funds means that the same utility effect of public and social services provided is potentially achievable at lower expenses. For many reasons, the public authority/ public administration system can not spend public funds in an economical and effective manner. There is two group of reasons:

Objective - related to the nature of the public economy / public spending. Manifest mainly in the fact that the majority of public tasks are tasks of difficult to measure spending efficiency. For example, there are no simple methods in the field of administrative and medical services, and sometimes there are no methods of measuring the effectiveness of spending money, because of its non-commercial nature, where there is no revenue, only expenditure. The procedures are often highly individualized (medical procedures), therefore, one can not know whether expenses were incurred in accordance with real needs or not.

No analyses are published anywhere that would justify the effectiveness of business ventures or show how to shape a structure of the budget expenditures in order to minimize the damage caused by underfunding of particular areas.

It is also worth noting that among entities of the circulation of money in the economy only government entities do not carry out analyses of the effectiveness and profitability of their operations. The Entities lack of economic calculation of the implementation of public goals and tasks means the lack of a rational basis for objectified control of activities. This promotes extravagance, wastage and squandering of public funds, including financial resources, and above all carelessly incurring more and more public debt and impunity of power entities, specifically specific persons representing a given power, for further budget deficits. It seems obvious that the units representing the state and local government should be example of prudence and rationality in spending public funds with extraordinary saving skills and constantly increasing efficiency. The lack of economic rationality of spending public funds requires the preparation of extremely accurate:

- economic analyses of the place and function of the authorities in the economy,
- economic analyses of the legitimacy, rationalization, efficiency, profitability of the activities of the authorities,
- economic analysis of concepts, programs, target projects and functions of power in the economy,
- economic financial analysis of the functioning of the socio-economic system by the authorities.

Subjective - resulting from faulty solutions / procedures. It expresses excessive expenditure of public funds in relation to the material effects of public expenditure incurred. The main reasons are::

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- Inadequate methods of budget planning (mainly based on the extrapolation method with exception of task planning).

The extrapolation method is based on the assumption that the future is a simple continuation of the past. In Poland the Ministry of Finance (similarly to other countries) relies on a method that can be described as historical in the process of budget preparation. It consists in determining expenditures on individual areas based on the amount of expenditures incurred for this purpose in the previous period, increased or decreased by an indicator based on forecast of economic and budget growth for next year. The draft budget is created in the process of negotiations between the financial departments of individual ministries and the relevant departments of the Ministry of Finance. In these negotiations, both substantive arguments as the needs of individual areas of public activity are taken into account with political arguments and pressures. Political arguments are both an expression of the interests of the management of individual ministries and the interests of various pressure groups.

Budget planning is usually an annual planning, and the government's and Minister of Finance's efforts rarely go beyond the government cadence.

- Incorrect division of competences and resources between different decision centres. The problem of tendency to centralize decisions and even more centralize financial resources, usually leads to a wrong decision when it comes to spending. It is recognized that the use of public funds is the more effective when more decisions are made closer to the community in which these funds are used. The decentralization of public finances brings with it a number of benefits such as:

- better recognition of the needs of local communities creates the opportunity for a more accurate allocation of funds,
- control over the spending of public funds may be more effective due to the fact that the decision maker is less anonymous,
- the state, by delegating some of its powers to the local level, can increase the efficiency of its operations in strategic matters.
- Lack of registers of social services (benefits) and methods of their valuation (cost estimation).
- Characteristics of gross budget financing (expiry of funds at the end of the budget year).
- Sociological factors (the scale of expenditure as a source of position, meaning and prestige).
- Incorrect system of organization and financing of social insurance, socio-cultural services, etc.
- Failure to comply with the rules of budgetary discipline, placing public procurement, etc.

#### **Low efficiency of debt collection.**

This problem is related to the issue of the informal economy, an activity consisting in violation of tax law, labour law, and social insurance law. It is a segment of the economy that consists of illegal and legal activities excluded from the gross national product. The informal economy is an economic activity that can be conducted in a legal manner in a given country, and is not registered or it is registered, but partially is not included in statistical and tax comparisons. The development of the informal economy depends mainly on the persistently high unemployment rate, low income, high taxes and unstable tax system, high social insurance fees, inflexible provisions in the labour code and a bureaucratic system of licensing business operations. Research of the phenomenon of the informal economy is extremely difficult because it is hidden

by its nature. The problem of the shadow economy is primarily related to two issues:  
1. The problem of tax fraud, which causes very serious damage to public revenues.

2. The problem of low efficiency of tax authorities.

### Conclusions.

Public debt can be caused by several reasons. One of such reasons is the long-term budget deficit. The budget deficit is a negative difference between expenditures assumed in the budget and incomes, which may result from too slow increase of revenues in comparison to incurred costs in a given time. Another factor that affects the amount of debt is the increase in public spending which may take place in special circumstances such as an economic crisis, a natural disaster or another state of emergency (war). Enlargement of such expenses is due to the inability to offset them by income. In such circumstances, there is also a decline in economic activity, which means that revenues to the state budget are decreasing.

Another reason that can cause the state to fall into a high budget deficit is the debt trap. When the government draws loans to pay off interest on current liabilities, which does not solve the problem, but only moves it over time. Another elements used by the State are interventionist tools that are designed to stimulate economic growth and reduce unemployment.

Public debt, as a consequence of budget deficits, occurs commonly over the world. This is connected with not respecting the fundamental principle of budget balance which assumes equality of budget expenditures with budget revenues, and their full coverage with appropriate budget revenues. As a consequence, the unbalanced budget with the deficit covered by loans became almost a standard in the economic policy of many countries. (Pach J. 2015, pp. 126-137).

Public debt is a very serious economic barrier in many countries around the world. It can be also applied to some European Union countries. It also affects the size of investment, consumption, economic growth and determines the sequence of economic processes. Therefore, it is very important not to exceed statutory thresholds of debt, to use prudential procedures, to assess the risk of debt and to manage public debt in a proper way. Public debt should become a tool for financing economic development.

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## **LABOR MARKET DEVELOPMENT AS A PREREQUISITE FOR SMART CITY FORMATION**

## **RYNEK PRACY JAKO WARUNEK WSTĘPNY FORMACJI INTELIĞENTNEGO MIASTA**

## **РАЗВИТИЕ РЫНКА ТРУДА КАК ПРЕДПОСЫЛКА РАЗВИТИЯ «УМНОГО ГОРОДА»**

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### **Abstract**

*The place and role of the labor market for smart city development are determined. Proposed methodology for assessing the labor market, according to which the diagnostics of the labor markets development in the regions of Ukraine was conducted. According to the results of the integral indicator calculation, the assessment and grouping of regional labor markets at different levels of development was carried out. Based on the comprehensive application of econometric tools, a model for the development of regional labor markets in Ukraine based on indicators of demand, supply and prices for labor was built, as well as the most significant factors of labor market development is determined. According to the results of the regional labor markets development analysis, prospects for the formation of smart cities located on their territory are determined.*

**Keywords:** *smart city, labor market, economic activity of the population, unemployment, employment, labor force*

### **Streszczenie**

*Artykuł stanowi próbę określenia miejsca i roli rynku pracy dla inteligentnego rozwoju miast. Autorzy zaproponowali metodologię oceny rynku pracy, zgodnie z którą przeprowadzono diagnostykę rozwoju rynków pracy w regionach Ukrainy. Zgodnie z wynikami obliczeń integralnego wskaźnika przeprowadzono ocenę i grupowanie regionalnych rynków pracy na różnych poziomach rozwoju. W oparciu o kompleksowe zastosowanie narzędzi ekonometrycznych opracowano model rozwoju regionalnych rynków pracy na Ukrainie w oparciu o wskaźniki popytu, podaży i cen pracy, a także określono najważniejsze czynniki rozwoju rynku pracy. Zgodnie z wynikami regionalnego rozwoju rynków pracy.*

**Słowa kluczowe:** *inteligentne miasto, rynek pracy, aktywność gospodarcza ludności, bezrobocie, zatrudnienie, siła robocza*


### **Аннотация**

*Определены место и роль рынка труда для развития «умного города». Предложена методика оценки рынка труда, согласно которой проведена диагностика развития рынков труда в регионах Украины. По результатам расчета интегрального показателя осуществлена балльная оценка и группирование региональных рынков труда по разным уровням развития. На основе комплексного применения эконометрического инструментария построена модель развития региональных рынков труда Украины по показателям спроса, предложения и цены на рабочую силу и установлен наиболее значимый фактор развития рынка труда. По результатам проведенного анализа развития региональных рынков труда определены перспективы становления «умных городов», расположенных на их территории.*

**Ключевые слова:** *«умный город», рынок труда, экономическая активность населения, безработица, занятость, рабочая сила*

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Cities play a key role as the driving forces of the regional economy and economic development (COM, 2006; SEC, 2006). Cities are the heart of most places of work, companies and institutions of higher education, so their actions are crucial to ensuring social cohesion. They are the center of innovation, entrepreneurship and economic growth.

Several factors converge to make cities the pre-eminent location for the emergence of on-demand work: (1) population density, (2) expansion of the tertiary sector in urban economy, (3) salaried employment crisis, and (4) the emergence of new work aspirations.

The “tertiarisation” of urban economy encourages the development of a service society. As it happens, the tertiary sector

provides the best fit for on-demand work. To take one example: the “services to individuals” sector, highly represented on digital platforms, provides a source of employment that will equate to more than 170,000 positions by the end of 2016 and 800,000 in the longer term (Wyman, 2014). Because they are closely related to the use of on-demand economy, cities are seen as key players in framing, or even regulating, the sector.

The formation of smart cities involves balanced development in three interrelated areas, one of which is the labor market. Therefore, the objective assessment of the processes and phenomena which taking place in the labor market, for its effective regulation is an important prerequisite for the formation of a smart city.

### **Analysis of latest research where the solution of the problem was initiated.**


The research of the labor market at the national and regional levels was carried out by such scientists as Leonid Beztelelsna (L. Beztelelsna et al., 2012), B. Vorvynets, V. Ostroverkhov (V. Ostroverkhov, 2012), L. Shevchenko (L. Shevchenko, 2004), G. Yurchik and others. The issue of creating smart cities and the preconditions for their formation are disclosed in scientific works Wyman O. (O. Wyman, 2012), Komninos N. (N. Komninos, 2008) A. Caragliu, C. Del Bo, P. Nijkamp (Caragliu et al., 2011), B. Johnson (B. Johnson, 2008), D. Ménascé (D. Ménascé, 2017) and others. However, in the publications of scientists there is still open question about determining the prerequisites for smart

cities development in the context of European integration processes. More attention is needed to the study of the labor market as a component of the smart city development and its evaluation in order to determine the prospects for the formation of a smart city.

Sustainable development implies a balance between the social and economic spheres, and smart growth requires innovation in both areas. Accordingly, in order for development of smart city, an integrated system of interaction between the economy and the labor market should be created, which will help to improve the situation in general.

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Caragliu et al. found some elements that could characterize a smart city. They include (a) utilization of networked infrastructure to improve economic and political efficiency and enable social, cultural, and urban development; an underlying emphasis on business-led urban development; (b) a strong focus on the aim of achieving the social inclusion of various urban residents in public services; (c) profound attention to the role of social and relational capital in urban development; and (d) social and environmental sustainability as a major strategic component (Caragliu et al. 2011).

Cities should be attractive places for doing business, which in turn requires regulation of the labor market through the development of a skilled workforce that is both entrepreneurial and innovative. Working with and engaging companies in policy-making and delivery is essential as

is linking them to the world of education and training in order to achieve an effective economic and employment ecosystem. All of this requires the ability to build our own capability, knowledge, skills and knowhow. We need to be innovative in our approaches, prepared to take risks, to learn from others and to be self-critical. We need to be imaginative in our policies (Cities of Tomorrow, 2013).

Modern labor markets are shaped by both internal factors (such as the effect of domestic legislation, migration processes within the country, the political situation and the differentiation of interregional development, etc.) and external factors. The difference in the level of wages and the quality of life in general, as well as in the context of territorial proximity to foreign countries, enhances the possibility of smoothing the disproportion of the market situation due to external labor migration.

### **Aims of paper. Methods.**

In the research, the methods commonly used in economic science are applied: theoretical, comparative and retrospective analysis – to reveal the theoretical foundations of the development and regulation of the labor market, directions of its improvement, taking into account the prospects for the smart cities development; statistical groupings, generalization – to

improve methodological approaches to the analysis of the development of the region labor market; economic and statistical, modeling, rating estimations, graphic – in the process of disclosing the development of regional labor markets in Ukraine and determining the prerequisites for the smart cities development.

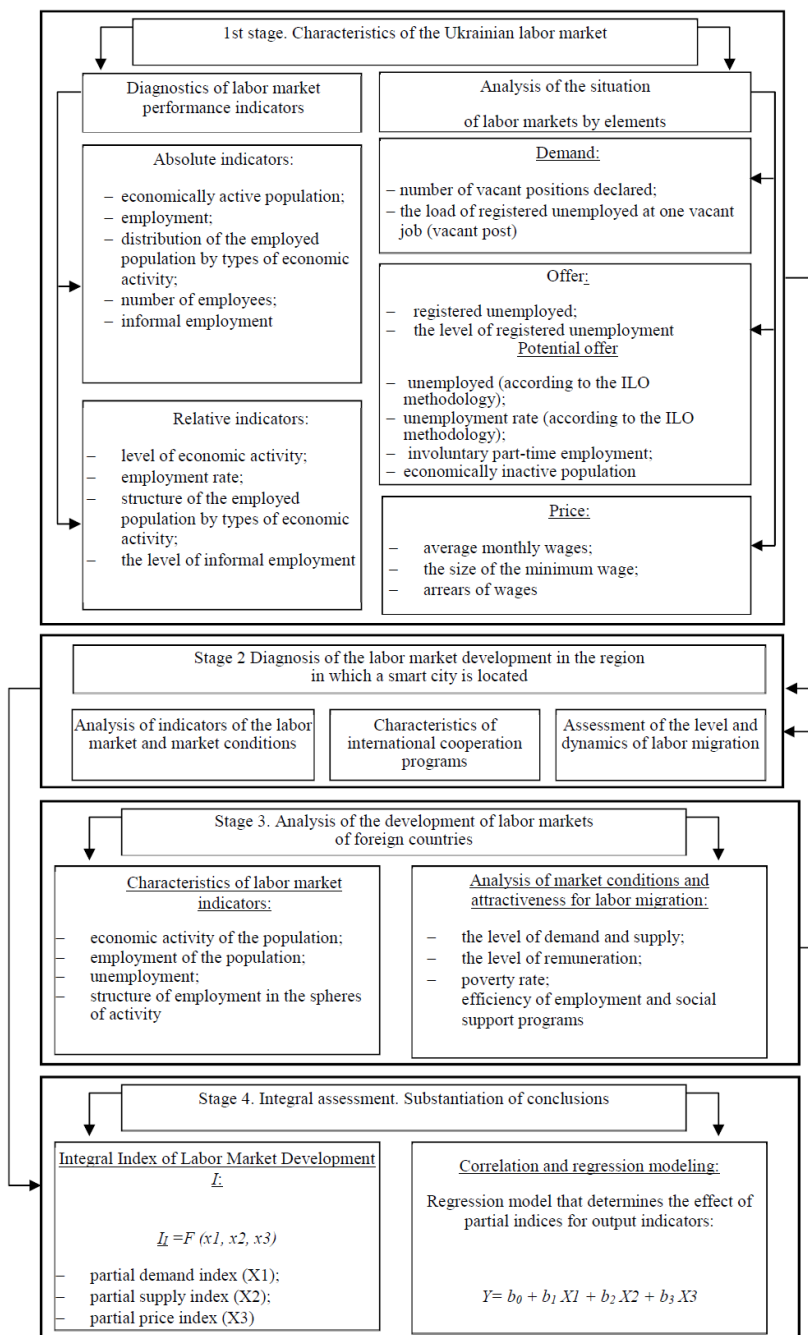
### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Therefore, the proposed methodology for analyzing the labor market in the region involves the collection and proper interpretation of data taking into account the internal situation in the labor market, studying and assessing the experience of regulating labor markets of foreign

countries, as well as the development of migration processes. In general, taking into account the peculiarities of the functioning of the labor market of the region, it is possible to distinguish four main stages of evaluation of its development (Fig. 1).



Fig. 1 Methodology of analysis the development of the regional labor market



Source: Compiled by the authors.

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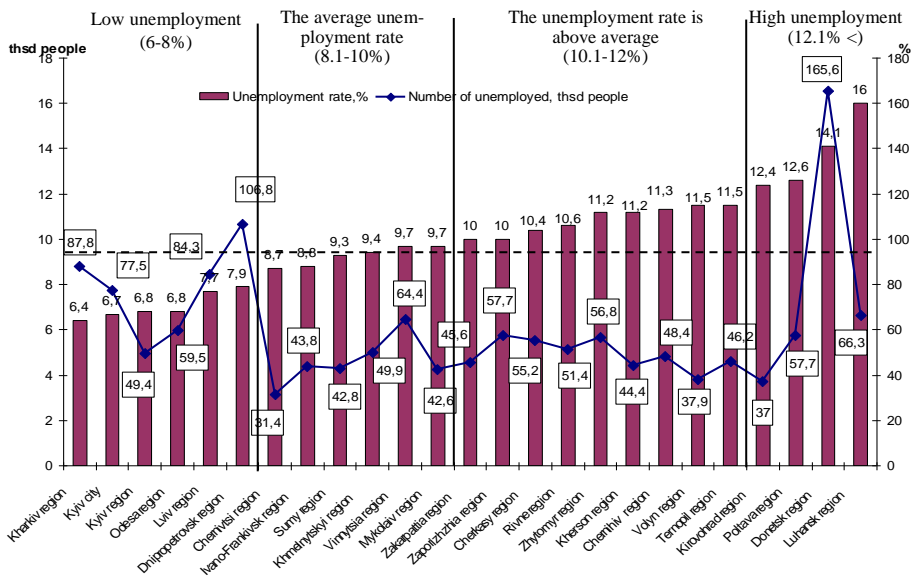
It should be noted that such indicators as the level of economic activity of the population, employment, unemployment, labor turnover are used for analysis of the state of the labor market. In this case, it is important to assess the level of economic activity of the population, since it reflects volumes of labor supply in the labor market, the structure of employment of the population.

The analysis of the economic activity of the population of Ukraine for the period of 2010-2016 shows a significant decline in its level starting in 2014 and reaching its highest value of 62.2% in 2016. There were identified negative trends in reducing the proportion of youth in the structure of economically active population.

As regards the dynamics of employment indicators for the period of 2011-2016, the following periods are defined: 2011-2013 - increase of employment from 58.4% to

60.2%; 2014-2016 - the drop in employment from 56.6% to 56.3%. It was identified the suboptimal structure of employment, the reasons for which is called low wages, labor market imbalances, in particular the discrepancy between the requirements of employers and the qualifications of potential employees. These negative trends were the consequences of the economic crisis in the country and unjustified measures of the state policy of regulation, which indicates the presence of unfavorable prerequisites for the formation of smart cities in Ukraine. The development of labor markets is accompanied by an increase in the scale of unemployment, due to the presence of crisis phenomena in the economy, the reduction of aggregate demand for labor, structural shifts and labor movement. In 2016, the largest number of unemployed was in the Donetsk and Dnipropetrovsk regions (Fig. 2).

**Fig. 2 Unemployment of population in Ukraine in 2016**

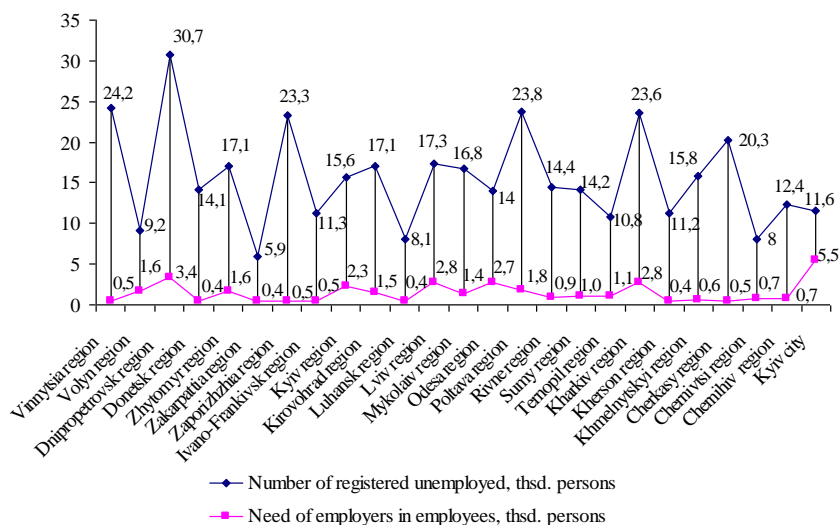


\* Compiled by authors based on data of the State Statistics Service of Ukraine.

According to the results of the analysis, there was a discrepancy between the demand for labor force and its offer, which limits the possibilities of employment of the unemployed and satisfaction of the

needs of employers in the employees. As a result, the number of registered unemployed significantly exceeds the amount of declared vacancies (Fig. 3).

**Fig. 3 The disproportion between the demand for labor force and its supply in Ukraine in 2016**



\* Compiled by authors based on data of the State Statistics Service of Ukraine.

Neighborhood with more economically developed countries, which form the demand for labor resources with a better offer of working conditions and earnings, could provoke labor outflow abroad, increase the level of illegal employment and covert unemployment. At the same time, foreign economic relations can be used to ensure efficient employment of the population, prevent mass unemployment and achieve a balanced market conjuncture.

The effectiveness of the functioning of the labor market is achieved by balancing the three main market forces:

1. Demand for labor reflects unemployment rate, the number of job

vacancies, the ratio between the number of unemployed and the necessity for employers in the employees.

2. Labour supply accumulates data on the level of unemployment and the dynamics of their change.

3. The value of labor becomes a form of remuneration and integrates the system of indicators of minimum wages, its average values in general and in terms of occupations, its real and nominal size in statics and dynamics in a number of years.

Therefore, to assess the development of labor markets, we propose a slightly modified mathematical model based on indicators that characterize the main

elements of the labor market: demand for labor, labor supply and the price of wages. In order to construct a model, there is a need for a system of indicators of the state of the labor market, which should be aimed at statistical support and the provision of urban development processes, to be relatively technically simple and at the same time to perform the necessary tasks. Based on the proposed methodological approach, a rating assessment of the labor

markets of the regions of Ukraine was carried out in terms of demand, supply and labor costs. This enabled the realization of scoring and identify the five groups of regions in terms of the level of development of the labor market (perspective, higher than average, lower than average, unsatisfactory, critical) (Table. 1).

**Table 1. Results of calculation of partial and integral indexes of labor market development**

Region	Partial indexes characterizing the labor market elements			Integral index of labor market development	Assessment of the labor market	
	demand	offer	price		Score assessment	Qualitative assessment
Kyiv city	0,707	0,985	0,878	0,866	12	Perspective
Kharkiv region	0,792	0,901	0,428	0,699	9	
Kyiv region	0,525	0,813	0,595	0,647	8	
Odesa region	0,591	0,779	0,575	0,644	8	
Volyn region	0,783	0,336	0,613	0,607	7	Higher than average
Dnipropetrovsk region	0,573	0,794	0,470	0,607	7	
Lviv region	0,482	0,699	0,566	0,586	7	
Chernivtsi region	0,275	0,645	0,681	0,582	7	
Vinnysia region	0,355	0,599	0,670	0,576	7	
Mykolaiv region	0,446	0,633	0,580	0,562	7	
Zhytomyr region	0,505	0,490	0,630	0,558	6	Lower than average
Kirovohrad region	0,692	0,313	0,571	0,552	6	
Zakarpattia region	0,161	0,521	0,689	0,537	6	
Ivano-Frankivsk region	0,135	0,595	0,638	0,530	6	
Cherkasy region	0,309	0,545	0,617	0,525	6	
Kherson region	0,168	0,486	0,681	0,524	6	
Rivne region	0,299	0,562	0,596	0,518	6	
Ternopil region	0,431	0,351	0,636	0,512	6	
Sumy region	0,347	0,630	0,490	0,501	5	
Khmelnyskyi region	0,222	0,535	0,598	0,499	5	
Zaporizhzhia region	0,244	0,561	0,568	0,495	5	Unsatisfactory
Poltava region	0,506	0,314	0,571	0,491	5	
Chernihiv region	0,315	0,473	0,584	0,488	5	
Luhansk region	0,302	0,322	0,588	0,451	4	Critical
Donetsk region	0,221	0,140	0,318	0,251	1	

\* Calculated by authors.

According to the results of the assessment, it has been established that most regions of Ukraine have minor differences and the level of development of their labor markets is estimated at 5-7 points out of 12. The worst situation is in the labor markets of Luhansk and Donetsk regions, which is caused by a military conflict on their territory (4 and 1 points respectively).

It was built a regression model to analyze the effects of demand, labor supply and cost of labor in the overall development of the labor market:

$$Y = 0,021 + 0,258 X_1 + 0,285 X_2 + 0,445 X_3, \quad (1)$$

where Y – integral index of labor market development;

X<sub>1</sub> – labor demand;

X<sub>2</sub> – labor supply;

X<sub>3</sub> – the value of labor.

According to the simulation results, labor remuneration has the greatest impact. This proves the necessity to improve wage regulation as the most effective factor in the development of the labor market.

The analysis of the labor market in the European Union has shown a significant polarity of changes in unemployment rates in the context of individual countries. Almost in the half of EU member states (13 of 28) for the period 2006-2016 unemployment growth rate exceeded 1%. The most negative was the situation in Greece (where unemployment increased by 8.8%), Spain (7.4%) and Cyprus (5.5%). By contrast, employment growth has taken place in Poland, Germany and Slovakia.

An analysis of the European experience regarding the development of the labor

market and the internal situation in the labor markets in Ukraine gives grounds to discover to a significant difference in the mechanisms for their regulation. It has been found that the labor market regulation system in the European Union has a programmatic purpose and is implemented on the basis of joint programs. The main targets for the development of the EU labor market are job creation, quality of work, labor productivity, decent wages, social security, professional and social skills, and compliance with legislation. The regulation of the labor market at the national level is carried out taking into account the particularities of individual EU member states.

Thus, the revealed problems of the functioning of the modern labor market create unfavorable preconditions for the providing development of smart cities in Ukraine. Taking into account the experience of regulating the EU labor market, the following targets for further development of the Ukrainian labor market can be identified in order to create favorable prospects for the providing development of smart cities: expanding the scope of employment and stimulating employers' interest in creating new jobs; raising the professional level and competitiveness of the economically active population; ensuring labor mobility and improving labor migration regulation; promotion of employment of citizens, who need social protection and are not able to compete on the labor market on an equal footing.

## Conclusions.

Based on the proposed methodological approach, the rating of Ukrainian labor markets according to demand, supply and labor cost indicators were made. It make it possible to conduct a score assessment and identify the five groups of regions in terms of the level of development of the labor market (perspective, higher than average, lower than average, unsatisfactory, critical). To analyze the effects of demand, labor supply and labor prices on the overall development of the labor market, a regression model was constructed. According to the results of the simulation, the labor remuneration has the greatest impact. This proves the need to improve wage regulation as the most effective factor in the development of the labor market. Based on the study of the EU countries experience regarding the development of

the labor market and the effective use of joint strategic programs for its regulation, with their coordination at the local, regional and national levels, the need to reduce the risks of labor migration and the level of shadow employment has been substantiated. The target directions for further development of the Ukrainian labor market for the development of smart cities in the context of deepening of European integration processes are determined. The use of the improved methodology enables the relevant state institutions to identify problems and prospects for the development of the labor market, to identify priorities and targets for each of the regions, to specify measures aimed at equalizing the socio-economic status and creating favorable conditions for the development of smart cities.


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## **THE CONCEPT OF REAL ESTATE TAXATION BASED ON THE AD VALOREM PRINCIPLE**

### **KONCEPCJA OPODATKOWANIA NIERUCHOMOŚCI WEGŁUG FORMUŁY AD VALOREM**

### **КОНЦЕПЦИЯ НАЛОГООБЛОЖЕНИЯ НЕДВИЖИМОСТИ НА ОСНОВЕ ПРИНЦИПА AD VALOREM**

#### **Abstract**

*A property tax (or millage tax) is a levy on property that the owner is required to pay. The tax is levied by the governing authority of the jurisdiction in which the property is located; it may be paid to a national government, a federated state, a county or geographical region, or a municipality. Multiple jurisdictions may tax the same property. This is in contrast to a rent and mortgage tax, which is based on a percentage of the rent or mortgage value. There are four broad types of property: land, improvements to land (immovable man-made objects, such as buildings), personal property (movable man-made objects), and intangible property. Real property (also called real estate or realty) means the combination of land and improvements. Under a property tax system, the government requires and/or performs an appraisal of the monetary value of each property, and tax is assessed in proportion to that value. Forms of property tax used vary among countries and jurisdictions. Real property is often taxed based on its classification. Classification is the grouping of properties based on similar use. Properties in different classes are taxed at different rates. Examples of different classes of property are residential, commercial, industrial and vacant real property. In Israel, for example, property tax rates are double for vacant apartments versus occupied apartments. A special assessment tax is sometimes confused with property tax. These are two distinct forms of taxation: one (ad valorem tax) relies upon the fair market value of the property being taxed for justification, and the other (special assessment) relies upon a special enhancement called a "benefit" for its justification.*

**Keywords:** *taxation, ad valorem concept, real estate tax*

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### Streszczenie

Podatek od nieruchomości (lub podatek od uprawy ziemi) to podatek od nieruchomości. Podatek jest pobierany przez organ, któremu podlega jurysdykcji, w której znajduje się nieruchomość; może zostać wypłacona na rzecz rządu krajowego, państwa federacyjnego, powiatu, regionu geograficznego lub gminy. Wiele jurysdykcji może opodatkować tę samą nieruchomość. Jest to odwrotnie niż w przypadku czynszu i podatku hipotecznego, który jest oparty na procencie od wartości czynszu lub kredytu hipotecznego. Istnieją cztery podstawowe typy nieruchomości: grunt, udoskonalenia gruntów (nieruchome obiekty stworzone przez człowieka, takie jak budynki), mienie osobiste (ruchome obiekty stworzone przez człowieka) i dobra niematerialne. Nieruchomości (zwane również nieruchomościami) oznaczają połączenie gruntów i udoskonalień. W ramach systemu podatku od nieruchomości, rząd wymaga i / lub dokonuje oceny wartości pieniężnej każdej nieruchomości, a podatek jest oceniany w stosunku do tej wartości. Formy podatku od nieruchomości wykorzystywane są różnie w różnych krajach i jurysdykcjach. Nieruchomości są często opodatkowane w oparciu o ich klasyfikację. Klasyfikacja to grupowanie własności opartych na podobnym zastosowaniu. Właściwości w różnych klasach są opodatkowane według różnych stawek. Przykłady różnych klas własności są mieszkalne, handlowe, przemysłowe i wolne od nieruchomości. Na przykład w Izraelu stawki podatku od nieruchomości są dwukrotnie niższe w przypadku mieszkań wakacyjnych niż mieszkań czynszowych. Specjalny podatek od oceny jest czasami mylony z podatkiem od nieruchomości. Są to dwie różne formy opodatkowania: pierwsza (podatek ad valorem) opiera się na wartości rynkowej nieruchomości, a druga (specjalna ocena) oparta na specjalnych zasadach „korzyści” określonych dla jej uzasadnienia.


Słowa kluczowe: opodatkowanie, koncepcja ad valorem, podatek od nieruchomości

### Аннотация

Налог на недвижимость (или земельный налог) является налогом на недвижимость. Налог взимается органом, которому он подпадает под юрисдикцию, в которой находится имущество; он может быть выплачен национальному правительству, федеральному государству, округу, географическому региону или муниципалитету. Многие юрисдикции могут облагать налогом одно и то же имущество. В этом состоит отличие от арендной платы и ипотечного налога, которые основаны на проценте от стоимости аренды или ипотеки. Существует четыре основных типа недвижимости: земля, благоустройство территории (фиксированные объекты, созданные человеком, например, здания), личная собственность (движущиеся объекты, созданные человеком) и нематериальные товары. Недвижимая собственность (также называемая недвижимостью) - сочетание земли и ее благоустройства. В соответствии с системой налога на имущество правительство требует и / или проводит оценку стоимости каждого имущества. Формы налога на имущество отличаются в разных странах и юрисдикциях. Недвижимость часто облагается налогом на основании ее классификации. Классификация основывается на группировании свойств, основанных на аналогичном использовании. Недвижимость в разных группах облагается налогом по разным ставкам. Например, могут быть следующие классы собственности: жилые, коммерческая, промышленная и неиспользуемая недвижимость. В Израиле, например, ставки

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налога на недвижимость удваиваются для свободных квартир по сравнению с занятыми квартирами. Специальную налоговую оценку иногда путают с налогом на имущество. Эти две различные формы налогообложения: первая (адвалорный налог) опирается на справедливую рыночную стоимость имущества, облагаемую налогом, а другая (специальная оценка) опирается на «выгоде» для его обоснования.

**Ключевые слова:** налогообложение, адвалорная концепция, налог на недвижимость

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

It is an official description, list and register of real estate (land and real estate) made for tax purposes. Within this description the value of the property and the list of incomes generated by the property is assessed. In Poland, preparations for the introduction of the cadastre system have fiscal purposes. According to the assumptions, the currently valid principles of taxation concerning real estate tax, agricultural tax, forest tax and tax on inheritance and donations will be replaced by the new regulation. Instead of taxing according to the area of the property, the base for calculating tax will be the property value (Wołowiec T., Biliński J., 2002; Wołowiec T., 2002).


According to planes the cadastre system will not comprise only the fiscal cadastre. It will also include real estate cadastre and land and mortgage cadastre. Today the regulations governing the future cadastre system are the act on real estate management and implementation rules laid down in the regulation on common taxation of real estate. It is also planned to prepare a separate act on the cadastre system. The changes will be implemented gradually and the whole operation will be finished around 2010. The valid regulations stipulate that

the cadastral value be determined for real estate mentioned in the provisions of the real estate tax. In order to establish the cadastral value, the authorities running the cadastre will hold common taxation of property. The cadastral value of the property is established on the basis of assessing real estate representative for particular types of real estate in the area of a given commune. The value of representative real estate is determined using the transaction prices in the area of the commune. If there are not enough transactions – the area of an adjacent commune is taken into account. The activities of estimating representative property in order to define the cadastral value and to draw up taxation maps and tables is performed by real estate appraisers (Wołowiec T., 2003).

Cadastral values, determined in the process of common taxation of real estate, should reflect differences existing between particular properties and they should aim at getting as close to the market price as possible with the principles of mass valuation. The basis for determining the cadastral value of particular real estate are taxation maps and tables. The value is established for the whole property or its parts if they have

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been singled out as taxation objects in regulations on real estate tax. The cadastral value of a land property is the cadastral value of the land and of its elements. A taxation unit with reference to the land is a plot of land or its part with different allocation than the neighboring plots or the remaining part of the plot, determined in the local spatial development plan or another way of using a given part of the plot if the spatial development plan has not been prepared. A taxation unit with reference to the elements of the land is a building, a flat in a multi-flat building or another premise permanently fixed to the ground. The value of the property in the taxation process is established taking into account characteristic features of the property affecting its cadastral value. For this purpose two types of land are differentiated: developed property or property allocated for development, and property allocated for other than agriculture and forest purposes and agriculture and forest property (Wołowiec T., 2005). The characteristic features affecting the cadastral value of the first group include: location, purpose assigned in the local spatial development plan, and in case there is no plan – the way it is used, technical infrastructure, degree of development, soil class of the land if it was determined in the real estate cadastre. Characteristic features influencing the cadastral value of buildings also comprise: location, type of building, how it is used, what internal installations it has, technical data as defined in the provisions on the real estate cadastre, degree of wear and tear. On the other hand, the features of flats/premises affecting their cadastral value are: location in the building, type of flat, how it is used, what internal installations it has and its degree of wear and tear (Grycuk A., 2000). Advantages of the implementation of cadastral tax (ad valorem):

- consolidating (expanding) the income base for territorial self-government units;
- clarifying the issues of ownership of property (for example positive influence on safe of property trade);
- limiting the so-called grey zone of local taxes;
- an impulse to developing property not used yet (including communal property);
- is socially justified (owners of more expensive properties pay a proportionally higher tax);
- positive influence on wealth distribution in the society (more proportional distribution of tax burden);
- limiting speculative investment in real estate.

Disadvantages of the introduction of cadastral tax (ad valorem):

- it is expensive to introduce (for example the necessity of building an integrated system of information on properties);
- it requires completing and ordering data in the register of land and buildings and in the land and mortgage register;
- possible increase in costs of rental and use of the property;
- it may be seen as socially unfair (size of tax burden does not depend on the taxpayer's income);
- weakening the tendencies of some owners to renovate and modernize the property since its value may grow (and consequently, the amount of due tax);
- the risk of deepening disproportions between poor and rich communes (differences between the taxation base values).

The draft of the property tax reform according to the Ministry of Finance.

**Taxation subject.** Tax will cover property owners, or – in case of the perpetual usufruct of the property belonging to the Treasury – users holding the property.

**Taxation object.** All properties classified according to the civil code provisions: land, buildings and other structures erected on the ground and permanently fixed to it. For the purposes of cadastral tax, non-agricultural and non-forest properties will be differentiated depending on their purpose, into properties serving economic purposes, properties serving personal needs (residential or public) and properties for rent.

**Taxation base.** Taxation base is to constitute some percentage of the value of property determined in accordance with the provisions of the act on property cadastre. The above value is determined via **capital-based method** - according to its current value. In case of buildings for rent, it is postulated to determine the value based on rent value – that is according to the income of the property, that is real or hypothetical rent.

**Tax rates.** Tax rates will be differentiated depending on the type (purpose) of the property. The level of tax rates would be determined by the commune council, within limits determined by the act. The Ministry of Finance preliminary assumption is that the cadastral tax rates should be from 0.1% (residential buildings) to not more than 2% (buildings related to conducted business activity) of the property value per year. To compare – in western Europe property owners pay cadastral tax in the amount of between 0.5% and 1.8% of the property value annually.

**Tax exemptions.** The commune council would be entitled to use tax reliefs and exemptions, while maintaining the obligation to calculate tax for the purposes of the compensation subsidy system. There is also another group of exemptions from taxation,

lying in the competencies of the Polish Parliament, concerning investment reliefs or indefinite exemption of the property related to the defense. Properties owned by communes would remain exempted from taxation. Capital value of the property may be determined on the basis of the property market value, book value determined for depreciation purposes, and valuation assessment. The capital method is used in the USA, Germany, Japan, the Netherlands, Latin American countries and Turkey.

**The reasons for reforming the property taxation system.** Before analyzing the main reasons for reforming the property taxation system in Poland we need to establish the meaning in which the concept of “system” will be used in this publication. It is necessary due to the fact that we may have justified doubts whether there is any “system” of property taxation in Poland at all (Wołowiec T., 2005). This concept will mean a set of taxes valid at the same time in Poland, whose subject is related to holding a property. The keynote for this system – that is the factor combining these taxes into the whole is that the obligation to pay these taxes is connected with the fact possessing and using a property. Such understanding of the “system” does not determine whether it constitutes an orderly whole, is internally non-contradictory, has pre-determined goals, etc. These internal features of a rational system are not taken into account when determining what taxes are included in the system of property taxation; they will serve though as criteria for its evaluation (Etel L., 2004). The property taxation system, as understood above, is built of three taxes at present, namely: property, agricultural and forest taxes. Property tax is defined in the Act of 12<sup>th</sup> January on taxes and local fees, agricultural tax – in the act of 15<sup>th</sup> November 1984 on agriculture tax, while the forest tax – in

the act of 28<sup>th</sup> September 1991 on forests. The current property taxation system is made of three taxes of very similar objects, broadly understood as property. It is assumed that property tax has the widest object scope, as it places burden on land and buildings. The object of agricultural and forest taxes is only land. These performances, according to the rule differentiating their scope, included in Article 3 of the act on local taxes and fees, are supposed to complement each other so that land covered by agricultural or forest tax is not subject for property taxation, unless it is used for conducting other than agricultural or forest activities. These taxes, as emphasized in specialist literature, "are competitive to each other, since depending on the use of the property for agricultural, forest, residential or business purposes, it may be covered with one of these three taxes (Mastalski R., 1996)." In spite of the existence of the above rule separating these taxes, they overlap both as far as the subject and object of taxation are concerned. The co-existence of these three performances when taxing properties gives rise to numerous problems in both theory and practice. However, this is not the main reason for reforming the property taxation system. The most important reasons are listed below:

1. It is a typical historical system, shaped not on the basis of arbitrarily adopted assumptions but by continuous adjustment of its particular elements – taxes – to the changing social and economic situation. In fact, for the past few decades the same rules regulating the agricultural and forest tax have been used, subject only to modifications, and never thoroughly reformed. The property taxation, especially real estate taxation, is the final element of the tax system which has not been practically changed after 1989 (Wołowiec T., 2007).

2. This system is not adjusted to those operating in the European Union, dominated by systems based on taxable properties cadastre. The Polish system of registering and taxing properties has been severely criticized by EU experts, who emphasized the necessity of its reform. The creation of the cadastre and related property taxation system is one of the basic conditions of Poland's membership in the European Union, where such solutions are used in nearly all countries. The European Communities place special significance to the issue of cadastre, which is reflected in obliging those member states which have not had such system, to implement it. The work on the cadastre system was taken up practically in all Central European countries applying for EU membership. This is to harmonize their system of registering properties with the system used in the EU, which will undoubtedly facilitate and accelerate the process of their integration within the European Community (Wołowiec T., Soboń J., 2010).

3. It is an obsolete system, based on taxing the area of the property (buildings and land), only slightly reflecting value as the taxation base (buildings). The assets in these taxes are valued for the taxation purposes in square meters and hectares (conversion and physical), not in money. In the structural evolution of taxes comprising the property taxation system we can discern a visible trend consisting in moving away from the taxation of income (agricultural tax) and property value (property tax) and towards taxation of property area.

4. In fact there is no uniform and credible register allowing proper calculation of taxes imposed on the property. The area being the taxation base is supposed to be derived from the register of land and buildings. In reality, though, there is only the register of land, whereas the evidence of

buildings is still waiting to be created.<sup>19</sup> Therefore the building taxation base is determined on the basis of physical measurements. Forests and forest ground are taxed on the basis of physical data resulting from the forest development plans or simplified forest development plans, whose credibility, due to the lack of updates is also far from perfect. Where no forest development plans are available, the area of the forest is determined on the basis of data from the register of land.

5. It is a system which does not bring any expected income for local budgets. This is mostly attributed to the fact that buildings, constructions and the so-called construction objects which are not permanently joined to the ground are covered by any register, and so tax bodies of communes find it extremely difficult to determine which of these objects have not been registered for taxation. Another reason for low fiscal productivity is due to the fact that there are very high and in many cases, unjustified differences in the level of particular taxes imposed on property. Preferential taxation of agricultural and forest property compared to other types of real estate, accounts for the escape of taxpayers from paying taxes on property and choosing to pay agricultural tax, which is very easy in the present system. For the area to be taxed with agricultural tax it only has to have at least 1 hectare and one does not even need to conduct agricultural activity. Also a large number of statutory exemptions (covering, for example, land classified as 5<sup>th</sup> and 6<sup>th</sup> class) translates into low incomes achieved by communes.

6. Taxes comprising this system, even though they are becoming performances similar in type due to the implemented changes, still demonstrate certain heterogeneity of their construction. Further changes to the agricultural tax and property tax have

transformed these performances from revenue (agricultural tax) and revenue-capital (property tax) into capital types of taxes, with some typical elements of revenue taxes. This dual nature of taxes accounts for ill-adjustment of their object (assets) to the taxation base, which directly does not reflect the value of the property.

7. The current system does not solve the problems of agriculture taxation, including taxation of agricultural real estate. At present taxes imposed on properties, especially agricultural tax, are the only performances burdening farm owners (not counting incomes from special sections of agricultural production). Since that professional group does not pay taxes on revenue or income obtained from conducting agricultural activity, attempts are made at making the agricultural tax a revenue-income-capital tax. This is obviously some fiction, negatively affecting the shape of agricultural tax, which is manifested, for example, in the concept of conversion hectare. Whether it is used to determine the revenue capacity, income capacity or the area of a farm, it is hard to say. Determining the principles of agriculture taxation, including classification of agricultural tax as a typical asset tax and covering revenues from agriculture with an income tax is one of the most important and most challenging problems to be solved in the near future.

8. It is a system without the “general part”, within which common institutions for all taxpayers would be regulated. In none of the constitutional acts are taxes treated as a whole; on the contrary – property tax is classified into the local taxes and fees, while agricultural and forest taxes are not. There is no uniform terminology used in legal acts regulating their structure, as a result of which problems arise concerning their object and subject scope.

9. In spite of appearances, the structure of these taxes may be shaped by communes

only to a small extent. For no apparent reason the scope of the power given to the council differs for particular taxes. The competencies granted to councils are not

adequate to the constitution-guaranteed right of territorial self-government units to determine the level of local taxes and fees.

### **Analysis of latest research where the solution of the problem was initiated.**

The above drawbacks of the valid system of property taxation seem to call for the necessity of taking quick action aimed at reforming it. Some of them can only be removed by thoroughly reforming the property taxation system, aimed at introducing the cadastre system and the tax on property value based on it. The implementation of the fundamental reconstruction of the current system of registering and taxing properties requires quite a long period of time. This is mainly connected with the necessity of establishing the real estate cadastre and conducting common taxation in order to determine the cadastral value of properties. It is assumed that a fiscal cadastre may be introduced in a couple of years, at the earliest, and if it is going to be a multi-purpose cadastre, this period will be significantly prolonged (Wołowiec T., 2003).

However, many of the above-signaled drawbacks of the current property taxation system may be eliminated without the need to wait for the cadastre. Even now, within the first stage of the reform, actions can be taken aiming at improving the existing regulations, which should either strive at removing or modifying those provisions which generate problems at the stage of collecting taxed imposed on real estate and adjusting the existing norms to the assumptions of the designed cadastral tax. Among detailed actions that should be implemented in the first stage of the reform one could mention:

1. Standardizing the structure of three taxes imposed on the land, which especially concerns the statutory definition of the tax object, exemptions and reliefs, properties exempted from taxation, competencies of

self-government bodies in shaping some of their elements and the mode and terms of payment. Also terminology used in provisions of the acts regulating taxes should be standardized. Taking up these activities will make it easier in the future to impose one cadastral tax on all land property.


2. Eliminating significant differences in the amount of tax burden imposed on particular types of property. Activities here should be aimed at making tax burden real, especially in case of agriculture land and forests, by gradually increasing the amount of agriculture and forest tax (eliminating some exemptions and reliefs, increasing the tax rate). Also the differences in the amount of taxation within particular taxes should be decreased (for example between residential and other buildings, forests with forest development plans and those which are taxed on the basis of the register of land, etc.). Relative standardization of the level of particular taxes will eliminate the phenomenon of dodging property taxes and will alleviate the effects of covering agriculture and forest lands with cadastral tax (Wołowiec T., 2003).

3. Using the depreciation value as the taxation base not only to constructions, but to all objects subjected to statutory depreciation. In this way most buildings and constructions not fixed permanently to the ground and used for conducting economic activity would be taxed on principles characteristic for cadastral taxes.

4. Introducing a provision which would precisely differentiate the object scope of these three taxes. The best idea would be to write down in the act on agriculture and forest tax that the land covered with the

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provisions of this act includes the taxable land, the land exempted from these taxes and the land not covered by these taxes by the virtue of the above acts. This will help clearly isolate the object scope of these three performances and will limit the phenomenon of avoiding to pay property taxes (Wołowiec T., 2004).

5. Making entries in the land register real, establishing the register of buildings and clearly stating in the three acts regulating property taxation that the taxes are calculated on the basis of data arising from the above registers. This will standardize the principles of determining the area of the taxable property, facilitate calculation of taxes and contribute to revealing properties which have not been declared for taxation. Data included in these types of registers will undoubtedly be used when establishing the property cadastre.

6. Removing “dead” provisions from the acts, that is provisions which are no longer used or do not perform the assumed function (for example the right of the province governor to move communes to another tax region, preference treatment of land in case of only one group of the retired people – those who belong to a cooperative, etc.).

7. Increasing the rights of self-government bodies in shaping the structure of these taxes by, for example, adopting the principle that rates in agriculture, forest and property taxes may be decreased and differentiated by the commune council without any restrictions. Minimal rates should not be used, as – which is confirmed in practice – do not perform any function in the current system. The commune council should also be authorized to introduce not only exemptions but also reliefs in all three taxes. This competence of the council should be statutorily limited, due to Article 217 of the Constitution, only to object exemptions. Granting such rights to the com-

mune council is a manifestation of the implementation of the principle of increasing the local government rights and the constitution guaranteed right to determine the level of local taxes and fees. Accomplishing the first stage of the reform will make it more probable to achieve social acceptance for implementing fundamental changes in the system of property taxation. The evolutionary transformation of the tax “on the surface” into the tax “on the value” of the property will, as can be supposed, alleviate the taxpayers’ fears concerning possible effects of introducing the cadastral tax. Extending the circle of entities obliged to pay the tax on property value, within the existing regulations, will decrease the natural resistance of taxpayers against accepting new principles of property taxation. Such effect cannot be achieved by introducing, and omitting the transitory period, new, totally different regulations, addressed at a very wide circle of potential taxpayers used to the valid principles of paying tax on property.

The gradual implementation of the property taxation reform is also supported by the fact that in practice its success will significantly depend on the efficiency of the operations of self-government tax bodies. Employees of these bodies (especially treasurers) do not always have proper education allowing them to acquaint with new regulations concerning the process of property tax collection quickly and independently. We should bear in mind that in practice the first problems encountered with switching to the new principles of property taxation will be solved by these people. Their competencies will determine the efficiency of the implementation of new provisions. This favors the gradual adjustment of the valid regulations wherever possible, to the designed cadastral tax. It will enable us to ‘test’ in practice some of them in the system of property tax and will

allow the employees of tax calculation organs of local governments to acquaint with it. The accomplishment of the first stage of the reform will enable us to perfect the valid legal provisions and to eliminate those which generate problems. It is of particular importance in a situation when the structure of some elements of the new tax will be based, as it should be postulated, on provisions of law included in the current acts. The norms concerning such tax elements as its subject, object, exemptions or mode of payment, after introducing some corrections, may be moved to the cadastral tax. The introduction of these corrections and their practical verification on the basis of the 'old' tax will contribute to their problem-free operation in cadastral tax.

There is one more reason for the implementation of the reform, a reason we have already mentioned many times. The efficient operation of the new tax is determined by the creation of the cadastral system and conducting common taxation of properties. This tax, apart from other conditions, will function well if the cadastre performs its functions. This can only be checked empirically by observing how this institution functions for some time. If it turns out that it performs its functions, we can base the property taxation system on it. However, if for some reasons, the functioning of the cadastre does not go in line with the assumptions of its creators, we cannot relate a new property tax to it. Therefore it seems that it is not justifiable to introduce the cadastre and the cadastral tax simultaneously. In the first stage of the reform we should practically verify how the new solutions concerning property valuation and cadastre work and then – after successful verification – start the second stage consisting in implementing the cadastral tax.

**Structure of the new property tax.** The structure of the new property tax should be

based on the following assumptions (Wołowiec T., 2005):

1. Cadastral tax will replace the currently used three taxes: property, agriculture and forest ones. In this way all types of real estate being a property or belong to various types of entities will be taxed along the uniform regulations, which does not mean, though, that there would not be any specific principles of taxing particular types of property (for example agricultural land and forest). Imposing one tax on all kinds of real estate would help eliminate the above-signalized drawbacks of the existing regulations, such as: avoiding taxes on real estate, considerable difficulties with proper classification of the property as subject to a given tax and determining which entity has tax obligation. When determining the object of the new tax, we should preserve the current regulation stating that a taxpayer is an owner of the property and only in case of properties belonging to the Treasury and self-government units, the taxpayer is an entity holding the property. This principle should be reinforced by adopting a solution that in case there are both the owner and the owner-like possessor, it is the owner (with exceptions of the state and commune properties) who will be the taxpayer. It should be postulated that the lawmaker, when defining the taxpayer, should leave the term "owner" and adopt the term "holder" of property. The latter is a broader term, covering not only the owner, as understood in Article 336 of the Civil Code, but also the dependent holder, trustee and manager of the property. In this way clear criteria for determining the person obliged to pay taxes on state and commune property would be created; it would be the holder of the property, regardless of their legal title and other related circumstances. A similar principle would be applied to defining the taxpayer for the properties whose legal status has not been regulated yet, which unfortunately are

quite common in Poland. In this case the taxpayer is the holder of the property whose legal status is not regulated.

2. The object of the cadastral tax should be the real estate not only as understood in the Civil Code, but also other types of building objects and constructions, which are not these types of property (temporary buildings, sheds, fences, swimming pools, greenhouses, etc). The provisions regulating the cadastral tax should relate to the Construction Law, which comprises precise definitions of a building, a structure and an object.

The tax object should also be agricultural and forest real estate, which is connected with the already mentioned postulate of eliminating the agricultural and forest tax. An optimal solution would obviously be to cover from the very beginning all land with the new property tax. However, due to significant specificity of agricultural and forest land taxation, a transition period seems to be necessary. In this period we should maintain the existing tax burden placed on these types of land. However, during this time, the agricultural and forest tax level should be gradually increased to the assumed level of the cadastral tax. The burden should be increased by eliminating some reliefs and exemptions (such as exempting class VI land from tax, "soldier" reliefs) and granting commune councils the right to increase the rates for these taxes. It also seems that we should consider what was already practiced in 1984, namely gradual increases of the statutory rates of agricultural and forest land tax to dampen the effects of switching to the general taxation principles.


3. The taxation base in the new tax should be the value of property resulting from the real estate cadastre. The real estate cadastre should be of fiscal nature and should be run by self-government cadastre bodies at the district level. The cadastral value should be

determined via common appraisal of real estate, which would help to avoid costly individual appraisals performed by appraisers. The principles of determining the cadastral value being the taxation base for the designed tax have already been defined in the act on the real estate management. Section IV of this act concerns property valuation, including determination of cadastral value. The real estate cadastral value, according to Article 150 part 4 of the Act, is determined for real estate listed in the provisions of the property tax. It is determined via common appraisal of real estate by bodies running the real estate cadastre. The cadastral value of the property is determined on the basis of appraising properties which are representative for particular types of real estate in a given commune. Technical activities related to assessing the value of representative real estate and then drawing up appraisal maps and tables are performed by real estate appraisers. Appraisal maps are used to mark single values of the land located in the zone characterized by similar factors determining the market value of the land. Relating this value to the land area we obtain the cadastral value. Similar principles are applied to the value of land elements. In order to determine the cadastral values of land elements (buildings, structures, constructions which do not constitute a separate ownership title) are determined via their respective area values and presented in appraisal tables. The cadastral value of the object constituting an element of the land is determined as the product of its area indicated in the property cadastre and the unit value indicated in appraisal tables. The same method is applied to determine the cadastral value of premises and buildings constituting an object of ownership separate from the land.

Appraisal maps and tables are drawn up by the body running the cadastre, obliged to

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provide access to them. Everyone whose legal interest is affected by appraisal maps and tables may raise objections to them. Having considered objections, the commune council passes a resolution on validating appraisal maps and tables. Those dissatisfied with the way their objection was dealt with are entitled to appeal to the Supreme Administrative Court.

The cadastral value of a particular property is determined by the body running the cadastre and on the basis of this decision the value is entered into the property cadastre. This value becomes official data once it is entered into the register. Values of properties entered into the cadastre may be updated officially or at the taxpayer's request, following the individual assessment of the property. The law does not specify when such first valuation of property should be conducted (this is to be determined separately). The Council of Ministers was obliged to issue a regulation on detailed principles and mode of conducting the valuation and its control, however the relevant regulation has not been adopted yet.

It seems that the regulation of the principles of determining the cadastral value in the 'non-tax' act of law is a rational solution for two reasons. Firstly, the principles of determining this value constitute an integral part of the system of property valuation, which is regulated in a complex way in the act on property management. Isolating the mode of determining the cadastral value from general principles of property valuation would require regulation of the same issues (for example ways of determining the property value, principles of real estate surveyors work, etc.) in an identical way in two different acts of law. Secondly, the complexity of the issue would justify excluding the principles of determining cadastral value from the act on property tax. Regulating it in the prepared


act would considerably increase its volume, which would negatively influence its transparency and clarity.

4. Maximum percentage rates of the tax should be determined in the act, whereas the commune council would be given an opportunity to differentiate them. In order to determine the maximum rate for a given category of property it is necessary to perform some simulations which would allow us to decrease the risk of sudden growth in tax burden imposed on the property. New tax rates should be shaped so as to make the amount of cadastral tax similar to the amounts currently paid. The commune councils should, within these limits, determine rates for a given tax year, adopting a relevant resolution. It seems that it is hard to justify, as confirmed in the practice of determining the lowest rate that communes have competencies to introduce rates exceeding maximum rates, though this competence should be limited by law, for example to 10% of the maximum rate. This competence would work as some kind of 'safety fuse' in the first period of implementing this law, when we can expect to see the phenomenon of ill-adjustment of the statutory rate – uniform for the whole country – to the specificity of a given commune.

5. The proposal of the act on cadastral tax the catalogue of reliefs and exemptions existing in the current taxes should be limited. It is not advisable to incorporate all reliefs and exemptions into the new act, as they have been shaped in various periods of time and do not constitute an orderly and well thought out system aimed at accomplishing some clearly defined goals. First of all, it is hard to indicate the criteria which determined why a given type of property is exempted from tax. The subject literature demonstrates that it is completely unclear why, for example, we should exempt from tax structures used for the public

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railway transport, airports, sea ports or structures for generating electricity or energy, in a situation when their use is associated with conducting business activity in which you can take into account costs related to taxation of such property. The lack of clear criteria for exemption is also manifested, inter alia, by the fact that power lines are exempted from taxes, whereas telecommunication network, though its significance and functions performed for the economy are very similar, are not. It seems that when determining the content of the catalogue of properties exempted from the new tax, one should first set some goals to be achieved via such exemptions and reliefs, and eliminate those which are not useful. This would undoubtedly eliminate most of the exemptions and reliefs included in the draft of the act. Especially excessive statutory exemptions should be reduced. The tax exemptions concerning the objects should be exclusively introduced by the commune council. We should consider the introduction of 'investment' reliefs, stimulating to build and develop some structures used for conducting business activity concerning social and housing infrastructure and residential constructions.

6. The cadastral tax should be paid on the current principles. Legal entities and organizational units without legal capacity would calculate and pay in installments the due tax to the budget of the commune in which the property is located. Individuals would pay the tax on the basis of a decision issued by the self-government tax body, which should be the body running the property cadastre. We can also consider the possibility of administering this tax by a tax body to all taxpayers in form of a decision.

It is justified by the fact that in the first period of the new tax taxpayers will experience difficulties with calculating it on their own. However, the implementation of this proposal, especially in large municipal communes, would considerably increase the obligations of tax bodies, as they would have to prepare, issue and serve a large number of valuation decisions. This would negatively affect the costs of this performance. Besides, legal entities and organizational units which do not have legal capacity are obliged by the valid law to declare and calculate taxes whose construction is more complicated than the construction of the cadastral tax and somehow manage to it, therefore we can assume that they would also manage to calculate the cadastral tax. Resigning from self-calculation of the cadastral tax by this category of taxpayers in the initial stage of the tax implementation does not solve the problem, but only postpones it. This may lead to a situation when legal entities and other organizational units will 'forget' the necessity of self-declaring and self-calculating property tax. Therefore it seems that the cadastral tax should be paid on the current principles. The implementation of the above-presented postulates concerning the structure of the future cadastral tax is not enough for creating a rational system of property taxation in Poland. Simultaneously, work should be done on establishing a modern fiscal cadastre of properties, as its proper operation guarantees the success of the reform. This issue, however, exceeds the scope of this publication, whose main aim was to present the basic assumptions of the reform of the property taxation system.

### **Aims of paper. Methods.**

**The main goal** is to present and evaluate legal regulations concerning systems and

models of real estate taxation in the European Union countries. The analysis of

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legal regulations includes both the point of view of the taxpayers and public administration bodies (tax authorities). Additional goal comprise identifying disadvantages and advantages of the surface model as well as *ad valorem* model, together with legal assessment of the concept of transformation of real estate tax based on the so-called zoning of tax rates.

Scope of research. The evaluation of legal regulations and solutions concerning systems of real estate taxation in the European Union countries was limited to the real estate tax and reflects the search for legal governance in real estate taxation from the point of view of taxpayers (individuals and entrepreneurs) and public administration units (mostly local self-governments). The evaluation of current and projected solutions and amendments to legal regulations includes both short-term and long-term perspective. **Subject of research** are legal regulations concerning systems and models of real estate taxation in the European Union countries, includes both the point of view of the taxpayers and public administration bodies (tax authorities). Subject of research comprise also identifying disadvantages and advantages of the surface model as well as *ad valorem* model, together with legal assessment of the concept of transformation of real estate tax based on the so-called zoning of tax rates. **Object of research** comprise the legal models of real estate taxation in EU countries taking account a presentation the ways of reforming Polish real estate taxation system. **Research methodology.** Induction is the main research method used in the paper. It consists in drawing general conclusions or determining some regularities on the basis of an analysis of empirically observed phe-

nomena or processes. It is a type of reasoning on the basis of details on general properties of a phenomenon or an object. The application of this method requires accepting an assumption that only facts may constitute the basis of scientific reasoning. These facts are real situations (social, legal or organizational ones). Induction methods comprise various types of analyses, expert's opinions, statistical data and scientific documents used in social research. Moreover, in the paper I used two general research methods, namely **analytical and synthetic methods**, characterized by special approach to examining the reality. The analysis shows reality as a set of single, particular features and events. Following this research method consists in taking the object of the analysis apart and examining each part separately, or in discovering the elements of that object. A drawback of the analytical method is excessive exposure of details, sometimes leading to losing sight of the whole object of research. This prevents us from fully and objectively learning about the reality, which admittedly is a set of independent elements, but also a set of parts closely linked together to form the limited whole. **The synthetic method** treats reality as a set of features, its implementation consists in seeking common features of various phenomena and events and then combining them into a uniform entity. Therefore the synthetic method examines and determines the whole object of research. **Using complex (hybrid)** research approach we also used the so-called **triangulation of data sources**, that is comparing the information on real estate taxation from various periods and legal systems, and **theoretical triangulation** – consisting in analyzing the obtained data from the point of view of various theoretical legal concepts.

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**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

The system of financing local government in Poland requires changes which would strengthen the share of own income in self-government budgets and increase the autonomy of financial policies implemented by local authorities. Among the hotly debated proposals in Poland of strengthening the tax potential of local budgets one can differentiate:

- Discussions concerning changes in the property tax
- Concepts aiming at transforming shares in PIT into a local income tax
- A concept of local sales value tax, recently formulated by W. Misiąg.

All these three directions deserve detailed analysis, however, our report concentrates most of all on the first of the above-listed options. There is no coincidence in the fact that property tax is the main source of income for self-governments in many countries. This is due to its features which make it a nearly ideal local tax:

- The tax base is relatively (at least compared to most other taxes) equally spread in the area;
- Allocating the income to a particular local authority is unequivocal (this feature differentiates property tax from PIT, where we also encounter problems while trying to determine the actual number of residents. There is also a problem of how to treat people with several places of residence. The problem of territorial equivocalness is even more acute in other taxes – for example CIT, or – in an even more dramatic form – in case of VAT);
- Allocating to a particular local authority prevents manipulations of possible taxpayers (for example in case of PIT we cannot exclude the

possibility of fictitious migrations motivated only by the need for tax savings).

The concepts of changes to the property tax in Poland date back to as early as the first half of the 1990s, though none of them has ever been implemented. This report presents the concept which, in our opinion, meets several important criteria:

- It increases potential incomes of many local authorities;
- It is more fair than the currently used system;
- It is relatively simple and easy to implement.

The main subject of this report is to present the details of this proposal, together with the simulation of its financial implications for various categories of self-government. In addition, we briefly relate to a few issues connected with the main topic, namely:

- The issue of combining changes to property tax and accompanying changes to other segments of the system of financing self-governments, especially the way of calculating the general subsidy;
- The issue of connecting property tax to other burdens of similar nature – forest and agriculture taxes and perpetual usufruct fees;
- Discussion on the scope of tax power of local authorities.

I present a thesis of positive effects which would be brought by the strengthening of local authorities incomes by local taxes. We may list several arguments, both political and economic ones, for such construction of the income system:

The system in which the major part of local budget comes from own resources devel-

ops responsibility of local governments towards their inhabitants. The shape of the commune budget largely depends on decisions concerning local taxes and fees. This helps strengthen political responsibility of councilors and executive authorities towards their voters as well as supports the interest of inhabitants in local public issues. In other words, such a system of incomes supports the development of local democracy.

Such a system also helps rationalize expenditure and search sources of possible economies. Local government politicians find it more difficult to increase expenditure if it is to be financed by increasing taxes imposed on their own voters (who may not be happy with such a solution) than in a situation when we receive the money from the central government.

The fiscal policy may be adjusted to local preferences. In one place, inhabitants may expect a higher level and better availability of services, even at the cost of higher local taxes, whereas in another place they will prefer poorer availability or higher payment for services only to keep local taxes as low as possible. If a significant part of income came from donations and subsidies, the implementation of such a policy, taking into account local preferences, would be impossible, as only own incomes can be shaped at the level of local government units.

A solution in which the majority of local authorities income is own income lowers the pressure on the amount of total public expenditure, especially on the size of expenditure from state budget. This is the consequence of the above-mentioned fact that in a situation of the dominant own income, attention is paid to seeking savings rather than on negotiating resources (transfers) with higher level authorities. Rattso (Rattso J., 2002) notices that in a situation where the dominant part of local authorities

income comes from transfers, that is a situation in which the local community does not bear the direct burden of financing tasks, inhabitants are inclined to expect excessive supply of local services. On the other hand, local authorities – passing these expectations further – require bigger transfers, which are financed from taxes imposed on taxpayers in the whole country. Such system leads to increased pressure on higher public expenditure.

The postulated income structure also strengthens the position of local authorities in the country. Self-government becomes a partner contributing to the financing of public tasks, rather than a client asking from “crumbles” from the government table.

With a high share of own income in local authorities budgets, local authorities become more interested in promoting local economic development (though this interest has also other reasons). Self-government politicians and managers will try to support development of economy just to increase budget incomes from their taxes. However, we cannot pretend that basing self-government budgets on own incomes will only bring positive results. There is also a negative consequence – a growing role of own incomes in local budgets will inevitably lead to growing differences between poor and rich regions.

Besides, using the criteria discussed here, the worst type of income is the self-government share in state taxes. It has the above-mentioned drawback (leads to growing disproportion of incomes achieved by self-governments in poor and rich regions), and does not have most of the benefits associated with own incomes. Since the decisions taken by local authorities do not influence the rates of these taxes or granted reliefs and exemptions, it is hard to expect that the existence of this share could contribute to better adjustment of fiscal policy to local



preferences or that it could limit the general amount of public expenditure.

**Local taxes in European countries.** Most European countries have more than one local tax. There are two dominant models:

- The model in which the most important local tax is property tax. Here we have the United Kingdom (we will discuss this case in greater detail), France, Poland and nearly all Central and Eastern European countries which joined the European Union in 2004;
- The model in which the most important local tax is local income tax. This group is dominated by all Scandinavian countries (Denmark, Sweden, Norway, Finland), though Croatia and Belgium also seem to follow in this direction, since the growing part of their incomes is from the self-government addition to income tax (Alibegović, D. 2002; Bajo A. Jakir-Bajo I., 2008).

The object of my special interest are those countries which base on property tax. Special attention should be paid to those of them which abandoned the tax related directly to the value of each taxed property. The United Kingdom is an interesting case. Traditionally property tax was one of local taxes and was collected on both residential and business buildings. Until the mid-1980s, local authorities had unlimited rights to determine the amount of this tax. Then the right was limited indirectly by the possibility of imposing the expenditure limits on local authorities by the government. In 1990 Margaret Thatcher decided that the property tax should be replaced with the poll tax. This moment also created an opportunity to deprive self-governments of the tax imposed on property used in business activity (the incomes from this tax still go to local authorities, but they are allocated on the basis of the algorithm defined by the government). In 2010 they

jointly brought 13% of local government incomes.

The poll tax was perceived by the large part of the society as unfair and caused massive protests. It was one of the main causes of the resignation of Thatcher's government at the beginning of 1991. Her successor – John Major – decided to implement another reform – introducing the local government tax (*council tax*), which is similar to the property tax, though it contains elements of the poll tax as well. Properties are divided – according to their value – into 8 classes (*bands*), marked with letters A to H, where A stands for the cheapest properties, while H – the most expensive ones. The council passes a resolution on the amount of tax for band "D". The tax for each property is calculated by multiplying the base amount by a relevant coefficient related to the value of the property. The tax also depends on the number of people residing in the property. For example single persons pay 25% less. The tax is paid on the property which is the only or the basic place of residence. In case of rented houses, it is the tenant, not the landlord, who is the taxpayer. An interesting source of inspiration is provided by the Czech Republic and Slovakia, where the tax depends – with some exceptions that are negligible for our considerations – on the type of use and size (area) of the property. A certain substitute of the value is found in determining the maximum tax rate differentiated according to the location of the property. In both countries a uniform maximum tax rate on square meter is differentiated depending on location (Local Government Finance, 2010).

**Property tax in Poland – the current state.** The aim of my analysis is not to describe the commonly known details concerning the structure of the existing tax. I will concentrate on a few features which

are of fundamental significance for the proposals presented in the further sections.

1. Property tax still remains the most effective source of own income for commune self-governments.
2. The local tax base, and consequently, the share of property tax in budget income of communes, differs.
3. With a few exceptions (concerning constructions), tax is calculated not on the value but on the area of the property, with maximum rates applied, since local authorities cannot exceed them.
4. Apart from the tax policy run by local authorities, the size of collected revenues is influenced by numerous statutory provisions, which determine, for example, exemption of some categories of properties from tax. Also of significance are those seemingly small amendments to the law not related directly to local authorities finance and implemented without the awareness of their far-reaching consequences. For instance a change to the definition of a building and a construction object in the Act on Construction Law, implemented in 2003, narrowed down the

concept of the building, eliminating 'by the way' all property taxation on construction objects not permanently fixed to the ground (for example garages), if they are not connected with conducting business activity. The adopted structure of maximum rates accounts for the fact that the property tax is mostly the tax paid on conducted business activity and only to some small degree it is paid by owners of residential or recreation properties (Przekopiak J., 2011).


5. As we can see from the above-quoted data, a significant number of communes resign from applying maximum rates by granting reliefs, exemptions, redemptions and also lowering rates on some categories of property. A detailed analysis of the tax policy in this scope is beyond the scope of this report, however, it is worth indicating several features to which we will refer in the proposals presented in the further sections here. Firstly, lowering property taxes concerns mostly smaller communes – especially rural ones – whereas in large cities this phenomenon is rather rare.

## Conclusions.

All governments had to deal with various aspects of property tax policy design – determining what is included in the tax base, assessing properties, setting tax rates, and administering the property tax system – although the focus was different in different places. This conclusions presents each of these elements of property tax reform in a little more detail. Bahl (Bahl R., 2009; Bahl R. & Wallace S., 2008) sets out several logical steps in preparing a property tax reform: (1) do a detailed diagnostic of the current system to understand what is working and what is not as well as to determine

clearly the objectives of the reform -- revenue mobilization, fiscal decentralization, land use control, etc.; (2) develop an appropriate tax policy design with respect to choice of tax base, rate structure, exemption policies, etc.; (3) design the administrative reforms needed to implement the tax designed such as coverage, valuation, record keeping and collection; and (4) monitor carefully the success of the reform with such quantitative indicators as collection rate, revenue collections, assessed to market value ratios, etc. This advice seems sound but it is unclear that any country has actually done all this and, as the cases in

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Section 2 above suggest, politics seems to have dominated most country discussions of property tax reform and largely determined the outcomes.

The first key design question is what should be taxed. Some properties are exempt in most jurisdictions. For example, property owned and occupied by government is generally exempt from property taxes. Other property types that are often exempt include colleges and universities, churches and cemeteries, public hospitals, charitable institutions, public roads, parks, schools, libraries, foreign embassies, and property owned by international organizations. In some countries, agricultural land and principal residences are also tax exempt.

Exemptions have been criticized on a number of grounds. First, since governments use municipal services like others who occupy space, they should be taxed. Second, since taxed properties face higher costs than exempt properties, economic competition among businesses and between businesses and government is distorted (Kitchen H.M. & Vaillancourt F., 2009). Third, differential tax treatment also affects location decisions, choices about what activities to undertake, and other economic decisions. Fourth, exemptions narrow the tax base and either increase taxes on the remaining taxpayers or reduce the level of local services. Finally, since the proportion of tax-exempt properties varies by municipality, disproportionate tax burdens are created across communities. This result is especially troublesome when higher-level governments determine what is exempt from local taxation. Of course, local governments themselves are often tempted to provide tax incentives to attract businesses to their jurisdiction. The usual argument is that property tax incentives will result in job creation, investment in the local area and increased local output (Brunori D.,

2003). Governments often engage in such tax competition to attract and keep taxpayers who are believed to contribute more in local revenues than they consume in government services.

Once the tax base is decided upon, the second key question is how to determine it in practice. Two distinct assessment methodologies are commonly used for valuing property: area-based assessment and value-based assessment, with the latter being divided into capital and rental value approaches. A few countries (e.g. Ireland) use some variant of self-assessment. The conventional consensus is that capital (or market) value taxation is best, for several reasons. The benefits from services are more closely reflected in property values than in the size of the property. For example, properties close to transit systems or parks enjoy higher property values. Market value also has the advantage of capturing the value added by neighbourhood amenities that have often been created by government expenditures and policies. Finally, any assessment system that fails to take account of changes in relative values over time will result in inequities. Nevertheless, some countries use area-based systems of taxation because they lack the necessary information, expertise, and resources to determine market values (e.g. Greece) or sometimes, as in the case of Poland, because they consider the market-value approach politically unacceptable. Germany, where property tax reform has been discussed for more than 35 years but never implemented, is currently considering three different reform proposals – market value, area-based, and a combination of the two whereby land would be based on market value and buildings would be area-based (Färber G. Salm M. Hengstwerth S., 2013).

Some countries use variants of self-assessment, under which property owners place an assessed value on their own property. In

the case of Ireland, for example, taxpayers are required to determine the value of their property and choose the correct value band. Self-assessment is an appealing procedure to countries with little administrative capacity. It does not appear to require expert assessment staff, and it seems to be easy to implement. In general, however, self-assessment seems likely to lead to inaccurate estimates of property values, with a tendency toward under-estimation. Since lower-valued properties are generally less under-estimated than higher-valued properties, this approach tends to produce regressive results with taxes being relatively higher on low-valued properties. To minimize the obvious problems of under-statement associated with self-assessment, governments must be prepared to obtain (often costly) expert assessments of individual properties in cases where it believes self-assessment is inaccurate. Three major issues arise with respect to tax rates. Who sets them? Are they differentiated, and, if so, how? And can taxpayers understand how the rate is applied to particular properties?

Sometimes rates are set by the central government. Sometimes there is some local discretion, within centrally-set limits. Sometimes there is complete local discretion. Even where rates are locally determined, they are often limited by the central government. For a local government to make efficient fiscal decisions, it must weigh the benefits (at the margin) of proposed services against the costs of providing them. If local governments do not finance services themselves, the connection between expenditures and revenues is lost and the choice of services will not be based on an accurate perception of their cost (Bird R. M. Slack E., 2013). Setting local tax rates places accountability for tax decisions at the local level, and increased ac-

countability may lead to better local services and perhaps even to a sounder development path over time (Hoffman B. D. Clark C. G., 2005; Sokoloff K.L. Zolt E. M., 2006). Local determination of tax rates is particularly important in countries in which a senior level of government determines the tax base. Local tax rates may have to be set within limits, however, to avoid distortions. A minimum tax rate may be needed to avoid distorting tax competition. Richer local governments may choose to lower tax rates to attract business. With their larger tax bases, they can provide equivalent services at lower rates than poorer competing regions.

Even when the resulting location shifts are not allocatively distorting they are generally politically unwelcome. A maximum rate may also be needed to prevent distorting tax exporting, whereby local governments levy higher tax rates on industries in the belief that the ultimate tax burden will be borne by non-residents. Such tax exporting severs the connection between payers and beneficiaries and renders decentralized decision-making about taxing and spending inefficient. Political leaders prefer providing services to their constituents without placing the burden of payment on them. When they do so, however, there may be increased demand for more services from those who do not have to pay for them. Variable tax rates (or other differentiation of property taxes among property classes) may be justified on a number of grounds. For example, the benefits from local public services are different for different property classes. In particular, a case can be made on these grounds for taxing non-residential properties less than residential properties. Since business capital tends to be more mobile than residential capital, efficiency arguments also lead to the conclusion that business property

should be taxed more lightly than residential property. In reality, however, lower rates are most often applied to residential properties, presumably for political reasons. There is little economic rationale for higher taxation of non-residential property. Differentially higher taxation distorts land use decisions and favors residential use over commercial and industrial use (Maurer R. Paugam A., 2000). Special taxation of one factor of production (real property) may also distort productive efficiency by inducing a different choice of factor mix in producing goods and services. However, politics often produces such discrimination: homeowners are much more likely to vote in local elections than tenants and, while the incidence of nonresidential taxes is seldom clear, non-resident owners and consumers who may bear some of the burden of such taxes have no vote (although political contributions and connections may give them some voice in the local political process). Farm properties are favoured in the property tax system in many countries as part of a more general policy of protecting farmland. Favourable treatment of agricultural land is usually designed to preserve it from conversion to urban use. It may be, however, that basing the property tax on value in current use is not sufficient to preserve farmland because, given the generally low effective tax rates on land, the resulting tax differential is unlikely to be large enough to compensate for the much higher prices that would be paid if the land were converted to urban use. Favorable treatment of rural land can increase speculation at the urban fringe and increase urban land prices.

Property tax rates may be visible, but can taxpayers understand how the tax rate has been applied to their property? When central governments set local property tax rates, local accountability is clearly reduced. Under this system, however, it is

simple to understand why one's tax burden increases since the only possible reason is that the assessed value of one's property has increased. One need not accept this result as either correct – it is, after all, a presumptive assessment, no matter how carefully it may be done – or fair, since it is by no means evident that increases in assessed values correlate tightly with any accepted fairness principle (Sheffrin S. M., 2008). Nonetheless, one can understand what is going on. However, when property tax rates are determined annually by local governments, although in principle the system is more conducive to local accountability to residents, it is much less clear to any taxpayer why his tax bill changes in any year. Suppose, for example, that local government budgets must be balanced, as is usually the case. The additional amount that any locality must raise from property taxation in a particular period is determined not only by changes in local expenditures but also by changes in transfers from other levels of governments and other revenues: it is the residual resulting from this calculation that must be financed by property taxes. The change in that residual divided by the assessment base yields the average property tax rate increase that must be imposed. However, the base itself changes with a market-value assessment system, with some values changing very differently from others. The tax imposed on any particular property in any year thus depends not only on the overall change in the tax demand and in the assessment base but also on the extent to which the change in the valuation of that property is greater or smaller than the average change in assessed values. It is hard to believe that many people can actually figure all this out. This system may be more accountable than one in which tax rates are determined centrally but it is certainly far from transparent.

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No form of taxation is more dependent on administration than the property tax. How well property taxes are administered affects not only their revenue but also their equity and efficiency. Poor tax administration is an impediment to implementing the property tax. Sometimes, local authorities simply do not have the capacity to administer the tax. Many administrative functions are performed manually rather than being computerized. Sometimes, the revenue base does not include all taxable properties, collection rates are low, and enforcement is almost non-existent. Even countries with relatively good property tax administration often have problems updating values on a regular basis. Recognizing the difficulty of local administration, many countries involve higher-level governments in some aspects of property tax administration, notably assessment. Even then, however, the results may leave much to be desired, since higher-level administrations often have little incentive to respond to the needs of local governments for up-to-date and accurate tax base information. Three key steps are involved in the process of taxing real property: (1) identification of the properties being taxed, (2) preparation of a tax roll (which contains a description of the property and the amount of assessment) and responding to assessment appeals, and (3) issuing tax bills, collecting taxes, and dealing with arrears. The first step in levying a property tax is to identify the property and to determine the owner (or other person responsible for tax liability). A cadastre is an inventory of all properties with a unique property identification number for each parcel to allow for the tracking of all parcels and linking of assessment, billing, and property transfer records. A good property identification system also requires that information on properties within the jurisdiction is updated and

made consistent. Fair and productive property taxes require a good initial assessment as well as periodic revaluation to reflect changes in value. Indexing (e.g. by the rate of inflation) is not as good as reassessment because property values change at different rates in different neighbourhoods and for different property characteristics. Nonetheless, where financial resources are insufficient to do regular reassessments, indexing (over a three to five year period) that reflects relative price changes among locations and property markets may both ameliorate taxpayers' discomfort with large assessment changes and improve information about market trends for assessment administrators.

Many countries have no provision for regular revaluations of the tax base or have postponed revaluations. As a result, assessed values bear little relationship to market value or annual rental value. Austria, for example, applies cadastral values from 1973 and the United Kingdom from 1991 for residential properties. Belgium uses values from 1975 and Germany from 1964 although both index the values with inflation or a corrective factor. Regular updates occur, however, in the Netherlands (annually), Denmark (biannually) and Sweden every third year (Johannesson-Linden A. Gayer Ch., 2012). No matter how well designed and implemented it may be, any property tax system may make mistakes. An essential component of a good system is thus an error-correction mechanism, and one critical element of such a mechanism is to allow taxpayers to appeal their assessment if they think it is wrong. An appeal system is both desirable and necessary: in reality, however, its outcome may sometimes be to reduce equity, simply because appeals are invariably most utilized by better-off taxpayers who both have more to gain and can better afford to pursue

legal redress. Administration of the property tax can be sufficiently costly to be an obstacle to reform (Brys B., 2011). Property assessment can be particularly expensive. Frequent valuations maintain the legitimacy of the tax and reduce the risk of sudden, dramatic shifts in tax burdens from large increases in assessed values. For these reasons, the valuation cycle needs to be fairly short. Revaluation is one of the most difficult aspects of property tax reform in terms of resources and administration. The costs associated with regular reassessments include computer software and support, training and availability of in house staff, and training and availability of local contract appraisers (Mc Cluskey W.J. Franzsen R., 2013). To administer a property tax at the same level of fairness as most other major taxes can be costly. In a number of developing countries, property tax reforms have failed at least in part because the cost associated with administrative improvements was too high relative to the potential yield from the improved property tax.

Much of the popular resistance to the property tax appears to be based on its visibility. Unlike the income tax, the property tax is not withheld at source. Unlike the sales tax, it is not paid in small amounts with each daily purchase. Instead, the property tax generally has to be paid directly by taxpayers in periodic lump sum payments (except in cases where the mortgage institution includes property taxes in monthly mortgage payments). Property tax liabilities are usually sufficiently large that taxpayers have to save in advance or increase their debt to pay the taxes. The result is that the payment of property taxes is more salient than other taxes (Cabral M. Hoxby C., 2012). Moreover, the property tax finances services which are also very visible, such as roads, garbage collection, and neighbourhood parks. Studies show that residents are more


willing to pay for local services when they rate their government and service provision highly. If services are not considered adequate, however, they are more likely to complain about their property taxes.

An important aspect of the property tax is that it does not reflect a real cash flow but rather an imputed one that may not necessarily reflect the owner's current situation. The imperfect association between homeowner incomes and property tax liabilities may create problems for some taxpayers such as seniors with little income. It is thus not surprising that the most vocal opponents to property taxes and tax increases are often seniors, many of whom may be asset rich but cash poor.<sup>46</sup> In part, they may simply have more time to voice their opposition. Whatever the reason, older homeowners are a strong political force in opposing the tax and are often rewarded by receiving special tax treatment.

Some of the resistance to property tax reform is based on the belief that the tax is regressive. Who pays the property tax, and is it an equitable tax? There are as many answers to these questions as there are views about the property tax. Those who view taxes on residential real property as essentially taxes on housing services tend to think that property taxes are inherently regressive, since housing usually constitutes a relatively larger share of consumption for poorer people. Those who view property taxes as essentially a tax on capital tend to think that such taxes are inherently progressive, since income from capital constitutes a relatively higher share of income for richer people. Those who view the portion of the tax that falls on land as being paid out of economic rent consider it to be inherently equitable to tax 'unearned increments' that often arise from public actions. Those who view property tax as essentially a benefit tax see no more sense in asking if the 'price' of local public services

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(the property tax) is regressive than in asking if the price charged for anything else is regressive: voluntary exchange (imposing property taxes as generalized user charges for services) does not, in their view, raise any question of incidence. Although hardly conclusive, the empirical evidence on capitalization on the one hand and 'tax exporting' on the other, at least in the United States and Canada, suggests that there may be something in all of these views. Since almost all quantitative studies purporting to show property tax regressivity reflect the assumption used in allocating property tax revenues across income classes, in the end belief concerning the equity or inequity of the property tax depend less on the (unclear) evidence than on what one thinks of the property tax in the first place. Property taxes may be levied at a flat or graduated rate. In many countries, some graduation is introduced by exempting low-value properties.

Property tax revenues are relatively inelastic because unless the base or rate is changed revenues do not change. Unlike income or sales taxes, property taxes do not automatically increase with growth. Even if the potential tax base does increase with growth, as with a market-value based tax, property values generally respond more slowly to changes in economic activity than do incomes or sales. This inelasticity is exacerbated because few of the countries that use market value assessment update property values for taxation purposes on an annual basis. In those countries where property taxes are based on the area of the property, the tax responds even more slowly to annual changes in income. In order to maintain property tax revenues in real terms (let alone increase them), it is thus usually necessary to increase the rate of the tax. One result of inelasticity is more accountability because local authorities

must increase tax rates and persuade taxpayers that they are justified in doing so. But this good feature is seldom considered desirable by those held accountable. As times change, perspectives may change. When the economic tide is rising, local governments deplore the inelasticity of the property tax both because it means their revenues do not expand automatically with growth and because they have to face the voters with higher rates simply in order to maintain revenues in real terms. On the other hand, the stability of property tax revenues may be considered a good feature by local governments in times of recession since it provides them with a more stable fiscal base for financing local services than they would otherwise have. At the same time, however, local taxpayers may again be very unhappy because their property taxes do not go down as quickly as their incomes and probably not as quickly as the value of their properties. In the last few years, for example, although property prices have fallen sharply in some OECD countries, property taxes did not fall as quickly and to the same extent.

The reasons for undertaking property tax reform vary over time and across countries. Good reasons for reform include increasing local revenues (and perhaps reducing transfers to local governments), improving local fiscal performance, removing inequities in the tax system so that there is similar treatment of similar properties, reducing administrative and compliance costs by simplifying the tax system, and improving efficiency by reducing the impact of taxes on households and business decisions. The economic approach to property tax reform emphasizes efficiency. In reality, however "tax policy is the product of political decision making, with economic analysis playing only a minor supporting role" (Holcombe R. G., 2003). As a rule, politicians



are less concerned with economic efficiency than with equity and public acceptability – concerns that often lead to such structural elements as exemptions, procedural elements such as less frequent assessments, and an array of supposedly transitional limits and constraints on the tax. A well-designed reform is more likely to succeed; but it is not necessarily more likely to be accepted. Tax reform is always as much or more a political exercise as it is a technical one. Someone always loses from tax reform and losers are vocal in their opposition. Nonetheless, reform requires not only sufficient and sustained political will and support to ensure that it is implemented but sufficient political acceptance to ensure that it is sustainable and sustained. For such support to be generated, taxpayers (and local governments) must also accept the reform. Both are more likely to buy into reform if they have been consulted and feel that their issues have been properly heard. Consultation raises awareness of the reform and stakeholders who have participated in the consultation process are less likely to oppose it. Of course, consultation also runs the risk of consolidating opposition to reform: it is not always easy to lead people to the light, especially if they have little trust in their leaders. As discussed earlier, it is not surprising that property taxes – and especially increases in property taxes – may be perceived to be unfair and arbitrary. Taxpayers' perceptions of how fair the property tax is and how fairly it is implemented affect the extent to which local governments can raise the tax. There is some – though hardly overwhelming -- evidence that people treat local taxes as essentially prices for local services, an outcome which is on the whole to be welcomed. More and better 'taxpayer education' has often been put forward as a way to increase public understanding and ac-

ceptance of rising property tax bills. However, the inherent arbitrariness of even the best assessment procedures when combined with the complex institutional process that lies behind the 'local tax demand' almost guarantees that many taxpayers will not understand - or trust - the basis on which property values are assessed or how the tax bills they receive are related to those assessments. A proper communications strategy engaging businesses, unions, special interest groups, academics, and the broader public may help to overcome some of the obstacles to property tax reform. But communication has to be in a form that taxpayers understand. All too often, there is a striking divergence between the popular (and media) 'frames' for property tax policy and those of the experts, who "speak an obscure and unrecognizable language to each other" and "have forgotten how to communicate and 'frame' the property and land tax issue sensibly". One way to overcome both the apparent distrust of what politicians say and the incomprehensibility of what experts say may be to create a credible independent panel outside of the direct influence of the politicians or administration consisting of both those who know the subject (experts) and people who know how to communicate with non-experts to help develop and interpret the reform package to the public (Pagano M. A. Jacob B., 2008).

The residential property tax is a good tax for local governments, yet it is not a major source of revenue for local governments in many countries. Political pressure to keep property taxes down and to favour certain types of properties over others (through exemptions or lower tax rates) has resulted in low tax revenues. Added to low tax rates and tax base erosion are poor assessment practices that have reduced many of the potential benefits of the property tax. Taxpay-

ers have to have confidence in the assessment system, so efforts need to be devoted to doing it well - and frequently. Property tax reform, in countries that have tried it, has been difficult, however (Bird R.M. & Slack E., 2004). No matter how economically desirable the long-run outcome of property tax reform may be in terms of the equity and efficiency of the tax, its transitional effects may be sufficiently politically undesirable to forestall any attempt at reform. In short, there will always be winners and losers from tax reform: those who were relatively overtaxed before the reform was implemented will pay less taxes; those who were relatively undertaxed before the reform will pay more taxes. The losers from a change in policy (even if they are the minority) tend to be very vocal, because they value their losses more than the winners (even if they are the majority) value their gains. Furthermore, as the losses tend to be concentrated and the gains dispersed, as is often the case with tax reform, negatively affected interests will be motivated to spend time and resources in political action that can result in permanent, institutionalized groups (for example, seniors, or the owners of office towers, hotels, and waterfront properties) that oppose reform. Another problem with tax reform is the widespread suspicion that any change in tax policy will be used by governments to raise the aggregate level of taxes so that the number of losers and the magnitude of the losses outweigh the number of gainers and the magnitude of the gains. In short, the public perception is that tax reform is not revenue-neutral—a perception which, at least in the cases where the goal of reform is to increase revenues, is often correct.


The success of property tax reform will depend on public education - taxpayers need to understand how their assessments are calculated. They need to know what will happen if their assessment increases. Will property taxes automatically increase or does it depend on what happens to other assessments in the city? Will tax rates decrease if assessment increases? What services are funded by the property tax? If property tax reform is expected to result in major tax shifts among taxpayers, the success of the reform will also depend on the introduction of some form of phase-in mechanism. Phase-ins are almost invariably politically necessary to cushion the impact of reform. Some form of relief is also needed for low-income taxpayers. Property tax credits (or “circuit-breakers”) that relate property taxes to income are best at providing relief to low-income taxpayers. For elderly taxpayers who have seen their property values increase but their incomes remain fixed, some form of tax deferral is appropriate. The property tax, at least the residential property tax, is a good tax for local government, but there is room to improve the tax and increase the revenues collected. Property taxes are difficult to reform, however, because politics generally outweighs economics in this very visible tax and the losers from tax reform tend to be more vocal than the winners. In any event, the property tax can never be the sole municipal tax, especially for local governments that are doing more than providing property-related services and where a mix of taxes is appropriate. It can, however, be used more heavily in most countries than it is at the present time.

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## **CURRENT STATUS OF FINANCIAL RISKS INSURANCE IN UKRAINE**

### **BIEŻĄCY STATUS UBEZPIECZENIA RYZYKA FINANSOWEGO NA UKRAINIE**

### **СОВРЕМЕННОЕ СОСТОЯНИЕ СТРАХОВАНИЯ ФИНАНСОВЫХ РИСКОВ В УКРАИНЕ**

#### **Abstract**

*A set of relationships, which are formed in the process of financial risks insurance in Ukraine at the present stage, is researched within the article. When considering the organization of insurance protection of financial transactions, the features of financial risk insurance and deficiencies in its classification were identified. The analysis of the status of financial risks insurance is carried out taking into consideration the author's approach to the classification of insurance services, which prevents existing misunderstandings. The analysis of financial risk insurance is based on the study of the dynamics of key indicators, which characterize the existing situation in the insurance market. Such indicators are insurance premiums, insurance payments and the level of insurance payments. Based on the analysis, problems of financial risks insurance as the most controversial and imperfect type of insurance in the insurance market of Ukraine are identified and ways to improve its organization are offered.*

**Keywords:** *financial risks insurance, insurance premiums, insurance payments, level of insurance payments, insurance protection, insurance market, credit insurance, investment insurance, insurance of other financial risks, insurance of issued guarantees (surety) and accepted guarantees.*

#### **Streszczenie**

*W artykule omówiono szereg relacji, które powstają w procesie ubezpieczenia ryzyka finansowego na Ukrainie na obecnym etapie. Rozważając organizację ochrony ubezpieczeniowej transakcji finansowych zidentyfikowano cechy ubezpieczenia ryzyka finansowego oraz braki w jego klasyfikacji. Analiza stanu ubezpieczenia ryzyka finansowego przeprowadzana jest z uwzględnieniem autorskiego podejścia do klasyfikacji usług ubez-*

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pieczeniowych, co zapobiega istniejącym nieporozumieniom. Analiza ubezpieczenia ryzyka finansowego oparta jest na badaniu dynamiki głównych wskaźników charakteryzujących obecną sytuację na rynku ubezpieczeniowym. Te wskaźniki to składki ubezpieczeniowe, płatności ubezpieczeniowe i poziom płatności ubezpieczeniowej. Na podstawie tej analizy zidentyfikowano problemy ubezpieczania ryzyka finansowego jako najbardziej kontrowersyjnego i niedoskonałego rodzaju ubezpieczenia na ukraińskim rynku ubezpieczeniowym oraz zaproponowano kierunki poprawy jego organizacji.

**Słowa kluczowe:** ubezpieczenie ryzyka finansowego, składki ubezpieczeniowe, płatności ubezpieczeniowe, poziom płatności ubezpieczeniowej, ochrona ubezpieczeniowa, rynek ubezpieczeniowy, ubezpieczenie kredytu, ubezpieczenie inwestycji, ubezpieczenie innych ryzyk finansowych, ubezpieczenie wystawionych gwarancji (poręczenia) i przyjętych gwarancji.

#### **Аннотация**

В статье исследуется совокупность отношений, которые формируются в процессе страхования финансовых рисков в Украине на современном этапе. При рассмотрении организации страховой защиты финансовых операций были выявлены особенности страхования финансовых рисков и определены недостатки в его классификации. Анализ современного состояния страхования финансовых рисков осуществляется на основе авторского подхода к классификации страховых услуг, что позволяет избежать существующих недоразумений. Анализ страхования финансовых рисков основывается на исследовании динамики основных показателей, характеризующих существующую ситуацию на страховом рынке. Такими показателями являются страховые премии, страховые выплаты и уровень страховых выплат. На основе проведенного анализа определены проблемы страхования финансовых рисков как наиболее противоречивого и несовершенного вида страхования на страховом рынке Украины и предложены направления совершенствования его организации.

**Ключевые слова:** страхование финансовых рисков, страховые премии, страховые выплаты, уровень страховых выплат, страховая защита, страховой рынок, страхование кредитов, страхование инвестиций, страхование других финансовых рисков, страхование выданных гарантий (поручительств) и принятых гарантий.

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#### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

In conditions of reforming the economy of Ukraine, the problems, which are related to the securing of financial relations between different economic entities, become more acute. The basic element of securing the

process of formation and functioning of financial relations is the mechanism of organization of the insurance protection. Insurance of financial risks gradually becomes a necessary condition for the imple-

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mentation of financial transactions in various spheres of society. In world practice, types of financial risk insurance are very popular and widespread. However, in Ukraine, this kind of insurance has a mixed reputation both among insurers and among policyholders, because there is a certain contradiction in the classification of insurance services for the insurance of financial risks, and they are not always used for real

financial risk management. Therefore, it is necessary to determine the list of insurance types of financial risks, which would solve the existing classification problem. Based on the analysis of the dynamics of the main indicators, which characterize the state of insurance of financial risks in Ukraine, it is necessary to identify actual problems in the field of insurance of financial risks and determine the directions of their solution.

### **Analysis of latest research where the solution of the problem was initiated.**

Problems of modern mechanisms of financial risks insurance abroad, as well as directions for improving the insurance of financial risks in Ukraine are studied by both domestic and foreign scientists. Theoretical and practical aspects of financial risks insurance in the domestic insurance market are discussed in many scientific works of such scientists as M. Klapkiv (Klapkiv M., 2002), S. Osadets (Osadets S., 2002, 2007), V. Babenko (Babenko V., 2007), I. Blank

(Blank I., 2005), T. Govorushko (Govorushko T., 2011), D. Vanina (Vanina D., 2015), O. Korvat (Korvat O., 2016) and many others. However, issues regarding the classification of financial risks, which are subject to insurance protection and identify areas for improving the mechanism of its implementation in conditions of macroeconomic instability, remain unsolved.

### **Aims of paper. Methods.**

In the process of conducting the study, it is necessary to use a set of statistical data on the main indicators, which provide an opportunity to make an overall assessment of the state of financial risks insurance in the domestic insurance market. To do this, it is necessary to analyze the dynamics of indicators such as insurance premiums, insurance payments and the level of insurance payments during the investigated period, as well as to investigate the change in the specific gravity of the specified indicators both

in relation to the indicators of the insurance market as a whole, as well as a separate branch of insurance.

Thus, the use of economic and statistical methods allows us to draw conclusions about the current status of financial risks insurance and identify existing problems in this area to develop directions for improving the organization of insurance protection.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Financial risk insurance is a combination of types of insurance services, which stipulate an obligation of the insurer to make an insurance payment to the policyholder in the

amount of lost income. Insurance of financial risks is a special component of the insurance market, since there is a misunderstanding about the classification of its spe-

cies. Thus, in the domestic insurance market, the Law of Ukraine "On Insurance" and according to Art establishes the list of insurance types. 6 of this Law, voluntary types of financial risk insurance are as follows:

- 16) credit insurance (including liability of the borrower for non-repayment of the loan);
- 17) investment insurance;
- 18) financial risks insurance;
- 20) insurance of issued guarantees (surety) and accepted guarantees.

This list is controversial, as among the specified insurance services, the insurance of financial risks is allocated as a separate item, and the impression is that the credit, investment risks and risks of issued guarantees (surety) and accepted guarantees are not financial risks.

Most tutorials disclose separately insurance of credit, investment and insurance of financial risks. The same approach is used in insurance practice.

It is believed that financial risk insurance can be considered both in the narrow and broad sense. In the narrow sense, this insurance is interpreted as insuring only credit risks, and its broad understanding also covers all types of insurance coverage of those risks that are detected in any field of defined insurance relationships or directly causing financial losses [7, p.199].

As a result, there is a certain contradiction in attempts to classify types of insurance of financial risks, and different approaches to their differentiation are formed. The ambiguity in the definition of financial risk insurance generates discussions and is the basis of erroneous approaches to securing risks, which arise in the process of forming financial relations.

Thus, throughout the validity period of the Law of Ukraine "On Insurance", the existing inaccuracy in the list of voluntary types

of financial risk insurance causes the emergence of different opinions on this subject and different approaches to their classification. To avoid this misunderstanding, in the educational literature, for the most part, the generic term "insurance of financial and credit risks" is used, in which structure insurance of financial risks is separated.

Even an attempt to streamline the types of financial risks insurance due to the approval in 2010 The Resolution of the National Financial Services Commission No. 565 "On Approval of Characteristics and Classification Characteristics of Types of Voluntary Insurance" has not changed the state of affairs. This document clearly establishes the list of insurance services, which relate to the insurance of financial risks, but inaccuracy in the classification is maintained.

The Resolution of the National Financial Services Commission determines:

1) *credit insurance (including liability of the borrower for non-repayment of the loan)*. This type of insurance involves the obligation of the insurer to pay damages incurred by the creditor as a result of non-repayment or incomplete repayment by the borrower of the amount of the loan and / or interest on the loan in connection with the failure or improper performance of the borrower's obligations;

2) *investment insurance*. This type of insurance involves the obligation of the insurer to pay to the policyholder the insurance indemnity, incurred by him in carrying out investment activity because of loss of investments or their parts, non-receipt of investment income for the reasons specified in the insurance contract.

3) *financial risks insurance*. This type of insurance involves the duty of the insurer for the established fee to pay damages incurred as a result of:

- breaks in business activities;



- breach of contractual obligations (non-fulfillment or improper performance by the contractor of contractual obligations to the policyholder).

The terms of the insurance of financial risks may also include insurance in case of a loss to the policyholder due to:

- termination of title to property;
- impossibility of traveling for reasons determined in the rules and the insurance contract, unforeseen financial expenses;
- financial losses related to the risk of transactions with payment cards.

4) *insurance of issued guarantees (surety) and accepted guarantees.* This type of insurance involves the duty of the insurer to pay insurance compensation, established in accordance with the insurance contract:

– to the creditor of the losses incurred by him in connection with the non-performance or improper performance by the guarantor (contractor) of his obligations in amount and in terms, as defined in his guarantee or contract of suretyship, as a result of circumstances specified in the rules and insurance contract;

– to the guarantor (principal) of the losses incurred by them in connection with the default or improper performance by the borrower of his obligations in the amount and within the terms specified in the insurance contract [9].

Consequently, according to the above classification, insurance of financial risks includes all types of financial risks, which did not enter into insurance of credits, investments and insurance of issued and accepted guarantees. Therefore, to avoid misunderstanding during the analysis of the current status of financial risks insurance in Ukraine, it is advisable to call them other financial risks. We use this approach in the analysis process.

Analyzing the dynamics of net premiums, which are carried out in the insurance market of Ukraine, by type of insurance, a conclusion about a relatively stable situation with the payment of contributions during the investigated period and the gradual growth of their volumes can be made. Only by types of financial risk insurance, there is a decrease in net premium income by 13.1% in 2017, despite their growth by 5% in 2016 (Table 1).

