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Dear Readers,

We are glad that we can present you the second issue of the journal *Littera Scripta* in 2015. Since July, 1 it has been issued by the Faculty of Corporate Strategy, Institute of Technology and Business in České Budějovice. At the beginning, please allow us to summarize briefly the changes that have occurred as a consequence.

Littera Scripta is issued with the subtitle "Economy, Management, Marketing, Linguistics, History". We publish scientific studies entirely in English in the fields of economics, business administration, management, marketing, and tourism, economy of public sector, management, governance and administration, linguistics, pedagogy and education history. We believe that the expansion of thematic focus will increase the number of our readers. A new feature is also that the author will receive an honorarium of CZK 2 000, - for a published contribution. All the updated information, instructions for authors and the members of the Editorial Board are available on the website of the publishing portal VŠTE ([Publikačního portálu VŠTE](#)).

We are also trying to increase the visibility and accessibility of published articles for the professional and lay public. Since this year the journal *Littera Scripta* was in databases ERIH PLUS and CEJSH.

At this point, we would like to thank to whom - in a great amount - have sent their contributions to the current edition of the magazine and reviewers who oversee the maintenance of a high quality of published articles. Finally, we would also like to thank you, the readers, that you are still in favour of the journal *Littera Scripta*, and we believe it will arrange a series of new information to you.

We wish all readers, authors, reviewers and editorial board members Merry Christmas and look forward to further cooperation in the next year.

Mgr. Zdeněk Caha, Ph.D.
doc. PhDr. František Stellner, Ph.D.
Editors

České Budějovice, December 2015

REVIEW PROCEEDINGS

In issue 2/2015 15 reviewed articles written by 21 authors from 10 institutions were included.

Articles

Number of articles received: 18

Number of articles rejected in 1st round of review proceedings: 3

Number of articles rejected in 2nd round of review proceedings: 0

Number of articles agreed to be published: 15

Review conclusions

Number of reviews delivered: 36

- from which was reviewed by reviewer with Doc. or Prof. degree: 6

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Czech Households Most Vulnerable to Poverty

Veronika Antořová, Nad'a Birčiaková, Jana Stávková

Mendel University Brno

Abstract

This paper discusses the problems of poverty in the Czech Republic. It focuses on the identification of social groups and on ways of identifying the income situation of households that are the most vulnerable to poverty, especially low-income households and households of the elderly. Micro data obtained from the European Union Statistics on Income and Living Conditions (EU-SILC) project were used for the basis of the in-depth discussions herein. The data provides a significant amount of important information about the incomes and living conditions of European as well as Czech households, and also about individuals. The poverty threshold is set as 60% median of equalized income. The data in this paper are tracked for the period 2005-2013. Generally speaking, the poverty rate in the Czech Republic is the lowest in the European Union. The results provide useful insights for decision makers involved in developing social policy.

Keywords: poverty, low-income households, households of the elderly, incomes

Introduction

The inability to satisfy one's needs, poor health, lack of access to education, inadequate care for the infirm and elderly, susceptibility to violence and criminality, the inability to cope with daily financial requirements and to keep pace with the majority of society, these are all phenomena of poverty (Klimánková, 2008). The problems of poverty are not associated with injustice in society, but above all directly with segments that are suffering from extreme deprivation (Ringen, 1989). According to Ringen (1989), the problem occurs if society is unable or unwilling to share its wealth with other groups. There are a number of objective factors for the emergence of these segments. One of the most important factors is age segmentation. This heterogeneous segment with enormous potential, but also with many economic, psychological, biological and social issues that affect personal consumption, is being created in society. The increasing average age of people will result in increasing demands on the pension, social and healthcare systems. These basic systems must undergo radical changes to prevent the aging population of the Czech Republic becoming a major economic and social problem. Another important factor is the change in understanding of what constitutes a family or a household (Mlčoch, 2014; Mořný 2006). A family with more children, a family with one

adult, one-member family and their economic situation are an emerging problem within contemporary society.