The dynamics analysis of net premium structure by type of insurance shows that the share of voluntary personal insurance and liability insurance is gradually increasing in the insurance market. The share of voluntary property insurance, to which post-pay financial risk insurance is applied, decreases. At the same time, the share of pure insurance premiums for financial risks insurance in the structure of property insurance is from 13.9% in 2015 to 19.4% in 2016, and in 2017 there is a slight decrease to 16.8% (Table 2).

**Table 1. Dynamics of growth of net insurance premiums by types of insurance**

Types of insurance	Net insurance premiums, UAH million				Growth rates of net insurance premiums, %		
	2014	2015	2016	2017	2015/ 2014	2016/ 2015	2017/ 2016
Life insurance	2 159,8	2 186,6	2 754,1	2 913,7	+1,2	+26,0	+5,8
Types of insurance, other than life insurance, including:	16 433,1	20 168,3	23 709,7	25 580,7	+22,7	+17,6	+7,9
Voluntary personal insurance	2 767,7	3 039,7	3 969,2	4 904,9	+9,8	+30,6	+23,6
Voluntary property insurance	9 345,7	10 944,3	12 811,0	12 893,0	+17,1	+17,1	+0,6
- including financial risk insurance	2407,32	2373,15	2491,28	2165,16	-1,4	+5	-13,1
Voluntary liability insurance	786,6	1 608,9	1 669,6	1 918,8	+104,5	+3,8	+14,9
Non-state compulsory insurance	3 533,1	4 575,4	5 259,9	5 864,0	+29,5	+15,0	+11,5
IN TOTAL (all types of insurance)	18 592,9	22 354,9	26 463,8	28 494,4	+20,2	+18,4	+7,7

Source: Information on the state and development of the insurance market of Ukraine. The site of the National Financial Services Commission: <https://www.nfp.gov.ua/ua/Informatsiia-pro-stan-i-rozvytok-strakhovohorynku-Ukrainy.html>

**Table 2. Dynamics of the structure of insurance premiums by type of insurance**


Types of insurance	Structure of net insurance premiums, %				Changes in the structure		
	2014	2015	2016	2017	2015- 2014	2016- 2015	2017- 2016
Life insurance	11,6	9,8	10,4	10,2	-1,8	+0,6	-0,2
Types of insurance, other than life insurance, including:	88,4	90,2	89,6	89,8	+1,8	-0,6	+0,2
Voluntary personal insurance	14,9	13,6	15,0	17,2	-1,3	+1,4	+2,2
Voluntary property insurance	50,3	49,0	48,4	45,2	-1,3	-0,6	-3,2
- including financial risk insurance	15,1	13,9	19,4	16,8	-1,2	+5,5	-2,6
Voluntary liability insurance	4,2	7,2	6,3	6,7	+3	-0,9	+0,4
Non-state compulsory insurance	19,0	20,5	19,9	20,6	+1,5	-0,6	+0,7
IN TOTAL (all types of insurance)	100,0	100,0	100,0	100,0	-	-	-

Source: Information on the state and development of the insurance market of Ukraine. The site of the National Financial Services Commission: <https://www.nfp.gov.ua/ua/Informatsiia-pro-stan-i-rozvytok-strakhovohorynku-Ukrainy.html>

The data on the dynamics of net insurance payments in the insurance market indicate

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a gradual increase in them for all types of insurance. However, the growth rate of insurance premiums for financial risk insurance has significantly decreased, compared with 2015. The analysis of the structure of

net insurance payments indicates a gradual decrease in the proportion of financial risk insurance in voluntary property insurance (Table 3, 4).

**Table 3. Dynamics of growth of net insurance payments by types of insurance**

Types of insurance	Net insurance payments, UAH million				Growth rates of net insurance payments,%		
	2014	2015	2016	2017	2015/ 2014	2016/ 2015	2017/ 2016
Life insurance	239,2	491,6	418,3	556,3	+105,5	-14,9	+33
Types of insurance, other than life insurance, including:	4653,8	7111,2	8142,7	9700,5	+52,8	+14,5	+19,1
Voluntary personal insurance	1355,4	1487,4	1715,6	2121,0	+9,7	+15,3	+23,6
Voluntary property insurance	2092,8	4002,3	4581,7	5253,8	+91,2	+14,5	14,7
- including financial risk insurance	101,612	1559,0	1924,0	2064,93	+1434,3	+23,4	+7,3
Voluntary liability insurance	56,4	287,9	87,5	93,6	+410,5	-69,6	+7,0
Non-state compulsory insurance	1149,2	1333,6	1757,9	2232,1	+16,0	+31,8	+27,0
IN TOTAL (all types of insurance)	4893,0	7602,8	8561,0	10256,8	+55,4	+12,6	+19,8

Source: Information on the state and development of the Ukrainian insurance market. The site of the National Financial Services Commission: <https://www.nfp.gov.ua/ua/Informatsiia-pro-stan-i-rozvytok-strakhovoho-rynku-Ukrainy.html>

**Table 4. Dynamics of the structure of insurance payments by type of insurance**

Types of insurance	Structure of net insurance payments,%				Changes in the structure		
	2014	2015	2016	2017	2015- 2014	2016- 2015	2017- 2016
Life insurance	4,9	6,5	4,9	5,4	+1,6	-1,6	+0,5
Types of insurance, other than life insurance, including:	95,1	93,5	95,1	94,6	-1,6	+1,6	-0,5
Voluntary personal insurance	27,7	19,6	20,0	20,7	-8,1	+0,4	+0,7
Voluntary property insurance	42,8	52,6	53,5	51,2	+9,8	+0,9	-2,3
- including financial risk insurance	4,9	39,0	42,0	39,3	+34,1	+3,0	-2,7
Voluntary liability insurance	1,2	3,8	1,0	0,9	+2,6	-2,8	-0,1
Non-state compulsory insurance	23,5	17,5	20,5	21,8	-6,0	+3,0	+1,3
IN TOTAL (all types of insurance)	100,0	100,0	100,0	100,0	-	-	-

Source: Information on the state and development of the Ukrainian insurance market. The site of the National Financial Services Commission: <https://www.nfp.gov.ua/ua/Informatsiia-pro-stan-i-rozvytok-strakhovoho-rynku-Ukrainy.html>

Let's consider in more detail the composition and structure of the types of financial risks insurance (Tables 5, 6).

In 2015, compared to 2014, net insurance premiums on *credit insurance* decreased by UAH 188.0 million, it is 48,4%. This situation was conditioned by unfavorable events both in the political and economic life of Ukraine, which led to a decrease in the number of loans issued by banks in 2015. However, in 2016, the situation changed and net insurance premiums grew by UAH 305.5 million, and an income

made 152.6%. The share of net insurance premiums for credit insurance in their total amount ranges from 8.4% in 2015 to 20.3% in 2016.

On *investments insurance*, net insurance premiums gradually increase every year in 2015. they increased 100% compared to 2014, and in 2016 they increased by 20% more. Despite the fact that this increase is partly due to the growth of inflation, it shows a positive tendency in the insurance and investment market of Ukraine.

**Table 5. Net insurance premiums by types of insurance of financial risks, UAH million.**

Type of insurance	Years				Pace growth, %			Specific weight, %			
	2014	2015	2016	2017	2015/2014	2016/2015	2017/2016	2014	2015	2016	2017
Credit insurance (including liability of the borrower for non repayment of the loan)	388,21	200,23	505,75	334,73	51,6	252,6	66,2	16,1	8,4	20,3	15,5
Investment insurance	0,01	0,020	0,024	0,014	200,0	120,0	58,3	-	-	-	-
Insurance of other financial risks	2019,1	2172,9	1985,4	1829,6	107,6	91,4	92,2	83,9	91,6	79,7	84,5
Credit insurance (including liability of the borrower for non repayment of the credit)	0	0	0,106	0,816	-	-	769,8	-	-	-	-
Total for financial risks insurance	2407,32	2373,15	2491,28	2165,16	98,6	105,0	86,9	100	100	100	100

Source: Consolidated data. The site of the National Financial Services Commission: <https://nfp.gov.ua/content/konsolidovani-zvitni-dani.htm>

**Table 6. Net insurance payments by types of insurance financial risks, UAH million.**

Types of insurance	Years				Pace growth,%			Specific weight, %			
	2014	2015	2016	2017	2015/2014	2016/2015	2017/2016	2014	2015	2016	2017
Credit insurance (including liability of the borrower for non-repayment of the loan)	59,97	302,60	1101,74	261,33	504,6	364,1	23,7	59,0	19,4	57,3	12,7
Investment insurance	0,00	0,00	0,00	0,0	-	-	-	-	-	-	-
Insurance of <i>other financial risks</i>	41,64	1257,3	822,75	1803,6	3019,5	65,4	219,2	41,0	80,6	42,7	87,3
Insurance of issued guarantees (surety) and accepted guarantees	0,002	0,00	0,00	0,0	0,00	-	-	-	-	-	-
Total for financial risks insurance	101,612	1559,9	1924,49	2064,93	-	-	-	100	100	100	100

Source: Consolidated data. The site of the National Financial Services Commission <https://nfp.gov.ua/content/konsolidovani-zvitni-dani.htm>

Concerning insurance of *other financial risks*, the situation is the opposite: in 2015, net insurance premiums grew by 7.6% compared to 2014, and in 2016 and 2017 this amount decreased by 8.6% and 7.8% respectively. The share of net insurance premiums for insurance of *other financial risks* for the period under investigation from 79.7% in 2016 to 91.6% in 2015.

Accruals for net insurance premiums for *guarantees issued and guarantees accepted* are positive since 2016, and in 2017 they increased by 669.8%, but in absolute terms, these are insignificant amounts. Thus, the dynamics analysis of net insurance premiums by types of financial risks insurance shows that the dominant view in the domestic insurance market is the insurance of other financial risks.

In the process of analysis of net insurance payments by types of financial risks insurance, payments on insurance of *other financial risks* prevail, which proportion varies from 41% in 2014 to 87.3% in 2017, while the share of credit insurance ranges from 12.7% to 59%.

Growth rates for credit insurance decrease, and in 2017, the amount of payments decreased by 76.3%. The growth rate of payments for insurance of *other financial risks* in 2014 amounted to 3019.54%, after a decrease of 34.6% in 2016, the volume of insurance payments increased by 219.2%

In the process of analyzing the current status of financial risks insurance, it is also necessary to consider the relative indicator - the level of insurance payments (Table 7).

**Table 7. Level of net insurance payments by types of financial risk insurance, %**

Type of insurance	Years			
	2014	2015	2016	2017
Credit insurance (including liability of the borrower for non-repayment of the loan)	15,4	151,1	218,0	78,0
Investment insurance	0,00	0,00	0,00	0,00
Insurance of <i>other</i> financial risks	2,1	58,0	41,4	99,0
Insurance of issued guarantees (surety) and accepted guarantees	0,00	0,00	0,00	0,00
Total by financial risks insurance	4,2	65,7	77,2	95,4

Source: Consolidated data. The site of the National Financial Services Commission: <https://nfp.gov.ua/content/konsolidovani-zvitni-dani.htm>

Despite the volatile dynamics of insurance premiums and insurance payments, the analysis of the level of net insurance payments by types of financial risks insurance is of high importance. Thus, concerning credit insurance (including borrower's liability for loan repayment), in 2015 and in 2016 net insurance payments even exceed net insurance premiums, therefore, the level of net insurance payments is 151.1% and 218% respectively, and in 2017 the

level of insurance payments was 78%. Concerning insurance of *other financial risks*, the level of insurance payments in 2015 and in 2016 amounted to 58% and 41.4% respectively, and in 2017 it increased to 99%. Such indicators are not typical for other types of insurance and substantially exceed the level of insurance payments in the Ukrainian insurance market.

**Conclusions.**

As a result of the study, the following conclusions can be drawn:

- 1) at the level of insurance legislation there is a contradiction in the classification of the insurance of financial risks, which significantly impedes its improvement and development. To remedy such a situation, it is necessary to change the name of the insurance service "insurance of financial risks" in the list of voluntary types of insurance for "insurance of other financial risks";
- 2) despite the fact that financial risk insurance occupies a significant part in property insurance, which is the dominant part of the insurance market, it is considered undeveloped and schematic. This is confirmed by

- the fact that financial risk insurance is characterized by instability and uneven development, as well as the highest level of insurance payments compared with other types of insurance services. That is, the types of insurance services that are related to the financial risks insurance can be used for circuit operations. This is due to misunderstanding and inaccuracy in the existing classification of types of financial risk insurance, as well as insufficient development of the financial market;
- 3) among the four types of insurance services that relate to the insurance of financial risks, the largest share of insurance

premiums up to 90% and insurance payments up to 80% account for the most controversial type of insurance services.


4) such a situation in the market of financial risks requires further research to solve existing problems

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**A SAFE MONETARY CENTRAL BANKING POLICY  
AS A SIGNIFICANT INSTRUMENT FOR LIQUIDITY  
MAINTENANCE IN THE FINANCIAL SYSTEM**

**ŁAGODNA POLITYKA MONETARNA BANKOWOŚCI  
CENTRALNEJ JAKO ISTOTNY INSTRUMENT UTRZYMANIA  
PŁYNNOŚCI W SYSTEMIE FINANSOWYM**

**БЕЗОПАСНАЯ ДЕНЕЖНАЯ ПОЛИТИКА ЦЕНТРАЛЬНЫХ  
БАНКОВ КАК ЗНАЧИМЫЙ ИНСТРУМЕНТ ДЛЯ  
ОБЕСПЕЧЕНИЯ ЛИКВИДНОСТИ В ФИНАНСОВОЙ  
СИСТЕМЕ**

**Abstract**

*Currently, it is assumed that the global financial crisis of 2008 was effectively mastered and averted several years ago, but its sources have not been fully eliminated. The anti-crisis model of state intervention that was applied during the global financial crisis of 2008 was a modified Keynesian formula known from the 1930s, adapted to the realities of contemporary national economies. The main instrument of anti-crisis policy was the significant development of a mild monetary policy and interventionist measures aimed at reducing the risk of bankruptcy of enterprises and banking entities and stopping the decline in lending in banking systems. In developed countries, anti-crisis interventionist assistance programs for the financial system and pro-active interventionist measures were activated in order to stimulate significantly weakened economic growth. As part of pro-development state intervention activities, the Federal Reserve Bank applied a low monetary policy of low interest rates and a program for activating lending and maintaining liquidity in the financial system by financing the purchase from commercial banks of the most endangered assets. A few years later, the European Central Bank applied the same activities of activation monetary policy.*

**Keywords:** *financial system, central banking, monetary policy, capital market, securities market, Federal Reserve Bank, European Central Bank, global financial crisis, economic policy, economic situation, financial crisis*

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### Streszczenie

Obecnie przyjmuje się, że globalny kryzys finansowy z 2008 roku został już kilka lat temu efektywnie opanowany i zażegnany jednak jego źródła nie w pełni zostały wyeliminowane. Antykryzysowy model interwencjonizmu państwowego, jaki zastosowano w okresie globalnego kryzysu finansowego z 2008 roku był zmodyfikowaną, dostosowaną do realiów współczesnych krajowych gospodarek formułą keynsizmu znaną z lat 30. ubiegłego wieku. Głównym instrumentem polityki antykryzysowej było znaczące rozwiniecie łagodnej polityki monetarnej oraz działań interwencjonistycznych, których celem było ograniczenie ryzyka upadłości przedsiębiorstw i podmiotów bankowych oraz zatrzymanie spadku akcji kredytowej w systemach bankowych. W krajach rozwiniętych uruchomiono antykryzysowe interwencjonistyczne programy pomocowe względem systemu finansowego oraz prorozwojowe instrumenty interwencjonistyczne celem pobudzania znacząco osłabionego wzrostu gospodarczego. W ramach prorozwojowych działań interwencjonizmu państwowego Bank Rezerw Federalnych stosował łagodną politykę monetarną niskich stóp procentowych oraz program aktywizowania akcji kredytowej i utrzymania płynności w systemie finansowym poprzez finansowanie skupu od banków komercyjnych najbardziej zagrożonych aktywów. Kilka lat później analogiczne działania aktywizacyjnej polityki monetarnej zastosował Europejski Bank Centralny.

**Słowa kluczowe:** system finansowy, bankowość centralna, polityka monetarna, rynek kapitałowy, rynek papierów wartościowych, Bank Rezerw Federalnych, Europejski Bank Centralny, globalny kryzys finansowy, polityka gospodarcza, koniunktura gospodarcza, kryzys finansowy, stopa procentowa


### Аннотация

В настоящее время предполагается, что мировой финансовый кризис 2008 года был эффективно преодолен и предотвращен несколько лет назад, но его источники не были полностью устранены. Антикризисная модель государственного вмешательства, которая применялась во время мирового финансового кризиса 2008 года, была модифицированной формулой Кейнса, известной с 1930-х годов, адаптированной к реалиям современной национальной экономики. Основным инструментом антикризисной политики стало значительное развитие мягкой денежно-кредитной политики и интервенционистских мер, направленных на снижение риска банкротства предприятий и банковских структур и остановку спада кредитования в банковских системах. В развитых странах были приняты антикризисные интервенционистские программы помощи для финансовой системы и проактивные интервенционистские меры, чтобы стимулировать значительно ослабленный экономический рост. В рамках государственной интервенционной деятельности Федеральный резервный банк применял низкую денежно-кредитную политику с низкими процентными ставками и программу активизации кредитования и поддержания ликвидности в финансовой системе путем финансирования покупки у коммерческих банков наиболее уязвимых активов. Спустя несколько лет Европейский центральный банк применил те же действия по активизации денежно-кредитной политики.

**Ключевые слова:** финансовая система, центральный банк, денежно-кредитная политика, рынок капитала, рынок ценных бумаг, Федеральный резервный банк,

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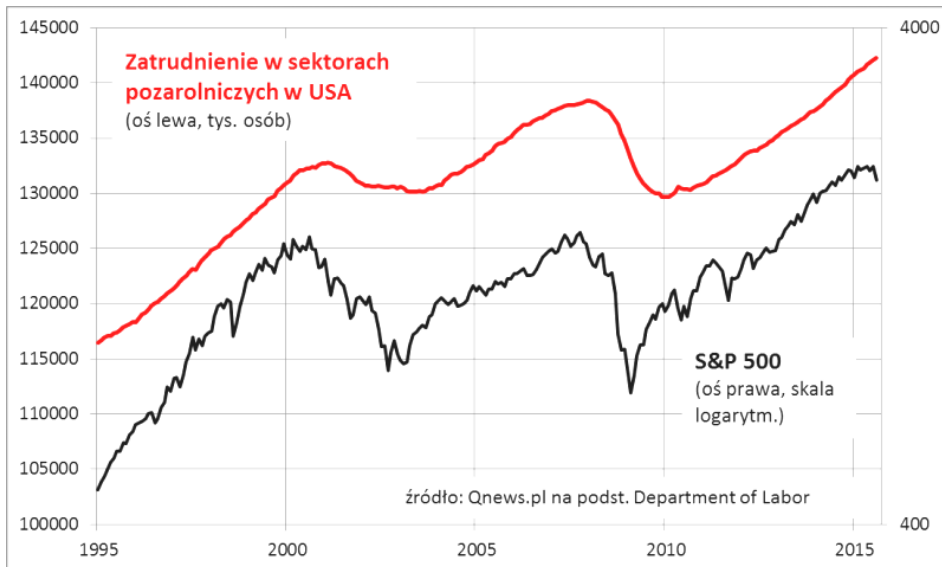
**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

At present, the view prevails that the interventionist Keynesian model of anti-crisis activities, which is taking into account the attempts to stimulate consumption and investment demand, was once again used in the US with positive results. The key element of this interventionist economic policy was the application of the active monetary policy of the Federal Reserve Bank. In the context of generated positive macroeconomic effects, the applied interventionist support package with a key share of central banking can be considered as a method that has been proven and operates effectively, basically in accordance with previously defined objectives (Białas M., Mazur Z., 2013, p. 173).

As regards the anti-crisis interventionist policy, it should be stated that in the area of

active monetary policy of central banking (Alińska A. ed., 2012, p. 47-48), in the area of continuation of assistance to the American banking system and indirectly also in the area of the situation on financial markets, Federal Reserve Bank in In September 2012, started buying shares ensured by the MBS mortgage worth 40 billion USD monthly. The amount was successively increased up to 85 billion USD in 2013. It was not until the end of 2013 that the US central bank announced that the shares buying program will be systematically reduced in 2014 until it is completely extinguished due to the improvement of the economic situation in a large part of the American economy. This improvement has been demonstrated, inter alia, on the basis of a significant decrease in the unemployment rate and a halt in the fall in prices of real estate and other assets (Prokopowicz D., 2006, p. 135-136).

**Graph 1. Employment in non-agricultural sectors in the USA (left axis, thousand people) and the S & P 500 market index (right axis, logarithmic scale).**



Source: Hondo T. (2015). *The unemployment rate in the US is the lowest for seven years* (w:) website Quercus Investment Fund Company, 4.9.2015, (quercustfi.pl), behind: Qnews.pl, Department of Labor.

In view of the above, in the fourth quarter of 2014, the President of FED informed that in connection with positive tendencies in the employment market, the Federal Open Market Committee will stop buying mortgage-backed shares. Initially, economists were afraid that this situation would mean a significant reduction in liquidity in the financial system, which could also translate into a new increase in the volatility of the capital markets, especially stock exchange markets (*Fed uruchamia nieograniczony czasowo program luzowania ilościowego*, 2012). However, such a scenario did not materialize. Another dramatic collapse of valuation of assets on financial markets did not occur, which means that the anti-crisis policy of the central banking policy was effective macroeconomically (Iwonicz-Drozdowska M., Jaworski W. L., Szelągowska A., Zawadzka Z., red., 2013, p. 118).

This issue, however, has not yet been fully clarified, because there are still divided opinions among economists. The concept of state intervention with public funds since its inception in the 1930s has aroused and continues to raise numerous controversies among some economists. However, the fact is that the applied interventionist monetary policy in the recent financial crisis has worked positively, initially in the American economy and then in Europe and globally (Prokopowicz D., 2009, p. 76-77). One of the key instruments that has been used in the framework of the said intervention is the reduction of interest rates to a record low of 0.5 percent, at the end of 2008. In the initial phase of the financial crisis development, in addition to the Federal Reserve Bank offering a cheap loan for commercial banks, offered it as part of the Paulson's plan estimated at nearly USD

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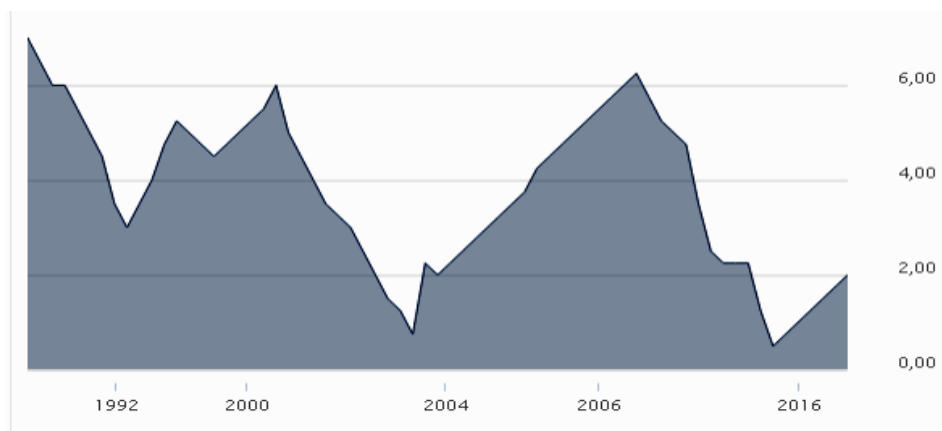
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800 billion financial assistance to the largest commercial banks in the form of loans granted on preferential terms with deferred payment. Then, a program of buying the most endangered assets, i.e. those burdened with the highest credit risk levels, was launched for several years. In the cul-

minating phase of this intervention purchase of endangered assets from commercial banks, the FED spent USD 120 billion a month. Thanks to all the above-mentioned support packages, we managed to maintain liquidity in the banking sector at the level necessary for commercial banks to conduct lending.

**Graph 2. FED discount rate in the USA in the years 1985-2018.**



Source: *FED discount rate in the USA* (w:) online financial portal "Bankier.pl", 4.8.2018, (<https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/stopa-dyskontowa-fed-usa>).

On the other hand, created in the largest economies, effectively implemented formulas of new pro-development domestic economic policies are becoming the prototype for the development of analogous economic policies in other countries. In this way, the global model of interventionist pro-development activities becomes an element of contemporary globalization (Gwoździewicz S., Prokop-owicz D., 2015.a, p. 205-206). In this context, economic globalization contributed to the spread of this interventionist monetary policy and the method of undertaking anti-crisis intervention measures, which is recognized as an effective method in a situation of a significant slowdown in economic growth. Reforms in public finances based

on attempts to generate savings and raise taxes were also undertaken in the USA. On the other hand, the European Central Bank with its headquarters in Frankfurt has been conducting a relaxed and active monetary policy for several years, which in its essence is significantly closer to what the Federal Reserve Bank in the USA used much earlier (Fila J., Filipiak B., 2012, p. 116). In the light of the above, economic globalization also concerns the issues of applied economic activities and anti-crisis, interventionist economic policies. Therefore, globalization should also cover the issue of the functioning of national and supranational institutions of supervision over financial systems (Gwoździewicz S., Prokopowicz D., 2015.b, p. 152-153). In the

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situation of using analogous instruments of pro-development state intervention as part of economic policy in the majority of the high developed and developing economies, it cannot be stand out that a new category of credit risk and liquidity risk will emerge

which can be analyzed globally (Gwoździewicz S., Prokopowicz D., 2016.b, p. 67-68).

### **Analysis of latest research where the solution of the problem was initiated.**

Prior to the research, collecting and developing research results on various aspects of the central monetary banking policy as an important instrument for maintaining liquidity in the financial system after the global financial crisis appeared in autumn 2008, the author of this study reviewed the literature on the above-mentioned issues.

This article describes the issue of interventionist monetary policy of central banking with the use of a synthetic approach to research and considerations undertaken by authors in earlier publications: B. Domańska-Szaruga (Domańska-Szaruga B., 2015; Domańska-Szaruga B., Prokopowicz D., 2015; Domańska-Szaruga B., Wereda W. red., 2011), D. Prokopowicz (Prokopowicz D., 2003; Prokopowicz D., 2005; Prokopowicz D., 2006; Prokopowicz D., 2009; Prokopowicz D., 2015a,b; Prokopowicz D., 2016), S. Gwoździewicz (Gwoździewicz S., Prokopowicz D., 2015a,b; Gwoździewicz S., Prokopowicz D., 2016a,b;), A. Dmowski (Dmowski A.,

Prokopowicz D., 2010; Dmowski A., Prokopowicz D., Sarnowski J., 2008; and other authors of the cited publications.

The analysis of the contents of the literature addressing the issue of state intervention applied since autumn 2008 based on a mild monetary policy of central banking in developed countries after the global financial crisis shows that in other countries research on the above issues were taken by, among others: W. Bonner, A. Wiggin (2009 (Bonner W., Wiggin A. (2009) and T. Hondo (Hondo T., 2015). Based on the study of literature sources listed in the *References*, it has been shown that the researchers of the described problems confirm the high level of significance of the subject of interventionist monetary policy of central banking, indicating also the timeliness and development of the issues described. The conclusions and suggestions resulting from previous research described in the content of the studied literature were used to formulate the key research thesis and the objectives of the undertaken research.

### **Aims of paper. Methods.**

Before writing this article, a review of the literature dealing with the mild monetary policy of central banking as an important instrument for maintaining liquidity in the financial system after the appearance of the global financial crisis in autumn 2008 was carried out. In view of the above, this article analyzes the subject of a countercyclical, anti-crisis, interventionist monetary

policy of central banking in a synthetic approach.

The analysis of source materials suggests that the issues of the topic of mild monetary policy of central banking as an important instrument for maintaining liquidity in the financial system were described and discussed in the current scientific literature only in selected few aspects. On the other hand, no attempts have been made to carry

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out research that would consist in developing a synthetic approach to this problem. The full synthetic approach would include in an integrated manner various key aspects of state intervention applied since autumn 2008 based on the mild monetary policy of central banking in developed countries after the global financial crisis, the considerations taken up would have an interdisciplinary attribute and the conclusions from the research would have a feature of a synthetic approach. This type of research approach has been used in this work. One of the key methodological premises of the central banking issue in this study was the use of a fully objective description of all premises, conditions, components of the analyzed topic and factors affecting particular aspects of the issue under examination. Analyzing the issue of interventionist monetary policy of central banking, the author of this study verified the theses and conclusions formulated by the authors of the publications.

During the research, various research methods were used, which were listed below: descriptive and comparative methods, inductive reasoning, deductive reasoning, descriptive-vector method. The choice of methods was determined by the type of research materials in which various aspects

of the subject matter. For presenting the key issues of the subject undertaken, the explanation of particularly significant dependencies, connections, correlations between the components of the interventionist monetary policy of central banking mainly the descriptive method was used. The comparative method was used primarily in the comparisons of selected aspects of the studied problem of a mild monetary policy of central banking as an important instrument for maintaining liquidity in the financial system.

In connection with the above, guided by the principle of scientific objectivity, impartiality and synthetic of mitigate the research approach based on the verification of the content of the cited publications for the purposes of this study, the following main research thesis has been formulated: The main instrument of anti-crisis policy was the significant development of a mild monetary policy and interventionist measures aimed at reducing the risk of bankruptcy of enterprises and banking entities and stopping the decline in credit shares in banking systems. The final part of this study contains a reference to the issue of verifying the research thesis.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **A benign monetary policy of the European Central Bank in Europe and the Federal Reserve Bank in the USA**

In the discussed period, a significant change in policy regarding the use of specific instruments of pro-development economic policy in the euroland, has been made. Errors that were committed and which at the beginning of 2013, central decision-making and financial centers in the European Union admitted, including the European Central Bank is the focus on anti-

crisis measures mainly on savings reforms, almost completely ignoring the need to search for and use systemic instruments which aim would be to smoothly improve economic growth (Koleśnik J., 2012, p. 135). On the other hand, the European Union does not have such strong media ratings agencies as the leading American investment banks. Europe, seeking to "defend" from critical assessments of the state of finances of European banks and public finances of individual countries issued by the

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agencies operating in the Anglo-American financial system of credit rating agencies, was forced to take effective measures as far as they calmed down the mood in financial markets (Dmowski A., Prokopowicz D., 2010, p. 307-308). The try to calm down these market has been made, however from 2013, in many media politicians and economists claimed that, now is the time to undertake activities that should generate significant economic growth, also in the Euro area (Siviński W., Wojtowicz D., 2010, p. 73).


In recent years, the European Central Bank has continued its benign monetary policy, cut interest rates and subsidize banking system in Europe with 80 billion EUR a month to support liquidity, credit activities and indirectly make attempts to stimulate economic processes (Domańska -Szaruga B., 2015, p. 95-96). At present, it is difficult to make an unequivocal decision regarding the success of this pro-development plan for improving the economic situation and attempts to create economic growth in Europe. However, considering the scale of economic growth improvement in the European Union which took place in 2013 - 2018, the significant impact of the anti-crisis measures taken by the European Central Bank at that time as significant factors that determined this economic growth cannot be unnoticed (Szybowski D., Prokopowicz D., Gwoździewicz S., 2016, p. 141-142). Currently, among economists, the opinion prevails that the effectiveness of implementing fiscal policy reforms and measures taken by the European Central Bank to mitigate monetary policy will determine whether the generated economic growth will be permanent and will allow in subsequent years to reduce the level of public debt in most of countries. Until now, it has been assumed that efficient implementation of reforms, especially concerning fiscal policy, should significantly slow

down the process of increasing indebtedness in public finances of individual countries, i.e. one of the main negative effects of the financial crisis (Gwoździewicz S., Prokopowicz D., 2016.b, p. 66- 67). The negative effects of the global financial crisis have not been completely eliminated by the taken actions. These effects, such as the significant increase in domestic public debt, have been spread over time as a process of more stable but also moderate macroeconomic development. In next years, it is difficult to expect a high, more than 5% economic growth in the European Union, because the budgets of individual countries will be burdened with high public debts, usually increased during the global financial crisis (Millet D., Touissant E., 2012, p. 67). In the years 2017-2018, the exception was only Germany and Poland, which in some quarters of this period showed almost fully balanced budgets at the level of national public finances. However, in the majority of countries in Europe, public debt levels are so high in relation to GDP that even in a situation of high economic growth and good situation of the global economy, lack of financial crises and fiscal tightening, the problem of high indebtedness of national public finances will not be quickly (i.e. in a few years) completely resolved (Domańska-Szaruga B., Prokopowicz D., 2015, p. 38-39).

In recent years, among the researchers studying the mechanisms of functioning of financial markets, the though is common that the financial system, including banking in the coming years, as it was the case after the Great Depression of the 1930s, should still be improved in its functioning. The derivatives market needs regulation and transparency so that each side of the transaction knows what level of credit risk is associated with the transaction (Prokopowicz D., 2015.a, 18-19). In addition, in a situation of good economic recovery, there

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is also a need to change the character of monetary policy of central banks, so that there is no additional money on the market that generates inflation and generates a significant improvement in the capital markets but does not generate the real economic growth. It cannot be surely denied, that in the future, in the next few years, another speculative bubble will not appear on equity markets (Hryckiewicz-Gontarczyk A., 2014, p. 36-37). Such a situation may occur if the continued monetary policy of central banking will not be supported by appropriate reforms in other areas of economic. In such a situation, the generated improvement in the capital market conditions, i.e. the increase in market prices of raw materials, shares and derivative instruments, would lead to their revalued levels not related to the real economy (Matysek-Jędrych A., ed., 2011, p. 152). In the final phase of re-evaluation, the main market players -banks globally operating hedge funds and investments, which with their multi-billion capital resources are able to significantly influence the level of speculation on the already overheated market (Miklaszewski S., Garlińska- Bielawska J., Pera J., eds., 2011, p. 137). Now, some economists share the idea that the valuation of assets on the capital markets does not indicate a significant revaluation and high investment risk. If the thesis formulated in this way is economically correct, another thesis arising from it can be analyzed. The continued use of a benign monetary policy by central banking may contribute to a significant rise in inflation in the coming years. However, the rise in inflation is less dramatic than the alternative of the deepening financial crisis, in a situation where more banks and enterprises could fail and the situation on the labor market could be more worse than it was, and the risk of dra-

matic political and military events could increase (Black E., Śledziwska K., 2013, p. 57-58).

A one important thing should be added to the above considerations regarding system interventionist anti-crisis actions and stimulating economic growth. In the context of the anti-crisis solutions applied, the question regarding the possible limitation of the operation of market mechanisms, i.e. the fundamental foundations of modern economies, remains relevant. Therefore, refining the relevant regulations is not an easy process. Some economists would say that this refinement should not mean a significant increase in regulation, to not over-regulate and limit the operation of the market mechanism (Domańska-Szaruga B., Wereda W., eds., 2011, p. 73-74). Concerns of supporters of specific trends of neoclassical economics concerned potential negative and slowing economic growth actions aimed at limiting the market mechanism in selected markets through the increase of regulation. These fears intensified in the years 2009-2010 in the US, when the state increased scale of state intervention by public means, saved selected financial institutions and industrial enterprises, including car corporations, from bankruptcy. These fears, however, turned out to be at least partially unjustified, because the loans granted to banks on preferential terms were quickly repaid with interest due after 2-4 years. Similarly, the state-owned shares in private enterprises, including key US brands of motorization companies, were sold on the stock market by the Treasury after a 2-4-year period of restructuring and rising valuations of these securities on the stock. The Treasury this time turned out to be an efficient investor operating on the capital market dominated by private participants. However, this type of effective cooperation between the private and state sectors does not eliminate the need to carry out

analyzes and considerations on determining the scale of state participation in contemporary social market economies (Domańska-Szaruga B., Prokopowicz D., 2015, p. 41-42).

These considerations should be implemented not for the entire economy, but mainly for selected branches and markets, such as financial markets. It cannot be forgotten that the effective cooperation between the federal sector in the US and the private sector represented by banks and enterprises operating on the capital markets mainly concerned actions directly or indirectly related to individual capital markets. The aid granted to business entities whose shares were listed on the New York Stock Exchange indirectly result with improvement of the situation in this market (Prokopowicz D., 2009, p. 77-78). This improvement was necessary, because since the 1990s more than half of Americans invest some of their financial surplus into securities listed on this market. From the point of view of the government and the banking lobby, it was impossible to allow the Americans, over a longer period, to realize that instead of getting rich, they are getting poor. The target effects of the anti-crisis actions of the state were created by a combination of combined vessels, where, on the one hand, American brands were saved from bankruptcy and possible hostile takeover by foreign corporations and on the other hand after a period of less than 3-4 years of economic downturn, started by a profound almost 7% recession at the end of 2008 Americans' sense of economic security and awareness that they are getting richer were restored. However, this concerned mainly the efficient, relatively quick recovery of the capital markets, because in the real economy, in the sector of SMEs, on the labor market and on the real estate market, the return of the good economic situation was much slower. In view

of the above, this efficient combination of the federal sector in the US with the private banking sector and enterprises in the field of anti-crisis interventionist measures was realized on the level of entities operating on capital markets (Gwoździwicz S., Prokopowicz D., 2016.a, p. 91-92).

Considering how much of the modern developed economies, especially those with the Anglo-Saxon model of the financial system, is based on commercial financial system with developed investment banking and widespread external financing of business entities through securities issues, the economic condition of this system largely translates into the economic situation in the entire national economy. Therefore, the state should extend the appropriate security and credit risk management instruments in the commercial financial system to a much greater extent than other branches of the economy (Prokopowicz D., 2008, p. 88-89). It is necessary to reduce the likelihood of future global financial crises similar to the crisis from September 2008. It is necessary to continue the process of improving credit risk management procedures (Prokopowicz D., 2005, p. 98-99) not only at the micro level, i.e. in the processes of securing credit transactions burdened with such risk but also at the macro level, i.e. in the creation by the banking supervision of new regulations relating to the functioning of particular types of banks. It may turn out that in such a prudential approach it would be required to apply more regulation also at the level of supervision over the entire financial system (Prokopowicz D., 2015.b, p. 37-38).

Considering the key importance of the banking system in commercial financial systems and the possibility of future domestic or global financial crises, increasing regulation in this respect should not negatively affect the entire system, and the

economy as a whole, but the levels of acceptable, economically justified credit risk should not be intentionally exceeded (Prokopowicz D., 2003, p. 97-98). This approach, which strengthens the status of banking supervision and the legitimacy of extending the regulation as the organizational, technological and product development of the financial system is fully justified for the national dimension. However, it does not have to limit itself to this national dimension. A good example is the construction of structures in the model of

common markets of the European Union, where the Basel Committee on Banking Supervision is an institution that sets recommendations for improving the management process of basic banking risk categories addressed to the national supervisory authorities of European Union countries. (De Haan J., Oosterloo S., Schoemaker D., 2009, p. 49-50). The globalization aspect of the financial crisis of 2008 confirms the thesis about the need to strengthen supervision over financial systems in a supra-national dimension.

### **Conclusions.**

The anti-crisis model of state intervention that was applied during the global financial crisis of 2008 was a modified by adapted to the realities of contemporary national economies Keynesian formula, known from the 1930s combined with the monetarism of Milton Freedman in the 1970s and neoclassical economics, according to which in contemporary developed economies, technology, information and innovations become one of the main production factors. The anti-crisis package of instruments effectively used after 2008 for a minimum of several years as part of the monetary and budget policy is a new version of already known from the past instruments, which activate economic entities and stabilize the situation on the shaky financial markets (Bonner W., Wiggin A., 2009, p. 43-44). The world is currently differently organized economically, and it is not enough to act mainly on the nature of state intervention as was done after the crisis of the 1930s. The role of over-the-national corporations has increased, the income of which exceeds the GDP of smaller countries (Prokopowicz D., 2016, p. 22). Some companies are escaping from supervision and a more "expensive" fiscal system to places such as the British Virgin Islands.

Therefore, it is important to increase control over the transnational flows of large capitals. The goal of creating a supra-national supervisory body is to cooperate with all the largest economies in the world, to introduce such regulations that would ensure the stability of financial markets in the context of developing economic globalization (Davies H., Greek D., 2010, p. 81).

It is assumed that the global financial crisis has been effectively controlled and averted several years ago but its sources have not been fully eliminated. Increasing the capital requirement to cover the risk of debt securities borrowed by the bank does not have to ensure financial stability in banking systems. Conglomeration of financial activity (Niedziółka P., 2011, p. 71), globalization processes, deregulation on financial markets, mergers and acquisitions on the financial market, hedge funds, combining classical deposit and credit banking with investment are just some of the aspects at the macro level, which played a special role in the growth of credit risk on domestic and international financial markets. Therefore, there are many aspects of credit risk management that require even more examina-

tion and subsequent successive improvement to fully secure the undertaken transactions (Szpringer W., 2014, p. 72). In connection with the above, entered in the introductory part of this study entitled *Aims of paper. Methods* research thesis: The main instrument of anti-crisis policy was

the significant development of a mild monetary policy and interventionist measures aimed at reducing the risk of bankruptcy of enterprises and banking entities and stopping the decline in credit shares in banking systems, has been confirmed.

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**MANAGING CREATIVITY IN THE ACTIVITIES  
OF COMPANIES PROVIDING MUNICIPAL SERVICES.  
ANALYSIS OF CASE STUDIES FROM POLAND**

**ZARZĄDANIE KREATYWNOŚCIĄ W DZIAŁALNOŚCI FIRM  
ŚWIADCZĄCYCH USŁUGI KOMUNALNE. ANALIZA  
STUDIÓW PRZYPADKÓW Z POLSKI**

**УПРАВЛЕНИЕ КРЕАТИВНОЙ ДЕЯТЕЛЬНОСТЬЮ  
В КОМПАНИЯХ, ПРЕДОСТАВЛЯЮЩИХ КОММУНАЛЬНЫЕ  
УСЛУГИ. АНАЛИЗ ТЕМАТИЧЕСКИХ ИССЛЕДОВАНИЙ  
ИЗ ПОЛЬШИ**

**Abstract**

*This article deliberates on the topic of managing the organization's creativity. Attempts have been made to define this concept with regard to its various dimensions. In order to refer to the practice of the above issues was presented and discussed in detail the methodology of Design Thinking. Its essence is brought down to the search for creative solutions to business and social problems. It includes various entities, including consumers, in finding the answers to these various issues, which contributes to better meeting their needs. The last part of this study illustrates three case studies presenting the possibilities of creative problem-solving related to the activity in the municipal services industry. Two first case studies refer to the previously mentioned Design Thinking method. In contrast, the third case study is an example of the creative approach of a company dealing with a selective waste collection for the needs of the disabled people. It is also an example of social innovation and open innovation.*

**Keywords:** *creativity, communal services, management, innovations*

**Streszczenie**

*W niniejszym artykule podjęto temat dotyczący zarządzania kreatywnością organizacji. Dokonano w nim próby zdefiniowania tego pojęcia z uwzględnieniem jego różnych wymiarów. W celu odniesienia powyższych zagadnień do praktyki została zaprezentowana i omówiona w sposób szczegółowy metodologia Design Thinking. Jej istota sprowadza się poszukiwania kreatywnych rozwiązań problemów biznesowych i*

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społecznych. Włącza ona w znalezienie odpowiedzi na te kwestie różne podmioty w tym konsumentów, co przyczynia się do lepszego zaspokojenia ich potrzeb. W ostatniej części niniejszego opracowania zaprezentowano trzy studia przypadku pokazujące możliwości kreatywnego rozwiązywania problemów związanych z działalnością w branży usług komunalnych. Pierwsze dwa studia przypadków nawiązują do wspomnianej wcześniej metody Design Thinking. W odróżnieniu od nich trzecie studium przypadku jest przykładem kreatywnego podejścia firmy zajmującej się selektywną zbiórką odpadów dla potrzeb osób niepełnosprawnych. Stanowi ono również przykład innowacji społecznej oraz innowacji otwartej.

**Słowa kluczowe:** kreatywność, usługi komunalne, zarządzanie, innowacje.

### **Аннотация**

В этой статье рассматривается тема управления креативной деятельностью организации. В данной работе была сделана попытка определить эту концепцию, принимая во внимание ее различные измерения. Чтобы обратиться к вышеупомянутым проблемам, методология Design Thinking была представлена и подробно обсуждена. Ее суть сводится к поиску креативных решений деловых и социальных проблем. Она вовлекает различные организации, в том числе потребителей, в поиск ответов на эти вопросы, что способствует лучшему удовлетворению их потребностей. В последней части данного исследования представлены три тематических исследования, демонстрирующие возможности творческого решения проблем, связанных с деятельностью в сфере коммунальных услуг. Первые два тематических исследования относятся к ранее упомянутому методу Design Thinking. Напротив, третье тематическое исследование является примером творческого подхода компании, занимающейся селективным сбором отходов для нужд людей с ограниченными возможностями. Это также пример социальных инноваций и открытой инновационной деятельности.

**Ключевые слова:** креативность, коммунальные услуги, управление, инновации.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**


The main problem of this article is to determine the possibilities of using creativity management in the activities of service companies on the example of entities dealing with the provision of municipal services. This issue is of particular importance due to the possibility of building competitive advantage, based on the creativity management, of

companies providing municipal services, referring to the potential of their employees, which coincides with the concept of human resource management.

From the point of view of the management theory, it is crucial to resolve the issue of effectiveness and efficiency of such activities in relations to the possibilities of better functioning of companies providing

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municipal services and better satisfaction of their consumers' needs. This article is an attempt to make this kind of analysis. It indicates potential factors influencing the creativity of the organization and discusses the use of the creative thinking method. In

the further part of the article, case studies of Polish companies providing municipal services referring to the activities and projects implemented in them of the creative nature have been illustrated.

### **Analysis of latest research where the solution of the problem was initiated.**

Creativity, as the most important feature of human capital, influences the implementation of innovation and is the foundation of the innovation process. It can be defined as creating useful and valuable products, services, procedures or ideas by units cooperating together (Woodman, 2010, p. 293-321). Currently, it has become the domain of people who undertake daily professional and educational activity, and not only the unique, special and sublime feature of exceptional human individuals (Drozdowski, 2010, p. 16-18). The classic theories of Maslow, Rogers, Fromm, Mayo were at the basis of such an understanding of creativity, treating creativity as a human need and a manifestation of his self-realization. According to R. Florida, a change in the employment structure is taking place nowadays – there is a transition from “blue and white collars workers” to “no collar workers” – i.e. the development of the “creative class”, i.e. people whose work is based on the creation of new knowledge, transferring information or the broadly understood new forms of conducting a business, which are connected by a great autonomy of undertaken actions and a substantial freedom of functioning. This class includes journalists, artists, scholars, employees of new technologies, advisers, consultants, teachers (McGranahan, 2011, p. 529-557). According to E. Necka, the concept of creativity includes not only the features of the intellect, but also the motivational aspects and personality traits of a particular person. The concept of creative human

capital (i.e. capable of generating new/original and at the same time valuable solutions in terms of cognitive, aesthetic, pragmatic or ethical), both in macro- and micro-scale, refers to both regular employees and managers of companies (Necka, 2003, p. 13-17).


Despite the frequent use of the adjective “creative” characterizing, e.g., people, works of art, or books, there is a great confusion in the proper interpretation of the category of creative thinking. It is “an important feature of all aspects of decision-making in business. It involves stimulating new thoughts, reformulating the existing knowledge and analysing assumptions in order to formulate new theories and paradigms or creating awareness. It is a process that involves disclosing, selecting, exchanging and combining facts, ideas and skills”, (Proctor, 1998, p. 30-35).

M. Wertheimer characterized creativity as “breaking or reorganizing thoughts on a given subject, undertaken in order to obtain a new, deeper insight into its nature” (Wertheimer, 1959, p. 22-24). In turn, T. Rickards defined creativity as “an escape from mental stagnation” (Rickards, 1998, p. 60-70), emphasizing the role of creative thinking in the decision-making process and problem solving (Proctor, 1998, p. 30-35).

The development of individual and team creativity depends not only on the skills, talents and individual actions of the individual, but also the conditions prevailing in the organization. In traditional organizations, there are many

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organizational barriers, such as bureaucracy, rigid hierarchy and autocracy in management, too much control, dishonesty of management at all levels, anxiety and suspicion, and insecurity that prevents the discovery and use of the creative potential of employees (Brzeziński, 2009, p. 9-10). According to M. Brzeziński, contemporary organizations rarely have the atmosphere conducive to individual, team and company creativity, so it is necessary to “(...) create a new organizational form in which creativity becomes one of the basic paradigms (Brzeziński, 2009, p. 9-10).

The first condition of creativity in the organization is the elimination of organizational barriers, such as: lack of resources and support to try new concepts, bureaucracy and myopia, resistance to changes and fear of tasking risks, tendency to conformism, too much control from the management, meticulous analysis of the concept, rigid hierarchy within the organization, ineffective interpersonal communication, the tendency to search for one winner and stress that leads to anxiety or loss of the sense of security, which results in complete loss of creative possibilities of employees (Proctor, 1998, p. 30-35)

Creative people are characterized by:

- the ability to generate a large number of ideas in a short time,
- constant search for new solutions,
- originality – creating innovative connections and ideas,
- the ability to choose the optimal solution,
- perseverance in overcoming difficulties,
- motivation as a problem and a challenge,
- vitality and efficacy,

- consequence, regularity, courage,
- tolerance and respect for different views,
- avoiding taking premature positions in the case,
- openness to criticism,
- relativistic view of reality,
- independence of the courts (Nawrat, 2013, p. 32-33).


The creative achievements of employees do not depend on their outstanding mental abilities, but rather on the willingness to overcome habits, stereotypes and conventions in thinking and everyday life, and the ability to look at problems in their various aspects (Drozdowski, 2010, p. 16-18).

Important factors affecting the creative attitudes of employees include:

- surroundings, supporting the employee in his creative activity, atmosphere conducive to creativity in the enterprise, appreciating creative initiatives by the management,
- work atmosphere, especially teamwork to foster discussions that contribute to the creation of creative ideas,
- leadership style – autocratic, not conducive to the development of creativity in the enterprise, it inhibits the independence and individuality of employees, who expect the leader to solve all problems,
- selection of the right people for the right positions,
- clarity of responsibilities, tasks and expectations towards employees,
- skilfully matching the skills of employees, their interests and personality types to the entrusted responsibilities,
- constructive criticism and providing employees with clear guidelines

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concerning the expected behaviour, corresponding to the assumed

implementation of the organization's goals (Szopiński, 2013, p. 91-102).

### **Aims of paper. Methods.**

This article addresses the issues of creativity management in companies that provide municipal services.

It describes the concept of creativity and its determinants. It attempts to refer these issues to the activities of companies providing municipal services. The considerations in this respect are illustrated by examples of case studies of companies operating in the industry, depicting the creativity management in practice.

The theoretical aim of the article is to attempt to solve the opportunities of the application of the selected methods for stimulating creativity in practice with particular emphasis on the Design Thinking method.

The cognitive goal of this article is to show the areas of operation in which the companies providing municipal services can benefit from the creativity management.

This article also has a utilitarian objective associated with the so-called best practices, which have proven themselves in the Polish reality and which are worth propagating on a broader scale.

The article uses the case study method to refer to creative activities carried out in the selected Polish companies providing municipal services, literature studies and analysed the essence of the Design Thinking method.

Design Thinking is an intuitive method of work, thanks to which innovations are formed in multidisciplinary teams.

It combines elements of engineering, business, design and social sciences. Thanks to it, it is possible to create an innovative product or service, improve the customer service process or develop new ways of communicating with consumers.

This method is defined in many ways (Serafiński, 2009, p. 40). Its creator, Tim Brown, describes it as transferring design tools into the hands of people who have never considered themselves as in any way related to designing, and applying these tools to a much broader spectrum of problems (Brown, 2009, p. 4). Another definitions states that Design Thinking is a "discipline that uses the common sense and methods of designers to meet the needs of people using what is technologically possible and what can be changes into value for the customer and market opportunity by the business strategy" (Brown, 2008, p. 86). T. Lockwood draws attention to the fact that Design Thinking is a process focused on a person and his needs. It can be used for creating new products, services, as well as for solving business problems and challenges (Lockwood, 2009, p. 54-56).

Design Thinking is based on four basic principles, which include:

- human rule – according to it, design is a social activity, thus solving problems should aim at satisfying human needs,
- ambiguity rule – abandoning the setting of limitations and strict defining, as well as allowing experimentation and different perception of certain things has a positive effect on stimulating creativity and innovation,
- re-designing rule – it should be understood that the problem, which solution is being developed, has usually been analysed before, so it is worth learning about the historical solutions and methods of dealing with this need,
- tangibility rule – i.e. making the idea real through its visualization and

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prototype promotes better communication between those involved in the design (Meinel, 2011, p. 45-48).

As it has already been mentioned before, Design Thinking is based on the functioning of multidisciplinary teams, which is beneficial for stimulating the creativity of their members (Starostka, 2015, p. 1071). The design team dealing with problem solving and development of new products should include people from the production department, research and development, marketing, sales, as well as designers. Due to the fact that their competences are diverse, they have the chance to develop innovative solutions (Bruce, 2002. p. 49).

Not all tools used by designers to improve the process of solving problems and communication with business partner come from the field of engineering and design. Design Thinking, as a multidisciplinary approach, uses methods and tools from various fields of knowledge, such as art, engineering, anthropology, psychology, etc. (Tschimmel, 2012, p. 49). The Design Thinking method consists of five phases that allow the project to develop from the moment the problem is identified to the phase of searching and developing solutions. These are empathizing, defining the problem, generating ideas, building prototypes and testing (Design thinking bootcamp bootleg).


Empathizing enables a deeper understanding of the recipients for whom a given product is designed through observations and interviews with them. Thus, results to the following questions are obtained: Who is my user? and What matters for this person? According to the creators of the Design Thinking method, innovation begins from empathy, which allows a comprehensive understanding of

the needs of its users. It is the most crucial to diagnose and determine the “hidden motivations” that have an impact on people’s behaviour and to understand the market or technological conditions of the project. At the emphasizing stage, such tools and methods as interviews and recognition surveys, user observations, are used, and the environment analysis is conducted in which there is a problem or a need to develop a new product. It is also worth conducting observations of user behaviour, because they can use their own amateur improvements that can contribute to the design of new products.

During the problem definition stage, a viewpoint is created that is based on the insights and needs of the users. Because of this, it is possible to answer the issues regarding the determination of customer needs. At this state, the interdisciplinary team synthesizes the information collected during the previous phase, i.e. empathizing, which is aimed at determining the right problem that ought to be solved. This stage requires the rejection of standard thought frames and habits that limit the field of view, thus not allowing us to look at problems from a broader perspective. The proper definition of the problem makes it much easier to determine the direction of the solutions sought. Most often, this stage can be the most difficult task for a design team, because most people prefer to work on a specific solution from the very beginning, instead of moving in uncertainty of many possible directions. However, it should be remembered that defining the problem too hastily narrows the view of the whole picture, which may mean that despite devoting a lot of time, energy and financial outlays, the developed solution will not fully meet the client’s needs. The techniques, such as re-framing, 5 Why, etc. should be used to define the problem.

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During the next stage of the Design Thinking method, i.e. generating ideas, one should strive to obtain as many innovative solutions as possible in relation to the problem that is being worked on. It should be kept in mind that “crazy” ideas are also worth paying attention to. The interdisciplinary team should focus on generating as many potential solutions as possible for the problem defined in the previous step. This requires not only substantive knowledge, but above all ingenuity, courage in creating new and out-of-box solutions and abandoning the assessment and criticism of ideas created by other team members. This stage should end with the evaluation and democratic selection of the best idea on the basis of which the prototype will be created. The popular brainstorming method is the basic tool used at this stage, as well as the method of 6 hats. It should be kept in mind that these methods are not a goal in themselves, but only a starting point to define further directions of action.

During the stage of building prototypes, a representation of one or more ideas is created to show them to others. Thanks to this, it is possible to answer the question: How can I sell an idea? It is worth underlining that the prototype is only a preliminary design of the product. During this phase of design, a physical representation of the solution of the problem is created, however, it should be kept in mind that its aim should not be to develop complicated models with features similar to the final product. The most important function of the prototype is the ability to visually present solutions to users and quickly gather opinions about it. Thanks to this, it is possible to determine whether the project meets the client’s requirements or change its concept. Working prototypes help eliminate errors

at an early stage of the project (with minimum costs). One can never be sure that the final product will be a success, but frequent improvement of the prototypes and subjecting them to customer evaluation reduces the risk of a final failure. All kinds of materials – paper, cardboard, foam, plastic can be used for constructing prototypes, they can be cut out of Styrofoam or wood, or use the existing products. Prototyping with a 3D print is becoming more and more popular. The prototype does not always have to be an object – in the case of services, one can use a comic book, a storyboard or a drawing of a user path. It is important to take a step further than a verbal description and to visualize the ideas in any way.

The last stage of the Design Thinking method consists in presenting a prototype of the solution to its original user in order to get an opinion about the generated product. Thanks to this, it is possible to answer the question: What worked, and what didn’t? At this stage, the designed solution is tested in a real environment in which the product will be used.

It is necessary to specify the necessary parameters and their values, thanks to which it will be possible to clearly determine the results of the conducted test. This stage requires the involvement of many people and support from the technical, formal, administrative and even legal side. Only after the successful tests, one can talk about the readiness of the product or service for its implementation. Unfortunately, this stage is often overlooked in the implementation of many projects, which only after the fact turns out that the best solution to the problem, as it would seem, does not entirely meet the required assumptions and expectations of its recipients (designthinking.pl, 2015).

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

According to the Act of December 20, 1996 on Municipal Management (Journal of Laws of 1997, no. 9, item 43), this activity consists of the performance of own tasks by the self-government units in order to meet the needs of the local self-government community. In accordance with the above-mentioned Act, the municipal management includes, in particular, public tasks of a public utility nature, which aim is to provide current and uninterrupted satisfaction of the collective needs of the population through the provision of publicly available services.

The municipality, when performing the statutory tasks in the area of municipal services, can implement them through budgetary establishments, capital companies, with its participation, use public-private partnership and contract municipal services with private entities (Bałdyga, 2004 p. 57-76; Sońta 2010, p.72 – 83).

In analysing municipal services, their payer is an important element. They are the municipality and the residents. The first group includes services related to the maintenance of greenery (including parks, tourist routes), removal of waste and cleaning public spaces or municipal cemeteries. In the case of the above-mentioned services, the municipality, subject to the regulations, selects the entity that provides them, what is beneficial for it, provided that it negotiates satisfactory parameters of services provided by external entities.

The second group of municipal services, the performance of which is paid for by the residents, there is a great diversification of legal regulations, natural monopolies, fairly developed transmission infrastructure and significant investment

needs. Nevertheless, depending on the industry, the manner of implementing these services is diverse. The sectors of municipal services that belong to the second group include, among others: public transport, waste management and water and sewage services (Szymanowicz, 2000, p.27-28).

Despite the legal and social constraints of communal services, an increasingly visible phenomenon in this sector involves the increasing activity of private entities. This favours competitiveness on this market and enables the implementation of modernization investments for which the municipalities do not have funds or these processes would have to be spread over a longer period of time (Wojciechowski, 2003, p.143-161).

The initiative to redesign the experiences of tourists on the trail to Morskie Oko was an example of using the Design Thinking method in the municipal services industry related to the service of tourist routes. The idea behind this activity was that tourists choosing this place would use its charms not only for the purpose of their trip, but also during the tour. The information and drawings placed on the trail regarding the behaviour in the Tatra National Park and showing the tourists where they currently are on the route to Morskie Oko was the solution of this problem. There were 16 information messages placed on the area of the route to Morskie Oko. Their main purpose is to educate the tourists. When moving along the route, a tourist notices the inscription on the asphalt and reads the information prepared for him. These announcements encouraged exploration of the area (e.g. a sketch of the panorama, on which the names and heights of the peaks were presented) and also featured various

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interesting facts about the place: “Trout lives in Morskie Oko”. In addition, they informed about the location on the route: “Hurray! 1/3 is behind you!”. Some of these announcements presented and explained the rules in force in the Park. Inscriptions at the end of the tour cheered and offered encouragement: “You can do it! You are not far”. In order to achieve such a creative solutions, the Design Thinking methodology was used. It consisted of activities related to interviews conducted among tourists, meetings with employees of the TPN (Tatra National Park), observations of those participating in the trail, collecting information and determining the data needed for the implemented project, a project concept designed to motivate tourists to achieve the purpose of their trip, and at the same time to familiarize them with the rules of conduct in TPN, testing the concepts, selection of the best motivational announcements and testing the resistance of the information placed at the asphalt fragments of the route to Morskie Oko. As a result of the Design Thinking methodology, a positive effect was achieved because the motivation of tourists increased to complete the route to Morskie Oko without the need to switch into horse-drawn cabs. The tourists themselves also felt appreciated that despite the fatigue and problems with footwear they reached the destination of their trip on their own. (It is effective, 2015)

Another example confirming the usefulness of the Design Thinking method to develop creative solutions related to the municipal service industry was connected with the activities undertaken in Gdynia aimed at increasing the accessibility of the public space to the elderly. The main problem to be solved here concerned the fact that the services provided by the city in the public space were to be adapted to the

needs of the elderly and the disabled. How to involve the citizens of Gdynia – seniors and the disabled – in the formation of a friendly public space available to them? In order to answer the key questions for the project, it was necessary to identify the obstacles encountered by seniors when using the services provided by the city in the public space. Research walks were considered the best tool for discovering these inconveniences. Research walks are a field method of interviews with residents – users of the public space. In the interviews, residents were asked about opinions on adapting elements of space infrastructure to their needs. Thanks to this, areas requiring improvement were diagnosed – in particular related to the designation of the area. Illegible information posed at stops were reported as one of the more important shortcomings. The next step was to conduct workshops on the design of the information system at bus stops. Both seniors and designers participated in them. These works, conducted during workshop meetings, resulted in the guidelines for designers allowing the creation of a project of the information system at bus stops readable for various age groups. In this way, the process of designing and testing the proposed solutions under the actual conditions of the new project was commenced (It is effective, 2015).

An interesting example of a creative approach to solving business problems and at the same time an example of open innovation is the project of the Eneris group implemented since December 2016: “I segregate – I do not see any obstacles”, which is directed to the blind and the visually impaired. Until now, this almost 2-million people group, was excluded from sorting waste, and thus from the active and the simplest contribution to environmental protection, because it was unable to identify the colour of the container for

waste subject to sorting. The Eneris company collects waste from 1.1 million inhabitants from nearly 100 municipalities. Nearly 5% of them are people with a disability of vision. A special sticker was prepared for them in contrasting colours, with Braille inscriptions with 6 different waste names. It is a pilot program in the industry under the patronage of the Government Plenipotentiary for the Disabled and the Polish Association of the Blind (website of the Dziennik Zachodni newspaper, 2016).

At the request of the blind and the visually impaired, who care about the issue of environmental protection and in cooperation with them, within the “I segregate – I do not see any obstacles”

program, the Eneris group has developed special stickers that allow the identification of containers for individual waste fractions. From December 3, 2016 they are handed over free of charge to the people in need of such assistance. What is more, not stopping at this activity, the ENERIS group has prepared an accessible website with facilities for visually impaired people in the form of adjustable font size. Until the end of 2017, the company undertook to train employees of the Customer Service Offices and all drivers and loaders of vehicles transporting waste in the scope of service for visually impaired customers (a total of over 600 people serving 1.1 million residents of Polish cities)(website of the Eneris group, 2016).

## Conclusions.

This article presents issues related to the management of the organization’s creativity. It attempted to define this concept, taking into account its multidimensionality. In order to refer the issues discussed above into practice, the Design Thinking methodology was presented in detail. Its essence is brought down to the search for creative solutions to business and social problems. It includes various entities into finding the answers to these issues, including consumers of companies, which contributes to better meeting their needs. The last part of this study presents three case studies showing the possibilities of creative solving of problems related to the operation of activities


related to municipal services. The first two case studies refer to the previously mentioned Design Thinking method. In contrast, the third case study is an example of the creative approach of a company dealing with a selective waste collection for the needs of the disabled. The solution presented in this example fits in the so-called open innovation and the concept of social invention. It is also a pioneering solution on the European scale. Therefore, it fits the so-called best practices that are exemplary for the development of the municipal service industry in Poland and abroad.

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## **THE FORMS OF INTERNATIONAL TECHNOLOGY TRANSFER BY TRANSNATIONAL CORPORATIONS**

### **FORMY MIĘDZYNARODOWEGO TRANSFERU TECHNOLOGII PRZEZ KORPORACJE TRANSNARODOWE**

### **ФОРМЫ МЕЖДУНАРОДНОЙ ПЕРЕДАЧИ ТЕХНОЛОГИЙ ТРАНСНАЦИОНАЛЬНЫМИ КОРПОРАЦИЯМИ**

#### **Abstract**

*The resources and skills of TNC make them play the essential role in carrying out R&D work, whose effect is the production of new, often technologically advanced solutions. Striving for maintaining competitive advantages over others on foreign markets imposes the necessity to transfer the technology worked on in parent companies to TNC foreign branches and local offices. The extensive range of TNC activity through a network of units localised in various regions of the world determines the fact that they are leaders in the process of implementing and distributing innovative solutions in the world. The main aim of the paper was to identify the influence of world-largest transnational corporations on entities with respect to the diffusion of technology.*

**Keywords:** *transnational corporations, foreign direct investment, technology, diffusion of technology*

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### Streszczenie

Posiadane zasoby i umiejętności KTN powodują, że odgrywają one fundamentalną rolę w prowadzeniu prac B+R, których efektem jest powstawanie nowych, często zaawansowanych technologicznie rozwiązań. Dążenie do utrzymania przewag konkurencyjnych na rynkach zagranicznych wymusza z kolei konieczność transferowania technologii wypracowanych w przedsiębiorstwach macierzystych do zagranicznych filii i oddziałów KTN. Szeroki zasięg działalności KTN poprzez sieć jednostek zlokalizowanych w różnych regionach świata decyduje o tym, że są one liderami w procesie wdrażania i rozprzestrzeniania rozwiązań innowacyjnych na świecie. Głównym celem artykułu jest określenie wpływu największych światowych korporacji transnarodowych na podmioty w zakresie rozpowszechniania technologii.

**Słowa kluczowe:** korporacje transnarodowe, bezpośrednie inwestycje zagraniczne, technologia, dyfuzja technologii

### Аннотация

Благодаря своим ресурсам и навыкам КТН играют основополагающую роль в проведении НИОКР, что привело к формированию новых, часто высокотехнологичных продвинутых решений. Стремление сохранить конкурентные преимущества на зарубежных рынках, в свою очередь, вынуждает передавать технологии, разработанные на материнских предприятиях, в зарубежные филиалы и филиалы КТН. Широкий спектр деятельности подразделений сети КТН, расположенных в различных регионах мира определяет то, что они являются лидерами в осуществлении и распространении инновационных решений во всем мире. Основной целью статьи - определение влияния крупнейших мировых транснациональных корпораций на субъекты в сфере распространения технологий.

**Ключевые слова:** транснациональные корпорации, прямые иностранные инвестиции, распространение технологий.

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### Statement of the problem in general outlook and its connection with important scientific and practical tasks.

In the contemporary world technology has become the key to competitiveness in economy and economic development of countries. Many years ago, investing in the development and popularization of new technologies was regarded as a driving force of the economic growth. New technologies enable more efficient methods of work and bring new prospects for the human activity.

They also let improve the quality, increase efficiency, shorten the period of time for a product to enter the market and satisfy the human needs, which have not been satisfied as yet. Through diversification of commodities and services in the market, technical innovations, planning processes applied by companies, implementation, control and assessment of technical changes,

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modern technologies bring opportunities for the increase in the competitiveness and development. The growth in economic wealth brings benefits for the whole society because it provides for more widespread satisfaction of human needs and better quality of life of individuals and their families. The way of utilizing of those benefits and their range is first and foremost the question of the socio-economic policy. In relation to the above subject of research included in this paper was the assessment of effects of transnational corporations on the

diffusion of new technologies, knowledge and skills. It has also been attempted to pinpoint the major economic effects connected with direct investments, which are reflected in the process of diffusion of technology, knowledge and skills. The research focused on the activity of transnational corporations, as it is them to lead in both research and development activity, and in the process of implementation and popularization of innovative solutions around the world.

### **Analysis of latest research where the solution of the problem was initiated.**

The research method of analyzing of international technology transfer by transnational corporations based on Polish literature: Kola – Bezka M., Kuzel M., Sobczak I. (2009); Lech M. (2010); Macias J.

(2010); Sporek T. (2010); Cudowska-Sojko A. Grzybowska A. (2015); Poznańska K. Kraj M. (2015); Stachowiak Ł. (2016).

### **Aims of paper. Methods.**

In this publication a descriptive and comparative methods and a literature review have been used. The choice of these methods was determined primarily by the type of available research materials. The descriptive method has been used, among others, to characterize the nature of transnational corporations, their role in the contemporary economy. The comparative

method has been used primarily to confront different points of view related to the topic of the role of transnational corporations. Whereas the literature review has been conducted to characterize the latest achievements related to the transnational corporations, which were presented in the latest scientific publications.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Transnational corporations (TCN)**

The main feature of the contemporary world economy and one of the major subjects of the process of globalization are transnational corporations (TCN). They are very diverse companies with respect to their size, range, object, forms and methods of operation. The grounds for setting up transnational corporations on such a large

scale have been excessive internationalization and globalization of production and capital, caused by transfers of capital, technology and highly-qualified personnel carried out by the highly developed countries. The United Nations Conference on Trade and Development (UNCTAD), defines the transnational corporation as an entity being a joint-stock company or another business activity, consisting of the parent company and its affiliated foreign entities. The parent company wields control on at least 10%

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of stock or other shares in business entities localized outside the country of its origin. Foreign units are entities towards which the investor (the parent entity) has the right to participate in the management (WIR, 2005; UNCTAD 2005). Transnational corporations execute the policy of territorial expansion through the engagement of their resources in the foreign direct investments. The UNCTAD differentiates three forms of direct presence of the investor's company abroad:

- agencies with full or majority stock,
- mixed-ownership or affiliated companies,
- An agency representing the investor or being a joint-venture of a slight capital involvement (below 10%) (Zaorska, 2007, p.122).

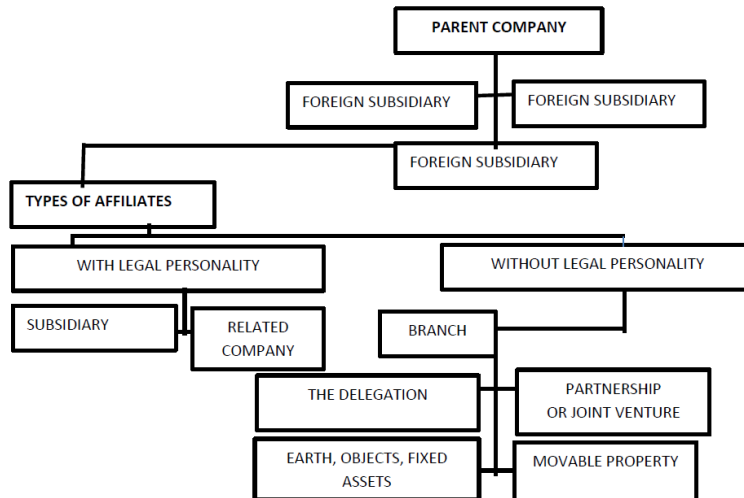
The structure of the transnational corporation depicted by the UNCTAD is shown in Fig. 1.

Among the typical features which describe the actions of transnational corporations in

the contemporary economy we should pinpoint: (Marzec, 2007, p.36)

- sovereignty – pertinent to taking strategic decisions, actions;
- complexity – covering the ownership, organizational, control and spatial;
- distribution – regarding geographical distribution, innovation and productive and commercial issues.
- specialization – selected segments of the product which is then offered in the global market;
- arbitration capacity – starting and running business activity in different markets;
- integration capacity – creating cooperation bonds;
- organizational flexibility – coordination of activities in different markets and countries;
- global efficiency – among others, expressed by conducting research in different parts of the world or executing various undertakings regarding manufacturing and sale of products (Fig. 2).

**Figure 1 The structure of the TNC in UNCTAD**



Source: own elaboration based on the M. Ciecierski, Wywiad biznesowy w korporacjach transnarodowych, Wydawnictwo Adam Marszałek, Toruń 2009, s. 139

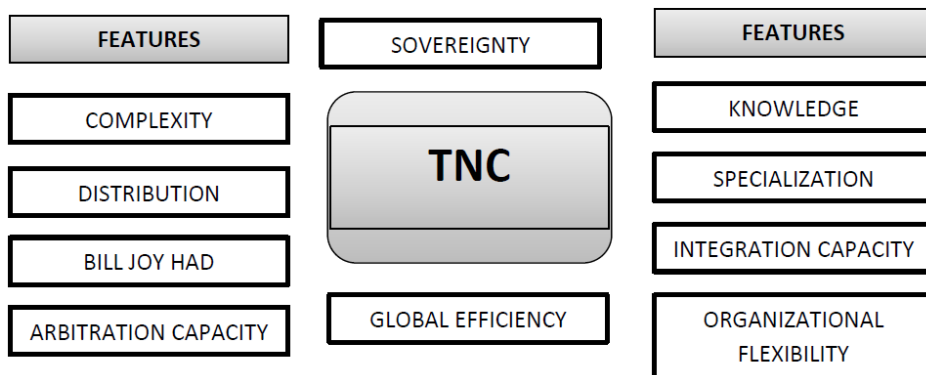
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**Figure 2 Features of TNCs**



Source: own elaboration based on the A. Zaorska, Korporacje transnarodowe. Przemiany, oddziaływania, wyzwania, PWE, Warszawa 2007, s.127.

Transnational companies through their activity affect myriad elements of the global socio-economic system. Their influence is especially visible in the following areas (Sokołowicz, 2011, p.135):

- size, structure and directions of the capital flow,
- dissemination of technological advances on the international scale,
- structural and geographic changes in the production, consumption and the world trade;
- global distribution and redistribution of income,
- ways of using the human potential,
- organization and structure of international cooperation.

**Transnational corporations in shaping the world flows of foreign direct investments**

In the 21st century knowledge as well as scientific and technical thought constitute the most precious resources, and their quality determines the pace of social and economic development of both highly developed countries as well as developing and underdeveloped countries. A higher de-

mand for knowledge in the period of globalization is similar to the growth of demand for raw materials in the period of capitalism expansion in the 18th and 19th centuries (Antczak, 2005, p.54). The countries which can produce, distribute and adapt knowledge faster and better have more skilled workforce, they are competitive and they note a higher pace of economic growth. However, in the world, because of many historical and economic factors, a big and still growing disproportion has emerged in the present development and its potential between highly developed countries and developing countries. Transnational corporations nowadays play a huge role in annihilating this disproportion, and they are the entities which implement and use modern technology as well as scientific and technical thought to the greatest extent. The leading significance of transnational corporations is connected with their economic power. The activity of corporations fulfils in the world economy many important functions which foster development and transformations in the global, regional and country scale. Carrying out its

expansion (as regards investments, cooperation, trade), corporations cause the movement of resources and generating capacities, arouse economic growth and efficiency, they contribute to reorganisation of sectors and enterprises, activate competition and local entrepreneurship, they transmit new methods and models of management, and they also enhance international economic connections and dependencies (Krasiuk, 2006, p.14).

The potential of innovativeness of contemporary TNC is affected by various factors making it possible to prepare innovations on their own and on a large scale, and, next, to introduce them to the market as the so-called global products attracting an extensive range of recipients. One should emphasise here the accumulated capital of knowledge and experience resulting from many years of TNC operation on varied foreign markets. In the period of TNC operation, appropriate innovation and patent portfolios were developed by their own personnel as well as research and development facilities (R&D). Also, new skilled were acquired which came from external sources, e.g. in the form of a licence or through entering strategic alliances, which, in consequence, made it possible to create resources of TNC key competences. A very important factor affecting the potential of innovativeness is the possibility to use one's own infrastructure of R&D works in the form of laboratories, technological and design offices, allowing quick completion of R&D projects and generation of new products and technology. Not less importance is attached to developed market skills enabling quick recognition of customers' needs and demands, and efficient management system based on high qualifications of personnel and modern information systems (Sosnowska, 2000, p.16-17).

The resources and skills of TNC make

them play the essential role in carrying out R&D work, whose effect is the production of new, often technologically advanced solutions. Striving for maintaining competitive advantages over others on foreign markets imposes the necessity to transfer the technology worked on in parent companies to TNC foreign branches and local offices. The extensive range of TNC activity through a network of units localised in various regions of the world determines the fact that they are leaders in the process of implementing and distributing innovative solutions in the world.

It is worth noticing that the term transnational corporations is strictly connected with the term foreign direct investments because it is the transnational corporations through which foreign direct investments are executed (Lech, 2010, p. 216). We should yet remember that transnational corporation is a broader term than foreign direct investments as it is an institutional expression of capital investment, and still production, distribution and other questions related to the direct activity in foreign markets belong to its nature (Sporek, 2010, p.278).

However, it is necessary to differentiate between two concepts: a business with a foreign share capital and international corporation.

Transnational corporations (TNCs) are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake.

An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets (in some countries,



an equity stake other than that of 10 per cent is still used. In the United Kingdom, for example, a stake of 20 per cent or more was a threshold until 1997.).

A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10 per cent for an incorporated enterprise or its equivalent for an unincorporated enterprise).

While Joint venture is A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. In a joint venture (JV), each of the participants is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants' other business interests. Although JVs represent a great way to pool capital and expertise and reduce the exposure of risk to all involved, they do present some unique challenges as well. For instance, if party A comes up with an idea that allows the JV to flourish, what cut of the profits does party A get? Does the party simply receive a cut based on the original investment pool or is there recognition of the party's contribution above and beyond the initial stake? For this and other reasons, it is estimated that nearly half of all JVs last less than four years and end in animosity.

Foreign direct investments are a special form of capital involvement executed outside the home country. They are capital investments of which nature is full or part transfer of production factors outside the home country in order to obtain long-term benefits from a foreign involvement (Macias, 2010, p.8). The object of investor's interest is the activity itself and com-

pany bottom-line revenues, as well as prospects of its development. Direct investments are not only about financial resources transfer, but also about the whole package of non-material resources, which are channeled to foreign branch offices or agencies, providing them with grounds for efficient competing with local entities (Kola-Bezka, 2009, p.13-14).

In the context of the subject of this paper, it should be underscored that foreign direct investments are regarded as one of the most important factors of innovation, growth and modernization of the regional/domestic economy. Their presence facilitates the transfer of modern technologies and improves the local market within its broadest sense. Their importance is especially visible when financial resources insufficiency blocks investments.

#### **Technology transfer**

Technology transfer in short is interpreted as being a multilateral flow of information and technology through the borders of science, technology and practical world. International technology transfer, however, is a process of transferring a certain technical knowledge from the country of the provider and its application in the country of the recipient once the indispensable adjustment has been made (Pomykalski, 2001, p.45).

In subject literature there is presented a diverse approach to the term technology. This term is quite universally replaced with such definition as technics or technical knowledge. Yet some authors pinpoint a difference between these categories. Technology is most often defined as the knowledge enabling a human running a proper business activity, which lets converting material goods (Jasiński, 2006,p.75) In this context the meaning is close to the term technics, which is related to the project of instrumental activity, reducing uncertainty in cause – consequence

relationships connected with achieving the expected result (Jasiński 2006, p.77). Technics, however, is a narrower term, as it covers solely the knowledge of technical nature pertinent to the course of the production process. Technology, on the other hand, means not only a set of techniques available within a company, but also any change concerning the production or organization, consisting in adopting acquired knowledge (Szatkowski 2001, p.24). The main component of technology is knowledge. In economic sciences, there are separated three kinds of knowledge (Grudzewski, 2004, p. 134):

- explicit knowledge, which is information that is easy to articulate and consolidate as material carriers; it is most often reflected in the formal language, subject to systematization and codification as texts, drawings, databases, as well as materialization as material and non-material goods; as a consequence explicit knowledge might be easily and in any way distributed;
- and quiet, hidden (tacit knowledge) – is a supply of skills, in the first skills collected during collaborative work, workshops, by means of conversation, talks, shared experience; it consists of both information of sheer practicality and beliefs, private opinions and even intuition; tacit knowledge is a fundamental category of the human capital, it is acquired subconsciously and the same way applied, it is difficult to be articulated and even more difficult to record electronically.

The diffusion of new technologies may happen through the channels transmitting ideas and innovations. Without doubt, the most important among them are:

- import of technologically advanced goods,
- foreign direct investments,
- accumulation of foreign capital,

– license transfer (Jakubiak 2007, p.43). In the scientific literature there are also other classifications of technology transfer channels. One of them is the UNCTAD (United Nations Conference on Trade and Development), which singles out the following forms of the diffusion of technology (TOT 2001,p. 111):

- contractual joint venture,
- franchising,
- subcontracting,
- exchange of information and science and technology personnel through programs of technical collaboration,
- support of external experts and consultations,
- machinery and equipment trading,
- license agreements for production processes, circulation of know-how, patents, etc.
- foreign direct investments.

The carriers of technical knowledge can be the so called soft carriers of coded knowledge among which there are documents, scientific articles, projects, subject literature, licenses, royalties, utility models and know-how. Technology can be also transferred by means of innovative products, which are most often investment goods (machinery and equipment, processing lines) and their components. Yet, the most important carrier of technology are humans, who because of the accumulated knowledge and experience contribute to the development of the intellectual capital of the given economy.

The key element here are direct human interactions enabling a fast and only slightly distorted transfer of both formal and tacit knowledge. In realm of economic life, rarely does it happen that only one of the mentioned carriers is used. In most cases there are various combinations of applications of particular forms and carriers of

technical knowledge. The transfer of technological solutions between subject most often requires the application of all carriers that have been mentioned: the flow of formal knowledge occurs simultaneously with the transfer of investment goods and technical support in form of training or even qualifies staff migration. The intensity of relationships between the channels and technology carriers is at the same time diverse, depending on political and socio-economic conditions in the countries where the entities involved in the international exchange of technical knowledge operate (Kochel, 2012, p.507).

The forms of technology transfer can also be classified according to the fact whether the flow of technical knowledge occurs between independent partners or within a transnational corporation, and whether the diffusion of knowledge is connected with the transfer of equity. The most general classification of technology transfer channels basing on the above criteria is the classification prepared by P.J. Buckley. They are (Umiński, 2010, p. 236):

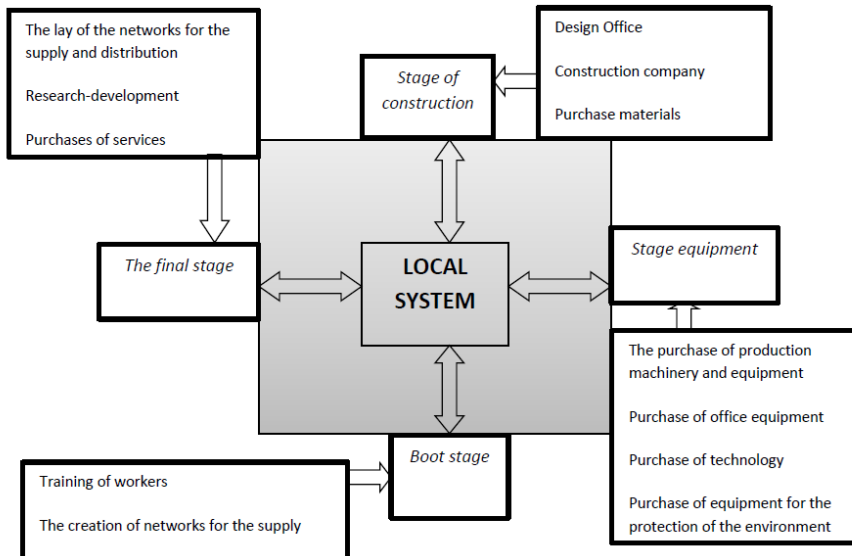
- a company with 100% stock of foreign capital,
- a joint venture,
- a company with minority share of foreign capital,
- fading out agreement,
- a license transfer,
- a managing contract,
- franchising,

- a “turnkey” venture,
- a contractual joint venture,
- subcontracting.

Technology transfer, modernization and introduction of innovations are the greatest benefit for the region receiving foreign investments. They are especially valuable in the peripheral and underdeveloped regions. Those regions usually need new development concepts, strategies of activity, which through the application of science and technology let modernize the region. Yet, in order to make the technology development happen, conspicuous financial inputs, which underdeveloped regions are devoid of. The solution to this problem is foreign investments, which bridge this gap. The detailed characteristics of the potential influence of foreign greenfield investments on the local market has been depicted in Fig. 3.

Apart from technologies transfer, an important impact of foreign investments on the host region is application of modern models of management and labour organization. Companies with foreign capital introduce modern models of management by means of the latest techniques and procedures. This, in turn, makes them more advantageous over local companies. Local companies do not want to lag behind and introduce novelties, which is an important element increasing competitiveness in host regions.

**Figure 3 The potential impact of foreign investment, implemented from the ground up on local environment**



Source: own elaboration based on M. Smętkowski *Przedsiębiorstwo zagraniczne w otoczeniu lokalnym w Studia Regionalne i Lokalne* 2000, nr 4, s.94

The most important factor differentiating given forms is the method of technology transfer. There are the following transfers:

- of intrinsic nature, so within one company (intra-firm);
- and transfer on principles required by the market (at arm’s length).

The intra-firm transfer covers foreign direct investments (Greenfield investment) and setting up a joint-venture. The transfer of technology between two independent partners can be materialized in form of license sharing, managing contract, franchising, contracted production (a turn-key construction project) and subcontracting. The fading-out agreement is a form of company cooperation, in which initially the involvement of the foreign investor is high, yet as time elapses, the foreign entity withdraws. Ultimately the dominant role is taken over by the domestic partner. The fading-out model of cooperation at the very first stage is an intra-firm form, but in the

last phase it turns into at arm’s length agreement.

A review of contemporary forms of international technology transfer is presented in Table 1. The presented set of channels of technology transfer does not cover all the ways through which it can diffuse on the international scale. We can pinpoint yet numerous methods of knowledge transfer, which is not, however, a coherent and complex enough set of information to be referred to as technology. Those forms, among others, include distribution of foreign professional literature, international conferences, symposia, staff training abroad or by foreign experts at home, international staff and student exchange or international fair and industrial exhibitions. The mentioned ways of transfer can undoubtedly be included to the channels of transfer of technical knowledge, yet referring to them as technology transfer mechanisms is disputable.

**Table 1. Modern forms of the international transfer of technology**

Transfer form	How to transfer of technology	Type of transmission technology	Type of media technology	Form of transfer of technology
FOREIGN DIRECT INVESTMENT	internal	Detailed, ready for practical use or require adaptation of the	People, publications, documents, innovative goods and their components	Equity
JOINT VENTURE	internal	Detailed, ready for practical use or require adaptation of the	People, innovative and good	Equity
CONSULTING INTERNATIONAL	mixed	Detailed, ready for practical use	People, publications, documents,	Non- equity
TRANSFER OF LICENSE	market-	Detailed, ready for practical use	People, publications, documents, innovative goods and their components	Non- equity
MANAGING CONTRACT	market-	Detailed, ready for practical use	People	Non- equity
FRANCHISING	market-	Detailed, ready for practical use	People, publications, documents, innovative goods and their components	Non- equity
"THE CONSTRUCTION OF TURN-KEY"	market-	Detailed, ready for practical use	People, publications, documents, innovative goods and their components	Non- equity
THE INTERNATIONAL COOPERATION	market-	Detailed, ready for practical use	People, publications, documents, innovative goods and their components	Non- equity
TRADE IN GOODS WITH HIGH-TECH	market-	Detailed, ready for practical use	People, publications, documents, innovative goods and their components	Non- equity
SALE OF PATENTS	market-	Detailed, ready for practical use	Publications, documents	Non- equity

Source: own elaboration based on the J. Misala, *Współczesne teorie wymiany międzynarodowej i zagranicznej polityki ekonomicznej*, SGH w Warszawie, Warszawa 2003, s.211; S. Umiński, *Znaczenie zagranicznych inwestycji bezpośrednich dla transferu technologii do Polski*, Wydawnictwo UG, Gdańsk 2002, s.98.

In the context of the subject of this paper, we can claim that effects linked with the knowledge and skills transfer are an immediate consequence of running a business activity in the territory of a given country as a result of the undertaken foreign direct investments. They are pertinent to the relationships affecting the principles of transferring or sharing technological solutions, know-how, techniques of organization and

management, marketing, etc. between foreign companies and their branches in the countries where foreign direct investments are localized. The diffusion of knowledge and skills is, however, related to the effects of intermingling and popularization of the transferred ideas and solution and has a form of indirect interaction of the foreign capital with the economy of the host country. The diffusion processes initiated by foreign direct investments will be, then,

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limited to the impact of transnational corporations on the environment within which their foreign branches operate (Kuzel, 2005, p.357).

From observations carried out in various countries around the world we assume that Foreign direct investments, accompanied by technology transfer, contribute to the rise of the so called effects of intermingling (spillover), which is an adaptation of the technology introduced by foreign investors, migration of qualified personnel between various entities, creating vertical bonds within the cooperating entities and in logistics chains. Here we find in particular (Umiński, 2004 p. 72):

– The effect of demonstration – when the foreign investor introduces a new product to the market:

- The effect of competition – when a foreign investor manufactures a better product, which finds buyers, the position of other companies is threatened; in order to keep the share in the markets, they have to upgrade their products in order to keep up with the leader;
- The effect of learning through observation – appears then, when technological experience of companies with the foreign capital is imitated by domestic companies.

The diffusion of technology, knowledge and skills in the company occurs through the above mentioned effects, as well as effects connected with building and strengthening bonds between the branches of transnational companies and domestic entities.

## Conclusions.

We should note that the degree and scope in which knowledge, skills and technology will be able to be the subject of transaction between the branches of transnational corporations and the companies of the host country, depend to a large extent on the policy run by transnational corporations,

and in particular on the principles working within their systems of management. There are also important: the degree of preparation for and absorption ability of new technologies demonstrated by companies in the country of foreign direct investment and the activity of state institutions.


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## **FINANCIAL DECENTRALIZATION AND ITS IMPACT ON LOCAL BUDGET INCOME FORMATION: INTERNATIONAL EXPERIENCE**

### **DECENTRALIZACJA FINANSOWA I JEJ WPŁYW NA FORMACJĘ DOKONANIA BUDŻETU LOKALNEGO: DOŚWIADCZENIE MIĘDZYNARODOWE**

### **ФИНАНСОВАЯ ДЕЦЕНТРАЛИЗАЦИЯ И ЕЕ ВЛИЯНИЕ НА ФОРМИРОВАНИЕ ДОХОДОВ МЕСТНЫХ БЮДЖЕТОВ: МЕЖДУНАРОДНЫЙ ОПЫТ**

#### **Abstract**

*The public governance decentralization requires the redistribution of financial resources for the powers implementation delegated to local authorities. The purpose of the article is to determine the essence of financial decentralization and the peculiarities of its implementation in Ukraine and some other countries. The article reveals the essence of financial decentralization and related concepts defining the financial autonomy of local authorities. The features of the revenue part of local budgets formation in different countries of the world in the conditions of financial decentralization are revealed. A comparison of the main elements of the intergovernmental tax distribution in some unitary countries of Europe has been made. The dynamics of tax revenues to budgets of different levels in Ukraine is determined. The distribution of tax revenues between budgets of different levels is presented in the context of financial decentralization in Ukraine. The obtained results of the analysis made it possible to determine that for a successful decentralization reform, local authorities should be given sufficient financial resources to fulfill their responsibilities for solving local problems and ensuring regional development.*

**Keywords:** *decentralization, financial decentralization, foreign experience, local taxes, local budget.*

#### **Streszczenie**

*Decentralizacja zarządzania publicznego wymaga redystrybucji środków finansowych na realizację uprawnień przekazanych władzom lokalnym. Celem artykułu jest określenie istoty decentralizacji finansowej i specyfiki jej wdrażania na Ukrainie iw kilku innych krajach. Artykuł ujawnia istotę decentralizacji finansowej i związanych z nią pojęć okre-*

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ślających finansową autonomię władz lokalnych. Przedstawiono cechy dochodowej części tworzenia budżetów lokalnych w różnych krajach świata w warunkach decentralizacji finansowej. Dokonano porównania głównych elementów międzyrządowego podziału podatków w niektórych krajach unitarnych w Europie. Określa się dynamikę dochodów podatkowych do budżetów różnych poziomów na Ukrainie. Podział wpływów podatkowych między budżetami różnych szczebli przedstawiono w kontekście decentralizacji finansowej na Ukrainie. Uzyskane wyniki analizy pozwoliły ustalić, że dla pomyślnej reformy decentralizacji władze lokalne powinny otrzymać wystarczające środki finansowe, aby wypełnić swoje obowiązki w zakresie rozwiązywania lokalnych problemów i zapewnienia rozwoju regionalnego.

**Słowa kluczowe:** decentralizacja, decentralizacja finansów, doświadczenia zagraniczne, podatki lokalne, dochody budżetu lokalnego.

#### **Аннотация**

Осуществление децентрализации публичного управления требует перераспределения финансовых ресурсов для выполнения органами местной власти возложенных на них полномочий. Целью статьи является определение сущности финансовой децентрализации и особенностей ее осуществления в Украине и странах мира. В статье раскрыта сущность финансовой децентрализации и связанных понятий, определяющих финансовую автономию местных органов самоуправления. Раскрыты особенности формирования доходной части местных бюджетов в разных странах мира в условиях финансовой децентрализации. Проведено сравнение основных элементов межбюджетного распределения налогов в некоторых унитарных странах Европы. Рассмотрены особенности финансовой автономии органов местной власти в различных частях Европы. Проанализирована структура доходов местных бюджетов Украины. Определена динамика налоговых поступлений в бюджеты различных уровней в Украине. Приведено распределение налоговых поступлений между бюджетами разных уровней в контексте проведения финансовой децентрализации в Украине. Полученные результаты проведенного анализа позволили определить, что для успешной реформы децентрализации нужно наделить местные органы власти достаточными финансовыми ресурсами для выполнения возложенных на них полномочий по решению местных проблем и обеспечению регионального развития.

**Ключевые слова:** децентрализация, финансовая децентрализация, зарубежный опыт, местные налоги, доходы местных бюджетов.

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Worldwide practice demonstrates the inextricable link between the effective functioning of local self-government and the availability and ability to dispose of adequate financial resources. The decentralization of public administration requires the redistribution of financial resources for the implementation of the powers delegated by local authorities. In the context of this, the issue of effective financial decentralization, which should be aimed at providing

regions with sufficient financial resources, the fair distribution of tax revenues between administrative and territorial units in order to stimulate regional development, is actual. For the definition and analysis of regional development in conditions of decentralization, the characteristic of foreign experience is important in relation to the formation of financial resources of administrative and territorial units and ensuring their independence.

**Analysis of latest research where the solution of the problem was initiated.**

In general, decentralization is understood as a system of governance in which part of the functions of central government goes to local self-government bodies; extension of the rights of grassroots governments (Bilodid, 1980, p. 60).

In foreign studies, the object of scientific interest is mainly fiscal decentralization. The fundamental theory of the study of the problem of financial resources decentralization was the work of American scholar C. Tiebout "Economic theory of fiscal decentralization". In this work, the scientist argued that in the conditions of fiscal decentralization, public expenditures of the regions are most in line with the individual preferences of consumers according to their needs. If public goods provided within the community do not meet the needs of the population, then it can move to the territory of those communities where public goods are provided better (so-called kick-offs) (Tiebout, 1961).

In the future, the ideas of C. Tiebout have developed in the writings of other foreign scholars. In particular, Oates considered decentralization as the right to independent decision-making by decentralized units (Oats, 1999). Oats decentralization theo-

rem became the second and most influential classical theory that establishes a compromise between centralized and decentralized provision of public goods in favor of centralization in the event that the average preferences of inhabitants of different regions are the same, while consumption of public goods causes side effects (side effects are additional the consequences of a certain phenomenon, for example, the smell from the plant is additionally unpleasant for neighbors, at the same time, the presence of a well-groomed flower garden is for the neighbors a positive side effect or overflow effect). At the same time, a decentralized approach to providing public goods maximizes social welfare if preferences between regions are different and there are no overflow effects. It is worthwhile, however, to note that the theorem is based on the premise that the government cares for an increase in public welfare and, in the event of centralization, the state ensures the unity of the approach to the provision of public services.

Investigating financial decentralization, J. Buchanan in 1980 (Buchanan, 1980) developed the "hypothesis of Leviathan", which considers budget decentralization as

a deterrent to maximizing government revenues. That is, how does the government act in the interests of maximizing its own revenues, so horizontal and vertical competition between different levels of government determines their budget size, limiting the overall size of the budget to the public administration sector.

Thus, foreign scholars view financial (fiscal) decentralization as the transfer of financial resources and powers from the central to the local level. Scientists also analyze the actions of citizens and business entities in the framework of decentralization, pay special attention to the economic and social efficiency of the relevant decisions.

### **Aims of paper. Methods.**

In the process of research, methods commonly used in economic science were used: historical-logical, theoretical generalization – to reveal the essence of financial decentralization; comparative analysis – in identifying features of financial decentralization in Ukraine and other countries of the

In the studies of Ukrainian scholars, the term financial decentralization has a number of synonymous concepts. In particular, the concepts of “fiscal decentralization”, “fiscal decentralization”, “financial decentralization” are used in parallel. However, in our opinion, financial decentralization, in comparison with fiscal and fiscal, is a broader concept that covers the whole system of financial interactions between the state and local governments. Consequently, the concept of financial decentralization in the works of modern scholars remains inadequately defined and requires further study of its essence, the study of domestic and foreign experience in this process.

world; economic-statistical analysis – with the structure of incomes of local budgets of Ukraine and the ratio of the share of tax revenues between budgets of different levels.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Financial decentralization encompasses a set of relationships for the transfer of financial resources from central government to local self-government. It provides an opportunity to accumulate in local budgets such amount of financial resources that ensures the independence of local governments in solving the problems of the development of the territory.

The main source of local budget revenues in many foreign countries is local taxes, fees and payments, the total number of which in some cases is quite significant. All local taxes, depending on the object of taxation, can be divided into four groups (Krylenko, 2006, p. 569):

- local income taxes (corporate and personal). These tax payments, in particular, are significant in the tax revenues of local budgets in the Baltic States and Scandinavia;
- local sales taxes. They acquire a variety of forms, but in essence they are taxes on goods and services sold. Due to this tax group, tax revenue from local budgets of the USA, Japan, Korea, the Netherlands, Austria is formed;
- real estate taxes. Particularly significant role these tax payments play in federal countries.
- other local taxes. Displays local government policies in the field of environmental

protection, employment, taxes that are collected in the form of fees for services provided by local authorities (use of electricity, gas, sewage, etc.).

On average, in unitary countries of the European Union (without post-socialist), local taxes and fees provide 42% of total local budget revenues and 77% of tax revenues. On the whole, according to the OECD countries, personal income taxes are 33.5% in the tax revenue structure of the local budgets and the taxes on real estate are 28.6% in the second place. The important changes in the formation of local budgets of many countries (Hungary, Iceland, the Netherlands, Portugal, and also at the local level of Spain) should include the shift from unlimited powers in determining the tax rates to the powers to determine them, taking into account restrictions imposed by the central authorities. When using national taxes as sources of local

budget revenues, local governments do not have the right to change tax rates or to adjust the tax base (at the expense of tax privileges), but may initiate changes to the conditions of the intergovernmental tax distribution. Quite often, adjustments to such a division are aimed at solving the tasks of horizontal financial equalization. The systems of inter-budgetary distribution of taxes most often include the tax on personal incomes, corporate income tax and VAT. These taxes are highly profitable and therefore attractive to local budgets. At the same time, quite often that part of the revenues from these taxes is credited not only to the local budget but also to the central budget of one or another country (Table 1). The procedure for amending the terms of the intergovernmental distribution of taxes is determined by the relevant laws, changes are rarely made (Lunina, Kyrylenko, Luchka, 2010).

**Table 1. The main elements of the intergovernmental distribution of taxes in some unitary countries of Europe**

Country	National taxes coming to local budgets	Procedure for making changes to the distribution formula	Frequency of making changes to the distribution formula	The presence of elements of horizontal alignment
Greece	Transaction tax and specific service tax	The government	Rarely	No
Denmark	Income tax, income tax	Government through the law on the distribution of taxes	-	No
Italy	Income tax, VAT, excise taxes	Finance Act	-	No
Spain	VAT, excise taxes	Parliament	Rarely	No
Hungary	Real estate taxes	Law on Local Taxes	Rarely	Yes
Finland	Income tax	Government through the law on the distribution of taxes	-	No
Czech Republic	Income tax, income tax, VAT	Government through the law on the distribution of taxes	Irregularly	Yes

Source: compiled by the author.

Let's consider more features of the financial autonomy of local authorities in differ-

ent parts of Europe. Thus, in Poland the basis of financial resources of the municipality is local taxes and fees, which include

the property tax; agricultural tax; forest tax; transport tax; tax on dog owners; charge for a place on the market; local and administrative fees. Income from these taxes and duties is the personal income of the gminas, which also includes income from the tax on individuals engaged in economic activity, inheritance tax and donation, and the royalties. The main source of tax revenues in Poland is real estate tax. Amounts of tax rates are set for a separate tax year by the council of the commune by adopting the relevant resolution. For individuals, the amount of the tax liability is determined by the decision of the relevant tax authorities. Legal entities calculate the amount of the property tax on their own and pay according to the terms specified in the local taxes and fees act (Karlin, 2011; Novikov, Haiko, 2018).

The Government of Slovakia approved the Concept of Decentralization in 1998. As a result of fiscal decentralization, the budgets financial base of settlements has been considerably expanded. Due to this, the formation of financially self-sufficient administrative-territorial units, financing their functions at the expense of their own income. During fiscal decentralization in Slovakia, the system of local taxation was expanded. Local taxes include property taxes, tax on dog owners, tax on public use, housing tax, tax on automatic machines for sale, tax on non-profit gaming machines, tax on entry into the historical part of the city, tax on atomic energy installation. The municipalities themselves decide on the appropriateness of the use of certain taxes, determine the tax rates, the procedure of accrual and payment, tax breaks, etc. The most fiscally effective among local taxes, as in Poland, is a real estate tax. In addition, the tax is very promising for the use of public space, which is being used for the temporary use of the territory of settlements (for concerts, placement of tents, etc.). This

tax accounts for almost a quarter of local tax revenues.

Also, during the fiscal decentralization, the state transferred the personal income tax to the level of local self-government. In Slovakia, the personal income tax is collected by the central government, which subsequently redistributes it on the basis of formula calculations. According to the current norms, 70.3% of the tax belongs to local self-government bodies, 23.5% remains the budget of higher territorial units and only 6.2% goes to the state treasury (Zhalilo, 2010, p. 59).

Germany is a federal state, where local self-government has broad powers to impose certain taxes, set their rates. Among the tax revenues of local budgets in Germany can be divided into three groups:

1. Local taxes: property tax, business tax, local taxes on consumption (entertainment tax, drink tax), luxury taxation (tax on the second dwelling).

2. Local taxes: administrative fees, charges for the use of public utilities, tourist fees, fees for fire protection. The share of fees in the total amount of local incomes is approaching 25%.

3. Share of income from taxes established by law. Territorial communities have a guaranteed share of revenues, which constitute a source of federal and land budgets. Income taxes include income tax (Einkommensteuer) and turnover tax.

According to Article 6 (7) of the German Constitution, the law of the land determines the possibility of transferring to territorial communities and other income from land taxes, as well as establishing the amounts of such transfer (Boryslavska, Zaverukha, Shkolyk, 2012, pp. 159-160).

France has great experience in taxing local taxes and fees. In this country, the system of local taxes and fees includes: land tax on built-up areas; land tax on unbuilt land;

housing tax; professional tax; tax on cleaning the territories; the fee for holding the agricultural chamber; fee for the maintenance of the Chamber of Commerce; fee for the maintenance of the Chamber of Crafts; local charges for the development of mines; charges for the installation of electric lighting; duty on equipment use; building sales tax; duty on motor vehicles; tax on exceeding the limit of building density; tax on exceeding employment restrictions; a greenhouse tax (Bondaruk, 2011, p. 63).

In Scandinavian countries, financial systems are highly decentralized, meaning that local governments are required to provide basic types of public goods and services. For example, Denmark ranks first among the unitary states of Europe by the level of tax revenues of local budgets, which is about 17% of GDP, or roughly one third of the state's tax revenues (including compulsory contributions to social insurance). And counties and municipalities of Denmark impose a tax on land at rates ranging from 0.6-2.4% of the value of land. Almost a quarter of the municipalities set the rate at practically the minimum level. In addition to the land tax, a municipal property tax is levied. Its rate is the same for all municipalities and changes with the decision of the central government. In Denmark, equalization of local budgets is carried out at the level of municipalities and districts and takes place both on incomes and on expenditures of corresponding budgets.

In Norway, as in Ukraine, the basis for local budget revenues is the personal income tax. Local authorities have the right to reduce the rate of this tax, but in practice almost all regions use the highest rate provided by the current legislation. The corporate income tax was split between central and local budgets until 1998, but since 1998 it came solely to the central budget. In Norway, local governments have the

right to independently establish a property tax and determine its rates within the established limits. For tax purposes, the estimate of the cost of housing occupied by the owner is 25% of its market value in the country. Local budgets also receive a portion of the net wealth tax, the distribution of which between central and local budgets is determined annually (Lunina, Kyrylenko, Luchka, 2010, pp. 24-135).

In the composition of Spain, there are several autonomous entities. In richer regions of the country there are pronounced centripetal trends, therefore in Spain, starting in 2009, more than 90% of the financial resources of autonomous entities is formed at the expense of tax revenues. Autonomous entities receive 50% of personal income tax, 50% of VAT, and 58% of excise taxes. Since January 2012, a temporary surcharge applies to a property tax. In addition to real estate taxes, local budget revenues are generated through inheritance tax and donation, registration fees, lottery taxes and gambling taxes (Novikov, Haiko, 2018).

Fiscal decentralization in Ukraine, in the form of increasing the powers of local authorities to access to local budget resources, has been going on for several years now and every time it is declared in the main lines of fiscal policy. In practice, the process of decentralization determines the peculiarities of the formation of the revenue part of local and state budgets. Analyzing the structure of distribution of tax revenues between state and local budgets, one can assess the effectiveness of the decentralization process taking place in Ukraine (Tsybalyuk, Pidtserkovnyy, 2014). Thus, according to the distribution of tax revenues between budgets, the highest level of decentralization was at the beginning of the surveyed period in 2010, when local budgets concentrated 28.8% of accrued taxes and fees in the consolidated budget. In all subsequent years, despite the

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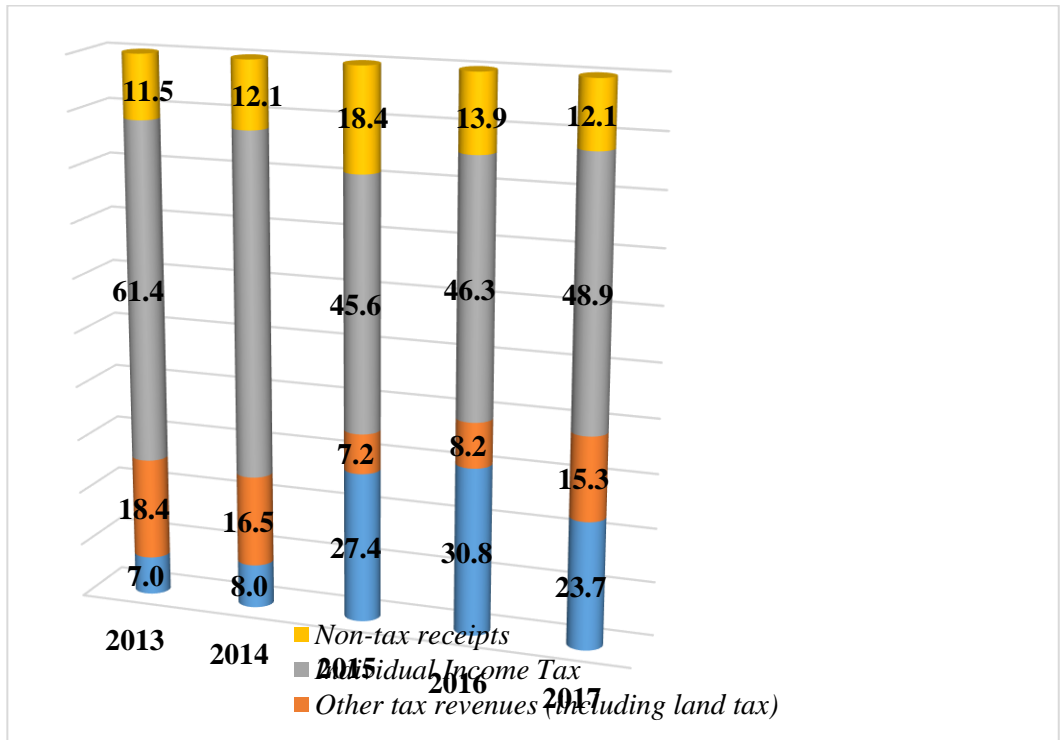
Tsybalyuk L., (2018) Financial Decentralization and its Impact on Local Budget Income Formation: International Experience. *International Journal of New Economics and Social Sciences*, 2(8)2018: 161-172

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government's proclaimed decentralization policy, it has never been backed up by real financial resources. In 2015-2017, reve-

nues from local taxes and fees ranked second in the structure of local budget revenues (excluding intergovernmental transfers) after PIT (Figure 2).

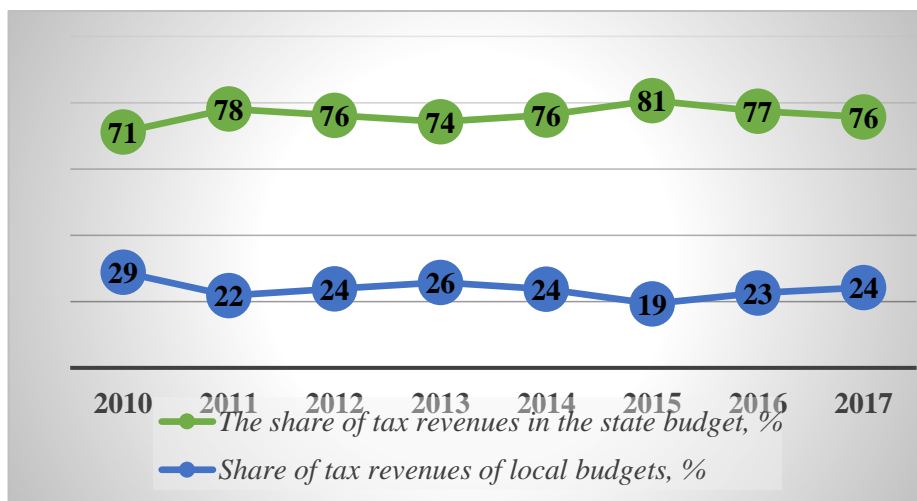
**Fig. 1. The structure of incomes of local budgets of Ukraine in 2013-2017, excluding intergovernmental transfers**



Source: compiled by the author.



**Fig.2. Distribution of tax revenues between budgets of different levels in the context of financial decentralization in Ukraine**



Source: compiled by the author

As can be seen from the Fig. 2., in 2015-2017 compared to 2013-2014, the share of personal income tax in the local budgets decreased by about 15%. This is explained by the fact that in 2015 new proportions of transferring income from the personal income tax to local budgets were introduced: 15% instead of 25% to regional budgets, 60% instead of 75% to budgets of cities of oblast importance, 40% instead of 50% to the budget city of Kiev. Analysis of revenues to local budgets, as well as changes in the share of own revenues in their structure, is evidenced by the fact that reforms carried out within the framework of the reform, namely the transfer to the local level of 10% of corporate income tax revenues (except for corporate income tax, which are in state ownership), the excise tax on the retail sale of excisable goods, 100% of payment for the provision of administrative services and state duty were not allowed to fully compensate for the removal of per-

sonal income tax, and therefore do not contribute to the strengthening of financial providing local governments and not in line with the proclaimed direction of reforms in the context of the initiated decentralization. In practice, the process of decentralization determines the peculiarities of the revenue part of local and state budgets formation. Analyzing the structure of distribution of tax revenues between state and local budgets, one can assess the effectiveness of the decentralization process that takes place in Ukraine.

Indeed, the proclaimed decentralization course, as measured by data and indicators calculated on the basis of them, has, on the contrary, deepened the centralization process and reduced relative tax revenues to local budgets. On the ineffectiveness of tax reforms in the context of fiscal decentralization, we can conclude on the basis of analysis of the dynamics of changes in the share of local and state budgets. In 2015, there was a significant reduction in the

share of local budgets, reaching the lowest value (19.3%) for the entire period of reforms of the local taxation system, starting from 2010.

In 2015, revenues to local budgets grew, however, their growth rates were at times

less than the state budget. While local budgets received revenue by 12.5% more than in the previous year, the increase in tax revenues to the state budget amounted to 46.1%. This trend continued in 2015 (Table 2).

**Table 2. Dynamics of tax revenues to budgets of different levels in Ukraine, UAH billions**

Indexes	2012	2013	2014	2015	2016	2017	Growth rate in% to previous year				
							2013 to 2012	2014 to 2013	2015 to 2014	2016 to 2015	2017 to 2016
Consolidated budget	360.6	354	367.5	507.6	650.8	828.2	-1.83	3.81	38.1	28.2	27.3
National budget	274.7	262.8	280.2	409.4	503.9	627.2	-4.33	6.62	46.1	23.1	24.5
Local budgets	85.9	91.2	87.3	98.2	146.9	201	6.17	-4.28	12.5	49.6	36.8

Source: compiled by the author.

Analyzing absolute dynamics, it should be noted that in 2014 the volume of revenues to local budgets decreased by 3.9 billion UAH, while the revenues to the state and consolidated budget increased by 6.6% and 3.8% respectively. By contrast, in 2016, local budget revenues grew by almost 50%, while the state budget grew by only 23.1%. Such a redistribution shifted emphasis towards local budgets, ensuring the reality of the processes of financial decentralization in the country.

**Conclusions.**

Based on the study of foreign experience, it is concluded that for a successful decentralization reform, local authorities should be empowered to respond to changes in population demand for local public goods and services. The reforms of the local taxation system in Ukraine, on the one hand, increased the share of local taxes and fees,

However, in 2017, such high rates of return on local budgets did not succeed. The revealed fluctuations of the indicators of incomes decentralization indicate that there is no systematic and effective process of transferring financial powers to places and suggest that local self-government bodies have limited influence on the formation of their own financial resources. In fact, the centralized balancing of revenues and expenditures of local budgets continues to be implemented in Ukraine.

and on the other – part of the national taxes that were sent to local budgets, was transferred to the national budget. As a result of these changes, local budget revenues have decreased, and the structure of distribution of tax revenues between budgets has changed in the direction of increasing the share of the state budget.

All this convinces that the reform of the taxation system of local taxes and fees in the direction of decentralization should be aimed at providing the financial base of lo-

cal self-government and increase their financial autonomy, which is one of the conditions for effective activity of territorial communities and formed by them local authorities.

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## **EFFECTS OF A PUBLIC DEBT AND DEFICIT BUDGET**

### **SKUTKI DŁUGU PUBLICZNEGO I DEFICYTU BUDŻETOWEGO**

### **ЭФФЕКТЫ ПУБЛИЧНОГО ДОЛГА И ДЕФИЦИТА БЮДЖЕТ**

#### **Abstract**

*The aim of the article is to present a problem concerning the effects of the public debt and the budget deficit. The public debt is a result of the lack of adequate income earned by the financial sector, what means that it must incur liabilities to be able to carry out its tasks or improper management of the state budget funds - what results in the budget deficit. The size of the state's debt and the public debt has a very large impact on the socio-economic situation of the country as well as on its financial policy. Due to the high indebtedness of the state, the whole economy is disturbed, the state authorities are not able to allocate an adequate amount of the funds to stimulate investments. Such actions slow down the dynamics of economic development, what means that the state authorities most often look for savings. Unfortunately, this usually happens at the expense of the ordinary citizens. Countries that have a high level of the debts tend to lose their credibility internationally. This may result in the fall in the foreign investments and the outflow of the foreign capital.*

**Keywords:** *tax law, budget deficit, public debt, public finances, state budget, tax policy*

#### **Streszczenie**

*Celem artykułu jest przedstawienie problemu dotyczącego skutków wystąpienia długu publicznego i deficytu budżetowego. Dług publiczny jest skutkiem braku odpowiednich dochodów osiąganych przez sektor finansowy, co powoduje, że musi on zaciągać zobowiązania, żeby móc realizować swoje zadania, bądź niewłaściwego gospodarowania środkami budżetu państwa – przez co doprowadza to do powstania deficytu budżetowego. Wielkość zadłużenia państwa i długu publicznego ma bardzo duży wpływ na sytuację społeczno-ekonomiczną kraju jak również na politykę finansową. Przez wysoki wskaźnik zadłużenia państwa zachwiana zostaje cała gospodarka, władze państwa nie są w stanie*

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asygnować odpowiedniej ilości środków na pobudzenie inwestycji. Takie działania powodują spowolnienie dynamiki rozwoju ekonomicznego, przez co władze państwa najczęściej szukają oszczędności. Niestety zazwyczaj dzieje się to kosztem zwykłych obywateli. Państwa które mają wysoki stopień zadłużenia zazwyczaj tracą wiarygodność na arenie międzynarodowej. Powodować to może spadek zagranicznych inwestycji i odpływ obcego kapitału.

**Słowa kluczowe:** prawo podatkowe, deficyt budżetowy, dług publiczny, finanse publiczne, budżet państwa, polityka podatkowa

#### **Аннотация**

Цель статьи - представить проблему, касающуюся последствий государственного долга и дефицита бюджета. Государственный долг является результатом отсутствия адекватного дохода, получаемого финансовым сектором, а это означает, что он должен брать на себя обязательства для выполнения своих задач или ненадлежащего управления средствами государственного бюджета, что приводит к бюджетному дефициту. Размер государственного долга и государственного долга оказывает очень большое влияние на социально-экономическое положение страны, а также на финансовую политику. Из-за высокой задолженности государства вся экономика нарушена, государственные органы не в состоянии выделить достаточный объем средств для стимулирования инвестиций. Такие действия замедляют динамику экономического развития, а это означает, что государственные органы чаще всего ищут сбережения. К сожалению, это обычно происходит за счет обычных граждан. Страны с высоким уровнем задолженности, как правило, теряют авторитет на международном уровне. Это может привести к падению иностранных инвестиций и оттоку иностранного капитала.

**Ключевые слова:** налоговое право, бюджетный дефицит, государственный долг, государственные финансы, государственный бюджет, налоговая политика.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The main reason for the public deficit is the failure to adjust the size of the public expenditure to the profitability of the economy. This maladaptation may have a permanent character resulting from the tendency to over-develop public expenditure. It may also have short-term maladjustment related to the alternate nature of economic development, which is expressed in the business cycle.

Among the other sources and causes of the public deficit, we distinguish: low efficiency of public expenditure, low effectiveness of collection of the public receivables and the burden of budget expenditure on the costs of already existing public debt. One of the criteria for classifying the public debt is the – term of its existence. Here, one can distinguish short-term debt (up to one year) and long-term debt. Gross

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debt is determined by the total value of liabilities to entities. Net, on the other hand, is nothing less than the reduction of the gross debt by the public authorities' claims towards other entities. In addition, nominal and real debt (taking into account inflation), central, or state and local (local government) as well as official and implicit debt, which also includes, inter alia, liabilities incurred due to overdue payments in health care or unreported debts, are distinguished. that will be necessary in the future, for example in the pension system. (Górniewicz G. 2012, pp. 20-21).

The Constitution of the Republic of Poland uses the notion of state public debt (Konstytucja RP z 27 kwietnia 1997 r., art. 216 ust. 5), and the Public Finance Act de-

fines this concept as "nominal debt of public finance sector entities determined after elimination of financial flows between entities those in this sector. ' In comparison with the list of entities included in the public finance sector (ustawa o finansach publicznych, Dz. U. Nr. 155, poz. 1014 z późn. zm. art. 5), this means that "state public debt" is debt the entire public finance sector, ie all entities included in this sector, such as local government units and entities not mentioned in the catalog by name, such as the State Treasury. At the same time, by the State Treasury debt (Dz.U. 2009 nr 157 poz. 1241), the Act on public finance understands the nominal debt of the State Treasury. (Szybowski D. 2018, pp. 206-207)

#### **Analysis of the latest research where the solution of the problem was initiated.**

The concept of the public debt and the state deficit were dealt with, among others: Begg D, Samuelson P.A., Nordhaus W. D., Fisher S., Dornbusch R., Ziółkowska W., Skiba L., Górniewicz G., Panfil P., Lotko E.. In this part of the article "Effects of public debt and budget deficit" the author presents the financial part of law.

Wagner formulated by Adolph Wagner, in which the economist states that public expenditures are growing in a continuous manner and this phenomenon appears universally. We can observe that market mechanisms are not able to meet human needs, because public needs are growing faster than individual needs. The reasons of that are, for example, population growth and more complex state structures. We can mention the reasons for the increase in debt and deficit as social, economic, political, sociological and historical aspects.

Here are some examples of the concepts formulated by eminent economists regarding the topic discussed above.

The Public debt (otherwise known as the national one) is called total state debt. It grows when "there is a deficit in the public sector, so you have to take out new loans to cover the surplus of expenses over income." (Begg D. 1998, p. 84). You can meet with a different definition of public debt. According to Samuelson and Nordhaus, "this is the entirety of government commitments in the form of bonds and loans taken for shorter periods." Public debt does not include bonds held by quasi-government agencies, such as the central bank. " (Samuelson P. A., Nordhaus W. D. 2004, pp. 578-579). In the most countries, the budgetary perspectives (streams) can be observed from the perspective of years - not surpluses - which increase the size of the public debt. (Begg D. 2007, p. 91).

**Aims of the paper article. Methods.**

The main research methods used in this article are the following methods: induction method, analysis method, synthesis method and triangulation method. The method of induction consists in presenting conclusions and defining certain regularities based on empirical phenomena or processes. This is a kind of logic based on the details of the general characteristics of the process or object. The use of the induction method requires the assumption that only facts constitute the basis for scientific resolution. The induction method includes: legal acts, analyzes, expertises, statistical data and scientific documents used in social research. The next method used is the method of analysis. This method can be divided into two stages. The first stage consists in analyzing the collected materials in order to present the most important concepts. In this part of the analysis method, we will use the analytical

and comparative method. The second stage of the analysis method is a classical analysis of documents in which we present the facts. The third presented method resulting from the two previous ones is the synthesis method which consists in combining various elements into one whole. It presents phenomena and processes as a whole by examining individual components. The last used method is the triangulation method. This method is designed to ensure higher quality of research and reducing errors. It involves collecting of the data by using two or more methods and then it compares and combines the results. It is based on combining different concepts into one cohesive. Thanks to the complex research approach, data sources have been triangulated, i.e. information on the effects of public debt and the state deficit was compared, and theoretical triangulation based on the analysis of data from different concepts.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

**Effects of debt and public deficit.**

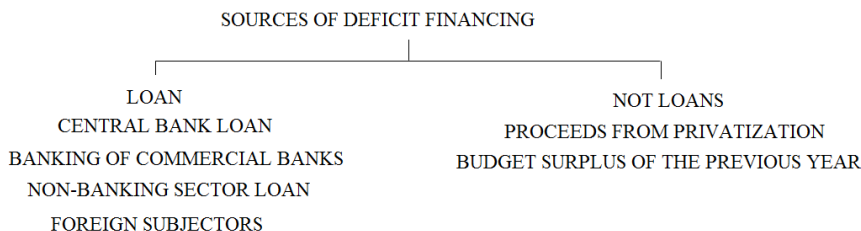
**Monetization.**

The most commonly presented catalog of negative effects of the public deficit is the catalog that opens the thesis that the public deficit causes monetization, i.e. causes an increase in the monetary circulation, is a factor of issuance and, consequently, inflationary pressure. It does not have to be that way, because one should consider that the public deficit can be and is financed by

many sources. Monetization is one of the most frequently created charges against the budget deficit. Monetization is the risk of additional money issuance to finance the deficit, which may result in an excessive increase in the money supply and inflation. Meanwhile, the problem is very complex and very often this effect does not occur at all. In accordance with the Polish law, we can distinguish two groups of sources of deficit financing: sources, after borrowing and not borrowing.



**Fig 1. Sources of deficit financing**



Source: compiled by author

1. Sources of a loan nature:
  - a. Central Bank Loans are always related to the issue of money. The issue of money caused by the BC loan is higher than the amount of the loan. According

to the deposit money creation mechanism, the money creation multiplier depends on the required reserve rate, on the rate of cash resources and the demand for money.

$$\Delta D = DR * \frac{1}{r + b} \approx 17\%$$

$$r = 3,5\%$$

$$b = \frac{G}{D}$$

where:

- $\Delta D$  - the increase of the original deposit
- $DR$  - the value of the original deposit
- $R$  - reserve requirement rate
- $b$  - cash to deposit ratio
- $G$  - cash

The increase in the deposit is equal to the value of the original deposit, in our case it will be the loan amount from BC \* 1 / r + b; where the required reserve rate in Poland is 3.5%.

If the amount of BC increases, cash by 1 billion. the potential total increase in money in the economy can be five times as much. In Poland, this is not happening because we do not have high demand for money. The persistently high real interest

rates mean that there is no tendency for high demand for money either from business entities or households.

Central bank loan - always triggers the issue effect, and even this monetization effect is much larger than the amount of the loan granted by the central bank due to the operation of the deposit banking mechanism based on the deposit multiplier mechanism.

Due to the very high risk of monetization of the deficit, the constitution of the Republic of Poland from 1997 clearly states that the budget act can not provide for the fi-

ancing of the state budget deficit with liabilities towards a central bank in Poland. It means that this source in Poland does not exist.

b. Credits (loans) of commercial banks put a categorical thesis that commercial bank loans to finance the budget deficit always triggered excessive money emission in relation to the needs of the economy is not justified. It may be, but it does not have to. Commercial bank loans will cause excessive money issues in two cases:

- If loans to the state budget are excluded from the reserve requirement mechanism;
- If this mechanism is respected, commercial banks will have the choice either to lend to the state budget or to lend to private entities.

c. Non-bank sector loans (households, enterprises) - these types of loans do not cause the issuance of money. Their granting means a change in the structure of reserves and savings, not the creation of new money. For example, an enterprise has financial reserves and keeps them on a bank account; if they are reserves that will be needed only in future periods of time, then they may purchase state treasury securities for them, that is, reserves penetrate from the bank into the state budget. If I buy State Treasury bonds, the structure of my savings changes, they leave other financial instruments, eg a bank deposit.

Depending on the type of use of these funds, it could even be assumed that such loans could affect the domestic money supply. For example, the situation when the state budget borrows money in the country to pay off foreign debt. The debt structure is converted from foreign to domestic.

d. Funds from abroad (foreign loans) issue effect of these loans should be considered depending on many conditions, mainly depending on the purpose of the funds obtained from these loans. For example, if foreign loans are used to finance the internal needs of the state,

they are generally associated with the monetization effect.

## 2. Non-loan sources.

Non-lending sources are in no way associated with the risk of monetization, i.e. the issue of money. These are: budget surplus of the previous year, revenues from privatization.

### **Fair of the explosive growth of the public debt.**

Explosive - violent, fast. This is a highly important, danger, but this growth is also influenced by other factors not directly related to the deficit.

Wagner's law speaks of steadily growing public spending (relative to GDP and absolute). Adolph Wagner states that public spending is growing constantly and this phenomenon is widespread. We can observe that market mechanisms are not able to meet human needs, because public needs are growing faster than individual needs. The reasons are, for example, the increase in population and more complex state structures. We can mention the reasons for the increase in debt and deficit, social, economic, political, sociological and historical aspects.

### **Crowding Out Effect**

Crowding Out Effect boils down to the reduction of spending (consumption and investment) opportunities in the private sector caused by the increase in the public expenditure (Begg D., Fischer S., Dormbusch R., 1994 p. 171).

The level of interest rates is determined as a result of seeking a balance between demand and the supply of financial resources that could be used for investments. If the budget deficit grows, a new level of balance can be achieved by increasing interest rates, which in turn will reduce consumption and investment in the private sector. A high budget deficit will cause an increase in interest rates that stops this economic

growth. The mobility of capital on the international scale will be of great importance for the ejecting effect. The inflow of the foreign savings will affect the interest rate reduction, causing the weakening of this effect. However, on the other hand, it may contribute to the emergence of "twin deficits" (this is also the occurrence of a deficit in the current market along with the budget deficit) (Ziółkowska W., 2000 p. 260).

In general, the effect is that the private sector is being pushed out when it comes to access to economic resources by the public sector. In the most general sense, this effect boils down to the reduction of spending opportunities in the private sector caused by the increase in the public spending. This is a very serious problem due to the fact that these sectors differ in efficiency. We are dealing with the assumption of a more effective private sector and a less-efficient public sector. The public sector is inherently less effective due to objective reasons, because it includes in its activities such areas of life, in which efficiency is non-measurable at all (health protection, administration, national defense, education). If we do not have clear criteria for assessing effectiveness in an area, it usually leads to a reduction in efficiency.

In the area of public finances, the public sector, the competition factor as in the private sector does not play such a significant role. This factor of competition is a trigger for increasing efficiency. Therefore, if as a

result of the push effect we take over an increasing share of economic resources from the private sector to the public sector, in effect we reduce the total average effectiveness of the entire economic system.

The ejecting effect is an indisputable effect, there is no question here that such an effect is and is harmful. On the other hand, the thesis that the budget deficit increases the push effect should be questioned. It can increase, intensify the push effect, but it does not have to.

The state budget is the largest and the most valued borrower of banks under the loan. Therefore, banks, with the choice of a private client and the State Treasury, prefer to borrow money from the State Treasury. This is caused by at least three factors:

1. Risk - minimal in the case of the State Treasury.
2. Costs - a private client needs to be serviced, credit applications must be considered, collateral accepted, credit monitored, and debt collected. The state treasury does not support, because at the auction, we will buy, for example, treasury bills and wait.
3. The capital adequacy ratio Cook's ratio, which is the relation between the size of the bank's capital and the size of the bank's broader credit activity (this is a measure of security), this ratio must be at least 8%, and the weight for assets related to loans to the Treasury is zero, that is, the Cook factor is raised.

$$Wwyp = \frac{Fdv}{\sum a_i * r_i}$$

where:

Fdv - own funds of the bank

a<sub>i</sub> - another type of assets

r<sub>i</sub> - the risk weight for this asset


$\sum a_i * r_i$  - the sum of risk-weighted assets

Crowding Out Effect is that when we have a limited amount of resources and the state budget and a normal client are reported to the bank, the budget pushes that normal

customer out. As a result, the private client has more difficult access to a bank loan than to a budget deficit.

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The push effect is quite weak due to the budget deficit. It occurs when the scale of budget redistribution grows and it is of secondary importance whether it is carried out with tax methods while maintaining budget balance or under deficit conditions by taking loans. When the scale of budget redistribution decreases, the occurrence or no deficit from this point of view is completely indifferent.

**Increase in market interest rates.**

It may be caused not so much by the increase in the deficit, which as a result of increased demand for loan funds from the public finance sector, e.g.:

- a. rollover of existing debts,
- b. obtaining funds for repayment of foreign debt on the domestic capital market.

The budget deficit should affect market interest rates. If we have such a large, such a good borrower on the market, then the limited amount of funds that banks can offer to private entities makes the competition of private borrowers larger and we can raise interest rates. An increase in market interest rates is possible, it is even highly probable in deficit conditions, which is caused not by the deficit itself, but by the borrowing needs of the public finance sector, and thus the increase in demand for money.

The demand is largely independent of the deficit value due to:

rollover of existing debts - the majority of debts are rolled, not repaid. Repayment takes place with regard to two different lenders. If we treat this debt as a whole, it is rolled, i.e. we exchange the old debt into a new debt. Some time ago, savings bonds were also rolled. We had annual or biennial bonds and we could wait until the redemption date, or one week before the redemption date, report them to be exchanged for new bonds (interest was calculated and we received new bonds for this amount).

**Negative impact on the current account balance in the balance of payments of the state budget.**

The budget deficit may contribute to a negative balance - as a twin deficit on the current account. The concept of a twin deficit in the theory of international finances consists in the fact that if a deficit grows in a country or if a budget deficit occurs, it causes an increase in internal demand. Therefore, this additional demand is directed partly to the goods of domestic production and partly to the goods of foreign production. So if we have a deficit of, say, USD 1 billion in some country, this means an additional demand created in the public finance sector in this amount. This demand will be revealed in the form of direct purchase of goods by budgetary units or through the payment of wages and public and social benefits, and then it will transform into the demand of those who receive benefits or remuneration from the state budget. Natural persons and budgetary units direct this demand for domestic goods or for foreign goods. If the demand for domestic goods increases, then exporters are less interested in exports because it is easy to sell these goods in the country and it is cheaper, the billing cycles are shorter.

**A signal for global markets.**

It is not so much about the level of deficit as the changes of this level; the growth here is actually negatively assessed (the more important is the method of counting, which is the basis for publication).

Deficit is a factor that reduces investment in the country, because the risk increases, for example because if there is a deficit and this deficit persists, it is likely that the government will have to raise taxes to limit this deficit. Therefore, the country as a place of investment becomes less attractive.

If we have a high deficit, we can not be convinced that it will be financed only by national instruments. A significant part of

Polish domestic debt is financed by Western banks. The higher the deficit, the greater is the share of foreign investors in financing the national deficit and public debt. If something happens in this economy, there is a risk of a sudden withdrawal of these capitals, because these are short-term capital. As a result, this causes a sharp fall in the national currency against foreign currencies. Investors do not like this either, so the risk increases.

At the same time, for example, Italy in the 1960s, 1970s and 1980s still had a very high deficit, but it was perceived as a good place to invest. It turns out that not only the amount of the deficit, but the stability of this deficit is important.

#### **Positive effects of budget deficit and public loan.**

In addition to the negative effects outlined above, the budget deficit and public debt can also have a positive impact.

1. It promotes a fairer distribution of the burden of financing infrastructure investments.

Infrastructure expenditures are extremely costly expenditures. There is no justification for the cost of building infrastructure to be borne by only one generation if next generations will be used. A loan as an instrument for financing such projects is not only justified, but desirable, because it transfers some of the costs to future generations in proportion to the use of this infrastructure.

2. It allows stabilizing the tax system of a cyclically developing economy.

We are dealing with the cyclical development of the economy, which means that during the economic recession, expenditures can not be lowered, they must constantly grow, and at the same time the tax base drops. Taxes should be increased, but such action during the economic recession is pointless. Deficit financing allows you to stabilize this tax system.

3. It supports the stabilization of investment risk of banks, insurance companies, and pension funds.

From portfolio theory, it is known how the standard deviation of the portfolio affects the investment portfolio, the coefficient of variation, as well as the inclusion of even one investment with a pure rate of return in this portfolio. The best example of investment with a clean income rate is investment in treasury securities (we do not have a risk here). Hence, in the assets of any financial institution, we find Treasury bonds, Treasury bills, because they stabilize the market.

4. It soothes the negative effects of the Crowding Out Effect.
5. Limits the tendency to tax fraud in conditions of high rate of fiscal burden and periodically increased demand for public funds.

It should be remembered that this tendency of people to embezzle taxes is a tendency based on the principle of a one-way street. If I ever cheat the tax office, then the second and third, and nothing will happen then it is much easier to accept such a state of affairs. If we are dealing with a short-term increase in public expenditure, it is often better to resort to a loan than to raise taxes and push a group of taxpayers into the gray zone.

6. In certain situations, it may affect the growth of the investment rate and the development of the economy (in conditions of low propensity to invest in the private sector).

Under certain conditions, there is a low propensity to invest, that is, we have free resources, we have overproduction, but investors do not want to invest because it is risky. Taking over these funds in the form of a public loan, deficit and financing of investments can be a factor stimulating the economy.

7. It may limit the tendency to excessive interest rate cuts (%) and foreign capital flight.

With a sharp fall in interest rates (%) in the country, this short-term capital is running out. Taking out a public loan results in an increase in the demand for money on the internal market and a slowdown in the decline of interest rates on the market. It can be used to limit inflationary tendencies - "Deflation loan" - France 1973.

### **Legal and financial instruments for limiting public debt.**

Defining the legal nature of public debt requires referring to many areas of law, such as constitutional law, financial law, civil law, banking law, and securities law. Legal norms may influence the process of state indebtedness on various levels, inter alia by defining the subjective and objective scope of public debt and the method of calculating its size. However, it is much more difficult to determine the impact of legal regulations on the ways of limiting public debt and counteracting further indebtedness. Therefore, even though the construction of legal financial instruments for limiting public debt results directly from the provisions of financial law, the legislator has a limited influence on the course of economic processes taking place in the country affecting the amount of indebtedness. (Panfil P., 2011, p.16). In view of this state of affairs, it is necessary to properly shape legal norms in a way that directs the behavior of public authorities to effective limitation of public debt.

### **Conclusions.**

The extensive economic role of the state is connected with the fulfillment of an economic function, i.e. consisting in creating conditions for economic development. The state through public finances is a tool of government intervention in economic pro-

The starting point for the analysis of legal financial instruments for limiting public debt should be their definition, allowing, if possible, to precisely determine their catalog and types. However, it should be stated that so far, on the basis of the science of public finance law, such a definition has not been created, so there is a need to construct it. Thus, legal and public debt instruments were recognized as legal and public instruments (with constitutional or statutory status), which adequately shaping the level of deficit (surplus), expenditure and income, directly or indirectly affect the reduction of public debt and minimization of its effects. (Lotko E. 2016 pp.75-80)

The Minister of Finance is obliged to publish in the "Monitor Polski" information on public debt and debt of the State Treasury, including the relation of GDP to the amount of state public debt and debt of the State Treasury.

The competencies of the Minister of Finance are: incurring financial obligations on behalf of the Treasury, repayment of liabilities, and other financial operations related to debt management. The Act provides the Minister of Finance with control powers regarding the State Treasury debt, because the level of public debt, increased by the amount of anticipated payments under guarantees and sureties, can not exceed 3/5 of the value of annual GDP. The Public Finance Act sets out for this purpose prudence procedures (art. 45) and sanation procedures (art. 46).

cesses (mitigation of economic fluctuations and stimulation of desired socio-economic processes). The level and structure of taxes and expenses may have a serious impact on economic fluctuations, economic development and the condition of

individual indicators that indicate the economic condition of the state. According to the three functions (tasks) of the state, public finance expenditures are divided into classical, social and economic expenses. Nowadays, social spending prevails in European countries.

In many countries, in some periods, the budget deficit is triggered primarily by the high costs of already existing public debt. We have a situation that there is a primary surplus in state budgets.

Primary surplus - the difference between revenues of the state budget and its expenses less the costs of servicing the debt (interest and commissions of the bank). For

example, we have income of PLN 200 billion, expenditures PLN 230 billion, but debt servicing costs PLN 20 billion. if it were not for debt servicing costs, the budget would have a surplus and not a deficit (PLN 230-20 = PLN 210 billion)

The analysis of data on fiscal policy conducted by EU countries in the last two decades shows that it was basically expansive, which resulted in a significant increase in public debt of these countries in relation to GDP. It is widely believed that it was an important factor influencing the inflation increase and forcing central banks to conduct a restrictive monetary policy. (Skiba L. 2011)

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## **CORPORATE SOCIAL RESPONSIBILITY AS AN INSTRUMENT OF SUSTAINABLE DEVELOPMENT GOALS ACHIEVING**

### **ODPOWIEDZIALNOŚĆ SPOŁECZNA JAKO NARZĘDZIE DO OSIĄGNIĘCIA CELÓW ZRÓWNOWAŻONEGO ROZWOJU**

### **СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ КАК ИНСТРУМЕНТ ДОСТИЖЕНИЯ ЦЕЛЕЙ УСТОЙЧИВОГО РАЗВИТИЯ**

#### **Abstract**

*The essence of the category of social responsibility of business, its evolution and transformation of approaches to education is defined. The role and importance of business social responsibility for sustainable development is analyzed. The models of implementation of CSR models in the national dimension, at the local and regional levels are considered.*

**Keywords:** *corporate social responsibility, sustainable development, spatial development, urban development.*

#### **Streszczenie**

*Zdefiniowano charakter kategorii odpowiedzialności społecznej w biznesie, jej rozwoju i transformacji podejść do formacji. Analizowana jest rola i znaczenie społecznej odpowiedzialności biznesu dla zrównoważonego rozwoju. Uwzględniono modele wdrażania modeli CSR w wymiarze krajowym, na poziomie lokalnym i regionalnym.*

**Słowa kluczowe:** *społeczna odpowiedzialność biznesu, zrównoważony rozwój, rozwój przestrzenny, urbanistyka.*


#### **Аннотация**

*Определена сущность категории социальной ответственности бизнеса, ее эволюция и трансформация подходов к образованию. Анализируется роль и значение социальной ответственности бизнеса для устойчивого развития. Рассмотрены модели реализации моделей КСО в национальном измерении, на местном и региональном уровнях.*

**Ключевые слова:** *корпоративная социальная ответственность, устойчивое развитие, пространственное развитие, градостроительство.*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Using the terms “social responsibility” and “sustainable development” as interchangeable concepts is wide common. Although there is a close connection between these definitions, but these are different concepts. Sustainable development is a generally accepted concept and common goal, which gained international recognition after the publication in 1987 of the report of the UN World Commission on Environment and Development “Our Common Future” (Our Common Future, 1987). Sustainable development refers to meeting the needs of society, while meeting the ecological constraints of the planet and not undermining the ability of future generations to meet their own needs. Sustainable development has three components – economic, social and environmental, which are interdependent. For example, the eradication of poverty requires the promotion of social justice and economic development, as well as environmental protection. After 1987, the importance of achieving these goals was reaffirmed in many international forums, in particular at the UN Conference on Environment and Development in 1992 (Rio de Janeiro Earth Summit, 1992) and at the World Summit on Sustainable Development in 2000 (United Nations Millennium Declaration, 2000). Social responsibility is directed to the organization and concerns its responsibility

to society and the environment. Social responsibility is closely related to sustainable development. Since the idea of sustainable development lies in economic, social and environmental goals that are common to all people, it can be used to unify the broad expectations of society, which organizations that want to act responsibly need to take into account. Thus, as an overarching goal of social responsibility, an organization should be considered a contribution to sustainable development. The principles, practices and main themes of social responsibility form the basis for the practical realization of social responsibility in an organization and its contribution to sustainable development. Decisions and activities of a socially responsible organization can make a significant contribution to sustainable development.

The goal of sustainable development is to achieve the sustainability of society as a whole and the planet. It does not concern the sustainability or continued existence of any particular organization. The sustainability of an individual organization may or may not correspond to the sustainability of society as a whole, which is achieved by solving social, economic and environmental problems within an integrated approach. “Sustainable consumption”, “sustainable resource use” and “sustainable lifestyle” are applicable to all organizations and refer to the sustainability of society as a whole.

**Analysis of latest research where the solution of the problem was initiated.**

As a result of the evolution of theoretical views on the of business ethics nature, corporate citizenship and social responsibility in the papers of Western Scholars such as H. Bowen (Bowen H., 1953), K. Davis (Davis K., 1960), A. Carroll (Carroll A., 1979; 1991; 2003) and others, the scientific

concept of Corporate Social Responsibility (CSR) was formulated as a justification of the need a responsible business relationship with society and the environment. However, an in-depth study of CSR in the context of sustainable development is needed.

**Aims of paper. Methods.**

The purpose of the study is to determine the category of social responsibility of business, its interdependence with sustainable development.

In the research, the commonly used in economic science methods were applied: theoretical, comparative and retrospective

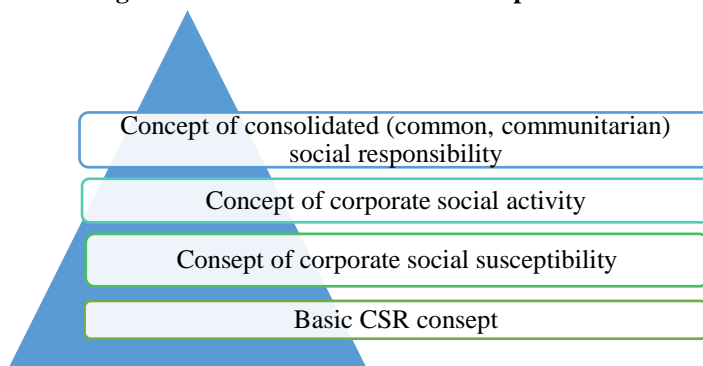
analysis – to reveal the theoretical foundations of CRS; generalization – to improve methodological approaches to the analysis of the CRS concept within sustainable development.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

The concept of corporate social responsibility was formed in several stages. There are many approaches as to periodization,

but also to the actual definition of this category (Fig. 1).

**Figure 1. Evolution of the CRS concept**



Source: compiled by the authors.

During the basic concept of corporate social responsibility, CRS was seen as compliance with the economic, legal, ethical and discretionary expectations that society places on the organization in the given pe-

riod of time (Carroll A., 1979). Then, during period of corporate social responsiveness concept, was suggested that the idea corporate social acceptance is managerial in nature and approach, and its advocates focus on managing company relationships

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with society (Frederick W., 1994). On the next stage, were determined that corporate social activity depends first and foremost on the personal values of decision makers in the organization; at the same time, corporate social acceptability, as an element of a complex model of corporate social activity, is considered in the broad context, namely: the component of corporate culture as a system based on the respective values and norms (Swanson D., 1995). And during the fourth period were suggested that consolidated (common) social responsibility denies the domination of individual and collective egoism, instead, it assumes the equal responsibility of all social partners.

There is a proposal to combine the diversity of interpretations of CSR with four approaches: instrumental, from the point of view of political influence, from the point of view of social requirements and ethical approach (Frans Paul van der Putten, 1995).

The issue of CSR, according to K. Davis, should be considered simultaneously at the theoretical and system levels in the managerial context. The real decisions in the plane of social activity are taken by the businessman, and the institution of owners defines only the cultural framework, directions of activity and specific interests (Davis K., 1960).

K. Davis was one of the first scientists who made an attempt to link CSR with the company's development strategy and substantiated the possibility of obtaining a long-term economic effect from making socially responsible decisions in business.

J. McGuire, in his studies, states that "the corporation has not only economic and legal obligations, but is responsible to society" (McGuire J., 1963).

In turn, Sethi S. specified the content of CSR, pointing out that the theory "involves the elimination of corporate actions at a

level that meets the prevailing social norms, values and expectations" (Sethi S., 1975).

Later, Carroll A. provided this model of the completed form, according to which CSR represents a multi-level responsibility that can be presented in the form of a pyramid. Being at the core of the pyramid, economic responsibility is directly determined by the company's basic function in the market as a manufacturer of goods and services that enable consumers to meet the needs and profit. Legal responsibility implies the need to comply with the requirements of the law in the conduct of business. Ethical responsibility requires that the business conforms to the expectations of society, not provided for in the relevant legal norms, but based on norms of morality. Philanthropic responsibility prompts the company to take action aimed at supporting and developing the welfare of society through voluntary participation in the implementation of social programs. At the same time, economic and social responsibility is mandatory for business, ethical responsibility is the expected society, philanthropic – only desirable (Carroll A., 1991).

One of the fundamental factors in the evolution of views on the CRS issue was the research on sustainable development and the ideas of social partnership. Conceptual foundations of the modern approach to the interpretation of the CRS were laid in the work of American economist G. Bowen (Bowen G., 1953), in which the author formulated the doctrine of social responsibility as a duty of businessmen to implement such a policy and make such decisions that are priorities in view of the ethical values and goals of the development of the whole society.

Much later Schwartz M. et al., introduced a new interpretation of the model of social responsibility of business, where the pyramid is changed to the Venn diagram, which

allows a certain way to track the interaction of economic, legal and ethical responsibility (Schwartz M. et al., 2003).

According to ISO 26000, the CSR is determined through the following aspects: the responsible attitude of any company to its product or service, to consumers, employees, partners; active social position of the company, consisting of harmonious coexistence, interaction and constant dialogue with the society, participation in solving the most acute social problems. Consequently, this concept encourages the company to take into account the interests of the society by taking responsibility for the impact of the company's activities on consumers, stewards, employees, the community and the environment in different ways of its activities. An important attribute of corporate social responsibility is effective corporate governance, high reputation of the company, participation in social programs, stable development of the company (ISO 26000, 2010).

Very interesting approach was suggested by Ukrainian scientist Kulieshova L. She sees such Directions of implementing of CSR as: Administrative (developing a clear, transparent program of anti-crisis measures to address social, labor and economic problems); Economic (implementation of state regulation of prices for foodstuffs and other socially significant needs, reduction of taxes on income and value added, increase of depreciation rates; provision of state guarantees for loans, first of all, for socially active enterprises; providing socially responsible companies with regional preferences in the form of preferential land allocation, building permits, etc.; strengthening the practice of voluntary and effective pooling of state and business resources for implementation of individual social programs and solving environmental problems); Moral-psychological (support

for the international exchange of experience in the sphere of CSR, attracting foreign companies to this work; dissemination of the idea of positive CSR practice and the interaction of government and business companies among the population through business promotion programs, competitions, social business projects, exhibitions, mass media; the formation of a positive image of a socially responsible company by regional authorities; introduction of CSR theory and practice in business schools, universities and other educational institutions; introduction of new professions in CSR sphere) (Kulieshova L., 2013).

Suprun N. while referring to ISO 26000, put attention to such a fact, that CSR has such fundamental principles, which, at the same time, are defined its strategic goals, such as: production of quality products and services for consumers; investments in the development of production and human potential; strict compliance with the requirements of the legislation (tax, labor, environmental); building good-neighborly and mutually beneficial relations with all stakeholders; concept of business, aimed at increasing national competitiveness; taking into account public expectations and generally accepted ethical standards in business practice; the formation of civil society through partnership programs and social development projects (Suprun, 2013).

According to Kytsiuk I. CSR does not stay in one place. Its evolution occurs in accordance with new global challenges to Sustainable Development. There are many Drivers of CSR, so more and more companies all over the world are interested in following this rules and principles in their business operations, while demonstrating the responsibility for their impacts on society. An effectively adopting CSR requires developing a strategy for its implementation. Furthermore, it requires assistance from the state, which should recognize

CSR as a desired behavior for domestic entrepreneurship and develop a complex of incentives and measures for CSR dissemination and popularization in society (Kytsyuk I., 2017).

Although, the introduction of CSR in the business activities of companies creates opportunities for optimizing the development strategy through risk prevention (social, economic, environmental, legal); increase sales volumes and market share; motivation of company employees; optimization of operational processes and reduction of production costs; improvement of the investment climate; harmonization of relations with the business environment, government structures and non-governmental organizations; improving financial and economic performance (Suprun, 2013).

One of the strong connections between CRS and sustainable development is UN Global Compact, which is focused on realization of practical ways of solving modern problems of globalization with the purpose of maintenance of sustainable development taking into account interests of all interested parties. By joining the Treaty, the company or the government become members of the global community, which, without violating the principles of competition, implements the principles of social responsibility not only at the national but also at the regional and global levels (UN, 1999). The European Commission considers CSR in the context of the sustainable development of the region and the Strategy of the European Commission on Corporate Social Responsibility (CSR) 2011-2014: faster, higher, stronger (COM, 2011).

O. Sokhatska, states that the concept of sustainable development embodied in the strategy of responsible entrepreneurship acquires an entirely different dimension: the focus of its interests is gradually shifted from social relations to the process of

forming companies competitive advantages and increasing the level of manageability of enterprises (Sokhatska O., 2007, p. 88).

As we see, CRS concept is seen as instrument for SDSG achieving. Thus, important to determined how CRS can be integrated to the sustainable spatial development in different countries. Sharing and implementing of best practices of CRS in such perspective can be seen not only as a means of achieving the SDSG, but an element of strategic governance of sustainable development.

The definition and optimization of the sustainable development strategy implies the construction of a national CSR model based on the same rules of social responsibility for all participants in social interaction: from the state to the consumer. Taking into account the importance of introducing CSR standards as a basis for sustainable development, the main priority of the state regulatory policy should be to improve the legislative framework aimed at creating legal principles for encouraging companies and organizations to develop social responsibility strategies (Sokhatska O., 2007, p. 89).

Based on the experience of the European Union, four types of national CSR policies can be identified as follows: 1) partner (Scandinavian model); 2) community business (British model); 3) sustainable development and society (model of German-speaking countries and France); 4) Agora (Mediterranean model). This typology reflects the convergence between applied government approaches and real actions in the area of corporate social responsibility development, as well as between the national corporate social responsibility policy and the involved actors (Albareda L. Et al., 2007).

CSR in local self-government requires an integrated system of relations, interrelations and joint coordinated active actions, among which the positive social position of each representative of the local community of society, representatives of the authorities and economic entities, identification of their behavior to enrich the common social values prevails, the ability to increase social contributions to socially significant activities, willingness to take responsibility for their own and joint actions to society. CSR in local self-government is not a

means of coercion or influence on the inhabitants or business entities. This is a voluntary combination of people, subjects of social relations in the respective spheres, branches and processes of activity at the expense of awareness and manifestation of socially meaningful behavior, social responsibility to society, local and state authorities for the adoption of social norms of social life and responsibility (social, economic, financial, political, etc.) for their violation or non-compliance (Bobrovska, 2016, p. 241-243).

### **Conclusions.**

Consequently, the concept of CSR and sustainable development was actually formed and developed in parallel. That is why they should be considered as complementary categories. Sustainable development, including sustainable spatial and sustainable urban development, is impossible without


the use of CSR as an instrument for its achievement. Construction of the most effective model of interaction, which involves the use of CSR as an instrument, depends on the specific needs and specificities of a particular local, regional or national model.

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## **CURRENT AND HISTORICAL DETERMINANTS OF GLOBALIZATION PROCESSES**

## **OBECNE I HISTORYCZNE DETERMINANTY PROCESÓW GLOBALIZACYJNYCH**

## **СОВРЕМЕННЫЕ И ИСТОРИЧЕСКИЕ ДЕТЕРМИНАНТЫ ГЛОБАЛИЗАЦИОННЫХ ПРОЦЕССОВ**

### **Abstract**

*This article attempts to compare the processes of modern economic globalization with analogous processes that have taken place in the past. The socio-economic, political and business changes taking place in the global dimension since the middle of the last century have contributed to a significant modification of the contemporary dominant market structures and models of financial systems. The main determinants of modern globalization processes include the third technological revolution that took place in the second half of the twentieth century and mainly concerned the multifaceted development of information technology and the implementation of information technologies for many different industries and also other spheres of human life. The processes of globalization in*

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*a more distant past were somewhat different in nature, when other factors of production prevailed in the production of goods, and economics was not yet a separate science.*

**Keywords:** *globalization, determinants of globalization, economic globalization, internationalization, technological revolution, international capital flows, and the financial system.*

### Streszczenie

*W niniejszym artykule podjęto próbę porównania procesów współczesnej globalizacji ekonomicznej z analogicznymi procesami, które przebiegały w przeszłości. Trwające od połowy ubiegłego wieku przemiany społeczno-gospodarcze, polityczne i biznesowe, przebiegające w wymiarze globalnym przyczyniły się do znacznej modyfikacji współczesnych dominujących struktur rynkowych i modeli systemów finansowych. Do głównych determinantów współczesnych procesów globalizacji zalicza się trzecią rewolucję technologiczną, jaka dokonała się w II połowie XX wieku i dotyczyła przede wszystkim wieloaspektowego rozwoju informatyki i wdrażania technologii informatycznych do wielu różnych gałęzi przemysłu oraz także w inne sfery życia ludzi. Nieco inny charakter miały procesy globalizacyjne w bardziej zamierzchłej przeszłości, kiedy w wytwarzaniu dóbr dominowały inne czynniki wytwórcze a ekonomia nie była jeszcze odrębną nauką.*

**Słowa kluczowe:** *globalizacja, determinanty globalizacji, globalizacja ekonomiczna, internacjonalizacja, rewolucja technologiczna, międzynarodowe przepływy kapitału, system finansowy.*

### Аннотация

*В данной статье предпринята попытка сравнить процессы современной экономической глобализации с аналогичными процессами, которые происходили в прошлом. Социально-экономические, политические и деловые изменения, происходящие в глобальном измерении с середины прошлого века, внесли значительный вклад в современные доминирующие рыночные структуры и модели финансовых систем. Основные детерминанты современных процессов глобализации включают третью технологическую революцию, которая произошла во второй половине двадцатого века и в основном касалась многопланового развития информационных технологий и внедрения информационных технологий для многих различных отраслей промышленности, а также других сфер человеческой жизни. Процессы глобализации в более отдаленном прошлом были несколько иными по своему характеру, когда в производстве товаров преобладали другие факторы производства, а экономика еще не была отдельной наукой.*

**Ключевые слова:** *глобализация, детерминанты глобализации, экономическая глобализация, интернационализация, технологическая революция, международные потоки капитала и финансовая система.*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The intensification of globalization processes has been observed many times in the socio-economic and cultural development of international communities. The last of these intensifications has been observed since the middle of the last century. It is mainly connected with the successively progressing integration of financial markets and the development of ICT technologies. The concept of currently occurring globalization is also used in various types of analyzes aimed at determining the character of modern civilization development as well as individual components of this process. The definition of globalization, especially economic globalization, appears in different, sometimes diametrically opposed contexts, and is used to highlight the advantages and disadvantages of globalizing societies and integrating particular types of markets (Prokopowicz D., 2016, p. 9-10). The development of different results of this type of evaluation and the derivation of different conclusions, depending on the context, is supported by the lack of full compliance and homogeneity in the scope of defining the essence of the globalization process and the characteristics of current globalization processes. The mentioned

above lack is clearly visible when comparing the definitions formulated by representatives of various schools and science centers. Both subjectively constructed assessments and the way of using the concept of globalization in the argumentation created in a given situation indicates a rather free approach to the issue of defining this concept and determining its character.

Accordingly, some forms of globalization have also been observed in the past, during the period of development of ancient cultures, which at that time included large areas of Asia and Europe. These areas constituted an image of almost the entire world known at that time. At present, the image of the world has changed significantly, but the distances counted in thousands of kilometers have been reduced due to the development of technology, including various types of transport of people, production factors, final products and financial capital (Gwoździewicz S., Prokopowicz D., 2015, p. 205-206). The concept of globalization has changed, its content has been significantly expanded, enriched with new factors, its character has been modified, especially in the context of defining the positive and negative aspects of contemporary globalization processes.

**Analysis of latest research where the solution of the problem was initiated.**

The issues of current and historical determinants of globalization processes which is described in this study, was undertaken in numerous scientific publications by scientists operating in various scientific environments and originating from different countries. The subject of the research gets global character. The increase in the interest of scientists in these issues results from its timeliness and high level of significance

and from the growing importance of current and historical determinants of globalization processes.

A synthetic image of the problems of current and historical determinants of globalization processes can be described as follows: Socio-economic, political and business changes (which are occurring since the middle of last century) taking place in the global dimension have contributed to significant modification of contemporary

dominant market structures and models of financial systems. The main determinants of modern globalization processes include the third technological revolution that took place in the second half of the twentieth century and mainly concerned the multi-faceted development of information technology and the implementation of information technologies for many industries and also for human life. Other important determinants of globalization processes include changes in the organization and functioning of domestic and international financial markets that took place during the oil crisis in the 1990s. The liberalization of capital flows, progressing since the 1970s, was determined by many economic and political factors, including the change of the international monetary system. Such processes as liberalization of capital flows, deregulation of international financial markets and progress in the field of ICT have been taking place in the context of globalization. These processes constituted favorable conditions for the growth of the tendencies to economic globalization of the global economy as well as the internationalization of financial markets. The processes of globalization in a more distant past were different, when other factors prevailed in the production of goods, and economics was not yet a separate science.

From publications dealing with the issue of globalization, it appears that the current globalization processes have a significantly different character from those that took place in previous centuries. This article describes the problems of globalization with the use of a synthetic approach to research and considerations undertaken by authors in previous publications: D. Prokopowicz (Prokopowicz D., 2007; Prokopowicz D., 2010; Prokopowicz D., 2012; Prokopowicz D., 2016), S. Gwoździewicz (Gwoździewicz S., Prokopowicz D., 2015; Gwoździewicz S., Prokopowicz D., 2016;

Gwoździewicz S., Prokopowicz D., 2017a,b), M. Matosek (Matosek M., 2006; Matosek M., Prokopowicz D., 2017), J. Grzegorek (Grzegorek J., Prokopowicz D., 2017), B. Domańska-Szaruga (Domańska-Szaruga B., 2015) and other authors.

From the analysis of publications dealing with the issue of globalization, it results that in other countries research on the determinants of currently running globalization processes are taken, among others, by D. Rodrik (Rodrik D. 1999), who indicates that the processes of economic and information globalization have intensified already in the 1990s. In addition, similar conclusions were formulated by S. Edwards (Edwards S., 2001) who suggested that the development of international financial markets, including capital markets, is a key aspect of the ongoing globalization processes. In Poland, research on the processes of economic and information globalization was carried out by scientists such as: A. Budnikowski (Budnikowski A., 2008), J. Kaliński (Kaliński J., 2004), A. Müller (Müller A., 2003), Zawadzka (Zawadzka Z., 2003), M. Dahl (Dahl M., 2015) and J. Sarnowski (Sarnowski J., i wsp. 2008). The history of international trade in the background of globalization processes was described by the following scientists: J. Sołdaczuk, J. Misala, (Sołdaczuk J., Misala J., 2001). E. Sadowska-Cieślak (Sadowska-Cieślak E., 2002) described in her publication the theoretical and practical aspects of the process of liberalization of capital flows in the background of globalization processes and in the European Union. Based on the study of literature sources listed in the Bibliography, it has been shown that the researchers of the described problem confirm the high level of significance of the determinants of currently running globalization processes, also indicating the timeliness and development of the

issues described. The authors of the literature dealing with the globalization issue agree that current globalization processes are to a large extent determined by the development of international financial markets. An unquestionable is the statement that the processes of economic and informational globalization prevail in current analyzes regarding the study of the globalization. In the context of the issue described in this paper, it is also important that the processes of economic and informational globalization are still progressing and constitute an important factor in the

current fourth technological revolution, known as Industry 4.0. From the publication of the scientific literature, source materials analysis and normative regulations, it follows that the processes of economic and informational globalization should in future be correlated with the need to implement on a global scale sustainable pro-ecological development based on the concept of a new, green economy. Conclusions resulting from previous research described in the literature were used to formulate the key research thesis and the objectives of the research.

### **Aims of paper. Methods.**


Prior to the research, collecting and developing research results a review of the literature dealing with the current and historical determinants of globalization processes was made. The literature review was also preceded by specifying the key issues, which were analyzed, the objectives of the research and the formulation of key questions and research thesis. The subject of this article initially defined conceptually and axiomatically was also clarified after the review of the publications of other researchers on the problems of current and historical determinants of globalization processes. In view of the above, the article presents an analysis of the issue of economic and informational globalization in a synthetic approach.

During the research, research methods listed below were used. In the research various test methods, including: a descriptive and comparative method, inductive reasoning, deductive reasoning, a descriptive-vector method and a media observation method were used. The choice of methods was determined by the type of research materials in which various aspects of the problem of current and historical determinants of globalization processes were described. For the presentation of key issues of the

subject, the explanation of particularly important relationships, connections, correlations between the components of the globalization issue, mainly the descriptive method was used. The comparative method was used primarily in comparisons of selected aspects of the studied problem of economic and informational globalization. Inductive reasoning was used to select unambiguous facts and aspects of globalization that met the requirement of indisputability in their experimental verification. The deductive reasoning was commonly applied through the formulation, selection and ordering of axioms that did not have to be certain. However, they had to meet the condition of presenting complex problems in the form of models and schemes. The axioms formulated by this method were built and developed in the process of logical binding of facts. The descriptive-vector method has been used by highlighting the relevant factors of the problem of present and historical determinants of globalization processes with an indication of the appropriate direction of the impact. Literature review was also carried out using the method of media observation, consisting in observation of selected issues of the stud-

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ied problems described by researchers specializing in specific areas of economic issues.

In connection with the above, guided by the principle of scientific objectivity, impartiality of the research approach based on the verification of the content of the cited publications for the purposes of this study, the following main research thesis was formulated: The third technological revolution that occurred in the second half of the

20th century and concerned mainly the multi-faceted development of information technology and the implementation of information technologies for many different industries and also in other spheres of human life, as well as the development of international corporations and financial systems. The final part of this study contains a reference to the issue of verifying the research thesis.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**


#### **The beginnings of globalization processes**

Most contemporary interpretations of globalization processes and based on them characteristics, models and derived definitions, indicate that globalization is a process subject to modifications conditioned by political, economic and cultural factors of the communities of individual regions and countries. Therefore, the equal sign cannot be putted between contemporary globalization and analogous processes occurring 50, 100 or 2000 years ago. The basis of this assumption is the fact that globalization is not only a process in itself, but also a process of evolving set of components from which this process is built. Currently, this process is much more complex and conditioned by other factors. In the distant past, a certain form of globalization took place in Hellenic Greece and Ancient Rome. In the modern era, the revival of globalization processes began with Marco Polo's travels. The next intensification of these processes occurred during the Renaissance and was associated with great geographical discoveries and the liberation of science from the doctrines established in the institutional bodies of the Roman Catholic Church (Prokopowicz D., 2012, p. 37-48).

Currently, economists analyzing globalization processes through the prism of the world economic history point to the genesis of globalization processes in the distant past and combine these processes with dynamically developing trade, which allowed to establish contacts between separated by thousands of kilometers representatives of different cultures (Kaliński J., 2004, p. 10). The exchange of knowledge on inventions of technology, philosophical thought, art as well as cultural heritage in the field of beliefs and religions were possible. The prototypes of globalization have occurred many times in the past from antiquity, through the end of the Middle Ages and in subsequent epochs. Particular importance is attributed to such historical processes as the spread of the religion of Buddhism, Christianity and Islam in the period of the 7th-9th century at the beginning of our era. In addition, in the modern era there were also many military expansions, including the conquests of Genghis Khan in the 12th century and the development of the Ottoman Empire in the fourteenth century. All these historical events contributed to the homogenization of initially different cultures that were developing separately from each other. The most frequently quoted example of the so-called cultural encounters are geographical discoveries made mainly

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by travelers originating from Spain, Portugal and Italy in the 15th and 16th centuries. The sixteenth century globalization, apart from the initial exploratory and cognitive aspect, basically had the economic nature of a global dimension combining particular categories of capital from different continents and creating new types of goods imported to Europe (Rosenberg N., Birdzell Jr LE, 1995, p. 69). Mentioned above aspect of exploration and cognition is the discovery of the new continent by Christopher Columbus, then the sea path to India by Vasco da Gama and the first circumnavigation of the globe by Ferdinand Magellan. After the discoveries, conquests and colonization took place consisting in the introduction of a feudal gift system in colonized areas. The first colonies established in the area of America, India and Africa were the source of cheap slave labor, raw materials and the place where production of local useful plants was organized, including cotton, roots and stimulants, mainly coffee, tobacco, cocoa and sugar cane. On the other hand, in the conquered areas, mainly in South America, European agriculture and cattle were introduced, and slaves were imported from Africa. In addition to the raw materials mentioned, the colonies constituted a source of spices, pepper, citrus fruits, rice, wheat, indigo, produced cotton and silk fabrics for Europe. One of the most important factors that stimulated the economic development of Europe at that time was gold and silver, initially plundered by Aztecs and then mined in South and Central America. The colonies were also a source of plants that were introduced into agricultural production in Europe, i.e. potatoes, tomatoes, pepper and maize from the American continents, and rice originating from Southeast Asia. In Europe, manufactories also developed, in which final products were made from raw materials and semi-finished products from


colonies. In this way, for the first time in Europe, sugar, tobacco and cotton-based textiles began to be produced. The development of trade and mercantilism associated with gold and silver flowing from America to Europe has consolidated the strong economic foundations based on the feudalism of the market economy. Gradually modernized production processes of goods manufactured initially in the system of overlapping and manufactories contributed to increasing production efficiency and changes in the structure of European societies, reducing employment in agriculture and increasing employment in urban centers of manufactories.

### **Technological revolutions as an important determinant of the development of globalization**

The globalization processes are determined to a significant extent by the ongoing technical progress and technological development of production processes and provision of services. In the development of civilization analyzed since the eighteenth century, four technological revolutions stand out, which played a special role in accelerating the processes of globalization. The first of these revolutions was connected with the development of industry in the seventeenth and nineteenth centuries in the then highly developed countries. At that time, most of the national economies were based on agriculture. Manufactures working for agriculture were transformed into industrial plants. It was also a period of more and more inventions that improve production processes. Acceleration of globalization processes took place in the eighteenth and nineteenth centuries in connection with the technical progress and inventions at the time, including the development of production processes based on the use of a steam engine. The second technological revolution developed mainly in the late nineteenth and early twentieth century

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and was mainly related to the development of electricity. In the second half of the twentieth century, due to the development of computer science, the third technological revolution took place. Currently, another, fourth technological revolution begins, determined by the development of such areas as artificial intelligence, data processing in the cloud, machine learning, Big Data database technologies (Gwoździewicz S., Prokopowicz D., 2017b, p. 28-29), Internet of Things, Business Intelligence (Grzegorek J., Prokopowicz D., 2017, p. 223-224), Life Science technologies, Medical Intelligence and ecological innovations, including renewable energy sources (Dahl M., 2018, s. 123-127). Technological development determined by the modern technologies and technologies mentioned today has a significant impact on current globalization processes.

However, earlier, over 100 years ago, appeared inventions that have significantly accelerated the processes of globalization. Inventions in the field of aviation made possible moving from one place on the globe to other, sometimes distant, and located on another continent in a short time. The development of telecommunication at the end of the nineteenth century started what is now called "global village" in conjunction with the dissemination of ICT technology, including the Internet. Earlier, manufacturing processes based on manufacture originating from Europe began to penetrate other regions of the world that were dynamically developing in socio-economic terms, often in areas of the colony. In this way, the European model of the economic system basically based on the market economy and manufacture successively replaced by mass industrial production spread on other continents, including America, Asia and Australia (Rosenberg

N., Birdzell L.E., Jr., 1995, p. 168). An important factor in the transformation of production processes based on the manufacture into mass serial production was created in the era of enlightenment and later developed - the ideology of liberalism. Enlightenment liberalism initiated the process of transforming feudal systems into economies based on proprietary capitalism. The disintegration of feudalism was accelerated by such socio-political and economic events as the American Revolution, the bourgeois revolution in France, and the process of codification of commercial and civil law carried out by Napoleon (Kaliński J., 2004, p. 12).

In the first half of the nineteenth century, the idea of liberalism found fertile ground in the form of a strongly developing heavy and textile industry in Great Britain. Subsequently, the abolition of barriers to England's trade with the rest of the world, the opening of English colonies for ships of other flags contributed to the acceleration of the country's economic development. As a consequence, England achieved the leading position in the field of industrial production and international exchange at the end of the 19th century. On the other side of the Atlantic, in the United States significant trade liberalization events occurred at the time, which in the long term accelerated the economic development of the North American continent. A decisive event was the Civil War, from which the North emerged, that is, the industrialized states interested in maintaining protective duties and the development of domestic industry. As a consequence, the protectionist economic policy initiated by the secretary of the treasury, Alexander Hamilton, gave way to the idea of liberalizing the flows of both goods and capital (Sołdaczuk J., Misala J., 2001, p. 72).

Nineteenth-century capitalism in the next century gave way to the model of a market



economy, in which international corporations that usually no longer belonged to a single owner, but to a group of shareholders possessing shares in profits and decisions (Dahl M., Piskorska B., Olszewski P., 2015, p. 47-55).

In view of the above, colonialism and the technical revolution enabling the development of means of transport and telecommunications continued to be the main source of globalization in the 19th century. The current globalization in the era of the information society has extended its range significantly compared to the aforementioned historical globalizations of the civilization of the first democracy, feudal systems, manufactories and the industrial era (Matosek M., 2006, p. 71-72). Sometimes, such an interpreted globalization in extreme terms is presented as a characteristic process only for the last several decades. Usually, however, economists studying the problems of the world's economic history already see in the past centuries many analogical processes that are now more intense and somewhat different in character. This different character is the erosion of communist ideology, the IT revolution and in terms of economic conditions, the most frequently mentioned - the intensification of privatization, the liberalization of cross-border capital flows and deregulation on the financial markets (Budnikowski A., 2003, p. 5).

#### **Socio-economic determinants of globalization processes in the 19th century**

The specificity of the current phase of globalization is a clear predominance of determinants of broadly understood economic issues. The processes of globalization of markets, analyzed in the context of economic phenomena, took place already in the 19th century. A particular intensification of these processes was observed at the end of the 19th century, ie during the creation of the first international monetary

system. At present it is difficult to clearly indicate the date that could be considered as the beginning of economic globalization. These difficulties are primarily determined by the following factors:

1. The problem of the objective definition of globalization, which can be analyzed in a narrower or broader scope, including in the analysis, apart from the economics, also a number of other fields, including social sciences and broadly understood culture.
2. A high degree of diversification of the research area image, characteristics, including the nature of the civilized world covered by globalization, analyzed in the context of particular periods of the historical development of humanity.

The first problem concerns the adoption of an objective definition of the concept of globalization for the purpose of defining its origins and sources. If the priority criterion is the liberalization of capital flows (Domańska-Szaruga B., 2014, p. 24-25) and other productive factors as well as products and services, the first symptoms of globalization processes can be indicated in periods well preceding the beginnings of modern economics, which means in the time before Adam Smith formulated the concept of market and market economy. On the other hand, in these early periods of formation of the first market structures, in which the economies of individual civilized countries based their economic development in slavery, globalization processes are limited to a small part of the area of populated continents, to Europe and North America. The first, on a larger scale, the homogenization of cultures, socio-economic and political systems, occurred in antiquity, during the development of Hel-

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lenic Greece and the Roman Empire. However, the concept of globalization has been formulated with reference to the entire globe and not just Europe. This problem is more complicated when we take into account the perception of reality by the citizens of Ancient Rome. In those days, it was widely accepted that the Roman state covers almost the whole world with its area, and not just almost all of Europe. Some of the continents were not known at that time.

### **Economic and IT determinants of contemporary globalization processes**

The current phase of globalization, realized in the information society era, has extended its character with new factors and expanded the field for conducting analyzes carried out to determine the meaning and specificity of the whole or individual components of the problems of modern globalization. The mentioned extension is clearly visible in the situation of comparing the current phase of globalization with the above-mentioned historical globalizations: ancient civilizations of the first democracy, socio-economic feudal systems, individual stages of capitalist development and forms of business organization on the market economy, including the era of manufactures and industrialism, i.e. advantages of heavy industry development.

Contemporary characteristics of the globalization process and the definitions, models and regularities built on them largely refer to the modification of the macroeconomic development of the world. The current phase of globalization is analyzed mainly in the context of the liberalization of flows of goods and capital (Sadowska-Cieślak E., 2002). If the center of gravity is shifted towards the analysis of the process of removing barriers in the flow of products and services, then the intensification of globalization understood this way is noticed in the period when the main source of energy in the industry was a steam engine.

If the main criterion is the processes of eliminating barriers in the exchange of knowledge, including inventions and achievements of scientific and technical thought, the acceleration of cultural homogenization will be noticed in the Renaissance era. Currently, however, globalization processes are analyzed in relation to the liberalization of capital flows and to a lesser extent to other production factors (Gwoździewicz S., Prokopowicz D., 2017a, p. 76-77).

In addition, current globalization also means the dissemination of various types of technical equipment and information technology, facilitating the flow of information in the global dimension. Taking the main criterion for identifying globalization processes, liberalization of capital flows and IT development, it is generally accepted that the intensification of the civilization integration of markets and the homogenization of cultures has existed since the 1970s. According to some analysts of the globalization process, this intensity appeared already in the middle of the twentieth century, after the end of World War II. Sadowska-Cieślak points out that the problem of the liberalization of turnover in the capital account of the balance of payments grew stronger in the 1950s just after the conclusion of Bretton Woods contracts, establishing a new order in the global payment system (Dmowski A., Prokopowicz D., 2010, p. 273-274).

In attempting to assess globalization processes in the context of capital and information flows, account should be taken of the diversity that occurred in this area between the countries of Western Europe, the United States, Japan and other countries. In these areas, processes took place on a much larger scale compared to other regions of the world. In addition, the attempt to make an unequivocal assessment is hampered by

the fact of diversification in terms of defining the nature of the liberalization of capital flows and their impact on the economic development of individual countries. On the basis of the economic history of countries, different theories are formed, indicating both the positive and negative effects of globalization for the process of economic growth and stability of the economy. Attempts at this evaluation with varying results are repeatedly made by economists and politicians dealing with the economic development of the country. Some of the studies carried out indicate that there is no direct correlation between the liberalization of capital flows and economic growth (Rodrik D., 1999). On the other hand, some economists are quite the opposite. For example, Edwards points out that he has discovered a strong relationship between the liberalization of capital flows and economic growth. This relationship is positive, however, it mainly applies to highly developed countries (Edwards S., 2001). In addition, the liberalization of capital flows may have a more positive impact on the economies of individual countries participating in this process in the situation of prior removal of diversification in the area of basic macroeconomic values. Research in this area was carried out mainly in the 80s of the last century, during the period of successive reforms after the oil crisis, so it

was impossible to precisely and unequivocally determine the nature and level of the analyzed relationship (Arteta C., Eichengreen B., Wypłoz K., Working Paper 8414). The lack of unambiguous results from research on the analyzed correlation indicates the existence of certain factors determining the occurrence of stronger or weaker relationships that combine positive effects of liberalization with the rate of economic growth and, indirectly, an attempt to objectively assess the globalization of markets. These factors are the internal determinants of the economy of a given country and the policy pursued in a given period. Since the beginning of the 1990s, the financial system in Poland has been subject to particularly strong processes of economic globalization (Prokopowicz D., 2007, p. 53-54). In Poland, the acceleration of economic globalization processes has been taking place since 2004, i.e. since Poland's accession to the structures of common European Union markets. The increase in export production and the development of investments in Poland with the involvement of foreign financial capital contributed significantly to the improvement of the economic growth of the Polish economy in recent years. In connection with this, the incomes of both enterprises and citizens in Poland are gradually growing (Wereda W., Prokopowicz D., 2017, p. 244-245).


## Conclusions.

From the above considerations it follows that globalization took place in different periods and cultures of the development of civilization, while in the distant past it was usually more radical and violent. From the antiquity to the mid-twentieth century, the processes of globalization were determined

mainly by military actions, military intervention of some countries in others, aggression aimed at taking over the most important capital which was then the land and its raw materials. On the other hand, a more precise term for globalization processes of that time is internationalization due to the limited territorial scope of these processes.

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Internationalization is a process of unification, standardization that takes place in various areas of life, culture and technology in the area of several countries. In the scope of development of over-national economic systems, common market structures combined, among others, with the same currency, an example is the area of the Euro currency, operating in most European Union countries. Therefore, the development of the European Union and enlargement of the international area of the Euro is an important factor in the processes of modern globalization (Szybowski D., Gwoździewicz S., Prokopowicz D., 2016, p. 139-140).

However, there are certain areas in which internationalization occurs to a very limited extent or reverse processes occur. An example is the opposition to internationalization currently observed, concerning the nationalization or regionalization of culture understood mainly as traditions, beliefs, symbols, prejudices, applications, etc. limited to the given country or region of a given country. Nationalization and regionalization of culture develops as a kind of defense system directed against the progressing processes of globalization, mainly economic globalization. An example is the processes of regionalization inspired by associations and institutionalized organizations of entrepreneurs from the SME sector in Poland, which, joining the chambers of commerce, are trying to increase their bargaining power and negotiation towards developing large enterprises and foreign corporations (Rakowski J., Prokopowicz D., 2017, p. 373-374).

Therefore, the current globalization, mainly on the level of economics, consists of standardization processes mainly in the field of ICT systems, telecommunications, billing, and integration of financial markets, homogenization of products of these markets, their marketing and distribution.

Financial services are currently the area where the most dynamic globalization processes are observed. Unification of standards is not limited to the products themselves, but concerns the infrastructure and organization of widely understood financial markets (Sarnowski J., Prokopowicz D., Dmowski A., 2008, p. 158-159). The integration of international markets is also proceeding, however, much slower due to higher costs of goods transport in relation to information digitally stored in IT systems of financial institutions. In addition, in the field of international trade, many countries selectively and deliberately apply different types of protection instruments, helping to inhibit the process of liberalization of capital flows and industrial final products (Zawadzka Z., 2003, p. 18).

The current globalization of financial markets was initiated in the middle of the last century by the internationalization of these markets, involving the integration of separate market structures functioning in individual countries into one common organism, for which the state borders are no longer a significant barrier. At the moment when the processes of integration of financial markets started to take place on a global scale, internationalization was replaced by globalization. One of the areas in which the integration of financial markets is currently the most intensive is the banking sector (Gwoździewicz S., Prokopowicz D., 2016, p. 65-66). Acceleration of globalization processes in relation to banking systems was observed in the 1970s due to the increase in the liberalization of capital flows and deregulation of financial markets and in the 1990s, i.e. in the initial period of electronic banking development, including internet banking and standardization of IT systems of payments and settlements (Matosek M., Prokopowicz D., 2017, Warsaw 2017, p. 221-222).

The aforementioned processes have been conducive to the growth of the tendencies to economic globalization of the global economy as well as the internationalization of financial markets. As a result of these processes, the economic situation on individual financial markets and business cycles are moving faster and faster from cross-border to intercontinental economy (Domańska-Szaruga B., Prokopowicz D., 2015, p. 42-43). An example of the acceleration of these cyclical flows are the recent financial and debt crises, i.e. the crisis that began in mid-2008 and in the following years evolved into an economic crisis in the Euro zone and a debt crisis in the

public finance systems of the southern European countries (Prokopowicz D., 2010, p. 147-148).

In connection with the above, the research thesis, presented in *Aims of paper. Methods* part of this article, according to which it was assumed that the main technological determinants of modern globalization processes include the third technological revolution that took place in the second half of the 20th century and mainly concerned the multi-aspect development IT and IT technologies implementation in many different industries and in other spheres of human life as well as the development of international corporations and financial systems has been confirmed.

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## **BANK INNOVATIVE DEVELOPMENT IN UKRAINE: MODERN TENDENCIES AND PERSPECTIVES**

### **NOWOCZESNE TRENDY INNOWACYJNEGO ROZWOJU BANKÓW UKRAINY**

### **СОВРЕМЕННЫЕ ТЕНДЕНЦИИ ИННОВАЦИОННОГО РАЗВИТИЯ БАНКОВ УКРАИНЫ**

#### **Abstract**

*The article contains a study of banking innovations and the current state of innovative development of banks. The separate attention is focused on the analysis of innovations and their implementation tendencies in Ukrainian banks. It was analyzed the performance of the company, producing and selling banking innovation. There are analyzed the activity indicators of the companies, which produce and implement bank innovations. Innovation products, which could be implemented into the activity of Ukrainian banks today, are singled out. During the research the detailed attention is concentrated upon the analysis of the most popular bank innovations as long as the tendencies of bank innovative development worldwide. Also, there is argued that the implementation of the new technologies and development of the existing ones will increase the efficiency of banks activity.*

**Keywords:** bank, innovations, bank innovations market, innovative development, tendencies, Ukraine

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### **Streszczenie**

*Artykuł zawiera analizę innowacji bankowych i obecnego stanu rozwoju innowacyjności banków. Szczególna uwaga skupiona jest na analizie innowacji w ukraińskich bankach i trendach ich realizacji. Analizowane są wskaźniki firm, które produkują i wdrażają innowacje bankowe. Prezentowane są innowacyjne produkty, które można dziś wprowadzić do działalności ukraińskich banków. Szczególną uwagę podczas badania skupiono na analizie najpopularniejszych innowacji bankowych i trendów innowacyjnego rozwoju banków na świecie. Ponadto argumentuje się, że wdrożenie nowych technologii i rozwój już istniejących zwiększy efektywność działania banków.*

**Słowa kluczowe:** bank, innowacje, rynek innowacji bankowych, rozwój innowacji, trendy, Ukraina

### **Аннотация**

*В статье выполнено исследование банковских инноваций и современного состояния инновационного развития банков. Особое внимание сосредоточено на анализе инноваций в украинских банках и тенденциях их внедрения. Проанализированы показатели компаний, производящих и реализующих банковские инновации. Выделены инновационные продукты, которые могли бы быть внедрены в деятельность украинских банков уже сегодня. Подробное внимание при выполнении исследования сосредоточено на анализе наиболее популярных банковских инноваций и на тенденциях инновационного развития банков в мире. Кроме того, выдвинуто утверждение, что внедрение новых технологий и развитие существующих позволит повысить эффективность деятельности банков.*

**Ключевые слова:** банк, инновации, рынок банковских инноваций, инновационное развитие, тенденции, Украина

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The banking system as a compound part of the financial system in the country plays the crucial role in its economic development. A question of innovations is particularly important for Ukrainian banks in the conditions of unstable economy, tense political situation, unsteady purchase power of national currency, fluctuations of society confidence to the banks in the period of their insolvency and liquidation. Today the

provision of the effective activity of the banking system participants is impossible without innovations, so far as they enable to distinguish the bank among others, support its image, satisfy the wants of both regular customers and the new ones, expand the range of services and ongoing operations, reduce costs, increase the market segment, where the bank operates etc.

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**Analysis of latest research where the solution of the problem was initiated.**

The works of many scientists are dedicated to the questions of banks innovative development. In particular the definition of banks innovations, their classification and necessity of realization are disclosed in the works of P. Ilchuk, O. Kots, L. Bondarenko, I. Lashchuk and A. Yakymiv (Ilchuk P., et al., 2018), L. Kuznietsova (Kuznietsova L., 2015, p. 3-9), Z. Shmihelska (Shmihelska Z., 2014, p. 34-41), N. Chyzh and M. Dziamulych (Chyzh N., Dziamulych M., 2012, p. 403-411), M. Krupka (Krupka M., 2014, p. 127-131), V. Kotkovskiy and O. Huzenko (Kotkovskiy V., Huzenko O., 2015, p. 39-42). S. Yehorycheva (Yehorycheva S., 2011, p. 53-57) developed methodical principals of innovation process organization in banks. The works of O. Hlushchenko and M. Tkachenko (Hlushchenko O., Tkachenko M., 2012, p. 5-14), O. Druhov and L. Bratkiv (Druhov O., Bratkiv L. 2015, p. 137-143) present the research results according the separation of innovation process stages as long as bank innovation product life cycle ones.

Studying the main directions of banks innovative development in Ukraine is represented at works of I. Karcheva (Karcheva I., 2015, p. 293-299), O. Zolotarova

(Zolotarova O., Chekal A., 2016, p.112-115), N. Chyzh and M. Dziamulych (Chyzh N., Dziamulych M., 2012, p. 403-411). The tendencies of bank innovations development in Ukraine are analyzed by O. Stepanenko (Stepanenko O., 2012, p. 275-282), S. Yehorycheva (Yehorycheva S., 2010, p. 327-334), O. Kravchenko (Kravchenko O., 2014, p. 39-42), L. Prymostka (Prymostka L., 2015, p. 115-126), O. Cherevko, K. Samoilova and K. Kutsenko (Cherevko O., et al., 2016, p. 139-144). V. Biloshapka and Ye. Danylyuk concentrated the separate attention on the theoretical ground of banks functioning efficiency management in Ukraine on the basis of banking innovation technologies usage and new banking products and services development (Biloshapka V., Danylyuk Ye., 2013, p. 57-65), while N. Pantelieieva – on the methodology of innovations research in banking activity (Pantelieieva N., 2016, p. 163-167).

In spite of active scientific discussion, there is actual the question of modern tendencies of bank innovations development in Ukraine and their implementation prospects, as long as global tendencies in bank innovation investigation.

**Aims of paper.**

The aim of this research is to determine the guidelines of banks innovative development in Ukraine. In the process of the main objectives achieving there were fixed the following tasks: 1) to define the current state of innovations in Ukrainian banks; 2) to analyze the modern state of the bank in-

novations market on the basis of main activity indicators of the companies, which develop and implement them; 3) to determine the global tendencies of bank innovations development; 4) to identify the possibilities of innovative development of banks in Ukraine.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

In the conditions of economy globalization the banks are more and more frequently faced with the problem of innovation products implementation in order to increase the client base and maintain the competitive ability on the market (both domestic and foreign). As a consequence of the economic crisis in Ukraine it is observed the reduction of the demand on banking products and services, which is conditioned by the decrease of the level of confidence to the banking system and its participants, mass banks liquidation, instable banks activity etc. That's why not every bank is able to implement innovations, as it requires the considerable investments and appropriate level of developed or purchased innovations adoption. The key problems of innovations implementation into the banks activity in Ukraine are: financial resources deficit; insufficient level of personnel experience and qualification; riskiness and exposure of financial resources invested into the innovation products.

It should be mentioned that starting from the year of 2000 there were substantially changed the range of banking products and services, and the technologies, which are used during their realization (Shuba M., Rudnyk A., 2015). There should be noted such banking innovations, which are widely implemented on domestic market today, as follows:

1) Mobile banking – the service for the card account holders, which allows exercising most clearing operations by the use of mobile phone. With this service, you can: get the notification about transfer of funds or their account balance, new services of the bank, about the results of the transaction, as long as transmit funds to the another account etc.;

2) Internet-banking – the technology of the remote banking service, which enables the client to receive banking service via the Internet network. With this service, you can: make the inquire about the account balance, realize remittances, receive the statement of an account, pay for different services, issue the deposit etc.;

3) POS terminals – the devices, which are used for the cashless transfer of funds with the charge card. Its advantage is much faster realization of the payment transactions;

4) BankID – the service provided by the National Bank of Ukraine (NBU), a system of the online verification for the citizens, which allows to get the administrative services online, to prevent frauds with banking accounts and plastic cards.

Despite of all this innovative implementations, Ukrainian banking system is considerably far behind the world trends in banking innovations development. Not all banks use the modern means of communication with their clients. Despite of the well-developed infrastructure of automatic teller machines (ATMs), terminals and bank branches, the penetration of the banking services on the market is insufficient – only 63% of Ukrainians have bank accounts. For comparison, in Czech Republic this indicator is 81%, in Hungary – 75%, in Belarus – 81%, in Austria – 98%, in Netherlands and Denmark – 100% (National Bank of Ukraine, Financial Inclusion Forum, 2018). Most Ukrainians use payment cards exclusively for cash withdrawals, the share of such transactions makes up 60.7% of the total volume of transactions using payment cards, and in the market only 58.2% issued payment cards are active (National Bank of Ukraine, Overview of

the payment cards market and payment infrastructure of Ukraine for 2017, 2017). Together with the high share of cash transactions, Ukrainian banking industry is characterized by the low penetration of the Internet- and mobile banking, although there is a positive dynamics. The volume of transactions carried out on Internet in 2017, compared with 2016 (transactions using payment cards in Internet and mobile banking and e-commerce systems) increased by 69.1% and amounted to 105.5 billion UAH, and their quantity increased by 28.9% and amounted to 275.8 million pcs. The POS terminals infrastructure is also developed not enough, however, was extended in 2017. So, the network of POS terminals in 2017 was increased by almost

15% and 01.01.2018 amounted to 251.7 thousand (32.4 thousand more than 01.01.2017) (National Bank of Ukraine, Overview of the payment cards market and payment infrastructure of Ukraine for 2017, 2017). We can observe a world tendency of the increasing attention to banking innovations development and implementation. Let us make the research of the companies that develop and implement innovations for banks. To provide the research of the bank innovations market objectiveness a listing of the companies, which realize innovations for banks (Bank innovation, 2018), was taken as a basis. The characteristic of this company's activity is represented in Table 1.

**Table 1. Listing of the companies, engaged in innovations for banks implementation, and their activity characteristics**

Companies	Country	Characteristic of activity
ACI World-wide Inc	United States	Develops, sells, installs and supports the range of software products and services that are directed primarily on the electronic payments facilitation. The products and services of the company are used in the range of transactions generating end points, including ATMs, points of sale (POS), trading terminals, bank branches, corporations and commercial websites. The company gives the payment solutions for the financial institutions worldwide.
Diebold Nixdorf Inc	United States	Provides the connection of trade services, software and technology. The company is busy with the development and connection of commerce for financial institutions. It gives the solutions in the security sphere, which combines the portfolio of services and products to meet the company customers' needs.
Envestnet Inc	United States	A provider of the asset management financial technologies and services for financial consultants, investors and financial services suppliers. Provides the single software for the assets management and authorized financial consultants and institutions services. Proposes centrally the services of technologies hosting on the platform that includes the risk evaluation and the selection of investment strategies, assets allocation model.
Bottomline Technologies	United States	Provides a range of cloudy technologies for business payments, digital banking activity, fraud prevention, financial documents quittance and execution. Offers the software as a (SaaS) solutions service, as well as the software designed to work in the place of the customer allocation. The company is the supplier of the software, which provides a wide range of financial solutions for business processes management.
Fidelity National Information Services Inc	United States	Presents the financial services technologies, directed on the processing of operations and accounts, payment solutions, solution channels, digital channels, risks as well as solutions and services compliance. Its service activities are focused on financial offices and/or international financial institutions with different markets of capital and assets management, insurance solutions, as well as banking and payment solutions and consulting.
Fiserv Inc	United States	It is a provider of financial services technology. Offers the system of accounts processing; processing of electronic payments for products, such as electronic bills payment, processing of transactions, transfers between accounts, payments from one person to another; Internet and mobile banking systems with connected services, including the production and distribution of documents and debit cards, as well as credits and risks management products and services

Companies	Country	Characteristic of activity
Green Dot Corporation	United States	Offers the mobile technologies and mobile banking with the mobile settlement account GoBank.
Jack Henry & Associates, Inc.	United States	A provider of solutions for banks community information processing. The company proposes a wide range of products and services, including those for transactions processing, business processes automation, as well as different corporate structures informational and financial institutions management.
Mitek Systems, Inc.	United States	Develops and sells mobile applications and technologies for corporate clients software solutions verification. Technologies of the company allows their users a remote checks and established accounts depositing, getting of insurance quotations, paying for bills, as well as confirming their identity, taking pictures of different documents from their cameras (on the smartphones and tablets instead of usage device keyboard).
NCR Corporation	United States	It is a provider of Omni channels technological solutions that allows you to connect, interact and conduct operations with your customers, including ATMs, terminals and POS devices, self-services points, software of Omni channel platform and other software applications, as well as a set of services consulting, implementation, maintenance and management.
NetSol Technologies Inc.	United States	A provider of informational technologies for corporate software solutions in banks, financial and lease companies.
Q2 Holdings Inc	United States	A provider of cloud digital banking solutions. Company's decisions work on the general platform, which support the unified digital banking services delivery via the Internet, mobile and voice channels. Its platform provides the single control point, which allows RCFIs to assign the target access, including rights, functions and branding of account holders.
Top Image Systems Ltd.	Israel	A developer and provider of the intelligent content for document circulation receiving and automation, of the solutions for the incoming content verifying and management in any format from the any source within the usage of up-to-date networks, mobile and cloud technologies. The proposed software minimizes the necessity of manual data entry by the instrumentality of information, contained in documents, automatically receiving, reading, understanding, identification, processing, classification and routing
Temenos Group AG	Switzerland	The company is occupied with the development and marketing of the banking software system. Company's services include the implementation, productivity optimization, integration, management, maintenance work, modernization, studying and support of the inhouse software solutions.
Total System Services, Inc.	United States	A supplier of payment solutions, which provides services with payment processing, commercial services and related payment services for financial and non-financial institutions. It is also occupied with the provision and sale of prepaid access devices, such as GPR prepaid debit cards. Company's services and solutions include acquiring services, prepaid and commercial solutions.
USA Technologies, Inc.	United States	Provides with the technologies for solutions support and extra cost services that facilitate electronic payment transactions within the automated points of sale (POS). The company develops and implements systems and solutions, which facilitate electronic payment options, as well as telemetering and machine-machine (M2M) services, including those that enable remote monitoring, control and reporting on the results of distributed assets that include solutions for electronic payments.
Vantiv Inc	United States	Offers a wide range of payments processing services. Provides financial institution with the payment services, such as issuer cards processing, network processing payments, protection from fraud, cards producing, prepaid management programs, driving and network gateway automatic cash terminals, and the switching services.

Note: we didn't take to the consideration the companies, which provide the technological support of the specific banking processes exclusively on their own platforms, without their realization to banks.

Source: compiled by the authors according to (Bank innovation, 2018).

The leader in terms of quantity of concluded agreements relative to banking innovations implementation is the USA (650 treaties in 2016) (Bank innovation, 2018). Also, as we can observe in the Table 1,

banking innovations are proposed mostly by the companies, which were established and registered in the United States (15 out of 17 companies, included to the bank innovations portfolio in accordance with

(Bank innovation, 2018)). But the first place for the financing of bank innovations (8 billion USD of the total 17.4 billion USD invested worldwide) following the results of 2016 takes China, which has financed this year 500 start-ups and 39 investment projects in banking industry. According to the activity characteristics of companies that implement banking innovations, they could be grouped into sectors

considering the priority of innovative products they proposed: Sector A – innovative software; Sector B – innovative servicing technologies; Sector C – innovative technologies for financial services. Information about activity indicators of the companies and general indicators of financial innovations market separate sectors performance is shown in Table 2.

**Table 2. Indicators of the companies, which implement innovations for banks**

Companies	Indicators, %											
	Price/earnings ratio (2016)	Sales Growth Rate (2016)	Sales – 5 Yr. Growth Rate (2011-2016)	Capital Spending – 5 Yr. Growth Rate (2011-2016)	Total Debt to Equity (2016)	Net Profit Margin (2016)	Return on Assets, ROA (2016)	ROA – 5 Yr. Avg. (2011-2016)	Return on Investment, ROI (2016)	ROI – 5 Yr. Avg. (2011-2016)	Return on Equity, ROE (2016)	ROE – 5 Yr. Avg. (2011-2016)
<b>Sector A – innovative software</b>												
Sector A	19.40	1.05	4.70	2.76	16.19	4.65	8.01	9.69	10.65	12.91	10.28	13.35
ACI Worldwide Inc	18.74	11.05	16.68	27.15	98.54	12.88	6.68	4.91	8.31	6.21	18.38	13.87
Bottomline Technologies	-	0.79	12.63	42.65	65.85	-9.01	-4.93	-3.00	-6.97	-3.54	-10.51	-5.07
Diebold Nixdorf Inc	-	255.77	3.18	-6.32	304.08	-5.15	-4.54	-0.74	-8.07	-1.25	-35.21	-3.92
Investnet Inc	-	31.28	36.24	29.16	46.04	-9.61	-6.36	-1.50	-7.54	-1.78	-13.01	-2.78
Jack Henry & Associates, Inc.	28.31	4.71	6.98	22.75	5.15	18.60	15.13	11.41	18.75	15.27	27.52	19.74
Mitek Systems, Inc.	149.77	25.19	27.58	4.11	0.00	4.58	3.88	-10.37	4.59	-12.64	4.70	-13.01
NCR Corporation	28.41	7.26	4.34	13.04	197.86	4.39	3.75	3.36	4.98	4.49	33.07	18.64
NetSol Technologies Inc.	257.19	8.93	12.05	-27.95	7.67	3.29	2.48	1.33	3.60	1.95	0.30	-0.82
Q2 Holdings Inc	-	38.63	40.97	60.61	0.00	-24.20	-17.93	-19.30	-24.19	-27.41	-33.32	-58.03
Top Image Systems Ltd.	-	5.70	1.99	-	14.94	-20.10	-15.93	-10.39	-21.29	-13.34	-27.61	-15.71
Total System Services, Inc.	30.31	57.95	18.18	8.24	160.20	7.20	5.86	7.97	6.36	8.86	16.13	17.37
USA Technologies, Inc.	-	17.58	27.62	6.23	14.29	-9.95	-10.52	5.53	-13.82	7.51	-16.46	6.75
<b>Sector B – innovative servicing technologies</b>												
Sector B	20.54	16.65	14.61	21.48	69.13	27.14	2.44	2.89	0.42	0.55	15.42	20.19
Fidelity National Information Services Inc	46.68	30.47	10.44	15.45	107.57	6.37	2.26	3.45	2.53	3.88	5.95	7.86
Green Dot Corporation	40.66	7.84	8.99	13.40	122.75	5.79	2.42	3.41	5.26	7.05	6.06	7.38
<b>Sector C – innovative technologies for financial services</b>												
Sector C	27.56	4.02	7.72	11.11	81.86	9.20	4.19	4.18	5.64	5.95	6.19	10.44
Fiserv Inc	27.76	4.61	5.12	8.83	179.54	14.22	8.21	7.15	9.94	8.45	35.76	22.94
Vantiv Inc	55.39	12.06	17.14	12.15	246.40	7.85	4.16	3.73	5.64	5.10	18.80	15.36

Note: no data for Temenos Group AG

Source: compiled by the authors according to (InternetWorldStats; Bank innovation)

In accordance with Table 2 we can conclude that banking innovations market is actively developing, as it is reflected with average 5-years growth rate of banking innovations sales (Sector A – at 4.70% annually during the period of 2011-2016, Sector B - at 14.61% annually for the same period, Sector C – at 7.72% annually for the same period). Meanwhile we could observe the accelerating of the development in Sector B in 2016 (average sale growth rate in 2016 amounted 16.65%), particularly Fidelity National Information Services Inc increased its banking servicing innovative technologies sales for 30.47% in 2016. An additional stimulus of development for the companies that work on the banking innovation market, is their activity efficiency measured by such indicators as return on assets, return on investment and return on equity (for Sector A these indicators in 2016 were 9.69%, 10.65% and 10.28%, respectively, for Sector B – 2.44%, 0.42% and 15.42%, respectively, for Sector C – 4.19%, 5,64% and 6.19%, respectively), although it was observed a slight decline of the efficiency indicators in 2016 in comparison with their average annual values during 2011-2016. The presence of unprofitable enterprises in Sector A, where the innovative software is developed and implemented, is due to the significant cost for the companies of their receiving, approbation and adaptation to the specific conditions of banking industry activity in different countries, as well as the rapid changes of the necessary resort provision for their implementation, that is hindering the pace of development at this very banking innovations market sector worldwide. A positive tendency is also an increase of the capital investment into the activity of the companies, which were busy with development and implementation of banking innovations.

The value of total debt to equity indicators of the researched enterprises (the significant preponderance of the loan capital value on their own capital, the high level of companies financial dependence) is an evidence of investors high interest in the activity development of companies perform on the banking innovations market, even on conditions that their activity is unprofitable during the current period.

So, the results of activity indicators analysis for companies, which develop banking innovations, prove an active development of banking innovations market, its financing by the investors, the efficiency of derived products and technologies, as well as bank interest in implementation of innovations into their activity.

Today the most innovative banks in Ukraine are PJSC CB “PrivatBank”, JSC “Raiffeissen Bank Aval”, JSC “OTP Bank”, PJSC “Ukrsotsbank”. Specifically PJSC CB “PrivatBank” is one of the first in the world that have started to use one-time sms-passwords, pay mini-terminals, entrance to the Internet banking through the QR code, online encashment, non-contact technology PayPass, as well as dozens of different mobile applications. JSC “Raiffeissen Bank Aval” implements and supports actively the technology of non-contact payments Visa PayWave and MasterCard PayPass, develops the performance in the multi-partnership Program of rewards FISHKA, offers the services of Dynamic Currency Conversion (DCC) in the bank network of ATMs. JSC “OTP Bank” offers the foreign currency remittances OTP Express, implements the technology of 3D Secure, cards with the PayPass technology, special products “Cash Management”. PJSC “Ukrsotsbank” develops innovations, while implementing the technologies of non-contact payments Visa Classic pay-



Wave and Visa Gold payWave, the program of the financial protection GAP, innovative for the Ukrainian market etc.

There are a number of innovative products that could be used by Ukrainian banks even today:

1) client identification by the instrumentality of NFC –chip, built into the mobile phone – it will allow most operations to realize from the mobile phone: to transfer funds, to provide loans from one natural person to another, to pay for purchases etc. Besides, the identification of the client in the bank branch will also be possible simply by the usage of the phone without passport. In Ukraine this technology is being provided by the PJSC CB “PrivatBank” and JSC “Credobank”, but as yet only for payments in the trading network;

2) funds remittance without commission via the e-mail through the Square Cash service– the user send the appropriate message on the remittee electronic address, indicating the amount of transfer in the subject line. After that the payer and the remittee connect their e-mail addresses with the debit card, and this allows continuing fund remittance without reentering the debit card data, while the funds are credited to the bank account of the remittee;

3) P2P service – allows realizing the funds remittance via the mobile phone, meanwhile there is no need to know any names, any banks, any accounts numbers of the remittee. One should only fulfill the registration in the program and transfer funds to the mobile phone number. If the mobile phone number is in the system and is attached to the account, than the money will come to it, and if not, than the account will be established automatically (Shuba M., Rudnyk A., 2015);

4) the work in social networks – Socure developed a program Perceive, which allows to identify the client using the social network. The application examines the image

made on the phone and correlates it with the photo in such networks as Facebook, Twitter and LinkedIn. Thereby, after the data examining the system or allows the payment, or activates the alarm signal (Shuba M., Rudnyk A., 2015). NIC Bank Group in particular offers the banking platform, which allows performing banking transactions without leaving the social network. The service is available via the WhatsApp, Facebook, Twitter and Telegram, and allows receiving the statement of an account, to remit funds, to replenish mobile phone account, to order the banking card etc. Ukrainian banks do not pay enough attention on social networks, although global trends dictate otherwise. Our own researches shown that among the 38 biggest Ukrainian banks only 24 (63%) have their social pages in Facebook, and only 16 (42%) – in Twitter (Bondarenko L., Kots O., 2017).