The notion of poverty in society is increasingly seen as taking on the form of income poverty, material deprivation and lack of jobs. This kind of understanding provides opportunities with which to quantify and monitor trends, as well as identify groups of households which are most at risk of poverty. The situation of selected groups of a society must be subject to the interest of the whole society. Cash resources are considered to be one of the most important indicators for the assessment of the living standards of the population of the state concerned. Consumer preferences, purchasing processes, ways of spending of free time, household equipment, but also education, are based on income levels. The elderly form a segment which has a regular, but also very limited income, which is mostly obtained through the State. Their consumption level is therefore also based on their income.

Analyses of the income situation of households and the risk of poverty carried out on the basis of average values does not reveal many facts and cannot identify vulnerable groups of households. This paper focuses on the identification of groups and the ways of identifying the income situation of households which are most vulnerable to poverty.

Materials and Methods

The data source for the evaluation of the level of living standard were obtained from the project - European Union Statistics on Income and Living Conditions (EU-SILC), which deals with income and living conditions. This is a large set of data which provides a significant amount of rare data on Czech households, but also about the individuals themselves. The enquiry was made pursuant to Regulation EC 1177/2003 of the European Commission, which is mandatory for all Member States of the European Union. In the Czech Republic this investigation was carried out by the Czech Statistical Office. The results for all member countries can be found on the Eurostat website, which is the European Union's Statistical Office (CZSO²). In the Czech Republic the first survey was carried out in 2005 under the title "Living Conditions in 2005." The number of households in the Czech Republic that were the subject of an investigation in subsequent years is given in Table 1. The data are tracked for the period 2005-2013.

With the help of special conversion rates, which are part of the SILC source data, a conversion was carried out for the whole of the Czech Republic.

Table 1: The number of SILC and Czech households

Quantity	LC05	LC06	LC07	LC08	LC09	LC10	LC11	LC12	LC13
Households in the file	4 351	7 483	9 675	11 294	9 911	9 098	8 866	8 873	8 275
Households in the CR (in thousands)	4 013	4 028	4 013	4 028	4 116	4 150	4 of 181	4 255	4 283

Source: EU-SILC, the CZECH STATISTICAL OFFICE², own calculations

For the evaluation of the data used, the limit of poverty is calculated on the basis of the median income. The income poverty rate is calculated from the median. The rate of 60% of median income is set according to the uniform methodology adopted by the EU. This set rate makes it possible to determine the percentage of people at risk of poverty. Disposable income is calculated for a unit (person) according to the following equation:

$$EJDEF.EU = 1 + 0.5 \times (n \text{ ADULTS} - 1) + 0.3 \times n \text{ CHILDREN}$$

A quintile classification was used within the income analyses (the file is divided into 5 major groups of the same size), whereby the value of the conversion rates were expressed as a ratio of the total number of households in the Czech Republic. The 1st quintile i.e. 20% of households with the lowest incomes, was particularly taken into account.

To be able to comment on the development of the revenue and expenditure situation of households in the monitored years, a base model for linear regression analysis was used, whereby the mean value of the dependent variable Y is bound by one independent variable T , whereby b represents the relationship between the slope and ϵ^t denotes the residual part:

$$E(Y) = a + bT + \epsilon^t$$

Regression models were used to represent the trend of the individual indicators of income and poverty affected households in the Czech Republic as a whole, as well as for the selected 1st quintile households. The frequency with which households are at risk of poverty were calculated for each group, whereby the group was taken as a whole (e.g. unemployed = 100%). However, when calculating the index of the risk of poverty, the household income of the group at risk was taken as a whole and the frequency of the individual groups within them subsequently calculated. The index of the risk of poverty was calculated as a proportion of the percentage representation of households at risk of poverty in a certain group to the percentage representation of that group in the society (Sirovátka et al., 2011). For the households at risk of poverty, the average income was calculated. This value is important for determining the amount that households lack in order to rise above the poverty threshold. The value is marked as "the average amount missing." These values in turn determine how much funding would be required if the State wanted to break these households free from the risk of poverty.