While analyzing the global banking experience in the banking innovations implementation, we can distinguish the world most popular 6 bank innovations:

1) IOT Voice Commerce / Voice Payments Smart Homes / Smart Cars – banks are considering the usage of the voice technologies as a mean of extra protection – an instrument for the user’s security level increasing. At present, voice applications in the banking sphere are being tested;

2) Mobile Banking continues to develop – in the year of 2016 95% of the world population lives in areas with mobile communications coverage (though not everyone uses smartphones). Now 86% of consumers in the world use mobile banking (Bank innovation, 2018) and its further development will enable the creation of new opportunities for payments on purchases, realizing funds remittance, opening deposits using a mobile phone;

3) Regulatory Upheaval: PSD2, Trump, and Beyond (payment regulations by the

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instrumentality of PSD2, Trump та Beyond) – the performance of IT departments with the usage of these banking innovations becomes more active in the world, as they form the information protection systems, that enable the security level increasing when making payments from card to card or between the accounts;

4) Finance in Virtual Reality – there are developed the possibilities for the usage of virtual reality to provide users commercial data in dynamic 3D. Also there occurs the reproduction of the personalized news department, meetings with advisors and portfolio reviews. Virtual technologies may provide the new level of communication between clients and consultants that is the “acceleration” of the digital communication takes place, and it will become virtual;

5) Artificial Intelligence and Machine Learning – artificial intelligence and machine learning has already been (or should be) on the basis of innovation road map of any bank. Virtual assistants become more and more smart. Some banks elaborate their own boats, another – develop the existing innovation technologies of artificial intelligence and machine learning;

6) Blockchain: Out Of the Lab, Into the Real World – using the Blockchain technology as during the banks work with derivative securities, so in the systems of funds remittance and electronic commerce. Bank Innovation’s State of Banking Innovation in 2016 accomplished the survey of 171 respondents (most of them realized self-identification as a banker) according to the banking development with the innovations to the year of 2020 (Bank innovation, 2018). The results reflected 10 key changes that await banks in the nearest future:

1) everything will be mobile– all bank operations will be able to fulfill with the usage of mobile phone (smartphone), and the

mobile payments will display the real wallets (using of cashless transfers of funds), while the computer risks will increase;

2) banks will be actively occupied with innovations and finance innovation technologies implementation start-ups;

3) all the banks transactions will be digitized (computer-assisted, electronic) – the decrease of paper work, abandonment of the paper-based information;

4) «banks» disappearance – only major innovatively oriented banks will refrain on the market, meanwhile small banks will disappear or begin to follow strongly the innovative way of development in order to remain on market. The clients are expected to have one or more financial partners, the access to all financial information in the real time mode, which will provide making the right financial decisions every day;

5) cooperative banks will be priority-driven for the society – this will achieve by the fact they will defend the citizens (but not the owners) interests, and the bank survival will be determined by the place of its geographical dislocation (small population aggregates will prefer cooperative banks, and big cities – the virtual banks);

6) banking system regulators are directed on the small banks abolishment - if there will be no clear regulation of the financial innovations, then this will lead to the big banks exponentially development, as well as absolute lagging of small banks, which wouldn’t finance innovative technological start-ups;

7) the staffing shortage and transition to IT – it is expected that only 20% of the today’s personnel will be enough, but the IT – workers quantity in banks will increase. Traditional banks will move from the direct channels of clients servicing to the IT-ones;

8) changes in servicing channels from “niche” to “Internet of things” thanks to widespread of mobile banking;

9) the robot and API-interfaces uprising – more automation and personalization will take place, banks will act like the platforms, chatbots and artificial intelligence

will accelerate adaptive processes, this also applies to API-interfaces;

10) the reduction of financial services costs (Bank innovation, 2018).

## Conclusions.

Banking innovations are the integral part and the necessity of banks development, which should go ahead the customer expectations, propose more products and services even today, because all this will allow not only to maintain the market position, but to develop the banking industry in Ukraine. The implementation of the new technologies and development of the existing ones will increase the efficiency of banks activity. Ukrainian banks should pay more attention to the world tendencies of bank innovations development; strive to implement innovations for the development of products and services that have long been operating in the global banking

market. This implementation of banking innovation will reduce the volume of cash transactions, and as a result – the shadow economy. Non-cash transactions comparing with cash ones will allow to reduce the bank financial resources usage, increase customer comfort and development of the banking market as a whole.

In further studies, it is advisable to focus on banking innovations financing opportunities for Ukrainian banks, the prospects of using the experience of foreign banks in introducing of innovative products in order to improve the banks activity efficiency in Ukraine.

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## **ECONOMIC AND SOCIAL ASPECTS OF PROGRESSIVE AND PROPORTIONAL TAXATION OF INCOMES**

## **EKONOMICZNE I SPOŁECZNE ASPEKTY LINIOWEGO I PRGRESYWNEGO OPODATKOWANIA DOCHODÓW OSÓB FIZYCZNYCH**

## **ЭКОНОМИЧЕСКИЕ И СОЦИАЛЬНЫЕ АСПЕКТЫ ЛИНЕЙНОГО И ПРОГРЕССИВНОГО НАЛОГООБЛОЖЕНИЯ ДОХОДОВ ФИЗИЧЕСКИХ ЛИЦ**

### **Abstract**

*The case for a flat tax has been around for over two decades. In the early 1980s, Robert Hall and Alvin Rabushka of the Hoover Institution developed a tax system that is based on a single rate of taxation for all sources of income, as close as possible to the source. All income is classified as either business income or wages and taxed at one rate, except for a personal allowance exempting lower income individuals and families from taxation (this makes the Hall-Rabushka proposal to some extent progressive). There are no other exemptions, no deductions, no loopholes. The other essential aspect of the flat tax system developed by Hall-Rabushka is radical simplification of the tax system, by removing any deductions or reliefs, and by eliminating double taxation. This proposal represents a fundamental change in the way governments would collect tax revenue. Flat tax is believed to help reduce red tape and associated difficulties and confusion. With tax form down to size of postcard the flat tax system makes tax filling much simpler and more efficient; achieve simplicity, economic efficiency and fairness (same rate for all) – three principle of effective/sound taxation; reduce tax evasion and cheating, by lowering opportunity cost of avoiding taxes. Flat tax systems means elimination of relief, allowances and thus eliminates loopholes in the system and provide incentives to work, save and invest that trigger an economic boom.*


**Keywords:** *taxation, personal income tax, flat tax, progressive taxation*

### **Streszczenie**

*Argumenty przemawiające za utworzeniem stałego podatku dochodowego zostały wydane ponad dwie dekady temu. We wczesnych latach 80-tych Robert Hall i Alvin Rabushka z Instytutu Hoovera opracowali system podatkowy, który był jak najbliżej źródła. Wszystkie*

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dochody zostały uwzględnione w podatku dochodowym. Nie ma innych wyjątków, żadnych potrąceń i żadnych innych luk prawnych. Kolejnym istotnym aspektem stałego systemu podatkowego opracowanego przez Halla i Rabushkę jest uproszczenie systemu podatkowego poprzez zniesienie wszelkich odliczeń lub korzyści oraz wyeliminowanie podwójnego opodatkowania. Ta propozycja stanowi fundamentalną zmianę w sposobie, w jaki rządy będą pobierać wpływy z podatków. Uważa się, że stały podatek pomoże zmniejszyć biurokrację oraz trudności i zamieszanie z nią związane. Dzięki tej formie opodatkowania podatki są uproszczone i stają się bardziej wydajne; prostota, wydajność ekonomiczna i uczciwość (ponieważ ta sama stawka jest ustalana dla wszystkich) - to są trzy zasady efektywnego i niezawodnego opodatkowania; ograniczenie oszustw podatkowych i oszustw podatkowych poprzez ograniczenie alternatywnych kosztów związanych z unikaniem podatków. System stałego opodatkowania dochodów oznacza wyeliminowanie korzyści, a tym samym eliminuje luki w systemie i zachęca do pracy, oszczędności i inwestycji, które przyczyniają się do boomu gospodarczego.

**Słowa kluczowe:** opodatkowanie, podatek dochodowy od osób fizycznych, podatek dochodowy stały, podatki aktywne

#### **Аннотация**

Аргументы в пользу создания фиксированного подоходного налога были приведены уже более двух десятилетий назад. В начале 1980-х годов Роберт Холл и Элвин Рабушка из Института Гувера разработали систему налогообложения, максимально приближенную к источнику. Весь доход был включен в подоходный налог. Не существует никаких других исключений, никаких вычетов и никаких других лазеек. Другим существенным аспектом фиксированной налоговой системы, разработанной Холлом и Рабушкой, является упрощение налоговой системы, посредством отмены каких-либо вычетов или льгот и устранения двойного налогообложения. Это предложение представляет собой фундаментальное изменение в том, как правительства будут собирать налоговые поступления. Считается, что фиксированный налог поможет уменьшить волокиту и связанные с ней трудности и путаницу. С этой налоговой формой налоги упрощаются и становятся более эффективными; достигается простота, экономическая эффективность и справедливость (так как для всех установлена одинаковая ставка) – это три принципа эффективного и надежного налогообложения; снижение уровня уклонения от уплаты налогов и мошенничества за счет снижения альтернативных издержек по избежанию налогов. Фиксированная система подоходного налога означает устранение пособий и льгот, и, таким образом, устраняются лазейки в системе и возникают стимулы для работы, сбережений и инвестиций, которые способствуют экономическому буму.

**Ключевые слова:** налогообложение, подоходный налог с населения, фиксированный подоходный налог, прогрессивное налогообложение

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Searching for criteria of “division” of tax burden, the legislator identifies the premises that would make the tax system rational from the perspective of fiscal and redistribution functions. In the equity norm, the lawmakers seek an objective criterion that would justify the necessity to impose taxes. Moreover, the equity norm was (and still is) to be a starting point for creating specific tax solutions, both in aspects of particular taxes and in the whole tax system. A fair construction was supposed to be a feature of a tax system. Tax equity is often treated as a maxim for the authority. Even so, only declaring that the equity postulate will be observed does not always translate into the compliance of tax practice to declared ideals of building the tax system (Głuchowski J., 1999). Fair taxation should also be considered in its normative aspect. A commonly held belief is that the law should respect (embody) the principle of equity. Tax law must be fair, as this is the idea of tax law (Tegler E., 1993). The problem of optimal distribution of income can be analyzed separately as well as in the context of other issues of economic policy, whose solution requires application of instruments affecting income distribution. Then the country chooses criteria of distribution of tax burden, shaping the final distribution of income and wealth (Acocella N., 2002). In such situations the indication of criteria determining tax burden of particular taxpayers which would ensure fair redistribution of income and effecting allocation of resources (the problem of *trade-off* between equity and effectiveness) requires an analysis of the issue of optimal tax system, that is a system which maximizes the function of social welfare (SWF), reflecting equity and effectiveness.

**Postulate of tax equity – objective and subjective equity.**

Firstly, equitable taxation (equity in taxation) is a problem which is still topical and controversial both in tax doctrine and legislation practice. Analyzing equity of taxation, tax doctrine assumes an ethical norm of conduct. Therefore all attempts at defining precisely this term must take into consideration equity as ethical norms (Gomułowicz A., 2001).

Secondly, the term ‘equity’ is positively valued, as referring to values which are axiologically considered good. The subject of such understood equity is always a particular set of social relations and appropriate norms regulating ways of its implementation. Various criteria of equitable distribution are preferred: 1) everybody gets the same, 2) everybody gets what they deserve, 3) everybody gets according to their contributions, 4) everybody gets what they need, 5) everybody gets according to their position, 6) everybody gets what the law grants them. The analysis of those distribution criteria allows us to discern that they are impossible to be met at the same time. There are three possible approaches to this situation: 1) either these concepts have nothing in common and they should not be defined in the same way, 2) or none of them can be called equity, 3) or one of them should be considered the only proper one (Peralman Ch., 1959). The choice of the prevailing model depends largely on the system of social and political forces or the existing practice.

Thirdly, in legislative practice the ethical norm of taxation generates two types of complications, based on lack of trust in the idea of equity, shown both by the legislator and the taxpayer. The legislator’s mistrust comes from the fear that equity can be

combined with taxation effectiveness (fiscal effectiveness) (Mastalski R., 1998; Harasimowicz J., 1997). The taxpayer's fear results from the awareness that the legislator often quotes the value of equity when implementing changes (or reforms) in the tax system that contradicted this principle. That is why an important element of all reforms is to obtain social acceptance for implementing it. Moreover, the taxpayer is aware that the equity argument may conceal the fiscal function of changes in taxation. Mistrust is also generated by the 'indefiniteness' of the equity formula itself. This causes that we can draw different rules of conduct from the ethical postulate and shape tax and legal solutions based on them. Doctrinal attempts at solving the problem of equitable taxation have never been successful, as it is very difficult to bring together the state interest (public good) and the taxpayers' interest (private good). A question arises then where we should set the border of taxation from the point of view of effectiveness and equity as well as scale and scope of tax redistribution.

Fourthly, the notion of equity should be considered in the context of solving the problem of contradictory interests of various social, professional and political groups. This awareness accompanies the activities of tax legislators, however, those contradictory interests make legal solutions incoherent (with the balance sheet law, for example), fragmentary (changes within particular taxes, without complex reform of the whole system), or sanction interest of various lobbying groups (Tax reliefs and exemptions).

Fifthly, we can observe mistrust between representatives of taxation theory and legislators (authority) imposing taxes, who understands the importance of theory in the context of creating ready-to-use rules of behavior.

Sixthly, both in theory and in practice, tax is a free, non-refundable, monetary, obligatory performance imposed unilaterally by the public and legal association, such as the state or a self-government unit, in order to finance public and social needs. Obligation distinguishes tax from voluntary performance. The relation between the taxpayer and an entity entitled to impose a tax is a relation of subordination. Tax obligation, therefore, can be enforced using the enforcement procedures.

Seventhly, taxpayers often and in various situations quote tax equity, identifying it mostly with reduction or elimination of tax burden. Tax equity in an objective form has some practical value, as it is taken into account by the authority who imposes taxes. Taking into consideration tax features as well as objective and subjective perception of tax burden, the taxpayer develops a defense reaction against decreasing their means. Simultaneously, expecting particular performances from public authority, the taxpayer may aim at reducing their own tax burden.

Eighthly, a view that is currently accepted states that equitable distribution of tax burden reflects tax capacity, so it adjusts tax burden to individual economic (and non-economic) situation of a taxpayer. The acceptance of this view is associated with differentiation between horizontal and vertical tax equity. Horizontal equity means that entities being in the same (or very similar) material situation should be burdened with tax in the same way, so taxpayers are "equally" subjected to tax burden. The use of this principle is not easy: it is not implemented by indirect taxes and material taxes, but it is fulfilled by personal taxes, due to personalized tax construction. Vertical equity means that entities in a better material and legal situation should be taxed more. This principle is fulfilled mainly by progressive taxes. There is always the



problem of balancing fiscal severity of consecutive progression steps (Famulska T., 1996). Tax progression assumes existence of several tax rates, which in practice does not have to mean a large degree of progression. Numerous reliefs in the system will limit its degree. We can measure the progression degree comparing average and extreme rates (Zee H.H., 2005). Assuming that  $m(y)$  is extreme rate,  $t$  – size of tax as a function of income ( $y$ ) before taxation,  $a(y)$  is average rate, we have:

$$(1) \quad (y) = \Delta t(y) / \Delta y$$

$$(2) \quad a(y) = t(y) / t$$

Both volumes (1) and (2) will be from range  $(0,1>$ , and the system will be progressive when:  $m(y) > a(y)$  and  $\Delta a(y) / \Delta y > 0$  for all  $y$ . We should note that progression can be achieved using one tax rate and introducing reliefs to the system. The simplest solution is to introduce the tax-free amount –  $e$ , and a given tax rate  $-\tau$ . Dividing both sides of equation (3) by  $y$  we have equation (4), showing that in this case, the condition  $m(y) > a(y)$  will always be met.

$$(3) \quad t = \tau(y - e)$$

$$(4) \quad a = \tau - \tau e / y$$

Talking of objective equity, we should state that:

- 1) it is accepted that fair taxes are general, so they cannot be negotiated or agreed individually;
- 2) equity requirement excludes elite reliefs in reduction of tax burden;
- 3) fair tax system is a system without legal gaps;
- 4) indirect taxes, included in prices of goods and services, are unfair taxes, causing tax regression with regard to affluent taxpayers (rather from an objective than subjective perspective);
- 5) the problem of tax equity should be considered with reference to the whole tax system.

The criteria of objective equity (horizontal and vertical) are problematic, as it is difficult to determine which groups should pay higher taxes and how much higher they should be. In spite of controversies, economists agree in two things. Firstly, the net effect of taxes should be progressive, so distribution of income after taxation should be less differentiated than before. Secondly, the obtained surplus should be distributed so as to increase incomes of more talented or poor people. The necessity of indicating the group which would receive this surplus causes another problem (Lea D.E.G., Webley P., Tarby R., 1987).

### **Analysis of latest research where the solution of the problem was initiated.**

With reference to legal solutions in tax law, it is widely believed that taxes and the whole tax system should be neutral (Gołłowicz A., Małeck J., 1995; Wójtowicz W., 1998; Wójtowicz W., Smoleń P., 1998). This means that taxes should be constructed so as not to make the existence and functioning of taxpayers difficult, but also so that they do not include any preferences for selected groups of taxpayers. Supporting tax neutrality does not determine negative attitude to using tax preferences as a means of achieving non-fiscal

aims by the state. It is assumed that tax equity is achieved through universality and equality of taxation Constitutional Tribunal (U. 7/87). The use of various tax preferences may be a consequence of reflecting tax equity understood subjectively. Such equity requires noticing different material, family or social situation of a taxpayer. It is widely believed that tax reliefs and exemptions are conducive to tax equity. The equity argument allows to obtain social acceptance for changes in the system of fiscal burden. Tax reliefs gain contradictory evaluations. Some people believe that

they help correction of financial burden and fair adjustment of tax height to the financial situation of a person who is supposed to pay it. Other claim that reliefs are a sign of discrimination against those who do not use them. The difficulty lies in the fact that the taxpayer who was granted a relief does not treat it as a sign of preference, but as “fulfilling justice”. It would seem that, if we adopt this point of view as justified, that there are no tax privileges, only tax provisions treat some circumstances in taxation differently. An unprivileged person then will be someone who consumes and saves in a way that does not qualify them for any special privileges. Introducing tax reliefs, the country indirectly admits that fiscal burden is too high. In practice, introduction of particular tax reliefs may not support equity but sometimes deepen inequity. This is so in case of reliefs which can be taken advantage of by people with high or very high incomes. Tax reliefs may be treated as subvention payments for privileged taxpayers. This damages credibility of tax policy.

The main reasons why tax reliefs are passed are: high tax rates, technical complexity of taxation rules, legislative and executive division of state bodies and tradition and political system. Parliaments usually realize there are numerous ways thanks to which high tax rates cannot be applied, but executive organs do not have enough power to change this situation. Many reasons for tax reliefs and exemptions can be traced to the technique of tax law. They do not significantly affect the size of public income, but they do affect the incomes of individuals and social groups. Tradition greatly influences tax reliefs and exemptions. However, historical reasons are superseded by political ones. An MP is often forced to take into account interests of various pressure groups, as these groups may determine whether he/she will be re-

lected. Another important reason for passing tax privileges is public opinion’s ignorance of terminology. Citizens interested in the parliament’s work may mostly obtain information on tax rates structure, but they will not know what determine the parliament’s decisions concerning imposing significant tax burden on affluent citizens, etc. This issues are hidden in tax technique.

**Psychological boundaries of taxation.**

Subjective equity is the equity in the eyes of the taxed ones. “Taxes are equitable only when they are seen as such” (Lea D.E.G., Webley P., Tarby R., 1987). In all countries where surveys on tax system equity were conducted, most respondents saw taxes as unfair (Niesiołowska M., 2004). Another category of subjective evaluation of tax equity is the evaluation of the exchange between an individual and the state. According to Adam’s theory of balance, an individual is motivated by the feeling of equitable exchange. People compare their contributions and obtained results. If the balance is unfavorable to a given person, they will feel discomfort. The higher this discomfort, the greater the motivation to reduce such state. With reference to taxes it is the balance between benefits obtained by an individual and their contribution that makes the tax system perception as fair or not. If the perceived contribution exceeds benefits, taxpayers (citizens) see the tax system as unfair. They can limit their contribution or aim at maximizing their own benefits. Also the complexity of taxes influences the evaluation of their equity. Scientists are not unanimous in evaluating the direction of this influence. Some identify tax complexity with a strong feeling of injustice, as complicated legal regulations cause frustration and anger. Anger affects the evaluation of tax equity and changes the picture of the system into more negative one (Bradley B., 2004; Hite P., Roberts

M., 1992). Other researchers link high degree of tax complexity to the feeling of tax fairness (Eriksen K., Fallan L., 1996). This refers to situations in which complexity is perceived as curbing the abuses committed by people inclined to 'stretch' the law boundaries. Tax complexity is then seen as a sign of fair taxes. Research conducted in the USA revealed indirect influence of tax complexity on the evaluation of justice (Cuccia A., Karnes G., 2001). Complexity negatively affects the evaluation of tax system fairness, but only when there were no justifications and when it caused increased tax burden for a particular person. Thus we can conclude that taxpayers are inclined to tolerate tax complexity when they reduces their own burden. Moreover, by precise definition of goals and providing justification, we can affect the image of the system and make it more positive. The information passed to taxpayers contribute to the fact that they start to take into account social perception when evaluating taxes and thus they stop thinking only in categories of their own benefits and losses.

Lawmakers who want to ensure effective realization of their budget incomes cannot neglect the taxpayers' attitude to tax and the reasons behind such attitude. These reasons point at the phenomenon of tax psychology (Gaudamet P.M., Molinier J., 2000). Thus we can state that tax psychology examines the reasons and effects of the reactions shown by subjects of tax relations when making decisions concerning taxation. In its content, tax psychology refers to the saying: "old taxes are good taxes", taking into account the attitude to taxes determined by "vital sphere of a taxpayer's psyche". The main problem is an answer to the question on what could and should be the relations between the real (actual) height of tax burden and its real "return" by the taxpayer. This relation is an outcome of an individual assessment, whether we still work

for ourselves or for the state budget. This view is associated with the taxpayer's resistance threshold. The taxpayer first of all evaluates the income level which is at their disposal as a result of taxation. Their assessment is very often subjective and difference from the lawmakers' evaluation. The basic reference criteria for the evaluation of the situation which appeared after tax obligation was fulfilled is the wealth ratio, which is a derivative of consumption or production use of income. The taxpayer formulates a subjective evaluation which answers the question: what is my tax burden? Is it adequate to my tax capacity or is it too high?

Determining the burden level for tax system and its structure, lawmakers must follow the "golden means" rule developed by Aristotle. On one hand, budget needs determine the level of fiscal burden, on the other hand, political reasons recommend not only modesty but using such solutions which increase budget income and do not develop the feeling of increased tax burden in the taxpayer. The theory of public finance contains a research direction, little exposed, related to fiscal illusions referring to tax obligations (Buchanan J.M., 1997). Theories of fiscal illusions refer to psychological phenomenon of illusion and were developed by Italian economists A. Puviani and M. Fasiani (Puviani A., 1902; Fasiani M., 1961). The essence of fiscal illusions consists in hiding taxation, level of real tax burden, differentiation of tax burden, etc.

Fiscal illusions may be evoked by:

- 1) hiding the relationship between size of financial public means and benefits obtained by a taxpayer;
- 2) evoking the taxpayer's impression that taxes paid by him are beneficial, as thanks to them the taxpayer receives extraordinary benefits, then the imposed tax is seen as less burdensome;

3) substituting taxes with fees and contributions – it is an effective method of creating fiscal illusions (the taxpayer has false illusion that these are not examples of obligatory taxes);

4) using social moods concerning the issue whose solution requires imposing additional taxes, it is a convenient situation in which taxes could be introduced, as a result the taxpayer feels solidarity with the society;

5) frightening the society with negative effects of not imposing the tax;

6) introducing many tax titles (extending the tax base), which helps an illusion that taxpayer's burden is lower than in case of taxes on only one subject (income, property, sales, activity, etc.);

7) blurring the situation so that it is not clear who the tax really burdens.

Blurring the relationship between public expenditure and taxes paid by individuals may be performed through:

a) basing public income on public sector income, which was typical for real socialism countries; the tax is hidden, citizens believe that they do not pay taxes at all or pay the minimum;

b) using indirect taxes, hidden in prices of purchased goods and services;

c) contracting loans (public debt); this creates an illusion that the taxpayer still preserves their income, obtains interest on it (government bonds interest rate), forgetting that in the future public authorities will have to compensate expenditure on repayment and servicing of public debt by increasing tax burden;

d) financing expenses by inflationary creation of money and burdening the taxpayers with it through increased prices of goods and services;

e) making false promises that the imposed taxes are temporary due to the necessity of

expenses on extraordinary social or national goals, etc – in fact, imposed taxes quickly become permanent.

Determination of taxation boundaries has vital theoretical and practical implications.

A tax politician wisely avoids exaggeration in tax burden if they follow a directive of preserving the tax source with reference to the whole tax system. Violation of the tax source brings visible decline in tax incomes. Not recognizing tax boundaries, that is lack of knowledge of the “moment” when they are crossed shows lack of knowledge on effectiveness (productivity) of tax systems.

Individuals make their choices not on the basis of properly estimated tax costs, but often relying on their own awareness of these costs and their predictions as to their size. Unawareness of an individual as to their own tax obligations does not measure properly this “unawareness”. The better informed the taxpayer, the greater their “tax awareness” should be. Thus “unawareness” becomes in some imprecise meaning the measure of “tax unawareness”. The knowledge of the degree of reaction taxpayers show to tax changes allows the lawmakers to effectively implement their projects of changes in tax system. We can indicate the following areas of taxpayers' reactions:

1. The taxpayer perceives tax obligations through nominal rates. Assuming that the nominal rate is 20%, while the actual rate is 10% (thanks to the system of tax reliefs and exemptions), the lawmakers, by reducing reliefs, will move the nominal rate to the actual rate at the level of, say, 15%, thus obtaining two effects – taxpayers will think they pay less and the lawmaker will generate higher budget incomes.

2. A wide tax base means that the more subjects and objects are taxes, the lower

rates could be used in particular taxes. Taxpayers are under the illusion that particular taxes are “low”.

3. Introducing payments and contributions of tax nature allows to conceal the actual level of fiscal burden. Taxpayers perceive their burden through taxation rates, not noticing other hidden and obligatory public and legal dues.

**Selected theories of equity.** Universality is one of principles of equitable taxation. According to this principle, tax burdens should be universal, that is each citizen should be covered by a tax, if conditions for tax relationship are met. The second principle is the principle of equality. It is a mistake to use the term ‘principle of equality’ in the primary meaning of this word. It is characteristic that A. Smith does not use the term “equity” but “equality”, and does it in a social, not ethical context. From the principle of equality we cannot derive the postulate of proportional taxation (although one of possible implementations of the principle of equality is to tax taxpayers proportionally to their income). Adam Smith states that „the subjects of each state should contribute to maintaining their government as closely to their capabilities as possible, that is proportionally to their income which they obtain under the protection of the state” (Smith A., 1954; Kristol I., 1978; Gwiazdowski R., 2001). This is an economic argumentation, not an ethical one (It is worth noticing that, as some authors claim, Smith found the idea of progressive taxation close to him. This is what A. Gomulowicz and J. Malecki claim, as they found such opinions: “it is not an unreasonable thing for the rich to participate in public expenses not only proportionally to their income, but slightly above this proportion”. The issue of tax equality was seen differently by J.B. Say, whose argumentation was of ethical nature. J.B. Say uses the

concept of equitable distribution of tax burdens (Say J.B., 1960). He believes that an equitable tax is a progressive tax and he tries to explain it in the following way: tax is a sacrifice we make for the society and public order. This sacrifice cannot lead to some families resignation from some indispensable things. As he writes: “who will dare say that a father should deprive his children of bread and warm clothes in order to pay tax? [...] What use is such social order to him that takes the goods which are his property, indispensable to his existence, in order to exchange it for the benefit of something that is uncertain and distant and what he would abhor? [...] If we were to establish tax for each family so that it was lighter as it burdens the most necessary incomes, it should be decreased not proportionally but also progressively” (Say J.B., 1960). The development of the concept of economic and social equity was greatly affected by “the Edinburgh principle – leave them as you find them” formulated by D. Ricardo in 1823. Ricardo points at negative effects of taxation in economic and social sphere. He postulates to evaluate the ‘evil’ of taxation through the scope of tax interference in tax and wealth distribution shaped as a result of the market mechanism. Ricardo notices that from the perspective of the principle of rationality the whole tax system should be analyzed, not only particular taxes. The Edinburgh rule shows some premises of rational tax policy. The maxim derived from this rule states that taxation should leave everyone in relatively the same income situation as they were before. According to Edinburgh rule, taxes should not cut into sources of tax income. Tax should not be detrimental to production, it should not fight or hinder the process of savings accumulation by households. The Edinburgh rule is thus a germ of the idea of tax neutrality.

Analyzing the implication of the “Edinburgh rule” for contemporary understanding of the equity principle, we can state that now the principle of equity is considered in theory in a deeper and more complex way. Our interpretation of the principle of equity assumes that “equality” of taxation, due to various conditions of taxpayers, may lead to disproportionate burdens. Thus we cannot clearly state whether a tax system that is equal to all taxpayers is equitable, without analyzing all burdens imposed on a taxpayer (consumption taxes, social insurance contributions, property taxes, etc) and the possibility of shifting them. A wider analysis of the shifting phenomenon allows us to claim that income taxes can also be shifted, though the process is much more difficult from an economic and technical point of view. Thus we can indicate advantages and disadvantages of household and company taxation with direct and indirect taxes, from the perspective of theoretical principles of taxation. Although the tax doctrine has not found a clear and satisfactory – from the perspective of relations between economic effectiveness and equity (Grądalski F., 2004; Grądalski F., 2006) understood objectively and subjectively – an answer to the question concerning taxation equity. Equity has always been referred to a particular era, as there has been time conventions of tax equity typical for a particular period of history (Zdzitowiecki J., 1937). Tax doctrine has not been free from the problem of valuation. Tax equity should also be perceived in this context. Changes concerning the concept and the role of the state in economy, prevailing views on social and economic issues have affected evolution of tax equity concept. Direct taxes – due to their advantages – more widely implement the principle of tax equity (especially personal income tax) Why? (Wołowiec T., 2007).

- 1) as taxation forms imposed directly on taxpayer’s income or revenue, they are more difficult to shift than income taxes;
  - 2) it is easier to shape finance policy through direct taxes, taking into account the way and strength of taxes influence on particular taxpayers;
  - 3) relative resistance to economic crises, manifested in stability in budget tax revenues (Wrona B., Wołowiec T., 2005);
  - 4) flexibility to legal regulations, through influence of changes in statutory rate(s) on fiscal efficiency of tax;
  - 5) income taxes directly burden the source of income or revenue, which allows us to establish, in advance, appropriate tax rates – this allows us to establish tax in an equitable way, taking into account social and economic aspects of taxation, including the principle of tax capacity (efficiency);
  - 6) adjusting the height of tax burden to individual tax capacities of a taxpayer (tax personalization) – by using various increases, decreases, reliefs and exemptions, including a zero rate or tax-free amounts, as well as differentiated costs of obtaining revenue (O’Donoghue C., Sutherland H., 1998; Głuchowski J., 1985; Krajewska A., 2004; Komar A., 1996; Messere K.C., 1993; Wołowiec T., 2005; Wołowiec T., 2004);
  - 7) presentation of the issue of the economy of tax subject taxation – technique of determining income by defining a catalogue of costs and losses that are deductible and non-deductible in order to obtain income allows the lawmakers to influence the rational economic activity of the taxed subject;
  - 8) relative savings in collection costs.
- The concept of Say was criticized by J.S. Mill, for whom equity was equality in sacrifice made. The sacrifice should be equal,

not the tax. It is based on an idea that an affluent taxpayer should pay higher taxes than a poor person, as the former does not feel the financial loss as much as the latter. He refers to similar principles, such as the theory of paying capacity and decreasing borderline usefulness. The share of each individual in covering government expenses „*should be so that the person felt neither more nor less distress than any other individual experiences from their participation*” (Mill J.S., 1966). The loss of direct benefits equals the value of loss in an income caused by payment of tax, therefore taxpayers with the same income should pay the same taxes. The premise of tax burden equity for Mill is the principle of equal treatment of taxpayers. This principle means (1) the same financial sacrifice or (2) the same loss of wealth. The loss of wealth is equal to the loss of income caused by payment of tax. So the wealth level is always a function of income. Thus – due to the above – taxpayers with the same income level should pay the same, that is equal taxes. It is obvious then that the differentiated level of income translates into different amount of tax paid. Mill also emphasized the necessity of exempting the poorest taxpayers from tax. We cannot talk of equal sacrifice when we demand 10% for public goals from an affluent person and from a poor man. The required sacrifice made by the latter would not only be higher than the one imposed on the former, but would be totally non-comparable, as it would deprive him of the means ensuring the basic existence level. Tax should be paid on income being a surplus over determined minimum, which is necessary to get hold of „*what is needed to survive and to preserve health and to protect against common body harms, but not enough to indulge oneself*” (Mill J.S., 1964). The requirements of equity force Mill to formulate a demand for shaping tax burdens so as equal

financial sacrifice caused equal loss of benefits among people taxed. It is worth noticing that in the classic economy, represented by A. Smith and J.S. Mill, the prevailing concept was that of proportional taxation as well; as equal and equitable burden. After Mill, the doctrine of equal sacrifice developed in several directions. A.J. Cohen and C. Stuart proposed that everyone should suffer the same relative percentage loss of usefulness Stuart C., Cohen A.J., 1958). This criterion is known as “*equal proportional sacrifice*”. If the usefulness function is logarithmic, it gives a tax scale in form of  $t(x) = x - c(x/c)^{1-r}$  for  $x \geq c$ , we call it the Cohen-Stuart tax scale. The level of income C (minimum borderline of poverty) is a zero tax rate, while above c the tax rate grows, gradually approaching 100% for high incomes (Young H.P., 1994). Mill’s views were developed and expanded by F.Y. Edgeworth. Using the concept of border usefulness of taxpayer’s income, the scientist concludes that taxes should be imposed so as to obtain as equal as possible income after taxation. The thesis is founded on the premise that the border usefulness of each person’s income is identical, so tax should be imposed mostly on the rich, as their lost benefits as a result of taxation (redistribution) of income will be lower than in case of the poor (Edgeworth F.Y., 1959). The concept of equal sacrifice contains the so-called alternative rules, as it can be interpreted as: equal marginal (border) sacrifice, equal absolute sacrifice or equal proportional sacrifice. Assuming different functions of usefulness, the marginal (border) sacrifice would be a synonym to regressive income taxation. So taxpayers with lower incomes and relatively low loss of benefits from wealth, would be burdened with tax to a greater degree than taxpayers with higher income and greater intensity of benefits. With equal absolute sacrifice, all taxpayers experience

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loss of benefits in the same absolute amount, regardless of how unequal their incomes are. In a situation of equal proportional sacrifice, taxpayers experience the same sacrifice in relation to joint benefits from income. The course of the benefits curve does not exclude the application of progression.

Adolf Wagner made a significant contribution to the theory of taxation. He focused on redistributive function of taxation. The task of tax policy is to correct extreme social injustices, that is correction of domestic product. He believed that thanks to redistribution, the incomes of the poorest, who have the greatest inclination to consume, will strengthen global demand. This is important for economic growth. The nature of legal functions of tax boils down to the fact that apart from income (fiscal) function, taxes also perform some non-fiscal functions – intervention ones (economic, social, political). Universality of taxation and tax progression are, according to Wagner, the basic indicators of taxation equity (Wagner A., 1889). Universality must take into consideration covering all tax sources and subjects with tax obligation, preserving the possibility of applying tax-free amounts and different treatment of deductible and non-deductible incomes. A significant aspect of equity is Wagner's thesis that distribution of goods made by the market is unfair, as it does not provide everyone with equal chances of growing wealthy. Therefore the second component of equity is a postulate of introducing progression to tax system. In his opinion, progression allows to differentiate tax burden in relation with economic payment capacity. Wagner supports mild progression, thanks to which we can obtain even taxation by adjusting tax burden to actual income and wealth conditions of a taxpayer. Progression is an instrument, which more

equitably distributes tax burden with relation to proportional rates approved so far.

Conclusions:

1. The dispute concerning taxation equity is a dispute on tangible interests of the state and the taxpayer. So, in common perception, an equitable tax is a tax paid by others.
2. Controversies, doctrinal disputes and legislative practice indicate that it is not possible to express the idea of equity in a perfect and certain way. Numerous impressions of taxation equity allow us to state that equity concept formulas will change in time.
3. Taxation equity is best expressed in principles of equality and universality of taxation. They are controversial, as they require searching for a significant feature that should be the basis of equal treatment in distribution of tax burden.
4. We cannot talk of equitable taxation without demanding that the principle of equality and universality of taxation should be observed.
5. The principle of tax capacity as the "measure" of taxation equity is not questioned by the doctrine – even though there some differences of opinions. The problem is its acceptance by tax system. This is determined by the willingness of the parliament in a democratic state. A politician would find it easier to directly question the fact that tax burden should be distributed depending on tax capacity. Therefore politician often conceal their real activities by verbal acceptance of the principle of payment capacity and quoting it when making tax regulations, but without implementing it in the content of the law.
6. When creating a rational (or reforming) tax system, lawmakers must take notice of the rules that make the principle of fiscal effectiveness coincide with the principle of tax equity. The principle of tax equivalence (equal tax sacrifice)



cannot constitute the theoretical or practical basis for shaping the tax system. It must be replaced with the principle of payment capacity, which, due to its universality and values, combines equity with effectiveness of taxation and thus can be a premise for shaping the legal construction of direct taxes.

7. In the analytical approach to the principle of tax equity we encounter the problem of accepting or rejecting the inequalities (Buchanan J.M., 1997). A tax system may correct proportions of primary distribution of national product if this distribution is considered inequitable. The tool used to achieve this are progressive taxes, especially income ones, but two major questions appear:

I. Who decides whether imposed tax burdens and income distribution are equitable or not?

II. To what extent can we tolerate income differences before and after taxation?

8. Tax technique is related to the law-making process. We cannot respect the principle of payment capacity if two basic elements: the base of tax calculation and progressive tax scale do not respond to the requirements posed by this rule. Lawmakers, when formulating the tax content, may take payment capacity principle into account to the extent at which the nature of taxation is not impaired significantly (fiscal effectiveness, providing appropriate budget revenues). Respecting the principle of payment capacity with reference to taxation base and progressive scale should be perceived through the prism of tax sources efficiency. We should bear in mind that the tax income function is only performed when tax burden does not cause reactions destroying tax sources and leading to tax avoidance.

9. Determining taxation borders has significant theoretical and practical implications. Tax policy wisely avoids exaggeration in tax burden if it follows the principle of preserving tax sources with reference to the whole system. Impairing income sources leads to definite decline of tax incomes. Not recognizing tax limits, that is ignorance of the "moment" they are exceeded, is paramount to lack of knowledge on effectiveness of tax systems.

10. Personal income tax is considered to be the fairest instrument of taxing population (Gomułowicz A., Małecki J., 2004), due to the possibility of individualizing taxation base by reflecting all economic and social circumstances in it. They are mainly manifested in the system of reliefs, exemptions, tax-free amounts and tax rates, but also in the construction of revenue, costs of obtaining it or definition of the tax subject (a single person, a married couple, or the whole family) (Kulicki J., 2006).

#### **The role of the state in economy and interpretation of the principle of equity and effectiveness.**

The biggest controversies and doubts are aroused by interpretation of principles of equity and effectiveness of a tax system, which largely depends on the way of seeing the state's role in economy. In understanding the principle of equity we can point at the following issues:

- we should not demand sacrifice from people living in poverty,
- direct taxation is considered more equitable, mostly due to more difficult shifting, directness, individualization of tax burden, personalization and measurable tax burden,
- universality, great fiscal significance and covering basic consumption goods with indirect taxes requires such determination of tax technique elements that allows to obtain progressiveness of the

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whole tax system, implementing the principle of adjusting tax burden to the taxpayer's payment capacities,

- progressiveness of the whole tax system is not treated as progressiveness of particular taxes. If direct taxes are disgressive, corporate income tax (CIT) is proportional, then personal income tax must be progressive (Gwiazdowski R., 2001; Gwiazdowski R., 2007; Kula G., 2005; Nojszewska E., 2004; Wołowiec T., 2006).

Contemporary arguments concern the problem of the height and type of rates and possible preferences in personal income tax. Discussions evolve around the understanding of vertical equity, which means strong progression, numerous tax reliefs and exemptions and horizontal equity, assuming low (flat) tax rate, wide tax base and equality of subjects against the law.

The shape of the policy of redistributing wealth and income is related to the theory of equity worshipped by the government. There is an infinite number of effective allocations in Pareto meaning, the choice of any option always requires adopting some criteria of equity. We can assume that there will always be differences between incomes of particular individuals, resulting from various features of these individuals, such as:


- a) various rights they enjoy;
- b) differences in effort, productivity or participation in results;
- c) different allocation of resources;
- d) differences in beliefs concerning features of goods;
- e) differences in taste or in ability to use various goods;
- f) different needs;
- g) different talents and possibility of acting.

**The choice between effectiveness and equity.** The relationship between effectiveness and equity is vital in the context of tax

issues. Taxes cause income and substitution effects both on the producer's and on the consumer's sides. Therefore taxes lead, on one hand, to economically locative ineffectiveness, as producers encounter different market prices than consumers. On the other hand, thanks to taxation revenues, the state has a possibility of more equitable (in social perception) distribution of income. We can pose a fully justified question – to what extent lawmakers, when constructing the tax system, may be indifferent to the requirements of effectiveness and expectations of social equity? Taxes are not neutral, neither to locative effectiveness nor to redistributive equity. The higher the level of fiscal burden and scope of taxation base (tax base), the more distorted allocation effectiveness of market mechanism, but this allows the government to make more even redistribution of income (and vice versa). Thus we can state that there is a specific *trade-off* between allocation effectiveness and redistribution equity (Browning E.K., Johnson W.R., 1985; Stiliz J.E. 1988). As a result of this trade-off, the government faces a dilemma: choosing between two options. In the first option, the government decides to what extent allocation properties of market mechanism could be distorted to implement, through various forms of taxation, more even distribution than the one offered by market mechanism. In the second option, the government decides to what extent it can resist demands for more egalitarian distribution to protect the allocation effectiveness of market mechanism. The conflict between the goals of effectiveness and equity stems from difficulties in clear establishment of objective criteria for both these phenomena. The criteria of allocation effectiveness are based on economic analyses and boil down to comparing outlay against results, while equity criteria depend on political choices and are based on the accepted system of values (*a priori*). In

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economic categories, a classic definition of allocation effectiveness and Pareto balance in perfect competition conditions (Laidler D., Estrin D., 1991; Czarny E., Nojszewska E., 2000). Optimal allocation of resources in Pareto meaning may be achieved with different variants of initial provision of producers with production factors and consumers with final goods and services. Thus the conclusion that there are many optimal states of effectiveness. Each optimal variant of allocation of assumed resources makes it impossible to improve the position of one entity without worsening the position of another subject, however it does not say anything on whether the situation of these entities is acceptable at all within a particular system of social values and preferences. Therefore effectiveness in Pareto meaning does not show how to make a hierarchy of states *optimum optimorum* from the perspective of social acceptance for particular distribution relations. For the hi-

erarchy to be possible it is necessary to introduce an additional, external criterion that would allow us to evaluate the states of economic effectiveness through the prism of equity. Such criteria in theory of economics can be found in the concept of social function of welfare, which gives proper weight to the postulate of equity and reveals social preferences concerning the scale of inequalities of distribution that are acceptable. The shape of the social function of welfare is determined by its underlying system of values, which is established in the process of political public choice and as such cannot be included in the economic analysis. Equity can be interpreted differently, various attitudes and value systems may accompany it, which is confirmed by the number of hypotheses concerning the shape of the welfare function. Thus, contrary to the criterion of economic usefulness, the equity criterion is relative.

### **Aims of paper. Methods.**

The aim of the paper is to present economic and social aspects of progressive and proportional taxation of incomes related to the justice of taxation rules. In order to accomplish such research goals we need to differentiate the following research schemes, that is the ways of coordinating activities: comparative research and review research. Such formulation of the aim of this thesis is determined by the following circumstances:

Firstly: Personal income taxation has become one of the most important tools for population income redistribution, allowing to implement the principles of universality, equity (equality) and taxation of the so-called net income.

Secondly: Income taxes have an “in-built stability flexibility”. This means that in recession times they slow down the global

demand decrease while in expansion periods they slow down its increase. Therefore in all EU countries, in spite of the declared neutrality, non-fiscal functions significantly influence the PIT construction, which makes it difficult to harmonize this form of taxation. Apart from the above research problems, several forms of problems have been singled out, corresponding to the assumed research hypothesis and research questions. The paper presents the research problems in the following forms: descriptive, explicatory, relative and optimizing. The main research method was induction. It consists in developing general conclusions or determining some regularities on the basis of empirically stated phenomena or processes. It is the kind of reasoning on the basis of details on general properties of a phenomenon or an object. The application of this method requires an

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assumption that only facts may constitute the basis for scientific reasoning. These facts are situations (economic, social, legal, organizational) that really took place. Induction methods cover various legal acts, analyses, experts' opinions, statistical data

and scientific documents used in social research. Moreover, the paper uses two general research methods, namely analytic and synthetic methods, characterized by detailed presentation of the reality research.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

The case for a flat tax has been around for over two decades. In the early 1980s, Robert Hall and Alvin Rabushka of the Hoover Institution developed a tax system that is based on a single rate of taxation for all sources of income, as close as possible to the source. All income is classified as either business income or wages and taxed at one rate, except for a personal allowance exempting lower income individuals and families from taxation (this makes the Hall-Rabushka proposal to some extent progressive). There are no other exemptions, no deductions, no loopholes. The other essential aspect of the flat tax system developed by Hall-Rabushka is radical simplification of the tax system, by removing any deductions or reliefs, and by eliminating double taxation. This proposal represents a fundamental change in the way governments would collect tax revenue (Hall R.E. & Rabushka E., 2005). The Hall-Rabushka proposal has served as the blueprint for several proposals to reform tax system in other countries (i.e. Russia, Slovakia). Flat tax is believed to:

- 1) Help reduce red tape and associated difficulties and confusion. With tax form down to size of postcard the flat tax system makes tax filling much simpler and more efficient.
- 2) Achieve simplicity, economic efficiency and fairness (same rate for all) – three principle of effective/sound taxation.
- 3) Reduce tax evasion and cheating, by lowering opportunity cost of avoiding


taxes. Flat tax system means elimination of relief, allowances and thus eliminates loopholes in the system.

- 4) Provide incentives to work, save and invest that trigger an economic boom.

Introduction of flat tax rate tends to redistribute income that encourages saving because higher-income families tend to be bigger savers than lower-income families, even on a lifetime basis. The saving incentives come from the increase in the after-tax return from postponing consumption. Second, one flat rate at personal- and corporate-level removes the double taxation of corporate equity and hence tend to reduce the cost of corporate capital. Moreover, dividends and interest are not taxed at individual or household level, which encourage real investment in economy. Finally, broadening the tax base may imply lower overall marginal tax rates and reduce the overall cost of capital. A switch to flat tax may cause the supply of labor to increase, depending on the significance of reductions in marginal tax rates and a lower price of future consumption in relation to present consumption. Marginal tax rates on labor directly reduce the after-tax wage and hence reduce the relative cost of leisure. Thus, people have an incentive to work less. Further, what matters the most for the labor supply is the marginal tax rate on total compensation, not just the marginal tax rate on wages received. Total compensation includes fringe benefits, such as health insurance and pension benefits, as well as payroll taxes paid by the employer. Fringe

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benefits are often excluded from tax under current law, and thus the effective marginal tax on compensation might be much less than the statutory tax rate on wages. High marginal tax rates induce individuals and firms to change the form of compensation from taxable cash to tax free fringe benefits, including nicer working conditions and other perks. The effects of tax reform on human-capital accumulation depend largely on whether human capital is more of a substitute for or a complement to new physical capital.

The effects of switching to flat tax are somewhat uncertain and depend critically on the details of the reform. Thus existing empirical results need to be interpreted carefully. Many estimates apply to a pure, well-designed flat tax while any compromises in the design, such as including some deductions or exemptions are said to reduce the gains or turn them into losses. However, in principle, some broad conclusions stand out that high and increasing marginal tax: impede the formation of capital and hinder economic growth and constrain aggregate labor supply. Adoption of flat tax plan similar to one proposed by Hall-Rabushka for US economy leads to an increase in labor hours, income and investment (or savings). As labor and investment are driving forces for growth, a flat tax rate raises the US economy's long run growth (by 0.2 to 0.8%. The strength of the growth effect crucially depends on elasticity of household labor supply, capital/s share of output and elasticity of the capital stock with the respect to new investment. The gains are attributable to both the lowering of the marginal tax rate and full write-off of investment expenditures.

As a result of a more dynamic economy and less tax evasion, the government actually collects higher revenue. As evidence by Laffer's analysis if taxes are higher than optimal tax rate than implementation of the

moderately low flat tax rate would increase tax revenue. Flat tax leads to eliminates double taxation on saving and investment (if applied in ideal form as proposed by Hall & Rabuska). Since all forms of income are taxed only once people are free to choose whichever form of investment maximizes their profits. At the same time, a flat tax regime is understood to: eliminate practically all forms of tax exemptions and allowances, be non-progressive (at least as far as the 'marginal' rates are concerned), favour the wealthy at the expense of the poor and favour share and dividend-holders since profits are taxed only once, at source

**Qualities of linear taxation.** As qualities of progressive taxation were mentioned in the previous chapter it would only be wise to mention qualities of linear taxation in this chapter. Getting right to the point I will start off with Milton Friedman's (Friedman M., 2006) perspective on this subject who happens to be a Nobel Prize winner in the field of economics. According to him the view on the fact that taxation has to be adapted to payment capacity, namely the rich are to be charged with a greater tax burden than the poor along with the acknowledgement of each entities financial situation is a misbelieve. The abovementioned economist claims that on the theoretical side the tax rates are differentiated, however in the tax law there are a number of gaps, an amount of special privileges that makes the high tax rates seem to be a decoration. A low and linear tax rate, for instance 19% as in Poland at the time being, imposed on income that exceeds the tax relief would bring more national revenue. From the taxpayers perspective, their financial situation would also improve due to the fact that this linear tax would save costs in terms of tax avoidance being less useful. The economy on the other hand

would also benefit from this type of taxation thanks to the greater feasibility of budget resource allocation. The only people that would be in a losing situation are lawyers, accountants, IRS officers, members of the legislature, who would be unnecessary for filling in declaration forms, or detecting and eliminating gaps in the tax law. Elaborating on Milton Friedman's insight on this issue it can be said that linear tax in comparison to progressive tax would be more efficient and effective due to reduced costs of collection among all other reasons that support the implementation of this tax. A single tax rate would simplify the present and complicated tax system through the decrement of costs that taxpayers bear in order to abide by the tax law. What is also very crucial is the fact that this method of imposing tax would enable easier payment, which would diminish costs that involve controlling the probability of potential mistakes or evasion by taxpayers. In other words this kind of tax would be more simple, understandable, and more friendly to the people who pay it. Moreover tax declaration forms could be more visible and clear for the taxpayers who fill it out saving much time, in addition with the lack of a tax relief the use of these tax forms could even be unnecessary. The intention of linear tax is to impose a tax rate on the whole income, with the exception of the flat tax, where a tax relief is present. Nevertheless the elimination of tax credits, relief's and tax exemptions would result in real income being subject to taxation, which in the end would reduce the discrepancy between the nominal and real tax rate to a situation where they would be equal. What is more, income is taxed only once, at the time it is earned. In the present linear tax system in corporate income tax income is subject to taxation on four levels. First tax is imposed on a taxpayer of legal character and his income, secondly tax is

charged when the taxpayer receives the other source of income as dividends or interest, next the taxpayer may be subject to taxation when he sells his shares, and in case of unfortunate death, inheritance tax is imposed on the wealth being inherited.

The implementation of the linear tax system would have impact on income only once, when it is earned. The taxation of income right at the source would inflict the enterprise in paying personal income tax for employees, which means that individual taxpayers would receive income without the necessity of paying tax. In addition such form of this tax would exclude the possibility of imposing taxes, that can be called penalty taxes, for instance taxes on dividends, tax on return on capital, and interest. What is more taxes on retirement funds and pensions, as well as other welfare payments could be eradicated due to the fact that after all they do not bring any revenue, just redundant costs. Linear tax could positive influence on the economy, among many reasons such as encouraging labor, entrepreneurial activity, increasing national production through the accumulation of capital, and what is also very important the increment of general well-being. In the case of the labor market, a raise in wages through lower taxes could be an essential motivation increasing productivity, which in the outcome increases global production. Also the accumulation of capital leads to overall investment growth, which has great impact on economic indicators.

**Imperfections of linear taxation.** In Poland most of the political parties support the concept of an integrated linear tax system, as well as the people related to the political environment and liberal economic organizations such as Business Centre Club, Polish Employers Confederation or Polish Business Council. However the idea

of imposing a proportional tax rate on personal income encountered a strong opposition of this form of taxation. People who oppose linear taxation underline the fact that it does not have to be all that simple as was introduced, contrarily to what has been mentioned earlier opponents claim that this tax can even be complicated. To be exact the base of taxation also has to be calculated, many costs, tax credits and exemptions may be implemented. The authors of the linear taxation program R.E. Hall and A. Rabushka (Tomkiewicz J., 2006) present their perspective of the complicated linear tax. Linear tax rates do not have to be low at all as to what some perceive it as. For instance it could be as high as 30%, or we can observe a quite low progressive tax system in Hong Kong, namely 1% - 17%. Additionally according to adversaries of proportional taxation the assumption that linear taxation means lower tax rates is equally incorrect as the assumption stating that progressive taxation supports the poor at the expense of the rich. It turns out that in the opinion of taxpayers, regardless of their wealth, the preferable taxation system is progressive after all, however with the tax rates starting from below the level of the linear rate, which would have to be developed on the basis of the highest progressive rate. Every taxpayer would prefer to pay progressive tax 1% - 17% rather than linear tax at 17% taking the Hong Kong example under consideration. This is for an obvious reason, a large portion of the income would be charged with lower tax rates according to the income groups. The wealthiest are going to be privileged with a lower tax rate, the poorest are going to have the benefit of employing tax credits, whereas the middle class has a legit reason to apprehend the greater tax burden, which happens to be the most productive part of the society. In the table below the presented highlighted income levels are the

ones that will notice the increase in the tax burden the most. Implementing linear taxation on personal income while eliminating all tax exemptions and allowances would result in not considering the source of income during calculations of the income under taxation. According to opponents of the proportional tax the source of income plays an essential role and should be taken into consideration when declaring income tax. They also believe that the possibility of earning income is connected to its source and the size of the firm. Linear tax, which treats all subjects under taxation equally is inconsistent with the taxation principle of equity. The introduced plan to equalize both income taxes may aggravate competitiveness of small and medium sized companies in comparison with the well developed ones.

Lowering the tax rates would support all business activity, however the elimination of tax payment preferences would lead to equal conditions for all taxpayers. Therefore according to the adversaries of such a reform there is exists an apprehension that stimulation function will not be accomplished through taxes, despite of lowering the tax burden. What is more the scale of progressiveness does not depend only on the marginal level of tax rates, but also on the amount of the tax credit, tax exemption or allowance. That is why personal income tax with one homogeneous tax rate including one tax credit, in other words a flat tax could exhibit more progression than the real present progressive tax system with several progression levels, a tax credit and many tax allowances. We may observe a false image of a flat tax, which may lead to vast costs in system functioning. The connection of linear taxation with the stimulus for economic growth gives a reason for supposition in the opinion of its opponents. It can be easily presented that the implementation of the linear tax in the place of

the inherent progressive tax system and its punishing character due to higher tax burden on the most productive part of the society may lead to a paradoxical decline in this productivity. This is a highly rational reason for the possible lack of motivation workers may experience due to this increased tax burden.

Also statistically, adversaries of linear tax claim that the rest of the taxpayers earning the same or a slightly increased amount of income for the same effort of work may lead to a similar result. In addition this boost in efficiency generally considers a simultaneous increase of indirect tax burden on households, and as it is commonly known, such taxes have a regressive nature, which means that the poorest households would suffer the most. The argument stating the fact that the reason for the existence of the grey market are high tax rates is absolutely inaccurate. Moreover the belief that the decrement in income tax will entail the exposure of the grey market does not find and support in the experience background of other countries, unless the highest tax rate was particularly high and as linear tax opponents repeat, in Poland this is not the case.

In the opinion of W. Wójtowicz and P. Smoleń (Wójtowicz W., Smoleń P., 1999) the linear tax proposition enclosed in the White Paper on Taxes does not foresee any appliance of pro-family resolutions that would directly effect the taxpayers family situation. The authors belief In the fact that the White Paper project complies with family interest, because of the increased amount of tax credit that can be deducted from tax that is charged as well as the decrement of the average nominal tax rate by almost 4%, also the fall in the effective tax rate by 1,7% has no real interrelation with the notion of family support. Specialists who are obviously against the linear tax are confident that the reform would reduce the

national income, which in the end leads to limited funds that can be devoted to public investments and supporting social advancement of different citizen groups. Moreover according to them lowering the tax burden without a thorough analysis of the influence it may have on national income, could lead to disturbed balance of the budget. What is also important is the fact that the implementation of the linear tax along with lowering the highest tax rates will eventually cause unbalance between effectiveness and equity. The rise in national income would be divided unevenly, which could worsen the general social dissatisfaction, frustration, and the lack of support for reforms.

Among the opponents of the proportional tax system we can also observe the lack of acceptance towards the resignation of fairly efficient, firm and commonly applied tools, for instance tax credits and tax allowances, where on the other hand among the wealthiest taxpayers we can observe the complete opposite, which is pressured in order to lower the tax rates for this narrow group of taxpayers. Linear taxation is not only criticized by advocates of the progressive tax, but also criticism is also coming from supporters of capitation tax. Their argumentation is that if the tax system was to be looked into from the perspective of fairness, then taking the social need of solidarity under consideration it should symmetric. This means that tax credits should protect the poorest, then tax should be imposed proportionally to earned income, however until a certain amount is reached. Moreover the calculation of a citizens fundamental needs can be just as easily specified as the benefits that are to be provided by the government for that citizen. The capitation tax would could only provide this level of fairness. Nevertheless as the adversaries of such a tax system claim, this form of taxation is clearly a utopia and does not hold



any promise of finding application in practice. In addition the only example of this tax existing is in Europe, exactly in Great Britain when Margaret Thatcher had term of office. In the year 1990 a poll tax was implemented, equal for every adult citizen, which caused a greater burden for the poorest, later on leading to socio-economic crisis, in effect impelling the "Iron Lady" to resign from the prime ministers chair.


**Juxtaposition of linear and flat tax.** Linear tax, which simply is a proportional tax, imposes a constant proportion of tax in relation to income, to be more specific the tax rate is a fixed rate in relation to the base of taxation regardless of the amount subject to calculation of tax. For instance taking our situation in Poland under consideration at the tax rate of 19%, furthermore hypothetically imposing this rate on a 10 000 PLN income, the tax charged would be 1 900 PLN, also if a different taxpayer were to earn ten times more, namely 100 000 PLN, his tax rate would also be 19%, thus a 19 000 PLN tax due. In other words from every PLN earned a 0,19 PLN of tax is levied. The application of such a tax means that it does not allow and change of proportion in relation to the base of taxation, in other words a tax base twice times greater than another before taxation will stay twice times bigger after taxation. The tax amount charged subsequently changes in relation to the change of the tax base subject to taxation. A five times greater income will result in a five time bigger amount of tax and the other way around. Linearity and progression considering income can be very often confusing to some taxpayers, namely one constant tax rate ensures a linear tax system, progression on the other hand consist of a few rates depending on ones income, however linearity is also connected to one other condition, namely the lack of a tax credits or tax sheltered amounts. The implication of tax credits determines the

fact that there exists a sort of progression in the proportional tax due to the share that the poor and the rich would divide in the national budget. In addition when the base of taxation rises the effective tax rate consequently draws near the proportional tax rate in this case the nominal rate, thus in this case we call this a flat tax.

The flat tax system also has a single proportional tax rate, however it is accompanied by a tax progression tendency caused by the deduction of the tax relief amount from the taxpayers income. On the other hand in linear tax system it is not allowed to employ tax relief's, which results in the lack of progression. A situation can be very often observed where a single proportional tax rate accompanied by a tax relief is called a linear tax, when in fact it is a flat tax. A *true* flat rate tax is a system of taxation where one tax rate is applied to all income with no deductions or exemptions. When deductions are allowed a 'flat tax' is a progressive tax with the special characteristic that above the maximum deduction, the rate on all further income is constant. Thus it is said to be marginally flat above that point. The conceptual difference between a true flat tax and a marginally flat tax, can be unified by recognizing that the latter simply excludes certain kinds of funds from being defined as income. Then they are both flat on "taxable" income. There are many proposed marginal flat taxes systems. Modified flat taxes have been proposed which would allow deductions for a very few items, while still eliminating the vast majority of existing deductions. Charitable deductions and home mortgage interest are the most discussed exceptions, as these are popular with voters and often used. Another common theme is a single, large, fixed deduction; the concept here is that this blanket deduction rolls up a myriad of ubiquitous, fixed, living costs and has the simplifying side-effect that

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many (low income) people will not even have to file tax returns.

**Economic issues.** The impact a tax system has on the economy is an important if not the most significant element of its existence to the extent where the tax system would be completely useless if it were to harm the economy. Advocates of this form of taxation underline the gravity of long term changes or influence on the economy that proportional taxation will entail after its implementation. Adversaries of linear taxation most often estimate national income in a moderate manner, in other words they tend to assess the future national income through the implication of the new laws to the existing economic situation, however disregarding the fact that the new laws may bring completely different outcome. In the economy feed-back can be observed automatically. Alterations that take place in the economy interact with each other, while creating even newer modifications, which effects the national income as well as the taxpayers situation.


On the other hand advocates of the linear tax system claim that additional economic growth generated by tax reform would ensure greater national income from taxes at a percentage that would allow funds to cover up losses involving these changes. Not including this advantage in the profit/loss statement would definitely put this proposal in an inconvenient situation. That is why the outcome has to be judged from a broader perspective, moreover the analysis cannot treat the effects individually, yet in general as well as the reasons and consequences of decisions. The same point of view share American researchers, who employed the computable general equilibrium model intended to analyze the consequence of imposing a 17% linear tax in the American economy (Gwiazdowski R., 2001; Gwiazdowski T., 2007). According to this analysis, the introduction of a

17% linear tax rate would influence the economy in such a way that every production sector would grow faster than in any other tax system. In addition savings would benefit the most thanks to the implementation of the linear tax system, 7,4% savings growth to be exact, which is also another positive result in comparison to any other tax system thanks to the exclusion of profits on investments from the base of taxation and imposing tax on capital outlay and other production expenditures according to one linear tax rate. High growth, namely 3,5% could also be found in the chemical industry, plastics industry, manufacturing industries, as well as the comestible industry.

Furthermore an increment in income after taxation would consequently enhance consumption. Researchers discovered the fact that every consumption sector would grow by average 2% – 4%, however the mentioned exception would be the financial services sector, who's detriment would be an effect of a vast amount of capital transferred to the mentioned production sectors. What is more due to this analysis researchers have also discovered that the home construction industry would grow by 1,5%, which is an improved outcome in comparison to an economy without the linear tax. This finding is very likely to be present, regardless of the lack of tax credits, which enables taxpayers to deduct interest from a mortgage. In the opinion of the aforementioned researchers the national income growth is induced by the growth of the majority of economic sectors followed by the enhanced engagement of work and capital. The increased economic activity being a result of eliminating tax rate discrepancies and tax incentives would be significant to the extent where the national income would increase by a noteworthy 1,8%. Nevertheless these findings have to be treated with certain distance due to the fact that they are

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a result of a simulation. The previously set forth study and its affirmative outcome also finds support from many economists. The most often affirmation brought up is that proportional taxation as opposed to tax progression encourages saving. Moreover some economists claim that the rise in tax rates diminishes the value of the taxpayers income throughout their working life span, which leads to the decrement of savings. Also the layout of consumption and savings is attributable to the redistribution function of progressive taxation also leads to lower savings throughout the taxpayers lifetime. It turns out that in the long run aggregate savings are influenced by taxation on income received throughout our life. Therefore socio-politics biased by the redistribution of income may be inconsistent with the policies, which aims are to increase private savings of the public (Nojszewska E., 2002). In addition the proneness to save is the highest for people in the mature phase of life, in other words people of the biggest income. Furthermore the savings rate is somewhat lower for families at the beginning and the lowest for the ones at the end of the life phase, who have the lowest income at the same time. Therefore from a certain perspective progressive income taxes burden the taxpayers with the highest tendency of saving. Provided that public expenditure finances the welfare of taxpayers who are in the beginning and in the end of their life phase, the additional burden of entities with the highest tendency of saving strengthens the declination of aggregate savings. Therefore dropping the top tax rates increases the level of national savings, which are a fundamental source of advanced investments. Thus getting rid of the inconvenient progressive taxation of all income groups would boost the generation of capital, increase productivity and economic development. The present tax system imposes taxes at high rates and double

taxation on investments and savings. As a result the this tax system triggers expenditure at a greater degree instead of encouraging to save. On the other hand linear taxation treats consumption and savings on the same level, which makes it a neutral tax in relation to individual economic decisions. Inflows from individual savings and investments would not be subject to taxation, hence eliminating double taxation, which is present in the challenging tax system due to the fact that persons of legal character and entities are subject to taxation on the same income. The level of tax rates in the long run play a crucial role. The experience of many countries from several years in the past proves the argument, namely money that is saved by the public is invested in a more vast degree than through public expenses, however not including some exceptions.

Linear tax would eliminate such harmful occurrences because it contains the only homogeneous incentive for various kinds of investments. Consequently it would improve the efficiency of capital invested. Moreover linear tax would contribute to the declination of interest rates. The present high level interest rates are maintained at such high level partially due to tax deduction on behalf of interest paid and tax on interest gained. Dealing with linear tax, it would be easier for taxpayers taking loans in bearing the rate of interest, also creditors would not have to be concerned about taxes. On the credit market where taking out loans equals giving out loans, lower interest rates would start to settle. Without the deduction of interest paid from taxes, taxpayers taking out loans will demand lower costs of such credits, moreover without taxation on interest creditors would be prone to lowering the costs. What is more as a result of such action the real estate market would experience a stimulation. Economists agree on the fact that upon the

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introduction of linear tax system almost every groups of taxpayers would react in increasing hours worked. A small portion of taxpayers would not show any additional effort due to low variation of tax rates or due to the fact that the additional pay resulting from lower taxes would encourage them to work less as their pay is satisfactory for them. However for the majority of taxpayers the declination of tax rates should be an incentive for a growth in the labor supplied especially for women, moreover the quality of work and effort would increase as well. One low tax rate thus should function as an encouragement for greater labor activity. Linear taxes could also positively influence personal capital. On the other hand progressive taxation decreases the return rate on income from personal capital due to lower labor supply caused by lower net pay. This means that the return rate on capital decreases because due to the reduction of the

rate of investment. Progressive taxation shrinks future income from investments more than limits the costs, and that is why this system does not persuade generating extra capital unlike in the case of proportional tax. The application of one low homogeneous income tax rate would result in the exposure of business running illegally or at least in partial illegal manner. In the opinion of linear taxation supporters even the slightest minimization of the underground market would reimburse the loss taken due to implementation procedures of the linear tax. What is more reducing the upper marginal tax rates would result in the reduction of execution costs of highly qualified workmanship, namely highly paid, hence enabling further modernization and development of enterprises. In addition the transferring of income abroad would diminish also effecting national income to grow.

## Conclusions.

Milton Friedman in the 1960's was the first person to propagate the notion of substituting progressive tax with linear taxation at rate of 23,5% (Friedman M., 1962). However this concept was not taken seriously until the year 1985 when the topic was put forward by American economists Robert Hall and Alvin Rabushka. Both of the economists suggested a 19% homogeneous tax rate imposed on wages, social welfare benefits and income from own business exclusive of tax allowances and tax exemptions, however with a small exception for the taxpayers with the smallest income, namely a small tax credit would be applied which the purpose would be to slightly diminish the tax burden. The base of taxation for taxpayers running their own business activity would be the difference between revenue from goods or service sold and the

costs of raw materials, stock goods, machines and paid wages. What is interesting in this case is the fact that depreciation of goods has been put aside, while the possibility of deducting the whole amount of capital invested from revenue is being respected. According to this concept taxes would be charged only on income that would be allocated for consumption, not investment purposes. In addition in the opinion of the above mentioned economists this tax reform would be developmental.

Hall and Rabushka justified the introduction of a tax credit (automatically making this a flat tax) by explaining that dismissing the poorest from the obligation of paying the full amount of taxes eliminates the necessity of implementing progressive taxation with high tax rates for families with the

highest incomes. On the other hand the application of a homogeneous tax rate on income above a certain level automatically creates progressiveness without the necessity of employing noticeable differentiation in rate levels. Advocates of the implementation of the tax credit in linear taxation agreeing on this opinion add that the employment of a tax credit assigned to the poorest families make tax collection more feasible and efficient, not involving the internal revenue authorities in any action towards collection due to the incommensurability of the value of collected taxes to the cost of levying them. However such resolution is an advantage only when comparing to the individual progressive income tax, not the classic linear tax, which does not allow any tax exemptions.


On the foundation of their study Congressman Richard Armey and Senator Richard Schelby had introduced to the Congress a bill called “Freedom and Fairness Restoration Act”, known better as proposal H.R. 1040. Unfortunately this linear taxation plan had not succeeded in the vote. Although the tax reform initiated by Ronald Reagan in the years 1980 and 1986, consisted in replacing the previous tax rates 15%, 28%, 31%, 36% and 39% with two rates, namely 15% and 28%. This action seemed to be a step towards fulfilling Hall and Rabushka’s concept. In order to balance the loss in the difference of tax rates in personal and corporate income tax as well as the increment of the amount subject to tax credit in the case of personal income tax, the reform put forward a fundamental reduction in tax allowances. This was also necessary from the perspective of simplifying the system, in addition this notion was predicted to eliminate the distorting effect the tax allowances had on the direction of business activity. In the new proposed reform the leveling of legal issues in personal and corporate income tax have been also

forecasted in terms of taxes on capital gains. The set forth modification in the tax system in the White Paper assumed the induction of two effects.

- The first effect was the dynamic effect. As a result of eliminating tax progression in personal income tax, substantially reducing the corporate income tax rates, the standardization and simplification of tax regulations, such incentives towards increasing income would be encouraged through legal work and entrepreneurialism, hence increasing the national income. The originators of this project also assumed that citizens would find education more profitable due to fact that their future income will be imposed under more placid taxes. All in all this will have positive impact on the economy improving welfare of taxpayers.
- The second foreseen effect was the redistribution effect, which consisted in the alteration of relative tax burdens on taxpayers with different incomes. The first dynamic effect would obviously have greater meaning in the improvement of the life standard of taxpayers in comparison to the redistribution effect, because of the constant and systematic functioning of the dynamic effect towards growth, whereas the second effect consists in the shifting of its share. Therefore we can claim that in the founders opinion of this tax reform the main goals were:
  - To stimulate the economy through the encouragement of investing, create new job positions, the increment of self efficiency and individual qualifications, also the increase in profitability of gaining additional legal income etc.
  - To enhance citizens trust in the law, eliminating sources of manipulation and tax abuse, as well as the simplification of the tax system.

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- Ensuring the Polish economy a competitive tax system, which would prevent migration of citizens, companies and capital to countries where it is more advantageous.
- Considering the changes resulting from alterations in different economic sectors, among all the needs that are an outcome of the territorial government extension of authority and the reform of health care.
- The adaptation of the Polish tax system to European Union requirements. It has to be also mentioned that other than a very convincing keyword, namely linear taxation, the White Paper on Taxes did not bring any concrete proposals and only met with defiance from the political elite and the society itself. Despite of the introduced solutions in the White Paper, very similar to the ones proposed R.E. Hall and A. Rabushka, they did not initiate, however this notion originated important discussion about the need and the direction of Polish tax system reform, and the possibility of implementing proportional taxation in the case of personal income tax.

Many European Union members including Poland, as well as non members have put a tax reform into practice, some countries are planning on implementing changes, the rest have already done so. However not one of them have decided to implement linear income tax rates or standardize the PIT rates with CIT rates, which is becoming more common due to countries situated on the Baltic and their success in the above. Since many years this tax is in practice in counties such as Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Russia, Slovakia and Ukraine. However it will be necessary to bring closer only a few of the countries from the graph below. Although Czech tax system has linear rates, the replacement of the progressive tax system was put into practice too soon for it to be credible enough in this analysis.

Estonia was the first former soviet Baltic country to reform their taxation system through the implementation of a proportional income tax. The tax reform introduced PIT with rates ranging from 16% to 33%. Those rates were replaced in 1994 by a flat 26% income tax. What is interesting is the fact that Estonia's corporate income tax was also progressive with rates 15%, 23% and 30%. However since 1992 until the end of 1993 the CIT was altered to a linear tax at 35%. The CIT was cut in 1994 from 35% to 26%. So, the initial idea of reform was to apply the same flat tax rate for personal and corporate income tax in simplifying in this way the system and signaling to taxpayers neutrality of authorities to corporate versus non-corporate form of economic activities. Starting from January 1, 2000 the new Income Tax Law introduced several new regulations regarding personal and corporate income tax. The most disputable topic was exemption of undistributed profits from corporate income tax. The taxation reform in this country was carried through during a domestic economic recession, when in 1993 the fall in GDP amounted to 8%. Nonetheless in time positive effects could be observed due to the applied changes, which could be supported by the average GDP growth of 8% since the year 2000 (59). The Estonian tax system is settled through one legal act simply by the act on income tax, therefore there does not exist a clear discrepancy between personal and corporate income. This act considers mostly personal income, whereas corporate income is not subject to taxation, unless it is allocated for dividends, donation, endowments or other purposes related to functioning of the business. That is why this system encourages further investment of the capital gained. In the case of personal income tax the subjects under taxation are payroll, business activity, capital or pension. Other than the tax

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credit there also are a number of income sources that are exempted from taxation, such as welfare, scholarships, indemnities, lottery wins or international scientific and cultural rewards and distinctions. Moreover there is a separate category of revenue which can be subject to lump-sum tax. The following sources of income are contained in this category, namely non-resident payroll, income from being and artist, income from sports 15%, dividends 25-26%, pension 0%, 10%, 26%.

The second country to reform their taxation system by implementing a proportional taxation technique was Latvia. Exactly on the 1st of April 1995 the Corporate Income Tax law was adopted, which covered personal income tax as well. Until the end of the year 2001 legal persons income was charged with 25% linear tax rate, which later on was reduced to 22%, followed by a reduction to 19% in 2003, and since 2004 the rate is 15%. The stimulating policy to support investment has been realized through tax concessions. The 40% reduction of corporate income tax is applied for projects supported by the Latvian Government and only after the implementation of the respective project. Starting from January 1, 2001, Latvian companies producing high tech and hardware or software products for computers are granted a 30% tax reduction of the corporate income tax. This tax reduction is guaranteed only to producers whose output 75% consists of those products and who have ISO 9000, ISO 9001, ISO 9002 certificates. Personal income tax was charged with a linear tax rate at the level of 25% with a tax credit and an allowance on children, now this tax rate is reduced to 23%. As a result of the carried through tax system reform only in the first year 1995 a negative GDP growth was observed, however in time positive tendencies of GDP growth started to appear, especially after the year 2000. Apart from that


Latvia has a lump-sum tax and it consists of five different tax rates 2%, 5%, 10%, 15% and 25%.

In Lithuania the flat 33% personal income tax has been applied since 1994. The corporate income tax history on the other hand start in Lithuania with 35% tax rate established in 1990 and reduced to 29% in 1991. Since 1993, a 10% rate has been applied to profits invested into the company. Companies and dividends are charged with a flat corporate income tax rate in the amount of 20%. Companies in Lithuania have the advantage of a smaller tax burden in comparison to natural persons. Moreover non-residents of legal character in Lithuania are charged with a 10% lump-sum tax rate. An interesting fact is that there are certain alternatives that allow elements of progression, namely subjects that employ no more than 10 employees and their annual income does not exceed approximately €120 000, are charged with a lower 13% tax rate. Depending on the source of income, different tax rates apply, namely 15% to 33%. A 15% tax is charged on payroll, capital interest, business activity involving sports or art, pensions, income from renting or selling real-estate or the payout of life insurance installments. The rest is subject to the higher tax rate, furthermore a tax credit is allowed in the amount of approximately €1000 annually. Natural persons running business activity may apply corporate tax, however in this case a 15% tax rate will be charged on gross income, without any deductions (60).

Russia also implemented the flat tax system, however after the economic recession did they decide for such a radical change. Before this reform Russian taxpayers as the majority of the world abided by progressive tax rates at 12%, 20% and 30%. In 2001 the progressive tax system was replaced by a 13% flat tax rate. In addition 30% and 35% flat tax rates were imposed

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depending on the source of income. Legal persons were charged with 35% tax until 2002, which was then reduced to 24%, although financial institutions were still charged with 27% tax. Moreover along with the implementation of the linear tax, Russia was running a tax campaign advertising the fact that the tax law is for everyone to obey.


There saying was "if you don't come to us, we will come to you". Many claim that this campaign caused many millionaires to reveal their wealth as well as themselves. Generally speaking Russia's tax system underwent simplification, to be exact the social insurance contribution was standardized, most companies began to rightfully pay VAT, also most tax rates were either eliminated or substantially reduced in other tax categories and the same was done with stamp duties. Furthermore the tax administration had been strengthened, as well as the penalty system, which evidently enhanced the effectiveness of tax collection. Due to such alteration in Russia's tax system, their economy experienced a boost after about two years of these changes. National revenue from personal income tax was rising by 50% annually, followed by a maintained level of national expenses, economic growth was inevitable. Despite of the fact that Russia's personal income tax burden is not substantial, there still are many tax allowances as such, tax credits, tax exemptions allowing for deductions in the category of having someone under your support, tax allowance in result of building or purchasing a home, medical expenses, charity donations or education of child or yourself. Corporate income tax also respects tax allowances, however it is in their nature to enhance investment and it applies to small enterprises. Companies that employ up to 100 employees and with a turnover not exceeding 15 million Russian Rubles are exempted from VAT, sales tax and

real estate tax, social insurance contributions and they have the possibility to choose the method of charging tax, namely 15% income tax or 6% on turnover (61).

Other than the countries that have been analyzed previously, most recent tax system reforms that have been enforced using the linear taxation method were in Slovakia and Ukraine in 2004. In Slovakia the tax reform was thoroughly altered, namely they did not only consider income tax, but also VAT, excise duties, transportation tax and real-estate tax. However other than income tax is irrelevant to my analysis. Before 2004 the progressive personal income tax rates were 10%, 20%, 28%, 35% and 38%, corporate income tax was 25%, all of these rates were replaced by a linear tax rate 19%, both in personal and corporate income tax. What is more as VAT was also reduced to 19% linear tax rate. The Slovakian tax reform also consisted of eliminating many tax credits and exemptions in order to optimally simplify their tax system. Ukraine on the other hand replaced their progressive personal income tax system with a 13% linear tax rate in 2004, which was changed to 15% in 2007 and applies till this day. The previous progressive rates were 10%, 15%, 20%, 30% and 40%. In consequence of the tax reform new tax exemptions have also been implemented, namely in 2004 taxpayers had the privilege of deducting a social exemption in the amount of 30% of the minimum wage, which has been increasing annually until 2007 when the exemption reached the 100% level of minimum wage. For taxpayers that are single parents an exemption of 150% of minimum wage has been provided. In addition to the changes in 2004 corporate income tax has also been reduced from 30% to 25%. We can clearly observe that these two countries have implemented two dissimilar tax systems, however based on the same notion (62).

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Now that seven countries have been examined from the perspective of tax reform using linear taxation, it is more feasible to reason and develop an opinion, on which taxation method is optimal. The tax reforms have been quite successful for the reason that all countries managed to avoid very critical budget deficits. From the above mentioned data and facts it can be clearly stated that the dominant goal for these countries, analyzed from the perspective of tax reform and its effect on economic stability or instability, was encouragement towards investment and creating new job positions. The concern about budget income declination declared by various researchers seems to be unjustified. Better administration of existing taxes and harmonization with the EU requirements are next important tasks in improving the tax systems. Moreover in the Baltic States, the share of tax revenues in GDP has had different trends. Estonian total budget revenue increased from approximately 37%, since the introduction of the new tax system, to around 39% in the early 2000's, tax revenue increased respectively from 34% to 37%. Furthermore in Latvia the share of total income increased from approximately 37% to 39%, but the share of tax income decreased from about 34% to 33%. In Lithuania, the share of total income in GDP declined from 40% to 32% and tax revenues fell from 36% to 30%. As we can also observe in the graphs provided above, those countries could experience a fall in GDP in the first couple of years due to the lower tax burden these new tax systems had set forth,

however this was partially compensated by the outcome that the authorities had primarily forecasted, namely increased ability to invest, greater savings, hence leading to more job positions. Latvian, Lithuanian, Russian, Ukrainian tax systems although, they are not as developed as the Estonian system they are still far from being a perfect simple linear tax system, namely without any tax credits, exemptions, allowances and deductions, with complete proportional taxation. If a tax does not possess such privileges, then it becomes less competitive. As a result these countries implemented a tax system that in reality does not differ from the good old progressive taxation. What is more we can claim that the only factors leading towards a linear tax system due to the reform is the simplification of the progressive system with less tax credits and exemptions and no income thresholds.


That is why the new tax systems in the Baltic countries can be declared as flat taxes not linear. Supporters of linear taxation propagate the strong stimulating impact it has on the economy along with the elimination of tax credits and exemptions, including the ones that enhance investment and savings. The outcome of my analysis shows that Baltic countries, as well as Slovakia owe their increased economic growth rate to the constantly developing system of pro-investment tax allowances. Therefore it is difficult to present a case of perfect linear taxation and its impact on the economy due to the lack of one.

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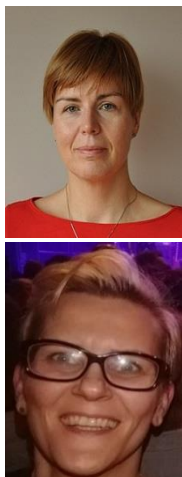
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## SELECTED ELEMENTS OF RESOURCE THEORY IN THE CONTEXT OF ENTERPRISE COMPETITIVENESS

## WYBRANE ELEMENTY TEORII ZASOBOWEJ W KONTEKŚCIE KONKURENCYJNOŚCI PRZEDSIĘBIORSTW

## ВЫБРАННЫЕ ЭЛЕМЕНТЫ ТЕОРИИ РЕСУРСОВ В КОНТЕКСТЕ КОНКУРЕНТОСПОСОБНОСТИ ПРЕДПРИЯТИЙ

### Abstract

*In this article an attempt has been made to characterize selected elements influencing the competitiveness of the company. Considerations were based on enterprise resource theory and limited to chosen factors. As numerous studies show, the importance of knowledge, human resources and innovation are key determinants of both the development and competitiveness of today's companies.*

**Keywords:** *enterprise, innovation, competitiveness, resource theory*

### Streszczenie

*W artykule podjęto próbę scharakteryzowania wybranych elementów wpływających na konkurencyjność firmy. Rozważania zostały oparte o teorię zasobów przedsiębiorstwa i ograniczone do wybranych czynników. Liczne badania pokazują, że to właśnie wiedza, zasoby ludzkie i innowacje są kluczowymi determinantami rozwoju i konkurencyjności współczesnych przedsiębiorstw.*

**Słowa kluczowe:** *przedsiębiorstwa, innowacje, konkurencyjność, teoria zasobów*

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**Аннотация**

*В этой статье была сделана попытка охарактеризовать отдельные элементы, влияющие на конкурентоспособность компании. Соображения основывались на теории ресурсов предприятий и ограничивались выбранными факторами. Как показывают многочисленные исследования, важность знаний, человеческих ресурсов и инноваций являются ключевыми детерминантами, как развития, так и конкурентоспособности сегодняшних компаний.*

**Ключевые слова:** *предприятие, инновации, конкурентоспособность, теория ресурсов.*

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**Statement of the problem in general outlook and its connection with important scientific and practical task.**

Due to the variability and tumultuous nature of their environment, modern enterprises have to look for innovative methods to improve competitiveness. This is because solutions limited to the lowering of the cost of production or business operation turn out to be insufficient. Therefore, searching for and implementation of modern methods of company management as a

whole are a very important element of the operation of an enterprise. This system should be regarded as a process aimed at continuous improvement of competitiveness and company value. Hence, its interdisciplinary nature should be borne in mind.

**Analysis of latest research where the solution of the problem was initiated.**

The research method of analyzing of enterprise competitiveness based on Polish literature: Rokita J, 2005; Flak O, Głód G.,2012; Kusa R., 2008; Weresa

M.A.,2017; Pilarska Cz., 2017; Stankiewicz, M. J. 2005; Dzikowska M, Gorynia M., Jankowska B., 2017).


**Aims of paper. Methods.**

In this publication a descriptive and comparative methods as well as descriptive-vector approach and a literature review have been used. The choice of these methods was determined primarily by the type of available research materials. The descriptive method has been used, among others, to characterize the nature of competitiveness, dependencies occurring in competitiveness processes. The comparative method has been used primarily to

confront different points of view related to the topic of competitiveness. The descriptive-vector method has been used to indicate the importance of resources as a factor significantly affecting the shaping of enterprises' competitiveness. Whereas the literature review has been conducted to characterize the latest achievements related to the competitiveness of enterprises, which were presented in the latest scientific publications.

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**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

**Competitiveness potential in literature**

It is commonly believed that competitive potential has a significant impact on a competitive position. However, in certain cases we may observe the so-called reversed character of the situation – a good competitive position, which is reflected, inter alia, in a high level of profits and high profitability, may determine competitive potential. The elements of competitive potential include:

- financial resources,
- information resources,
- innovativeness resources,
- human resources,
- organizational resources,
- tangible resources,
- technological resources.( Flak O., Głód G.,2012, pp. 73-119).
- system of processes,
- set of actions.

A proper composition and optimal use of the resources is an essential skill of managers in this aspect (this is also part of an enterprise's resources). However, it should be borne in mind that the structure of the resources of competitive potential changes over time and therefore the structure of the volume of resources should be constantly monitored.

In the long term any intangible resources are of particular importance in the shaping of competitiveness, which results from their characteristics:

- they are related to skills and can be used in many places;
- with time and use they do not lose their value but rather become enhanced;
- they are difficult to copy, buy and the process of their formation is long (Kusa R., 2008, pp. 61-63).

These resources significantly affect the nature of operations and processes that usually constitute an element that differentiates competitors (products they offer are generally similar to each other). These processes may involve product development, manufacturing, order fulfilment, service, etc. It is not any one product but a process that gives a company its decisive advantage (Hammer M., 1996, p. 104).

The analysis of literature prove that in the resource-based concept of competitiveness the most prominent position is held by intangible resources that can be characterized as:

- labour resources, trained staff, innovative abilities, morale, cultural flexibility of an organization, with a special configuration of these resources, which is often referred to as strategic competences, abilities or intellectual capital. Information and knowledge, as well as friendly and loyal customers, are also resources. (Internetowy serwis controllingu <http://isc.infor.pl/slownik-pojec/haslo,101142.html> Retrieved 13 July 2017).

- organizational resources, licenses, patents, company name, graphic symbol, brand (Imbis B. 2002), reputation, etc. Intangible resources, unlike other resources, can be used for different purposes, by different workers, in many places at the same time (Michalak A., 2007, p. 59).

When comparing these definitions with the nature of modern knowledge-based economy, it should be noted that: "post-industrial economy, called knowledge-based economy, has many characteristic features. With regard to the most important determinants of value, it is, firstly, dominated by knowledge, as opposed to the domination of land in agrarian economy and of capital

in industrial economy. Secondly, intangible factors are the most important. In the case of a market offer, this means an increase in the importance of services in relation to tangible products. In relation to expenditure it is reflected in the dominance of investments in intangible assets as a source of value creation over investments in tangible assets" (Urbanek G., 2011, p. 12). Both human resources, intellectual capital, the quality of which translates into entrepreneurship and entrepreneurial attitudes of society, are extremely important intangible resources. These aspects have become part of the document of the European Commission – Europe 2020 Strategy.

### **Place of human resources in the theory of competitiveness**

In the recent past, when listing the factors affecting competitiveness of an enterprise or when characterizing a company's resources, only fixed and circulating capital was mentioned. Changes in economy, and not only Poland's economy, observed in recent decades forced a change in the look on entrepreneurship and competitiveness, as a result of which the role of human resources in the operation of an organization gained recognition. It is generally acknowledged that human capital is a component of intellectual capital of an enterprise (intellectual capital = human capital + structural capital). However, as noted by M. Majowski, "the term 'human capital' is ambiguous and explained in various ways, depending on, among other things, whether attempts to define it are made from an individual (individual employees) or social position" (Oleksyn T., 2006, p. 26). Therefore, some definitions of human capital are worth mentioning:

- Human capital – these are all the resources, "possessed by people, such as knowledge (explicit and tacit, declarative and procedural), abilities, values, norms, attitudes, beliefs, emotional intelligence,

etc. Human capital is created by a configuration of these resources, which – when focused on the remaining resources of an organization – activates the operation of an organization aimed at value creation. Its size depends on the mutual match and structure of connections between all resources." (Mikuła B., 2006, p 96)

- "Human capital – created by the staff and their knowledge, experience, intelligence, mutual relations, laws, functional specialization of the staff, company's top management, etc." (Stankiewicz M.J., 2005, 96).

- The concept of human capital is an important term that is useful in the analysis of the issues of personnel management. With respect to an individual, the components of equity are: abilities, health, knowledge, skills, motivation, vital energy and time. Human capital is a specific component of resources; it is embodied in a person and can both increase and decrease. An example of an increase is the development of skills and competences of an employee through training. A decrease in capital may, in turn, refer to a victim of an accident, and quite often also to a person who is unemployed for a long time. (Szalkowski A., 2006, p.19).

- According to the European Commission, "Human capital is the knowledge of the personnel at the moment of leaving the workplace; skills, experience, abilities (some of this knowledge is specific for individual persons, some – a shared category)" (Mroziewski M., 2008, p. 28).

- "Human capital. The combined knowledge, skills, innovation, and ability of employees to meet the tasks at hand. It also includes company values, culture and philosophy. Human capital cannot be owned by the organization. (...) The term: "human capital" includes all the skills, knowledge and experience of the employees and managers of the organization. Human capital must also take into account the



creativity and innovation of the organization." (Edvinsson L., 2001, p. 17, 34)

It can, therefore, be said that human capital is created by people, employees and their resources: knowledge, experience and skills (Armstrong M., Taylor S., 2016). It is well known that the above-mentioned resources, if rarely used, become outdated and impoverished, therefore, their development should be taken care of through:

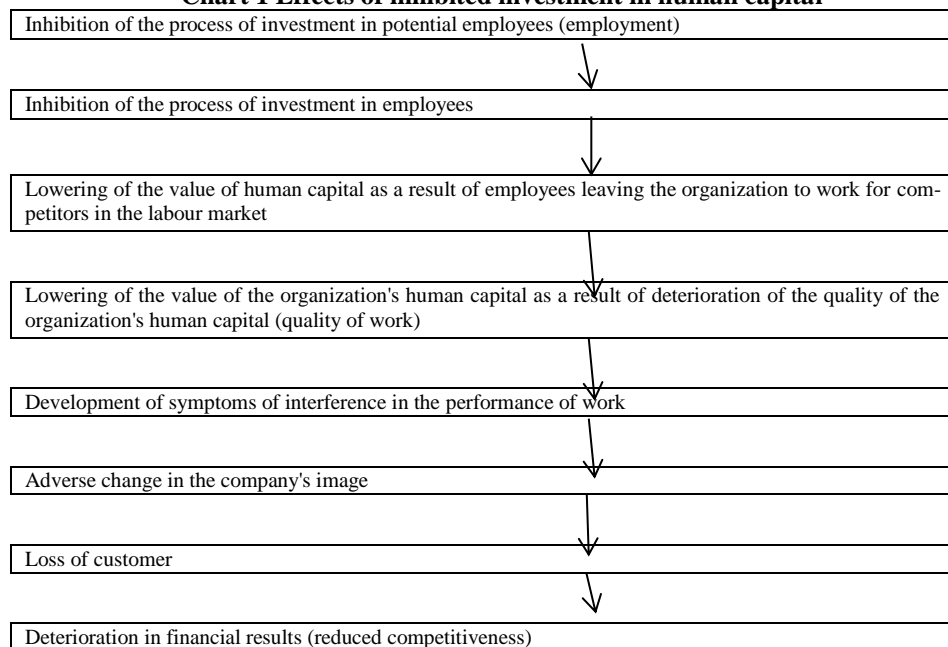
- organization of the learning process, engaging the employees in the process, supporting self-education of employees; and
- taking care of the employees' health condition.

Therefore, the development of human (intellectual) capital requires stimulation, for example by entrepreneurial style of management. This style is mainly focused on

the principles and institutions of organizational governance.

Employment stability is related to, among other things, the loyalty of employees. Therefore, investments in the loyalty of employees (particularly the key ones) are essential even in times of crisis, because its absence could result in the migration of employees to a more prosperous company, in a situation that is difficult for a weaker company, loss of competitiveness (sometimes loss of opportunities – a given area of operation remains vacant without a properly prepared person). The impact of the consequences of a hindered investment in human capital on the economic situation (competitiveness) of a company is best illustrated by the chart below.

**Chart 1 Effects of inhibited investment in human capital**



Source: Lipka, (2010).

Only these managers of a company who care about the values and competitiveness

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of their enterprise and identify with its far-reaching concept should be the candidates for managerial positions.

### **Knowledge and innovation as methods to increase competitiveness**

The existence and operation of any enterprise can be seen through the prism of its resources. Their quality, quantity and diversity affect the effectiveness and efficiency of an organization. The most sought after and desirable resources are those that affect the level of competitiveness, which results from their characteristics:

- uniqueness;
- value that is possible to estimate;
- strong ties with an organization;
- being difficult to imitate;
- their development is impossible without the learning process, investment, capital expenditures;
- there is a lack of commercialization. (Baruk J., 2006, p. 17; Bonikowska M., Zająca R. 2015).

Knowledge is, therefore, a resource or a set of resources that are a "fluid composition of targeted experience, values, contextual information and professional outlook providing the basis for assessment and acquisition of new experiences and information. It originates and develops in human minds. In organizations, it is not only stored in documents and databases but also in customs, standards and procedures." (Evans Ch., 2005, p. 31).

A separate problem related to the theory of knowledge management (Michna A. 2017), extremely important from the point of view of the objectives of this article, is the issue of learning about a competitor and the use of knowledge in this area.

The competitor learning model is based on the so-called indicators sending signals about changes in procedures and actions of a competitor. In theory four types of indicators are distinguished:

- market indicators, relating to the competitor-market relation;
- organizational indicators, relating to the interior of a competitor's organization, along with a competitor's decisions;
- relationships indicators, relating to all relations of a competitor except for a competitor's product-market relation, which is taken into account by the market indicators;
- indicators of inactivity, relating only to what is expected from a competitor and does not occur, although it should.

On the other hand, the use of knowledge in decision-making processes includes the following elements:

- data acquisition (decisions and actions taken by an organization in anticipation of decisions and actions of a competitor are a factor generating the need for new data acquisition. It is on the one hand a reaction to own decisions and on the other hand the result of the use of new external sources. In this way, the cycle is repeated, but it takes place at a higher level designated by knowledge about a competitor that was already acquired and used in a decision-making process. This allows taking action in the field of data processing, which creates new information. The information constitutes input to the decision-making system, in which it is first of all evaluated. In this way the described cycle of activities is repeated

- - evaluation of information (evaluation of information is essential in the learning model as it creates knowledge about a competitor, which allows performance of many tasks. First of all decision-makers assess what the implications of the obtained knowledge will be for their decisions, for example, acceleration of some of their own decisions, postponement of others, faster implementation of previously taken decisions, a need to find solutions to

new problems, therefore, to take new decisions. The obtained knowledge may also lead to different assessment of the degree of importance of certain problems.

- decisions and actions (the result of the evaluation of information about competitors are new decisions and the resulting actions or a change of previous decisions and initiated activities. It is worth noting that the new decisions concern the future, and, therefore, ambiguous situations, characterized by considerable uncertainty, which induces consideration of new ways of actions, sometimes based on different paradigms of management). (Rokita J, 2005, p. 121).

The processes of internationalization and globalization necessitate introduction of continuous changes in enterprises to ensure better adaptation to requirements of global economy. This problem affects virtually all entrepreneurs who, in order to cope with the demands of the modern environment, must move away from traditional methods of management and business operation and introduce innovative, inventive solutions in their companies. Moreover, as already repeatedly emphasized, changes in the contemporary environment necessitate a change in the perception of factors determining competitiveness of individual economies and enterprises. Therefore, there is a departure from building competitive advantage based on (physical and financial) resources, with a focus on knowledge and innovation.

Innovations relate to those spheres of economic and social activities without which, in the long run, the development of civilization, structural changes, improvement of efficiency of business operation and living conditions of the population would not be possible. In the broad sense innovations mean creative changes occurring in the social system, economic structure, technology and nature. (Janasz W., 1999, p. 75 ;

Janasz, W., Janasz K., Prozorowicz M., Świadek A., Wiśniewska J. 2002, p. 54).

A very broad view of innovation is presented by Ph. Kotler, according to whom innovation relates to any goods, service or idea perceived by someone as new (Kotler & Keller (2013)). An enterprise is seen as innovative only if it:

- conducts research and development work (or buys R&D projects);
- systematically implements new scientific and technological solutions;
- has a significant share of new products in the volume of production;
- constantly introduces innovations to the market. (Stawasz E. 1999).


In contrast, innovativeness is seen as a factor affecting competitiveness, which results from the following reasons:

- innovativeness is always dynamic and creative, it contains an element of novelty;
- innovativeness affects the overall efficiency of a company, through linkages with other enterprise resources;
- innovativeness strongly influences the creation of demand (Ball-Woźniak T. 2006, p. 78).

As can be seen, innovation is dynamic and its effects affect the competitiveness and growth of an organization. However, Polish companies, especially those operating in the SME sector, are most often underfunded, and capital and staff shortages make it impossible for them to conduct any research and development work. One of the forms of overcoming these barriers is cooperation based on various types of relationships (e.g. clusters, technology parks). One of modern methods of improving competitiveness involves operation of enterprises on the basis of a cluster. This method is particularly new in Poland. This form of organizing business operation, using synergy effect, is widely known in highly developed countries. However, in Poland's economy it is still generally believed that

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any enterprise offering products (services) satisfying the same needs is only a competitor. Abandoning this line of thinking and

entering into relationships with other entities can help to increase not only the innovativeness of companies but also their.

## Conclusions.

The low level of innovativeness and of competitiveness of Polish small and medium-sized enterprises results from underinvestment, conservative style of acting especially of senior managers, but mainly from their ignorance of the possibility to use a wide range of instruments or forms of cooperation in the market. It is a well-known fact that not all forms of support for development, innovativeness and competitiveness that have worked in other countries (Cf. European Charter for Small Enterprises, a document that describes the areas in which the EU Member States and candidate countries should take action to improve the environment and small business development; the document is often called the Set of Good Entrepreneurial Practices) can be successfully applied in Poland. However, the ones which, in the opinion of Polish entrepreneurs, bring measurable benefits should be used more extensively, i.e.: knowledge management, collaboration within clusters, technology parks, use of the offer of guarantee funds,

chambers of commerce or trade associations. The level of innovation of economies of individual countries, regions or enterprises is a determinant of their competitiveness. Innovation is one of the factors determining the development of an organization.. Cooperation with other companies, research centres or universities provides entrepreneurs with easier access to knowledge and technology. Their use at the level of an enterprise can improve productivity, extend the product life cycle, expand the product range, facilitate innovation and thereby strengthen the market position and allow expansion into new markets.

Implementation of innovative activities depends on many factors. Entrepreneurs should learn to "read" signals coming from the broadly understood market and adapt their enterprises accordingly. However, it is usually difficult to introduce changes in an enterprise, therefore it is necessary to create a kind of pro-innovative organizational culture.

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## **ANTI-CRISIS STATE INTERVENTION AND CREATED IN MEDIA IMAGES OF GLOBAL FINANCIAL CRISIS**

## **ANTYKRYZYSOWY INTERWENCJONIZM PAŃSTWOWY A KREOWANY W MEDIACH OBRAZ ŹRÓDEŁ GLOBALNEGO KRYZYSU FINANSOWEGO**

## **АНТИКРИЗИСНОЕ ГОСУДАРСТВЕННОЕ ВМЕШАТЕЛЬСТВО И СОЗДАННАЯ В СМИ КАРТИНА ИСТОЧНИКОВ ГЛОБАЛЬНОГО ФИНАНСОВОГО КРИЗИСА**

### **Abstract**

*The global financial crisis in 2008 was the reason for increasing the scale of interventionist economic policies in developed countries. The main instrument of this policy was the significant development of a mild monetary policy and interventionist measures aimed at forcing the restructuring processes of heavily indebted enterprises and stopping the decline in lending by commercial banks. As part of the pro-development activities of the state intervention, the Federal Reserve Bank applied a mild monetary policy of low interest rates and a program for activating lending and maintaining liquidity in the financial system by financing the purchase from commercial banks of the most endangered assets. A few years later, the European Central Bank applied the same activities of activation monetary policy. The functioning of the financial system will not be fully corrected as long as there will be a message in the media encouraging the banks that the global financial crisis is primarily attributable to the Federal Reserve Bank in the USA. In many para-documentary films, which, as a para-scientific explanation and education of citizens, promote the philosophy of combining deregulation of financial markets with the development of a free market, and attempts to regulate markets are trying to implement*

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*the principles of real socialism, a system quite different from that considered an ultramarine US economy.*

**Keywords:** *state intervention, monetary policy, global financial crisis, media, financial system, central banking, shaping public opinion, Federal Reserve Bank, European Central Bank, economic policy, economic situation, capital market, securities market, systemic risk, deregulation of financial markets, stabilization of the situation on financial markets.*

### **Streszczenie**

*Globalny kryzys finansowy w 2008 roku był powodem zwiększenia skali zastosowania interwencjonistycznej polityki gospodarczej w krajach rozwiniętych. Głównym instrumentem tej polityki było znaczące rozwinięcie łagodnej polityki monetarnej oraz działań interwencjonistycznych, których celem było wymuszenie procesów restrukturyzacyjnych silnie zadłużonych przedsiębiorstw oraz zatrzymanie spadku akcji kredytowej banków komercyjnych. W ramach prorozwojowych działań interwencjonizmu państwowego Bank Rezerw Federalnych stosował łagodną politykę monetarną niskich stóp procentowych oraz program aktywizowania akcji kredytowej i utrzymania płynności w systemie finansowym poprzez finansowanie skupu od banków komercyjnych najbardziej zagrożonych aktywów. Kilka lat później analogiczne działania aktywizacyjnej polityki monetarnej zastosował Europejski Bank Centralny. Funkcjonowanie systemu finansowego nie zostanie w pełni poprawione dopóki będzie kreowany w mediach sprzyjający bankom przekaz, że za globalny kryzys finansowy odpowiada przede wszystkim Bank Rezerw Federalnych w USA. W wielu filmach paradokumentalnych, które pełniąc funkcję paranaukowego wyjaśniania i edukowania obywateli propagują filozofię łączenia deregulacji rynków finansowych z rozwijaniem wolnego rynku a próby uregulowania rynków próbuje się wiązać z implementacją zasad realnego socjalizmu, czyli systemu zupełnie odmiennego względem uznawanej za ultrarynkową gospodarkę USA.*

**Słowa kluczowe:** *interwencjonizm państwowy, polityka monetarna, globalny kryzys finansowy, media, system finansowy, bankowość centralna, kształtowanie opinii społecznej, Bank Rezerw Federalnych, Europejski Bank Centralny, polityka gospodarcza, koniunktura gospodarcza, rynek kapitałowy, rynek papierów wartościowych, ryzyko systemowe, deregulacja rynków finansowych, stabilizacja sytuacji na rynkach finansowych.*

### **Аннотация**

*Мировой финансовый кризис 2008 года стал причиной увеличения масштабов интервенционистской экономической политики в развитых странах. Основным инструментом этой политики было значительное развитие мягкой денежно-кредитной политики и интервенционистских мер, направленных на форсирование процессов реструктуризации предприятий с крупной задолженностью и остановку сокращения кредитования коммерческими банками. В рамках государственной интервенции в целях развития Федеральный резервный банк применял мягкую денежно-кредитную политику с низкими процентными ставками и программу активизации кредитования и поддержания ликвидности в финансовой системе путем финансирования покупки у коммерческих банков наиболее уязвимых активов. Спустя несколько лет Европейский центральный банк применил аналогичные меры активизации денежно-кредитной политики.*

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*Функционирование финансовой системы не будет полностью скорректировано до тех пор, пока в средствах массовой информации не появится сообщение, поощряющее банки, что глобальный финансовый кризис в первую очередь связан с Федеральным резервным банком в США. Во многих парадоксальных фильмах, которые в качестве паранаучного объяснения и просвещения граждан пропагандируют философию объединения дерегулирования финансовых рынков с развитием свободного рынка, а попытки регулировать рынки пытаются связать с принципами реального социализма, то есть системы совершенно отличной от той, которая считается ультрамарриновой экономикой США.*

**Ключевые слова:** государственное вмешательство, денежно-кредитная политика, мировой финансовый кризис, СМИ, финансовая система, центральный банк, формирование общественного мнения, Федеральный резервный банк, Европейский центральный банк, экономическая политика, экономическая ситуация, рынок капитала, рынок ценных бумаг, системный риск, дерегулирование финансовых рынков, стабилизация ситуации на финансовых рынках.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**


The development of financial systems, including banking systems in recent years, is strongly determined by technological progress, especially in the field of ICT and Internet technology. This progress and the ongoing globalization processes determine new challenges for the improvement of credit risk management systems in commercial banks. The development of information processing and provisioning techniques by the Internet is determined by many facilities for customers and people using online mobile banking services. In addition, operational banks have the opportunity to significantly reduce the transaction costs of electronically-operated financial operations (Iwonicz-Drozdowska M., Jaworski W. L., Szelałowska A., Zawadzka Z. ed., 2013, p. 78).

A decade has passed, since the beginning of global financial crisis, which allowed for conducting numerous analyzes aimed at as-

sessing interventionist government programs of anti-crisis activities to rescue key economic entities from financial bankruptcy and stimulate demand, investment, production as well as liquidity in the credit market (Domańska-Szaruga B., Prokopowicz D., 2015, p. 42-43). Currently, considering successful intervention in this area in the American economy, the result of these assessments is easy to predict. A significant decline in unemployment and an increase in demand for consumer goods and real estate is positively assessed (Domańska-Szaruga B., Prokopowicz D., 2015, p. 39). However, saving the economy from a possibly much larger potential downturn is not a full solution and an explanation of the essence of the sources of this crisis (Gwoździewicz S., Prokopowicz D., 2015.a). Some economists claim that the signs of the global financial crisis of 2008 began to appear already at the end of the 1990s, in connection with the already

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existing liberalization of credit policies provided by commercial banks, mortgage and investment loans, bank interest rate cuts central and deepening deregulation regarding the functioning of financial markets and commercial banks (Armijo LE, ed., 2001, p. 34). A particularly important role in this regard was played by the presidency of Bill Clinton, during which the issue of the investment banking and classic deposit and credit banking established in the 1930s was deregulated. The previously introduced formal and institutional separation of these two types of banking was supposed to increase system security in the context of potential new financial crises, which can never be excluded in the future

(Prokopowicz D., 2003, p. 105). The liberalization of legal regulations in this area carried out in the mid-1990s, i.e. the abolition of this distribution of these two key segments for the developed economies of banking, aimed to create additional pro-development factors for the economy. In this way, however, these reforms were motivated in practice. This deregulation proved to be a pro-development factor, but mainly for financial markets, i.e. created additional factors in the formation of speculative bubbles on the stock exchange, commodity and other markets in which investment funds operate globally (Dmowski A., Prokopowicz D., 2010, p. 84).


### **Analysis of latest research where the solution of the problem was initiated.**

The issue of the national interventionism applied since autumn 2008 based on the mild monetary policy of central banking in developed countries after the global financial crisis is being undertaken in numerous scientific publications by scientists operating in various environments and originating from different countries. The increase in the interest of scientists in these issues results from its timeliness and high level of significance as well as from the growing anti-crisis interventionist mild monetary policy of central banking applied in developed countries after the emergence of the global financial crisis in autumn 2008. In addition, due to the issue of assessing the role of central banking in the context of reducing the negative effects of the global financial crisis and raising public awareness of investment banking issues, the quality of the content of the global financial crisis presented in the media is growing. Through verification of opinions, considerations, conclusions and research theses contained in the cited publications the main research aspects and a picture of the inter-

ventionist anti-crisis policy of a mild monetary policy of central banking applied in developed countries after the global financial crisis emerged in autumn 2008 were formulated. Main research aspects and the picture of the analyzed topic were used as the basis for determining the objectives and research methods used in this study. Prior to the research, collecting and developing research results on various aspects of the issues of the Federal Reserve Bank and the European Central Bank interventionist anti-crisis mild monetary policy applied in developed countries after the emergence of the global financial crisis in autumn 2008, the author of this study has reviewed the literature regarding the above the problems. This article describes the anti-crisis interventionist policy of the monetary policy of central banking with the use of a synthetic approach to research and considerations undertaken by authors in previous publications: B. Domańska-Szaruga (Domańska-Szaruga B., 2014; Domańska-Szaruga B., Prokopowicz D., 2015), D. Prokopowicz (Prokopowicz D., 2003, Prokopowicz D., 2008, Prokopowicz D., 2010,

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Prokopowicz D., 2015a, b, Prokopowicz D., 2016), S. Gwoździewicz (Gwoździewicz S., Prokopowicz D., 2015a, b; Gwoździewicz S., Prokopowicz D., 2016a, b), A. Dmowski (Dmowski A., Prokopowicz D., 2010; Dmowski A., Prokopowicz D., Sarnowski J., 2008) and other authors of the cited publications.

The analysis of the contents of the literature addressing the anti-crisis interventionist policy of the monetary policy of central banking applied in developed countries after the appearance of the global financial crisis in autumn 2008 shows that in other countries, research on this problem were taken by, among others: LE Armijo (Armijo LE ed. (2001), RR Bliss, GG Kaufman (Bliss RR, Kaufman GG, ed., 2010), W. Bonner, A. Wiggin (Bonner W., Wiggin A., 2006; Bonner W., Wiggin A., 2009), AM Chisholm (2013 (Chisholm AM, 2013), H. Davies, D. Greek (Davies

H., Greek D., 2010), M. Dahl (Dahl M., 2015), J. De Haan, S. Oosterloo, D. Schoenmaker (De Haan J., Oosterloo S., Schoenmaker D., 2009) and D. Millet, E. Touissant (Millet D., Touissant E., 2012). Based on the study of sources of literature listed in the References, it was shown that the researchers described the high level of significance of the subject matter investigated by the Federal Reserve Bank and the European Central Bank interventionist anti-crisis monetary policy applied in developed countries after the appearance in autumn 2008 of global financial crisis also indicates the timeliness and development of the issues described. Conclusions and suggestions being results from previously conducted research described in the content of the studied literature were used to formulate the key research thesis and the objectives of the undertaken research.

### **Aims of paper. Methods.**

Before writing this article, a literature review of the issues of the interventionist anti-crisis mild monetary policy applied in developed countries conducted by the Federal Reserve Bank and the European Central Bank after the appearance of the global financial crisis in autumn 2008 was carried out. The literature review was also preceded by specifying the key issues, which were analyzed, the objectives of the research undertaken and the formulation of key questions and research thesis. The subject of this work initially defined conceptually and axiomatically was also clarified after the review of publications of other researchers regarding the issue of state intervention implemented since autumn 2008 based on a mild monetary policy of central banking conducted in developed countries after the global financial crisis.

During the research, various research methods were used, which were listed below: descriptive and comparative methods, inductive reasoning, deductive reasoning, descriptive-vector method, media observation method. The choice of methods was determined by the type of research materials in which various aspects of the subject matter. For presenting the key issues of the subject, explaining particularly important relationships, links, correlations between the anti-crisis interventionist elements of the mild monetary policy of central banking used in developed countries after the global financial crisis appeared in autumn 2008 mainly a descriptive method was used. The comparative method was used primarily in comparisons of selected aspects of the examined monetary policy problem applied in individual countries. In connection with the above, guided by the

principle of scientific objectivity, impartiality and synthetic of the research approach based on the verification of the content of the cited publications for the purposes of this study, the following main research thesis has been formulated: Functioning of the financial system in full respect of banking procedures and improving

the credit risk management process will not be fully revised as long as there will be a message in the media directed to the banks that the Federal Reserve Bank in the USA is responsible for the global financial crisis. The final part of this study contains a reference to the issue of verifying the research thesis.


### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

**Anti-crisis state interventionism and the image of sources of the global financial crisis created in the media** Supporters of state intervention indicate that the collapse of the financial system that could have appeared at the end of 2008 on a much larger scale than it appeared was significantly limited in negative effects by "pumping" significant sums of public money into the economy. This mechanism consisted mainly in saving large banks and enterprises, which are crucial to the domestic and global economy, by buying toxic assets from banks and granting preferential loans in exchange for taking over 'too big to fail' corporate shares, however in a real difficult financial situation (Hryckiewicz-Gontarczyk A., 2014, p. 75). Such a solution also led to an increase in the public debts of countries applying this practice. The costs of this debt will be repaid by the whole society and banks can still act in the same way as before September 2008. Why is this happening? Why the financial supervisory bodies over the activity of investment banks have not been appropriately strengthened. Why were the procedures for using speculative derivatives in speculative transactions not regulated so that the investment banks did not take such a high credit risk as they did before the bankruptcy of Lehman Brothers in September 2008? The answer is simple, because they earn a lot and are not burdened with the costs of financial crises, for which they are

partly responsible (Chisholm A. M., 2013, p. 82).

Apart from that, the functioning of the financial system will not be improved until the media stop showing that the global financial crisis was primarily caused by the Federal Reserve Bank in the USA. Many pseudo-documentary movies have already been created (*The Last Days of Lehman Brothers* 2009; *The Love of Money*, 2009; *Money for Nothing Inside the Federal Reserve*, 2013; *When Bubbles Burst*, 2013; *Inside the Meltdown*, 2010), which, acting as a para-scientific explanation, propagate the philosophy of misleading the deregulation of financial markets with the development of a free market, and attempts to regulate markets are trying to implement the principles of real socialism, i.e. the model of a centrally planned economy recognized as the US ultra-market economy. This type of attempt to manipulate public awareness is possible considering the fact that in these media messages the simplified explanatory problem of shortcuts and only simple concepts in the field of economics are used, which are understandable for the statistic citizen, in Poland referred to as Jan Kowalski or in the USA as John Smith. Some of these pseudo-document also point to the negative effects of deregulation of derivative markets, imperfect credit procedures, unreliable activity of rating agencies (*Backlight The Power of The Rating Agency*, 2012), unethical activities of

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stockbrokers selling to uninformed investors start-up stocks with high investment risk (*Boiler Room*, 2000) or credit derivatives (*Inside Job*, 2010; *Trader Games*, 2010) bad risk management systems in investment banks or even the necessity of re-regulation of capital markets, especially of derivative securities (*The International*, 2009; *Wall Street Money Never Sleeps*, 2010; *Plunder The Crime of Our Time*, 2010; *Margin Call*, 2011; *The Big Short*, 2015) and the potential negative effects of not introducing these regulations, the growing risk of another global financial crisis emerging in the future. In some media reports, attempts are made to explain and justify the application of anti-crisis programs by the Fed to stabilize the situation on the financial markets after the bankruptcy of Lehman Brothers, or to almost glorify the use of quantitative easing as part of monetary policy to maintain liquidity in markets granted by credit banks (*Too Big to Fail*, 2011). There are also few attempts to show in the media growing systemic risk, which may include strongly connected financial markets with other markets and indirectly the entire global economy. For example, by a hypothetical situation in which banks in China began to sell on the free market the US Treasury bonds, the US dollar could lose investors' confidence as a global strong currency and thus another global financial crisis would emerge. Similarly, if the US announced that they are not able to gradually reduce the federal public debt, which since the beginning of the twenty-first century reached a record level and in 2002 - 2017 showed a strong upward trend (*Money as debt*, 2006; *I.O.U.S.A.* 2008; *America's Money Vault*, 2012).

In the mentioned pseudo-documentary movies, in which the selected sources of the global financial crisis are indicated to the public, the media message is trying to

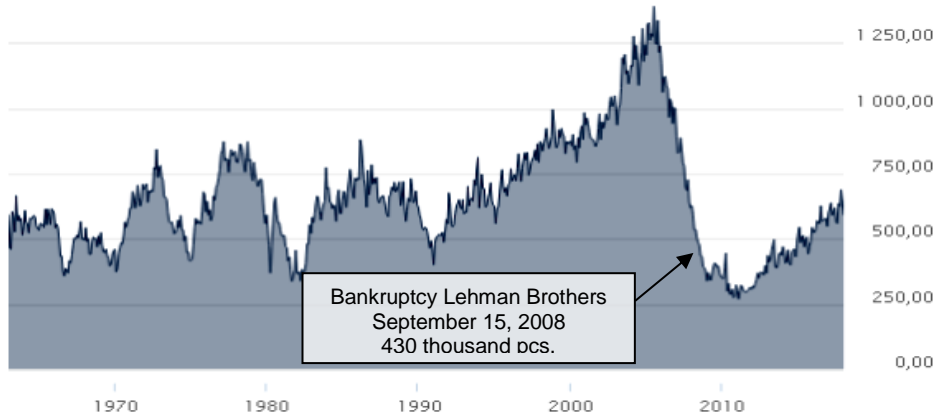
diminish the responsibility of investment banks for this crisis, pointing to central banking as the main culprits of this crisis. It is a convenient solution for investment banking, removing the obligation to improve the credit risk management process, the process which should not aim to bring speculative bubbles to the deregulated capital markets. Media are trying to convince the public that the Federal Reserve Bank mainly from the mid-1990s, i.e. the term of Alan Greenspan and Ben Bernanke, until the autumn of 2008, used the policy of activating economic processes by reducing central bank interest rates (Gwoździewicz S., Prokopowicz D., 2016.a, p. 93-94). However, this was only a theory, because gradually lowered interest rates quickly generated inflation of assets listed on capital markets rather than stimulated enterprises to invest in technology and restructuring. If there was a threat that one of the markets could be overvalued and there could be a risk of stock market crash, then Alan Greenspan announced to the whole world that there is no problem because another interest rate cut will prove to be the remedy for the first symptoms of a possible disease.

The speculative bubble of dotcom stocks on the New York Stock Exchange was a critical warning signal, but the people employed in Federal Reserve committees in the US central bank instead of making rational decisions were listening to pseudo-philosophical theories of FED head Alan Greenspan treated as the infallible oracle. In this respect, the situation looked as if the condition of the entire global economy, being a determined by situation on the capital markets, for several years was to a large extent conditioned by what one man, the head of the Federal Reserve Bank, would announce. What a paradox, this situation in the economy considered to be the most marketable and democratic (Prokopowicz

D., 2015.a, p. 21-22). This happened despite the repeated warnings made by the researchers of the functioning of the entire economy. These warnings, suggesting already at the beginning of the 21st century, that on the securities markets, including

subprime and subprime bond derivatives, a new speculative bubble is growing, which if it breaks out proves to be a huge crash, these warnings of independent financial institutions economists were ignored (Bonner W., Wiggin A., 2006, p. 295).

**Graph 1. Sale of new homes in the USA (in thousands of items).**



Source: Sale of new homes in the USA (w:) online financial portal "Bankier.pl", 4.8.2018, (<https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/sprzedaz-nowych-domow-usa>).

Even just before the bankruptcy of the Lehman Brothers investment bank, i.e. in 2007, when the problem was clearly visible, the unemployment rate increased, mortgage loans were granted to non-creditworthy Americans, property prices speculatively pushed up, US economic growth showed a clear downward trend, even then the FED pushed for one and the same prescription for the growing systemic risk covering almost the entire financial system, i.e. a reduction in interest rates. Could the head of the FED think that asset prices on capital markets can grow infinitely at a geometric rate, because that's how it looked when one look at the stock market indices and real estate prices in the 1990s until 2008? Today, we know that such a strategy based on low rates as a universal remedy for all major diseases of the domestic economy, turned

out to be wrong (Bliss R. R., Kaufman G. G., ed., 2010, p. 196).

One should not forget about an equally important issue regarding credit activities at the transactional level, i.e. the need to improve the credit risk management process in commercial banks, both in classic deposit and credit banks, mortgage and investment banks (Prokopowicz D., 2008, p. 88-89). Banks will not implement this process themselves effectively in the situation of deregulated financial markets, and especially excluded from many derivatives regulations. In this respect, it is necessary to strengthen the banking supervision institutions, both on the domestic and supranational level (Prokopowicz D., 2003, p. 96-97).

Why the issue of the need to improve the credit risk management process in banks has gone to the background in the media

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discussions? Because now it is assumed that the package of interventionist anti-crisis measures applied in the United States has caused the expected positive effects of the restoration of economic growth in the American economy. However, considering the specifics of this economy, i.e. the high level of marketization of economic processes and the Anglo-Saxon model of the financial system in the US, it is not yet decided that the use of analogous anti-crisis intervention programs in other countries will bring similar positive effects (Davies H., Greek D., 2010, p. 62). For several years, some of the analytical interventionist activities have been applied in Europe by the European Central Bank (Gwoździewicz S., Prokopowicz D., 2015.b, p. 209). In March 2016, the ECB increased the sum of financial resources from 60 to 80 billion euros monthly to support financial liquidity in the euroland financial system. However, the European Union is not the "united states" of Europe. The European Union is created by a systematically and market unified yet significantly differentiated countries in terms of production potential, specific categories of production factors, and regulations regarding fiscal systems and electronic capital transfer (Dmowski A., Prokopowicz D., Sarnowski J., 2008 , p. 132).

In connection with the above actions, the global financial crisis was essentially averted, but the questions regarding the improvement of the financial system remained. Since the beginning of 2013, the acceptance of risk on financial markets has been successively returning, which is indirectly related to data from the real US economy improving in recent months, primarily from the US labor market, where improvement has been observed since autumn 2012, because the increase in unemployment significantly slowed down and in some sectors even the first symptoms of the

economic recovery were observed. Slowdown of unfavorable trends was also observed in the American real estate markets (Pietrzak M., 2012, Koleśnik J., 2012, p. 69). At present, the view prevails that the interventionist Keynesian model of anti-crisis activities, considering the attempts to stimulate consumption and investment demand, was once again used in the US with fundamentally positive effects. The key element of this interventionist economic policy was the application of the active monetary policy of the Federal Reserve Bank (Gwoździewicz S., Prokopowicz D., 2016.b, p. 66-67). In the context of generated positive macroeconomic effects, the applied interventionist assistance package with a key central banking share can be considered a method that has been proven and operates effectively, basically in accordance with the objectives defined earlier (M. Białas, Z. Mazur, 2013, p. 173).

#### **Post-crisis economic recovery generated by state interventionism of monetary policy**

Currently, it is assumed that the global financial crisis that emerged in 2008 because of the absence of rapid intervention by highly developed countries could lead to a long-term downturn in financial markets, a lack of confidence in the banking systems and, consequently, for recession in national economies. In extremely negative scenarios, this could lead to a severe collapse of the financial system, which negative effects due to their potential scale are currently difficult to estimate (Prokopowicz D., 2010, p. 155-156). These effects that occurred at the very beginning of the development of the global financial crisis presented a dramatic picture of the economic downturn. At the very beginning of the crisis, in October 2008 the recession of the US economy reached almost 7 percent. It was the largest decline in economic growth since World War II. Probably this picture

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Prokopowicz D., Sobóń J., (2018) Selected Elements of Resource Theory in the Context of Enterprise Competitiveness

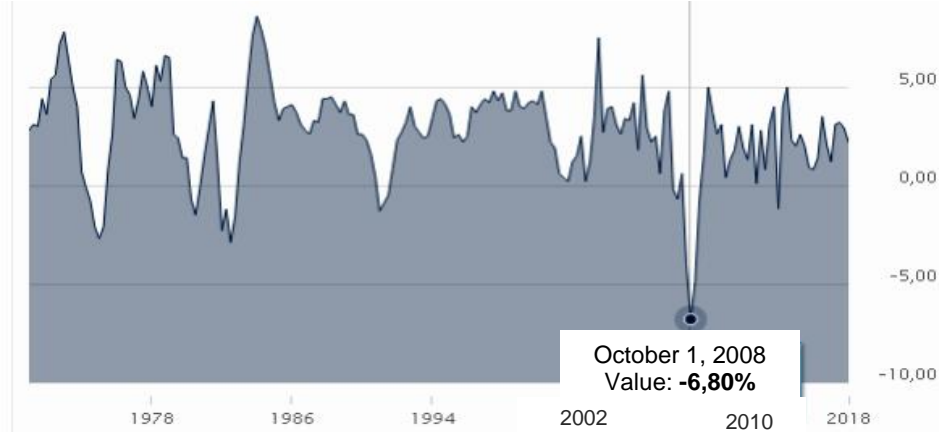
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of the downturn in the US economy in the end of 2008 could look much more dramatic if it was not reached after the well-

known for several decades and quickly introduced in the modified formula Keynesian state interventionism (Millet D., Touissant E., 2012, p. 67 ).

**Graph 2. Gross Domestic Product in USA in years 1950-2018.**



Source: *Gross Demestic Product w USA (w:)* online financial portal "Bankier.pl", 4.8.2018, (<https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/pkb-usa>).

The bank lobby, in agreement with the governments of individual countries, recognized that this cannot be allowed. After the collapse of the Lehman Brothers investment bank in 2008, crisis teams formed of representatives of banking supervision, major financial institutions and central banks quickly consulted and then recommended rapid implementation of state intervention programs in which central banks played the main role (Bonner W., Wiggin A., 2009, p. 62). As part of anti-crisis programs directed to the banking sector, interest rates were lowered, loans were granted to commercial banks and other financial institutions on preferential terms, capital-funded large enterprises losing liquidity were injected and replaced in exchange for taking shares in these entities and forced to implement restructuring programs. In addition, central banks, such as the Federal Reserve Bank in the USA and the European

Central Bank in the European Union (Domańska-Szaruga B., 2014, p. 24-25), were also key in the context of the global economy, which as part of interventionist anti-crisis measures for several years, were buying financial assets with the highest credit risk levels from commercial banks, thus ensuring liquidity in the financial system (Prokopowicz D., 2016, p. 26-27).

Currently, among economists prevails the opinion that if it were not for the application of rapid state intervention referring to the already known since the 1930s, the Keynesian form the scale of economic slowdown in the world and individual countries would be much greater (Płókarz R., 2013, p. 83). As part of the pro-development actions of the state intervention, the Federal Reserve Bank used a low monetary policy of low interest rates and a program for activating lending and maintaining liquidity in the financial system by financing the purchase from commercial



banks of the most endangered assets (Szybowski D., Prokopowicz D., Goździewicz S., 2016, p. 141-142).

After 10 years of the financial crisis in the US, for several years, macroeconomic enduring signs of economic recovery have been noticed, suggesting that the policy of bringing to life the economy from public funds and the active monetary policy of the

Federal Reserve Bank generated the previously planned macroeconomic development goals. The measure of these effects is a significant improvement of the situation on the labor market. There has been a significant drop in the unemployment rate from over 14% at the end of 2008 to below 7% in November 2013 and below 4% in April 2018 (Szymański D., 2018).


## Conclusions.

Most economists share the opinion that interventionist anti-crisis economic policies, including savings policies, contribute to an increase in efficiency, effectiveness and profitability of production processes, which may be associated with the improvement of the global economy. The period in which the already confirmed macroeconomic symptoms of recovering from the financial crisis on a global scale are already underway for a decade. In fact, most economists have accepted that there is no economic crisis in the US anymore (*Coraz lepsze dane z USA w cieniu klifu*, 2012). Similarly, in the euro zone the situation in the labor market in the last few years has significantly improved, and for over 3 years in most countries in Europe there has been positive economic growth and most forecasts are optimistic in the next quarters. Slightly weaker improvement in the economic situation occurs in those countries in which, due to the deepening debt crisis in public finances, public finance reforms are being implemented, primarily based on tightening fiscal policy (Dahl M., 2017, p. 32-34). The tightening of this policy was conducted mainly through raising taxes and reducing expenditures in public sectors. In the global perspective, in order to realize positive scenarios, the key issue is the rate of economic growth in the largest economies, i.e. in the economies of the USA, China and the European Union (Kalinowski M., Pronobis M. 2015, p. 63).

On the other hand, a significant improvement in the situation on the capital markets as occurred in the period from the second quarter of 2009 to the second quarter of 2018 was mainly a result of an improvement in the economic situation, rising production levels, rising economic growth and declining unemployment. However, this was not just a process of a classic change in the business cycle trend consisting in the post-crisis launch of spare capacity to improve its profitability (Prokopowicz D., 2015.b, p. 47-48). This was to a large extent a process inspired by the interventionist actions of governments and institutions, including central banking in the USA and the European Union. However, in the economy of highly developed countries, a serious economic problem that in the future may significantly limit the scale of civilization development shaped so far is the process of unfavorable changes in the demographic structure of societies colloquially denoted by the aging of the population (Wereda W., Prokopowicz D. 2017, p. 24). In addition, such issues as transparency of the central bank's stability policy, methods of quantifying and securing systemic risk, rating agencies' recommendations, efficiency of domestic and overseas financial market supervision institutions are other key aspects in the context of modeling credit risk management systems that require continuing successive improve the efficiency of their operations to develop

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stable, crisis-proof financial systems. On the other hand, there is also a lot to do in the micro approach, in analytical and sales activities, in information flows, especially in the area of risk estimation and establishing adequate risk protection methods for individual financial transactions (Dmowski A., Prokopowicz D., 2010, p. 327). The banks themselves will not implement it to the extent that stability of financial systems is necessary, as well as the stand-alone policy of domestic central banking and international initiatives for financial stability (Dahl M., 2015, s. 66-74). Therefore, it is necessary to constantly promote the needs of improvement of risk management procedures regardless of the phase of the business cycle in which the country is located, and usually at the same time also the global economy. Institutional financial supervisors, including those operating transnational as the Basel Committee on Banking Supervision in the European Union (De Haan J., Oosterloo S., Schoenmaker D., 2009, p. 92) should put pressure on improving risk management systems through normative instruments so that the development of hedging instruments for active transactions concluded by banks on a regular basis was correlated and did not differ from the ongoing technological progress, e.g. in the field of mobile banking, marketing innovations on the Internet (Sarnowski J., Prokopowicz D., 2015, p. 142 -143) as


well as in the context of new product innovations, e.g. under new types of derivatives. The role of the institution of supervision over financial systems is particularly important because the pressure to improve procedures affecting system security decreases in a situation of improving economic situation, which is associated with the almost automatically increasing acceptance in banks of higher credit risk levels. At present, economists are trying to predict when the next wave of economic downturn will begin to appear on a global scale and find the answer to the question when the next economic crisis will occur, which will cover most countries. The purpose of shifting to the uncertain future of the future period of the next wave of recession should be to apply the components of pro-development economic policy described above and the instruments of the credit risk management process. In connection with the above, entered into the introductory part of this study entitled *Aims of paper. Methods* thesis, according to which it was assumed that the functioning of the financial system in terms of full compliance with banking procedures and improving the credit risk management process will not be fully corrected as long as there will be a message in the media directed to the banks that the Federal Reserve Bank in the USA is responsible for the global financial crisis, has been confirmed.

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## **II. International Relations, Regional Studies and Politics**







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## **PRIORITIES OF CANADA URBAN DEVELOPMENT: FROM SUSTAINABLE TO SMART CITIES**

## **PRIORYTETY MIEJSKIEGO ROZWOJU W KANADZIE: OD ZRÓWNOWAŻONYCH DO MIAST INTELIGENTNYCH**

## **ПРИОРИТЕТЫ ГОРОДСКОГО РАЗВИТИЯ КАНАДЫ: ОТ УСТОЙЧИВЫХ ДО УМНЫХ ГОРОДОВ**

### **Abstract**


*The article deals with the priorities and dynamics of the Canada urban development and describes the sustainable cities evolution. The purpose of the work is to compare the main achievements in the implementation of sustainable cities in Canada and to outline the problems and prospects of the formation of smart cities. To date smart cities is also an innovative system, where technologies are used to improve the relationship between citizens and their governments and provide social innovation and improve quality of life. A sustainable and smart cities is a place where citizens work with local authorities to improve service delivery, develop community initiatives and create solutions to improve quality of life. In this context, it is important to analyze the current policy of sustainable urban development in Canada in order to identify problem points and formulate recommendations for further development.*

**Keywords:** *urban development, sustainable city, smart city, metropolises, Canada, innovation model*

### **Streszczenie**

*Artykuł dotyczy priorytetów i dynamiki kanadyjskiego rozwoju miast oraz opisuje ewolucję miast zrównoważonych. Celem pracy jest porównanie głównych osiągnięć w zakresie wdrażania miast zrównoważonych w Kanadzie oraz przedstawienie problemów i perspektyw tworzenia miast inteligentnych. Do tej pory inteligentne miasta to także innowacyjny system, w którym technologie są wykorzystywane do poprawy relacji między obywatelami a ich rządami oraz zapewnienia innowacji społecznych i poprawy jakości życia. Zrównoważone i inteligentne miasta to miejsce, w którym obywatele współpracują z władzami lokalnymi w celu poprawy świadczenia usług, rozwoju inicjatyw społecznych i tworzenia rozwiązań poprawiających jakość życia. W tym kontekście ważne jest przeanalizowanie*

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*obecnej polityki zrównoważonego rozwoju miast w Kanadzie aby zidentyfikować punkty problemowe i sformułować zalecenia dotyczące dalszego rozwoju.*

*Słowa kluczowe: rozwój miejski, zrównoważone miasto, inteligentne miasto, metropolie, Kanada, model innowacji*

#### **Аннотация**

*В статье рассматриваются приоритеты и динамика развития городов Канады, описывается устойчивая эволюция городов. Целью работы является сравнение основных достижений в осуществлении устойчивых городов в Канаде и очертить проблемы и перспективы формирования умных городов. На сегодняшний день умные города также являются инновационной системой, где технологии используются для улучшения отношений между гражданами и их правительствами, а также для обеспечения социальных инноваций и улучшения качества жизни. Устойчивые и умные города - это место, где граждане работают с местными властями, чтобы улучшить оказание услуг, развить общественные инициативы и создать решения для улучшения качества жизни. В этом контексте важно проанализировать текущую политику устойчивого городского развития в Канаде, чтобы определить проблемные моменты и сформулировать рекомендации для дальнейшего развития.*

*Ключевые слова: городское развитие, устойчивый город, умный город, мегаполисы, Канада, инновационная модель*

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#### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

In recent decades the role and significance of cities in the modern structure of national economic systems has been steadily increasing. Today cities around the world are the key centers for the development of social, economic, environmental and political spheres. On this issue, Canada is no exception, as evidenced by the fact that the seven largest metropolises of the country produce almost 45% of the country's total GDP (Bradford 2002, p. 6]. Accordingly, the is-

sue of urban development, especially ensuring their sustainability and the possibility of evolution as a means of confronting contemporary globalization challenges, becomes a key issue in both the formulation of regional policy at the national level and local development strategies. In particular, the key elements in shaping these policies are the inclusion of such issues as finding a global niche, managing energy costs and demographic changes.

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Kołomechiuk V. (2018) Priorities Of Canada Urban Development: From Sustainable To Smart Cities.

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**Analysis of latest research where the solution of the problem was initiated.**

The research of the priorities of Canada urban development was carried out by such scientists as N. Bradford (Bradford N., 2002), C. Doberstein (Doberstein C., 2011), N. Gaussier, C. Lacour, S. Puissant (Gaussier N. et al., 2003), D. Hiebert (Hiebert D., 2017), M. Orlando (Orlando

M. et al., 2005), Z. Spicer (Z. Spicer, 2015) and others.

However, in the publications of scientists there is still open question about determining the priorities of Canada urban development in the context of sustainable and smart cities growth.

**Aims of paper. Methods.**

The purpose of the study is to determine the priorities of Canada urban development and provide analysis of sustainable and smart cities evolution.

In the research, the methods commonly used in economic science are applied: theoretical, comparative and retrospective analysis – to reveal the theoretical foundations of the development of the sustainable

cities taking into account the prospects for the smart cities development; generalization – to improve methodological approaches to the analysis of the Canada urban development in the context of cities evolution – from sustainability to smartness.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**


Taking into account the importance of cities for the national economy and the proportion of Canadian citizens living and working in cities, the federal government is interested in making the cities successful. Many modern political courses include the urban aspect (National Urban Strategy Report, p. 9). The federal government has direct authority that affect the functioning of cities, including immigration, taxation and trade. However, most of the other authorities are under the jurisdiction of the provinces, many of which are delegated to municipalities.

The indicated challenges and the actual importance of cities in the structure of the national economy are not a fundamentally new issue. Over the past decades this issue has been observed by various scholars, politicians and specialists in specific areas. The definition of specific trends and potential drivers of urban development is aimed

to create a basis for the formation of a unified policy of sustainable cities development and their transformation (in some cases, the creation of entirely new settlements) in smart. There are three groups of factors – both internal and external – that will have a decisive impact on the development of Canadian cities in the short term:

1) Growth of metropolises – the trend towards urbanization will continue to intensifying. There will be a process of «polytonization of metropolises» - the concentration and coordination of economic, political and mass cultural events around the world in large urban regions (Gaussier N., Lacour C., Puissant S., 2003, p. 255). This will create a basis for a new economic system in which there will be dependence on more intensive geographical concentration of economic activity which means that productivity is largely determined by cities and is shaped by their inhabitants and the organizations for which they work.

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2) Rising energy costs and the impact of infrastructure on the efficiency of cities urbanization – the growth of world demand for hydrocarbons, combined with a decrease in the availability of readily available fossil fuels, will increase the cost of energy. In turn, this will contribute to a qualitative restructuring of the economic system which will mean a reduction in energy consumption in the short term and a departure from carbon production and consumption. As the infrastructure has a durable effect (often lasting up to half a century) it is important to ensure a reasonable investment in any new public or private infrastructure and modernization or rebuilding of existing infrastructure (McKinsey and Company, 2009).

3) Demographic changes, immigration and social cohesion – in the coming years, in the absence of any political interference, Canada will face the decline and aging of the population as well as the slowdown in labor force growth. Immigration is currently the main engine for population growth and Statistical Office of Canada predicts that it will be the only source of population growth. Moreover, if immigration continues in the coming years, this process will contribute to increasing the diversity of large cities in Canada (Hiebert D., 2015).

Proceeding from the specifics of the self-government system Canada currently lacks a federal policy of urban development, due to the ownership of a wide range of rights and powers in the provinces which are responsible for the management of urban development. Policies related to urban development are implemented through national sectoral policies and through sub-national policies. For the exchange of information and ideas, federal, provincial and territorial conferences and meetings of the first ministers are held regularly, which enables them to find common goals and general

policies. Much of the work in intergovernmental relations is taking place in a growing number of meetings of federal, provincial and territorial ministers responsible for developing cooperation in specific policy areas from the environment to social policy (OECD, 2015).

The federal government's sectors that affect urban development including infrastructure, monetary, economic and housing policy (UNHABITAT, 2015). Canada's infrastructure indirectly promotes urban development performing its responsibilities as a major funding partner cooperating with provinces, territories, municipalities, the private sector and non-profit organizations and other federal agencies (OECD, 2015).

Also, there are operating six regional development agencies (Regional Development Agencies, RDAs): the Western Economic Diversification Canada (WD); the Atlantic Canada Opportunities Agency (ACOA); the Canada Economic Development Agency for the Regions of Quebec (CED); the Federal Economic Development Agency for Southern Ontario (FedDev Ontario); the Canadian Northern Economic Development Agency (CanNor); the Federal Economic Development Initiative for Northern Ontario (FedNor).

These structures are currently grouped and placed under the leadership of the federal structure of Innovation Science Economic Development (ISED). RDAs promote urban development by taking the lead in regional economic development. Through their mandates, RDAs contribute to the economic development of cities by supporting the innovative ecosystem of cities and attracting FDI. Also, RDAs play an important role in collecting local economic divestiture and advocacy policies to integrate a regional perspective into national policy formulation.

Since 1995, the federal government has approved urban development agreements with some cities in the western provinces. These agreements were aimed at addressing specific issues for each city by improving coordination between federal, provincial and municipal authorities (OECD, 2010). However, all urban development agreements were suspended until 2010 (Doberstein C., 2011).

An interesting and unique initiative in Canada was the Urban Aboriginal Strategy [Urban Aboriginal Strategy], which was developed in 1997 to respond to the needs of indigenous people living in key urban centers. Owing to the Urban Aboriginal Strategy, the Canadian government seeks to increase indigenous peoples' participation in the economy.

In 2001, the City Working Group at the headquarters of the Prime Minister recommended the development of a national «Urban Strategy», a long-term source of funding for affordable housing, transit and infrastructure and the ministries of urbanization. Despite the fact that the proposal of the Department of Urbanization was rejected, the recommendations of the Working Group influenced on further policy (Spicer Z., 2015). In December 2003, the Prime Minister created the City Secretariat as part of the Secret Council Office and provided the Secretariat with special responsibility for the city. In July 2004, the City Secretariat was merged with another federal structure – Infrastructure Canada (Infrastructure Canada). In addition, the government created an external advisory committee on the issues of cities and communities. In 2004/2005 new proposals for cities and communities were created. The tasks were to provide predictable long-term funding for communities of different sizes, provide a more effective infrastructure support and social priority program, give com-

munities a stronger voice and improve co-operation between federal, provincial, territorial and municipal authorities. To achieve these goals, municipalities were given additional resources by increasing their share of taxes and increasing their transfers. In addition, the government agreed to formally consult with the municipal representatives before each federal budget approval (OECD, 2017, p. 25).

In order to modify the policy of sustainable urban development many studies and prepared analytical reports have been conducted. Thus, the federal agency Policy Horizons Canada prepared a scientific report «canada@150» (Policy Horizons Canada, 2010) which included recommendations for the further development of policies on sustainable urban development. According to the report key instruments are:

1) Innovation Fund for Urbanization. In order to improve economic innovation Canada must rely on the natural benefits of large cities. First, cities have deep resource markets that reduce the time and effort spent on the purchase of specialized labor and equipment. Secondly, cities provide positive knowledge that increases the productivity of skilled labor force (Orlando M., Verba M., 2005, p. 35-36). Cities that are truly successful in developing their natural benefits in innovation are those who have invested in key infrastructure, including an efficient transport system, widely available Internet connectivity, higher education institutions and multinational organizations.

2) Local Candidate Program (Immigrate as a provincial nominee) – under this program, the federal government will allow municipalities to nominate a certain number of migrants for immigration to Canada; the main criterion will be the fact that prospective immigrants will be necessary to address the needs of the local labor market.

The number that each municipality would be allowed to nominate will depend on their population (Immigrate as a provincial nominee).

3) Criteria for sustainable development to finance local budgets – the federal government will spend nearly 9 billion dollars over the next seven years on infrastructure for municipalities through the Building Canada Fund and another 2 billion dollars a year for the transfer of gas taxes. The federal government has indicated that funding will be spent, for example, on environmentally friendly infrastructure such as public transport. However, only a small part of all costs of built infrastructure – from local roads to office buildings – are provided by the federal government; the rest by private parties or those at other government levels. While the federal government can fund projects that can conform the criteria supporting cities that maintain stability, the vast majority of other capital investment in the emerging environment does not have such criteria and can counteract the goals of sustainable growth.

4) Tax incentives to promote a sustainable and private sector of urban development – suburban areas have an economic advantage over urban areas because of the price of commercial and residential space as well as green spaces. But the cost differentiation is partly existing due to external impacts associated with the development of suburban areas such as pollution costs associated with less densely populated areas, inaccessible public transport or public benefit costs (water, sewage, garbage and social services). In the latter case, costs are borne by the municipalities and distributed evenly through the municipal tax base.

This creates false incentives for the creation or placement of businesses and houses in suburban areas, since the cost of the owner does not take into account other expenses associated with servicing these buildings. In municipalities that have an assessment of the market value tax such an approach can also create unjustified inequalities between urban and suburban or rural taxpayers (Hemson Consulting Ltd., 2009, p. 23), with urban residents who paying more taxes but receiving a lower level of service. To overcome such a market failure, the federal government could use its tax authority for recalibration of urban and suburban land markets in order to better reflection on their real social and environmental costs and encouraging more sustainable urban development.

5) Improved funding for municipal governments – municipalities are generally responsible for services within their competence such as construction and operation of roads, distribution and treatment of water and sewage, solid household waste management and recreation facilities. In the recent past, local jurisdictions have become more important in infrastructure provision, as municipalities have seen that their contribution to infrastructure development has actually increased from 35 to 52 percent of total investment in infrastructure while the share of federal and provincial spending has fallen by nine and eight percent respectively (TD Economic Paper, 2004).

The use of any of these tools can be done independently of government and other interested parties. However, efficiency will be significantly higher if implementation takes place in the context of new forms of city management.

## **Conclusions.**

Thus, the role of cities will continue to grow in the coming years. Cities will increasingly become centers of global economic, social and cultural activity. Competition for new investments and immigrants among cities depends primarily on their viability and cost effectiveness.

Major Canadian cities have already made some progress on some of these issues. However, the federal government could play a leading role in helping them to do more. In this context, traditional approaches to urban policy implementation are inadequate. That is why new joint processes are needed.

It is precisely ensuring sustainable urban development as a key concept for sustainable development of the state in general. Re-orienting the economy to intellectualism creates the preconditions for transforming cities into smart ones. This ongoing development and evolution of existing agglomerations, in our opinion, is the best option

for development. Based on the specifics of the geographical location and historical preconditions for the settlement of Canadian territory, the practice of setting up new smart urban settlements will not have a practical effect for Canada.

The specificity of regulatory and legal control and the distribution of powers between authorities of different levels in Canada, in fact, implies strengthening the role of federal structures. It is the federal structures within its powers, of course avoiding the mechanisms for transferring powers to local authorities, should act as policy coordinators for sustainable urban development.

Consequently, the current issue is the development and adoption of a federal strategy for the sustainable development of cities and urban settlements, as well as a plan of action to stimulate urban evolutionary processes as part of the functioning of smart cities as the basic elements of an innovative economy.

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**DIAGNOSTICS OF ECOSAFETY REGIONS DEVELOPMENT  
IN UKRAINE**

**DIAGNOSTYKA ROZWOJU REGIONÓW UKRAINY  
PRZYJAZNYCH DLA ŚRODOWISKA**

**ДИАГНОСТИКА ЭКОЛОГИЧЕСКИ БЕЗОПАСНОГО  
РАЗВИТИЯ РЕГИОНОВ УКРАИНЫ**

**Abstract**

*The article reveals the essence of environmentally safety development of the region. An analysis of the ecological situation in the regions of Ukraine is carried out on the basis of indicators of air pollution, water purification and utilization of solid and hazardous wastes. A number of measures have been proposed to improve the status of atmospheric air, water objects, outlines ways of solving the problem of waste utilization in the regions of Ukraine.*

**Keywords:** *region, sustainable development, environmentally safe development, ecological safety, atmospheric pollution, waste management*

**Streszczenie**


*Artykuł ujawnia charakter rozwoju bezpieczeństwa ekologicznego regionu. Analiza sytuacji ekologicznej w regionach Ukrainy przeprowadzana jest na podstawie wskaźników zanieczyszczenia powietrza, oczyszczania wody i utylizacji odpadów stałych i niebezpiecznych. Zaproponowano szereg środków w celu poprawy stanu powietrza atmosferycznego, obiektów wodnych, zarysowano sposoby rozwiązania problemu utylizacji odpadów w regionach Ukrainy.*

**Słowa kluczowe:** *region, zrównoważony rozwój, rozwój bezpieczny dla środowiska, bezpieczeństwo ekologiczne, zanieczyszczenie powietrza, gospodarka odpadami*

**Аннотация**

*В статье раскрыта сущность экологически безопасного развития региона. Осуществлен анализ экологической ситуации в регионах Украины на основе показателей загрязнения атмосферного воздуха, водоочистки и утилизации твердых и опасных отходов. Предложен ряд мер по улучшению состояния атмосферного воздуха, водных объектов, определены направления решения проблемы утилизации отходов в регионах Украины.*

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**Ключевые слова:** регион, устойчивое развитие, экологически безопасное развитие, экологическая безопасность, загрязнение атмосферного воздуха, утилизация отходов.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

In order to increase the efficiency of managing the business structures and ensuring an adequate level of quality of life of the population is important to solve the problems of ecologically safe development in the region. In order to ensure the ecological safety of the region, it is necessary to determine and adjust the level of anthropogenic pressure on the territory and to optimize it. Environmental pollution, inappropriate use of natural resource potential, insufficient

level of introduction of environmental innovations lead to an ecological crisis, which is accompanied by a crisis of the socio-economic system of the region. Therefore, special attention should be paid today to the diagnostics of environmentally safe development of the region. It is also necessary to develop and make managerial decisions regarding ecologization of production in the regions, increase its economic efficiency and competitiveness while taking into account the environmental factor.

### **Analysis of latest research where the solution of the problem was initiated.**

The research of problems of sustainable development was undertaken by such scientists as J. Hulse (Hulse J., 2007), F. Jovane, H. Yoshikava (Jovane F., et al. 2008), R. Blinc, A. Zidanssek, I. Slaus (Blinc R., et al. 2007), G. Clarc (Clarc G., 2007), V. Jegatheesan, J. Liow, L. Shu, S. Kim, C. Visvanathan (Jegatheesan V., et al. 2009), E. Gonsz, U. Skirke, H. Kleizenn, M. Barber (Gonsz E., et al. 2007), B. Hughes, P. Johnston (Hughes B., Johnston P., 2005).


Theoretical, methodological and applied provisions of ecologically safe regional development are disclosed in scientific works B. Burkynskiyi, V. Stepanov, S. Khar-ychkov (Burkynskiyi B., et al. 2007), B. Danylyshyn, M. Koretskyi, O. Datsii (B. Danylyshyn, et al. 2006), V. Kravtsiv, P. Zhuk (Kravtsiv V., et al. 2015), N. Pavlikha (Pavlikha N., 2006), N. Semeniuk (Semeniuk N., 2008) etc. However, further research on the diagnosis of regional ecological development is needed.

### **Aims of paper. Methods.**

The purpose of the article is to assess the level of environmentally safe development of the regions of Ukraine, to determine the prospective ways of the ecological situation improvement in the regions of Ukraine.

Methodological basis of the research are general theoretical methods of scientific knowledge, in particular dialectic method, system analysis, fundamental positions of general economic theory. Methods of comparative and structural analysis, statistical

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groupings were also used to analyze the level of environmentally sustainable devel-

opment of the regions; graphical – for a visual representation of the dynamics of indicators.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

The key directions of sustainable development of regions according to the National Paradigm of Sustainable Development of Ukraine are the provision of a single integral model of social, economic and ecological development of the region; growth of the welfare of the population of the region; provision of dynamic socio-economic growth; preservation of the environment and rational use and reproduction of natural raw material potential; satisfaction of the needs of the population of the region on the basis of development of a highly efficient economy and management system of the economic complex; stimulating structural changes in the region's economy (Paton B., 2012, p. 72).

Environmental safety is one of the most important landmarks for the regional sustainable development. It ensures the constancy of the spatial system, determines the optimal level of load on the ecological component.

According to the concept of sustainable development, socio-economic development of the region should ensure the ecological safety of people's lives. Although, any influence of economic development on the state of the environment is negative in relation to its quality, as there is an increase in the technogenic load. At the same time, the possibilities of introducing resource-saving and environmentally-friendly technologies are increasing and the level of ecological culture of the population increases.

The main principle of the environmentally sustainable development of the region is the transition to environmentally balanced models of production and consumption and the elimination of the relationship between

the economic development of the region and environmental degradation.

The complexity of ensuring the environmentally sustainable development of regions and the country as a whole in the context of transformation processes is due to the fact that the current ecological and economic situation in Ukraine is characterized by the dominance of nature-rich industries and industries with raw material export orientation etc. Over the past decade, the industrial structure of the country has increased the importance of nature-intensive, environmentally aggressive industries (metallurgy, fuel and energy) and decreased the share of more environmentally friendly industries (machinery, light industry) (Potapenko N., 2001, p. 28-29).

The analysis of scientific literature has shown that the environmentally safe development of the region is an integral part of sustainable spatial development, the basis for solving the problem of harmonizing the goals of social and economic development with the principles of environmental safety.

In our opinion, the ecosafety development of the region should be considered as a systemic category that combines social, economic and ecological components, the interaction of which involves the transition to environmentally balanced production and consumption patterns, increasing the efficiency of nature management, the development of environmental infrastructure.

In order to enhance the environmentally safety development of the regions of Ukraine, it is necessary to determine its preconditions, namely the state of the eco-

logical situation. In particular, it is necessary to analyze the indicators of air pollution, water purification and utilization of solid and hazardous waste.

In Ukraine, in recent years, we have seen a decrease in emissions of air pollutants from stationary and mobile sources of pollution. It should be noted that in 2017 emissions to the air in Ukraine amounted to 2584.9 thousand tons, which is half as much as in 2014. This tendency can be explained by

the decline of the economy in 2015. Also, as of 2012, we observe a tendency reduction of emissions into the air from mobile sources of pollution (State Statistics Service of Ukraine, 2018)

Analysis of data on pollutant emissions into the air from stationary sources of pollution in the regional context for 2011-2016 has shown that the most contaminated regions are Dnipropetrovsk, Donetsk and Ivano-Frankivsk regions (Table 1).

**Table 1. Volumes of emissions of pollutants into the air from stationary sources of pollution for 2011-2016, thousand tons**

Region	2011	2012	2013	2014	2015	2016	The share of the region in Ukraine in 2016, %
Ukraine	4374,6	4335,3	4295,1	3350,0	2857,4	3078,1	–
Vinnitsa region	87,3	101,3	149,5	124,5	134,7	119,8	3,9
Volyn region	7,6	7,3	6,6	4,3	4,7	4,7	0,2
Dnipropetrovsk region	950,4	962,0	940,5	855,8	723,9	833,0	27,1
Donetsk region	1525,9	1514,8	1448,1	1043,0	917,6	981,4	31,9
Zhytomyr region	19,0	18,5	17,2	10,9	9,0	9,3	0,3
Zakarpatska region	17,2	8,1	7,7	3,9	4,4	4,9	0,2
Zaporizhzhia region	229,3	207,6	245,9	206,7	193,7	167,0	5,4
Ivano-Frankivsk region	221,8	196,7	202,9	228,8	223,9	196,7	6,4
Kyiv region	113,6	129,4	111,9	96,2	78,1	98,2	3,2
Kirovograd region	15,2	16,8	15,7	11,8	14,2	11,8	0,4
Lugansk region	472,0	447,6	442,0	197,8	115,2	155,5	5,1
Lviv region	129,4	130,7	121,4	100,2	102,4	103,1	3,3
Mykolaiv region	25,7	25,1	20,4	15,9	15,8	13,9	0,5
Odessa region	30,5	28,2	26,2	23,2	26,1	26,4	0,9
Poltava region	72,3	67,9	66,6	62,9	55,6	56,2	1,8

Rivne region	17,1	14,9	12,0	11,6	10,2	9,1	0,3
Sumy region	35,9	30,2	30,5	27,0	17,5	19,8	0,6
Ternopil region	20,4	20,9	15,9	8,2	8,5	9,0	0,3
Kharkiv region	174,1	197,6	210,3	150,5	53,4	100,2	3,3
Kherson region	5,8	6,4	6,0	7,2	8,9	9,7	0,3
Khmelnitsky region	18,7	16,4	17,2	17,1	18,3	21,7	0,7
Cherkassy region	62,2	69,4	73,1	66,7	57,5	52,3	1,7
Chernivtsi region	3,8	2,9	2,7	2,5	3,2	3,0	0,1
Chernihiv region	49,5	45,8	43,7	41,9	33,9	37,1	1,2
m. Kyiv	33,3	32,9	31,9	31,4	26,7	34,3	1,1

Source: compiled by the State Statistics Service of Ukraine.

In 2016, out of 47 cities in the regions of Ukraine, where regular monitoring was carried out, in 22 cities the atmospheric air by the integral indicator was characterized by high levels of pollution. These are the regions where powerful enterprises of the metallurgical, chemical and petrochemical industries and fuel and energy complex are located. In these regions there is a high level of atmospheric air pollution.

The main measures aimed at improving the atmospheric air in the regions of Ukraine are:

- Improvement of technological processes (including the transition to other types of fuel and raw materials);
- Construction and commissioning of new gas treatment plants and facilities;
- Increasing the efficiency of existing treatment plants;
- Elimination of sources of pollution, which made it possible to reduce emissions of pollutants into the atmosphere;
- Implementation of other measures, which made it possible to reduce emissions of pollutants into the air.

Analyzing volumes of discharged polluted return water in surface water facilities by regions of Ukraine, it should be noted that


surface water continues to belong to the number of contaminated natural resources. Gradual reduction of water consumption is reflected in reducing the amount of wastewater discharged. So, in 2016, in surface water objects, 698 million cubic meters of waste water was thrown, which is almost 2.5 times less than in 2013. In the regional section most of the water was thrown off by powerful industrial consumers (Dnipropetrovsk, Donetsk, Zaporizhzhia regions).

The following factors influence on the ecological state of the surface waters of the regions of Ukraine: soil pollution, atmosphere, change of landscape structure and technogenic overload of the territory, inefficient work of sewage treatment plants.

In order to improve the status of water bodies, a number of measures aimed at stimulating the rationalization and ecologization of water use, which include:

- Development of innovative water-saving technologies;
- Increase of investment activity in relation to the construction of modern and reconstruction of existing water treatment and water treatment facilities;

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- Stimulation of the development of environmentally friendly, anhydrous, shallow, recyclable and repeated-successive technologies in order to reduce the volume of contaminated wastewater and protection of water sources;

- Financial and economic stimulation of the implementation of innovative water-saving projects;

- Creation of effective market levers of ecological and economic regulation of water resources relations, which will enable to provide adequate financing of water and water protection activities;

- Implementation of the system of ecological and economic instruments for the promotion of water-saving production and consumption;

- Development and implementation of water saving policy, its periodic correction in accordance with the processes of state development, its control and evaluation of the results of the implementation of this policy;

- Implementation of the water management strategy taking into account the provisions of the eu water framework directive 2000/60 /eu;

- Attraction of additional financial resources, including using the mechanism of public-private partnership;

- Intensification of cooperation in the middle of newly created institutions - communities that are interested in preserving the environment in their territories.

The peculiarity of the structure of waste generation in Ukraine due to the raw material orientation of the economy is the high share of mining waste (rocks and mineral products rich in minerals – slimes, tails, etc.) in their composition – over 75%. At the same time, less than 2% of communal waste is spent. The largest amount of waste is formed at the enterprises of mining and smelting, coal, chemical industry and energy.

An analysis of the total amount of waste accumulated during operation in specially designated locations in the regions of Ukraine during 2012-2016 has shown that this indicator has increased in the Dnipropetrovsk, Zakarpatska, Kirovograd and Lviv regions (National report on the state of the environment in Ukraine, 2017, p. 308).

In general, as regards hazardous waste, it should be noted that today, due to the lack of perfect technologies for the disposal of unsuitable pesticides, offered on the domestic market, it is justified to export unsuitable pesticides from Ukraine to neutralize. For a long time in the country the issues of utilization and processing of hazardous waste that are stored in landfills and special landfills and on the territory of enterprises remain unresolved. The problem of building utilization, disposal complexes and new modern disposal sites is also not solved. At the same time, the pollution of the environment with toxic industrial waste has reached a level that negatively affects the health of the population.

Ways of solving the problem of utilization of waste should include:

- Formation of a modern waste recycling system, taking into account European experience;

- Improvement of the regulatory framework;

- Construction of new waste incinerators and waste recycling plants;

- Separate sorting and processing of household waste;

- Increase of fines for the disposal of unsorted garbage in specially not allocated places;

- Recycling of packaging for different products;

- Restriction of circulation of plastic goods.

In order to carry out an assessment of the ecologically safety development of the regions of Ukraine, we have calculated the

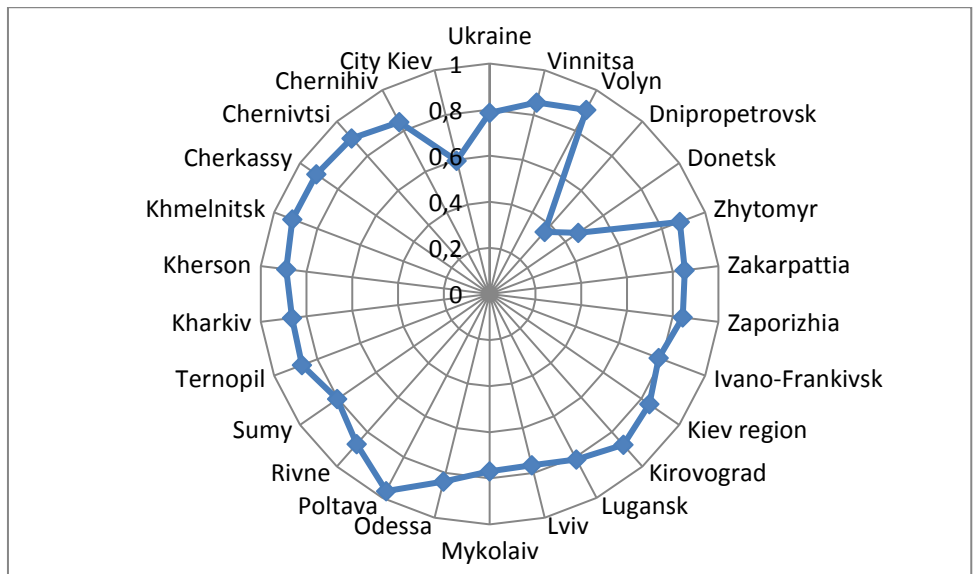
ecological index based on the statistical data that determine the ecological situation in the regions. Such indicators are the amount of accumulated waste, the volume of water pollution and the volume of emissions of pollutants into the air.

It should be noted that more precisely the ecological situation is transmitted not by absolute but by relative values, since the regions of Ukraine are rather differentiated by quantitative characteristics. Therefore,

the statistical indicators, expressed in absolute terms, were recalculated in relative terms. Since the indicators have a different dimension, then aggregation requires their reduction to one basis, that is, it requires a preliminary valuation of values. After the corresponding calculations we got the value of the ecological index.

The ecological situation in the regions of Ukraine by the ecological index in 2016 is graphically represented in Fig. 1.

**Fig. 1. Ecological situation in the regions of Ukraine by the partial ecological index in 2016**



Source: compiled by the author.

This indicator is evenly distributed in almost all regions of Ukraine, except in Kyiv, Donetsk and Dnipropetrovsk regions. Significant deterioration of the ecological state is the radioactive, chemical and physical pollution of the air basin, surface and groundwater by industrial enterprises, destruction and pollution of the land. Enterprises are emitting metals, methane, carbon monoxide, sulfur oxide, ni-

trogen oxide, ammonia and other substances into the atmosphere. The best ecological situation was observed in the Poltava, Khmelnytsky, Cherkassy, Chernivtsi and Volyn regions.

Proceeding from the main tendencies of negative changes in the state of the environment in Ukraine and its regions, we see the need for the ecologization of social production, that is the introduction of resource-saving and environmentally-

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friendly technologies and technological processes, methods of rational management of natural resource potential, through which, with maximum reception of high-quality of the public product will be ensured the preservation of the quality of the environment as an important factor in the quality of life of the population.

The ecological development of the country and its regions at the present stage should

consist in the transition from the implementation of certain environmental measures to the development and implementation of the concept of comprehensive environmentalization of social production and other areas of activity, the creation of a system of state incentives for resource saving and environmental development, bringing them in line with the requirements of sustainable development strategy.

### **Conclusions.**

Consequently, the results of the research shows that the level of environmental safety in Ukraine and its regions is not high enough, and measures to improve it are not fully effective. Diagnostics of ecologically safe development of regions of Ukraine provided the basis for determining the asymmetry of its components and the main problems in the environmental sphere,

which are characteristic of certain regions of Ukraine. Implementation of measures to improve the status of atmospheric air, water bodies and solving the problem of waste utilization will not only promote the ecological and economic efficiency of enterprises, but will also ensure sustainable and balanced economic growth in the regions of Ukraine as a whole.

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## **FINANCIAL SUPPORT STRATEGY FOR INNOVATIVE AGRICULTURAL ENGINEERING DEVELOPMENT**

## **STRATEGIA ZAPEWNIENIA FINANSOWEGO INNOWACYJNEGO ROZWOJU MASZYN ROLNICZYCH**

## **СТРАТЕГИЯ ФИНАНСОВОГО ОБЕСПЕЧЕНИЯ ИННОВАЦИОННОГО РАЗВИТИЯ СЕЛЬСКОХОЗЯЙСТВЕННОГО МАШИНОСТРОЕНИЯ**

### **Abstract**


*The factors of the influence of the external environment on the strategy of financial support as an integral part of the strategy of innovative agricultural engineering development have been considered. The stages of its formation with focus on market conditions have been determined. The directions of the implementation of the strategy for financial support for innovative agricultural engineering development have been described, the conditions of participation of investors and the mechanism of its implementation have been presented.*

**Keywords:** *strategy, financial support, innovation development, agricultural engineering, investor, investment opportunities, technical and technological base, production program.*

### **Streszczenie**

*Uwzględniono wpływ czynników środowiska na strategię wsparcia finansowego jako integralną część strategii rozwoju innowacji maszyn rolniczych. Wyznaczono etapy jej powstawania z naciskiem na warunki rynkowe. Opisano kierunki realizacji strategii*

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*wsparcia finansowego dla innowacyjnego rozwoju inżynierii rolniczej, warunki uczestnictwa inwestorów oraz przedstawiono mechanizm jej realizacji.*

**Słowa kluczowe:** *strategia, wsparcie finansowe, innowacyjny rozwój, przemysł maszyn rolniczych, inwestor, możliwości inwestycyjne, baza techniczna i technologiczna, program produkcji.*

#### **Аннотация**

*Рассмотрены факторы влияния внешней среды на стратегию финансового обеспечения как составляющую стратегии инновационного развития сельскохозяйственного машиностроения и определены этапы ее формирования с ориентацией на рыночные условия хозяйствования. Охарактеризованы направления реализации стратегии финансового обеспечения инновационного развития сельскохозяйственного машиностроения, приведены условия участия инвесторов и механизм ее реализации.*

**Ключевые слова:** *стратегия, финансовое обеспечение, инновационное развитие, сельскохозяйственное машиностроение, инвестор, инвестиционные возможности, технико-технологическая база, производственная программа.*

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**JEL Classification:** G 000, L 100, O 100


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#### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The speed of technological changes of the world leaders in agricultural engineering, the active innovative renewal of fixed production assets, machinery and equipment for the agricultural sector, the severe competitive pressure from foreign producers of these products require domestic producers to concentrate their efforts on the innovative development of their own fixed production assets and the creation of new samples of an agricultural machinery and equipment. However, the external environment with its challenges and threats (increase in financial costs for innovative development due to rising prices for innovative activity; lack of financial support from the state; increase in competition from foreign producers of agricultural engineering; economic and political crisis in the country; unfavorable

investment climate in Ukraine and in particular, low solvent demand for products of agricultural engineering; instability of the national currency rate; unfavorable conditions for entrepreneurship, which leads to the de-industrialization of the Ukrainian economy, etc.), as well as the unsatisfactory level of funding for innovative agricultural engineering development inhibit innovation processes. In order to overcome these obstacles in the path of the innovative development of agricultural engineering and the intensification of innovation processes, it is important to develop an effective strategy of financial support for innovative development of the specified sub-sector of mechanical engineering. To develop such a strategy, it is necessary to analyze the need for certain

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innovative changes in relation to the innovative development of the technical and technological base of the production and

the innovative upgrade of products of agricultural engineering enterprises in accordance with the needs of farmers and other producers of agricultural products.

### **Analysis of latest research where the solution of the problem was initiated.**

The features and stages of financial security strategy development in various sectors of the economy were studied by Ukrainian scientists such as O. Nagornaya (Nahorna, O., 2012), E. Shakhvalova

(Shakhvalova I., 2015), O. Kotsyurba (Kotsyurba O., 2015), N. Tanklevskaya, A. Kovaleva (Tanklevska N., Kovaleva A., 2016), I. Abramova, Yu. Melnik (Abramova I., Melnik Yu., 2017) and etc.

### **Aims of paper. Methods.**

The purpose of the paper is to develop the mechanism for implementation of the financial support strategy for innovative agricultural engineering development. The following methods have been used to achieve the goal: methods of logical generalization (to substantiate the need to develop an effective strategy for the financial

support for innovative changes in the development of the technical and technological base of production and the production program of agricultural engineering enterprises); a graphical visualization method (for visual presentation of information).

### **Exposition of main material of research with complete substantiation of obtained scientific results.**

Identification of the need for innovation and determination of the amount of their funding make it possible to formulate requirements for the development of a set of measures regarding the financial support for innovative changes in agricultural engineering. The innovative changes in this sub-sector of mechanical engineering concern precisely the technic and technological innovations that are aimed at technological renewal of products and fixed production assets, which provide the production of these products. During the introduction of technical and technological innovations, the question that has to be answered is to organize own research and development or to use of technology transfer. This is determined by two factors:

– rate of ageing of a certain type of innovation;

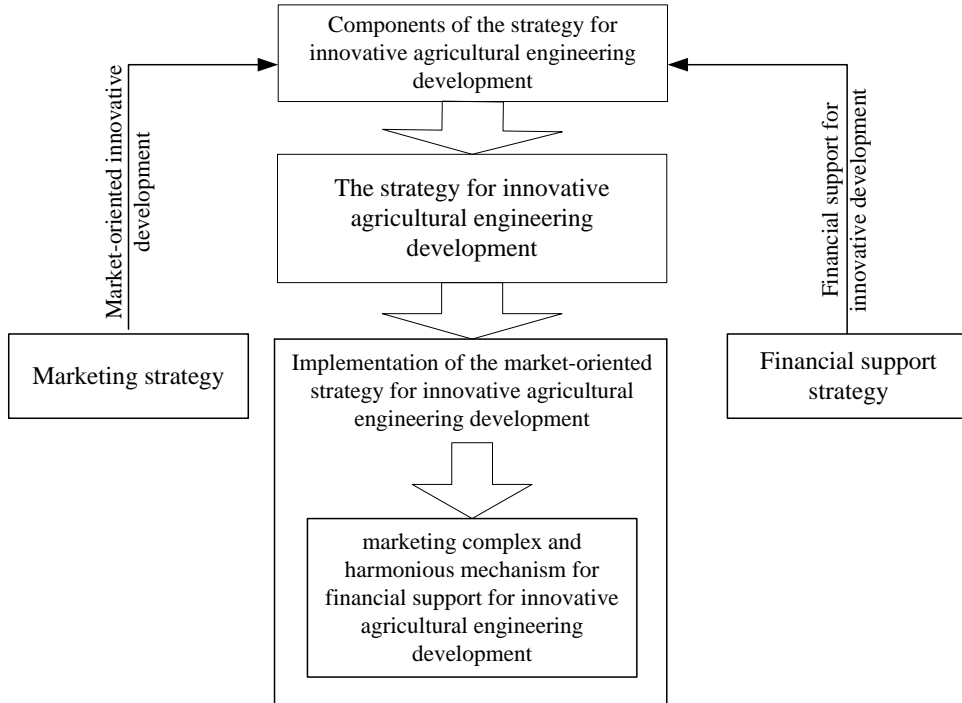
– volumes of expenses for the creation of the demanded innovations and their introduction.

In many cases, the issue is solved in favor of technology transfer if time requires high-speed solutions in the field of innovation changes and when the technological depreciation of fixed assets impedes the production of competitive products.

In agricultural engineering, upon the condition of implementation of innovative changes, all functional strategies (financial support, innovation, production, marketing) are interrelated that provides a market-oriented innovative development in this sub-sector of mechanical engineering. The implementation of the financial support strategy controls the processes of prediction and adjustment of financial flows in accordance with the harmonization of the innovative development of the components

of agricultural engineering, namely, the technical and technological basis of production and production program, taking into account the needs of the market. Thus, this is closely related to innovation and marketing strategies (Fig. 1).

**Fig. 1 Interconnection of strategies in innovative agricultural engineering development**

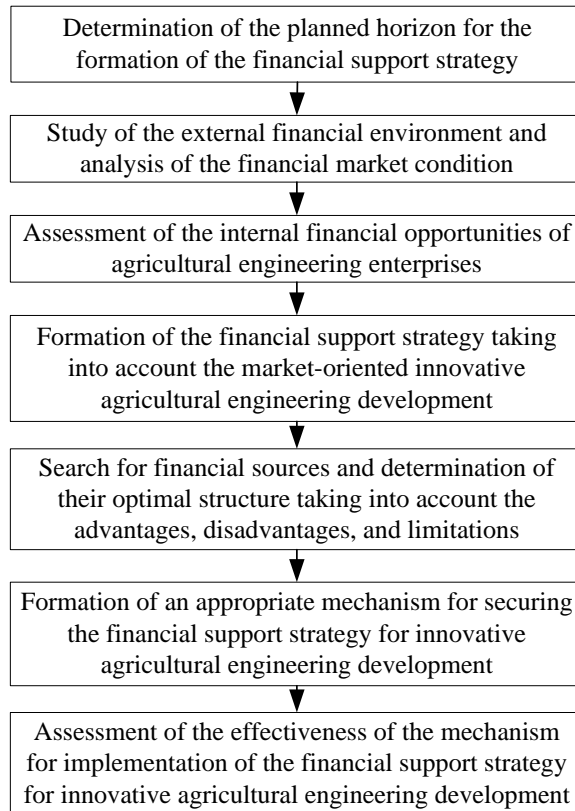


Source: compiled by the authors.

Proceeding from the fact that the strategy of financial support is developed for a long term (from 3 years and more), its main task is to determine the sources of financial resources, schemes for attracting funds in accordance with the identified needs for innovative agricultural engineering development. One of the most important tasks of the financial support strategy is to provide innovative agricultural engineering development with the necessary financial resources in sufficient volumes. The market orientation of the innovative agricultural

engineering development is ensured by its marketing strategy, which allows studying the market needs in the long term, and the possibility of market-oriented innovation changes is guaranteed by the financial support strategy. The financial support strategy is crucial for the implementation of innovative agricultural engineering development. The development of the financial support strategy for innovative agricultural engineering development involves a series of successive stages (Fig. 2).

**Fig. 2 Stages of the formation of the financial support strategy for innovative development agricultural engineering**



Source: compiled by the authors.

At the stage of determination of the planned horizon for the formation of the financial support strategy, the overall period of its formation is determined taking into account the goals and objectives set. The study of the external financial environment in the framework of the formation of the financial support strategy, the search and

analysis of financial sources, the assessment of acceptability and opportunities for their attraction are carried out at the next stage of the strategy, taking into account a number of macroeconomic factors relating to financial, economic, legal, marketing, social, and scientific-technical factors of influence on the implementation of the strategy (Table 1).

**Table 1. Factors of the influence of the external environment on the formation of the financial support strategy for innovative agricultural engineering development**

Group of factors	Main components
Financial	National currency rate and the state of money circulation. Perfection of the tax system in the country. Investment policy of the country.
Economic	Current state of the economy and trends in its change. Implementation of the state property privatization program. Mechanism for denationalization and privatization of property. Demonopolization of production. Direction and implementation of state innovation policy.
Legal	Stability and perfection of the regulatory framework for innovative investment activity. State guarantees for the protection of private investment and the reservation of property rights.
Marketing	Orientation of production to market requirements and needs. Fighting for sales markets, intensification of the use of marketing tools to find own niche on the market. Creation of new marketing tools for product promotion on the market.
Social	Level of the social protection of population. Formation of social policy of the state. State policy on creating new jobs and increasing labor potential. Increasing social standards and quality of life for the broad masses of population.
Scientific and technological	Development of scientific and technological progress. Technical and technological level of production. The pace of innovative and investment development of the real sector of the economy.

Source: compiled by the authors.

The next stage of the strategy formation is devoted to the analysis and assessment of the internal environment of agricultural engineering and the opportunities for attracting its own financial resources sources (profit, depreciation deductions, etc.) for financial support for the innovative development of the specified sub-sector of mechanical engineering.

The market-orientated strategy that envisaged in the next stage includes the research of the market of innovative products of agricultural engineering, the determination of unsatisfied consumer needs for agricultural machinery and trends in the development of demand for the future. The analysis of the market condition of innovative products of

agricultural engineering determines the directions of the scientific research aimed at implementing ideas for the creation of innovative products. It is expected to be solvent demand for such products, as a result of their guaranteed commercial use, which will provide a practically significant result for both the investor and consumers. The market orientation of the financial support strategy, which is carried out at this stage, involves the analysis of potential sales markets and trial marketing of innovative products, which guarantees a positive result of the implementation of innovative projects in the sub-sector of agricultural engineering.

The market orientation of the financial support strategy allows minimizing the

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main risks of investment activity associated with market uncertainty. The guaranteed demand of consumers for innovative products of agricultural engineering enterprises enables investors to avoid a scenario of the commercial failure of the proposed innovative models of agricultural machinery and equipment that are brought to market.

The market-oriented focus of the financial support strategy provides a high guarantee of reliable and efficient use of the attracted financial resources, which creates favorable conditions for investors to participate in innovative projects at agricultural engineering enterprises.

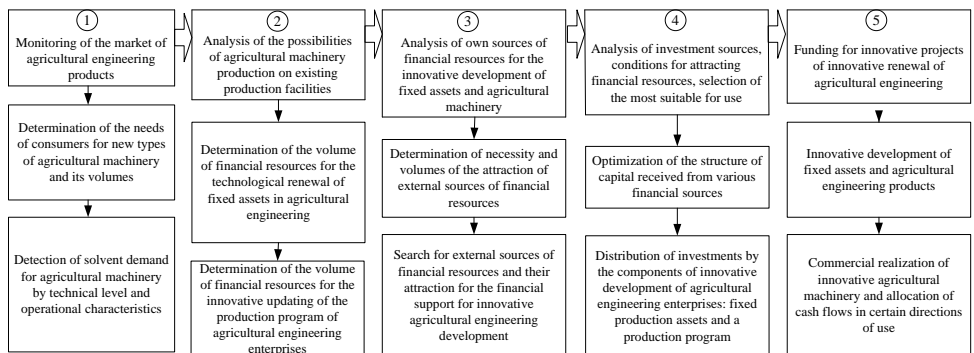
The stage of the search for financial sources and determination of their optimal structure is quite significant in the system

of financial support strategy and precedes the stage of formation of the marketing complex and harmonious mechanism for financial support for innovative agricultural engineering development.

The final stage of the financial support strategy concerns the assessment of the effectiveness of the mechanism.

The stages of the formation of the financial support strategy for innovative agricultural engineering development have something in common with the directions of its implementation, where the relevant tasks and the results of the implementation of certain measures are formulated and aimed at the consistent solution of the problems related to the financial support for innovations in this sub-sector of mechanical engineering (Fig. 3).

**Fig. 3 – Directions for implementation of the financial support strategy for innovative agricultural engineering development**



Source: compiled by the authors.

The technical and technological condition of the domestic agricultural engineering shows that the main volumes of investment resources should be directed towards the innovative development of their fixed assets, however, the innovative upgrade of the agricultural engineering itself requires considerable funds. For today, the financial capabilities of agricultural machinery do

not provide an innovative upgrade and support in the proper operating state of fixed production assets of agricultural machinery and equipment, as well as the development of new agricultural machinery.

There is an urgent need to develop an effective mechanism for the search, accumu-

lation, and distribution of financial resources that will provide innovative agricultural engineering development with financial resources in the long term.

The experience of the financial support for the innovative development of the real sector of the economy shows that direct financial support of investment processes and state regulation are based on the relevant financial institutions, using schemes and tools that had been developed for the long period of the development of market relations. The innovative development of domestic agricultural engineering requires significant investments; however, the banking system of Ukraine and the financial market are not able to provide the innovative upgrade of the industry with financial resources.

The main source of investment remains the own funds of agricultural engineering enterprises. Since 2013, bank loans and state budget funds have not involved in the necessary amount of the innovative development both fixed production assets of agricultural machinery and agricultural machinery itself.

Funding sources in a certain way determine the types and schemes of investing in innovative processes. In all cases, investors who use their own, borrowed or attracted funds must be confident in returning costs and ensuring an acceptable level of profitability.

The world tendencies of funding for the innovative development of the machine-building industry show that private investments, bank loans, and venture capital should become the main resources in Ukraine, which has moved to the direction of transformations.

However, on the one hand, the funds of private investors are not fully invested due to the unfavorable investment climate in the agricultural machinery sector, on the other hand, the use of debt capital for the implementation of innovation projects is not acceptable, as financial risks restrain investors from taking out significant lending resources from banks for a long time.

Among the main factors restraining the use of bank loans, especially for long-term are the following: significant credit risk; high-interest rates; lack of interest of banks in lending long-term projects, where is the low rate of cash flow.

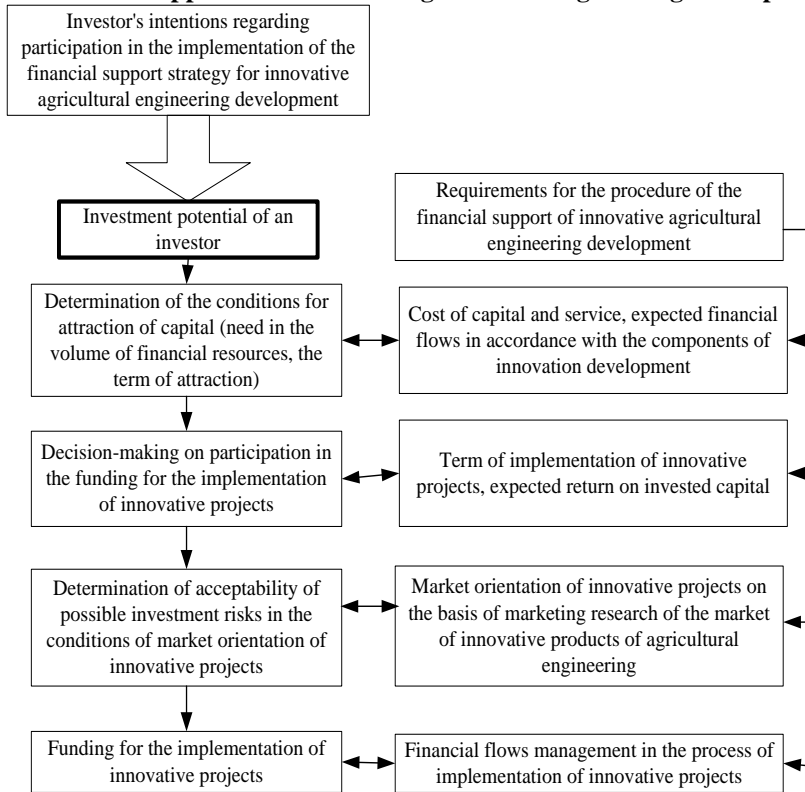
With regard to venture capital, its use is widespread in countries with developed market relations.

In Ukraine, the use of venture capital is appropriate as an additional source of funding for innovation processes in the real economy, in particular, in the sub-sector of agricultural engineering.

Venture companies specializing in risky financial investment, translate their possibilities into actions in terms of participation in perspective innovative projects, which ensure a high return on invested capital at the proper conditions of their implementation.

Any investor who plans to use his investment opportunities in the context of implementing the financial support strategy for innovative agricultural engineering development must conduct their analysis and assessment in terms of their acceptability, convenience and reliability of use for the innovation needs of this sub-sector of mechanical engineering (Fig. 4).

**Fig. 4 – Conditions for the participation of investors in implementing the strategy for financial support for innovative agricultural engineering development**



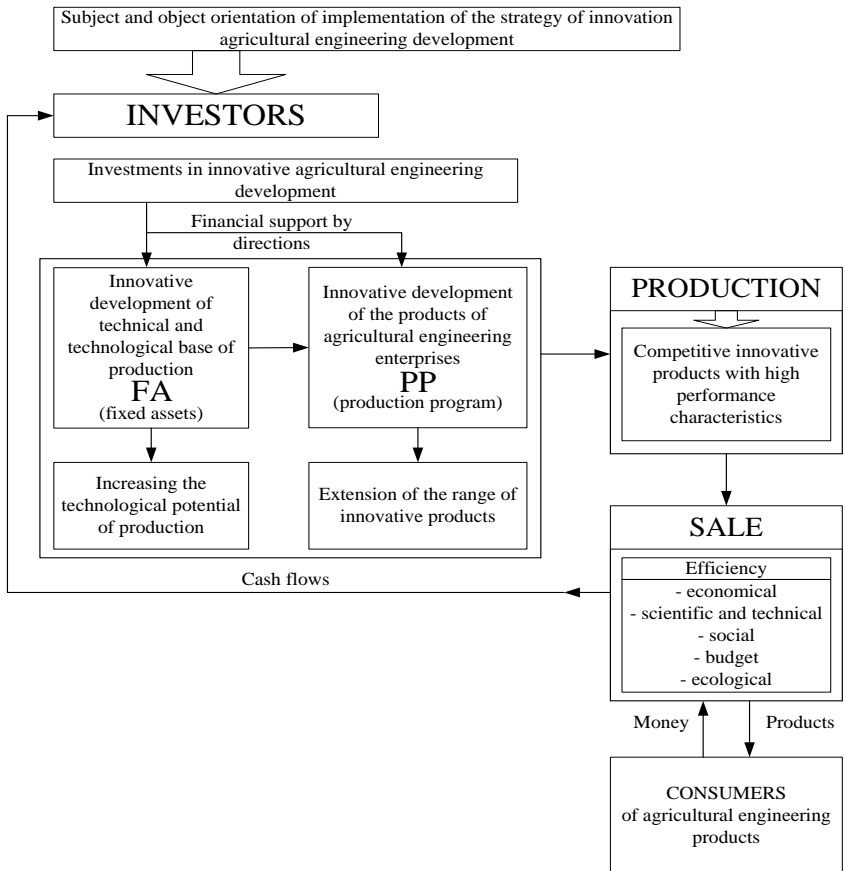
Source: compiled by the authors.

The approach to search for investors is the most responsible stage in implementing the financial support strategy for innovative agricultural engineering development. Rational use of financial resources and the application of effective mechanisms for financial support for innovations in the sub-sector of agricultural engineering provide minimization of financial losses,

reduce investment risks, increase the efficiency of innovative processes.

The key subject in the system of financial support for innovations is the investor. The investor takes the basic positions in implementing the financial support strategy for innovative agricultural engineering development (Fig. 5)

**Fig. 5 – Implementation of the financial support strategy for innovative agricultural engineering development**



Source: compiled by the authors.

**Conclusions.**

To overcome a prolonged financial crisis and reorient a domestic agricultural engineering to the innovative and investment path of development, it is necessary to create new approaches to the search, attraction and accumulation of financial resources, to develop and implement the new funding mechanisms that can, under the conditions of limited resources, meet the financial needs of innovative development of this sub-sector of mechanical engineering.

The market-oriented innovative development of the domestic agricultural engineering, state financial support for the industry, and introduction of a special regime of investment activity will ensure a favorable investment climate, which will activate an innovative and investment activity and will bring the indicated sector of mechanical engineering to the path of economic growth.

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## **CONCEPTUAL BASIS OF SUSTAINABLE SPATIAL DEVELOPMENT: THEORETICAL AND PRACTICAL FRAMEWORK**

## **PODSTAWY KONCEPTUALNE ZRÓWNOWAŻONEGO ROZWOJU PRZESTRZENNEGO: RAMY TEORETYCZNE I PRAKTYCZNE**

## **КОНЦЕПТУАЛЬНЫЕ ОСНОВЫ УСТОЙЧИВОГО ПРОСТРАНСТВЕННОГО РАЗВИТИЯ: ТЕОРЕТИЧЕСКИЕ И ПРАКТИЧЕСКИЕ АСПЕКТЫ**


### **Abstract**

*Strategic governance of sustainable spatial development is characterized by fragmentation and lack of coordination. Therefore, issues of increasing the effectiveness of strategic governance of sustainable development of territories are becoming of particular relevance, which testifies the necessity of theoretical and methodological substantiation of the conceptual foundations for perfection of this process. Revealed that in the structure of available methodical approaches to assessing the level of sustainable city development and analyzing the efficiency of management of this process there are some differences, which indicates the need for their improvement for application in the process of diagnostics. It is proposed to apply a synergistic approach to studying the problems of managing sustainable development of a city, which makes it possible to identify interethnic integration patterns of self-organization of a city as a complex socio-economic and ecological system.*

**Keywords:** *regional economy, spatial economy, sustainable development, urban development.*

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### Streszczenie

Strategiczne zarządzanie zrównoważonym rozwojem przestrzennym charakteryzuje się fragmentacją i brakiem koordynacji. Dlatego szczególne znaczenie zyskują kwestie zwiększenia efektywności strategicznego zarządzania zrównoważonym rozwojem terytoriów, co świadczy o konieczności teoretycznego i metodologicznego uzasadnienia pojęciowych podstaw dla doskonałości tego procesu. Ujawniono, że w strukturze dostępnych podejść metodycznych do oceny poziomu zrównoważonego rozwoju miasta i analizowania efektywności zarządzania tym procesem istnieją pewne różnice, które wskazują na potrzebę ich poprawy do zastosowania w procesie diagnostyki. Proponuje zastosowanie synergetycznego podejścia do badania problemów zarządzania zrównoważonym rozwojem miasta, co pozwala na identyfikację międzysrodowiskowych wzorców integracji samoorganizacji miasta jako złożonego systemu społeczno-gospodarczego i ekologicznego.

**Słowa kluczowe:** gospodarka regionalna, gospodarka przestrzenna, zrównoważony rozwój, urbanistyka.

### Аннотация

Стратегическое управление устойчивым пространственным развитием характеризуется фрагментацией и отсутствием координации. Поэтому вопросы повышения эффективности стратегического управления устойчивым развитием территорий приобретают особую актуальность, что свидетельствует о необходимости теоретического и методологического обоснования концептуальных основ для совершенствования этого процесса. Выявлено, что в структуре доступных методических подходов к оценке уровня устойчивого развития города и анализа эффективности управления этим процессом имеются некоторые отличия, что свидетельствует о необходимости их совершенствования для применения в процессе диагностики. Предложено применить синергетический подход к изучению проблем управления устойчивым развитием города, что позволяет выявить межнациональные интеграционные закономерности самоорганизации города как сложной социально-экономической и экологической системы.

**Ключевые слова:** региональная экономика, пространственная экономика, устойчивое развитие, градостроительство

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### Statement of the problem in general outlook and its connection with important scientific and practical tasks.

Formation, development and consolidation of the sustainable development concept of mankind as a paradigm actually took place in the middle of the XX century at the beginning of the XXI century. However, it

should be assumed that the scientific foundations of the sustainable development theory were laid down much earlier, in particular, by V. I. Vernadsky in the works on the development of the biosphere. These scien-

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tific works had contributed to the consideration of humanity in the planetary aspect and identified the need to change the way of its existence. The merit of V. I. Vernadsky is that he first introduced in the analysis of the connections of the system “manner” – the center of which is humanity with a specific system of urgent, material, practical needs and interests of survival of

current and future generations – a new criterion dimension “humanity as a whole” and moved the social analysis into a global plane (Vernadskyi V. Y., 1991). However, the concept of “sustainable development” in its contemporary understanding and form was formed later. In particular, in our opinion, the process of its formation and consolidation should be considered in the context of several stages.

### **Analysis of latest research where the solution of the problem was initiated.**

On the results of the study of sustainable development had a significant impact fundamental works of such as scholars like F. Berkes (Berkes F. et al, 2003), V. Vernadskyi (Vernadskyi V. Y., 1991), B. Burkin-skyi (Burkynskyi B. et al, 2012), B. Danylyshyn (Danylyshyn B., 1999), M. Dolishnii (Dolishnii M., 2002), V. Kravtsiv (Dolishnii M., 2002), N. Pavlikha

(Pavlikha N., 2006), V. Pavlov (Pavlov V., 2007), M. Khvesyk (Khvesyk M., 2012) and others. However, despite a significant amount of publications on the subject, the conceptual foundations for governance the sustainable spatial development remain underdeveloped. The significance of the above problem has determined the choice of the topic of the study.

### **Aims of paper. Methods.**

The purpose of the study is to develop a methodology and provide theoretical and practical framework for analysis of the sustainable spatial development. In the research, the methods commonly used in economic science are applied: theoretical, comparative and retrospective analysis – to reveal the theoretical foundations of the

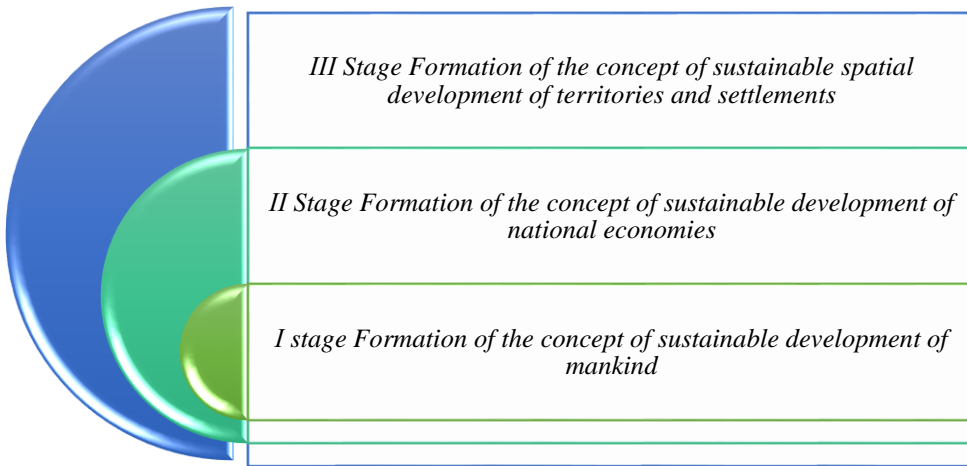
sustainable spatial development theory; statistical groupings, generalization – to improve methodological approaches to the analysis of the sustainable spatial development; economic and statistical, modeling, rating estimations, graphic – in the process of disclosing the sustainable urban development.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

It should be noted that there are different approaches to the periodization of the theory of “sustainable development”. Thus, the Swedish scholars of the Technical University of Chermels, Geden F., Pierson M. and Spree F. (Hedenus F. et al., 2016) tend to distinguish a number of dates and events, both international and local, and at the same time scientific, social and practical, which were the foundation, challenges and

litmus notes of human readiness to the transition to a fundamentally new stage in its development. Based on the plurality of periodization approaches, we consider it necessary to distinguish three main periods of the “sustainable development” concept development, in particular, based on the fact that the ideas of sustainable development were transferred from global to local levels (Fig. 1).

**Fig. 1. Periods of the “sustainable development concept” development**



Source: compiled by the authors.

Accordingly, the events that formed the basis of the formation, development and consolidation of this concept should be grouped as follows:

*I Stage - Formation of the concept of sustainable human development*

- 1962 Rachel Carson's “Silent Spring” is considered the first real challenge for an active discussion of the environment;
- 1970 the founding by the United States Senator the first “Day of Earth”, which is considered to be the birth of the modern ecological movement with broad support at a lower level;
- 1971 establishment of such organizations as “Greenpeace” and “Friends of the Earth»;
- 1972 The publication by the Roman Club of the report "The Limits to Growth", which tells about the scenarios of the continuation of economic and demographic growth, which lead to resource constraints, increased pollution and the collapse of the population;

Although at the first stage there was no clear definition of “sustainable development”, but the above-mentioned events were the basis for the formation of this concept. In this period, which can be called a search period, because at that time there was a search for a new benchmark for the development of the international community at the global level.

A system building event at this stage should be considered the publication “Limits to Growth”, which initiated a discussion on the need to create a new model of growth on a global scale that would take into account resource constraints and the ability of the environment to absorb pollution.

Events that formed the concept of sustainable development of national economies and the sustainable spatial development of territories and settlements were partially taking place in parallel, but the clear formulation of this concept took place later.

*II stage Formation of the concept of national economies sustainable development*

- 1972 First International Conference on the Environment, which established the UN Environment Program (UNEP);
- 1983 Establishment of the World Commission on Environment and Development (WCED), headed by Norwegian Prime Minister Grom Harlem Brundtland;
- 1987 publication of the report “Our Common Future”, also known as Brundtland Report;
- 1992 United Nations Conference on Environment and Development;
- 1992 Signing of the Kyoto Protocol;
- 1992 Signing of the Paris Agreement;
- 2000 adopted by the UN Millennium Declaration,

Although the concept of sustainable development was used much earlier, it was the Brundtland Report that led to the main discourse. The most widespread definition of sustainable development stems from the content of the report, formulating the thesis that sustainable development requires taking into account the needs of both present and future generations. The report has identified links between a number of issues that have previously been considered separately, including development, global environmental issues, population, peace and security. The report also discussed two types of justice: generational equity (for example, distribution and growth), and equity between generations (for example, ecology and resources) (United Nations Environment Programme, 1972).

Consequently, sustainable development is seen as a compromise between two different movements – the ecological movement and the movement of development – and the recognition of the need for solving these problems. Although the balance between environmental issues and development is diverse, the concept of sustainable

development continues to direct international cooperation, especially within the UN system.

The second important and system-building event at this stage was the United Nations Millennium Summit, which adopted eight Millennium Development Goals, which were to be achieved by 2015.

The Millennium Development Goals showed more attention to development than previous discussions, only one objective (No. 7) had a direct link with environmental issues. Thus, development management is actually added as one of the constituent elements of the concept of “sustainable development”.

### *III stage Formation of the concept of sustainable spatial development of territories and settlements*

- 1983 “European Charter for Spatial/Regional Development” or “Torremolin Charter”, developed and adopted by the Council of Europe;
- 1994 The Aalborg Charter “The Cities of Europe on the Way to Sustainable Development” was approved by the participants of the European Convention on the Sustainable Development of Large and Small Cities of Europe;
- 2007 Leipzig Charter for Sustainable Development of European Cities;
- 2012 UN Conference on Sustainable Development “Rio +20”;
- 2015 UN adoption of 17 goals of sustainable development.

Key events at this stage took place at the regional level, in particular, the European Union should be considered the first organization. The second important and system-building event at this stage was the adoption of sustainable development goals. Unlike the eight goals of the Millennium Summit, the new goals include specific targets for cities, sustainable consumption, climate

impact, marine resources and terrestrial ecosystems.

Thus, the general evolution of approaches to the definition of the sustainable development concept and the consolidation of the idea of urban sustainable development as one of its key priorities in the medium-term perspective are followed. The above-mentioned events gave impetus to the consolidation of a number of definitions of the category of “sustainable development”.

Achieving the goals of sustainable development requires the harmonization of social, economic and environmental interests. Expanding the principles of sustainable spatial development, we draw attention to the fact that the achievement of the prospects of sustainable development is an actual scientific problem, the study of which has a multidimensional character and represents a process of ensuring effective hierarchical interaction and changing the concentration of functions of social, economic, environmental, information, innovation elements of the environment of people's lives for the full and accessible to all layers of present and future generations of people to meet their diverse needs; provides for the creation of optimal conditions for the life of the population, the functioning of economic actors and their environmental safety.

Reinterpreting theories of sustainable development we propose to take from the perspective of the action of the spatial factor as a special resource. After all, all objects of the environment exist not only in time, but also in the space where the processes of human life, organization and development of the human community are taking place (Berkes, F. et al., 2003).

The space of human life is an integral set of various interconnected elements, the relationship and the reciprocal placement of which creates certain conditions for human life and activities (Burkynskiy B. et al., ).

The concept of space:

- Geographic;
- Economic;
- Geopolitical;
- Social;
- Cultural;
- Educational;
- Scientific;
- Informational;
- Biological.

Sustainable spatial development is a dynamic process of ensuring effective hierarchical interaction and changing the concentration of functions of social, economic, ecological, innovative, informational elements of the living space of people for the full and accessible for all layers of present and future generations of people to meet their diverse needs within a certain format of space. Its varieties include:

Micro space - administrative areas, cities, metropolitan areas, urban settlements;

Meso space - administrative and territorial regions of individual countries (regions, provinces, federal states, states);

Macro space - individual countries and/or groups of countries.

A distinctive feature of sustainable development is complexity and interdisciplinarity (Fig. 2). The contribution of specialists to the development of the sustainable development concept consists in the development of research areas, which eventually turned into separate areas of knowledge: ecology, economics of natural resources, regional economics, spatial economy, innovative economy, social economy, geography, geoeconomics, urban planning and geoplanetation. The application of the synergetic approach to the study of sustainable development issues can reveal the inter-environment integration patterns of the self-organization of the development of the spatial system as a complex socio-economic and ecological system (Palikha N., 2006a)

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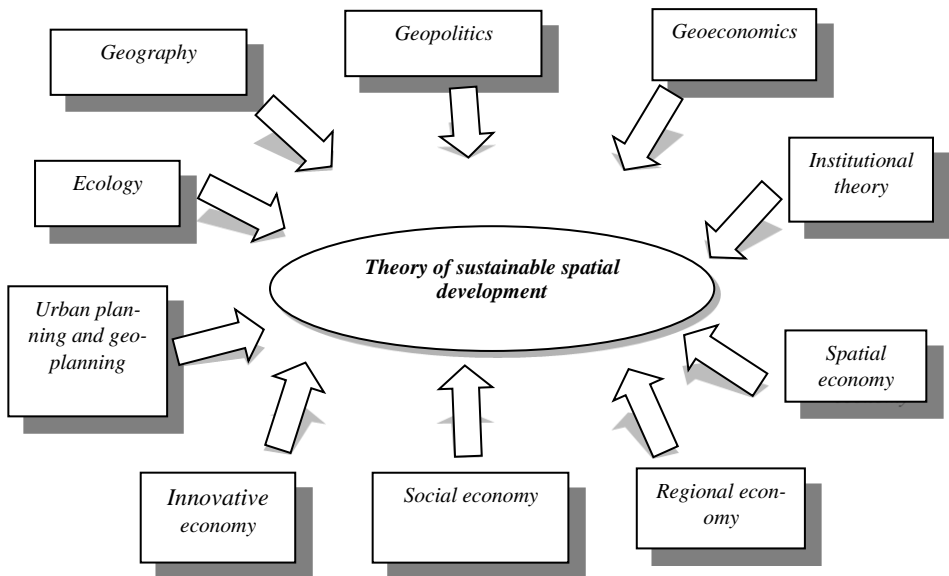
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**Fig. 2. The interdisciplinary nature of the problems of sustainable spatial development**



Source: compiled by the authors.

The governance of sustainable spatial development is the activity of the subjects of management regarding spatial concretization and implementation of the strategy of balanced socio-economic and environmentally sustainable development of the spatial system.

Targets:

- Raising the living standards of the population;
- Rational use of space;
- Regulation of nature use;
- Environment protection;
- Protection of the integrity of the spatial system (city, region, country, group of countries, world)
- Overcoming regional differentiation and ensuring a high level of quality of life for people
- Activation of urbanization processes and development of rural areas

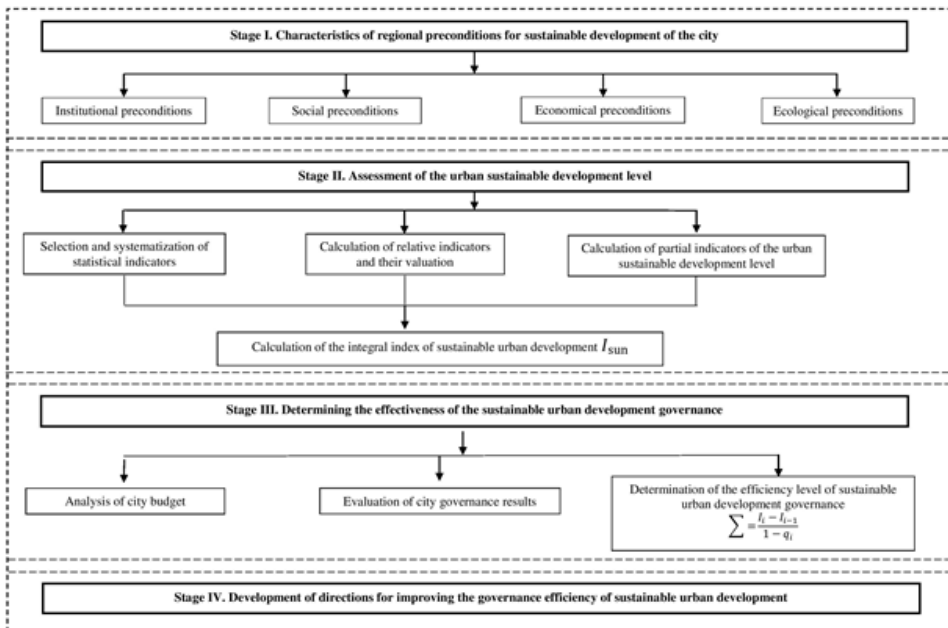
- Principle of spatial availability
- Ensuring the safe operation of the border area
- Rational use of natural resources and environmental protection
- Compliance with energy security
- Preservation of the national cultural heritage
- Enhancing access to information and knowledge (Pavlikha N., 2006b).

The study of existing methodological approaches to assessing the level of sustainable urban development and analysis of the effectiveness of management of this process has allowed to reveal certain differences, which indicates the need for their improvement for use in the process of diagnosis of sustainable development of the city. We propose a methodological approach to the diagnostics of sustainable ur-

ban development by means of the identification of successive stages, which, unlike the existing ones, include analysis of regional preconditions for sustainable development of the city, assessment of the level

of sustainable development of the city, which makes it possible to objectively analyze the efficiency of management of this process and develop directions. increase its efficiency (Fig. 3).

**Fig. 3. Methodology of urban sustainable development governance diagnostics**



Source: compiled by the authors.

It is revealed that the regional preconditions that have a direct impact on the sustainable development of the city are: institutional, social, economic, environmental conditions.

Institutional prerequisites of the sustainable urban development are a complex of regulatory, organizational and government and structural conditions for the development of the city, which are formed at the national, regional and local level. These should include the normative and legal foundations of sustainable development, in

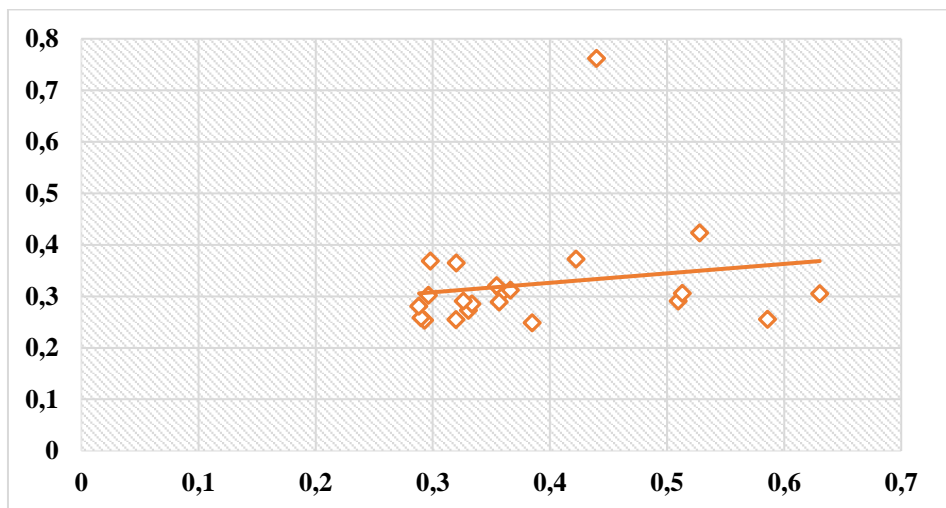
particular, laws, acts, resolutions and orders of the authorities at all levels, in fact the system of power institutions of all levels and branches (legislative, executive and judicial), non-governmental public education. The institutional prerequisites for the sustainable urban development at the regional level are formed by a system of government institutions, in particular, which should include regional state administrations and regional councils. In turn, the regional social preconditions for the sustainable urban development are the status, in-

dicators and regularities of the development of the social system of the region and the city. This group of preconditions is shaped by indicators such as the number and natural population growth, the situation in the labor market, the level of incomes and living conditions of the population, the state and level of development of social infrastructure, the health care system and social protection of the population. Regional economic conditions for sustainable urban development are the state of the economic system, which is determined by such indicators as finances and accounts, entrepreneurial activity, investments and innovations, trade, industry. The regional environmental conditions for sustainable development of the city are the state of the environment and the system of use of natural

resources. In particular, key indicators include the level of air pollution, the level of accumulation and the system of waste management, the cost of environmental protection. Thus, for an integrated assessment of the sustainable development of Ukrainian cities, we propose the use of such partial indicators as the development of the social sphere, the economic and environmental situation.

Based on the results of the calculations we can see high correlation dependence between integrated indexes of sustainable development of regions and cities in Ukraine (Fig. 4). As we see some of the cities have really strong connections with the regions, what also can prove influence of them into regions.

**Fig. 4. Field of correlation dependence between integrated indexes of sustainable development of regions and cities in Ukraine**

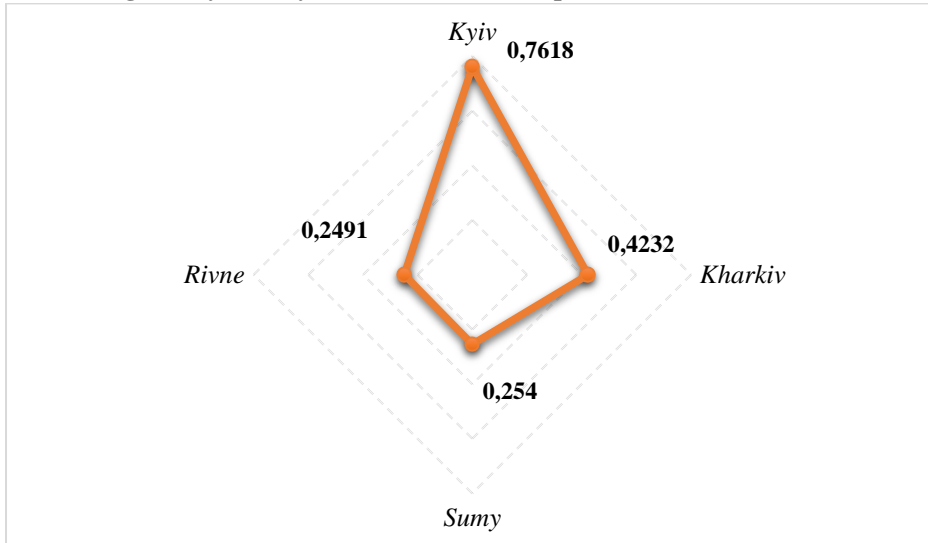


Source: compiled by the authors.

Due to calculated indexes of sustainable urban development (based on data collected from State Statistics Service of Ukraine, 2018) we can talk about high level of asymmetry within Ukrainian cities in their level

of sustainable development, what also show, unfortunately, low level of efficiency of the governance of this process.

**Fig. 5. Asymmetry of sustainable development of Ukrainian cities**



Source: compiled by the authors.

## Conclusions.


The governance of sustainable urban development in the context of decentralization reform envisages the definition of strategic goals, objectives and target priorities aimed at socio-economic growth and the achievement of the ecological balance, and improvement of the quality of life of the population, possibly with the concentration of power at the basic level. In this case, it is expedient to use an integrated approach that allows to increase the efficiency of strategic management of sustainable urban development by integrating the efforts of the subjects of management in the process of implementing mutually agreed goals and actions, using available resources and obtaining a synergistic effect from this. We consider the effective direction of improvement of the activities of local self-government bodies through the involvement of the community in the implementation of the sustainable development strategy of the city as the management of the sustainable development projects of the city as one of

the effective tools of strategic management.

Thus, the theoretical and methodological synthesis and development of conceptual bases of sustainable development governance allow to develop the directions of its organizational and economic provision in the current conditions of reforming the national economy, the formation of competitive territorial communities, processes of Ukraine's integration into the European Union.

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**III. Law and Administration  
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## MIGRATION THREATS OF EXTERNAL EU BORDERS

## ZAGROŻENIA MIGRACYJNE ZEWNĘTRZNYCH GRANIC UE

## МИГРАЦИОННЫЕ УГРОЗЫ ДЛЯ ВНЕШНИХ ГРАНИЦ ЕС

### Abstract

*Migration is a mass phenomenon with a global reach as well as a global impact. Threats determined by migratory movements are also supranational. Bearing in mind the threats that migration flows may cause, European Union countries operate by means of developed principles to increase the level of security in the Community. An important process in the field of counteracting migration threats is the identification of risks determined by the mobility process.*

**Keywords:** migration, threats, migration threats, illegal migration, smuggling, counterfeiting

### Streszczenie


*Migracja to zjawisko masowe o globalnym zasięgu, jak i o globalnym wpływie. Zagrożenia determinowane przez ruchy migracyjne również mają charakter ponadnarodowy. Mając na uwadze zagrożenia, które może spowodować napływy migrantów, państwa Unii Europejskiej działają za pomocą opracowanych zasad w celu zwiększenia poziomu bezpieczeństwa na terenie Wspólnoty. Istotnym procesem w zakresie przeciwdziałania zagrożeniom migracyjnym jest zidentyfikowanie ryzyk determinowanych przez proces mobilności.*

**Słowa kluczowe:** migracja, zagrożenia, zagrożenia migracyjne, nielegalna migracja, przemyt, podrabianie dokumentów

### Аннотация

*Миграция представляет собой массовое явление с глобальным охватом, а также глобальным воздействием. Угрозы, определяемые миграционными перемещениями, также являются наднациональными. Принимая во внимание угрозы, которые могут вызвать потоки мигрантов вызывают небольшие, страны Европейского союза действуют по разработанным принципам для повышение уровня безопасности в Сообществе. Важным процессом в области противодействия*

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угрозам, связанным с миграцией, является идентификация рисков, определяемых процессом мобильности.

**Ключевые слова:** миграция, угрозы, миграционные угрозы, нелегальная миграция, контрабанда, контрафакция

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### **Statement of the problem in general outlook and its connection with important scientific and practical task.**

Many researchers have tried to define cross-border crimes, but they do not exhaust the problem of security threats to the external borders of the European Union. When undertaking the above topic, it is necessary to formulate a research problem, which is: What are the main threats to the security of the EU's external borders? In the era of intensification of migration flows, ensuring border security is a key for ensuring security throughout the entire territory of the European Union.

The history of migration indicates that the need for migrating has accompanied mankind since the beginning. Both the reasons and the consequences of the migration process are complex and imply consequences in various areas of the functioning of the

state. In Europe, migration is closely related to the issue of security, threats and challenges resulting from migration. Identifying threats at the borders and developing effective tools to counteract them are important problems from the ensuring the security of the EU and the Schengen Area point of view. "In thinking about safety - one of the most desirable and valued by humanity goods, two basic strategies can be distinguished. The first focuses on preparatory activities to protect against threats, while the second focuses on shaping the surroundings in order to distance and minimize the possibility of threats appearing. In both cases, the threat is a key category" (Jakubczak R., Wiśniewski B., 2015, p. 49).


### **Analysis of latest research where the solution of the problem was initiated.**

Interpreting the concept of threat, it should be stated that it is understandable intuitively. In ordinary language, the threat means the occurrence of a dangerous situation (in a subjective or objective assessment) that affect a specific subject, object or system. The threat may affect a single person, a nation or a differently defined group in a specific area.

Interpretation of the threat category is ambivalent and antithetic. B. Hołyst refers to the ambiguity of the concept, he states that

"the threat is not unequivocal; it is a situation that is realized by an object that is affected by a given situation" (Hołdys B., 1997, pp. 64-65). Ryszard Ziemia is assuming that the threat may be a "state of mind, caused by the perception of situations that are assessed as unfavorable or dangerous. The assessments formulated by a given entity are particularly important, as they are the basis for actions taken to strengthen its security. In this approach, the threat is in the

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sphere of consciousness and it has subjective nature "(Zięba R., 2-16, p. 911). There is a threat when "(...) a man is afraid of losing highly valued values with his own life

in the first place" (Tomaszewski T., 1971, p. 127). This is the opposite of security, causing anxiety and feeling of danger (Zięba R., 2016, p. 9).

### **Aims of paper. Methods.**

The purpose of this article is to define the security threats to the external borders of the European Union. Combating and counteracting them, due to their universal character and high level of harm, is a priority for the services and organizations dealing with border protection and security. The author focused on selected aspects of security threats to the external borders of the European Union - crimes and practices that negatively affect the security of these areas in the most significant way. These include

cross-border crimes such as: illegal migration, human trafficking, counterfeiting documents and smuggling.

The solution of the problem and its verification required the use of the empirical method of testing secondary quantitative sources and theoretical methods, i.e. analysis and inference. Statistic reports prepared by Frontex were used for the elaboration of this article. Research and analysis of statistical data allowed making conclusions in an interesting scope.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Migration threats**


International migration, especially massive mobility, is currently being analyzed in terms of threats to public safety and order. Migration processes are a typical manifestation of human activity.

Considering the migration as a source of benefits and threats, it should be assumed that many factors determine the consequences of human mobility. To resolve this issue, the political, social and demographic context in which the mobility process takes place is significant. The prospect of assessing the phenomenon, conditions and consequences of the process is also important. Migration can be considered from the perspective of sending countries, host countries and transit countries. An institution involved in migration management and control may have a different point of perception than normal people and their families. Active entities in the migration process also have an interest that is often not consistent, i.e. what may be an undesirable phenomenon for a managing authority can be

perceived as a measurable benefit of a single migrant. The implications of mobility will also vary due to the perspective within which they are considered. Other effects of migration may be identified by economists, sociologists and demographers. The different interpretation of the categories of migratory flows can be also stated by the representatives of institutions ensuring public safety and order (see Szulecka M., 2017, p. 427).

The migration process is complex and multidimensional; the threats that are determined by it are also difficult to define. "These threats are multifaceted, i.e. legal, social, economic or political. Each threat may occur independent or be a compilation of many circumstances conducive to a sense of insecurity" (Tomaszycki K., 2017, p. 198). The issue of migration threats extends to a series of events and activities that occur in relation to the process of movement, i.e. crossing the border as well as settling and creating a life activity environment in a given place.

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Migrations, in the course of which citizens of one country move to another and settle there their life activities, challenge the concept of nationality and citizenship, as well as the obligations of citizens towards the country. Migration processes not only trigger institutional and systemic changes, but also affect the transformation of the social structures of host countries. The influx of migrants is a challenge not only for the state and its institutions, but above all for the host societies. Mobility can generate threats to cohesion and social stability in the realities of economic stress that migrants may have. The awareness of citizens that migrants use the social and health benefits, as well as social and housing infrastructure may cause resentment and hostility (Bali S., 2012, p. 481). "Regarding the challenges for the host society, we should mention the increase in the uncertainty of individuals, the sense of threat, misunderstanding" (ed. Sansal S., 2015, p. 58). The influx of migrants is associated with tensions in social relations, strongly related to identity. Taking into account the functioning of mono-ethnic societies, the increase in the number of migrants and functioning in the realities of cultural pluralism may determine xenophobic or racist behavior.

The subject of interest of this study are those groups of negative events determined by mobility, which are identified directly with the borders and constitute the object of activity of the services managing the migration processes and services ensuring security and public order. In this context, we can talk about migration threats remaining in the Border Guard's jurisdiction, i.e.:

- □ illegal transit migration and intensification of residence migration,
- □ falsifying documents authorizing to cross the border,
- □ smuggling of excise goods, drugs, weapons, ammunition and other goods,
- □ human trafficking.

Such an understanding of the threat is connected with the theoretical approach to the complex of phenomena that can be described as a combination of links between migration and the state of security. The types of border security threats presented above are constantly evolving, being at the same time directly or indirectly related to each other.

### **Illegal migration**

The strategic threat associated with migration is illegal crossing the border. The term "illegal immigration" - as a very broad concept - is used to describe various phenomena accompanying mobility processes. The main actors of illegal migration are foreigners who illegally cross the state border by land, sea and air. This is often done with the use of false documents or through a network of organized crime, clusters, smugglers and traffickers. The essence of illegal migration from the formal and legal point of view is the presence of foreigners against the legal norms regulating their entry and exit in force in a given country (Lubiewski P., 2016, p. 44).

The wording "illegal migration" includes:

- □ illegally crossing the border (by sea, land, air),
- □ legally arriving and illegally staying,
- □ crossing the border with false documents.

A large number of foreigners legally enter the country, present a visa or use a visa-free system, but extending their stay without the consent of the authorities makes their stay illegal. Another situation related to the illegalization of residence concerns the situation when the residence permit is withdrawn by the competent authority. A form of illegal stay may also be the conclusion of an apparent marriage which purpose is to legalize the stay of a foreigner (Perkowska M., p. 67). Illegal immigrants are also asy-



lum seekers who remain in the country concerned, even though a final refusal was made on them.

The negative effects that accompany illegal migration are:

- □ illegal transfer of people, transplants, movement of people related to economic and sexual exploitation,
- □ the ability to move terrorists,
- □ organized criminal activity related to violation of human rights, humiliation of migrants and corruption of officers appointed to protect the legal order (Jurczyk D., 2012, pp. 52-53).

Illegal migration is one of the forms of border crime. The phenomenon of illegal crossing of borders by foreigners is identified with two forms: illegal transfer and smuggling of people. "A characteristic feature of both these concepts is illegal crossing of the border by foreigners or illegal stay in the territory of a given state, participation of third parties or organized groups in illegally crossing the border, as well as gaining material benefits for services rendered by these people or groups" (Sudoł R., p. 376).

**Table 1 Statistical image of illegal migration in the EU.**

Form	2011	2012	2013	2014	2015	2016
Illegal crossing of the border outside border crossing points	141 051	72 437	107 365	283 532	1 822 177	511 371
Migrant smuggling	282	591	599	3 052	3 303	2 028
Using a false document	5 255	7 804	9 804	9 420	12 023	12 568
Refusal of entry	118 277	116 524	129 235	114 887	139 115	206 656
Illegal stay	350 948	344 928	345 098	441 780	699 374	491 891
Issued decisions requiring return	231 385	269 949	224 305	252 003	286 725	305 365
Made decisions requiring return	149 045	158 955	160 418	161 309	175 173	176 223

Source: Frontex, Annual Risk Analysis, <http://statewatch.org/news/2018/mar/eu-frontex-report-risk-analysis-2018.pdf>

Analyzing the situation at the EU's external borders in terms of the movement of people, the Frontex Agency, in addition to indicating the number of people crossing borders and the number of visas issued, provides data according to specific indicators, which include the number of people who:

- illegally crossed the borders outside the border crossing,
- crossed the border through a border crossing in hiding,
- used false documents when crossing the border,
- received a decision refusing entry,
- reside illegally on the EU territory,
- received a decision to return,

- to whom a decision to return has been made,
- with their behavior facilitated illegal crossing of the border.

The statistical picture of illegal migration in accordance with the indicators proposed by Frontex is presented in the table 1.

According to analyzed data, it can be said that the largest number of illegal migrants are people who illegally crossed the border outside border crossing points and persons who stayed in the EU despite the lack of a legal title. In the analyzed period, the year 2015 has the highest scale of illegal entrances for all coefficients. The data indicate that in 2016 and 2017 the number of migrants who illegally crossed the border

outside the border crossing points and illegally stay within the EU / Schengen Area decreased. The continuing increase in border crossings on the basis of false documents is worrying.

Illegal migration remains a serious threat to the EU. The number of border crossings on the basis of false documents increased from 12 023 in 2015 to 12 568 in 2016. In 2017, Member States reported 435 786 illegally staying persons, which was a decrease compared to 2016. - 491 891 cases of illegal residence, which was a comparable downward trend from 2015. Until 2016, Germany maintained the status of a leader as the main destination for the majority of migrants who crossed the border illegally. France was located as the most important transit state for migrants who illegally entered the EU with the intention of reaching Great Britain.

#### **Falsification of documents authorizing crossing the border**

The legal relocation is associated with the possession of documents entitling to enter certain territory. The analyzed threat manifests itself mainly in document falsifications, extortion and counterfeiting (see European Migration Network).

The activity consisting in the counterfeiting or changing the documents is dealt with by specialized criminal groups. By using counterfeit documents, persons committing such activities follow the pattern. First, they obtain false documents and only after legal crossing the border they begin to use them. In order to reduce the vigilance of border guards during inspections inside the country they use a set of documents of that country (passport, ID card, driving license). In

this way they give credence to their nationality. In passports, pages with personal data are most often changed. The implementation of the entire passport, following the original model, is very difficult due to the security measures used; therefore it is easier to make small changes in the original passport. In the case of an ID card, both the document being processed and counterfeited are found. Driving license as a document that does not authorize to cross the border is falsified carelessly or performed as a "fantasy" document, without its counterpart in reality.

The officers checking the documents and discovering the forgery, usually in the driving license, start a thorough analysis of other documents, in which the detection of counterfeiting is very difficult.

Most cases of document fraud in connection with migrations of persons to the European Union are detected at airports (Table 2). The largest number of travelers with such documents came from airports in Turkey and Senegal (see the European Migration Network). Among the distinguished nationalities using false documents, the citizens of Morocco and Ukraine are found the most. Attention should also be paid to the Syrian citizens, who at the beginning of the analyzed period were also in the group of citizens with the largest number of border crossings using false documents.

The largest decrease in the use of fake documents, as compared to the previous year (2016) was found in the case of Iraqi and Ukrainian citizens. The number of people crossing the border with false documents decreased respectively by 42% and 34%.

**Table 2: Persons using fake documents - EU external border**

	2014	2015	2016	2017	Share in total	Percentage share in relation to the previous year
<b>Type of border</b>						
Air	6 509	5331	<b>4366</b>	<b>4324</b>	64	-1
Land	2 484	2671	<b>2325</b>	<b>1841</b>	27	-21
See	409	359	<b>351</b>	<b>535</b>	8	52
Undefined	1	4	<b>0</b>	<b>25</b>	0	n.a.
<b>Top 10 nationalities</b>						
Morocco	767	867	<b>752</b>	<b>803</b>	12	7
Ukraine	518	1186	<b>1208</b>	<b>801</b>	12	-34
Iran	263	340	<b>375</b>	<b>438</b>	7	17
Albania	570	424	<b>386</b>	<b>346</b>	5	-10
Russia	48	51	<b>143</b>	<b>278</b>	4	94
Turkey	294	114	<b>210</b>	<b>275</b>	4	31
Syria	1448	745	<b>234</b>	<b>208</b>	3	-11
Iraq	338	243	<b>273</b>	<b>159</b>	2	-42
Senegal	232	137	<b>111</b>	<b>124</b>	2	12
All Other	4188	3246	<b>2640</b>	<b>2764</b>	41	5
<b>Total</b>	<b>9399</b>	<b>8363</b>	<b>7042</b>	<b>6725</b>	<b>100</b>	<b>-5</b>

Source: Frontex, Risk Analysis for 2018. <http://statewatch.org/news/2018/mar/eu-frontex-report-risk-analysis-2018.pdf>

The increase in the number of cases of using documents stating the identity of another person on the external border was stated both by the officers of the Polish Border Guard, as well as by border services of other European Union countries. The information provided indicates an increase in the number of cases of use of foreign documents by Ukrainian citizens (see Tomaszewski T., 2015, p. 79).

### **Smuggling**

Smuggling activities are also the threats resulting from migration movements. The crimes of smuggling character are to a large extent related to organized crime, the source of which is seen in migration processes (Wódka M., 2015, p. 156). "As the most important threats for citizens, society and, consequently, also for the country, are crimes related to illegal migration, human trafficking, child pornography and also all kinds of smuggling practices (cigarettes, alcohol, fuels, works of art, noble metals) and trading in narcotic drugs".

The smuggling activity is carried out as:

- Collecting goods from the so-called ant smuggling and spreading it in the country; production of false excise marks, labels for bottles, caps, etc.
- Organization of smuggling of goods of high value, most often from theft (cars and works of art) (Wisniewski B., Piątek Z., 2006, p. 18).

Smuggling, as one of the most frequently committed crimes, conventionally described as borderline crimes, is also multifactorial in its causes, and its development is primarily economic. It affects economic security and, in general, state security. Particularly harmful and severely fought by the international community and individual states is the smuggling of narcotic and psychotropic drugs, radioactive materials, dangerous waste, weapons, ammunition, stolen cars, alcohol and cigarettes, human organs, works of art, protected animals and illegal immigrants.

**Table 3 Detections related to taking over narcotics as part of multitasking operations.**

Operation name	Taken drugs / kilos		Number of detected cases	
	2016	2017	2016	2017
Indalo	69793	87133	66	72
Triton	20261	32440	23	40
Poseidon	2791	13240	7	47
Hera	844	3066	2	16
FocalPoints Sea	0	1135	2	22
Inerva	1602	40	36	3
<b>Total</b>	<b>95291</b>	<b>137054</b>	<b>130</b>	<b>200</b>

Source: Frontex, Risk Analysis for 2018, <http://statewatch.org/news/2018/mar/eu-frontex-report-risk-analysis-2018.pdf>

According to Frontex (Risk Analysis for 2018), around 125 tons of cocaine worth 27 billion EUR are consumed in Europe each year. A significant part of this value is smuggled from Latin America to Europe by sea in containers and hidden compartments of ships. Most often smuggled drugs are cocaine, hashish, marijuana, and heroin. From the indicated list of intoxicants, hashish was detected the most often in the 2016, followed by marijuana and then by cocaine. In 2017, a comparable number of drugs were detected under the same operations. At the same time, it should be noted that in 2017 - 41763 kg more of intoxicants were detected, than in 2016 (Risk Analysis for 2018).

Among the other goods that were detained were mostly cigarettes. As in the case of drugs in 2017, the effectiveness of services increased (they stopped 92 875 336 packs of cigarettes more than in 2016). As for other items that have been detained there are parts of cars and ammunition.

Director of the department to fight organized crime from Europol Michael Rauschenbach points out that "(...) for drug traffickers, illegal immigration is becoming more and more attractive. We have specific

information that serious criminals are gaining more and more profits from smuggling people. Now, their activities are directed to organized networks of smuggling people into the European Union from the Middle East and Africa (...) [24].

When analyzing the issue of smuggling, it is necessary to pay attention to the change of quality of this process. Criminal groups, using refugees, entrust them with the smuggling of things of very high material value, eg gemstones, money (Gwoździewicz S., Tomaszycy K. (eds.), 2017, p. 201).

**Human trafficking**

Human Trafficking is another activity of specialized organized criminal groups specializing in cross-border crime. These groups are characterized by full professionalism, have appropriate contacts both in the countries to which recruitment victims are to be delivered, as well as in places of recruitment. They are equipped with financial resources, transport, communication and very well armed; have the appropriate knowledge allowing for convenient border crossing. Human trafficking is currently one of the most profitable forms of organized crime. Europe is an important market

for the exploitation of victims, through sexual exploitation, forced labor, criminal activity, begging and illegal adoption. The most common victims of trafficking are primarily children and women, and to a lesser extent men. Poland is a transit country, especially for women from the countries of the former USSR and Eastern and Southern Europe. Countries of destination are developed and prosperous countries of Western Europe. Women are sold by criminal groups as prostitutes, forced labor and are used for smuggling or theft. Children are usually devoted to begging, illegal adoption, slave labor, child prostitution, sexual exploitation or child pornography; to perform minor offenses, and transport or distribute illegal products. Men are used for slave labor by taking them to secluded places and taking their identity documents. Statistically described phenomenon of human trafficking requires the analysis of available data as well as the specificity of human trafficking. "This crime is characterized by a small number of acts revealed by the competent authorities, combined with the public conviction about the large number of actually committed crimes" (Wawrzuszczyński A., 2012, p. 143). The number of all crimes identified related to human trafficking is significantly higher each year


than the number of committed human trafficking. Knowledge about the scale of the whole phenomenon takes the form of estimates that do not find any justification and reflection in the data collected by law enforcement and judicial authorities (see Wiśniewski M., 2007, pp. 97-110). According to Frontex in the EU, 158,46 victims were identified and alleged victims of human trafficking in 2013 and 2014. The largest number of these victims was smuggled into the EU in order to benefit from the sexual services provided by these people. This was the destination until 2012, 67% of 12,775 people. The number of identified victims of human trafficking destined for forced labor has also increased over the past few years. A significant position in the trafficking in human beings is also child trafficking, which in recent years has also shown an upward trend. In 2013-2014, approximately 15% of registered victims of human trafficking were children. Available statistics indicate that in 2013-2014 from 15 846 victims registered in the EU, 2 375 were children. The phenomenon of child trafficking deepened due to the migration crisis. Victims are children who come to the EU as part of unregulated migration flows or are separated from their families.

## Conclusions.

The European Union operates under the specific conditions of Schengen Area, which influenced the change of the concept of borders. "A distinction has been made between the external and internal borders of the European Union, with the transfer of the classic function of the border, as a barrier to external boundaries" (Balawajder G., 2017, p. 220). In the area of protection of the external EU border, there was a problem of their tightness in the conditions of inflow of

illegal migrants. Illegal crossing of the border is connected to a number of activities that are identified as security threats. The EU institutions have created a legal and institutional system aimed at identifying and responding to threats at the EU's external borders. The migration crisis revealed the insufficiency of the border protection system; therefore it is necessary to constantly improve the institutional and normative tools that protect the boundaries against cross-border threats.

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## **PROSECUTOR'S OFFICES REFORMATION: FUNDAMENTAL PRINCIPLES**

### **REFORMA PROKURATURY: PODSTAWOWE ZASADY**

### **РЕФОРМИРОВАНИЕ ОРГАНОВ ПРОКУРАТУРЫ: ОБЩИЕ ПРИНЦИПЫ**

#### **Abstract**

*The article is dedicated to the issues of prosecutor's offices reformation at the level of conceptual approaches development to this question and harmonizing this process coordinated approvals with the whole system of law enforcement bodies of Ukraine. In the article much attention is paid to the issues of development and approval of general approaches to the reformation process itself based on description of current reality in a security sector.*

**Keywords:** reformation, prosecutor's offices, conceptual approaches

#### **Streszczenie**

*Artykuł poświęcony jest zagadnieniu reformy prokuratury na poziomie opracowania koncepcyjnych podejść do tego zagadnienia i zgodność tego procesu z całym systemem organów ścigania Ukrainy. Wiele uwagi w artykule poświęcono zagadnieniu rozwoju i ogólnemu podejściu do samego procesu reformacji w oparciu o odzwierciedleniu nowocześniejszej rzeczywistości w sektorze bezpieczeństwa.*

**Słowa kluczowe:** reformacja, prokuratura, koncepcyjne podejście

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**Аннотация**

*Статья посвящена вопросам реформирования прокуратуры на уровне разработки концептуальных подходов к этому вопросу и согласованию этого процесса со всей системой правоохранительных органов Украины. Большое внимание в статье уделено вопросам разработки и утверждения общих подходов к самому процессу реформирования, основанных на описании современной реальности в сфере безопасности.*

**Ключевые слова:** *реформирование, прокуратура, концептуальные подходы*

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**JEL Classification:** K40

**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Nowadays one of the main criteria determining the place of prosecutor's office in Ukraine is its functional load [1]. It should be noted that its place in the system of state bodies is linked directly to the prosecutor's office functions that it must perform. So, the question of national prosecutor's office competence [2] is one of the most disputable in modern legal science and practice. However, no, doubt these functions need to be changed in the context of the implemen-


tion of legal reform in Ukraine. The question centers around increasing the number of functions (returning supervision functions) or their further decreasing compared with current revised edition of Article 131-1 of the Constitution of Ukraine [3]. In this article the author set a goal to describe his view point about the main principles of prosecutor's office reformation in Ukraine based on studying the previous achievements of the scientists.

**Analysis of latest research where the solution of the problem was initiated.**

The extent of problem development. The issues of studying and improvement of prosecutor's office functions in Ukraine were touched upon by national modern scientists: O. Bandurka, M. Bidenko, I. Vernydubov, M. Mychko, S. Prylutskiyi, G. Sereda, P. Shumskiyi, V. Finko, M. Iakymchuk and other. The question on constitutional and legal status of prosecutor's office was leant by L. Hritsaenko, I. Hroshevyi, V. Dolezhan. M. Kosiuta, Iu. Kriuchko, V. Kuts, O. Lytvak, M. Mychko, G. Myrashyn, S. Podkopaiev, Iu. Polianskiy. O. Tolochko, I. Shesheuchenko, V. Iurchyshyn. Nevertheless, despite deep and sufficient scientific and theoretical contribution of the above mentioned authors the

question on conditions of the prosecutor's office reformation process was not described to the end, as the main emphasis laid on deep analysis of legislative changes. According to the author's opinion the development of the main principles of reforming the prosecutor's office of Ukraine goes beyond the legislators' everyday professional activity. Such activity is not connected with making suggestions on any amendments to the current law, it requires creative, considered and slow approach, using criminological forecast of the results of corresponding legislative changes in operation of all law enforcement bodies, judicial bodies and state agencies.

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**Aims of paper. Methods.**

The purpose of the article (task) is to separate the main aspects which serve as the key to implementation of planned, phased and efficient reformation of prosecutor's office in Ukraine in the context of reforming the whole system of law enforcement bodies on the basis of processing practical and scien-

tific development of any questions of prosecutor's activity through prosecutor's office reformation. Relying on studying of scientific achievements, history and practice of national state bodies' functioning the author strives to give his own position on the main basis for prosecutor's office reformation in Ukraine.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Ensuring state sovereignty of Ukraine, person and citizen's constitutional rights and freedoms, adequate standard of living, development of social, constitutional state, realization of Euro-Atlantic choice require the implementation of targeted state policy as to reformation of prosecutor's office bodies and mechanisms of its functioning.

The necessity of improvement (reforming and development) of prosecutor's office bodies is conditioned by cardinal changes in security that took place in Europe and in Ukraine during the last years – increasing of level and changing of specific value of actual and potential threats to national security [4], as well as realization of strategy of European and Euro-Atlantic integration [5], including the perspective of cooperation with the NATO.

At the same time the reformation of law enforcement system in general and prosecutor's office in particular is the condition of any reforms in Ukraine, as without proper protection and respect for rights and freedoms of all the subjects of public process it is impossible to develop any legal state and public society

(democratization of all its elements, increasing the transparency of its operation, changing of criteria of work, clear split of functions, civil democratic supervision, changes of principles of staff management etc.). Reformation of prosecutor's office

bodies must be coordinated and integrated with state plans and programs.

Reformation of prosecutor's office bodies in Ukraine, in particular, shall contribute to both improvement of international image of Ukraine and to increasing investment attraction of Ukrainian economics for foreign investors.

At present moment the process of formation of general image on national security and need in it as the attribute of mature political nation and modern European state has not been completed in Ukraine. This is precisely why one of the modern requirement is constant monitoring and accompaniment in security through political and management approaches. The key direction of reforms is the transformations in the national security system. The future of Ukraine and, in particular, its independence will depend on capability to protect national interests and to respond successfully to any new challenges and threats.

Globalization and regional integration processes bring to dilution of sovereignty and international threats [6]. The recently undisputable division of threats to foreign and domestic ones is losing its value. Transnational corporations, structures of global public society, international criminal group corporations etc. and the states themselves are playing more and more important role in the international arena. As a result, the

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threats of international terrorism, organized criminal activity, in particular, drug and human trafficking, attempts to obtain political and economic dividends for social political destabilization processes are increasing rapidly. The protection of any individual, society and state interests from such threats is the first task for law enforcement agencies and security services of Ukraine.

The development of democratic legal state (in compliance with the constitutional provisions) requires the creation of effective system of law enforcement agencies which will ensure state functions realization and public society development. The current situation in the country is characterized by a range of problems: some conflicts in legislation, not effective activity, decrease of law enforcement bodies' reputation and increase of people's disbelief, incompliance of social and legal environment of officers etc. However, the processes of law enforcement agencies reformation conditioned by needs in their active involvement in settling any perspective and current problems of Ukrainian society are irreversible now.

Ukrainian staying in the European Council and perspective to join the European Union confirms once again the current necessity to adapt its legal institutes to the norms of the European Union according to which the legal enforcement agencies are to change somehow their role and functions through transformations into the bodies meeting the democratic and European standards [7]. And in its turn, the realization of such important priorities of the national interests like Ukrainian integration into European political, economical and legal space demands some enhancing of legislative support of democratic development of the country, and first of all, in the field of law enforcement activity.

So, improving of the prosecution authorities system of Ukraine shall contribute to formation and development of Ukraine as a

democratic and legal country, to security of its national interests, enhancement of social and economic relations and settling the stage of civil society, and to speeding up the integration process of Ukraine to the European Union.

The conceptual framework of the prosecution authorities' reformation in Ukraine gains ground under the above mentioned conditions. Their goal is to secure the system of views on improvement strategy (or enhancing the efficiency [8] of prosecution authorities' activity of Ukraine according to the provisions of working Constitution of Ukraine and standards of the European Council (principles and standards). The main goal of reformation is considered to become on-stage formation of balanced prosecution authorities system, society and state, to function successfully in democratic society and to comply with current requirements, international standards, and the most important – to state's economic capabilities.

The consequences of reformation are to be subordinated to the general goal which is clear and understandable for country citizens. The general goal may be stated as transformation of prosecution authorities of Ukraine from the system of pursuit and repressions [9] into the mechanism for security and recovery of infringed rights of citizens; and increasing the level of trust to prosecution authorities [10], [11].

The functional goal of reformation can be stated as formation of prosecution authorities system considering any positive aspects of European standards of organization and efficiency. The task of reformation is to define the main principles, directions and states of prosecution authorities system, including organizational, scientific methodological and regulatory provision. The subject-matter of reformation task is to settle correspondence between the tasks and functions, structure, people and resources

provision. Under the present conditions the first task is to settle the question of necessary resources provision of reformation process, as lack of resources and needs in reformation are parallel. So, the state should determine the priority: which actions are urgent, which are necessary, and which are desired, and according to the priority their terms of realization shall be stated. The key precondition of prosecution office reformation is adjusting the staff's working culture to such reformation. It should be considered that changing in policy, structure, personnel schedule or regulatory documents shall not result in any changes in working culture of any law enforcement body and the prosecution office in particular. So, there is basic need in formation of critical mass from personnel members who are the supporters of the reformation and who know for what such reformation is necessary. The basis for a new system shall consist of current and new principles [12], [13], [14], [15]:

supremacy of law;

priority of person's rights security;

consistency;

integration;

based on trust to society, approval of legal procedures for security of citizens' rights and legal interest, ensuring the realization of principle of inevitability of punishment; compliance with time needs and orientation at final result;

scientific grounds;

active cooperation with foreign institutions; considering the features of national legislation system;

The predictable transformation of prosecution authorities of Ukraine should be realized as follows:

enhancing of legislative and regulatory provision;

formation of people's position attitude to the law enforcement bodies in general and to the reformation process in particular;

structure balancing, optimization of its constituent components not only according to the entrusted tasks but considering the actual threats to the national security as well; improvement of personnel management, educational system and highly qualified specialists' training [16];

infrastructure development, procurement system improvement [17], preparation and accumulation of material and personnel resources [18];

deepening of international cooperation and partnership in the field of law enforcement activities;

enhancing of efficiency of democratic civil supervision for prosecution authorities activity, provision of maximum allowed and necessary transparency and publicity in their work;

improvement of social policy;

prevention from arising any conditions for intrusion of political forces in prosecutor's office activity through separation of spheres of political and professional (office) management [19];

creation of effective system of cooperation between law enforcement bodies [20];

enhancing the qualification level of specialists and the level of their technical support.

While solving the tasks put in the course of Ukrainian prosecution authorities transformation subject to the level of European standards it is necessary to consider the peculiarities of national legislation system and to avoid adoption of snap legislative changes [21]. This question needs open discussion involving a wide range of legal and scientific community, experts of the European Council [22]. Current state of prosecution authorities should be assessed in a proper way at the time of reformation, moreover, it is required to provide for approval of conceptual principles with the view of complex reformation of modern security sector under the terms of globaliza-

tion. The relevant provision of these processes shall contribute to formation of effective system of democratic civil control of prosecution authorities' activity in Ukraine for increasing the level of protection of rights of citizens, society and state.

According to the directions of development of prosecution authorities system it is possible to predict the accomplishment of the following measures:

- considering the necessity of reforming the prosecutor's office on the sidelines with court reformation [22];
- strengthening of coordinating role of prosecutor's office in the field of fighting against crime [23], [24], [25];
- development of criteria for prosecutor's office activity assessment[19];
- constant monitoring of prosecutor's office operational efficiency at the state and regional level;
- ensuring improvement of information resources law enforcement agencies functioning that enables:
  - to combine the informational resources of interested executive bodies;
  - to form the comprehensive system of informational cooperation of interested executive bodies and to establish single in-sphere for complex review of information on criminal activity;
  - to arrange cooperation and information exchange with competent bodies of foreign countries and international organizations which activity is aimed at fighting against crime;
  - improvement of international and institutional cooperation with law enforcement agencies of Ukraine from the one hand and with the EU, NATO, some foreign states and their law enforcement bodies from the other hand as follows: a) joining efforts and implementation of joint programs on fighting against terrorism, trans-border and transnational crimes, corruption, illegal migration, drug trafficking, human trafficking

etc.; б) proper technical support for law enforcement agencies of Ukraine and pre-border infrastructure, and involvement of purpose-oriented help of country-members from the EU and NATO;

- arrangement of working meetings of the representatives of the entire executive bodies of Ukraine and the EU country-members for discussing any outstanding problems on operation, real-life experience exchange, approval of cooperation mechanism;

- continuing any work on studying European experience, making comparative analysis and conclusions on experience in the field of prevention and fighting against crimes as well as bringing it into practical usage to improve the legislation of Ukraine;

- setting up any efficient mechanisms of cooperation between prosecutor's office and publicity (in particular, working out of programs on cooperation with public society, which provides for: learning the public opinion, polling and interviewing of separate representatives and groups of population; arranging and conducting any regular meetings (briefings, press-conferences, interviews etc.) of management and responsible officers from the prosecutor's office with mass media representatives [26], representatives of any unions and public organizations [27] for informing on current state, results and problems of law enforcement officers' activity; meetings with practical employees with labour collectives and population according to the place of residence);

- ensuring objective and unprejudiced disclosure of any actions in mass media which are realized by the prosecutor's office in the field of prevention and fighting against crimes and their results [28];

- ensuring to stream any informational policy in the above field to disclose actual results and positive developments, keeping

up the population certainty about invariability of the determined direction in the field of prosecution authorities system reformation, contribution to forming negative attitude to illegal activity in the society; - organization of scientific and methodo-

logical provision [29] for training and upgrading of prosecutor's office employees' qualification; arrangement of annual interdepartmental council-seminars for law enforcement representatives concerning any actual questions on practical activity and reformation aspects).

## Conclusions.

As to the current state of Ukrainian development the actual question is the reformation of all law enforcement agencies of Ukraine as the subjects of national security provision. Vital importance of these reforms for all spheres of public life and necessity of proper provision of national security shall demand maximum careful, scientific and reasonable approach to working out any general basis for reformation, and, first of all, to realization of some specific steps in this direction.

Nowadays any challenges and threats require the transformation of prosecutor's office of Ukraine as a subject of national security under the terms of thoughtful and reasonable approach to reforming process which should provide the following:

- continuous and planned formation of balanced system of prosecution authorities of Ukraine which is able to perform any tasks to secure the interests of person and citizen, society and state in qualitative and professional [30] way, and to function successfully in democratic society, to respond to the requirements of the present moment, to the international standards and country economic abilities [31].

- improvement and further development of the system of personnel provision of the prosecutor's office of Ukraine [32] according to the current European standards;

- enhancing international and departmental cooperation in the field of provision of the national sovereignty of Ukraine, constitutional rights and freedoms of any person and citizen, and fighting against transnational criminal activity between Ukraine and the EU, NATO and separate foreign countries;

- efficient allocation of authorities in the system of law enforcement bodies of Ukraine, setting up any necessary mutual control, clear legislative determination of their legal status [33].

The next step in researching in this field can be preparation of project named "Concepts of prosecutor's office reformation in Ukraine" or "Concepts of reforming the law enforcement agencies of Ukraine" which should consider any similar transformation in other force departments as well for complex settling of the question, if there is any political will for this. But in general, it is considered not prudent to conduct any reformation for each department separately, that can be proved in some way by the results of police reformation which was the first under legislative changes, but furthermore, there was some decision on reasonability to establish the relevant conceptual basis [34]. But it should be stated the first task is still formation of critical mass from staff members who support this reformation and realize its final target.

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## **PROMOTION OF PRO-ECOLOGICAL INITIATIVES IN POLISH CITIES. CASE STUDY OF MIKOŁÓW MUNICIPALITY**

### **PROMOCJA INICJATYW PRO-EKOLOGICZNYCH W POLSKICH MIASTACH. STUDIUM PRZYPADKU GMINY MIKOŁÓW**

### **ПРОДВИЖЕНИЕ ПРО-ЭКОЛОГИЧЕСКИХ ИНИЦИАТИВ В ПОЛЬСКИХ ГОРОДАХ. ПРИМЕР ГМИНЫ МИКОЛУВ**

#### **Abstract**

*The article deals with the promotion of pro-ecological initiatives addressed to residents of the municipality. It presents a concept of promotion, its basic instruments and conditions in relation to conducting this activity by Local Government Units. An attempt was made to refer these issues to the ecological aspects of the functioning of municipalities. Conducted considerations in this area are illustrated by examples of promotional activities in the field of ecology in the Mikołów municipality.*

**Keywords:** *pro-ecological initiative, ecology, municipality, promotion.*

#### **Streszczenie**


*Artykuł porusza kwestie promocji inicjatyw pro-ekologicznych adresowanych do mieszkańców gminy miejskiej. Przybliżono w nim pojęcie promocji, jej podstawowe instrumenty i uwarunkowania w odniesieniu do prowadzenia tej działalności przez Jednostki Samorządu Terytorialnego. Dokonano próby odniesienia tych zagadnień do aspektów ekologicznych funkcjonowania gmin. Prowadzone rozważania w tym zakresie, zilustrowano przykładami działań promocyjnych w dziedzinie ekologii w gminie Mikołów.*

**Słowa kluczowe:** *inicjatywa proekologiczna, ekologia, gmina, promocja.*

#### **Аннотация**

*Статья посвящена продвижению про-экологических инициатив, адресованных жителям муниципальной общины. В нем представлена концепция продвижения, ее основные инструменты и условия, связанные с управлением этой деятельностью Подразделениями Местного Самоуправления. Была предпринята попытка отнести эти вопросы к экологическим аспектам функционирования гмин*

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(муниципалитетов). Рассуждения на эту тему иллюстрируются примерами рекламной деятельности в области экологии в Миколувской гмине (муниципалитете).

**Ключевые слова:** про-экологическая инициатива, экология, гмина (муниципалитет), продвижение.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The main problem of this article is the determination of effective marketing activities that can be implemented by municipalities to promote pro-ecological activities. These pro-ecological activities are very important these days because of climate changes. An additional factor affecting the promotion of pro-ecological activities in municipalities is limited financial resources for this purpose. From the marketing point of view, it is important to resolve the issue of the effectiveness and efficiency of this type of activities in conjunction with appropriately selected promotion mix tools. This

article is an attempt to make this kind of analysis. Article indicates potential mix marketing elements related to the promotion, which can be used to publicize pro-ecological initiatives. In the further part of article, reference is made to the practical use of these tools by Polish cities. Additionally, based on a case study of the Mikołów municipality, an attempt was made to confirm if pro-ecological activities in Mikołów are the same as in Polish cities or if they differ from the general trends in this aspect.

### **Analysis of latest research where the solution of the problem was initiated.**

The promotion can be defined as a set of means by which the city communicates with the market, provides information about its activities, products or services, which is why it is also a very important determinant of the city's identity strategy (Stanowicka-Traczyk, 2007, p.28).


Promotion is the most visible element of marketing activities in the local government unit, it is caused by fact that promotion has the widest range of tools compared to other municipal marketing mix instruments, as well due to the visual and tangible nature of the means used. Promotion in territorial marketing is defined as all activities related to

communication of a territorial unit with the environment, including information about the region, convincing about its attractiveness and encouraging the acquisition or consumption of territorial subproducts (Florek, 2006).

In practice, in the territorial unit promotion is skillful and efficient information to clients, recipients (local population, investors, tourists and families from outside the city) of the territorial product and activities of local authorities (Pilarczyk, Bernaciuk 2005).

Products in the municipal promotional activities are defined by A. Szromnik as specific utility groups, offered in a paid

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mode, partially paid or unpaid (on various financial and legal conditions) to interested groups of clients. A. Szromnik lists a few basic types of products, including a tourist product (tourist establishments, hotels, gastronomy, environmental values, monuments, traditions, atmosphere), housing product (flats, houses, private, cooperative social and municipal plots), an educational and cultural product (education, culture), calling them subproducts. Their sum is called synthetic territorial product (Szromnik, 1997).

The prerequisite for running a promotional activity by municipalities is the information needs that appear on both sides of the market exchange: supply and demand. Residents or people staying in a municipality temporarily need information to be aware of the existence of various products, initiatives as well as public services. This information allows them to make a reasonable choice whether to participate in a specific program implemented on the territory of the municipality. During the participation of residents in specific actions or projects promoted by the municipality, information for municipal authorities is generated. Promotional activities provide them with municipal authorities with information about the needs and preferences of residents, the degree of their satisfaction. (Chrząścik, 2012, p. 148).

Taking into account the above regularities, the promotion objectives of municipalities are primarily:

- information about the existence of a region (including raising awareness among potential buyers); because of the promotion information is provided to current and potential buyers, which helps breaking the barrier of ignorance about the region's location and available regional resources, attractions, etc.),

- convincing about the advantages of the region by pointing to the benefits achieved in the region related to the purchase of the offer and by comparing with the offers of other regions (analogous offers), emphasizing the advantages,

- encouraging (convincing) to buy or consume regional products (by providing potential purchasers with an appropriate set of rational and emotional decision-making criteria, enabling individual purchase variants to be assessed and selecting the right one for the needs and preferences) - the intended effect is in this case, the calling of specific actions and behaviors of buyers, as well as their consolidation, leading to loyalty to the offer of the region,

- shaping the identity and consolidating the image of the region (Florek, 2006, p. 144)

On the other hand, the Supreme Audit Office as the key objectives of the promotion of Local Government Units indicates:

- increasing the attractiveness of the city (powiat, region) for residents, tourists and investors,

- shaping the image of the city,

- increase in the tourist or health rank of the city (municipality, powiat, region),

- strengthening the position of the city (municipality) as a significant economic center in the region (subregion) or region - at home and abroad,

-integration of residents,

-promotion of ecological values and agritourism,

- raising external capital and mobilizing local capital,

- care of the environment,

- cultivating tradition, care for cultural heritage (Promotional activities of local government units. Information on the results of the NIK 2011 audit, p.13)

Ecological activities in municipalities may include many areas:

- increasing the number and space of green areas;

- introducing environmentally friendly urban transport solutions;
- improvement of air quality by reducing low emissions;
- increasing energy efficiency in public institutions;
- using renewable energy sources;
- introducing eco-innovation;
- education of the local community in the area of ecology;
- effective implementation of ecological policy principles (Herbuś, 2017, p.87-88).

Regardless of what ecological initiatives concern, all of them deserve proper promotion.

Issues related to the protection of the natural environment take more and more attention in the problems resolved at the global, national and local level. Climate change and increased pollution have resulted in enterprises and the public sector taking actions that are designed to stop the ongoing negative changes and improve the existing situation, in particular in areas where they have a direct impact. The undertaken initiatives are at the same time a part of the information and education campaign addressed to clients, state citizens, local communities and to all entities whose daily activities have an impact on the environment. Local authorities and non-governmental organizations operating in municipalities have a large role in such activities, because they are the closest to the residents. Cooperation between the municipality and other private and public institutions and organizations increases the chances for effective shaping of environmental awareness in the local community. It also contributes to the promotion of projects implemented by these entities and may encourage residents to take initiatives to improve the environment. (Adamczyk, Wązkiewicz, 2013, p. 7-8)

After exceeding the basic level of satisfaction of life needs, residents of municipalities more and more often are willing to pay for features of the product unrelated to its usefulness. These features are the brand, appearance, and customer service. The prestige caused by the possession of a specific good is also becoming more and more important for customers. If it is possible to achieve a state when the essential element determining the prestige in the local community it will be the implementation of tasks of sustainable development (ecological use of used goods) and environment protection (not only minimization of impact, but active actions for environmental protection), the effect will be greater and longer lasting than administrative actions and penalties.

The confirmation of mentioned regularities is a creation through educational actions, media, etc. trend for ecological heating, cars, household appliances or in a wider range - organic farming, agritourism, etc. The Expenses for this purpose, which do not bring visible savings or profits, can greatly emphasize the prestige of the owner of this kind of goods. Strengthening the trend for ecology means that not only involved in and aware of the goals of eco-development people will invest in it, but also those people for whom ecological aspects are indifferent. However, each conscious action in this direction is associated with the assimilation of new information and inevitably, often despite the will of the interested, changes their worldview. In the local aspect, the sum of minor changes in the behavior of residents may result in significant savings for the city budget and state finances by increasing the resilience of the environment (to negative natural and anthropogenic factors), limiting minor inconveniences and negative impacts, now often decisive for the state of the environment in the municipality (low

emission, waste and sewage, noise, etc.) (Kozakiewicz, 2006, p. 74). Therefore, municipality should promote pro-ecological projects and initiatives focused on changing their attitudes towards the natural environment and promoting sustainable development.

Using the conducted research and analysis in Poland, it can be stated that local government units use different channels and communication tools. Communication policy of municipalities can be divided into two main areas, inward communication - all communication activities addressed to residents (articles in the local press, advertising in the city, radio and television interviews, press conferences), and outside - within this framework in the sphere of promotion, messages intended for potential investors have a significant quantitative advantage (presence at trade fairs, advertising in business magazines, a website). Promotion on the Internet gives local government units the fastest opportunity to reach a large number of recipients of information. The promotion on the website can be considered according to the division into promotional activities carried out on one's own website (in this case the city's website) and promotion carried out on the WWW beyond one's own website.

Promotion on websites is often used local government units promotion tool. However, municipalities' websites are primarily used to implement the promotional information function. (Dziekański, 2012, pp. 35-36).

An important instrument used in the process of communication of territorial units with the environment is public relations. This element of marketing communication is available even for municipalities with a limited budget. It allows achieving goals related to creating the image desired by the commune in the environment, shaping civic attitudes among the local community related to ecology and

environmental protection, and involving residents in specific projects and initiatives that lead to increasing their ecological awareness. Information aspect is equally important, local government authorities use public relations instruments to provide information to residents about both activities undertaken in the municipality and about the municipality itself - including the state of the natural environment in and around the municipality. Achieving these goals is possible through, printed materials of an informative nature (leaflets, posters, folders), organization of events in the municipality and involvement in sponsoring activities.

It is worth noting that the municipalities in their promotional activities often organize specific events and ventures specific to them or the region. It can be festivals, competitions, exhibitions, contests, reviews, shows, conferences, etc. In addition, municipalities organize events based on the past, developed traditions and culture, which main purpose is to sustain and develop values and traditions existing in the community. These events are an effective way to activate the local community and build strong community. These events can be used by municipalities to increase ecological awareness of their residents.

The confirmation of the activity in the sphere of ecology and environmental protection for local government units are competitions organized by various organizations, often under the patronage or with the participation of national institutions (Ministry of the Environment, National Fund for Environmental Protection and Water Management or Environmental Protection Inspector). Informing about successes achieved and obtained titles and prizes is an important element of creating the image in the community and confirming the advantages

of municipalities, as well as a form of encouraging further efforts for residents and entities engaging in the municipality in the awarded area of activity.

An example can be the Leader of Green Energy competition. Its organizer was the Foundation for the Promotion of Polish Municipalities, and the entire project aimed at rewarding projects supporting the development of renewable energy, which were implemented in the municipality by local

authorities and organizational units reporting to the office. An important aspect assessed in the competition was the cooperation of institutions and organizations from all three socio-economic sectors (public, private and social). This cooperation was to encourage local governments "to partner pro-ecological activity for the use of renewable energy sources (eko-gminy.pl 2013 website)

### **Aims of paper. Methods.**

Currently, local development activities should take into account the principles related to marketing management, which are particularly important in the conditions of the free market economy. It adopts the territorial marketing convention, understood as "market activities of representatives of regions aimed at attracting both investors and potential residents" (Girard 1997, pp. 70-71). Therefore, local authorities that are responsible for the socio-economic development of their region must conduct conscious promotional activities.

This article deals with the promotion of pro-ecological initiatives addressed to residents of the municipality. It describes the concept of promotion, its basic instruments and factors affecting the implementation of this activity by Local Government Units. It attempts to refer these issues to the environmental aspects of the functioning of municipalities. Conducted considerations in this area are illustrated by examples of promotional activities in the field of ecology in Mikołów.

The theoretical aim of the article is investigation about the effectiveness and efficiency of using individual elements of the mix promotion to inform residents about such initiatives undertaken by municipal authorities.

The cognitive aim of this article is to show which promotion tools Mikołów is using in practice and whether the promotional instruments used by it in the field of ecological initiatives are consistent with the general tendencies of Polish cities in the promotion of ecology and sustainable development.

This article also has a utilitarian purpose related to the approximation of the best practices, which have succeed in the Polish reality and which are worth propagating more widely.

The article uses the case study method based of promotional activities carried out in the city of Mikołów related to the promotion of pro-ecological activities and literature research related to the promotion of ecology in Polish cities.



**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

The problem of the City Mikołów is air pollution in autumn and winter. It results from the low emissions from cars, dust and gases emitted from domestic heating furnaces or coal-fired boilers. The city wants to change this situation. In the municipal office, residents can get a surcharge to replace an outdated source of home heating for a greener one. The mayor Mikołow commissioned the development of an application for obtaining additional funds for this purpose. An appropriate application for this purpose has been directed to the Provincial Fund for Environmental Protection and Water Management in Katowice. This fund granted a subsidy to the municipality of Mikołów to limit the low emission. Mikołów inhabitants may receive PLN 5,000 in subsidies for the new generation furnace. However, human consciousness plays the most important role in the fight against low emissions. More and more residents of the city are aware that they should not burn everything in furnaces. The promotion of the proper way of the heating was joined by the Mikołów city guards. Instructional videos about how to heat in an ecological way can be viewed on the website of the municipal guard in Mikołów. Activities modeled on this action are carried out by many municipalities in Poland (the website Teraz środowisko 2017).

As part of the promotion of pro-ecological activities, on 25/04/2017, at the 750th anniversary square in Mikołów, the tree planting action began. By this action Mikołów commemorated the upcoming 800th anniversary of the city. Over the next five years, 40,000 trees will be planted in Mikołów. This is a symbolic number that is supposed to reflect the approximate number

of Mikołów residents. The new municipal authorities from the beginning of their cadency wanted Mikołów to become a beautiful green place. They want the greenery in the city to be as much as possible, especially at a time when mass cutting down trees takes place in many cities.

According to the plan of a special team set up at the City Hall, new trees will grow in districts of Mikołów. Among the plantings, peculiar cherries, pears, ornamental apple varieties, column elm trees and beeches will dominate (website: [naszemiasto.pl](http://naszemiasto.pl) 2017).). Because of the Tree Day, trees are planted around the world, and thus teaches ecology. Ecological associations, forest inspectorates and schools join this action. On this occasion, on 10.10.2017, Stanisław Piechula, the mayor of Mikołów, photographed himself with an old laptop and published the photo on Facebook. In the picture the mayor in one of the hands is holding a laptop, and in the other one, the tree seedling. The action promoted in this way meant that electronic equipment and home appliances, which has long been used by residents of Mikołów, could be exchanged for a tree. These devices could be mobile phones, clocks, computer keyboards and mice, hair dryers, etc. For the larger equipment in the form of a refrigerator, washing machine or dishwasher, residents could receive two trees (Głowacka, 2017).

In March 2018, in Mikołów, the 'Sharing connect' project began. Within it, a point where people can bring and give away unnecessary books, clothes, food that has not expired, was established. A person bringing a thing can also take what he needs from the point. Everything is done for free. The point operates from 7.30-19. The

analyzed initiative is based on the Western European concept of food sharing. It has been slightly expanded. The point of this initiative is that the food, which sometimes happens to be bought in excess and which we do not eat before the period of usefulness, did not waste. One has to just take it to a designated point. From where, someone who will serve it can take it for free. Mikołow authorities emphasize that the action is primarily about public awareness and paying attention to the problem of food waste. Mikołów authorities also want to promote good social attitudes and simple human kindness and empathy in this way.

The poster promoting the described campaign contains information about what food products can be brought. These are food products that have exceeded the date of minimum durability, but have not exceeded the expiration dates, products sealed or placed in containers, self made products like cakes, soups, but also cheese, yoghurts, cottage cheese. Raw, spoiled and out-of-date food and alcohol should not be brought. (Wojs, 2018). In addition, this campaign was promoted by an information video posted on Twitter and You Tube.

The Silesian Botanical Garden, located in one Mikołów district, is involved in promoting pro-ecological attitudes of residents of Mikołów. The discussed garden is one of the largest and most modern facilities of this type in Silesia. Its basic task is to protect the biological diversity of the region, educational activities aimed at various age groups and shaping pro-ecological attitudes in society. The garden is also a great place for recreation and relax. Scientific activities are also carried out there. Established in 2003 as the Association of Associations of Silesia, Mikołów city, Mikołów powiat, Racibórz and Radzionków cities, Silesian University and PAN. The official decision

on the establishment of the Garden was issued by the Minister of the Environment in 2006.

The mission of the Silesian Botanical Garden (covering an area of about 80 hectares) are activities aimed at the protection and preservation of the biological diversity of Silesia and the temperate climate zone. The next tasks are: ecological education, natural and health education as well as scientific activity.

The Silesian Botanical Garden is divided into five laboratories: Laboratory of Ornamental Plants Collection, Laboratory of Scientific and Conservation Collections, Laboratory of Habitat Collections, Laboratory of Ecological and Natural Education, Laboratory of Studies on Adaptive Systems.

An important part of the activities of the Silesian Botanical Garden is educational activity, addressed to various age groups (children, young people, teachers, educators, etc.). There are, among others, thematic workshops, school of natural science experiment, seminars. Silesian Botanical Garden also organizes and promotes such events as the Frog Holiday, Birds' Day, Earth Day, Bee's Day, Lightning Day, etc. (Silesian Botanical Garden in Mikołów).

Because of the fact that the Silesian Botanical Garden and Organic Farming combines the same ecology-related goals, the initiative to organize in the Silesian Botanical Garden EcoBazar was created, where organic food producers sell their products: vegetables, fruits, eggs, bread, honey and many more. In the autumn of 2013, a pilot action was carried out, during which all doubts related to the legitimacy of organizing EcoBazar were dispelled. The interest of both sellers and buyers exceeded all expectations. It was decided to enter EkoBazar permanently in the schedule of the Silesian Botanical Garden.

From April 6, 2014, EkoBazar operates every Sunday from 10 to 17. Participants can get food with certificate of production and processing in organic farming or a certificate of traditional and regional products. Visitors of EkoBazar can buy cheese, meats, vegetables, honey, bread, biscuits. EkoBazar also organizes seminars, workshops and actions related to the subject of ecology. Visitors can listen to lectures about healthy food, how to recognize an ecological product, how to read labels. As part of ecological campaigns, visitors can get rid of old electrical and electronic equipment and in return get tickets to cultural institutions (also sport institutions) in Silesia.

All efforts of EkoBazar organizers strive to encourage healthy and ecological life by facilitating access to healthy, unprocessed and unmodified products and all other activities related to ecological themes. The organizers are trying to keep the exhibitors as many as possible.

An additional fact distinguishing EkoBazar in the Silesian Botanical Garden from other similar initiatives is the fact that participants combine business with pleasure. In addition to shopping, visitors can take advantage of all the charms and attractions proposed by the Silesian Botanical Garden. Take a walk, use the playground or arrange a picnic (internet service [ecorynek.com](http://ecorynek.com) 2018).

The promotion of pro-ecological initiatives in municipalities can be implemented using various marketing tools. In the case of the analyzed city of Mikołów, the use of public relations activities in this activity is visible. The active participant is the city Mayor, who creates various kinds of events that refer to ecology and personally gives the example of how to behave in a way that contributes to respect for nature.

In the promotion of pro-ecological activities in Mikołów, elements of cooperation

between municipal authorities and other public services such as municipal guards and institutions such as the Silesian Botanical Garden are visible. These entities conduct actions related to the reduction of low emissions in the city or the collection of used household appliances. These activities are supported by the internet promotion of the discussed initiatives using instructional videos or promoting specific pro-ecological initiatives implemented in Mikołów, which are posted on YouTube or Twitter. Information about these activities can also be found on local websites as well as in Silesia websites.

An example of activity in the sphere of ecology and environmental protection for local government units are usually competitions organized by various organizations, often under the patronage or with the participation of national institutions. In the case of Mikołów city, this type of activity has not been undertaken so far.

Summing up the previous considerations, it can be concluded that the promotion of pro-ecological initiatives in Mikołów is similar with the activities undertaken by municipalities in Poland. A distinguishing element of these activities is the project 'Sharing connect'. Within it, a place where people can bring and give away unnecessary books, clothes, food that has not expired, was created. The analyzed initiative is based on the Western European concept of food sharing. The aim of this project is to make the food, which cannot be eaten before the shelf-life period, does get wasted. Mikołów authorities emphasize that this action is primarily about public awareness and attention to the problem of food waste. In this way, they want to promote good social attitudes and human kindness and, at the same time, limit the amount of food thrown into garbage cans.

## Conclusions.

The promotion of pro-ecological activities in municipalities in Poland is becoming increasingly important, due to the increase of ecological awareness of residents, and because of the climate changes that can be observed. Municipalities more and more often focus on effective promotional tools, aimed at generating favorable pro-ecological attitudes of residents, with limited possibilities of spending financial resources for this type of activity. Municipalities strive to optimize marketing activities in this area. The conducted analyzes of promotional activities of pro-ecological activities in Polish cities show that the municipalities use for this

purpose a classic marketing concept with classic mix promotions instruments supported by information placed on the websites of municipal authorities. The city of Mikołów, presented in a case study that is part of this article, tries to combine traditional forms of promotion with innovative activities on a Polish scale in this area, such as the use of Youtube or personal activity of the mayor of this city, manifesting in the creation of PR activities promoting pro-ecological initiatives in this city. It should be noted that in large part these are not expensive projects but based on interesting and creative solutions.


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## **SPECIFICITY OF THE DESIGNATION OF THE NAMES OF GOODS WHICH HAVE A SPECIAL IMPORTANCE FOR LEGAL CULTURE**

### **SPECYFIKA OZNACZANIA NAZW TOWARÓW O SZCZEGÓLNYM ZNACZENIU DLA KULTURY PRAWNEJ**

### **СПЕЦИФИКА ОБОЗНАЧЕНИЯ НАИМЕНОВАНИЙ ТОВАРОВ, ИМЕЮЩИХ ОСОБОЕ ЗНАЧЕНИЕ ДЛЯ ПРАВОВОЙ КУЛЬТУРЫ**

#### **Abstract**

*The first part of the article consists mainly of a short presentation and an important indication that it can be understood in various ways. In addition, I focus on the comparison of the law - where you can find important regulations, giving information that the problem has many aspects: in Polish and international law (the European Union). The article informs about the current situation and prospects in order to improve the protection of objects of particular importance to culture.*

**Keywords:** goods, culture, literature, determining, base, law.

#### **Streszczenie**


*Pierwsza część artykułu składa się głównie z krótkiej prezentacji i ważnego wskazania, że została ona zrozumiana na różne sposoby. Ponadto, autorka w artykule skupia się na porównaniu prawa - gdzie można znaleźć ważne regulacje, podając informację, że problem ma wiele aspektów: w prawie polskim i międzynarodowym - w Unii Europejskiej. Artykuł dostarcza nam informacji o aktualnej sytuacji i perspektywach, aby poprawić ochronę obiektów, które mają szczególne znaczenie dla kultury.*

**Słowa kluczowe:** dobra, kultura, literatura, determinowanie, baza, prawo.

#### **Аннотация**

*Первая часть статьи состоит из короткой презентации и важной информации о том, что статья может быть понята по-разному. Кроме того, я сосредоточила свое внимание на сравнении закона - где можно найти важные правила, предоставила информацию о том, что проблема имеет много аспектов в польском*

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*и международном праве (в Европейском Союзе). Статья информирует о текущей ситуации и перспективах в целях улучшения защиты объектов, имеющих особое значение для культуры.*

**Ключевые слова:** *товары, культура, литература, определение, база, право.*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The concept of protection of goods that have a particular value for culture has not been included in the legal definition in this way, neither on the ground of the Act on the Protection of Monuments and Care of Monuments from 2003, nor on the basis of previous acts. The hypothesis of legal explanation designates goods of special importance to culture in the dictionary of expressions national laws it would be useful

in fulfilling the postulate of transparency and legal writing. After dealing with the legal protection of goods that have a special value for culture, will make it the subject of consideration, because it has been treated taking into account the number of court decisions, literature on the subject, doctrine - as indicated in the literature with too marginal.

**Analysis of latest research where the solution of the problem was initiated.**


The quality and uncommonness of art and its resources do not need to be convinced, Quintus Horatius Flaccus and his famous work *Exegi monumentum aere perennius* appreciates and enhances the value of culture and its objects and attributes, pointing to the important role of the artist as an over-generation artist, because passing centuries. The object of protection of cultural property does not constitute a separate branch of law, because the principles, methods and means characteristic only for this matter have not been distinguished. The right to protect cultural heritage is a unique field that uses institutions and tools of various branches of law.

In contrast, in the literature there is still a rudimentary approach to the matter, that the protection of monuments should be treated and is an element of administrative law (Dobosz P., 1997, s.109).

The location of cultural goods in the legal systematics as the public-law *ius publicum* raises the rank of the discussed theme and makes the unit not only agree with the overriding objective of the Act currently in force for the protection of monuments and care of monuments in 2003, that the protection of cultural property is in the interest of the public, but also private.

It is necessary to state that this objective has not been expressis verbis expressed on the basis of the currently binding act, but its content undoubtedly continues with the key idea and the target of the previous act on the protection of cultural property from 1962. It is mentioned by expressis verbis: Article 1 of the 1962 Act on the Protection of Cultural Property states that Cultural goods are a national wealth and should be protected by all citizens. Identification of a monument, so well understood on the basis of colloquial language, causes considerable

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problems of interpretation when application of the provisions of the Act dk. The monument belongs undoubtedly to a wide range of objects that we can describe as cultural goods because of their historical, scientific or artistic value.

Since even the very concept of culture has evolved for hundreds of years, it is surprising that there are no statutory expressions in the dictionary, hierarchical determinants of the uniqueness of objects that are supposed to have an unusual meaning. After all, the term *cultura* was initially associated with the cultivation of the role and sought to describe the desired transformations of the natural state of natural phenomena thanks to human work. The Cicero concept of *cultura animi* called the state of activity of the human mind.

It was not until the seventeenth century that this concept acquires meaning more and more similar to today's understanding defining culture as the effect and result of the intellectual effort of the human being leading and leading to innovative achievements, for example Wolter, the continuator of this

thought and later also Werder, as well as Klemm, who referred to this term specifically to art as a result of work and the achievements of humanity.

In turn, similarly, it was stated in the definition of 1871: Culture, or civilization in the widest sense of ethnography, it is a concept that includes knowledge, beliefs, art, morality, law, customs and other abilities and habits, acquired by man as a member society.

In turn, Sigmund Freud stated: Human culture - and I understand all the aspects in which human life has risen above the animal state and in which it differs from animal life (and I deny the separation of culture from civilization) - so it presents itself to an observer in two aspects. On the one hand, it embraces all the knowledge and power that people have achieved to master the forces of nature and get resources to meet their needs. On the other hand, culture includes all the indispensable devices that can regulate the mutual relations between people.


### **Aims of paper. Methods.**

It was used the research method - dogmatic and legal analysis, but also the empirical method. As they state and claim the elaboration of this concept, the non-identical presentation of the definition of culture is a testimony that each of us understands this concept against the background of their own experiences and imaginations, contact with the culture of others, developed their own. On the other hand, there is currently no prohibition to indicate a framework of uniqueness - it could help in the selection of the priority of protection of exceptional cultural goods. The legal criteria of priority protection could be influenced by, for example, the number of such items on the market, material and manner of execution, year of foundation, usefulness, current

price, interesting history of the work related to its creator. For identifying culture with other qualities is associated with upbringing and living in other realities, and often also in terms. Really mention all the cultural criteria, there is no way-and therefore for their choosing often are subjective criteria that.

The issue of protecting cultural property despite the evolution of this concept is constantly being raised. And finally, it is interesting to note that therein the protection of proper definition of cultural heritage plays an important role the natural environment. In civic society one should also distinguish numerous valuable cultural goods that can not stand without professionals. All the more so in specific cases when the forces of

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the environment are insufficient. The recognition of cultural heritage is influenced by the recognition of particular cultural assets in recent years. In the opinion of B. Suchodolski, when talking about the heritage of culture, it is necessary to accept and take into account the fact of mutual integra-

tion of national cultures, which complement each other and create a common heritage. According to A. Gerecka-Żołyńska, it is often a complex and problematic issue to combine the cultural property with the cultural heritage of a particular nation or state (Gerecka- Żołyńska A., 1999, s.104).

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

Analysis of the concept on a legal basis - the Constitution of the Republic of Poland provides that monuments are from the point of view of the general social interest an extremely important protected good as a source of national identity that connects our nation. In turn, art. 4 of the Venetian Charter indicates the obligation to ensure the continuity of their proper maintenance. One can distinguish two features of protection of these goods from these two normative acts: the necessity of maintaining continuity and the essence - uncommonness guaranteed on the basis of the Constitution of the Republic of Poland itself. However, due to the amount specified for the purpose of saving public cultural goods in the European Union, it would be important to prioritize protection. In addition, it is worth disposing of EU funds in the EU Member States, after public consultations, to honor the list of cultural goods considered to be the most important by the criteria indicated by its citizens, and thus indicate the desired order of protection. The official vote for all citizens of the European Union member states regarding the order in which goods of particular importance for culture are to be found should be carried out.

In legal literature, it is assumed that the sphere of cultural heritage protection still needs to be reformed despite the fact that many new laws have been introduced, for example the act on museums or, for example, archives or libraries. The reasons for

this can also be found in the intensity of demanding changes in the protection of goods with an extraordinary importance for culture by citizens of the European Union. And the historical achievements of the past are considerable. Moreover, the lack of reference to the model standard in the scope of protection of cultural heritage would raise questions about the knowledge of the historical background due to what must be subject to due legal protection. Thus, when analyzing legal issues on the basis of the Constitution or other sources of law, one should refer to various regulations contained therein, concerning the same matter (for example Article 6 or 73 of the Constitution). The essence of art. 6 of the Constitution of the Republic of Poland is the dissemination and equal access to cultural goods, which already underlines their importance. Art is not without significance. 73 of the Constitution of the Republic of Poland in particular, when everyone can be guaranteed the freedom of artistic and scientific creation.

As the preamble of the Constitution of the Republic of Poland, culture is rooted in heritage, as well as values - this is the thesis. Unfortunately, in the explanation of statutory expressions in the Criminal Code of 1997, there is no legal definition of goods of special importance for culture, but on the basis of Article 294 of the Penal Code, the concept of goods of special importance for culture, which may have different values, was used. As, therefore, it follows from the

above considerations of this kind of special good, it is not always granted high artistic or historical rank, not to mention scientific. Statistics are a good source of information. The definition of cultural goods is based on the search for legal authority.

Legal analysis is considered reliable when it is carried out properly. Without an unlawful precedent.

In turn due to the fact that art. 294 § 1 of the Penal Code covers various basic types of crimes against property, the correct classification of the perpetrator's act also requires a reference to the type of crime against property whose subject was property of considerable value (so rightly SN in the excerpt of 23.1.2002, V KKN 497/99, Prok. And Pr. - No. 2002, No. 5, item 2).

Ad extremum, paradoxically, no one is surprised that after 1.05.2004. , ie after Poland's accession to the European Union, it was necessary to adjust the national law to the EU while maintaining the principle of state sovereignty. Municipalities were obligatorily to create communal programs of monument protection, or protection plans for individual objects. Feler, while preparing these documents and the contribution to the criticism in literature and doctrine, often proved the lack of consultation with practitioners-conservation services.

Currently - as is indicated in the literature - long-term programs for the protection of monuments and the care of monuments have the majority of communes and all self-government voivodships. There is a lack of a national program for the protection of monuments and care of monuments, and what is important and often raised in the literature is a consequence of the lack of statutory criminal sanctions in the absence of such a document. The advantage is that the Act on the Protection of Monuments and Care of Monuments from 2003 adapts the regulations to EU standards, but if the view

is accepted that an appropriate legal instrument is necessary for the development of Polish museology, it protects foreign museum objects from the adverse effects of third party claims, it is necessary to consider what scope of protection it should apply to.

Generalizing the European Union's goal in the field of joint cultural cooperation of the Member States was implemented and consolidated in the Maastricht Treaty of 1993. It was this treaty that placed emphasis on cultural activities in order to protect, disseminate and develop culture in Europe while respecting the mix of cultures and respecting national traditions. The aim of the EU was wdratation of initiating cultural initiatives, such as the European Capitals of Culture initiative.

Wedpaths legal with Article 13 of the Charter of Fundamental Rights: Freedom of the arts and sciences: "Art and scientific research shall be free of constraint." The Treaty of Lisbon in accordance with Article 6 recognized and honored the freedom of art and science: "The Union recognizes the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union of 7 December 2000, as adapted on December 12, 2007 in Strasbourg, which has the same legal force like Treaties. "Circumstances justifying the withdrawal from limiting art make us treat it as something worthwhile. "Using the term" art ", in art. 13 The CPP falls within the scope of the term "fine arts", and thus undoubtedly painting, sculpture, and all visual arts. They evoke and invoke many disputes of both aesthetic and ethical nature. Particularly controversial was the clash between art and religion, with the individual's reference to the sacred sphere. "

The above implies the necessity of a legal analysis of art. 13 EU CPP, regarding the freedom of arts and the sciences of freedom

of thought and freedom of expression in art. 10 and 11 EU CPP and art. 10 (2) ECHR In turn, Article 167 of the Treaty on the Functioning of the European Union (ex Article 151 of the EC Treaty) defines respect for cultural diversity: "The Union contributes to the flowering of the cultures of the Member States, respecting their national and regional diversity, while underlining the importance of common cultural heritage." to this article, according to Anna Siwek-Ślusarek, "no direct effect. Article 167 TFEU is not a directly effective provision, as it contains competence and task standards. Direct effect may occur in combination with primary law provisions having such character, e.g. as regards the freedom to provide services, people, goods ... Court of Justice in the 1960s in the judgment of 7/68 *The Commission of the European Communities v. The Italian Republic* stated that cultural works such as paintings, sculptures, films and photographs are goods in the light of the provisions of the Treaties. In judgment C-388/01 *The Commission of the European Communities p. The Republic of Italy for the services or running a business* has recognized the cultural activities performed by artists and the activity of making the museum collections available to the public. People employed in places related to the field of culture, such as conservators of works of art, were qualified as employees within the meaning of the Treaty in the judgment C-234/97 *Teresa Fernández de Bobadilla*. Thus, the TS in its jurisprudence determined the inclusion of elements entering into the area of culture by treaty freedoms." (Jakubecki A., 2009, s.274) Directly expressed in Article 13 of the Charter of Fundamental Rights could be supplemented with the current list of public goods, which due to the limited amount of public funds allocated for this purpose they

should be protected first, according to the will expressed by EU citizens in simultaneous voting. Such a proposal to choose cultural goods to be protected first would be significant if were allowed to vote many European Union taxpayers. As we have seen, multilingualism in the EU is an obstacle to harmonization, which will only partly be solved by the efforts of the Court of Justice. Convergence is also supported by increased exchanges between various European legal systems and the work of comparative lawyers, which increases knowledge of the linguistic, conceptual and institutional differences between these systems and, consequently, how to get closer to achieving one meaning for European legislative texts. If there was one search engine for such goods, it would make dealing with them easier. After all, there was a problem that in some circumstances comparative price advertisements that were served between stores of various sizes and sizes, without explicit notification, were simply not allowed - according to the judgment of the Court of Justice of the European Union (CJEU) in case C-562/15 *Carrefour Hypermarchés SAS vs ITM Alimentaire Internationale SASU*. "Under EU law is a member of the state, and therefore a general prohibition on any Member State; so-state state aid.-According to EU law, there is therefore a general prohibition on any Member State granting any incentive that may distort competition and affect trade between Member States; so-called state aid." (Allen & Overy LLP 2006 I *Foreign Direct Investment in Central and Eastern Europe (THE CASE OF VISEGRAD COUNTRIES)*),w: *Foreign Direct Investment in Central and Eastern Europe*, s. 11, Slovakia, Bratislava 2006) It's for a common interest, in accordance with the expressed will of the citizens of the European Union.

## Conclusions.


Pole protection of the activities of special importance for culture leaves a lot to be desired and do. First of all, literature draws attention to the need to develop a single definition of goods of special importance for culture, taking into account that the currently applicable law on the protection of monuments and care of monuments uses the concept of the monument, and as Code administrative does not use the term good of of particular importance to culture, while the Penal Code of 1997 does not give it a legal definition, but under Article 294 of the Penal Code it uses the concept of goods of special importance for culture.

In turn, Article 36 of the Treaty on the Functioning of the European Union (former Article 30 EC) uses the phrase "protection of national treasures of artistic, historical or archaeological value." According to "Art. 34 TFEU in connection with art. Article 36 of that Treaty prohibits, in particular, all discriminatory obstacles to the free movement of goods and thus establishes a special provision for Article 18 TFEU rules prohibiting discrimination." (Judgment of the Court of Justice of 8 June 2017, C-296/15, <http://lex.online.wolterskluwer.pl>)

The need for precise, coherent and uniform definitions was expressed directly in the justification of the judgment TK of 11 January 2000, K 7/99, OTK 2000, No. 1, item 2: "This principle manifests itself primarily in the specificity of provisions that must be formulated in a correct, precise and clear manner. This standard is required in particular when it comes to protecting rights and freedoms and situations when it is possible to apply sanctions against the citizen." Proving the legal hypothesis that the introduction of a dictionary explanation of goods of special importance to culture in Polish legislation is deliberate and thought-out, and is associated with the postulate of the transparency of the legal system.

Finally, the protection of goods of special importance to culture would strengthen the presentation of the public source, for example a website, and the progress of work on subsequent public works financed from public funds. Yes, to be able to get new funds or be able to spend on the protection of others in the collection. The observation of trends and the rights of the art market is to serve this purpose. H, the art historian Stefanie Gerke indicates that her task is just showing customers the latest trends and experiences of the Berlin art market. (Schiekierka K. „Die Trends auf dem Kunstmarkt”, Die Welt nr 38, 11.08.2012 o trendach rynku sztuki). On the issue of protection of cultural assets linked to the fact that this is one of the most urgent and most important tasks of the legal and factual, which were left for modern, enlightened man, respectful of multigenerational legacy. It seems advisable to broaden Poland's inclusion in various forms of international cooperation for the preservation of cultural heritage. Binding to the provisions of agreements adopted under the auspices of international organizations should be a first step towards a fuller participation in the protection of European and world cultural heritage. The title of the article: Specificity of defining the designations of goods, which has significant value in a legal way. The first part has a lot of elements and it has been understood in different ways. Further, with focus on law where you can find important issues, with giving analyzing which is based on the national law. It is based on the information given about the actual situation and the meaning for the culture.

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## **THE IMPACT OF CHANGES IN LEGAL REGULATIONS ON THE ACTIVITIES OF TOUR OPERATORS IN UKRAINE**

## **WPŁYW ZMIAN PRZEPISÓW PRAWNYCH NA DZIAŁALNOŚĆ ORGANIZATORÓW TURYSTYKI NA UKRAINIE**

## **ВЛИЯНИЕ ИЗМЕНЕНИЙ ПРАВОВОГО РЕГУЛИРОВАНИЯ НА ДЕЯТЕЛЬНОСТЬ ТУРОПЕРАТОРОВ В УКРАИНЕ**

### **Abstract**


*The article deals with the problems of the activities of tour operators in Ukraine in the conditions of state regulation changes. The features of their functioning are determined taking into account the requirements of the regulatory framework for the regulation of tour operators' activities. The dynamics of the development of a network of subjects (entities) of tourism is analyzed. Attention is drawn to the current trends in the development of tour operators and travel agents' activities in Ukraine. The author proposes directions for the revitalization of tour operators' activities in the market of inbound and domestic tourism.*

**Keywords:** *tour operator's activity, tourist product, tourist market, licensing, travel agent.*

### **Streszczenie**

*Artykuł porusza problematykę działalności organizatorów turystycznych na Ukrainie w kontekście rozporządzeń państwowych. Specyfika ich funkcjonowania jest określana z uwzględnieniem wymogów ram regulacyjnych i legislacyjnych regulujących działalność*

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*organizatorów turystycznych. Analizowana jest dynamika rozwoju sieci podmiotów turystyki. Zwrócono uwagę na obecne tendencje rozwoju turystyki i biur podróży na Ukrainie. Autor proponuje kierunki rewitalizacji działalności organizatorów turystycznych na rynku turystyki przyjazdowej i krajowej.*

**Słowa kluczowe:** *działalność organizatora turystyki, produkt turystyczny, rynek turystyczny, licencjonowanie, biuro podróży.*

#### **Аннотация**

*В статье рассмотрены проблемы деятельности туроператоров Украины в условиях государственного регулирования. Определены особенности их функционирования с учетом требований нормативно-законодательной базы регулирования туроператорской деятельности. Проанализирована динамика развития сети субъектов туристической деятельности. Обращено внимание на современные тенденции развития туроператорской и турагентской деятельности в Украине. Автором предложены направления активизации деятельности туроператоров на рынке въездного и внутреннего туризма.*

**Ключевые слова:** *туроператорская деятельность, туристический продукт, туристический рынок, лицензирование, туристический агент.*

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#### **Statement of the problem in the general outlook and its connection with important scientific and practical tasks.**

In the midst of the economy transformation and increased competence at the international tourism market, an important problem arises before tour operators, which is related to the domestic and international tourism development. One of the ways of this problem solving is to form an individual agent network, to produce quality regional tourist goods good for satisfying needs of external and internal customers, prompt response to the market demand.


The production of quality goods promotes the increase of their sales and return on capital, reduces costs of consumers and ensures the full consumer satisfaction of tourists. This problem becomes especially topical in the context of globalisation of the tourism market and implementation of the Association and Deep and Comprehensive Free Trade Area Agreement between the European Union and Ukraine.

#### **Analysis of the latest research where the solution of the problem was initiated.**

The problem on determining the essence of the economic activity of tour operators, peculiarities of their functioning as travel companies are studied in works of many authors. In the special economic literature, approaches of authors for determining companies that provide tourism services

are different. There are authors calling any enterprise that produces goods or provides services for tourists as a travel company. This opinion is held by, for instance, the Russian scientists Azar V.I. (Azar V.I., 1972), Gulyayev V.G. (Gulyayev V.G.,

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1996) and others. Another position is upheld by Gavrilyuk S.P. (Gavrilyuk S.P., 2006), Vasilenko V.O. and Tkachenko T.I. (Vasilenko V.O. and Tkachenko T.I., 2012), who think that not all entities of tourist activities should be called travel companies. Among them, such travel companies should be identified, the main function of which is to group and sale a complex tourist product, the share of operating profits from selling which shall be more than 50 % of the overall turnover volume (income, proceeds from sales of goods, works, services). The scientists highlight the fact that the basis of classification of enterprises as travel companies shall include industrial features of types of activities according to the Industry Classification System, according to which such enterprises get their main revenues. We absolutely agree with this viewpoint. According to the content and nature of the principal economic activity, travel companies are kind of mediators between a consumer (tourist) and a manufacturer of specific

tourism services (accommodation for tourists, culinary options, transport organisations and so forth). Due to this fact, N.E. Kudla (Kudla N.E., 2015) call them companies of mediator travel services, and V.F. Semenov and A.V. Zhupanenko (Gerasimenko V.G. et al., 2016) call them enterprises of the implicit infrastructure of the tourism and recreation sector.

The intermediary nature of the tour operator's activity is indicated by the Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC. The latent signs by the grouping and typology of the tourist product of tour operators, regulation of the activities of tour operators attracted the attention of researchers (McKercher, 2016; Holland and Leslie, 2018)

### **Aims of paper. Methods.**

The purpose of the article is to study the activities of tour operators in conditions of international integration of Ukraine and the introduction of new rules for licensing tour


operator activities. So to secure the set aim achieving, the methods of generalisation, logic and statistical analysis were used.

### **Exposition of the main material of research with the complete substantiation of obtained scientific results. Discussion.**

The evolution processes going at the present stage when influenced by the globalisation and international integration, progress of digital technologies in many countries assist in transforming the present economic systems. The term “transformation” is used with regard to the travel market and activities of the travel industry economic entities. The analysis of the tourism legal framework shows that, according to Article 5 of the Law of Ukraine “On Tourism”,

participants of economic relationships arising, when the travel company activities are carried out, shall be divided into two main groups: travel industry entities and consumers of travel services. Travel industry entities in Ukraine are tour operators, travel agents, other enterprises, guide-interpreters, tour guides, coaches, hosts and other tourism specialists, individuals who are not business entities and provide services on temporary accommodation, meals, etc. (On Amendments to the Law of Ukraine “On

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Tourism”: Law of Ukraine, 2015). Tour operator is a travel company dealing with the arrangement of inland and international trips with a wide range of services. Its special activity is to arrange and secure the creation of tourist products, sales and provision of travel services, including mediation activities in providing specific and supplementary services. In accordance with the National Classification System of Ukraine “Industry Classification System”, more than 60 types of economic activities are related to the tourism industry, what causes the information richness of the tourism industry due to the variety of business relations with partners, dynamics of business processes, individualisation of travel services, technological improvement and extreme business competition. It should be mentioned that expectations of parties involved require a prompt response to them and necessity to have information about the factors influencing the functioning process of travel companies, which depends on their joining to business relations with a great number of counterparties at the travel market, complication of economic relationships and other phenomena affecting the tourism development.

The specific of services of the tour operator is such: it combines personal services and services of other business entities under one price in one standalone tourist product. Enterprises of this type provide tourists

with an opportunity of a wide range and use of lodging facilities, land, air and water transports, various cultural and entertainment establishments, travel agencies, excursion bureaus. The tour operator offers a complex tour to the client on its behalf, at its own expense and at its sole risk. As opposed to the tour operator, the travel agency is a typical mediation unit that is engaged in selling tours and services of particular travel companies by tour operators. The Law of Ukraine “On Tourism” also determines the content of activities of the travel agency: “Travel agents are legal entities formed in accordance with the laws of Ukraine and individuals-business entities (sole traders) carrying out the mediation activity on selling tourist products and travel services of other tourism business entities, including the mediation activity on selling specific and supplementary services” (On Amendments to the Law of Ukraine “On Tourism”: Law of Ukraine, 2015). Therefore, if an exclusive activity for tour operators is to arrange and secure the creation of tourist products, then mediation services in its selling to the final consumer-tourist are an exclusive activity for travel agents. We can accentuate some more differences in the activity and responsibility of tour operators and travel agents. The main differences in the activity of tour operators and travel agents are shown in Table 1.

**Table 1. Main differences in the activity of tour operators and travel agents**

№ 3/n	Tour operator	Travel agent
1	2	3
1	Legal entity only	Legal entity or individual-business entity (sole trader/enterprise)
2	Acquisition of a license for tour operator's activities	Activities that may be carried out by travel agents: - Mediation activity on selling tourist products of tour operators; - Mediation activity on selling travel services of other tourism business entities; - Mediation activity on selling specific and supplementary services.
3	Activities that may be carried out by tour operators (exclusive activities): - Arrangement and securing of the creation of tourist products; - Sales and provision of travel services; - Mediation activity on providing specific and supplementary services.	The travel agent is responsible for consequences of the inappropriate formation of tourist goods and implementation of the agreement for travel services as a part of the agreement drawn up with the tour operator.
4	Responsible for the non-fulfillment or undue fulfillment of liabilities under the agreement for travel services (claims to the tour operator may also be presented for not provided or improperly provided travel services as a part of a tourist product, irrespective of the fact who should have provided or provided these services).	The travel agent is responsible for consequences of the inappropriate formation of tourist products and implementation of the agreement for tourist services as a part of the agreement drawn up with the tour operator.
5	Responsible before tourists for actions (lack of actions) of third parties participating in the formation of tourist products.	Not responsible before tourists for actions of third parties participating in the formation of tourist products.
6	The tour operator's responsibility is also related to the sales of tourist products without registering a vacation package.	Responsible as the sales of tourist products is a free-standing service provided for tourists.
7	Claims to the tour operator may be presented with regard to either the tourist product quality (the whole set of travel services) or non-provided information (misrepresentation of consumer-oriented qualities of tourist products).	Claims may be presented only for non-provided or provided false information such as schedule of stay, route, travelling terms, accommodation (meals, passenger transportation services and so forth).
8	Size of proper financial provisions against liabilities before tourists – bank guarantee or guarantee of another financial institution in an amount equivalent to not less than 20000 Euro or 10000 Euro in the arrangement of domestic and inbound tourism.	Size of proper financial provisions against liabilities before tourists – bank guarantee or guarantee of another financial institution in an amount equivalent to not less than 2000 Euro.
9	Total size of a participatory interest in authorised capitals of other operators in Ukraine shall not be over 20 % of their authorised capitals.	_____
10	Has an exclusive right for providing services on processing documents for going outside Ukraine.	_____
11	Has an exclusive right to carry out the mediation activity for concluding travel services agreements with foreign tourism business entities.	_____

Source: made by the authors, based on: *Licensing conditions for the conduct of tour operator activities, 2015; On Amendments to the Law of Ukraine "On Tourism", 2015.*

On the basis of the information given in Table 1, by taking into consideration the aim of our research, we can assert that tour operators are responsible before tourists for actions (lack of actions) of third parties participating in the formation of tourist products. Therefore, the tour operator shall work not just on its own tourist product quality, but client servicing in the course of its consumption as well. The management of tour operations, quality of travel services, business processes and personnel training should be constantly improved.

For the travel agent's activities, this task is also highly important as it is directly responsible for consequences of the inappropriate formation of tourist products and implementation of the travel services agreement (see sub-items 4-6 of Table 1), and is directly responsible for the quality of its work at the stage of client servicing and also for the quality of additional services, quality of the personnel management.

We should pay attention to the fact that one of the effective levers of the government influence on the quality of services provided by tour operators and travel agents is licensing of their activities. It is performed for creating equal opportunities of tourism business entities at the tourism market, ensuring the protection of rights and legal interests of citizens, increasing the consumer servicing level. The licensing of travel company activities was initiated in 1994 in our country, and has been changed greatly since then. For the first time, tourism was included into types of licensed types of activities by the virtue of the Law of Ukraine "On Entrepreneurship". According to the law, any activity associated with the provision of travel services was licensable. Herewith, not only tour operators and travel agents were considered as entities of licensing. Accommodation means, catering facilities, transport companies, etc. were considered as such as well. In October

2010, the licensing procedure was changed once due to the fact that the Law of Ukraine "On Amending Certain Legislative Acts of Ukraine regarding restriction of state regulation of economic activity" came into force, according to which the licensing of the travel agent's activity was cancelled. Thus, just one entity, tour operator, is licensable in Ukraine (On Amending Certain Legislative Acts of Ukraine regarding restriction of state regulation of economic activity, 2010).

Due to the cancelled licensing of activities of travel agents, a fierce dispute flared up in the tourism business environment. Herewith, quite dissonant thoughts were expressed. Supporters of the cancellation of this principle pointed out that the licensing procedure had a formal nature, was not a guarantee of a quality work of travel agencies and did not rule out the appearing of rogue firms. Representatives of an opposed viewpoint asserted that the cancellation of licensing of activities of travel agencies might create chaos at the tourism market due to the increasing number of travel agencies with non-professional business operations, possible signs of fraud. Herewith, irrespective of different viewpoints all the specialists are same concerning the fact that it will be more difficult to do business for tour operators and travel agents. For tour operators, it will be difficult as they are fully responsible for producing and selling tourist products. Due to this, they must have relationships just with reliable partners, and check beforehand their work experience at the market, professionalism of fellows, reliability and so forth. For travel agents, it will be difficult because every tour operator will present its own claims to them, which do not always meet interests of travel agents. We will describe this collaboration of tour operators and travel agents under the new terms of

the state regulation of activities of tour operators. It is established that a high level of the market consolidation caused the concentration of the main tourist traffics and opportunities to dictate the collaboration terms to travel agents in some dozens of large tour operators. We can observe the situation when in order to prevent abusive activities in the financial field, to not allow unfair agents working with clients, most of tour operators demand a certificate about financial guarantees, copies of education documents of directors and managers of the travel agency, office rental documents, etc. beside the set of incorporation and financial documents. Thus, the supervision of work of travel agencies, which the state executive authorities performed earlier concerning the licensing in the tourism field, is performed now by leading tour operators in their own way. Furthermore, it is established that most of large tour operators started developing their personal distribution network of authorised travel agencies after the licensing of activities of travel agencies had been cancelled. From our viewpoint, a perspective trend in the tour operator's business is such: franchise dynamics at the regional markets, which is a powerful tool for doing business through the agency network. First, it is a many years' experience of work of famous international tour operators at the tourism market. Second, it is an existence of the quality management in the context of the tourism market globalisation, and a tested system of promotion and sales of tourist products. Third, it is an existing branched online net-

work for booking and selling travel services. It must be separately noted that the existing famous brand and positive image of the tour operator that always follows a certain standard of quality of tourist products and servicing attract tourists effectively.

As the researches show, the mentioned influence factors and transformation of the market situation almost did not change the entrepreneurial activity and structure of the Ukrainian tour operating. For the last ten years, a certain number of tour operators has slightly fluctuated and made almost a third of the tourism market. The number of travel agencies has also been increasing in proportion to the progress of the tour operator's activity. The network of tourism business entities in Ukraine, legal entities and individuals-entrepreneurs (sole traders), comprised 3506 units in 2016, what is by 324 units bigger than in 2015. The network structure according to types of tourist activities has the largest category, travel agents – 80 % of the overall number of entities. In total, there are 552 enterprises – tour operators. The number of tourists-citizens of Ukraine services by the tourism business entities has made 2,5 million people for this year. The number of foreign tourists has equaled to 35 thousand people for this year (in 2015 – 2,0 million and 15 thousand correspondingly). The average registered number of regular employees of the tourism business entities is equal to 8545 people. In 2016, the income gained by the enterprises-tour operators and travel agents from providing travel services made 11522.5 million UAH (Table 2).

**Table 2. Tourism business entities in Ukraine as on 01.01.2017**

Types of tourism business entities	In total	Including		
		Tour operators	Travel agents	Entities that carry out the excursion activity
Legal entities				
Number of tourism business entities, units	1838	552	1222	64
Average registered number of regular employees, persons among them	8545	4926	3448	171
People with the specialised education in the tourism domain	3723	2064	1602	57
Women	6219	3483	2646	90
Persons not older 30 years	2442	1583	829	30
Income gained from providing travel services, million UAH (1)	11522,5	10983,1	518,4	21,0
Individuals-entrepreneurs (sole traders)				
Number of tourism business entities, units	1668	x	1581	87
Average registered number of regular employees, persons including people with the specialised education in the tourism domain	1867	x	1776	91
Number of unsalaried team members (owners, founders of companies, members of their families), persons	763	x	732	31
Number of unsalaried team members (owners, founders of companies, members of their families), persons	926	x	871	55
Income gained from providing travel services, million UAH (1)	413,2	x	402,7	10,5

<sup>1</sup> VAT-exempt, without ED and similar mandatory payments. Geographic coverage: all the regions of Ukraine, except the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol City, including the sections of the ATO zone.

Source: Network of subjects of tourist activity in 2016, 2017.

At the same time, according to the information contained in the excerpt from the Licensed Register of Tour Operators of the Ministry of Economic Development and Trade of Ukraine, the number of entities, which met the requirements of the License Terms for Tourism Business to the full extent, made 401 units or 72.6 % as on 31.10.18 (Excerpt from the Licensed Register of tour operators Ministry of Economic Development and Trade of

Ukraine, 2018). This situation and non-fulfillment of agreements with tourists by charter operators regarding the arrangement of tours to Egypt, Tunis in summer 2018 urged the Government of Ukraine to support the decisions initiated by the Ministry of Economic Development and Trade of Ukraine, which were targeted at improving the system of the government control of activities of tour operators in our state. Thus, first, the Government included the



Ministry of Economic Development and Trade to the list of controlling authorities not affected by the moratorium on business supervision. The Ministry was authorised to make scheduled inspections of the fact of the tourism business conformance to the licensing terms for tour operators` activities till the end of 2018. Second, the Government introduced new criteria of risk assessment in relation to licensable activities of tour operators. The type of this assessment will be related to the determination of the periodicity of tour operators` inspections. In doing so, the type of tour operator`s activity will be taken into consideration (inbound, outbound and domestic tourism), where the inbound tourism has the highest level of risks, scope of travel services provided by tour operators (number of tourists using travel services during a year) – more the number of consumers, higher the risk of tour operators regarding their own activities, present violations of the licensing terms by tour operators during the last 3 years, a court decision about the sustainment of the tourism consumer`s claim. The said changes will make it possible for the Ministry of Economic Development and Trade of Ukraine to take immediate measures when detecting violations made by tour operators of the licensing terms for tour operators` activities, and to revoke licenses of unfair tour operators.

By analyzing the modern trends of the tourism market growth in Ukraine, we should highlight that according to the data provided by the State Statistics, the majority of tourists (85 %) have such an aim in their trips as arranged leisure time and rest. In turn, travel agents carry out their own marketing studies of the tour operating market. Thus, for instance, from 6<sup>th</sup> to 7<sup>th</sup> September 2017 the Ukrainian Association of Travel Agencies held inquiries for directors and managers of travel agencies of

Ukraine as regards the appraisal of activities of the tour operators having their own charter programs for the largest directions. 11 Ukrainian tour operators were appraised under 7 criteria concerning the client servicing quality. For this period, 300 answers were gotten and verified. Before processing the results obtained from the massive data received, such answers were included, where a tour operator got the highest and the lowest estimation under all the criteria. Having analysed the respondents` answers, the rating of the most efficient tour operators of Ukraine was made. The first place was taken by TEZ Tour with the rating of 4.34 according to the five-point scale. Concerning all 7 parameters, the tour operator “TEZ Tour” was appraised as above the average. The second place was taken by the tour operator “Mouzenidis Travel” (4.26). The top free included its last winner, tour operator “Pegas Touristik” with 4.16. The fourth place was taken by the tour operator “GTO”, which set flights to Turkey for the first time in this year. The parameter of order confirmation and guaranteed best early booking price was appraised by the agents as a bit below the average (Rating tourist-friendly tour operators. Summer 2017).

The study of the regional market shows that, for example the biggest share in the tourist traffic structure in Odessa Region belonged to the outbound tourism, 73.66 %, and 23.88 % - inbound tourism in 2015. According to the official data, Odessa Region was visited by more than 4 million tourists in 2016. Irrespective of the tourist traffic positive dynamics, we can observe the reduction of capital investments in the field of tourism and hospitality by 49.3 % as compared with 2010 (Nezdoyminov, S.G., 2016). The main investment sources are funds from the government for budget institutions of the tourism infrastructure

and financial resources of owners of private companies. But so to increase the level of investments to the travel market development, we should design and implement actions for attracting foreign investors, what will assist in the tourist traffic increasing in Odessa Region.

For this purpose, in 2017 the work on developing the international relationships of local governmental authorities, tour operators, recreation enterprises dealing with the formation of Odessa travel image was performed. So, for instance, the Memorandum was signed between Odessa and the European Council about the city's participating in the National Network of Intercultural Cities of Ukraine (ICC-UA) acting as a part of the international program of the European Council "Intercultural Cities" (ICC). The participation in the ICC program gives an opportunity to enlarge the number of international relations of tour operators, to use the resources, expert support, advice and know-how of the European and national cultural networks. One of the first stages of collaboration with ICC was calculation of the index of intercultural cities by means of survey questionnaires. According to the results of processing the information received from inquiring tourists and experts, Odessa takes:

- the 17<sup>th</sup> place among 93 cities with the overall intercultural city index – 70 % after Oslo (85 %), Barcelona (72 %), Dortmund (71 %);
- the 12<sup>th</sup> place among the cities with more than 200 000 inhabitants, being ahead of Lisbon Province, Lublin and Strasbourg;

## **Conclusions.**

The study of the national tourism market allows us making the following conclusions. The tour operator's activity transformation in the climate of the international integration of Ukraine and introduction of new rules for licensing the activity of tour

- the 13<sup>th</sup> place among the cities, where more than 15 % of foreign citizens live, being ahead of Munich, Rotterdam and Bergen (Last year, Odessa was visited by 2.5 million tourists, 2018).

We hope that the joint implementation by the regional tour operators and local self-government authorities of the International Program of the European Council "Intercultural Cities" will assist in the formation of Odessa positive image as a tourist and resort Centre with a rich and varied natural-resources potential, outstanding cultural and historical heritages, friendly and welcoming population. The World Travel and Tourism Council carries out studies of the tourism and travelling influence on the economic state of particular regions and countries. According to the study in 2016, the direct proceeds from the travelling and tourism made 34,8 billion UAH in Ukraine in 2016 (1.5 % GDP), and will increase by 4.2 % or to 36,2 billion UAH as expected. The increase of all the indices is predicted, what shows the improvement of the travel industry status in Ukraine and strengthening of its influence on the national economy (Travel & Tourism Economic impact 2017 Ukraine, 2018). By creating new territorial forms and contributing to the change of already existing elements, tourism activity has a very large impact on the improvement of the region's areas, subordinating them to a greater extent to the requirements of tourists (Wołowiec T., Gwoździewicz S., Ahmed-Skrzypek p. 352-353).

operators caused the situation when the supervision of work of travel agencies, which was earlier performed by the state executive authorities in the tourism domain, is carried out now by leading tour operators in their own way. The main market trends

are such: aspects of tour operator's activity on arranging trips of the Ukrainian tourists with the purpose of recreation and rest. At the same time, the tour operating market structure has not changed in actual fact.

For the last ten years, a certain number of tour operators has slightly fluctuated and made almost a third of the market. The number of travel agents has also been increasing in proportion to the tour operator's activity. The number of entities, which fully met the requirements of the Licensing terms for Tourism Business, comprised 401 units or 72.6 % of the overall number of tour operators as on 31.10.18. Furthermore, it is established that majority of large tour operators started extending their own

distribution network of authorised agencies after the licensing of activities of tour operators had been cancelled. From our viewpoint, a perspective trend in the tour operator's business is such: franchise dynamics at the regional markets. Franchise was firstly introduced by the tour operators that offered their own form of business to travel agents, and standardised proposals of unified tourist products for mass consumptions. So to increase the quality of travel services provided by tour operators through their enterprises, the policy measures on organisational support of the implementation of quality management international standards should be designed.

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**IV. Psychology, Sociology,  
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## **ANTHROPOLOGICAL SKETCH OF SPINOZA'S ETHICS**

## **SZKIC ANTROPOLOGICZNY ETYKI SPINOZY**

## **АНТРОПОЛОГИЧЕСКИЙ ОЧЕРК ПО ЭТИКЕ СПИНОЗЫ**

### **Abstract**

*Baruch de Spinoza, also known as Benedictus de Spinoza, Bento de Spinoza or Bento d'Espiñoza, is the philosopher of Jewish origin. He was a descendant of Jewish refugees from Portugal. He learned for the rabbi, but he took a critical position on religious dogmas. Because of his religious beliefs he was expelled from the religious community in Amsterdam, accursed and charged with heresy and then expelled from the city. In 1672 he was offered a proposal to teach at the university, but he refused it. His writings were not published in his lifetime. In order to maintain material and spiritual independence, he earned the money by grinding lenses, but what worsened his lung disease and he died from the consequences of the illness at the age of 44. The author analyzes the work Ethics in his study.*

**Keywords:** *B. Spinoza, Ethics, anthropology, philosophy.*

### **Streszczenie**

*Baruch de Spinoza, znany również, jako Benedictus de Spinoza, Bento de Spinoza lub Bento d'Espiñoza, jest filozofem pochodzenia żydowskiego. Jest potomkiem żydowskich uchodźców z Portugalii. Wykształcił się na rabina, ale zajął krytyczne stanowisko wobec religijnych dogmatów, z powodu jego poglądów został wykluczony z religijnej społeczności w Amsterdamie, przeklęty i oskarżony o herezję. Został wygnany z Amsterdamu. W 1672 zaproponowano mu nauczanie na uniwersytecie, ale odmówił. Jego pisma nie zostały opublikowane w czasie jego życia. Aby zachować materialną i duchową niezależność, zarabiał pieniądze przez szlifowanie soczewek, ale to pogorszyło jego chorobę płuc i w następstwie choroby w wieku 44 lat zmarł. Autor analizuje pracę „Etyka” w swoim badaniu.*

**Słowa kluczowe:** *B. Spinoza, Etyka, antropologia, filozofia.*

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**Аннотация**

*Барух де Спиноза, также известный как Бенедикт де Спиноза, Бенто де Спиноза или Бенто д'Эспиноз, - философ еврейского происхождения. Он является потомком еврейских беженцев из Португалии. Он учился у раввина и занимал критическую позицию относительно религиозных догм. Из-за его религиозных взглядов был исключен из религиозной общины в Амстердаме. Он был проклят и обвинен в ереси, а затем изгнан из Амстердама. В 1672 году ему было предложено преподавать в университете, но он отказался. Его писания не были опубликованы во время его жизни. Чтобы сохранить материальную и духовную независимость, он зарабатывал деньги шлифованием линз. Это сказалось на состоянии его легких, и он умер от последствий болезни в возрасте 44 лет. Автор анализирует работу „Этика” в своем исследовании.*

**Ключевые слова:** *Б. Спиноза, Этика, антропология, философия.*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Spinoza's work, *Ethics*, interpreted with the way used in geometry, had been translated and published on the occasion of three hundredth anniversary of his death. It consists of five parts which talk about God, nature and the origin of the mind and other interesting topics that we will try to analyse and understand in this work.

The introduction describes in detail his life, the beginning of his work and his studies. Spinoza lived in the 17th century in the Netherlands. In order to better understand his works, it is necessary to approach a bit of the economic, ideological and political situation of that time. The Netherlands survived the first bourgeois revolution which ended with the defeat of the feudal absolutism of Spain and the victory of the Dutch bourgeoisie. It was a time when the bourgeoisie was experiencing an unusual growth. Amsterdam became Europe's largest bank. Dutch reached up to North America, where they founded the New Amsterdam later called New York. A new state emerged that was divided into provinces, of which it headed the council composed of

representatives of the wealthiest families of merchants, led by the governor. The entire state was governed by a General Council comprising representatives of the seven provinces and major cities whose headquarters were in The Hague. In this place the representatives of the Orange family were appointed for many years. He resisted it in the struggle for independence. Despite all the efforts of political, ideological and philosophical thinkers, class differences began to manifest themselves again in the Netherlands. The bourgeoisie did not eliminate all the imperfections of feudalism which was reflected in so many ideological and religious disputes. However, the Netherlands was much more liberal than other feudal states and many thinkers who feared persecution in their own country also came here. It was the period of Dutch painting (Rembrandt, Ruysdael, Vermeer). His Jewish ancestors named de Espinoza moved to Amsterdam having faced persecution in Portugal. A large Jewish community was founded there, and

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therefore this city was called "New Jerusalem". Spinoza studied in the Jewish school where he focused on Hebrew, the Bible, the Talmud and the Kabala. He knew three languages, namely Latin, Dutch and Spanish. When he was 15, they considered him the future light of the synagogue. All-out, his successes didn't satisfy him. He zealously studied the writings of Descartes, mathematics and the natural sciences. His life and thought were also influenced in some way by Van den Enden, who was later accused of atheism and expelled from the Netherlands to France.

While the influence of Jewish philosophy and scholasticism on Spinoza's thought cannot be denied, the influence of later progressive philosophical directions was stronger (materialistic pantheism by G. Bruno, materialism by R. Descartes and T. Hobbes, the mathematical methods by G. Galileo). And so he also tried to deal with the problems that were up to date for that time. These were, in particular, questions about human-being's position in the world, his conduct, his happiness and his freedom. His goal was to find true well-being and make it accessible to all, to bring people to true happiness. These were the reasons why the work received the name of „Ethics”.

These questions, however, were not addressed in an abstract way but on the contrary he tried to solve them, revealing the great links between man and the natural and social being. In order to find the way to happiness and freedom, it was necessary to clarify man's place in the world, his essence and help him to know the world and himself. It is therefore clear that this is precisely the basis of Spinoza's Ethics, of the theory of existence (metaphysics) and of psychology. All his thought was

subordinate to the single objective which is to achieve the highest human perfection.

Spinoza considered ethics in scope of the theory of practice, the knowledge of the world and of man, of his happiness and freedom. He argued that philosophy and metaphysics must serve ethics, and vice versa, ethics is not possible without metaphysics, practice without theory, happiness and freedom of man without knowledge.

He was convinced that ethics as a learning about man cannot be in contrast with learning about nature and being. On the contrary, it is part of the human being as well as man is a part of nature. That is why his fortune and his nature must be deduced from nature. The greatness of his philosophy lies in his teaching on the unity of body and spirit, the unity of nature and thought.

This argument was on the contrary with objective idealism (in the sense of religious idealism) and also with the dualism of Descartes. However, this lesson on the component laws of nature was limited by the fact that these laws were reduced to mechanical laws. At that time, it could not have been otherwise, because the development of productive forces and manufacturing techniques required the discovery of mechanics laws. However, its results were unthinkable without mathematics, so these two science divisions became the most important means of analysing and exploring nature.

Spinoza tried to introduce the method of mathematical deduction into philosophy. His proclamation of the mathematical method as the only valid method to acquire truth was justified to the extent that the world can be considered as a unitary, eternal, immutable order, subject to determinism, based on dependence on the chain of causes and effects.

This system of cognition tries to represent an absolute truth and uses the geometric form for the structure of his main work, Ethics. This structure is based on the fact that Spinoza (similarly as Eukleides) is based on the definition that precisely defines the terms with which it works. In addition, it presents axioms, i.e. basic phrases, from which derive the various phrases, statements and tests in the next interpretation. Finally, it links observations in which problems are freely expressed and explanations such as the implications of individual phrases and statements. This form of interpretation makes the study of Ethics quite demanding. The difficulty is also increased by the use of expressions such as being objective where today we would use the term subjective, formally

changes the idea to objective instead of subjective, and so on. If we do not take it into account, the method is useless for us to solve philosophical problems. Spinoza managed to elaborate accurately and convincingly his thoughts. Using analysis and mathematical syntheses, he presented a coherent philosophical system in the form of a process passing from general to specific ideas and from specific to general ones. This application of the mathematical method placed Spinoza among the representatives of realism. In this section, we have tried to bring you closer to the way of thinking and understanding of the world through the eyes of Benedict Spinoza. We will then discuss the individual chapters of his work.

### **Analysis of latest research where the solution of the problem was initiated.**

Spinoza began to discover the contradictions between the Bible and the Talmud which led him to cease believing in religious truths and to avoid religious rites. For this reason, he was essentially excommunicated from the Jewish community, and was marked as cursed (the curse on him was very hard). Even the name Benedictus accepted instead of Baruch (Baruch in Latin is Benedictus which means blessed) was distorted by Maledictus, which means cursed. This

fact also affected his personal life. He had to face the attempt of murder by an unknown man. He went through a difficult period full of attacks, hiding and relocation. Although he lived alone, he wrote the letters and was in contact with scholars and thinkers. Among them were, for example, the doctor L. Meyer, a mathematician and logician E. W. Tschirnhausen, a chemist Boyle, a physicist Ch. Huygens and the famous philosopher G. W. Leibniz.

### **Aims of paper. Methods.**

While writing scientific studies, one uses content analysis as a research method; it is the procedure for an objective, systematic and quantitative description of the obvious content of textual communication. In our

case, text documents of a predominantly official nature: legislative and administrative. This method is an important methodological tool.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

**About God**

To understand what Spinoza says about God and what he perceives as the truth about Him, it is first necessary to define the individual terms he uses.

1. In calling something 'cause of itself' I mean that its essence involves existence, i.e. that its nature can't be conceived except as existing.

2. A thing is said to be 'finite in its own kind' if it can be limited by something else of the same nature. For example, every body counts as 'finite in its own kind' because we can always conceive another body that is even bigger. And a thought can be limited by—i.e. can count as finite because of—another thought that somehow exceeds it. But a body can't be limited by a thought or a thought by a body.

3. By 'substance' I understand: what is in itself and is conceived through itself, i.e. that whose concept doesn't have to be formed out of the concept of something else.

4. By 'attribute' I understand: what the intellect perceives of a substance as constituting its essence.

5. By 'mode' I understand: a state of a substance, i.e. something that exists in and is conceived through something else.

6. By 'God' I understand: a thing that is absolutely infinite, i.e. a substance consisting of an infinity of attributes, each of which expresses an eternal and infinite essence. I say 'absolutely infinite' in contrast to 'infinite in its own kind'. If something is infinite only in its own kind, there can be attributes that it doesn't have; but if something is absolutely infinite its essence or nature contains every positive way in which a thing can exist—which means that it has all possible attributes.

7. A thing is called 'free' if its own nature—with no input from anything else—makes it necessary for it to exist and causes it to act as it does. We say that a thing is 'compelled' if something other than itself makes it exist and causes it to act in this or that specific way.

8. By 'eternity' I understand: existence itself when conceived to follow necessarily from the definition of the eternal thing. Since the following statements and affirmations are many and cannot be sufficiently analysed and understood, we have decided to focus on a single statement no. 11, which states: " God, or a substance consisting of infinite attributes each of which expresses eternal and infinite essence, necessarily exists" (Hubka K., 1977, p. 55-57).

The proof that Spinoza proposes is a statement: " If God didn't exist, then God's essence would not involve existence; and that is absurd. Therefore God necessarily exists" (Hubka K., 1977, p. 65).

When this proof is provided, it is based on axiom 7 and statement 7. Therefore, the axiom says: " If a thing can be conceived as not existing then its essence doesn't involve existence." (Hubka K., 1977, p. 58). It actually means that if something has the property that does not exist, then we perceive it as non-existent. Therefore, none of its properties can be existence, because it is excluded.

Furthermore, statement 7 states: "The existence of the substance belongs to the nature of the substance" (p. 60). So the substance can't be created by something else. This is because it is the cause of one's own self, as we say in definition 1, then that its essence necessarily implies existence.

So if God is a substance, it necessarily implies existence, therefore it cannot be

inexistent, inasmuch as it would contradict the previous assertions.

**About nature and the origin of the mind**

At the beginning of this chapter Spinoza writes: "Now I move on to explain things that must necessarily follow from the essence of God, i.e. the essence of the infinite and eternal thing—not, indeed, all of them (for I have demonstrated that infinitely many things must follow from it in infinitely many ways), but only those that can lead us by the hand, as it were, to the knowledge of the human mind and its highest happiness" (Hubka K., 1977, p. 109) So, he seeks to know the human mind and to help man find his greatest happiness.

**Definitions:**

1. By 'body' I understand a mode that in a certain and determinate way expresses God's essence with God is considered as an extended thing.
2. I say that to the 'essence' of a thing x belongs anything without which x can neither exist nor be conceived, and which can neither exist nor be conceived without x.
3. By 'idea' I understand a concept that a mind forms because it is a thinking thing.
4. By 'adequate idea' I understand an idea which, considered in itself and without relation to an object, has all the properties or intrinsic marks of a true idea. Duration is the indefinite continuation of existing. Explanation: I say 'indefinite' because you can't work out how long a thing will last from its own nature, or from its efficient cause, because the cause implies the existence of the thing and not its non-existence.
6. By 'reality' and 'perfection' I understand the same thing.
7. By 'particular things' I understand things that are finite and have a determinate existence. If a number of individuals work together in one process so that together they are all the cause of one effect, I

consider them all as being to that extent one particular thing.

Here we focus on statement 1: " Thought is an attribute of God; that is, God is a thinking thing." (Hubka K., 1977, p. 56). Spinoza demonstrates this by the fact that particular thoughts are modes that express God's nature in a certain and determinate way . Therefore God has an attribute the concept of which is involved in all particular thoughts, and through which they are conceived. So thought is one of God's infinite attributes that expresses the objective and infinite essence of God, because God is a thinking thing.

This proof is based on the definition 6 of the previous section, which deals with the infinite existence of God and the infinite numbers of essences that it contains in itself. Subsequently, Spinoza uses the definition 5 of the previous section, considering individual things and thoughts as simple "modalities" that is, "states" of substance. Thus, in fact, he affirms that one of God's properties is thought, and that this attribute is infinite.

Another very interesting matter is statement 14, which says: " A human mind can perceive many things, and the more ways its body can be arranged the greater is its ability to perceive things " (Hubka K., 1977, p. 132). This means that the human mind is stimulated in the most common way by external bodies. A human body is affected in a great many ways by external bodies, and is disposed to affect external bodies in a great many ways. But the human mind must perceive everything that happens in the human body. It also indicates the need for development of people's way of thinking when it says that the mind is the more perceptive the more impulses it gets.

**The Origin and Nature of the Affects**

In this part, Spinoza deals with mental states like no mechanism. It states that the

principle of mental life is to seek out affects that increase the mind's ability to be active and avoid affects that diminish the mind's ability to be active.

**Definitions:**

1. I call a cause 'adequate' if its effect can be clearly and distinctly perceived through it. I call it 'partial' or 'inadequate' if its effect cannot be understood through it alone.

2. I say that we 'act' when something happens, in us or outside us, of which we are the adequate cause—that is when something happens that follows from our nature, and can be clearly and distinctly understood through it alone. On the other hand, I say that we are 'acted on' when something happens in us. . . of which we are a partial cause.

3. By 'affect' I understand states of a body by which its power of acting is increased or lessened, helped or hindered, and also the ideas of these states. Thus, if we can be the adequate cause of any of these states, the affect in question is what I call an 'action'; otherwise it is a 'passion' (Hubka K., 1977, p. 179) Spinoza uses the concept of passion for those affects that have been passive to the body, that is, have a cause outside of us or of which we are the cause partially.

This section also deals with many topics and their demonstrations, but we are more interested in the second part of this chapter which defines singular affects. We don't show them all, but only the most interesting and the most comprehensible. For example:

2. Pleasure is a man's passing from a lesser perfection to a greater

4. Sadness is a man's transition from greater perfection to lesser perfection.

5. Disdain is an imagining of a thing that makes so little impact on the mind that its presence moves the mind to imagining what is not in it more than what is.

6. Love is a pleasure accompanied by the

idea of an external cause

7. Hate is unpleasure accompanied by the idea of an external cause

10. Devotion is a love of someone whom we wonder at.

12. Hope is an inconstant pleasure, born of the idea of a future or past thing whose outcome we are in some doubt

16. Gladness is pleasure accompanied by the idea of a past thing that has turned out better than we had hoped.

19. Favour is love toward someone who has benefited someone else

20. Indignation is hate toward someone who has harmed someone else

24. Compassion is love that affects a man so that he is glad at someone else's good fortune and gets unpleasure from his misfortune

26. Humility is unpleasure that a man has from considering his own lack of power, his weakness

28. Pride is thinking too highly of oneself, out of self-love.

29. Despondency is thinking less highly of oneself than one should, out of unpleasure.

Similarly, Spinoza defines concepts such as drunkenness, avarice, sensuality, voluptuousness, wonder, humanity, ambition, cruelty, fear, courage, cowardice, shame, desire and many others. In general, he defines affects as follows: "... is a confused idea through which a mind affirms of its body (or of some part of it) a greater or lesser force of existing than it had before—an idea which, when it is given, makes the mind think of one thing rather than another." (Hubka K., 1977, p. 255-256).

**Human Bondage, or on the power of affects**

**Definitions:**

1. By 'good' I shall understand what we certainly know to be useful to us.

2. By 'bad' I shall understand what we certainly know prevents us from being masters of some good.
  3. I call an individual thing 'contingent' if we can't find in its essence anything that necessarily requires it to exist or necessarily excludes it from existing.
  4. I call an individual thing 'possible' if we don't know whether the causes that would be needed to produce it are bound to produce it.
  5. By 'opposite affects' I shall mean affects that pull a man in different directions though they are of the same genus— such as greed for food and greed for wealth. These are both species of love, and they are opposite not intrinsically but because of circumstances
  6. What I understand for the affection in future terms, present or past, I explained in the previous text (there is no need for a precise definition here, because we will not use this definition in the following text).
  7. By the 'end' for the sake of which we do something I understand appetite.
  8. By 'virtue' and 'power' I understand the same thing. That is (by III7) the virtue of a man is his very essence or nature insofar as it gives him the power to do things that are purely upshots of his nature.
- Very interesting is the statement 2: "To the extent that we are a part of Nature that can't be conceived through

itself without bringing other things in, we are acted on." (Hubka K., 1977, p. 269). Then we are acted on when there occurs in us, something of which we are only the partial cause, that is something that can't be deduced from the laws of our nature alone but only through other "parts of nature", that is, other people, and therefore we do not receive our understanding of ourselves, but only through others. So you can see the mutual need and dependence between the people.

### **The Power of the Intellect, or Human Freedom**

This last part is slightly different from the previous ones since there are no more defined concepts. Spinoza only offers a variety of topics and evidence.

There is a very interesting statement - 6, which explains the attitude of a man in the confrontation of life: "Insofar as the mind understands all things as necessary, to that extent it has a greater power over the affects, i.e. is less acted on by them." (Hubka K., 1977, p. 276).

Therefore, if the mind considers the facts and events surrounding it as necessary and determined by the endless chain of causes of existence and activity, it is less acted on by affections. This we can also observe in practice when a person loses something or someone close to him, the sadness for the loss of a certain good will be less when he realizes that this loss could not be prevented in any way, and was therefore necessary.

### **Conclusions.**

The Ethics by Spinoza is very broad and demanding to understand. If we tried to decipher and to understand it in detail, it would be necessary to write a new book. In this work we have focused only on a few definitions and those of them which affect


our lives the strongest. I reckon that the work and life of Benedict Spinoza was a demanding search for the truth about God, about himself, about life, and I find his attempts to help all people find true happiness and vital goodness praiseworthy.

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## **MULTICULTURALISM AS AN EDUCATIONAL CHALLENGE**

### **MULTIKULTUROWOŚĆ JAKO WYZWANIE WYCHOWAWCZE**

### **МУЛЬТИКУЛЬТУРАЛИЗМ КАК ОБРАЗОВАТЕЛЬНЫЙ ВЫЗОВ**

#### **Abstract**

*The subject of the article is the analysis of multicultural issues as a challenge for contemporary pedagogics. This analysis concerns the practical, philosophical and social aspects as well as educational and preventive aspects of multiculturalism. The inspiration to take up the topic was the growing problems related to it, and above all, still registered by sociologists, act of treating "other" as "foreign" by a large percentage of students. In this context, an important pedagogical task is to reject the ideological understanding of multiculturalism and to encourage respecting Polish tradition and culture, and on the other hand to counteract the aggression caused by unhealthy reactions to multiculturalism.*

**Keywords:** *multiculturalism de facto, multiculturalism de iure, cult of multiculturalism, relativism, eurocentrism, postmodernism, resistance to aggression program.*

#### **Streszczenie**


*Przedmiotem artykułu jest analiza problematyki wielokulturowości, jako wyzwania dla współczesnych działań pedagogicznych. Analiza ta dotyczy aspektów: praktycznych, filozoficzno-społecznych i wychowawczo-profilaktycznych multikulturalizmu. Inspiracją do podjęcia tematyki stało się narastanie problemów z nią związanych, przede wszystkim zaś wciąż rejestrowane przez socjologów traktowanie przez spory procent uczniów „innego”, jako „obcego”. W tym kontekście istotnym zadaniem pedagogicznym staje się z jednej strony odejście od ideologicznego rozumienia multikulturalizmu i wdrażanie do szacunku wobec fundamentów polskiej tradycji i kultury, z drugiej zaś przeciwdziałanie agresji, wywołanej niezdrowymi reakcjami na wielokulturowość.*

**Słowa kluczowe:** *Wielokulturowość de facto, wielokulturowość de iure, kult wielokulturowości, relatywizm, eurocentryzm, postmodernizm, program odporności na agresję.*

#### **Аннотация**

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*Предметом статьи является анализ поликультурной проблематики, которая может быть вызовом для современной педагогики. Анализ касается практических, философских, социальных, а также образовательных и профилактических аспектов мультикультурализма. Источником вдохновения для изучения этой темы послужили возникающие проблемы, связанные, прежде всего, с отношением большого числа учеников к «другим», как к «иностранцам», которое все еще наблюдается социологами. В этом контексте важной педагогической задачей является с одной стороны отказ от идеологического понимания мультикультурализма и поощрение уважения к польской традиции и культуре, а с другой стороны, противодействие агрессии, вызванной нездоровой реакцией на мультикультурализм.*

**Ключевые слова:** мультикультурализм де-факто, мультикультурализм де-юре, культ мультикультурализма, релятивизм, евроцентризм, постмодернизм, программа противодействия агрессии.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

In a properly organized school, within the well-developed and implemented educational process, multicultural issues should be taken into account; 2. appropriate preventive programs should be developed to prevent aggression and violence among students due to their nationality, skin color, religious beliefs or cultural and religious tradition. In the first part of the article, the author deals with the philosophical and social aspects of these assumptions, in the second part draws two general conclusions regarding preventive programs. Author claims that the notions of "multiculturalism" and "cultural pluralism" describe a certain factual state of contemporary developed Western societies; because of the large number of immigrants, multiculturalism is a reality in them. In addition, today's widespread migration, information globalization and associated pluralism are connected with the processes of economic globalization, and the actual multiculturalism - with postmodernism. Postmodernism emphasizes the multiplicity of cultures,

their wealth and equality, "the joy of pluralism". This tendency is reflected in the slogan "il est interdit d'interdire". As a result of the merging of waves of immigration, the jure pluralism – present in the west has become postmodern. This pluralism is described by author as the ideology of "multiculturalism" (German: Multikulti, a term popularized in the 1980s among the Gruenen - "Greens"). In the article, the author highlights that an ideology that assumes a harmonious coexistence in a society of different cultural or ethnic groups; permission to use their Euro-Atlantic cultural achievements and freedoms; tolerating - in the name of respect for otherness - behaviors contrary to these achievements; giving "other" legal and financial support, while promoting the postmodern trend as the dominant one, in practice mean the negation of the Christian foundations of their own culture. At the beginning of the 21st century, anyone who did not support the ideology of multiculturalism was accused

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of backwardness, obscurantism and xenophobia (the example of Oriana Fallaci). However, it turned out that "Multikulti" not only does not eliminate problems, but promotes the isolated religious ghettos, especially Muslim ghettos, maintains traditions that are contrary to human rights (limiting women's rights), poor youth integration, non-identification with the country of settlement, and supports in not learning host country language. In Poland, multiculturalism breaks through with difficulty, because the "other" is still very often treated as foreign and suspect. This reprehensible phenomenon is clearly noticeable at schools. In the article, the reader finds a summary of disturbing research results, conducted on the occasion of the 70th anniversary of the Warsaw Ghetto Uprising by the "Homo Homini" Institute. The author's first conclusion is as follows: an important element of the prevention. The cooperation of the family, school, media, the Church is needed for raising respect for others, and abandoning the "dictatorship of relativism" characteristic for contemporary Euro Atlantic culture (Cardinal Joseph Ratzinger).

Cultural pluralism - the future Pope Benedict XVI stated - with great enthusiasm praised and supported, often consists in rejecting with contempt what is our own, from escaping from our own values. The second conclusion is as follows: in preventive programs, the help of eminent specialists in the field of aggression research should be used. The author refers to the guide on developing personal immunity to evil and aggression, presented in the book "The Lucifer Effect" by Philip Zimbardo, an outstanding American researcher of violence and aggression, who in 1971 carried out the famous Stanford-based prison experiment. With the term "Lucifer effect" Zimbardo described the transformation of a man from an angel into a devil under the influence of the environment. As an illustration of his thesis, Zimbardo shows the actions of ordinary American soldiers bullying the Iraqis, Muslims recognized as "potential terrorists" and imprisoned in Abu Ghraib during the Second Gulf War (2003). On this basis, he formulates his ten-step compendium discussed in the final part of the article.


### **Analysis of latest research where the solution of the problem was initiated.**

The issue of multiculturalism is widely discussed in the sociology, law, philosophy and religion literature. This applies above all to: reflection on contemporary society (P. Sztompka, *Sociology, Analiza społeczeństwa*, Kraków 2002), cultural identity and multiculturalism in the aspect of identity (M. Castells, *Siła tożsamości*, Warsaw 2009; W. Burszta, *Dwie Europy*, in: J. Mucha (Ed.), *Dylematy tożsamości europejskich pod koniec drugiego tysiąclecia*, Toruń 1997), as well as immigration and integration policy (J. Balicki, *Imigranci z krajów muzułmańskich w Unii Europejskiej. Wyzwania dla polityki integracyjnej*, Warszawa 2010). In the sphere of definition, the following items were

used in the article: S. Domagalska, "Multiculturalism in the era of post-modernism" (*Wielokulturowość w dobie „ponowoczesności”*, *Zeszyty Naukowe WSOWL* (2012) No. 2, pp. 187-188 and A. Bullock (Eds.), "Dictionary of contemporary concepts" (*Słownik pojęć współczesnych*, Katowice 1999). The issue of resistance to unhealthy multiculturalism is well reflected in the reading of Oriana Fallaci's classic analyzes: "The Rage and The Pride", and "Apocalypse - Interview with herself" (*Wściekłość i duma oraz Wywiad z samą sobą*, Warsaw 2005). There are not many studies in the pedagogical field, and the solutions presented in the article are taken from Joseph Ratzinger's

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philosophical and religious studies: "Europe foundations today and tomorrow" and

psychological - Zimbardo, "The Lucifer Effect".

### **Aims of paper. Methods.**

The main problem of the article is to raise the issue of multiculturalism in the current pedagogical debate. It is important to distinguish de facto pluralism (the actual state of multiculturalism in Western European societies) and de iure pluralism (ideologically conditioned thinking that the model type of society is a multicultural society). In the situation of actual pluralism and the tension caused by ideological multiculturalism, both pedagogical reflection and prevention are very important. The aim of the

article is to give the impulse to take on the subject of multiculturalism as a pedagogical challenge. The first part uses the method of exposing the issue of multiculturalism in a sociological and philosophical perspective. Further, reference was made to the method of exemplifying the state of affairs in a Polish school. Criticism of the conditions of postmodernist de iure pluralism has been made, and a ten-degree aggression resistance program developed by Zimbardo has been proposed.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Pluralism, multiculturalism de facto**

The concepts of "multiculturalism" and "cultural pluralism" describe a certain state of contemporary developed western societies (Seweryniak H. 2018, p.315). Multiculturalism is a factual state in these societies, which can be easily observed in schools or playgrounds in Western countries. Researchers describe the stages of shaping this phenomenon. First, immigration was encouraged in order to gain cheap labor and solve demographic problems (this motive is still decisive in the social policy of the USA, Germany or Great Britain). A significant role was also played by the factor of helping people and families experiencing drama: economic poverty, exile or persecution. At the next stage there was also a significant ideological factor consisting in the ideological break-up of the Western monolith society by discovering and showing the richness of cultures and traditions of other nations, emerging from Eurocentrism, etc.


Multiculturalism, apart from unquestionable economic and cultural benefits, is carrying serious difficulties today, such as

lack of cultural integration with native society, creation of enclaves and ghettos on the suburbs of large cities, rejection and exclusion syndrome, and consequently acts vandalism and hooliganism of immigrants and protest movements of members of traditional societies.

#### **The trend of postmodern culture**

Migration movements, information globalization and pluralism are connected with the processes of economic globalization, and the actual multiculturalism - with the trend in the Euro-Atlantic culture, referred to as postmodernism. As it is widely known, in philosophy for the first time, the term "postmodernism" was used by Jean-François Lyotard (died 1998) in the book "Post-modern condition. Report on the state of knowledge" (1979). A characteristic feature of the current model of thinking - wrote Lyotard - was the desire for unity, synthesis. The metaphysical doctrines sought uniform principles for explaining the world and existence. Worldviews created meta-statements, "big texts" explaining the world. Today, in the days after Nie-

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tzsche, Auschwitz and the fall of communism, metanarratives lost their credibility. Modern man resigns from the desire to grasp the meaning of existence, is afraid of the holders of "ultimate truths". Modern man content himself with useful and partial truths.

Postmodernism is also reflected in the views of people and in culture. It emphasizes the multitude of cultures, their richness and equality. Many writers and artists from this trend proclaim the "joy of pluralism" and persuade them to "taste the multiplicity". Life is for the representatives of this cultural trend only an opportunity to search for experiences and experiences, among which the transient one should be at the forefront. Therefore, no permanent commitments should be made because everything is fleeting and temporary. In upbringing, the postmodern tendency found its resonance in, for example, the well-known slogan of the '68 revolution, written on the Sorbonne wall: "il est interdit d'interdire" - "it is forbidden to be forbidden", "it is forbidden to forbid". The cult of multiculturalism, the overcoming of eurocentrism, is simply an excellent medium for the views of postmodernists.

#### **„Multikulti” – multiculturalism de iure**

So far, we have talked about how the things going with multiculturalism, and thus about a certain state de facto. As a result of the merging of the above-described tendencies: waves of immigration, religious situation, the ideology of 'multiculturalism' became considered as a postmodernism. Multiculturalism (popularly: German Multikulti, a term popular in the 1980s among Gruenen - "Greens") assumes harmonious coexistence in the society of different cultural or ethnic groups, permission to use Euro Atlantic cultural achievements and freedom, toleration - in the name of respect for differences - behaviors contrary to these gains, providing "other" legal and financial

support, while propagating the postmodern trend as dominant, which in practice meant (and still means) the negation of the Christian foundations of their own culture. Anyone who did not support the ideology of "multiculturalism" was accused of backwardness, obscurantism and xenophobia.

Big social tensions are the result of the ideology of multiculturalism and the unsolved immigration problems. This tensions were also observed at the school level: "a photo of a Muslim teacher in the Federal Republic of Germany, losing the process of the right to wear a headscarf, circulated around the world press; wearing short sport outfit by girls from Islamic families has become a serious educational problem in France; creation of large settlements for Muslims on the suburbs of Paris, Marseilles and Lille resulted in youth gangs and subcultures. It turned out that the "multicultural" not only does not eliminate problems, but favors the closure of religious ghettos, especially Muslim ghettos, sustaining traditions that are contrary to human rights (limiting women's rights), poor youth integration, non-identification with the country of living and not speaking this country language." (H. Seweryniak, 2018, p. 319).

The beginning of the disaster was heralded by the tragedy of September 11, 2001 and by the support that the anti-Muslim publications of Oriana Fallaci's "The Rage and The Pride" and "The Power of Reason" connected with this date gained in the entire Western world. "The eleventh September - an eminent journalist wrote - really stole me from myself, and what has been happening since then, entangles me more than a sticky spider web. Every thread of this network is like a rope that binds me, it catches me to this tragedy, among which our life goes on. This tragedy is greedy, creepy, dark Islam. His voracity and desire for conquest, subjugation. His cult of

Death, love in Death. His duplicity and insincerity. Blind, deaf, stupid West. His moral and intellectual cancer, his weakness and timidity. His masochism." (Fallaci O. 2005, p.165). According to Fallaci, European Union law shelters millions of Muslims, among them mainly terrorists, "making it easier for invaders to enter our territory, and then letting them roam freely around our home" ( Fallaci O. 2005, p.130). "Not all Muslims are terrorists, but all terrorists are Muslims," she emphasizes. At the same time, she accuses the ideologues of multiculturalism of searching the illusory similarities between the Islamic culture and European culture and denying the size and sources of the European culture. She asks: "What the hell does it mean << cultural similarities with the Middle East you mentally underdeveloped beings? Where the hell is the cultural similarity [...]?! In Mecca? In Gaza, in Damascus, in Beirut?!? In Cairo, in Tripoli, in Nairobi, in Tehran, in Baghdad, in Kabul?!?" (Fallaci O. 2005, p.181). Comparing the cultural

property of Europe and the Middle East, identified with Islam, is unacceptable. Although, as she admits, "The Fairytales of a Thousand and One Nights", are the stories of her childhood (Fallaci O. 2005,p.45), they can never be combined with the works of Plato, Virgil, Saint. Augustine, Dante, Shakespeare and Kant. Although she was an atheist, she considered herself a "Christian atheist", which meant for her that Europe is deeply rooted in Christianity, and its axiological and cultural achievements.


After 2010, Western leaders (except Canada) began to reject the idea of "multiculturalism" and - in the face of the next "migration crises" - promote integration policy, especially through learning native languages and cultures of host countries, learning the rules of democracy, accepting of the culture and principles of social life in the countries of settlement. Many are afraid that multiculturalism and tolerance connected with it become part of the moral relativism phenomenon.

## **Conclusions.**

In Poland multiculturalism - although it is promoted by various groups – have lot of difficulties to break through. There is nothing to be happy about - the main reason for this is the fact that the "other" is still very often treated as "stranger". Of course, in the media, we watch dozens of programs, documentaries, films telling about completely different cultural behaviors, moral attitudes, and religious cults, than those that are prevalent in Poland. The interest in Jewish culture is spreading, especially among the older high school students and university students. A Museum of Polish Jews was established in Warsaw, which will certainly also attract numerous school trips. More and more Romani kids are start to going to Polish schools. Also Buddhism gets great popularity among young people.

There are more and more students who have come across (of course in various levels) with the Western culture of Ireland or Great Britain, after their families return to Poland. Although Islam is still ante portas in our country; it is no longer a surprise to meet the African or East Asian on the street, but unfortunately this African or Asian will often face the insults, the most delicate of which will be "black". Muslim man or Muslim women in traditional clothes will be identified with terrorists, and Ukrainian woman will be sometimes the subject of the vilest jokes. Students often use racist nicknames in the corridors of our schools, try to wear clothes with racist slogans, write on the walls: "Jews to gas", even though they have never seen a real Jew. The best proof of what is happening

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in this matter in our schools is the study conducted on the occasion of the 70th anniversary of the Warsaw Ghetto Uprising commissioned by the Jewish Community in Warsaw by the Institute of Opinion Research "Homo Homini". The research was carried out in 20 high schools in Warsaw on a sample of 1,250 students. It turned out that every one of two examined students would be dissatisfied if he discovered that he had a Jewish person in the family, and almost half of student would not want a Jewish neighbor. Over 60% would not want a girlfriend or a boyfriend of Jewish nationality. In addition, every fifth respondent believes that the help of Poles for hiding Jews during the occupation was "too big", and every fourth, that the uprising in the ghetto ended with the victory of the insurgents over the occupant.

Marek Zajac, commenting on these studies, wrote that it was a good thing that the celebration of the 70th anniversary of the uprising did not bring hundreds of students' delegations this year in front of the Ghetto Heroes Memorial. Their presence would deny the minds of many of them and "even the most wonderful celebrations will not help much unless their work in families, school, media, churches will precede them. [...] I do not deny and underestimate - adds the journalist - the effort of those who organized and joined the anniversary celebration. [...]. As Marek Edelman said, when asked about the sense of doomed to failure Ghetto Uprising : "It is better to do anything than to do nothing". But we must know that one day will not change the mentality and imaginations that have been evolving for decades. " (Zajac M. 2013, s. 9).

**Important conclusions are as follows:**

1. An essential component of the most basic prevention against aggression due to multiculturalism is the matter of the foundations of our culture. I believe that

tolerance itself is not enough; we need smart programs and a wise policy. On the one hand, these programs must use all the positive foundations of our culture, starting with "love your neighbor as yourself", and ending on the grand pattern of the multinational and multicultural Polish-Lithuanian Commonwealth. On the other hand, as Marek Zajac rightly observed, it is necessary to cooperate with family, school, media, and church in raising respect for others. Only if the family is so weak, so busy to work, so ridiculed by all the ridiculous experiments of "marriage for all", then one element of this puzzle is gone. And if the school will be treated as the proverbial test rabbit of subsequent ministers, then we have the second element "out of the head". And if the Church is still ridiculed, because it sees only intellectual, and more recently also a moral darkness, then no "love your neighbor as yourself" will break through to the heads of young people. Of course, there are many reasons for the failure of the multiculturalism: the victory of a certain form of Islam that directly leads to terrorism; the economic crisis, and unemployment, the low level of culture of newcomers, for whom the towers of the Gothic cathedral in Cologne, the motets of Bach or the frescoes of Michelangelo mean little. But the most serious reason is that in Europe, as in 2000 Cardinal Ratzinger, we are heading to the "dictatorship of relativism" - the postmodern relativity of everything becomes the rule. If the old continent is to survive - emphasized later Pope Benedict XVI - he needs "a new self-acceptance". Cultural pluralism, with great enthusiasm praised and supported, often consists in rejecting with contempt what is its own, in escaping from its own values. And yet this pluralism cannot stand without the common preservation of certain fixed values; without reference points in our own tradition; without cultivating in ourselves the respect for the

sacred; finally, it cannot do without displaying the face of God that has been revealed to us - God full of mercy for the poor and the weak; God who became a man and who, suffering with us, gives the sufferer dignity and hope. If we do not do it, we not only reveal the identity of Europe, but also become unable to dialogue with others. For world cultures, and especially for Islam, the absolute secularism that spreads in the West is something deeply understandable. That is why cultural pluralism is a challenge for us to understand ourselves again - concluded J. Ratzinger (Ratzinger J. 2005, p. 31-32). Unfortunately, every day, also in our schools, the political correctness is omnipresent: in good tone should be quoting Confucius on the Polish language lesson but not Jesus Christ; in psychotherapy it is not a bad thing to refer to Buddhist teachings, but it looks like it is a bad thing to refer to the Gospel. The teacher will not come with the young people to the church where the retreat takes place, because it is not his duties. Political correctness means the ability to adapt to the ill-conceived beliefs of the majority. And unwise adjustment to the majority is an educational defeat. Especially in the field I was talking about here.

2. Aggression caused by the reaction to multiculturalism demands - let me repeat - not tolerance, but rather education for thought, non-stipulation of stereotypes, and wise prevention. I think that it can be a great help to use in our preventive programs books of eminent specialists in the field of aggression or violence research, such as anthropologist René Girard ("Sacrum and violence", "Horseshoe Goat"), or psychologist and educator Philip Zimbardo. Here I will refer only to the well-known book of the latter "The Lucifer Effect". Philip Zimbardo, is an outstanding American researcher of the phenomena of violence, aggression and ... timidity, who

in 1971 carried out the famous Stanford-based prison experiment. With the term "Lucifer effect" Zimbardo described the transformation of a man from an angel into a devil under the influence of the environment. As an illustration of his thesis Zimbardo gives the actions of ordinary American soldiers bullying the Iraqis, Muslims recognized as "potential terrorists" who during the Second Gulf War (2003) were imprisoned in Abu Ghraib near Baghdad. At the end of his book Zimbardo presents a ten-stage program, a kind of compendium or a guide to developing personal immunity to evil, aggression. Here are the 10 points in a nutshell: 1. I made a mistake ("let's start," encourages Zimbardo - from encouraging admitting our mistakes, first to ourselves and then to others "); 2. I am careful ("think first, then act", imagine the final scenarios of current activities, help children become smarter and more cautious consumers of knowledge); 3. I am responsible ("always imagine such a moment in the future when today's deed will stand on the court foreclosure and no one will approve your excuses that <you just obeyed orders> or that <everyone did it>"); 4. I will emphasize my (and others) unique identity (do not let you be de-personalized, do not unnecessarily put on some uniform or mask, take off your sunglasses, "anonymity and secrecy hide bad conduct and undermine relationships between people"; encourage such ways of dealing, where others have a sense of personal meaning and self-worth, remember - labels and jokes can be destructive if they mock others); 5. I respect well-deserved authority, but rebel against undeserved authorities ("many people who pose as authorities are pseudo-leaders, false prophets, frauds, self-advertising experts who should neither be respected nor listened to, but openly subjected to critical. Parents, teachers and religious leaders should play a more active



role in teaching children this important distinction "); 6. I want be accepted by the group, but I value my independence (we live inside our own psyche, in "a great retreat", so we should be ready, able to declare our inner independence); 7. I will be aware of the reference framework (Zimbardo follows these "reference frames" as follows: "we want things that are presented as "rare", even if they are abundant", we prefer those that bring profit rather than losses, even if the likelihood of both is the same: in various strategies of violence against the "other" we fall then, when we allow ourselves to enter into such a reference framework); 8. I balance my time perspective (this rule it's quite difficult to explain. Professor Zimbardo means that we can be led to do things that are not in accordance with our beliefs, when we let ourselves be caught in the "trap of the enlarged present moment". The way out of the "hedonism (or fatalism) "set in the present" thinking. This happens when" we do not go with the flow", but we go against the flow of thinking and actions around us who - like in Abu Ghreib - behave brutally, use unjustified violence.); 9. "I will not sacrifice personal or civil liberties in exchange for the illusion of security" (the need for security is one of the basic human needs.) Someone who makes us take action that is abhorrent to us, can use manipulation to present us with alleged threats to our security or promise of protection against danger, this temptation should be rejected, we should not sacrifice basic personal freedoms in exchange for a promise of security, because this sacrifice is a real act and the


proposed security assurance is a distant illusion. This may concern both marriage and also dedication of good citizens for the good of the state, when its leader promises personal and national security at the expense of collective sacrifices in the form of suspension of rights, privacy and liberties. Zimbardo recalls here the title of Fromm's book "Escape from freedom".10. I can oppose unfair systems (individuals lose courage in the face of systems' strengths: gangs, cliques, sects, corporations, dysfunctional families. However, the individual's resistance combined with the resistance of other individuals with the same way of thinking and determination can be important in opposing the group thinking mentality. Systems are characterized by immense immunological ability, which is why the testimony - an individual act of heroism - is so important.) (Zimbardo P. 2000, p. 431-436).

Philip Zimbardo's tenth-stage program is clearly structured on the ideological and moral foundations of our civilization. The evidence of which is also one final recommendation: "avoid the sins of corruption and petty crimes, such as cheating, lying, gossiping, spreading rumors, laughing at racist or sexist jokes, teasing others and bullying the weaker. They can become a way leading to more serious sins. Serious evil deeds always begin with minor deeds that seem trivial, but remember that evil is a slippery slope. These deeds are small facilitators for destructive thoughts and actions directed against your neighbor" (Zimbardo P. 2000, p. 436).

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## **ROLE AND PURPOSE OF HOMEWORK IN RELATION TO THE TEACHING PRACTICE IN POLISH SCHOOLS**

## **ROLA I CELOWOŚĆ ZADAWANYCH PRAC DOMOWYCH A PRAKTYKA NAUCZANIA W POLSKICH SZKOŁACH**

## **НЕОБХОДИМОСТЬ ДОМАШНИХ ЗАДАНИЙ, ИХ РОЛЬ И ПЕДАГОГИЧЕСКАЯ ПРАКТИКА В ПОЛЬСКИХ ШКОЛАХ**


### **Abstract**

*There are many new methods and forms of work in the education of every young man which he will not be able to meet on a daily basis. In order to learn the reasonableness of didactic activities, a student will need not only a school, but also a home, which are an inseparable part of education and the upbringing of future generations. The aim of the article is to describe the role and purpose of homework in the context of teaching and the current reform of education. In the teaching process, every teacher should strive to make the student learn at school as much as possible and to decrease his work at home. If the lesson is well carried out and stimulates the thinking, if its contents and functions have been properly selected, then it can be expected that the students have gained so much knowledge that their homework will not take them much time. Its performance will be a pleasure for the student, not a duty. We often forget that the teaching profession is characterized above all by the fact that its area of activity is a contact with people, especially children and youth, and the primary purpose of its actions is to educate them. Working as a teacher sets requirements, which are not limited only to the transfer of knowledge. These tasks are also the transfer of experiences, stimulating to be creative, active, motivated and capable, which contributes to shaping the value system of a young person. Implementation of these tasks may affect with teachers being overloaded by work, and cause fatigue and tiredness. It is important whether the beliefs about the teaching profession are reasonable and the skills are adapted to the position. Therefore, it is necessary to plan didactic work, so that it is not obligatory to give homework after each lesson because homework is supposed to be a consolidation of what the student learned during the lesson, homework should not be just another filler of the day.*

**Keywords:** *teacher, educator, homework, education, general education, lessons.*

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### Streszczenie


*W edukacji każdego młodego człowieka pojawi się wiele nowych metod i form pracy, z którymi nie będzie miał możliwości spotkać się na co dzień. Aby poznać sensowność działań dydaktycznych potrzebna mu będzie nie tylko szkoła, ale także dom rodzinny, który jest nierozdzielalnym ogniwem całego kształcenia i wychowywania przyszłych pokoleń. Celem artykułu jest opis roli oraz celowości zadawanych prac domowych w kontekście nauczania i obecnej reformy oświaty. W procesie nauczania każdy nauczyciel powinien dążyć do tego, aby uczeń możliwie jak najwięcej korzystał z nauki w szkole i aby jego praca w domu była niewielka. Jeżeli lekcja jest żywo przeprowadzona i pobudza do pracy myślowej, jeżeli jej treści i funkcje zostały należycie dobrane, to można liczyć iż uczniowie zyskali tyle, że ich domowa praca nie zajmie im już wiele czasu. Jej wykonanie będzie dla ucznia przyjemnością a nie kolejnym obowiązkiem. Bardzo często zapominamy, że zawód nauczyciela charakteryzuje przede wszystkim to, że obszarem jego działania są ludzie, zwłaszcza dzieci i młodzież, a podstawowym celem jego poczynań jest edukacja i wychowanie innych. Praca w zawodzie nauczyciela stawia wymagania, które nie ograniczają się wyłącznie do przekazywania wiedzy. Zadania te, to również przekazywanie doświadczeń, pobudzanie do bycia twórczym, aktywnym, zmotywowanym i zdolnym, co przyczynia się do kształcenia systemu wartości u młodego człowieka. Realizacja tych zadań może wpływać u nauczyciela na poczucie przeciążenia pracą, spowodować znużenie i zmęczenie. Ważne jest, czy przekonania o zawodzie nauczyciela są racjonalne, a umiejętności dostosowane do stanowiska. Dlatego też racjonalnie trzeba planować swoją pracę dydaktyczną, tak aby nie obowiązkowo po każdej lekcji zadawać prace domową ponieważ ona ma być utrwaleniem tego co dziecko nauczyło się podczas zajęć a nie było kolejnym wypełniaczem dnia.*

**Słowa kluczowe:** *nauczyciel, pedagog, praca domowa, edukacja, kształcenie ogólne, lekcje.*

### Аннотация

*В воспитании каждого молодого человека появляется много новых методов и форм работы, с которыми он не сможет встречаться ежедневно. Чтобы понять обоснованность дидактической деятельности, ученику понадобится не только школа, но и дом, которые являются неотъемлемой частью образования и воспитания будущих поколений. Целью статьи является описание роли и цели домашнего задания в контексте обучения и текущей реформы образования. В процессе обучения каждый учитель должен стремиться к тому, чтобы ученик как можно больше учился в школе и уменьшал свою работу дома. Если урок хорошо проведен и стимулирует мышление, если его содержание и функции были правильно выбраны, то можно ожидать, что ученики получили столько знаний, что их домашняя работа не займет у них много времени. Его выполнение будет удовольствием для студента, а не обязанностью. Мы часто забываем, что профессия учителя характеризуется, прежде всего, тем, что ее сфера деятельности - это общение с людьми, особенно с детьми и молодежью, и основная цель ее действий заключается в их обучении. Работа учителя устанавливает требования, которые не ограничиваются только передачей знаний. Эти задачи также являются передачей опыта, стимулирующего быть более творческим, активным, мотивированным и делным, что способствует*

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формированию системы ценностей молодого человека. Выполнение этих задач может повлиять на то, что учителя будут перегружены работой и переутомлены. Важно, чтобы убеждения относительно профессии учителя были рациональны и чтобы навыки были адаптированы к данной должности. Следовательно, необходимо планировать дидактическую работу таким образом, чтобы не давать домашнее задание после каждого урока, потому что домашнее задание должно представлять собой закрепление того, что студент усвоил во время урока, но оно не должно быть просто наполнителем дня.

**Ключевые слова:** учитель, педагог, домашнее задание, воспитание, общее образование, уроки.

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

In a school with class-lesson system, the basic form of education is a lesson and homework related to it. These forms are base of whole of the education process, starting from the first grade of primary school. There is correlation between the lesson and the homework. It is based on the fact that a properly conducted school lesson ensures higher effects of homework and vice versa - reliable completing homework at home raises the level of the lesson. However, homework makes sense if it is evenly distributed and adapted to students' abilities.

Students should be able to develop their passions by doing homework. Additional outside the school tasks should not only consolidate material, but also prepare student for self-education. Through well planned and organized, as well as individually performed work, student is able to succeed. Also well performed after-school activities give the student a chance to succeed at school.


Over the years, the view of the importance and value of the student's homework has changed a lot. In my opinion, the development of this view was influenced by the

current educational and didactic tasks of the school and the teaching methods associated with them. Improvement of teaching methods led to the spread of numerous forms of school work.

The process of teaching and learning may lead the student to master only a certain amount of knowledge and skills, but it may also have a significant impact on their comprehensive development (Kupisiewicz 2012, p. 44).

It can be said that learning is the process by which learners acquire specific knowledge, skills and habits that affect their behavior, and the results of this process depend largely on their motivation and activity (Kupisiewicz 2012, p. 37). All the above-mentioned stages of the teaching process are very important in the whole process of education of a young person. They should interact with each other and result from each other. The very term of education shows the multidimensionality in reaching knowledge. It is a set of activities and processes that enable people to get to know nature, society and culture, and participate in their transformation, as well as achieve the

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most comprehensive development of physical and mental abilities and talents, interests and passions, beliefs and attitudes, and acquire desirable professional qualifications ( Okoń 1984, p. 146). It covers all planned and systematic didactic and educational impacts on students, providing them with general or vocational education (Kupisiewicz 2012, p. 44). While discussing the education homework should also be mentioned. The term of homework was clearly explained by Wincenty Perp, he wrote that it is a form of compulsory, usually performed at home, activities of students. The purpose of which is to extend, and consolidate students' knowledge and implement independence in the using of this knowledge, gathering information, observing, solving tasks and writing (Okoń 1984, p. 238). The previous considerations on the meaningfulness of giving homework were very general. However, the above problem has been more deepened since 2017 when schools experienced big changes related to the reform of education. Often, parents and teachers themselves directed letters to Mr. Marek Michalak - children's rights representative, or Anna Zalewska – Minister of education, in which they were saying that Polish students are tired, discouraged from school activities, have no chance to get rest and no opportunities to pursue their passions. Homework with all its amount are the consequences of the current teaching model - a rigid description of content in the curricula, programs and finally in textbooks. No regulations at the moment regulate how much homework in one week teachers of all subjects can give students. Homework is an integral part of the didactic and educational process. Only lesson combined with homework creates a full unit of the learning process (Pomykało 1993, p. 615). The view on the role and value of the student's homework has changed over the

course of the education history (Pomyka 1993, p. 615).

In modern school, homework is an important element of the lesson. Students learn during the lesson, solve problems under the teacher's guidance, carry out experiments, actively and independently obtain knowledge and skills. Often the student is placed in the role of young researcher (Pomykało 1993, p. 616).

Teachers who, in the eyes of students, are guilty of the whole situation, do not have any formal encouragements, even from The Superintendent, to share their experiences and lesson plans.

If every teacher works only in his the subject, there is no awareness that the students in another lesson have just been given larger project to complete. Therefore, the point is not to completely abolish the idea of homework, but to control homework quantity more. In homework, the knowledge learned on the lesson should be perpetuated. (Pomykało 1993, p. 616). Homework is also a mean of preparing students to work independently and supplementing the knowledge acquired during the lesson, and which is also very important to prepare to next lessons (Pomykało 1993, p. 616).

Literature presents various definitions of the form of organizing studying. It is referred as homework, home study, and self-study (Bereźnicki 2018, p. 177).

Home studying raises numerous controversies and anxiety among parents caused by difficulties and overloads of most students with homework. Difficulties in home studying are caused by many factors, including excessive tasks, difficult and complex material, and lack of ability to learn (ignorance of mental work methods) (Bereźnicki 2018, p. 177).

The homework should be adjusted in terms of both range and difficulty. Homework should be avoided in some days or periods

when students are overloaded with additional tasks, however homework should be given in the periods when students schedule is not overloaded – to keep students motivated. Homework schedule should be adjusted to student's weekly energy rhythm. Homework shows diversity due to the subject and technique of performance. In the abundant list of homework teacher can see that some of them apply to all teaching subjects, others only in some. There are subject that cannot be teach without the homework, an example is the Polish language. It is impossible to fully implement teaching program without reading the literature and without written homework such as essays etc. Teachers of other subjects, such as mathematics, are in a similar situation. However, treating homework as integral part of every lesson should be avoided. It is very important that homework, both written and prepared orally, should be carefully checked, corrected and

evaluated by the teacher. Checking homework has great didactic and educational importance; it shows the student the importance and value of his work. Systematic control and assessment of homework makes the student responsible for the quality of the work done.

Rational control/ checking have also another meaning:

- The student learns whether he has met the requirements of the teacher,
- What student has to practice more, what were the errors that he has made and how much he will be able to remove them.

It is not less important to accurately and systematically check homework for the teacher himself. The results of the inspection will show him which parts of the material have been mastered well, which are less well and what needs to be repeated. However is not easy to check the homework properly.

### **Analysis of latest research where the solution of the problem was initiated.**

Topic discussed in this article is one of the leading topics in the field of education and teaching children in Polish schools. Waldemar Okoń (Okoń 1984, p. 146, Okoń 1984, p. 238) was a pioneer in this subject in the

eighties. The contemporary continuators of this issue are Wojciech Pomykało (Pomykało 1993, p. 615), Czesław Kupisiewicz (Kupisiewicz 2012, p. 44) and Franciszek Bereziński (Bereźnicki 2018, p. 177).

### **Aims of paper. Methods.**

The article presents the author's research results concerning the legitimacy of homework assignments among students and parents. A method of a diagnostic survey was used, the tool of which was a questionnaire for parents and students containing ten

questions. The study was attended by 46 parents - 15 parents of students from grades I-III, 12 from class IV, 19 from classes V-VII and 42 students from classes IV-VII (total number of students – 100% school population was 57 students)

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Conclusions from the analysis of own research.**

In a school where I have been a director for 12 years, many of parents and students

have complained that doing homework takes children all afternoon and weekends.

In connection with the growing interest of public opinion, I decided to conduct an

anonymous survey in June 2018 among the above-mentioned respondents in order to get to know their opinion on

1. Amount of time spent every day for homework done in writing?
2. Amount of time spent every day for oral preparation for the lesson (studying)?
3. Homework of which subject is given the most frequently?
4. What kind of homework is given usually?
5. Is the homework interesting and is the student enthusiastic to do it?

6. Is the homework difficult to the student?  
7. How is the homework performed by the student??

8. Homework of which subjects the student has the most problems with?
9. Does the teacher explain what the homework is on each subject and does the teacher discuss its proper implementation?
10. Would student like to add something regarding homework?

**Results and conclusions from the survey analysis:**

**Table 1. Amount of time spent every day for homework done in writing**

	Amount of time spent every day for homework done in writing.				
	From 10 to 30 minutes	From 30 minutes to 1 hour	More than 1 hour	2 hours and more	Student doesn't do homework
<b>Parents class I-III</b>	6	4	5	0	0
<b>Parents class I-III</b>	1	9	11	10	0
<b>Students class IV-VII</b>	4	13	17	8	0
<b>Conclusions</b>					
<ul style="list-style-type: none"> <li>• 9 out of 15 parents of students from class I-III believe that their children spend between 30 minutes to more than 1 hour a day doing their homework,</li> <li>• 30 out of 31 parents of students from class IV-VII believe that their children spend between 30 minutes to more than 2 hours a day doing homework,</li> <li>• 30 from 42 students believe that they dedicate from 30 minutes to more than one hour to doing homework .</li> </ul>					



**Table 2. Amount of time spent every day for oral preparation for the lesson (studying)?**

	Amount of time spent every day for oral preparation to the lesson (studying)?				
	From 10 to 30 minutes	From 30 minutes to 1 hour	More than 1 hour	2 hours and more	Student doesn't do homework
<b>Parents class I-III</b>	6	7	1	1	0
<b>Parents class V-VII</b>	7	11	10	3	0
<b>Students class IV-VII</b>	19	8	12	3	0
<b>Conclusions</b>					
<ul style="list-style-type: none"> <li>• 13 out of 15 parents of students from class I-III, believe that their children dedicate from 30 minutes to more than 1 hour a day to the oral preparation for the lesson,</li> <li>• 21 out of 31 parents of students from class IV-VII believe that their children dedicate from 30 minutes to more than 1 hour a day to the oral preparation for the lesson,</li> <li>• 19 out of 42 students think that they devote to oral preparation for the lesson from 10 to 30 minutes; however, 20 out of 42 students spend between 30 minutes and over an hour for oral preparation for the lesson.</li> </ul>					

**Table 3. Homework of which subject is given the most frequently?**

	Subject of which homework is given the most frequently			
	Polish	English	Mathematics	Science
<b>Parents class I-III</b>	10	2	3	0
	Polish	English	Mathematics	History
<b>Parents class V-VII</b>	18	16	10	2
	Polish	English	Mathematics	Physics
<b>Students class IV-VII</b>	15	26	14	10
<b>Conclusions</b>				
<ul style="list-style-type: none"> <li>• 10 out of 15 parents of students from class I-III believe that their children's homework is mainly from Polish</li> <li>• 21 out of 31 parents of students from class IV-VII answered that their children's homework was mainly from Polish and English (parents could choose more than one answer).</li> <li>• There were three subjects dominate among students' answers: English, Polish and mathematics (students could choose more than one answer)</li> </ul>				

**Table 4. What kind of homework is given usually?**

	Most frequently given type of homework		
	From the textbook	From the exercise book	Self-writing
Parents class I-III	2	11	3
Parents class V-VII	13	22	7
Students class IV-VII	18	24	0
<b>Conclusions</b>			
<ul style="list-style-type: none"> <li>Both parents and students think that the homework is mainly completing exercise book.</li> </ul>			


**Table 5. Is the homework interesting and is the student enthusiastic to do homework??**

	Is the homework interesting and is the student enthusiastic to do homework?	
	Yes	No
Parents class I-III	11	4
Parents class V-VII	18	24
Students class IV-VII	20	22
<b>Conclusions</b>		
<ul style="list-style-type: none"> <li>39 parents think that children are enthusiastic to do homework and they find it interesting. However, 28 parents said that their children were not willing to do their homework and found it uninteresting.</li> <li>22 students claim that they do not like to do homework and they find it uninteresting</li> </ul>		

**Table 6. Is the homework difficult to the student?**

	Is the homework difficult to the student?	
	Yes	No
Parents class I-III	6	9
Parents class IV-VII	20	22
Students class IV-VII	17	25
<b>Conclusions</b>		
<ul style="list-style-type: none"> <li>26 parents say that homework causes difficulties for children; however, 29 respondents believe that they do not.</li> <li>25 students answered that they didn't have problems with homework.</li> </ul>		

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**Table 7. How is the homework performed by the student??**

	Way of doing homework				
	Alone	Almost always alone	Usually with parents help	The child cannot do homework alone.	From colleagues.
<b>Parents class I-III</b>	4	5	7	0	0
<b>Parents class V-VII</b>	6	14	20	2	0
<b>Students class IV-VII</b>	7	14	14	7	0
<b>Conclusions</b>					
<ul style="list-style-type: none"> <li>• 27 of parents help their children with homework.</li> <li>• 14 parents answered that they often helped their children with homework, 7 parents (children from class IV-VII) believes that their children cannot do homework alone.</li> </ul>					

**Table 8. Homework of which subjects the student has the most problems with?**

	The subject from which the student has the most problems.			
	Polish	English	Mathematics	Science
<b>Parents class I-III</b>	7	9	0	0
	Polish	English	Mathematics	History
<b>Parents class V-VII</b>	13	19	10	0
	Polish	English	Mathematics	Physics
<b>Students class IV-VII</b>	9	30	15	6
<b>Conclusions</b>				
<ul style="list-style-type: none"> <li>• Students could choose more than one subject. According to the parents' answers most problems their children have with English and Polish, mathematics appears in the third place.</li> <li>• The students answered that they had the biggest problems with , the second place is mathematics</li> </ul>				

**Table 9. Does the teacher explain what the homework is on each subject and does the teacher discuss its proper implementation??**

	Is homework explained to the student?	
	Yes	No
Parents class I-III	14	1
Parents class IV-VII	18	24
Students class IV-VII	26	16
<b>Conclusions</b>		
<ul style="list-style-type: none"> <li>• 14 out of 15 parents of student from class I-III believe that the teacher explains the homework well.</li> <li>• 24 parents of children from class IV-VII believe that their children homework is not explained</li> <li>• 26 out of 42 students answered that homework was explained by the teacher.</li> </ul>		

**Table 10. Would student like to add something regarding homework?**

	Would student like to add something regarding homework?	
	Yes	No
Parents class I-III	1	14
Parents class IV-VII	24	18
Students class IV-VII	0	8
<b>Conclusions</b>		
<ul style="list-style-type: none"> <li>• The majority of respondents believe that the teachers give too much homework, and do not explain it sufficiently.</li> </ul>		

**Conclusions.**

Homework is a controversial topic among various social groups. Many men, many minds. After conducting surveys and interviews with students and parents, I forbade doing homework on the weekends at my school. My decision was mainly caused by the results of surveys and interviews, but as a teacher I had a different opinion. I believe that every material learned during the lesson should be practiced by the student, so

that he/she will not have problems with it later.

Many times I have wondered as a teacher and as a parent: Are homework crucial for success in my students' life? I think not, but they are a signpost for further work, showing children and parents on which they should focus more. Homework can be a good hint on what is the most important thing from a specific subject.

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Performing homework requires students to think independently, an experienced teacher will recognize non-self-made work without much difficulty. The home task that was done by parents or siblings can be easily identified by style, choice of words, content layout, method of solution, etc. Handing over children while doing homework brings dire consequences because a child learns dishonesty and often demanding from the teacher a reward in the form of a high grade for work done by others. Sometimes it is an expression of parental concern for the child's school success is to help him complete tasks. Parents are aware of the dishonesty of such behavior, which allows the child to get awards for work done with other people's hands and accuse them to avoiding taking more effort. The majority of students know that the homework should be done independently and consistently applies this principle in practice. Only the intellectual effort of the child in the education process can result in the durability of knowledge, its operability, ability to solve problems and overcoming difficulties in various life situations. It is very important to have a good learning atmosphere at home. A child who sits down

to work with a bad mental attitude works less efficiently, performs certain activities longer and cannot concentrate.

The student's home education should be properly organized, then it brings better results, parents must create appropriate conditions and provide their children with adequate care and help, while the teacher's role remains the selection of tasks that will be conducive to achieving homework goals.

It happens that children feel overloaded with homework. This overload results in having not enough time to relax outdoors, etc. Parents often have to release their children from all kinds of home duties for learning, which is detrimental to their development.


In my opinion, homework is necessary, but in a reasonable amount. Homework should not be a mandatory part of each lesson. Teacher should always take in consideration student individual needs and abilities, as well as actual education program and recommendations of the Minister of Education. It is very important for a student to understand homework well and to know what the purpose of homework is.

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## **EDUCATION AS AN EXPORT GOOD BASED ON THE EXAMPLE OF AUSTRALIA**

## **EDUKACJA JAKO TOWAR EKSPORTOWY NA PRZYKŁADZIE AUSTRALII**

## **ОБРАЗОВАНИЕ КАК ЭКСПОРТНЫЙ ПРОДУКТ НА ПРИМЕРЕ АВСТРАЛИИ**

### **Abstract**


*Australia is known for exporting the wide range of goods to almost every place of the world. These goods, among others, are iron, aluminum, gold, coal, natural gas and beef. However, apart from material things, services are also an important segment of exports. The main ones are those related to education and travel. Educational services themselves are the third largest asset exported by Australia. They are not limited to the science itself but constitute a wide range of services accompanying the education process of foreign students. These include travel services, rental of real estate, agencies etc. This specificity and conditions conducive to such a large amount of educational services in a country that has no immediate neighbors is the subject of this description. It covers the characteristics of exported educational services, including data on the scale of its exports, major recipients, types of educational institutions, directions that are most popular among students. In addition, Australia's export educational activity will also be discussed with the Polish example.*

*Keywords: Australian education system, export of educational services, Australian educational offer.*

### **Streszczenie**

*Australia znana jest z eksportu wielu dóbr do niemalże każdego zakątka świata. Do głównych towarów należą rudy żelaza, aluminium i złota, węgiel, gaz ziemny czy wołowina. Jednak obok rzeczy materialnych istotnym segmentem eksportu są usługi. Do zasadniczych należą te związane z edukacją oraz podróżami. Same usługi edukacyjne stanowią trzecie, co do wielkości dobro eksportowane przez Australię. Nie ograniczają się one tylko do samej nauki, ale stanowią szeroki zbiór usług towarzyszących procesowi edukacji zagranicznych studentów. Zaliczyć do nich można usługi turystyczne, wynajem nieru-*

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chomości, doradztwo, itp. Właśnie ta specyfika oraz warunki sprzyjające tak dużej podaży usług edukacyjnych w kraju, który nie ma bezpośrednich sąsiadów, jest przedmiotem opisu. Obejmuje on charakterystykę eksportowanych usług edukacyjnych, w tym dane na temat skali jej eksportu, głównych adresatów, typów instytucji edukacyjnych, kierunków, które cieszą się największym powodzeniem wśród odbiorców. Ponadto eksportowa działalność edukacyjna Australii zostanie również omówiona na polskim przykładzie.

**Słowa kluczowe:** system edukacji australijskiej, eksport usług edukacyjnych, Australijska oferta edukacyjna.

#### **Аннотация**

Австралия известна тем, что экспортирует много товаров почти во все уголки мира. Основные товары включают железную руду, алюминий и золото, уголь, природный газ и говядину. Однако, помимо материальных вещей, услуги являются важным сегментом экспорта. Основные из них связаны с образованием и путешествиями. Сами образовательные услуги занимают третье место по экспорту. Они не ограничиваются самой наукой, а представляют собой широкий спектр услуг, сопровождающих учебный процесс иностранных студентов. К ним относятся: туристические услуги, аренда недвижимости, консультации и др. Именно эта специфика и условия, способствующие такому большому количеству образовательных услуг в стране, которая не имеет непосредственных соседей, являются предметом, описанным в работе. Он охватывает характеристики экспортируемых образовательных услуг, включая данные о масштабах их экспорта, основных получателях, типах образовательных учреждений и направлениях, которые наиболее популярны среди заинтересованных. Кроме того, экспортная образовательная деятельность Австралии также будет обсуждаться на примере Польши.

**Ключевые слова:** австралийская система образования, экспорт образовательных услуг, австралийское образовательное предложение.

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#### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The subject of export of educational services is often investigated these days. Especially while considering the economic issues and the internalization of education, not only within the European Union but also the Asia-Pacific regions. The globalization process is conducive to the development of such services. The recipient currently has the opportunity to choose a wide

range of ways to acquire the desired knowledge or skills. Educational services become a recipe for generating profits for the countries offering them; on the other hand, educational services increase the chances of acquiring the necessary qualifications among people who do not have such a developed education in their own country.

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**Analysis of latest research where the solution of the problem was initiated.**

The most up-to-date publications on this topic include those undertaken by international and Australian institutions: Australian Department of Foreign Affairs and Trade (DFAT 2016), Australian Trade and Investment Commission (Austrade, 2016), Organization for Economic Co-operation and Development (OECD, 2018); researchers dealing with the internationalization of Australian education, Anne Chapman, David Pyvis, (Chapman, Pyvis, 2012), Michael Crossley, Greg Hancock, Terra Sprague, (Crossley, Hancock, Sprague 2015), Dorothy Davis, Bruce Mackintosh, (Davis, Mackintosh 2011), Kartik

Chandra Roy, Srikanta Chatterjee, (Roy, Chatterjee, 2007), Peter Ninnés, Meeri Hellstén, (Ninnés, Hellstén, 2006), Colin Picker, Heng Wang, Weihuan Zhou, (Picker, Wang, Zhou, 2017), Christopher Ziguas, Leanne Reinke, Grant Mc Burnie (Ziguas, Reinke, Mc Burnie, 2003). Polish researchers investigate the issue of internationalization of education, including Poland participating in it: Andrzej Szromnik, (Szromnik, 2014), Bianka Siwińska, (Siwińska, 2014), Marek Kwiek, (Kwiek 2010), Magdalena M. Popowska (Popowska, 2016).

**Aims of paper. Methods.**

The purpose of this article is to show the specifics of the functioning of Australian educational services exports. It was discussed based on the analysis of official data included in reports and studies prepared by

Australian governmental institutions. In addition, it was discussed in the context of Polish conditions as a recipient and provider of educational services.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

In 2017, Australia exported goods and services for a total amount of 386.7 billion Australian dollars. The most popular goods include iron, coal, natural gas, and gold - nearly 45% of total export. Among services, the most popular ones are tourism services connected to education (many educational activities are included in the so-called educational services, alongside the

costs of education itself, other services not related to student travel or advisory services should also be taken into account) and other related to tourism of non-educational character, constituting a total of 13% of exports. The most important recipients of Australian goods and services are China, Japan, the Republic of Korea and India, the total share is 60% [4].


**Table 1. Table showing the 8 most popular goods and services exported by Australia**

Table showing the 8 most popular goods and services exported by Australia Liczba l.p[4]						
No.	Type of exported good	2015	2016	2017	Percentage share in relation to total exports in 2017	Change in the last five years
Total exports (billions of Australian dollars)		323 136	336 894	386 687	100 %	3,7 %
1	Iron ores and concentrates	49 100	53 757	63 104	16,3 %	-0,9 %
2	Coal	37 034	42 270	57 132	14,8 %	5,2 %
3	Tourism services related to education (Includes student expenses for tuition and maintenance life costs)	22 738	25 792	30 263	7,8 %	12,9 %
4	Natural gas	16 446	17 912	25 618	6,6 %	11,4 %
5	Personal travel services (excluding education)	19 754	21 192	21 281	5,5 %	8,8 %
6	Gold	14 504	18 857	17 620	4,6 %	4,7 %
7	Aluminum ores and concentrates (including aluminum oxide)	7 493	6 460	8 426	2,2 %	8,3 %
8	Beef	9 296	7 401	7 451	1,9 %	9,6 %

According to 2018 data available on the website of the Australian Government Australian Trade and Investment Commission, nearly 627 thousands of foreign students have used Australian educational services (on student visas). Almost 382,000 (this refers to international student records in various education sectors in Australia, the sum of which is greater than the number of students due to the fact that the student can study more than one course in one calendar year) subscribed for educational services in the academic sector, almost

196,000 for services in the vocational education and training sector (VET - Vocational Education and Training [VET institutions provide practical and vocational training. This allows a student to develop his own career path through learning and work. Courses are conducted by both public institutions called TAFE and private universities, ending with certificates at various levels ranging from Certificate III, Certificate IV, and Diploma to Advanced Diploma]), over 106 thousand for intensive English courses for foreigners (ELICOS - the English Language Intensive Courses

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Korczak J., (2018) Education As An Export Good Based On The Example Of Australia.

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for Overseas Students), and almost 26 thousand to the school sector. To use of sector of non-award services (not related to obtaining a formal diploma) is almost 44000 students [3].

Intensive English courses ELICOS are a popular path to continue education in other sectors, VET or academic. Nearly 30% of foreign students starting higher education, and 37% of those who started the VET course previously used this path [12].

Among the nationalities using the educational services sector at the academic level, the largest number of students came from China (52%), India (18) and Malaysia (9%). Among the use of educational services in the VET sector, respectively from India (39%), the Republic of China (16%), Thailand (11%) and the Republic of Korea (11%). In the ELICOS sector - China (40%), Brazil (13%), the Republic of Korea (12%) and Thailand (11%). In the school sector of China (55%), the Republic of Korea (15%) and Vietnam (11%) [6].

The service of foreign students is an important component of Australia's education policy. For example, 17% of university students come from abroad. It is over three times more than the OECD average (OECD total). The number of foreign students is bigger only in Luxembourg (47%), New Zealand (20%), Switzerland (18%) and the United Kingdom (18%). However, when analyzing these results in absolute values, a larger number of foreign students accept only the United States and Great Britain [8]. The essence of such a great popularity of these three countries among students is the fact that they use English.

In 2016, almost half of foreign students in Australia came from China or India (47%), while on average (weighted average) in OECD countries only 30% of foreign students came from these two countries. In Australia, the percentage of foreign students from OECD countries is relatively

low: 9% compared to the OECD average of 26%. [8]

Australia attracts many foreign students who pay higher tuition than Australian citizens and incur high study expenses. Australian public institutions charge annually USD 7,000 more from foreign students than from the Australian students. In fact, tuition fees for foreign students are over three times higher than national students (undergraduate program) and almost twice higher for undergraduate studies. In countries where data is available, only public higher education institutions in Canada, New Zealand and the United States charge higher fees for foreign students than Australia. [8]

The most popular fields of education are business, administration and law, 34% (10 percentage points more than the OECD average) of the whole. The percentage of graduates in engineering, manufacturing and construction is 8%, which is half of the OECD average. Foreign students are 26% of all students in this field of studies, which is a relatively large amount, comparing to other OECD countries, and it is three times more than the OECD average of 7%.

### **Reasons for the popularity of Australian educational services**

The reasons for such a large popularity of Australian educational services can be found in a few interrelated aspects. Undoubtedly the most important is English language which is national language of Australia. Its presence, both during education and social contacts, favors its easier learning, especially since it is used in contacts all over the world. Presence, both during education and social contacts, favors its easier learning, especially since it is used in contacts all over the world. Another factors are (when presenting factors attracting foreign students, the order of their presence is not equivalent to their importance. Their


influence is not permanent for all students; their presence in combination with other factors is conditioning their significance):

- a wide education offer - from language courses to professional education to universities. Available in various modes; matched to the student in a timely manner.
- openness to a multicultural society - the presence of representatives of various countries and cultures in Australia is visible not only in selected places, but its deeply rooted in society. For many students this factor is making decision about studying in Australia easier. Students can count on the help of other students from his country. In addition, the presence of representatives of many cultures is making establishing relationships with other people easier. A quarter of Australian citizens were born beyond Australia borders.
- years of experience in the export of educational services - Australia offers educational services to citizens of other countries for over several decades. As a result, educational service has developed and tested many procedures that help meet the needs of students as much as possible, not only in an educational context..
- educational infrastructure - the choice of educational institution depends not only on the subject itself, but also accommodation, the availability of educational materials, transport, social relations and available forms of recreation are equally important. The availability and quality of these factors affect both the popularity of Australian education among foreigners and brings income to Australians themselves.
- Emigration policy – visas – in Australia student visas (Student visa [5]) are available, obtaining student visa is relatively easy (compared to some other forms of visas [comparing with applying for other Australian visas – application for student visa, is more complicated than, for

example, an application for a tourist visa or Work visa & Holiday, but still easier than application for emigration visas and their derivatives]) and allows students to take a paid job in Australia, only slightly limited by the hour. This allows the newcomer to make the decision to start education in Australia and helps with at least partial coverage of education costs.

- high position of Australian educational institutions in the world [10]. Many Australian universities have high positions in world rankings, thus their graduates are valuable on the labor markets.
- availability of institutions supporting foreign students – Australia has its own educational representatives in almost every country. They work by promoting Australian educational services, providing information related to educational services conditions, helping with formalities and supporting the student after start of education in Australia, and even helping with finding a job.
- climate and geographic conditions – climate in almost all Australia is warm, during winter, only in some regions, temperature drops below a few degrees Celsius, moreover, most institutions are located close to the ocean, thus the education time often resembles the holiday period. All factors mentioned above are also conducive to the interest of Poles in Australia's educational offer. However interested of Polish students in comparison to students from other nations is still relatively small. The most important reason for this small interest is cost of education, which is high for Polish conditions. For example average cost of English course per week is 200 Australian dollars - the course lasts for several weeks. Cost of studies in the social field is about 15000 Australian dollars, technical about 18000 per semester [7]. In addition, the costs of travel, accommodation, food or living until finding at least part time job in

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Australia should also be added. The second important issue is distance, similar educational has Great Britain, but travel cost is

definitely lower, formalities related to study in Great Britain are also easier than those related to emigration to Australia.

**Table 2. Poland as consumer of Australian educational services**

Poland as consumer of Australian educational services [3]						
Year	2015	2016	2017	2015	2016	2017
Higher Education	189	178	177	54	67	59
VET	1,213	1,232	1,287	748	768	748
Schools	7	6	6	7	4	5
ELICOS	916	868	707	750	674	544
Non-award	70	77	89	58	62	69
Total	2,395	2,361	2,266	1,617	1,575	1,425

**Australian educational services on the Polish market**

An example of the export activity of Australian educational institutions in Poland is the functioning of several institutions that working as an agency between students who are interested in education in Australia and the institutions offering education. Based on the offer of Bridge Agency [7], the biggest agency of Australian educational services in Poland, educational offer can be divided into several areas. The main one includes language courses, colleges (vocational courses) and the universities. English language courses are available in various forms depending on the participants' expectations, study purpose and level. These include courses: general (General English); academic EAP (English for Academic Purposes); exam (Exam Preparation), business (Business English & Intensive Business English), specialist (English Plus Program), courses for teachers, and individual lessons (One to One). Education in colleges is based on post-secondary form of courses on the nature of professional preparation and training. These

courses are focused on providing the student knowledge of a practical nature related to the particular profession. Their completion results in receiving Certificate or Diploma. It entitles to work independently on a specific position. However, to start this form of education, student need to have document which proves his English ability at the IELTS 5.5 level (Polish B2, or Upper Intermediate) or a previously completed language course in Australia at the intermediate level. Educational services are offered by private and public schools - TAFE (Technical and Further Education). The first ones have a smaller list of courses, but their offer is directed to foreign students - they often have several dates of starting education during the year, which makes the offer more attractive. The second offers students a wide range of courses like business, humanistic, laboratory, engineering, construction, and science. There can be found also original and unusual ones – floristry, oenology and surf management courses. The public college (TAFE) and the Universities have two semester start dates: February and July.

Universities are the highest form of education in Australia and enable studying at various levels starting from three years undergraduate studies (equivalent of Polish undergraduate studies), through semi-an-

nual or one-year postgraduate studies, master studies, and doctoral studies. Candidates can choose many majors from scientific to the most creative and artistic ones, however, to take them every student has to demonstrate a good knowledge of English.

## Conclusions.

When analyzing Australian experience in offering educational services, we should also mention about Polish experience in this matter. According to the studyinpoland portal [13], in 2016 over 57 thousand foreign students studied in Poland. Mostly from Ukraine - over 30,000, from Belarus - less than 5,000, Norway and Spain - about 1,500, followed by Sweden, Turkey, the Czech Republic, Russia and Germany with more than one thousand students from each country. The main reasons for the popularity of Polish educational services include low costs of education, the possibility of having part time job, Polish presence in the European Union, high evaluation of Polish diplomas in the countries of the European Union or a stable political and economic situation [9]. Many universities dealt well with the recruitment of students using a variety of sources, from online advertisements, instructional videos - how to meet all formalities, ending with direct actions [9]. Actions taken by universities in Poland are increasingly focused on acquiring foreign students [Popowska M.M., 2016, p. 131-154]. The reasons for this state are an awareness that the number of Polish students is decreasing, and Universities future on the education market depends on number of students. During the last few years, various initiatives have been taken, one of them is introduced in the 2012 program - Ready, Study, Go! Poland [11], another example are changes in the

functioning of the University – introduced in the Law 2.0, aimed inter alia at internationalization of Polish education. However, the question arises whether the pursuit of internationalization of Polish education, and competing with other countries, can be regulated by law or program? Or should it take the form of steps, in which the every next step is based on the previous one? It is important to first focus on the goal which is introduction to foreign students of Polish educational services (example of this kind of promotion is organization Think Poland. It is organization that deals with the promotion of Polish education. [Http://www.thinkpoland.org/](http://www.thinkpoland.org/)) and second – the way and form - these two should be dependent on stagnant circumstances. This is important also because Polish academic tradition due to its nature (education financed by the state) did not have a strong need to take actions to compete for the "client" - student. An important factor is also the language of instruction; lectures in English would be conducive to greater interest of the university. Another important factor is making studies more practical through the development of standards and activities in which representatives of particular industry sectors actively participate [Korczaek J., 2017, p. 526], as it is done in the Australian educational policy.

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## **PSYCHOLOGICAL PORTRAIT OF AN ORPHAN CHILD DURING PROFESSIONAL STUDIES RESEARCH ASPECT IN THE REPUBLIC OF BELARUS**

### **PSYCHOLOGICZNY PORTRET OSIEROCONEGO DZIECKA PODCZAS EDUKACJI PROFESJONALNEJ W UJĘCIU REPUBLIKI BIAŁORUŚ**

### **ПСИХОЛОГИЧЕСКИЙ ПОРТРЕТ РЕБЕНКА СИРОТЫ В ПЕРИОД ПРОФЕССИОНАЛЬНОГО ОБУЧЕНИЯ В АСПЕКТЕ РЕСПУБЛИКИ БЕЛАРУСЬ**

#### **Abstract**

*A psychological portrait of orphans and children left without parental care reveals in conditions of professionally technical studies. Individual psychological characteristics of children-orphans and children deprived of parental care determined in the emotional, cognitive, mastering field of personality. Various socio-psychological patterns of the personality of orphans and children left without parental care are actualized.*

**Keywords:** *emotional sphere, cognitive sphere, coping strategies, socio-psychological disadaptation, orphans, professionally technical studies*


#### **Streszczenie**

*Ukazuje się psychologiczny portret sierot i dzieci pozostawionych bez opieki rodzicielskiej w zakresie edukacji zawodowej. Wyznaczono indywidualne cechy psychologiczne sierot i dzieci pozostawionych bez opieki rodzicielskiej w emocjonalnej, poznawczej, radzącej sobie sferach osobowości. Ulepszono różne społeczne i psychologiczne wzorce osobowości sierot i dzieci pozostawionych bez opieki rodzicielskiej.*

**Słowa kluczowe:** *sfera emocjonalna, sfera poznawcza, strategie radzenia sobie, deadaptacja społeczno-psychologiczna, sieroty, edukacja zawodowa*

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Stanibula S., (2018) Psychological Portrait Of An Orphan Child During Professional Studies Research Aspect In The Republic Of Belarus. *International Journal of New Economics and Social Sciences*, 1(7)2018: 425-430

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**Аннотация**

*Раскрывается психологический портрет у детей-сирот и детей, оставшихся без попечения родителей, в условиях профессионально-технического образования. Определены индивидуально-психологические особенности детей-сирот и детей, оставшихся без попечения родителей в эмоциональной, когнитивной, совладающей сфере личности. Актуализированы различные социально-психологические закономерности личности детей-сирот и детей, оставшихся без попечения родителей.*

**Ключевые слова:** *эмоциональная сфера, когнитивная сфера, копинг-стратегии, социально-психологическая дезадаптация, дети-сироты, профессионально-техническое образование*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

According to the National Statistical Committee of the Republic of Belarus, the number of orphans and children left without parental care identified for the year (including those who were not settled at the beginning of the year) and placed to professionally technical, secondary special education to the state support the period from 2010 to 2015 was 747 children [1]. A significant problem for today is the interaction aspects of the teaching staff with orphans and children left without parental care in conditions of professionally technical studies. A significant factor impeding successful pedagogical interaction is the psychological characteristics of orphans. When the teacher creates a pedagogical interaction, he needs to consider the psychological characteristics of orphans and children left

without parental care. However, in our opinion, the knowledge regarding to the psychological sphere of orphans personality and children left without parental care can be assessed as insufficient. The deep theoretical knowledge of the individual characteristics of each orphan child, his spiritual sphere is necessary not only for his development, that means to meet certain social aspects that are presented to him at a certain age, but also because it is necessary to strive of the maximum development of those individual characteristics which according to this particular child. Features of the individual psychological sphere are reflected in the works of M. Yu. Kondratiev, V. S. Mukhina, A. M. Prikhozhan, O. E. Mirnova.

**Analysis of latest research where the solution of the problem was initiated.**

The individual psychological sphere of orphans personality and children left without parental care develops as a result of “maternal deprivation” by which most authors understood the insufficient or complete

dissatisfaction of the child’s basic psychological needs by one of the most significant adults [2-5]. This problem leads to the fact that family and family interaction is beyond the value for orphans and the environment in which they are trying to reach and

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create. This is confirmed by the studies of N. V. Gibadullin, who noted that the family as a valuable construct is one of the most prevalent in the personality structure for orphan children and children left without parental care during the age of majority [6]. However, orphans face significant difficulties in building family relationships because of having non-positive experience in creation of family relationships.

In the studies of Samokhvalov A.G. it has been revealed that there are various communication difficulties for orphans and children left without parental care that are manifested by themselves in communication with adults and peers. Children of this category make new contacts with strangers with big difficulties experience fear regarding to the expectation of an attack from an unfamiliar person.

A.M. Prihozhan and N.N. Tolstih assign insufficient development of emotional-volitional sphere as the main distinctive characteristics of orphans and children left without parental care [7]. These studies are completed by the work of E.V. Grebennikov and O.V. Firsov in which it was revealed that orphans compared to children from full families have increased frustration, emotional volitional instability (expressed in emotional excitability), reduced social comfort, dependence, low self-control, the necessity to protect the weak "I" [8].

Considering the peculiarities of the emotional sphere of orphans and children left without parental care, A.O. Teresa noted a sufficient degree of emotional trauma, the researchers did not find psychological trauma only in a small number of children in such category [9]. Psychological traumas are the result of significant adults' loss (death of parents, removal from the family), the illness of the child and other psycho-traumatic events.

The orphaned children have a specific structure of perception of the surrounding world. Considering the specifics of perception, also in particular to phenomenology of crisis events perception, we made the conclusion that orphans and children left without parental care consider the main causes of certain crisis events to relationships with significant adults, in particular, insufficient attention, emotional closeness, and social support from parents. Expectations regarding the resolution of the crisis event by children of this category are mainly in the negative pole. The main emotional experiences of orphans in the crisis time are despair, longing, anxiety, fear, but in the same way we noted that there was a sense of guilt that occurred to the crisis event. The study of subjective ideas of children from this category gives us the reason to say that the main components that orphans lose are in the field of emotional experiences such as a sense of inner balance and trust to the whole world and people in particular. The acquired new formations are considered by them in the field of the formation of a new system of values and attitudes, as well as the acquirement of new skills of social interaction [10]. Such perception has an influence on the adaptation structure of the child's personality, and in particular to the specifics of overcoming difficult crisis situations. These theoretical and practical results are confirmed by research of L.L. Kryuchkova, who noted that orphans are characterized by a low level of development of resilience. As the author notes, the cause of this phenomenon is the frustration of emotional contact with significant adults, the lack of positive models and constructs of adaptive forms of family interaction. It was also detailed that orphans were characterized by a low formation level of a sense of control over the events of their own lives [11].

In our studies, we concluded that orphaned children use emotionally focused coping strategies that are aggressive in nature, which are deficient and have a pronounced non - adaptive character. In general, coping behavior does not help to overcome crisis and stressful events, but rather it is aimed at avoiding and destructive solution of difficult situations, which subsequently leads to the aggravation of the crisis, worsen somatic health and reduce the quality of life [12-14].

### **Aims of paper. Methods.**

Theoretical and methodological analysis of the literature on the psychological characteristics of orphans and children left without parental care.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

A. Kh. Pashina and E. P. Ryazanova in their studies noted that the intellectual aspect of orphans development is characterized by a certain disharmony, manifested in the lack of development of non-verbal thinking [18]. Features of the intellectual sphere make it difficult for a person to adapt successfully to the studies in professional education, manifested in the inability to assimilate and reproduce educational material, reducing motivation for professional technical study. As a result of this problem, a significant social aspect of the development of orphans and children left without parental care is formed, which is characterized by social passivity, substantial severity of rental facilities, etc. These

Many authors have noted that orphans and children left without parental care develop a steady low self-esteem [15,16]. To our mind, the manifestation of low self-esteem can be in various spheres of life, such as social and personal contacts and interaction, low initiative, focus on simple tasks. In empirical studies of E. A. Strebelova revealed that orphaned children are characterized by a delay and distortion of intellectual development, and the cognitive sphere impoverish [17].

studies are supported by the works of E.V. Grebennikov and O.V. Firsov in which a reduced social comfort was revealed in orphans and children left without parental care [8].

V.V. Koltinova noted one of the key social signs of orphans and children left without parental care as social immaturity. Social immaturity is a complex systemic phenomenon, the signs of which include the desire for hedonistic manifestations and value-orientation components, tuned to the romantic passion for adventure, their constant search, excitement, passion for imitation, etc. [19].

### **Conclusions.**

Thus, it can be concluded that the psychological portrait of an orphan child during the age of majority during the studies in professional training institutions is characterized by the following components:

first, the main issues in orphans and children left without parental care, expressed at the physiological, social and psychological levels of personality functioning, are due to the so-called “maternal deprivation”, that is

the frustration of key need impulses in infancy;

secondly, orphans and children left without parental care have significant difficulties in the communicative sphere, expressed in the difficulties of communicating with both peers and adults. The speech sphere is characterized by disharmonious poverty, a small vocabulary and difficulty in sentences construction;

thirdly, the value-orientation sphere of an orphan child is characterized by the leading role of family as a value construct. The desire to create a family is mainly a compensatory function. Many children were deprived of a family and an attempt to recreate it at such an early age can be seen as an attempt to realize frustrated needs;

fourth, the emotional-volitional sphere of orphans is characterized by instability, lack of ability to self-control, as well as a high degree of emotional trauma, these aspects are often are characterized by stable behavior models of a wide range of extreme vulnerability and vulnerability to direct manifestation of verbal and non-verbal aggression;

fifthly, orphans and children left without parental care have a specific adaptation

system, expressed by the mechanisms of psychological defenses and features of coping behavior. The psychological defenses mechanisms of children in this category are characterized by problematic and stability, as well as the predominance of primary mechanisms over secondary ones. Children in this category perceive the world around them and the difficult periods of their lives as threatening, filled with despair, longing, and fear. The specificity of coping behavior is characterized by low development of the person's resource sphere. Coping strategies in orphans and children left without parental care are inherently deficient and have a pronounced non-adaptive character, contributing to an ineffective solution of crisis events, but rather to aggravation and difficulty to overcome a crisis event;

sixthly, the social sphere of orphans and children left without parental care is characterized by social passivity, substantial severity of rental facilities, etc.


Theoretical and practical results of the study can be useful for teachers in the system of professional technical training dealing with orphans and children left without parental care in their pedagogical activities.

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**FLIPPED TEACHING AND GAMIFICATION  
AS A CONNECTIVISTIC APPLICATION OF CYBERSPACE  
RESOURCES IN EDUCATION**

**NAUCZANIE ODWRÓCONE I GRYWALIZACJA JAKO  
KONEKTYWISTYCZNE ZASTOSOWANIE ZASOBÓW  
CYBERPRZESTRZENI W EDUKACJI**

**ОБРАТНОЕ ОБУЧЕНИЕ И ГАМИФИКАЦИЯ КАК  
КОННЕКТИВИСТСКОЕ ПРИМЕНЕНИЕ  
КИБЕРПРОСТРАНСТВЕННЫХ РЕСУРСОВ  
В ОБРАЗОВАНИИ**

**Abstract**

*The article focuses on the issue of the possibility of using cyberspace resources in education based on connectivism. The practical application of tools available in cyberspace to implement the flipped teaching method is presented. The games, educational programs and applications containing elements of gamification available in cyberspace are characterized. The issues raised in the article can be an inspiration and information for teachers, enriching their didactic workshop in the educational process.*

**Keywords:** *teacher, student, connectivism, gamification, flipped teaching, cyberspace, education*


**Streszczenie**

*Artykuł koncentruje się na problematyce dotyczącej możliwości wykorzystania zasobów cyberprzestrzeni w edukacji opartej na konektywiźmie. Przedstawiono praktyczne zastosowanie dostępnych w cyberprzestrzeni środków umożliwiających realizację metody odwróconego nauczania. Scharakteryzowano dostępne w cyberprzestrzeni gry, programy i aplikacje edukacyjne zawierające elementy grywalizacji. Poruszane w artykule zagadnienia mogą stanowić wartość dodaną oraz źródło inspiracji i informacji dla nauczycieli, wzbogacając ich warsztat dydaktyczny w procesie edukacyjnym.*

**Słowa kluczowe:** *nauczyciel, uczeń, konektywizm, grywalizacja, nauczanie odwrócone, cyberprzestrzeń, edukacja*

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**Аннотация**

*Статья посвящена вопросу использования киберпространственных ресурсов в образовании, опираясь на коннективизм. В ней представлено практическое применение доступных в киберпространстве средств для реализации «перевернутого» метода обучения. Охарактеризованы игры, образовательные программы и приложения, содержащие элементы геймификации, доступные в киберпространстве. Вопросы, поднятые в статье, могут представлять собой ценность, а также быть источником вдохновения и информации для учителей, обобщая их дидактические ресурсы в образовательном процессе.*

**Ключевые слова:** учитель, ученик, коннективизм, геймификация, перевернутое обучение, киберпространство, образование

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

With the free will, one can make both good and bad choices in life. Cyberspace is a collection of inspiring, creative and developing resources, and at the same time cyberspace is a place of many dangerous threats and harmful content. As Maciej Tanaś points out (...) Digital media have become a factor determining not only social, civilizational and cultural transformations, but also (indirectly or directly) life of almost every human being, and which is particularly important for a pedagogue - lifestyle, social relations, types of cognitive, creative and even ludic activity of children and young adults (Tanaś, 2015, p.11). Leading a teenager around the world of Internet and connected devices, the enormous value added in the education process is showing his positive sides and focusing activities in

this area on creative work, knowledge acquisition, shaping and developing new skills, as Józef Bednarek rightly states the expanding phenomenon of participation in cyberspace should be important subject of interest for teachers, pedagogues, psychologists and representatives of other disciplines dealing with upbringing, as well as representatives of other humanities, social and cybernetic sciences "(Bednarek, 2009, p. 24).

The subjects of the analysis in this article are:


1. Connectivism in teaching - learning process.
2. The use of cyberspace in the flipped teaching method
3. The educational idea of gamification through cyberspace.

**Analysis of latest research where the solution of the problem was initiated.**

Problems in this article is the implication of the use of the flipped lesson method and elements of gamification in digital didactics in the field of connectivism, which was initiated by Georg Siemens (Siemens, 2004,

online resource, access: 02/11/2018). Many didactic methods used in education were created on this base. The publication proposes the use of selected resources of cyberspace in the flipped teaching method,

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pioneers of which were Jonathan Bergmann and Aaron Sams (Bergman, Sams, 2012; 2014). The article also contains an overview of educational portals and applications based on the idea of gamification,

the essence and modern application of which has been updated by Kai Huotari and Juho Hamari. (Huotari, Hamari 2017).).

### **Aims of paper. Methods.**

The flipped class method, which is the leit-motif of this article, is based on two contemporary teaching theories - constructivism and connectivism. The constructivist model assumes that the student is an active subject responsible for learning and has control over it. Student's knowledge and experience is the basis for further independent learning. The teacher plays the role of adviser and moderator of students' development. Constructs research tasks, raises questions, feeds curiosity, motivates to act and provides feedback on learning outcomes. Constructivist learning concepts have their historical roots in the works of Lva Vygotski, Jean Piaget, and Jeromy Bruner (Bruner 1961, Piaget 1980, Vygotsky 1962).

As a starting point to the theory of connectivism, created by George Siemens, is the

fact that information and communication technologies have a significant impact on people lives, the way of communication, work and learning (Siemens, 2004, online resource, access: 02.11.2018 ). The metaphor of teaching in connectivity is the use of technical and interpersonal networks with its various nodes and connections. Connectivism assumes that knowledge is based in internal resources, such as the Internet, social media, electronic literature, blogs and does not have to be stored in the students memory (Renda, Kuys, 2015, pp. 15-19). Skilful connection with these sources starts learning processes. The key competences in this theory are the search skills, collecting and critical interpretation of information available in external cyberspace databases.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **The use of cyberspace in the flipped teaching method**

One of the main didactic problems for a Polish teacher is that teacher often fails to fully implement the planned material during one lesson. Limited time of classes, numerous distractors appearing during them, extensive requirements of the study program, consequently making teachers difficult to interest students about lesson subject. Focusing on the theoretical aspect of the subject, the extremely important elements of practical exercises are omitted. Students often declare that not everything from the lesson is understandable to them,

which causes students frustration and thus make teacher helpless. The use of alternative teaching methods can help to solve this problem. As part of this article, the concept of flipped teaching (which is synonymous with a flipped lesson) was analyzed,.

The flipped teaching theory is the results of many years of empirical teaching experiments conducted by American teachers Jonathan Bergmann and Aaron Sams. They described the model of the flipped lesson and the ways of its implementation in didactic reality (Bergmann, Sams 2012).

The effectiveness of this idea has been empirically confirmed in American schools as

an excellent alternative to everyday study routine. It is a strategy that allows applying additional activating methods and stimulating students to personalized development. This method finds a wide application in the implementation of humanities, mathematics, technical and natural sciences

A study conducted among 450 teachers by the portal Classroom Window showed that teachers who used Flipped Learning noticed better results and attitudes of students and higher job satisfaction. 66% of the surveyed teachers, said that the standard test results increased after the introduction of this method. Eight out of 10 people saw an improvement in students' attitudes towards learning. Almost 90% reported improvement in their own job satisfaction, and 46% of respondents described it as significant (online resource (a), access: 28/10/2018).

Other surveys conducted among students and teachers in the 2012 confirmed that nearly 80% of students experienced more frequent and positive interactions with teachers and other students, thanks to the flipped class method. 79% of students have more opportunities to work at their own pace. 70% of students have become more prone to critical thinking and problem solving. All 26 surveyed teachers agreed that since they "flipped" their classes, teaching became more interactive. The surveyed students said they had more access to training materials and instructions; they have become more inclined to teamwork and making decisions in the team; they have more opportunities to present the effects of their learning and more often perceive learning as an active process (online resource (b), access: 21/10/2018).

Parents of fifth-grade math students who participated in a flipped-class pilot project at one of the Minnesota state schools found that their children became better at math and wanted the flipped method to continue (online resource (c), access: 28/10/2018).

Educational benefits from introduction of the flipped class method:

1. Breaking the mood of school routine.
  2. Lessons available online, let students to repeat material as much as students need.
  3. Improving students' skills of self-education.
  4. Enabling the adaptation of the learning process to the individual learning pace.
  5. Activating and stimulating personalized educational development.
  6. Improving regularity and a sense of responsibility in the students' self-preparation for the lesson.
  7. Didactic materials can be used remotely by students who cannot attend lesson.
  8. Flipped lessons enable students to learn at the most convenient time and place, not only in a school building in a traditional form.
  9. Flipped lesson creates an educational bridge between learning taking place at school and outside of it.
  10. The teacher gains the opportunity to individualize the teaching process and the time to conduct practical exercises, experiments and workshops with students.
  11. Lessons designed in the network may be an element of preparing students for a test or project.
  12. Opportunity to carry out experiments in natural sciences (augmented reality) impossible to implement at school due to technical barriers.
  13. Parents receive a better insight into the work of the teacher and children
- Flipped teaching breaks the stereotype of traditional transmission teaching, in which the teacher - is the main source of information. In the flipped class methodology, students relatively sooner (up to several days), through the Internet resources and

multimedia content, can learn about the subject of the next lesson. Students take the responsibility for mastering the theory and preparing for classes, taking into account their own learning pace. Then, during the school lesson, they deepen and consolidate the acquired knowledge, experimenting with new skills and solving group problem tasks coordinated by the teacher. They participate actively in class discussion; interaction with the class and teacher based on the mutual provision and reception of information and creative involvement in team work (Bergmann, Sams, 2012; Millman 2012, pp. 85-87, Tucker 2012, pp. 82-83).

The teacher's role is to provide students with the necessary materials to study before the lesson; adapting the appropriate technology to the subject of the lesson and teaching conditions; arranging the cognitive character of classes allowing students to practice analyzed theoretical knowledge; provoking discussion and stimulating interaction between students; correcting and responding to questions, inaccuracies, doubts; becoming a guide facilitating and supervising the learning process; providing feedback to students through pedagogical strategies (Bergmann, Sams 2012, Bergmann, Sams 2014, pp. 24-29, Millard 2012, pp. 26-29).

Below selected portals, programs and applications that constitute the resources of cyberspace, are presented; these examples are valuable and helpful tools for teaching based implementation of the concept of flipped lessons in Polish schools:

1. Social media - Facebook, Twitter, Instagram, Youtube or Pinterest are a great means of communication between the teacher, the students and their parents. Through the Facebook, teachers can create a class fan page and post important updates on the life of the school community; inform about the tests and homework; create a

closed group dedicated to the classroom, on which the teacher publishes educational materials in the form of links to virtual lectures on YouTube, engaging students to read articles and literature connected to the lesson, and sharing files with homework assignments; send aggregate information to the class in order to inform and remind about important projects; send links to interesting educational content and provoke students' discussions. Because of available group discussion forum, students have the opportunity to support and complement themselves in learning by sharing materials on the topics they are working on, and teacher can discuss important issues before the lesson if necessary. Facebook is also integrated with the Messenger and Skype applications, which allows the teacher to communicate outside the classroom and talk to students in the form of text chat, video calls and organizing video conferences.

By using Twitter, teacher can share with students, information about discussed topics and encourage them, to follow the activity, and watch tweets of scientists, journalists, politicians related to the topics discussed on the lesson. Social network sites such as Instagram and Pinterest (for sharing visual content) are a great tool for creating group walls and share the information with students and parents; creating virtual tours, iconography, student work galleries, cataloging a class library and sharing educational content in an audiovisual form.

2. Khan Academy - a non-profit organization; main mission of Khan Academy is to enable education and high-level education for everyone and everywhere. Khan Academy website, because of its interactivity, is enabling not only passive reception of information, but above all the co-creation of the knowledge base by specialists from around the world associated with education at every level. On the Khan

Academy website there are about 10,000 mini-lectures in the form of YouTube videos; videos are concerning mathematics, history, medicine, physics, chemistry, biology, astronomy, economics and computer science. On the KhanAcademyPoPolsku channel on YouTube over 3 400 films in Polish are available, they were watched already more than 5 million times. Khan-Academy is undoubtedly irreplaceable in the individual course of lecture mastering and preparation for classes. The portal's resources are systematically growing.

3. TeacherTube - a social network dedicated to sharing audiovisual materials based on the structure of YouTube. Online videos are created and shared by teachers. The teacher can create the original material, which is a supplement to the subject of the lesson, a repetition before the test, or laboratory experience, which due to technical limitations cannot be carried out in the school classroom. These possibilities work well in the flipped lesson procedure.

4. Edmodo - a free platform, integrating students, teachers and parents, facilitating common communication and cooperation. Teachers receive access to class management, communication and e-learning tools. The platform enables creating an educational social network equipped with an e-register and a function for creating tests and quizzes online. Edmodo is a great place to create groups and micro blogging for teachers and students. They can share through it teaching materials, tasks, links, files and information about important events.

5. Kahoot - a popular web portal, also available in the form of a mobile application downloadable for free on tablets and smartphones integrated with iOS and Android systems. It allows teachers to share audiovisual materials, prepare tests, tests, quizzes and homework assignments. It provides a detailed statistical analysis of


the test conducted in the classroom, taking into account the number of views, attempts, mistakes made, the most difficult and easiest questions. It provides access to transparent feedback on learning outcomes.

6. Udemy - a mobile application and web portal, containing a big collection of online courses from international sources. It is a professional education resource in such areas as coding, design, foreign languages, music, IT and software, health and fitness or photography. Many courses posted through Udemy are free, and those that are paid are often offered at affordable prices. The application is not available in Polish language.

7. Explain Everything - an educational application for creating presentations, uploading movies and photos, drawing, and taking notes. It has many pragmatic didactic applications for teacher's cooperation with students. It works perfectly at the stage of repeating material before tests. Teacher on the flipped lesson, recommends students working with textbook at home. When student finds content hard to understand, which may appear on the exam, marks it, takes a picture and upload it on the application. Using the program's functions, students can edit a picture, draw on it, highlight words or entire sentences with different colors, cut out fragments, rearrange them, paste them in other places, sign pictures or add text. In this way, students can not only better master and repeat problematic content but also give a information to the teacher about the effects of their work or complications resulting from it. Through social media, they can send back an image edited in Explain Everything with fragments of content that are difficult, requiring a teacher to discuss it more closely in the lesson.

8. iMathematics - a useful application for smartphones and tablets, supporting the teaching and educational process to

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be used during lessons and by students individually. It contains a compendium of knowledge, useful formulas, definitions and theories from many different fields of mathematics, ie arithmetic, algebra and geometry. The whole is completed by a large number of quizzes, thanks to which student can quickly and easily verify knowledge. The application is adapted to all levels of mathematics teaching in Polish schools.

9. Storyboard - an interesting web application for creating interactive comics. Works well in the study of humanities and literature analysis. Students can do their homework, or prepare scenarios for lessons, in a computer lab or on tablets. By creating a story, students can repeat the material or selected fragment of literature discussed during a lesson.

### **The educational idea of gamification through cyberspace**

The expansion of computerization, information and communication systems and new technologies in life, affirms the popularization of the implementation of modern methods and ways to support its activities in the social, individual and professional areas. In recent years, more and more interest has been placed in the concepts used to strengthen human motivation for various activities undertaken by him. One of these concepts is the idea of gamification. (Hutari, Hamari 2017, pp. 21-31; Robson, Plangger, Kietzmann, McCarthy, Pitt 2016, pp. 29-36).

The essence of gamification is motivating and activating people to act through the mechanisms found in games. This allows you to identify yourself with the hero of the game located in the world of real challenges - social, professional, educational and many others.

Gamification has big potential in the field of education. It helps not only to improve existing skills, but also to gain new and constantly develop. By maintaining a high

level of motivation, gamification significantly facilitates learning. Game-based education in confrontation with traditional education is more cost-effective, has a greater involvement of students and helps to adjust the pace of work to individual preferences. It allows immediate feedback and a simpler and more enjoyable transfer of knowledge

Cyberspace provides a wide range of opportunities, adequate to the implementation of the concept of gamification in the field of education. Opportunities relate to the use of computer games, web portals and mobile applications based on elements of game mechanics such as: rivalry, tasks and challenges, rankings, level acquisition, points (virtual currency for completed tasks), score tables and a system of bonuses and rewards, a communication system between participants - forums, e-mails, chats (supporting the building of social network between participants), cooperation to achieve a common goal, reward systems, raising the status of particular player in the ranking. Probably in the coming years, gamification will be one of the leading trends in the world of education. The author's intention in this part of the publication is to discuss selected tools helpful in applying the gamification in Polish schools:

1. Brainly.pl - an international, educational web portal available in 12 language versions. The website is based on the question & answers platform, which allows student help each other with solving problems concerning all school subjects, both the level of primary and secondary education. Users mutually solve the tasks, problems, tests, uploaded by other members of the website. Students can search for information, and receiving points, which are kind of web currency. If student wants ask a question, he has to use his points. A user who asks other users to solve a task or

search for a definition must choose the number of points devoted to it. The more point student sacrifices, the bigger is a chance that someone will quickly answer the question. Earning points and ranking of the most competent users who provide the best advice are the key elements of gamification. This system motivates students to engage in the study subject which are hard to them, or which are less interesting and then share the knowledge with others students in need. In this way they win virtual currency and higher positions in the ranking.

2. Squla - a modern platform that offers interactive games, quizzes and educational films encouraging independent and systematic learning. Squla offers a collection of over 60,000 educational games, quizzes, interactive games, designed for early school education, based on the educational program of the subjects being carried out. Participation in games and competitions, and the achievement of positive results in them is rewarded with virtual coins. After converting the acquired knowledge and skills into collected coins, platform users can exchange coins for attractive and real rewards through this platform. The reward system, as an element of gamification, motivates the student to achieve the best results, which can be achieved through systematic work and effective learning..

3. Duolingo - a free website for learning 27 foreign languages based on the gamification system. It is also available as a mobile application for users of mobile devices, which allows the education to be adjusted to the comfortable for student location and time. Course participants receive daily tasks to be solved, every student individually setting the goal, level of proficiency and time of learning. Through modules and tests, student learns new vocabulary and grammar rules. Achievements are

remembered in the user's profile. The effectiveness of Duolingo has been confirmed by many independent studies. The website has a virtual currency "lingot", by which course participants can buy, for example, additional language lessons or tests. Lingots can be earned only by actively participating in the course and by solving its subsequent modules. The website allows teachers to create virtual classes.

4. Pisupisu.pl - a friendly portal designed to learn the alphabet, writing, grammar and using the Polish language through play. The website includes educational games, adapted to the pace of development of pre-schools students as well as grades 1-6 of the elementary school. It is adapted for independent use by children with the support of a parent or moderator of the site. One of the portal attractions are quizzes with prizes.

5. Matematyczne Zoo (Mathematical Zoo) - a service designed for primary school students in order to develop mathematical skills, launched on behalf of the Foundation for Mathematical Education. In a colorful graphic setting, hundreds of practical exercises, tasks and materials divided into classes are included, based on currently use in schools mathematic program. Users participating in quizzes earn points for correctly solved tasks, establishing their own records by repeatedly solving exercises. Records are compiled in the ranking. In order to improve ranking position, the student motivates himself to deepen his mathematical knowledge and practical skills.

6. CodeCombats - a game designed to learn programming. Coding and programming in Javascript and Python have been combined with the typical gameplay and mechanics of the fantasy RPG. The characters controlled by the student gain experience levels, new items, valuable crystals, defeat opponents and perform

missions that give bonuses. In order to develop character and move to the next stages, the player must complement the next lines of code, by programming the hero's actions. The game is available in the Polish language version and offers various missions, levels and virtual worlds suitable for primary and secondary school students, enabling the rate of acquired programming skills to be adjusted to the student's intellectual predispositions. In addition, CodeCombats also provides courses on creating websites using HTML, CSS, jQuery, and Bootstrap.

### **Conclusions.**

Education is an important and complex socio-economic factor of every country. Countries whose education can quickly adapt their offer to the requirements of the continuously changing labor market and the challenges of the modern world, are countries with the fastest and most dynamically developing global economies. The development of education is an important goal of the policy of Poland and the European Union as a whole (Dahl M., Gwoździewicz S.). Flipped teaching and gamification as a connectivistic use of cyberspace resources in education is gaining

7. Voki - useful application available for mobile devices, developing creative competences of students in the field of literature, history and culture. The program allows student to create virtual avatars. Using the application for educational purposes, for example, in Polish or history lessons, we can encourage students to translate the studied knowledge of literary heroes or biographies of important historical figures into a fun interactive adventure with the participation of computer avatars.

more and more popularity in Western countries. However, these didactic methods are poorly applied in the realities of Polish education. Internet portals, interactive applications, mobile applications and educational games presented in the article are only a selective fragment of tools available on the market that support the idea of flipped teaching and gamification. It should be emphasized that the teacher is the initiator of these didactic methods and his creativity and knowledge are indicators of the effective application of these concepts in teaching.

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## **HISTORY OF THE TEACHING INSTITUTE IN LEVICE HISTORIA INSTYTUTU NAUCZYCIELI W LEWICACH ИСТОРИЯ УЧИТЕЛЬСКОГО ИНСТИТУТА В ЛЕВИЦЕ**

### **Abstract**

*This work is a contribution to the research of education history. In our case the work deals with a history and importance of Teacher's Academy in Levice. The work focuses on the circumstances and main reasons of its foundation, brings the analysis of its educational activities and addition. It also introduces personalities who are most significant in Teacher's Academy complete development.*

**Keywords:** *Teacher's Academy in Levice, Levice region, Piarist grammar school, Important personalities of Levice district*

### **Streszczenie**

*Prezentowany artykuł stanowi wkład w badania nad historią pedagogiki, dotyczy bowiem historii i znaczenia Instytutu Nauczycieli w Levice w Republice Słowacji. Artykuł przedstawia i opisuje okoliczności i przyczyny powstawania Instytutu, analizuje działania i korzyści dla Instytutu oraz reprezentuje osobowości, które najlepiej wykorzystwały jego rozwój.*

**Słowa kluczowe:** *Instytut Nauczyciela w Levice, region Levice, gimnazjum Pijarów, znani osobistości z dzielnicy Levice*

### **Аннотация**

*Представленная работа является вкладом в исследование истории педагогики. Данная работа посвящена истории и значению Учительского института в г. Левиче. Она представляет и описывает обстоятельства и причины возникновения института, анализирует его деятельность и пользу. Работа представляет личностей, которые внесли наибольший вклад в развитие института.*

**Ключевые слова:** *Учительский институт в Левиче, Левичская область, Пиаристическая гимназия, известные личности Левичской области*

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

Regional history is an inseparable part of Slovak and world history. Without thorough research, it would not be possible to amend and update the knowledge of history as such, with all the attributes that belong to it. One of these attributes is also the history of pedagogy, which offers a wide range of subjects, especially in the regional sphere.

The topic of our historical research is the history of the Teacher's Academy in Levice. The aim of the thesis is to approach the origin, role, mission, and meaning of the institution, which for several decades influenced the educational and cultural level of the population not only in Levice but in the former Tekov region as well. At


this point, it is important to emphasize the Teacher's Academy in Levice belonged to one of the most important institutes in the time of the Habsburg monarchy existence and likewise during the time of the existence of Czechoslovakia and independent Slovakia. Institute also played a key role during World War II, when its premises served as a shelter for the army and storage space for civilian's resources. Although the institution's activity was marked by the Hungarianization activities and two totalitarian political systems in Central Europe (Nazi and Communist), nevertheless it retained a level of non-partisanship and helpfulness towards broad ranks of the population.

### **Analysis of latest research where the solution of the problem was initiated.**

The oldest teacher's institution not only in Slovakia but throughout Hungary was the Teacher's Academy in Spišská Kapitula. Before the establishment of this institute, only a few so-called "normal" schools in larger cities served to educate teachers. The number of their graduates was not enough to cover the demand of all rural schools. Costs associated with travel and accommodation often made the study impossible for poorer candidates for the teacher's profession. Not only the Spiš diocese but also the individual counties in Hungary suffered from a deficiency of qualified teachers (Gejdoš M., 2009, p. 49-50). Precisely the oldest teacher's institutes - either in Spiš, Modra, Bratislava or Levice - played a key

role in defining the new content of education. The competitive schools of the Teacher's Academy in Levice in the 19th century were: the Piarist Grammar School, founded in 1815, a Roman-Catholic boys' School, founded around 1690 and reorganized in 1812, a girls' folk school founded in 1880, a three-class burgher school, founded in 1893 under the influence of archbishop Koloskalvinska Vaszáry and the Calvinist School, which we cannot provide with exact data (Jubilee report 2005, p.3) However, we are looking at the situation after the First World War, when the teacher's education in our territory has had run-in tradition.

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**Aims of paper. Methods.**

**The objective of the historical study:**

In order to meet the main goal of the thesis, we set partial goals, namely:

1. to adduce an analysis of the activities of the teacher's institutes in our territory until the beginning of II. world war,
2. to advance the circumstances and the course of the formation of the Teacher's Academy in Levice,
3. to describe the earliest period of its existence,
4. to present important personalities connected with the activity of the institute,
5. to implement the Teacher's Academy in Levice amongst the main institutions of the city,

6. to apply the influence of totalitarian regimes and the post-revolutionary period for the work of the institute.

**Methods:**

In the process of choosing and forming the scientific study, we used literary works: a historical bibliography, periodicals, monographs, historical textbooks, curriculum, sources in archives. We proceeded from the newest to the older, while critically balancing with the interpretation and evaluation of older works and their authors. We used several methods, dominating the following: direct and indirect method, progressive and retrospective. In applying the methods, we respect thegnoseological oddities of historical science.

**Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

**Teacher's Institutions in the 19th Century and in the I. ČSR**

On 13 July 1922, the so-called "small school law" was issued and had validity for the entire territory of the republic. The Act established an eight-year school attendance, which did not take place in Slovakia until the school year 1927/1928 (Váňa J., 1956, p. 215). However, the law did not modify the form of the school system in any way. One of the few novelties that the law brought was the use of the appellation "civic school" for burgher's schools. The law further regulated the maximum number of pupils in the class. Since the law was issued in 1922, the number of pupils in the class has gradually decreased from the original eighty to the average of sixty pupils in the class. This decline was to take place over ten years (Kasper T., 2008, p.198-199).

New teaching subjects were introduced in folk and burgher's schools: civics and edu-

cation, handicrafts and home-farm teaching.

In Slovakia, during the inter-war period, there was an acute deficiency of qualified teachers of Slovak nationality. For the stated reason, pedagogues were coming to Slovakia from the Czech Republic to teach Slovak youth in their mother tongue, in a democratic, Slavic and Czechoslovak nationhood spirit (Mátej J., 1976, p. 344). According to Act no. 64/1918 The Department of the Ministry of Education and National Enlightenment in Bratislava was established in Slovakia. Its employees were at the disposal of the minister with the full attorney to manage Slovakia, so he was able to organize relations in Slovakia as the plenipotentiary of the Czechoslovak government. The Government later announced The Department of the Ministry of education and national enlightenment in Prague, which was exposed for the necessary time to Bratislava. The Department's decretums were final and the complaints against it

could only be submitted to the Supreme Administrative Court. The first government referee for education in Slovakia was Anton Štefánek. His representative and secretarial administrator was Josef Folprecht (Mátej J., 1976, p. 344). Teachers' institutes during the I. Czechoslovakia were organized in Slovakia according to the Act. Art. 38/1868 and according to Act no. 293/1919 Coll. of law. The study was free of charge in the teacher's institutes. The teacher's institutions were co-educational, male and female. The study took four years and ended with a school-leaving examination. The assignments of 1919 included four-year teaching constitutions incorporated into the secondary school's system, along with grammar schools and real schools. During the I. Czechoslovak Republic there were approximately 65 teacher's institutes in our territory, up to a quarter of them were non-state (Váňová R., 1992, p. 295). The candidate received a certificate after school-leaving examination stating he is eligible to be temporarily appointed as a teacher in public folk schools. The Teacher's institution was associated with a training school or at least with a folk school in which the 3<sup>rd</sup> and 4<sup>th</sup>-year students were practically prepared under the guidance of a training teacher. As a temporary teacher, he could apply for teaching fitness test for the folk's schools after 20 months of practical school service in a public or private folk school with the right of the public. Those, who successfully passed the fitness test for folk's schools, became a definitive teacher (Mátej J., 1976, p. 347). If a graduate of the institute wanted to acquire a qualification for teaching at a burgher's school, he had to undergo yet another exam organized by the state school administration. The exam was the entry ticket to the State School Service. After a further three years of service, the


candidate passed either a grammar - historical test, a natural - scientific or a mathematical - technical one. In 1935, these exams were complemented by foreign language and gymnastics. In order to prepare for these tests, various courses were organized at the teachers' institutes' ground (Váňová R., 1992, p. 296).

Expert teacher's training institutions were schools for the education of home-discipline teachers and for the education of child care teachers. According to the organizational statute, from 1936 they were established at the teacher's institutes. Girls of at least 17-year-olds, who were physically and mentally healthy, morally immovable and who successfully completed the fourth grade of a secondary school or a college school, were sent to professional teacher's institutes. Preference was given to those who attended the Housewifely School as well. Students who successfully completed a two-year study were absolving commission final examination. After that, they received a certificate of teaching fitness to teach handicrafts in folk schools. After practicing for two years in a folk school, they could do professional exams for the burgher's schools. Teachers who reached the age of 16 who had preliminary pre-school education, musical hearing and a good voice, physical fitness, drawing skills, and female handicrafts were accepted to vocational teachers' institutes for the education of preschool teachers. Upon successful completion of the second year, they were given a certificate of fitness entitling them to be placed in a child-nursing home. In the school year 1937/1938, there were 14 teachers' institutes in Slovakia with 54 classes and 2263 pupils, taught by 223 teachers (Mátej J., 1976, p. 347).

### **Teacher's Academy In Levice**

The Austro-Hungarian settlement from 1867 became an important milestone in

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Hungarian school policy as well. Hungarian Minister of education Jozef Eötvös aimed for enforcement of the principle of uniform primary education in the new school law, at least as far as his maintainer was concerned. Statutory Article XXXVIII about the organization of national education of 1868 established a unified system of elementary education. This was organizationally divided into elementary school, upper folk school, burgher's schools, and teacher's institutes. The school administration was already aware of a great deficiency of qualified teachers when enacting basic education in Hungary. Therefore, as soon as the new law was adopted, the teacher's institutes began to incur. On the territory of Slovakia, new teacher's institutes were established after 1868 in Levice, Modra, Spišská Nová Ves, Bratislava (Prešporok) and in Kláštor pod Znievom (Jubilee report 1870-2000, p. 2).

For the successful birth of the Teacher's Academy in Levice was only a decision of the Hungarian ministry of education not sufficient, but the city's understanding and financial and material assistance was necessary as well. The Magistrate of Levice city ("Léva" in Hungarian and "Levenz" in the German language) was dealing with the question of the establishment of teacher's institute in dolné Pohronie for the first time on the 23 November 1869. The decisive became a meeting of the city council on the 2 December 1869, where they decided to officially request the government for the establishment of a teacher's academy in Levice. Their effort was approved by the Hungarian ministry of education on the 5 December 1869. The mediator of the information exchange between the ministry of education and the city council of Levice

was the royal councilor Lukács Mácsay jr., who interpreted the conditions of the ministry to the city clerks. The Levice city had

to provide for the future institute 1 acre of the inner city land and 3 acres of the land outside the city and the building material needed to construct the building of the institute (Jubilee report 1870-2000, p. 2).

The intention of the inhabitants of Levice create teachers' academy in their city consistent with the fact that under the leadership of Joseph Pólyo citizen they started raising funds, during which they also referred to the important natives of Levice. In a short time, they collected 3,500 forints. For this money, they bought a building land near the Perec stream. This created favorable conditions for the construction of a future teacher's institution. During the construction of the building, provisional tuition had already got started and took a place in the so-called Kazy's House on Pánska Street.

The Hungarian royal state Teacher's Academy in Levice was opened on 1 October 1870 at the above-mentioned Pánska Street in Levice. Teaching started on 20 October of the same year. The first director of the institute was Ladislav Mikovits. During the first school year of 1870/1871, the academic board of the Teacher's Academy was created by four teachers - Miksa Hudec, Ludovít Szabó and Karol Pázár, including the director. In the first year of the Institute, 27 pupils were enrolled (Hudzovič J., 1971, p. 38). The construction of a new building so-called "učiteľák" continued quickly, and after three years of temporary placement, the institute moved to its own building at Square of the Holy Trinity (This building in Levice stands up to this day - opposite the roman-catholic pastorate and St. Jozef's monastery church. The Calvinist gymnasium with the Hungarian teaching language is based in the building for several years now, before that, there was a local foster home). In the following years, the work in the teacher's institute intensified so much, the city council in 1900 stated the

following: the current location of the institute is no longer satisfactory and the construction of a new building of a teacher's institute is being considered.


After a long discussion of the building land, which ended at an extraordinary meeting of the city council on 29 January 1907, the citizens of Levice decided to build a new, representative city building - in an elevated position above the cemetery, near the Levice's Calvary. The construction of a representative building began in 1909. On 25 October 1909, the foundation stone was laid and the memorandum was placed festively in the south corner of the building. The plans of the building of a new institute were made by the artistic architects Eduard Földes and Mikuláš Scheiber. The construction was carried out by the engineer-entrepreneur Emil Reisz, the building master was Anton Stoy and the main guaranty of the building was Karol Rais (Jubilee report 1870-2000, p. 3).

The building of the former Teacher's Academy (nowadays, the Pedagogical and Social Academy seats here) affect imposingly till this day and for several decades it became the domain of Levice. Its internal arrangement and equipment, especially with the collections, was very good. There were a teacher's academy, a training school and a dormitory of Teacher's Academy in the three-floored building. The building was designed for 120 students. It complied with all then modern pedagogical and hygienic requirements and became one of the most beautiful and state-of-the-art buildings in the whole of Hungary. The Levice's teacher's institute was known as one of the leading teacher's institutes of the Hungarian state (Only boys were educated at the Teachers' Academy in Levice during the Austro-Hungarian empire period. Coeducational teaching started to be performed after the establishment of the Czechoslovak republic when the possibility of

teacher's education was acquired by girls as well). It owned rich collections in cabinets, a large library, a meteorological station, a botanical garden, apiary, and horticulture, which served as a teaching object for the inmates of teacher's institute (Hudzovič J., 1971, p. 39). It was a magnificent, far-visible building, reminiscent of the castle.

The First World War disrupted teaching also in the Levice's Teacher's Academy. After the outbreak of war, the army and later the wounded soldiers were placed in the academy building. A significant part of the Hungarian professors and students (they left voluntarily) entered the forces, which was also a disturbance to the proper course of teaching. In December 1917, lessons for coal shortage were interrupted for a longer time. When the World War ended in 1918, Levice, along with the other territory of southern Slovakia, became part of the newly established Czechoslovak Republic. In the autumn of 1918, a new school year began, still in the Hungarian Teacher's Academy, but ended prematurely for Hungarian teachers. After the fall of the Habsburg monarchy, the Czech administration was needed in Slovakia, as there was a lack of qualified domestic intelligence of Slovak nationality. Even the Teacher's Academy in Levice was taken over by Czechs on 15 March 1919. While taking over the Teacher's Academy, for the Czechoslovak side participated: professor Otakar Šimák, as deputy of the Czechoslovak government and the temporary administrator of the institute, Vilém Fendt as representative of the Czechoslovak government and interpreter, and Bohdan Zippe as a writer (Palat'ková H., 2012, p. 80). The Hungarian party was represented by the director of the institute Eugen Köveskuti with nine professors. Otakar Šimák declared he was taking over the building of the academy with all the accessories. However, taking the academy

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into the Czechoslovak administration was not done without difficulty. The original director of the academy protested and declared he was stepping aside from the violence. As a sign of the protest, the entire Hungarian professorial corps decided, that none of them would join Czechoslovakian services. Pupils could decide freely whether they want to continue their studies in the Levice or they will convert to another institution (Pedagogues of the Hungarian nationality in Levice were under the strong influence of the Hungarian political parties after the First World War, which led them to nationalist radicalism. They did not want to respect the Trianon agreement and rejected to accept the fact, that the Levice had become part of the new state).

On 30 May 1919, Levice was occupied by the Hungarian soldiers of Red army after the declaration of Hungarian councilor's republic. In the city resonated shooting, the soldiers occupied all strategic buildings, including the Teacher's Academy. The entire professorial corps of the academy was arrested (O. Šimák, B. Kalousek, Fr. Maloch, B. Zippe, J. Kverek, E. Hauner) and imprisoned in Šahy, Vacov, and Kóbanya until the end of July 1919. They were liberated only after the negotiation of minister dr. Vavra Šrobár when they exchanged them for Hungarian captives. The exchange took place at the danube bridge in Bratislava on 28 July 1919. Several pupils of the Teachers' academy were imprisoned as well. According to the report of director Otakar Šimák, two of them, Alexander Bahurinský from third class and Kornel Kovalčík from fourth class, were tortured already in Levice for their Slovak sentiment. Two pupils of the Teacher's academy - Želmira Sušová and Mária Grújbarová were imprisoned as well. The entire professorial corps and imprisoned pupils received ministerial recognition (Hudzovič J., 1970, p. 3-9).

Tuition at the Czechoslovak state Teacher's Academy in Levice started on 24 March 1919, although the academy had only ten pupils - the Slovaks who remained here from the original academy. Only one class was sufficient for these ten pupils in the beginning. However, within days the number of pupils increased so much, they could start teaching in all four grades. The Director of the Czechoslovak Teacher's academy in Levice announces to the Ministry of education and national education in Prague in the situation report from the 8 April 1919, that the former Hungarian professors of academy in Levice, despite the promise, are agitating against the existence of the Czechoslovak Teacher's Academy (Pedagogues avowing to the Hungarian nationality had the option to stay in the academy and continue with pedagogy-educational process. There was only one condition – to teach in Slovak language. They refused this proposal even though they all understood and spoke in Slovak. Slovak language was taught in the Levice's academy as the voluntary or optional subject already during the existence of Austria - Hungary). At the end of May 1919 simultaneously with the Teacher's Academy exists training school with only 12 pupils for now. After Pentecost 1919, the occupation of Levice by the Hungarian troops ended and the school year at the Teacher's Academy started on 16 September 1919.

In the school year 1919/1920, started a rich period of the versatile activity of professors and pupils of the academy. In addition to basic school responsibilities, they also focused on the development of the Slovak cultural life in the city and in the nearby area. They regularly played theatrical plays for the public, organized memorial evenings and cultural programs for the occasion of memorial days and public holidays. For instance, on the 1 May 1920, the pupils of the academy prepared the first Slovak

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theater performance in Levice. They played Urbanov's game Rozmajrín. They achieved great success with the help of this play, as evidenced by the fact that in the following days they had to repeat it three times only in Levice (Hudzovič J., 1970, p. 42). The collections for the gold treasure of the Czechoslovak Republic and the Slovak national theater were organized as well. Tours of the students of the teacher's academy of Levice to Bohemia were also very successful. In the school, there was founded the self-study "Activity of Andrej Kmet'", which was designed to prepare students for public and social life. The academy contributed by educating students to Levice was visited by the president of Czechoslovak Republic dr. Edvard Beneš. In the twenties of the last century, the campaign for the abolition of the Teacher's Academy in Levice was interfering the peaceful level of life in the institute. The campaign started from the initiative of the manager of the Levice's grammar school Jaroslav Mikov, who wanted to move the local grammar school to the building of the institute and to offer his original premises to the burgher's school. However, the professorial corps of the academy dismissed this possibility at its meeting and sent its opinion to the Department of Ministry of education and enlightenment in Bratislava. The history of the institute had also been adversely affected by the epidemic of Spanish influenza, which caused several deaths from the ranks of students. Teacher's Academy in Levice was threatened with further danger - relocation to Dolný Kubín. The Slovak league in Levice, together with all local cultural and political institutions, began fighting for the preservation of the Teachers' Academy in Levice, which also crossed the city and district boundaries. The fight for the preservation of the Academy in Levice was joined in 1927 by trade

unions of the railway commissionaires of the Jednota, the Alliance of Slovak railwaymen and the Union and the organization of railway officers. They sent the Ministry of education and Dr. Milan Hodža the memorandum in which they asked to keep the Teacher's Academy in Levice (Jubilee celebrations of the 10 year existence of the Czechoslovak state Teacher's Academy in Levice were held on 16 and 17 March 1929 with the great participation of representatives of the authorities, guests, former and then-current inmates of the academy and local citizens). Students of the teacher's institutes were not allowed to actively or passively participate in any political actions. This is evidenced by the letter of the Department of the Ministry of education and national enlightenment in Bratislava dated to 5 May 1923, which expressly prohibits "engaging youth into political frictions, not allowing the youth to participate in any political celebrations or speeches" (Hudzovič J., 1970, p. 43).

On 5-6 April 1924, a celebration of the five-year existence of the Czechoslovak state Teacher's Academy in Levice took place. On this occasion, inmates, professors and locals recalled the importance and roles of the Levice Teacher's Academy, i.e. "The constitution, standing on the front guard of the south, to continue to be a powerful supporter of the cultural development of the Slovak people and to contribute with purposeful education of the teachers' juveniles to the consolidation of the republic and strengthening the Czechoslovak cultural and political unity." Also, regular tours of the academic pupils to the neighboring Bohemia expanded their geographical-historical knowledge, contributed to the establishment of new friendships and to the strengthening of the relations of the two brotherly nations - Czechs and Slovaks (Hudzovič J., 1970, p. 43).

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The Teacher's Academy in Levice gained the reputation of an excellent school in the 20's and 30's of the last century. In particular, long-term work of PhDr. Karol Šomer in the position of the director left beneficial marks in the ranks of new teachers. The candidates were brought up to Czechoslovak patriotism and the ideas of democracy. Great attention was paid to singing, musical theory and orchestral activity (orchestra with choir were set up at the school). Later, the symphony orchestra, which played in the surrounding towns (Zlaté Moravce, Nitra, Nové Zámky, Topoľčany), arose in the institute thanks to the professors Kaiser and Kozák. The repertoire of the orchestra and the choir was very rich and repeatedly broadcasted by Bratislava's radio. The folk band called Tekov Wedding also achieved great success (Hudzovič J., 1970, p. 43). Students developed a rich cultural activity in the self-learning activity, where they sometimes conducted lectures, critiques, speech exercises, recitations with the participation of the pedagogues. They performed with choral or solo singing, played in a salon orchestra. The dance evenings of the self-learning activity were widely known. Equally important was a sport - the memoirs remember mainly gymnastics, which was at a high level. Lightweight athletics, soccer, and handball (played by girls) and tennis were also cultivated. The scout group was strong, almost all the students of the institute, including the pupils of the training school, were participating in the scout community Falcon. With the Falcon, the selected pupils participated in larger tours throughout the whole republic, connected with the visit of historical monuments, which lasted even for a whole month during the summer holidays (Jubilee report, 1870-2010, p. 7). After the Vienna arbitration in November 1938, the occupation of southern Slovakia took place. Levice and a large part of the

district are connected to Horthy Hungary. After the general mobilization was announced on 24 September 1938, the crew headquarters housed an army at the premises of the Teacher's Academy. A military hospital was also established in the building of the Teacher's Academy.

On 3 November 1938, The Ministry of education and national enlightenment in Bratislava ordered the transfer of the Czechoslovak state Teacher's Academy from Levice to Nová Baňa. Evacuation of the institute and school dormitory lasted from 4 to 8 November. Tuition in Nová Baňa began on 9 November. After the collapse of Czechoslovakia on March 14 and 15, 1939 in the newly established Slovak state, the Teacher's Academy in Nová Baňa appears to be redundant, therefore, it was canceled by the Ministry of education and national enlightenment in Bratislava, by decree from 27 April 1939 under n. 2364/39 - II / 2.

Tuition in Hungarian lyceum, which emerged as the equivalent of the Czechoslovak Teacher's Academy, began not until 25 September 1939. Till this time the planned renovation of the building had taken place. Anton (Antal) Khín became the director of the Hungarian royal lyceum. Because of the short distance, several students of the abolished institute in Nová Baňa decided to complete their studies in Levice. They also had to "to consider the nationality to the Hungarian nation as luckiness ". Lyceum belonged territorially to the Komárno's inspectorate and was guided by the Hungarian royal ministry of public education and religion in Budapest. Education at school, along with Hungarian patriotism, was strongly religiously focused. Despite the strong denationalization of the Slovak population, there was also required tuition of Slovak language, which was taught mainly through courses. During the Hungarian occupation, students joined

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the self-educating activity of Sándor Petőfi, who had a literary, historical, natural-science, music and sports division.


The deficiency of teaching forces during the Second World War allowed the students of the teachers' academies to leave for the practice at the end of the first half of the year. Educational schoolwork was enriched during the war with the screening of botanical, zoological, chemical, physical and agricultural films (Hudzovič J., 1970, p. 48). Tuition in the school year 1944/45 had to be discontinued shortly after the start and ended prematurely due to the proximity of the front. The Slovak national uprising also attracted Slovaks living in southern Slovakia. The citizens of the Hungarian nationality, who rejected the presence of units of the "Arrow crosses" organization, the so-called "Nilas" shortly joined the insurgents. On 20 December 1944, the troops of the 2nd Ukrainian front of the marshal Malinovský liberated Levice. After five years of Hungarian occupation, the Levice's Teacher's Academy falls back to the restored Czechoslovak republic. The denationalization and hardness of the Hungarian authorities' practice was diminished under the influence of the Slovak National Rising and the approaching allied armies of the anti-Hitler coalition.

A new stage in the history of the Levice's Teacher's Academy begins on 28 January 1945, when the institution, shortly after the liberation of the city, is taken over by the commissioner of the Revolutionary district national Committee in Levice, Andrej Polonec. After the reconstruction of the building that was damaged during the war operations near Hron, the tuition began on 25 September 1945 at the State Teacher's Academy in Levice. In addition to the Academy, a dormitory was restored and a three-class training school was established (Jubilee Report, 1870-2010, p. 8). In the

school year 1946/47, an institute for the education of kindergarten teachers was established alongside a teacher's academy, which educated teachers for folk schools. There were three such institutes in Slovakia: two near the Teachers' Academies in Levice and in Bratislava, separate one was placed in Žilina (Jubilee report, 1870-2010, p. 8).

Since the beginning of the 1950/51 school year, a new adaptation of teachers' education started to be effective. According to it, Pedagogical grammar school for the education of kindergarten teachers is set up instead of Teacher's Academy in Levice. As of 1 September 1951, there were further changes. A Pedagogical grammar school for the education of national school teachers is established in Levice (Jubilee report, 2005, p. 4). On September 1, 1953, the Pedagogical school for the training of teachers of national schools began to function in Levice. The preparation of teachers of national schools at the Pedagogical school in Levice ended in the school year 1960/1961. However, on 1 September 1959, the first three classes for the education of kindergarten teachers were opened at the Pedagogical school. In the school year 1963/64, the education of out-of-school facilities pedagogues started at school. Apart from a full-time daily study, distance postgraduate studies were also organized in fields of the teacher education for kindergartens and pedagogy. In the sixties of the last century, the establishment was renamed to the Pedagogical school. However, due to the nationally mixed region, it is losing the status of the college, which is taken over by Nitra (Pedagogical Institute, today's University of the Constantine the philosopher). At the time of socialism, the Pedagogical school in Levice had allocated classes to the Secondary general-educational school in Partizánske and Topoľčany. The school had 12 classes of

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the daily study, including three classes with tuition Hungarian language. In order to ensure a better employment of graduates, the pedagogical employees contributed to the innovation of the basic pedagogical documents of the study departments (Jubilee report, 1870-2010, p. 5).

Tuition at the Pedagogical school was in a period of socialism carried in the spirit of the IX. Congress of

Communist Party of Czechoslovakia, in the spirit of dialectical and historical materialism and in the spirit of Marxism – Leninism thoughts. It was required to adapt soviet's experiences, fight against obscurantism, superstitions and atheistic education for students. There was applied education for proletarian internationalism in the spirit of socialist humanism, the education to labor and the sense for collectivity was created (Hudzovič J., 1970, p. 68).

Since the school year 1963/64, the education of pedagogues of school and out-of-school facilities started

in addition to kindergarten teachers. Apart from a full-time daily study, distance post-graduate studies were also organized in fields of the pedagogy for kindergartens and pedagogy (Jubilee report, 1870-2010, p. 8). In 1977, the school was renamed to the Secondary Pedagogical School (SPgS). After a velvet revolution in November 1989 and the fall of communist totalitarianism, new changes occurred in school facilities. At the Secondary pedagogical school in Levice, the departments of pedagogy for kindergartens and pedagogy were united in one study department called the pedagogical school, later called pedagogy for kindergartens and pedagogy. Changes at the labor market, in the value orientation of society as well as the problems of the relation of pedagogy and society led to the creation of new fields of study, focused on social work, the field of culture and leisure activities and assistance work of teacher.


Since 1996, the school was called the Pedagogical and social academy in Levice (PaSA) (Jubilee Report, 1870-2010, p. 8). Between years 1996 - 2005, the school opened new departments: a social - pedagogical worker, a cultural - pedagogical worker, a leisure time animator, and pedagogical lyceum.

It is necessary to mention several important figures who graduated from the Teacher's Academy in Levice, and their activities crossed the border of the Levice district. That includes writers Jozef Čiger Hronský, Anton Hykisch, Andrej Chudoba and Peter Jilemnický, the first post-war director of Tekov museum Pavol Hulják and the well-known European traveler Koloman Kittenberger, a native of Levice, who became famous with historical research mainly in African territory. He participated in the enrichment of the depository of the national museum in Budapest. Now we will get a closer look at Pavol Hulják, who did not only graduate the Teacher's Academy in Levice but is also one of the most important pedagogues and enlightenment workers in the district of Levice.

### **Important figures of the Teacher's Academy in Levice**

Pavol Hulják was born on 25 January 1881, in Tekovská Nová Ves (today it is a part of village Nová Dedina). He acquired the expertise of the pedagogue - educator in the Teacher's Academy in Levice in 1900. In 1907 he expanded his pedagogical expertise in Budapest with the ability to teach speech affected children. In 1923 at Levice Teacher's Academy he was also qualified for teaching drawing at the burgher's schools. His long-time teaching journey began in the Ruthenian village Čísava. From Čísava his way led to the hontian village Dolné Rykynčince, where he participated in the foundation of a communal library and cooperative society. The next stop was the village Horša (today it is one of the

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town parts of Levice). In 1911 The Ministry of education of Hungary nominated Pavel Hulják as organist and director of the school in the Slovak village Piliš Szent László, lying in the diocese of Ostrihom. Besides his teaching duties, he also acted here as a postmaster, assistant notary and fulfilled other activities, which were needed by people living in a remote mountain village in the valley of Pilišské Mountains. After the formation of the Czechoslovak Republic, Pavol Hulják practiced teaching in the village Šalmoš (today we know it as Gondovo and it is also a part of village Nová Dedina). Here he also devoted himself to writing communal chronicle. In 1922 he received a commission from the school inspectorate in Levice for the performance as the director of the folk school in Čajkov. He worked there until 1941 when he retired. So-called "interstate" in his rich teacher's career was the burgher's school in Levice, where he gave classes of natural science and geometry in the school year 1924/25.

As a retiree, in 1946 he became the first post-war director of the museum in Levice. Thanks to his merit there was sorting and re-installation of the war decimated collection of the city museum. Hulják had a large share in the organization of archaeological research of the extinct medieval neighborhood on the soil of Levice – so-called Bratky, which he led with the cooperation of the Archaeological institute in Nitra. He

managed to get more rooms in the city house and three new workers for the museum activities. By the Hulják's side, a young teacher Pavol Behula started to work with him in 1952, but because of tuberculosis, he had to resign from the pedagogical activity. He continued in the footsteps of his benefactor and became a respected museologist. At the same time with the museum, the town library was restored in Levice with public reading room. Its management and administration were entrusted to Pavol Hulják. Thanks to Hulják's expert knowledge, social authority and humane approach to citizens, the attendance was resumed and an interest in the homeland museum in Levice was increased. Many memorials still remember with nostalgia Hulják's literary parties and lectures about historical events connected to the history of the city Levice even today. Hulják's homeland hiking tours became unforgettable in the circle of nature lovers.


In 1954, the consolidated museum's circumstances and the perspectively evolving museum activity were disrupted by the removal of collections from the City house building into the premises of the Franciscan monastery. Nevertheless the aging and disappointed director continued to work hard in his activity. He resigned from his directorial function in November 1956 but continued to work in the museum until his death, in October 1958. He was buried at the town cemetery in Levice.

## Conclusions.

This historical thesis presents a sketch of the history of the Teacher's Academy in Levice to show in what extent the Levice Academy was involved in educating teachers over the past 150 years. The thesis also determines which place belongs to this school in the history of Hungarian and Slovak education.

The thesis also partly explains the life and its run in the Levice city, where the Teacher's Academy was founded. The official language of the city – also the tutorial language was Hungarian, although the inhabitants of Čilejkár's villages were disavowing from the Hungarian language and avowed to Slovak nationality. In the period of the first Czechoslovakia new

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schools were established in Levice. However, war events had an adverse impact on the education of the entire Levice district, mainly for the material side. Most of the school buildings, including the building of The Teacher's Academy, was severely damaged. However, after Second World War the school system expanded so much that it covered education from the smallest children to the graduates. After the liberation, from 1945, students from various places in Slovakia studied at the Teaching Academy, namely from: Bratislava, Dunajská Streda, Komárno, Košice, Lučenec,

Nitra, Nové Zámky, Prievidza, Rimavská Sobota, Rožňava, Ružomberok, Senica, Topoľčany, Trebišov, Trenčín, Trnava, Zvolen and Žiar nad Hronom.

The aim of the historical thesis was to get a picture of teacher's education in Levice. Considering the options available while creating a thesis, we can say we have met the set aim. As part of the history of pedagogy, the area to which the presented thesis is inherently included, we have enriched the review to history about one of the teacher's institutes operating in the Slovak territory.

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## **THE IMPORTANCE OF TEACHERS' CONTINUING EDUCATION WITH USE OF MULTIMEDIA EDUCATION**

### **ZNACZENIE KSZTAŁCENIA USTAWICZNEGO NAUCZYCIELI A KSZTAŁCENIE MULTIMEDIALNE**


### **ВАЖНОСТЬ ПОВЫШЕНИЯ КВАЛИФИКАЦИИ УЧИТЕЛЕЙ И МУЛЬТИМЕДИЙНОГО ОБРАЗОВАНИЯ**

#### **Abstract**

*The aim of the article is to describe the impact and significance of not only self-education of teachers, but also continuous training on teacher's comprehensive development in the entire digital space (including multimedia) which he deals with not only in his professional work. Participation in continuous training in the era of information society is the only way to successfully adapt man to the changes resulting from the progress of civilization. The wealth of organizational forms of teacher education makes education a good accessible to all, regardless of age, level of education or material status. Adults strive to improve their skills and knowledge. Motivation is one of the most important factors determining the effectiveness of adult learning. It should be remembered that the teacher's role is crucial in the process of teaching and up bringing children and youth. The profession of a teacher is characterized above all by the fact that his area of activity is contact with people, especially children and youth, and the primary purpose of his actions is to educate. Working as a teacher sets requirements, which are not limited only to the transfer of knowledge. These tasks are also the transfer of experiences, stimulation to being creative, active and motivated, which contributes to the shaping of the value system of a young person. Implementation of these tasks may result with the teacher's feeling overloaded with work. It is important whether the beliefs about the teaching profession are reasonable and the skills are adapted to the position. The profession of teacher and educator is combined with the fulfilment of a social role, which includes, among other things: contact with another person, emotional involvement, and possession of appropriate com-*

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petences, continuous improvement, functioning in difficult situations, strong social exposure and effective working under the stress. We must remember that not all teachers are equally susceptible to stress and not everyone is equally affected by its effects, so the degree of risk of burnout syndrome differs between individual teachers.

**Keywords:** digitization, teacher, educator, education, lifelong learning, training

### **Streszczenie**

Celem artykułu jest opis wpływu i znaczenia nie tylko samokształcenia nauczycieli, ale i kształcenia ustawicznego pedagoga na jego wszechstronny rozwój w całej cyfrowej przestrzeni, z którą styka się nauczyciel nie tylko w pracy zawodowej z uwzględnieniem multimedialności. Uczestnictwo w kształceniu ustawicznym w dobie społeczeństwa informacyjnego jest jedynym sposobem na skuteczne przystosowanie się człowieka do zmian wynikających z postępu cywilizacyjnego. Bogactwo form organizacyjnych kształcenia nauczycieli sprawia, że edukacja stała się dobrem dostępnym dla wszystkich, bez względu na wiek, poziom wykształcenia czy status materialny. Zgodnie z ideą myśli andragogicznej ludzie dorośli dążą do doskonalenia swoich umiejętności i wiadomości. Motywacja to jeden z najważniejszych czynników warunkujących efektywność uczenia się człowieka dorosłego. Należy pamiętać, że rola nauczyciela jest kluczowa w procesie nauczania oraz wychowania dzieci i młodzieży. Zawód nauczyciela charakteryzuje przede wszystkim to, że obszarem jego działania są ludzie, zwłaszcza dzieci i młodzież, a podstawowym celem jego poczynań jest edukacja i wychowanie innych. Praca w zawodzie nauczyciela stawia wymagania, które nie ograniczają się wyłącznie do przekazywania wiedzy. Zadania te, to również przekazywanie doświadczeń, pobudzanie do bycia twórczym, aktywnym, zmotywowanym i zdolnym, co przyczynia się do kształcenia systemu wartości u młodego człowieka. Realizacja tych zadań może wpływać u nauczyciela na poczucie przeciążenia pracą, spowodować znużenie i zmęczenie. Ważne jest, czy przekonania o zawodzie nauczyciela są racjonalne, a umiejętności dostosowane do stanowiska. Zawód nauczyciela, pedagoga łączy się z pełnieniem roli społecznej, z którą wiąże się m.in.: kontakt z drugim człowiekiem, zaangażowanie emocjonalne, posiadanie odpowiednich kompetencji, ciągłe doskonalenie, funkcjonowanie w sytuacjach trudnych, silna ekspozycja społeczna i skuteczne radzenie sobie ze stresem. Musimy pamiętać, że nie wszyscy nauczyciele w takim samym stopniu są podatni na stres i nie wszyscy w jednakowy sposób odczuwają jego skutki, toteż stopień zagrożenia syndromem wypalenia zawodowego różni się u poszczególnych nauczycieli.


**Słowa kluczowe:** cyfryzacja, nauczyciel, pedagog, edukacja, kształcenie ustawiczne, kształcenie

### **Аннотация**

Цель статьи - описание влияния и значения не только самообразования учителей, но и непрерывного обучения для всестороннего развития учителя в цифровом пространстве (включая мультимедиа), с которым он сталкивается не только в его профессиональной деятельности. Участие в непрерывном обучении в эпоху информационного общества - это единственный способ эффективно адаптироваться к изменениям, обусловленным общественным прогрессом. Богатство организационных форм педагогического образования делает образование доступным для всех, независимо от возраста, уровня образования или

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материального положения. Взрослые стремятся совершенствовать свои навыки и знания. Мотивация является одним из наиболее важных факторов, определяющих эффективность обучения взрослых. Следует помнить, что роль учителя имеет решающее значение в процессе обучения и воспитания детей и молодежи. Профессия учителя характеризуется прежде всего тем, что ее сфера деятельности - это общение с людьми, особенно с детьми и молодежью, и основная ее цель заключается в обучении. Работа учителем устанавливает требования, которые не ограничиваются передачей знаний. К этим задачам также относятся: передача опыта, стимулирование к творчеству, активности и мотивирование, что способствует формированию системы ценностей молодого человека. Выполнение этих задач может привести к тому, что учитель будет перегружен работой. Важно, чтобы убеждения относительно профессии учителя были разумными и чтобы навыки были адаптированы к данной должности. Профессия учителя и педагога сочетается с выполнением социальной роли, которая включает, среди прочего: контакт с другим человеком, эмоциональную вовлеченность и обладание соответствующими компетенциями, постоянное улучшение, функционирование в трудных ситуациях, сильное социальное воздействие и эффективную работу в условиях стресса. Мы должны помнить, что не все учителя одинаково восприимчивы к стрессу, и не все в равной степени страдают от его последствий, поэтому степень риска развития синдрома выгорания отличается между отдельными учителями.

**Ключевые слова:** внедрение цифровых технологий, учитель, педагог, образование, непрерывное обучение, обучение

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### **Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

There is no doubt that the teaching profession is a special profession among many others. It has some characteristic and specific features. In addition, a lot is required of a man who decides to be a teacher. It should be noted that the expectations towards the teacher concern not only substantive and technical preparation, but also his practical and moral knowledge. It is worth considering the specificity of this profession.


The uniqueness of the teaching profession is primarily determined by the fact that it works in unique situations. I will not be surprising if I say that the teacher works

with people. This obvious fact makes it impossible for teacher to act according to pre-determined, strictly defined and precise rules. Each of students has an individual, separate personality. The teacher does not know what kind questions will student ask, and with what kind of problem teacher will have to help student (Kwasnica2003, p. 294).

At this point, a very important issue related to the teacher's knowledge emerges. The teacher cannot trust in the knowledge he has. He must be aware that at some point they may turn out to be insufficient. He works with young people who day by day

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become more mature, develop their capabilities (also intellectual), and sometimes ask very difficult questions. The teacher is not able to predict the direction of development of each of his students, or questions that a young man can ask him; teacher is never able to properly prepare for them (Kwaśnica 2003, p. 295). The teacher should be open to new things and able to create his own way of cooperating with the student. Creation is understood by Robert Kwaśnica as going beyond what he knows, and beyond who he is. This constitutive feature of the teaching profession allows him to find himself in every situation (Kwaśnica 2003, p. 295).

The second element that distinguishes the teaching profession from other professions is the communicative nature of the work. This work is an action that is subject to the imperatives of communication rationality and refers to the ethics of speech and logic of dialogue. In the activity understood in this way (the communicative action) the essence (goal) is the intention of mutual agreement, which... is expressed in the effort to agree on the interpretation of the world and values that give meaning to our existence (Kwaśnica 2003 p. 295).

The teacher should remember that he influences the student, and is never able to completely control the way of influencing. It can be said that some aspects of teacher's impact on the student run beyond his awareness, and therefore he cannot control them in an absolute way. This is a specific feature of the communication activity (Kwaśnica 2003, p. 297).

These characteristics of the teaching profession prove that the full professional training of the teacher is simply impossible. No one is able to predict all the situa-

tions in which the teacher will find themselves. Nobody can give the communication the characteristics of technical activity in which everything can be predicted and planned (Kwaśnica, 2003, p. 297).


The previous reflections were used to gain initial orientation in the key problems of the teaching profession and the mechanisms of the teacher's functioning in it. This orientation also reaches the determinants of social demand for a specific personal pattern of the modern teacher and his profession, school and teacher functions and the main trends and criteria of his professional development including promotion in the aspect of self-education, lifelong learning with the possibility of occupational burnout. Discussions and deliberations about the teaching profession are ongoing, but over the last dozen years it seems that they have intensified. The middle and older generation still have in mind the image of a teacher who was an authority for children and young people, a person on whose knowledge and experience one could resist and rely. The teacher's work was appreciated by society, and he was respected. However, with time the status of the teacher began to gradually change. It was influenced by many factors, including: changes in the value system, too fast changes in all areas of life, taking over process of the shaping the knowledge about the world by mass media, demandingness of parents, students and teachers, etc. The reform of the education system was a step towards modernity, adaptation to new European standards, and the introduction of professional advancement degrees - a tribute to teachers, an attempt to preserve the prestige of this profession, appreciation of teachers work and professional efforts.

### **Analysis of latest research where the solution of the problem was initiated.**

Professional development of teachers is a process that is implemented by them

throughout their professional work and consists in improving qualifications and

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professional competences by participating in various forms of education. It also serves its all-purpose development of personality, as well as enriching the work technique. (Krawcewicz, 1976, Wiatrowski, 2002, Grondas and Żmijski, 2005; Day, 2004).

### **Aims of paper. Methods.**

The article is a review; it presents the theoretical background of teachers continues and multimedia training. The presented conclusions are a result of many years of

Information and communication technologies have an important role in this process as multimedia tools used in the teaching-learning process (Bednarek, 2006, 2010; Bednarek, Andrzejewska, 2015)

observation and work with teachers and result from the performance of the function of the director of the primary school for many years.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **Continuous training of the teachers**

Continuous training is an integral part of the professional development of the teacher. Most often, it is identified with a purposeful, planned and continuous process of his lifelong learning, consisting in increasing and modifying teachers professional competences and qualifications, comprehensive personality development, organized and implemented by institutions specialized in this direction, as well as in the course of self-education and self-improvement; it is the process lasting from the decision of choosing teaching profession throughout the entire period of professional activity (Krawcewicz, 1976, Wiatrowski, 2002, Grondas and Żmijski, 2005; Day, 2004).

Teachers' improvement is usually carried out in three categories: as self-education, intra-school teacher training (WDN) and institutional training implemented outside school (Krawcewicz, 1976, Knafel and Żłobecki, 1998, Day, 2004).

The inter-school teacher training (WDN) is a training that integrates the school's teaching community around commonly developed visions, goals and tasks of the school. In order to achieve the WDN objectives,

task teams are usually established on an ongoing basis, with competent and interested persons. The team leaders and the WDN coordinator are also selected. Since WDN, although implemented at school is an open formula, it is important that teachers cooperate with each other not only within the school, but also with other schools and educational institutions, and use the help of counselors and experts (Knafel and Żłobecki, 1998).

The above-described forms of professional development should be complemented by teachers' self-education activities. These include reading of professional literature, magazines, the use of teaching industry website, watching selected television programs, exhibitions, exchange of experience and knowledge during meetings and conversations, cooperation with universities, organizations and associations related to education etc.

Institutional forms of teacher education are most often identified with the institutions conducting classes - postgraduate studies, qualification courses, workshops, and trainings for various education related entities. Some of the above forms, post-graduate studies and qualification courses, in addition to the renovation and modification of

various areas of teaching competences, result in additional qualifications and entitlements, for teaching an additional subject or running an additional educational path.

the nature of the modern world and education requires teachers to engage in continuous professional development that lasts throughout their professional career. By participating in various forms of teacher education, studying literature, and by verifying knowledge that constitutes 'own' pedagogical achievements, teachers can become the inspirers and participants of a creative changes in school reality, but They can also just exist next to these changes and even inhibit them.


Professional development of teachers is multithreaded, both institutional and non-institutional. Although - as already emphasized - the auto-education activity of teachers has increased in the last decade, but still the forms which train the workshop-methodical skills and competences dominates. The vocational training treated in this way, plays the role of a stimulator in professional development only partially. In turn, the negligible activity among the respondents in the field of new civilization challenges - problems of intercultural integration, globalization, postmodern meanings of the body, etc., shifts the work of the modern teacher to the margins of important education tasks. The actions should be taken immediately, because the teachers' low interest in these problems has an impact on the school educational role. It also reduces the importance of the school in integration and globalization processes. "Our entire educational system - as claimed by J. Niemiec - is still very classic, focused mainly on achieving teaching successes (for the implementation of the educational process), the other functions are almost not taken into account. It results from specific

traditions and circumstances in which education in our country functioned "(German, 1998, p. 78).

There are specific expectations for teachers associated with problems discussed above; these expectations are: students high promotion rates, high average exam results, admission to higher level schools, high places in competitions, etc. Some of these tasks can result in teachers' promotion, this make teacher concentrate on the implementation of selected parts of their tasks and neglect those forms of work with the student, which do not give quick and externally visible results. A number of barriers appear on the teacher's professional development path. Most often these barriers result from insufficient requirements posed by the school, parents or from the teacher's attitude towards the tasks being performed (Kwaśnica, 1995; Kwiatkowska, 2008). Professional improvement treated as external coercion with too burdening duties, can become a factor of stress. If it results from authentic, self-education needs, (Kwiatkowska, 2007), it can be a "support factor" (analogically to support groups) in the teacher's striving for a creative change in their work, because it can be "not only an instrument of continuous renewal of qualifications, but also an effective means of preventing the burnout processes of teachers and therapy for already existing symptoms of such discouragement and loss of motivation "(Kwieciński, 1998, p. 36). The final stage of the professional development of the teacher can be described as the teacher's professional decline. It is a process of slow although, in some cases, a sudden decline in social and professional activity. In many cases, the transition to a state of professional dormancy does not weaken social activity, sometimes even intensifies it. The weakening of physical and mental abilities forces to change some of the roles. The teacher slowly begins to change the role of

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an active participant in many forms of life to the role of an observer. Some teachers continue to take up professional activities in a reduced amount, while others devote themselves to completely different occupations, most often related to their personal interests. Observations indicate that the moment of retirement is the most unpleasant moment in a person's life. This is especially a hard moment for the teachers who, accustomed to team life, to school bustle and noise, when retired, they cannot stand the retirement silence. However, before the point where the teacher can start well-deserved retirement will be reached, teacher often is already burn out. Unfortunately, along with the duties increase, burn out comes much earlier than the retirement, in the case of some teacher it comes just after the end of the career promotion possibilities.

The need to enrich teachers' way of development is primarily due to the specificity of the profession and its multi-functional - educational, caring and cultural aspects. With the development of the teaching profession and its modernization, the system of professional development and self-education of teachers develops and enriches.

It can be said that by analysing the multifaceted nature of teachers' self-education, in the modern education system one cannot determine the sharp boundary between teachers' professional education and individual and social development, which influence professionalism and personal development of the teacher. Self-education is therefore one of the most creative types of continuing education, it can be used to adapt and specialize teachers in the place of their professional work. It may be a need to undertake new tasks offered by the labour market and, above all, to adapt qualifications to the situation of work in schools.

Education acquired during university is never able to fulfil the multitude of problems that a teacher will encounter while working in the profession. This is why the need to prepare teachers for new challenges and changes that are the everyday reality of a knowledge-based society is increasingly emphasized. An important feature of the teaching profession is the necessity of constant learning, searching for new knowledge and completing the knowledge already possessed. Hence the essence of continuing education is increasingly emphasized.

### **Multimedia based education**

The issues of civilizational, socio-cultural, educational and educational challenges and many others have never been more important than today. Their significance results from the unique dynamics of various transformations, especially information and technology (Bednarek 2010, p. 9).

The most important and urgent tasks of multimedia based education of the teacher from all scientific, research and educational environments, but also every academic community arise from new challenges and opportunities created by digital media that are a source of development of the information society, recently named in the scientific literature by the knowledge society (Bednarek 2010, p.19).

People choosing a teaching profession must be aware that it is characterized by the fact that its area of activity is contact with people, especially children and youth. However, its priority goal should not be only education or upbringing, but first of all creativity, motivation, activity and shaping of principles and norms. The teaching profession is connected with the fulfilment of a specific social role, which is associated with contact with other people, emotional involvement, competence, and

continuous improvement, existence in difficult situations, strong social exposure and effective work under the stress.

In the present world there are a lot of changes, more and more often these are changes connected with the media. The world is moving so fast that sometimes the teacher does not keep up with world's dynamics and development.

The source of all these problems is undoubtedly technological progress, which creates the danger of deepening the dissonance between technical and humanistic culture (Bednarek 2010, p. 45).

Today's students belong to the generation that grew up in the surrounding of new technologies. They spent their entire life surrounded by computers, video games, mp3 players, digital cameras, mobile phones and all other digital achievements of the 21st century. Therefore, also a modern teacher to match his students should improve not only in substantive or methodical activities of the subject in which he works, but above all multimedia, which will allow him to progress and constantly surprise his students.

Digital media and the latest technologies are now the greatest challenge in the creative activity of every teacher, but also in the student's activity, they are a great opportunity but also cause many dangers, including addictions. Everyone, especially a teacher, also acts as a creative researcher of didactic and educational processes; teacher is involved in the implementation of information technologies and creative use of it, regardless of traditional sources of knowledge (Bednarek 2010, p. 180).

Therefore, it should be remembered that the role of the media in social life, including education, is still growing. Media are the main source of information about the surrounding world, create the image of contemporary culture, define the scope of

contacts with it, and shape the tastes and attitudes (Gajda 2010, p63).

The pedagogical aspect mass media is to learn the latest education technology, selectively and actively receive the content transmitted by these media and to co-create educational programs (Gajda 2010, p.73).

In fact, all is related to the computerization - understanding the principles of operation and the possibilities of using computers, the ability to process the information, and search for it. An intense development of science and technology is impossible without complex computer programs, a memory banks and information processing, (Gajda 2010, p. 73).

Because of the media, computers, and the entire digital world, the teacher does not have to physically participate in educational events. E-learning conferences, computer programs and all technological equipment such as interactive whiteboards, projectors, e-books allow not only to understand the world of technology, but also to improve the teacher's workshop. In practice, the term multimedia refers primarily to computer-based information technology. It results from the fact that computers are so far the only ones available to access the Internet, read CD-ROMs, process graphics, sound and texts, as well as play in the virtual world of multimedia (Bednarek 2006, p.47).

The greatest opportunities to prepare for living in the changing conditions are provided by education, especially schools, which can and must prepare children and youth as well as adults, to use completely different learning and working opportunities. This is undoubtedly the first and fundamental challenge, connected with multimedia, which through the networks enrich and enhance the traditionally understood teaching process - learning, distance learning and making professional activities more effective. The full and rational use of

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new technologies in education is a basic condition for innovation and progress not only for a better economy, but for shaping a new awareness of the society of global civilization (Bednarek 2006, p. 82).

Modern information technologies, integrally associated with the concept of multimedia based education, are now becoming interdisciplinary. Its assumptions result from the dynamic development of multimedia and the modernization of both the

teaching-learning process and the educational practice. Within it, different terms and ambiguous concepts are emerging more and more often. They are related not only to the modification of traditional didactics, but also to other scientific disciplines concerning information, informatics, and telecommunications (Bednarek 2006, p. 85).

### **Conclusions.**

Education, improvement, promotion and bonuses are factors that should be remembered when working with each social group, and not just with teachers. Self-respect, work, colleagues, superiors and those with whom we work should be the most important elements of our profession. If what we do regardless of the level of promotion and social relations, give us satisfaction, we will not experience a burnout. By deciding to become a teacher, we take responsibility for the future of our country.

Our authority will be one of the determinants for the future of the students.

However, in order to be a good teacher one must remember that in pursuit of excellence, the student and his wellbeing should be a priority. In order for a student to be good at what he received, he must have his master, and the master, in order to become a master in his profession, must learn and improve. The multimedia will definitely help in the education of students but also the teachers.

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## **MASTER IN PERSONALISTIC EDUCATION**

## **MISTRZ W WYCHOWANIU PERSONALISTYCZNYM**

## **МАСТЕР ЛИЧНОСТНОГО ОБРАЗОВАНИЯ**

### **Abstract**


*The subject of the article is a personalistic education and placing the teacher-educator in the role of a master. In personalistic education, emphasis is placed on assisting the student in becoming a full person by opening him to the values of truth, goodness and beauty. It was assumed that this upbringing leads to self-education, and is carried out through dialogue and authenticity, and thus it can be effectively carried out only in co-operation: family, school and religious community, understood as guarantor and carrier of absolute values. Implemented at the school level, it should help the student gain a personal insight into the world of higher values and teach him to make the fundamental value of his own choices. As a result, it was found that the teacher is a teacher-educator who enjoys spiritual and intellectual authority, directs his activities to form the whole person, and his goal is to enable the student to formulate independent judgments about reality. The master is a teacher who, having an uncommon level of knowledge and extensive experience in a given field, is able to develop it in others, fascinate as a personal model, inspire, arouse the passion of seeking truth, growing in goodness and love of beauty; give direction to the student's search and discreetly control, and finally enjoy the fruits of working together with him.*

**Keywords:** *Personalism, personalistic model, master, truth, goodness, self-cognition, dialogue, authenticity, upbringing in "personal view", upbringing in the "view of functioning"*

### **Streszczenie**

*Przedmiotem artykułu jest zapoznanie się z tematem wychowania personalistycznego oraz miejsca nauczyciela-wychowawcy, jako mistrza. Przypomniano, że w wychowaniu personalistycznym kładzie się nacisk na wspomaganie ucznia w stawianiu się pełnym człowiekiem poprzez otwieranie go na wartości prawdy, dobra i piękna. Założono, że wychowanie to ma być prowadzeniem do auto-wychowania, dokonuje się przez dialog i autentyczność, a zatem może być skutecznie prowadzone tylko we współpracy: rodziny, szkoły i wspólnoty religijnej, rozumianej jako gwarant i nośnik wartości absolutnych. Realizowane na poziomie szkoły winno ono pomagać wychowankowi uzyskać osobisty wgląd w*

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świat wyższych wartości i nauczyć go czynić z wartości zasadniczą stawkę własnych wyborów. W rezultacie stwierdzono, że mistrzem jest ten nauczyciel-wychowawca, który cieszy się autorytetem duchowym i intelektualnym, kieruje swoje działania formacyjne do całej osoby, a jego celem jest uzdolnienie wychowanka do samodzielnego formułowania sądów o rzeczywistości. W takim razie mistrzem jest ten nauczyciel, który - posiadając w nieprzeciętnym stopniu wiedzę oraz duże doświadczenie w danej dziedzinie - umie rozwijać je u innych, fascynować, jako wzór osobowy, inspirować, budzić pasję szukania prawdy, wzrastania w dobru i umiłowania piękna; nadawać kierunek poszukiwaniom ucznia i dyskretnie kontrolować, a na końcu cieszyć się wraz z nim owocami wspólnej pracy.

**Słowa kluczowe:** *personalizm, model personalistyczny, mistrz, prawda, dobro, piękno, poznawanie samego siebie, dialog, autentyczność, wychowania w „optyce osobowej”, wychowanie w „optyce funkcjonowania”*

#### **Аннотация**

Предметом статьи является персоналистическое воспитание и принятие учителем-педагогом роли мастера. В персоналистическом образовании делается упор на то, чтобы помочь ученику стать полноценным человеком, открыв ему такие ценности, как истина, добро и красота. Предполагалось, что это воспитание приведет к самообразованию и будет осуществляться посредством диалога и аутентичности, и, таким образом, оно может эффективно осуществляться только при сотрудничестве семьи, школы и религиозного сообщества, воспринимаемых как гарант и носитель абсолютных ценностей. Внедренное на школьном уровне, оно должно помочь ученику получить личное представление о мире более высоких ценностей и научить его делать свой собственный выбор, опираясь на фундаментальные ценности. В результате было обнаружено, что учитель является учителем-педагогом, который обладает духовным и интеллектуальным авторитетом, направляет свою деятельность на формирование личности человека, и его цель состоит в том, чтобы дать возможность ученику сформулировать независимые суждения о реальности. Мастер - это учитель, который, обладая необыкновенным уровнем знаний и обширным опытом в данной области, способен развивать его в других, очаровывать своим примером, вдохновлять, пробуждать страсть к поиску истины, воспитывать в атмосфере добра и любви к красоте; давать направление ученику в его поисках и сдержанно контролировать, и, наконец, наслаждаться плодами совместной работы с ним.

**Ключевые слова:** *персонализм, персоналистическая модель, мастер, истина, доброта, самопознание, диалог, аутентичность, воспитание через «призму личного видения», воспитание «через призму функционирования»*


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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The main subject of the article is a return to the personalistic model in the context of contemporary pedagogical reductionism, and especially the school's abandonment of educational functions. That is why it is so important in this context to include a definition of personalistic education, the definition of its goals, the distinction between education in the "personal vision" and the "functioning vision" and consideration of the educator as the master in the first vision ("personal vision"). The personalists (Romano Gaurdini, Max Scheler, Emanuel Mounier, Janusz Korczak, Teresa Kułłowicz, Janusz Tarnowski) understood education as a process of extracting and arousing the human; the process leading to student's maturation. The process should take place in an axiological atmosphere in which - responding to materialistic and utilitarian cultural tendencies - "be" should be always above "have". The "axiological" atmosphere and the wide horizon are the most interesting and still current in the personalism.

This trend is well reflected in the issue of the Krakow magazine "Znak", entitled: "Education at the crossroads", issued in September 1991, 22 years ago. By the term crossroad Tadeusz Gadacz, the thinker

from the school of priest Józef Tischner, named the situation at that time in the discussion with Anna Radziwił, prof. Janusz Tarnowski, Katarzyna Olbrycht, Piotr Legutki and Karol Tarnowski. Gadacz said that the crossroads means separating education from the transfer of knowledge. On this subject, we all have been complaining about for years. Professor Gadacz, however, added an interesting idea: the Polish school does not reveal good, truth and beauty during education process. It's education is based on adapting to the existing structures and institutional models of life. School is no longer (or yet) a community of "teachers as masters and disciples"; a community in which a teacher - a master who is heading towards truth, goodness and beauty - brings children with him (Gadacz, 1991, p. 62).

The subject of the master interested me. Too little attention is paid to the role of the educator as a master; in fact we probably feel a little ashamed of thinking about educator as a master. Therefore, in the further part of the text, in general, I will show what personalistic education is and then - mainly based on newer literature - I will outline the role of the master and encourage to take it.

**Analysis of latest research where the solution of the problem was initiated.**

The principles of the personalistic model have been discussed in the devoted entirely to education, groundbreaking issue of the "Znak" from 1991, by among others: Minister Anna Radziwił, Tadeusz Gadacz and Janusz Tarnowski. This article, in order to

create a coherent narrative about personalistic education and the meaning of the master, was written also on a base of statements made by: Zbigniew Herbert, Jerzy Januszkievicz, Rene Girard, Michał Heller, Janusz Stanisław Pasierba and Anna Karoń-Ostrowska.

### **Aims of paper. Methods.**

The inspiration for the article was reflection on the started in 2016 reform of education in Poland. In this reform one a clear return to the balance of teaching, education and prevention can be noticed, but also serious problems with the implementation it to the school. Thus, the main goal of the article is to return to the

personalistic principles of the reform, carried out at the beginning of system changes in free Poland. The main methods used in the article are: presentation of the principles of personalistic education, defining the position of the educator as a master and drawing practical conclusions for pedagogical work.

### **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

#### **The essence of personalistic education**

Personalism is rarely spoken these days probably because representatives of this trend, not only in pedagogy, but also in philosophy or psychology, are treated like bores. They are constantly repeating the old theses: on the personal dignity of the student; about bringing up truth, goodness and beauty; about loyalty to values. Most pedagogues are interested in praxis: the use of psychology, specific pedagogical methods and methodological help. We try to keep up with the progress in mathematics and natural sciences or in the humanities. We mainly pay attention to extremely talented students, for whom the school is the most rewarded in various "calculations" and rankings, as well as on the cases that may undermine its authority (drug abuse, aggression, xenophobia, etc.). In the previously mentioned discussion from the "Znak", the philosopher Karol Tarnowski, however, recalled the peculiar "credo" of pedagogics:

"To educate is to help the other become a full man, and therefore help to open up to higher values. These values are best described with the help of the transcendental: truth, goodness and beauty [...]. That kind of education is never ending, because a man can always deepen and deceive his culture" (Wychowanie na rozdrożu, an editorial discussion, p. 53).

There is something basic in this "credo" for everyone. That is why I think, each one of us, educators, should remember his principles and from time to time make an examination of conscience.

The starting point of the personalistic educational model is a clear awareness that the student is a person. Janusz Korczak wrote: "It is one of the most evil mistakes to think that pedagogics is a science about a child, not about a man. There are no children - there are people; but with a different scale of concepts, another source of experience, another feelings." (Korczak, 1987, p. 198, Tarnowski, 1991, p. 69). That is why as an education one should understand, the whole of the ways and processes that help a person - especially through the dialogue and authenticity - is meant to become fully a person who realizes his or her talents and values: truth, goodness and beauty (Schaller, 1977, p. 248- 251). "Personal being, which is the fulfillment of the human vocation, embracing goodness, truth and beauty, participates in values according to their preference: from material values, through spiritual values, to absolute values [...]" (Gadacz, 1991, p. 66).

That is why in the personalistic model, there is such a strong emphasis on cooperation: family, school and religious community, understood as a guarantor and carrier of absolute value. Even if the erosion of

the parental authority is taking place today, it still remains an important factor in the pedagogical process, and in personalistic education. The pedagogue would be happy if he can refer to this authority. A simple example: a long break in one of the gymnasiums, located on the suburbs of a big city. Students are standing in the line in front of the school shop. The first grader holds coin in his hand. A student of an older class arrives, pulls a coin from his hand and takes the younger student's place in the line with the expression of innocent. (The type of harassment is being spread, which involves extorting the type of tribute from first-graders by older colleagues). The school teacher notices the whole scene. He calls the older student to him and asks what happened. Answer is: "- I borrowed from him. "Have you also agreed that he will be standing in line for you? Have you established when the return will take place?" – Teacher asks. Silence, and then the answer: "It is only fifty cents". Because all attempts at dialogue on this subject end in failure, the pedagogue decides to ask for a conversation of parents. Teacher takes long time describing this situation to parents... In response, he hears the same: "It was only fifty cents"... However, further conversation has a sensible shape and both sides manage to reach positive conclusions.

Shaping the reference to truth means in the personalistic model, introducing into the difficult art of getting to know oneself; learning curiosity and creativity; introducing the achievements of the human mind. This is directly connected with shaping the ability to make choices between good and evil, learning the objective criteria of these choices. "To be educated to good is to be able to see good wherever it is, both around us and in other civilizations, and be capable of goodness alone" (Wychowanie na rozdrożu, Editorial discussion, 1991, p.

53). Educating to beauty consists in awakening the ability to admire the world of nature and the heritage of culture and art, shaping good taste, showing the relationship of beauty and good (the ancient Greeks even made the ideal *kalokagathii* [from: *kalós kai agathós*], or "beauty-good").

Educating to values is mainly done through dialogue and authenticity. Dialogue in pedagogical personalism is both a value to which one should be brought up, and the best way to introduce values. It is based on the mutual exchange, on the sharing of ones innermost self, on shaping in the atmosphere of truth (dialogos - truth "between") interpersonal friendship. The dialogue process requires humility and openness from the student, from the pedagogue - the ability to share and the ability to overcome complexes, routine or fatigue.

The basic condition of dialogue is also the authenticity of the partners. In the modern educational process, they are threatened by: being a fashion surrender, "idolism", willingness to be seen ("big brother" attitudes), snobbery. All this is connected with wearing masks, which are the projection of other people's aspirations (the ambitions of parents about child lucrative future). Masks lead to very dangerous process of auto illusion. Education for authenticity will thus consist in experiencing reality in accordance with objective possibilities, in the simplicity of one's self; on waking a personal life (E. Mounier), on breaking the next masks. In the breaking the masks sometimes life itself can be ruthless enough.

The personalists emphasize that the world of truth, goodness and beauty is revealed in the meeting of people. In order for this meeting to take place in the educational process, two conditions have to be fulfilled. Tadeusz Gadacz emphasizes that the first

of these is the distinction between upbringing in "personal vision" and "functioning vision" (Gadacz, 1991, p.66).

For education in the functioning vision, the subject-oriented approach to the student is appropriate. It depends on its formation in accordance with the applicable social system, ideology, fashion (for example for political correctness.) On the other hand, education in the personal sphere is about a student (and not just about his mathematical knowledge or sports results), about opening a wide horizon of values for him (and not only utilitarian or hedonistic values), pulling him towards through an authentic person master, not pragmatics (see the figure of mathematician and psychologist in the movie " Good Will Hunting"). Education in "functional vision" – as Gadacz wrote - "has a non-human character". It would be better to write: the personal element prevails in it, the emphasis is laid on performing duty, obeying norms, adapting to the market, repeating the accepted rules of interpretation, famous Heidegger's thinking how to think, speaking as saying, and writing as writes... In turn in education in the "personal optics" the imitation of personal patterns and masters is decisive. Gadacz puts it in the following way:

"If education in the vision of functioning can be regulations and programs, education in a personal vision should be presented by people whose program is their life. Education in the vision of being a person is a common journey towards truth, goodness and beauty, through successive levels of values. Educator is a master here who reveals these values. His personality is a call to which the student answers [in a freeway] and follows his master on the road to the highest values." (Gadacz, 1991, p. 66).

We are guessing that the second condition for an authentic meeting in the educational process is the "meeting of the master" and

imitation. I would like to take an opportunity to signal how great renaissance in today's philosophy, anthropology, social sciences and literary theory, have the mimesis (R. Girard, 2006).

### **To not be afraid of being a master**

Of course, the "master" is a big word, and in today's world, especially in the world of school, no one likes "big words". However, it is worth to look sometimes in our memory and think: who do we really remember, in addition to our relatives, friends from the world of childhood and youth? Who influenced us the most? They were certainly "significant people (for us)" that we imitated or wanted to imitate - perhaps a fictional hero, or people we have really met: teachers, instructors, guides. Usually, but not always they are liked and appreciated, and always in the process of life, "people who are significant (for us) ", "masters".

The master is a spiritual and intellectual authority, and he stays in this position even when ideologies fall and the rules change (Gadacz, 1991, p. 66-67).

About the master and his students one can say, as Yevtushenko in his poem "On the bridge": "Somewhere down there have fallen governments, / somewhere else - someone speaks from above / but they / - here - / do not care / as the Seine cloudy waters" (Pasierb, 1972, p. 236-239).

The Master directs his appeal to the whole person, and his goal is to enable the pupil to become independent in formulating judgments about reality. The master does not lead to "holy peace", and the pupil does not get good grades because his thinking is in proper order and that he does not interfere with the teacher. "Education in the vision of being" is creative and open. How - compiling here a few recent thoughts from the text of T. Gadacz (1991, p. 67-68) - do not think about " Dead Poets Society" with the great role of Robin Williams?

Anna Karoń-Ostrowska, also a philosopher from the circle of Józef Tischner, wonders if one can be a master without students (2000, p. 12). And responds: apparently it seems that can't. The master (and not only in Polish) is also called someone who has achieved perfection in fulfilling his vocation, in achieving efficiency, in his work. However, it involves some positive self-knowledge (it can be also, unfortunately, an illusion of self-knowledge), a desire to give, share experience.

Michał Heller in the book "How to be a scholar" ("Jak być uczonym") seems to complement this idea. He emphasizes that it is sometimes worthwhile to look at our work "from outside"; all of us - at every level - are threatened with certain "knowledge pretentiousness". We can see then - Heller emphasizes - that we are only a link in a long chain and that previous links are well remembered. This previous links are our teachers, maybe our Master, to whom we owes a lot. Then there is the next link - our students. Didactics cannot only be a nuisance to your own research. Students should be given a lot of time and attention. And it is needed not only to ensure good co-workers in the future, but also

for ascetic reasons. Let's recall the question: <Who is a neighbor?>. The neighbors should never be looked far away "(2009, p. 47-48).

Let's take a look on our problem with Karon-Ostrowska... Everyone who is a teacher or a professor; who teach how to achieve something in a given field (both physical and intellectual) – is a master? The answer is obvious: not everyone. "What must happen to become a master? - asks Karoń-Ostrowska. And she answers: in "Love and responsibility" Karol Wojtyła compares this experience to spiritual fatherhood and motherhood: spiritual birth is an expression of a person's maturity. So one should be looking for others, especially young people, who will take what one want to give them. The relatedness born in such relationships is often stronger than blood relatedness (2000, p. 14-17). The master transmits what he knows by who he is; he speaks with himself and at the same time invites people to put their feet in the traces left by him. The master can therefore only be the one who really met the student on his way; who can accept it and who is not afraid to learn from the student.

## **Conclusions.**

What are the characteristics of a master? With an uncommon knowledge and extensive experience in a given field, he is able to develop it in others, to fascinate as a personal model, to inspire the student with the passion of seeking truth, growing in goodness and love of beauty; give direction to his research and discreetly control, and finally enjoy the results of working together with him (Chlewiński, 1996, p. 67-73). About Jerzy Jarnuszkiewicz, an outstanding Polish sculptor, his students used to say: "I know it not from a professor, I know it thanks to the professor."

The master also knows how to respect the individuality of the student by developing talents and predispositions and eliminating gaps. In practice, this means: kindness and willingness to help, but mainly sharing his own time; joy of contact with students and their successes; not imposing views and decisions; unwilling to being the life guru of students; setting requirements, based on the abilities of the student, his personal and family situation and predispositions.

"Educator, who is a master - Tadeusz Gadacz will write directly - can open his home and invite a student. He finds for them a

place in his life ethos. The school thus becomes an extension of the home. For the educator-guardian, the school is just a kind of a storage room in which some functions are performed, but where one does not live "(1991, p. 68). Herbert would add a few more verses to this point: perhaps about the "power of taste", maybe

about the old masters, who "lived without names", "raw gentleness / delicate strength" and "the sight that forgives and should not forgive". The taste, humility, raw gentleness and being in the paradox of forgiveness "taught how to [...] persist in the world like a thinking stone / Patient in-different and tender at the same time.

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## **FAMILY IN THE FACE OF TRANSFORMATION. SOCIOLOGICAL ANALYSIS OF THE PROBLEM**

### **RODZINA W OBLICZU PRZEOBRAZEŃ. SOCJOLOGICZNE UJĘCIE PROBLEMU**

### **ПРЕОБРАЗОВАНИЯ, С КОТОРЫМИ СТАЛКИВАЮТСЯ СЕМЬИ. СОЦИОЛОГИЧЕСКИЙ АНАЛИЗ ПРОБЛЕМЫ**

#### **Abstract**

*This publication is an attempt to describe the transformations to which the basic cell of social life is subject. The collected material outlines the traditional conditions and the ways of perceiving the community of family life and emphasizes the nature of change, strongly reverberating over the last decades. In the publication, the author presents the following issues:*

- 1. Family as a community of social life.*
- 2. Directions of changes in family life.*
- 3. The institution of a family at the crossroads of modern times.*

**Keywords:** *family, family models, transformations, changes, social cell, society.*


#### **Streszczenie**

*Niniejsza publikacja stanowi próbę opisu przemian, jakim podlega podstawowa komórka życia społecznego. Zebrany materiał zarysowuje tradycyjne uwarunkowania i sposoby postrzegania wspólnoty życia rodzinnego oraz podkreśla charakter przemian, silnie wybrzmiewający na przestrzeni ostatnich dekad. W publikacji autorka prezentuje następujące zagadnienia:*

- 1. Rodzina jako wspólnota życia społecznego.*
- 2. Kierunki przemian życia rodzinnego.*
- 3. Instytucja życia rodzinnego na rozdrożu współczesności.*

**Słowa kluczowe:** *rodzina, modele rodziny, przeobrażenia, przemiany, komórka społeczna, społeczeństwo.*

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**Аннотация**

*Эта публикация представляет собой попытку описать преобразования, которым подвержена ячейка общества. Собранный материал описывает традиционные условия, способы восприятия обществом семейной жизни и подчеркивают характер перемен, сильно отражающийся на ней на протяжении последних десятилетий. В публикации автор поднимает следующие вопросы:*

- 1. Семья как ячейка общества.*
- 2. Направления изменений в семейной жизни.*
- 3. Институт семьи на перекрестке современности.*

**Ключевые слова:** *семья, семейные модели, трансформации, изменения, ячейка общества, общество.*

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**Statement of the problem in general outlook and its connection with important scientific and practical tasks.**

The family is a space where various phenomena interact with each other. These phenomena sources can be found in political conditions, work, economic processes, etc. The external environment confronts the family with many challenges, postulating the need to redefine traditional patterns and acceptable forms being. The implications of social transformation are beginning to be disorganizing and unclear for social life. It may seem that the family is a significant obstacle in terms of the requirement of mobility, flexibility and the need of self-development. On the other hand, the family community remains irreplaceable in

terms of basic support and care, stabilization and mutual responsibility of individual members.

The question can be asked, what is the main interest of modern researchers in a field of family sociology? The answers may vary. On the one hand, some researchers describing specific social changes, which naturally falls under the institution of family life. On the other hand, there are also pioneers predicting a serious crisis and even the twilight of the family. The nature of these transformations is reflected in the following article.


**Analysis of latest research where the solution of the problem was initiated.**

In Poland, sociological research on the family field has rich and relatively long tradition. Peasant families in Polish lands and those who immigrate to the United States were studied and described by Florian Znaniecki, thus facilitating the way for later empirical analyzes of the essence of the family in Europe and America. Before the First World War, works on the discipline of cultural anthropology were created, in which Ludwik Krzywicki touched

the aspect of the family. Later also Bronisław Malinowski, in his ethno sociological studies focused on the problems of marriage and family (Tyszka, 1991, pp. 9-12).

In the interwar period in Poland, as in other European countries, sociology of the family as the sub discipline of general sociology did not exist. Social studies on the subject of the family were carried out within

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the framework of rural sociology and ethnography, social pedagogy and within the issues related to "social affairs" (Tyszka, 1991, pp. 9-12). The intensive development of Polish sociology, including family studies, took place after 1956. Initially, the family was categorized under the sub discipline of rural sociology and ethnography, where studies were concerned mostly on the peasant family. Then the issue was extended, as part of the urban sociology, urban, mostly working-class family was studied, later the family theme appeared in the sociology of work and occupations and an interdisciplinary field of research focusing on the aspect of social derailment or resocialisation of minors. The rise took place at the end of the sixties, when publications began to be published. Publications that time discussed mostly urbanization and industrialization and the family, issues of family education, marriage institutions, preferences for the selection of spouses, which clearly distinguished and made independent the sociology of the family. In the sixties and the early seventies, three centers specializing in family research were clearly formed in the Polish society, including the

Warsaw, Poznań and Katowice-Krakow centers. In the initial phase of the development of sociological considerations of the family in the post-war period, the following interests of the researchers were as follows: "1) the working family (F. Adamski, W. Mrozek, Z. Tyszka); 2) peasant family (D. Markowska, B. Tryfan, partly B. Gałęski); 3) family and work, especially the work of women (A. Kurzynowski, J. Piotrowski); 4) industrialization and urbanization and the family (J. Turówrowski, Z. Tyszka); 5) family and culture and family awareness (F. Adamski, A. Kłoskowska); 6) marriage, engagement and marital selection (B. Łobodzińska); 7) family and crime (B. Maroszek)" (Tyszka, 1990, p. 238).

It is worth noting that in the mid-sixties, the Center for Research on the Contemporary Family was set up in Warsaw, which focused its activities on collecting and exchanging information and organizing scientific discussions. In 1970, the National Section of the Family Sociology of the Polish Sociological Association was established, which was the initiator of nationwide meetings and also stimulated a network of cooperation with related foreign centers.

## **Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.**

### **1. Family as a community of social life**

According to Jadwiga Izdebska, the community of the family means „, natural union of family members due to common goals, pursuits and mutual feelings[...].Special community of emotionally close people, different from others by its genesis, development and functioning [...]. Intimacy of family relations, strong emotional bonds, spontaneous, direct interactions between family members, constant contact with

each other, unlimited possibilities of individual contacts, common traditions, customs, norms, values, mutual responsibility and caring for each other, common aspirations, helping the child in satisfying its needs - create a climate of family life" (Izdebska J., 2003, p.71).

According to Franciszek Adamski, a family can be "recognized in terms of community - understood as natural bonds of a small group of people due to the shared

goal, similar mutual feelings and common pursuits" (Adamski F., 2007, p. 307).

The family as a social institution fulfills its functions towards specific individuals as well as the whole society. Family functions are connected with its structure, the layout of social positions and roles, the nature of mutual relations, and cohesion. These functions should satisfy the basic needs of family members, but it should be noted that they also have a significant impact on its structure and the nature of interpersonal relations.

Particular functions of the family are divided in sociology into many categories. The most important include:

- A financial and economic function - to satisfy the economic needs of individual family members. Among them, four important sub-categories can be specified: production, profit, economic and consumption.

- A guardianship function that financially and physically protects family members. It should include caring support for people with disabilities or sick, the elderly or small children who are formal family members.

- The procreative function of the family - regulating the reproductive needs of society and satisfying the parental needs (the need for fatherhood and motherhood). In many societies an intense pro-family policy is being conducted due to the low birth rate, especially in the twenty-first century.

- The sexual function of the family, which was once treated as a component of the procreative function, because the satisfaction of sexual needs served the reproduction of the family. In the 20th century the possibility of separating sexual activity from reproduction began to be possible.

- A legal control function that sanctions incorrect behavior and actions of family members. It is supervision, in order to prevent possible violation of the rules and values nurtured in the family. Most often it is

control (mutual) of spouses and parental control in relation to minor children etc.

- A socialization function - preparing a child for life in a specific society and its culture. It is a preparation to fulfilling social roles and compliance with generally applicable rules. As part of socialization a transfer of information about the world, the hierarchy of values, principles, is performed.

- A stratification (class) function - pre-conditioning the social position of members of a family due to its origin. For example, the minor child of the worker will be classified as a working class person etc.

- A cultural function - the inclusion of the young generation in the area of cultural life through the introduction of the cultural heritage of a given society, the memory of monuments, memorial sites, national holidays, and history. The individual contact of the youngest generation with cultural institutions (theater, cinema, concert hall) is important.

- Recreation and social function, free time management – this function the family performs by taking care of improving the atmosphere in everyday life, mutual contacts as well as socializing with other units. In a well-functioning home environment, there is full freedom and possibility of relieving tensions and stress, which is necessary for well-balanced emotional life.

- An emotional-expressive function, which should be understood as the need to provide emotional stability and expression of one's personality. The emotional relationship between the partners in the marriage, mutual emotional ties between parents and children and between siblings is satisfying family members emotionally and create an opportunity to display their individuality (Tyszka Z., 1991, pp. 62-74).

The different types of functions are the basis for describing intra-family bonds and

determining family relationships with the social environment.

## **2. Directions of changes in family life**

The family as a basic cell of social life is an integral part of the broader context of relationships and social changes. In the sociological context of relations between society and the family, three approaches can be specified (Kwak A., 2005, p. 10). The first assumes the holistic dependence of the nuclear family on the processes that take place in society. The second approach emphasizes the full independence of the family from the social world, while the third indicates a clear separation of the family and society, however, the inevitability of the connections and the necessity of mutual dependence are outlined (Dyczewski L., 1993, pp. 15-16). The last one emphasizes the mutual network of connections and influences of society on the family and the family on the society. Zbigniew Tyszka outlines the above dependence "(...) global society, or more precisely one of its developmental stages (pre-industrial, industrial or post-industrial society), along with the hierarchical social systems, affects the family, modifying it and its subsystems and the modified family exerts transformable influences on global society, its subcultures and processes. These interactions intensify in the areas of rapid transformation of society. Therefore, the family is an important element of social interactions" (Tyszka Z., 2001, p. 14).

While studying the changes that the family has been subjected to throughout the history, Zbigniew Tyszka notices the presence of a certain relationship between the specific properties of society and the family, and a given epoch. The type of society, the level of development, the layouts of social macrostructures or cultural transformations form the basis for shaping the family in a specific period. Therefore, three stages of

family transformation should be distinguished, strictly conditioned by the forms of development of a pre-industrial, industrial or post-industrial society (Kwak A., 2005, pp. 12-13).

Pre-industrial family is described as a traditionally patriarchal family, fully subordinated to the superior power of the father. The functioning in that way family had a production workshop that was managed by the father / husband - the head of the family. Often the interest of the family was more important than the needs of individuals. The family of this period had institutional features (close bonds with social microstructures, close intimacy with the local community), and the social status was determined by belonging to a specific family. In the lower classes, the work of the wives with their husbands was noticeable, while in the upper classes, the husbands were supported by the wives in the management of property. Children were also involved in a wide range of production activities, working for the family from an early age. The division of duties was strictly conditioned by gender. The women's domain was to take care of the order at home, prepare meals, prepare clothes and take care of children and sick family members. The basic principle of the social order in the 16th and 17th centuries was that the man was always higher rank than woman, whose primary role was to perform household duties and raise children.

The family of the industrial era was characterized by a gradual change of the family model, functioning in the previous period. The type of the modern family was created, the basic of which was reduction to two generations (children and parents), running their own separate household. It was commonly a non-productive family, where apart from a professionally active husband; the wife also remains active on the labor market.

Roles and social norms were not stiffly determined. Relations between individual family members were changing, and the awareness of the importance of individual needs got a new dimension. The family of the industrial era was relatively closed internally; contacts with neighborhood or local community were weakening. At the same time, due to the less permanent personal ties, family systems began to be more susceptible to decay or crisis, and the stability guaranteed in the previous era was no longer irrefutable. Faith Robertson Elliot distinguishes the early and later (after World War II) period of the industrial era. The first stage of industrialization is clearly defined as the time to extend the role of the mother- the lady of the house. Inequality resulting from gender differences was maintained, and married women were still excluded from work outside the household. The 19th century and the beginning of the 20th century bring an interest in the aspect of caring for a child. The importance of motherhood and the relationship between mother and child determine the introduction of legislative provisions on limiting the work of women (Elliot F.R., 1986, p. 86). The turn of the 19th and 20th centuries significantly improves the situation of women in society. They are gradually receiving electoral rights; they can acquire knowledge and, consequently, higher education and profession. There are provisions regulating the independence of women in the matter of controlling earnings and possessions. From a political point of view, the status of women has improved significantly. In fact, women were still seen in terms strictly connected to the home, as economically dependent on the man, who played an important role in the family system.


The family in the post-industrial era got new changes, conditioned by a series of processes of the post-industrial society

(Tyszka Z., 2001, p. 18). A characteristic feature of the newly created order was the transfer from public space to private space (including family life) - independence and freedom tendencies. The increase in employment of women, broadening their professional aspirations and the pursuit of self-fulfillment set out tangible changes in the scope of family functioning. Among the consequences of the deepening egalitarianism of the family life, it is necessary to specify: changes in norms and moral values, weakening of family unity and cohesion and increase in the importance of the child's values. The end of the 1970s is characterized by the widespread influx of married women into the labor market, taking up full- or part-time employment, and an impressively fast return to employment, right after the birth of a child. The reduction in the size of the family was important in this aspect, which freed women from the need to provide permanent care for the youngest child. Motherhood remained a relatively short stage in a woman's life, not a base of her lifestyle. When, what should be clearly articulated, the role of the mother and the housewife was seen as the primary and the foreground, all other professional duties were in the background. Consequently, the attempt to combine domestic duties, motherhood and paid work generates a number of negative consequences, which include: physical and psychological overload, no time to meet mothers own needs or inspiration, low mobility and weakening of contacts with family and friends (Kwak A., 2005, pp. 20-22).

### **3. Institution of a family at the crossroads of modern times**

The fundamental character of the family's transformation over the years is based on changing the model, where the only source of income is the paid work of a man. Anthony Giddens notes that among all the changes taking place in the contemporary

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era, none is more important than the supra-national lifestyle revolution, which includes emotional life, human sexuality, marital system and family (Giddens A., 2009, p. 199). The revolutionary scope of changes puts many researchers in the conviction that the necessity of a new definition of the basic cell of social life requires the unambiguous leaving of traditional family images and the creation of a new typology, fully captivating contemporary forms of its creation.

According to Tomasz Szlendak, two basic trends of changes regarding the institutionalization of social life should be specified. The first one stands on the transition from "unity (homogeneity) to heterogeneity" and from certain "stability to change" (Wąsiński A., 2015, p. 29). It symbolizes consent and openness to the creation of new forms of family life, among which one can specify partnership systems, patchwork or reconstructed families, and same-sex relationships. The second trend corresponds to a departure from "male domination to dismantled patriarchy" (Wąsiński A., 2015, p. 29), which symbolizes profound social changes concerning, among others, division of labor, approving same sexes relationships, new conditions in relation to parental, guardianship or caring tasks and duties.

It should be noted that the once privileged role and social position of the family, in relation to other groups and institutions, has been highly undermined and very often requires reinterpretation. The perspective of modernity re-evaluates, if not canceling the traditional discourse around family life. It is worth noting that the following findings are systematically dispersed.

- The family is a natural environment for the social development of the individual.
- According to the above principle, the family creates the necessary conditions and

opportunities for the development of the individual's activity and provides with the "luggage" of life experience.

- The family is an autonomous system whose significant subsystems in the nuclear family are: interactions of spouses, relations between parents and children, relations between siblings. In the case of a three-generation family, however, the following subsystems are referred to: relations between parents and adult children, interactions between grandchildren and grandparents.

- "Healthy family systems are characterized by certain properties" (Barnhill L.R., 1979, pp. 94-100), which are reciprocity, individuality, plasticity, stability, clarity of communication, interchangeability of family roles, transparency of boundaries between generations. In turn, pathological family systems are characterized by opposite properties, among others: stiffness, isolation and disorganization of the family system, opaque perception, disturbed communication, vaguely defined division of roles and opaque borders between generations.

- The family is a space for interpersonal interaction with a special contact density and durability, which results from together living and cooperating over a longer period of time.

- "Family members are a reference system for each other, a source of patterns of activity and behavior, and transmitters of patterns and models of behavior" (Tyszkowa M., 2009, p. 16).

- The family as a primary institution with an special emotional closeness and stability of family bonds has a particular and greatest impact on the individual, his personality and emotional development. This influence was conditioned by socialization effects.

- The family being a community of life and upbringing is guided by "love and readiness for mutual sacrifices on the one hand

and legal guarantees and indispensable restrictions on the other" (Janke A.W., 2004, pp. 32-33).

Changing from predetermined reference groups to articulating and creating one's individuality, undermines the traditional concepts of the family as a structure of stable and non-returnable 'modernization'. Ulrich Beck and Elisabeth Beck-Gernsheim, while analyzing the process of family evaluation, in the era of universal globalization, paid attention to the new dimension of family perception in which the metaphor of a "common roof" is becoming obsolete (Beck U., Beck-Gernsheim E., 2013, p. 30-31). It happens that spouses after a formally


legalized relationship do not decide to live together, do not run a household together, the intensity of everyday direct relations and interaction is limited to the minimum and belonging to the same society or nation is not obvious "[...] they live together across borders (national, religious, cultural, ethnic, etc.); where the harmony exist between things that are not supposed to be able to create harmony together. Instead of predetermined traditions, there is active trust; it is supposed to succeed what, in the common sense, cannot succeed: different/strangers becomes beloved and loved one "(Beck U., Beck-Gernsheim E., 2013, p. 30).

### **Conclusions.**

The family belongs to social structures, which, despite its small size, constitute a group subject to strong processes of external changes, which have a global character. Understanding the mechanisms of the family life community contributes to the broadening of knowledge in the field of the theory of small social groups and its contemporary determinants and ways of creation. In the course of epochs, the fundamental change in the way of creating a family consisted in a gradual changing from the model of the patriarchal family, in which the family breadwinner and the most important figure was a man. This system expressed normative expectations included in the law and internalized by the unit regarding the superior position of the man and the subordinate role of the woman, doing unpaid work for the house. The last decades bring significant changes in the scope of the existing functions of family systems and, above all, the model of their functioning. The normative expectations, included in the law and internalized by the individual towards greater egalitarianism and the participation of universal gender equality, follow.

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