Results

The amount of income and poverty can be seen as possible indications of a certain standard of living within the population. The economic aspects of the standard of living are linked to quantifiable indicators such as macroeconomic income, expenditure, consumption, purchasing power, wages, unemployment, price level, etc. (National Accounts of Well-being, 2009). When addressing the issue of the income situation of households it is not possible to ignore information on the development of basic macroeconomic indicators over time (see Table 2).

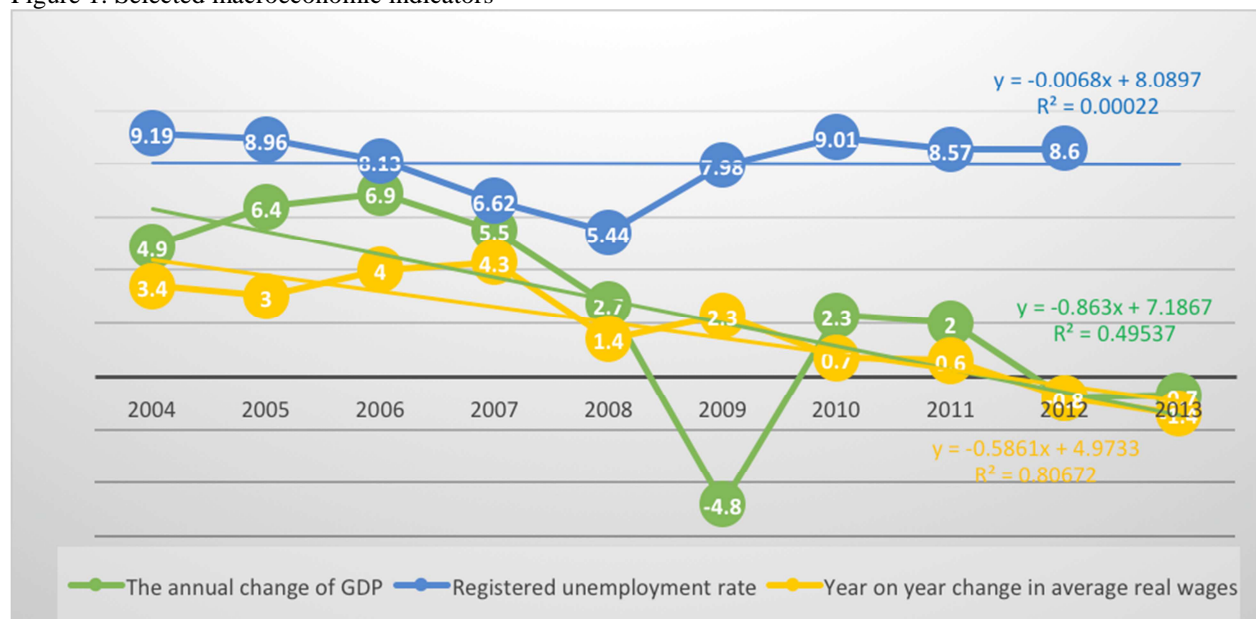
Table 2: Basic macroeconomic indicators in relative terms

Coefficient (in %)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Annual change in GDP	4.9	6.4	6.9	5.5	2.7	-4.8	2.3	2.0	-0.8	-0.8
Registered unemployment rate	9.19	8.96	8.13	6.62	5.44	7.98	9.01	8.57	8.60	x
Annual rate of inflation	2.8	1.9	2.5	2.8	6.3	1.0	1.5	1.9	3.3	1.4
Basic index rate of inflation	100	101.9	104.4	107.2	113.5	113.5	116	117.9	121.2	122.6
Year on year change in average real wages	3.4	3.0	4.0	4.3	1.4	2.3	-0.7	0.6	-0.8	1.4

Source: Czech Statistical Office

The value of the development of macro-economic indicators is graphically illustrated in Figure 1.

Figure 1: Selected macroeconomic indicators



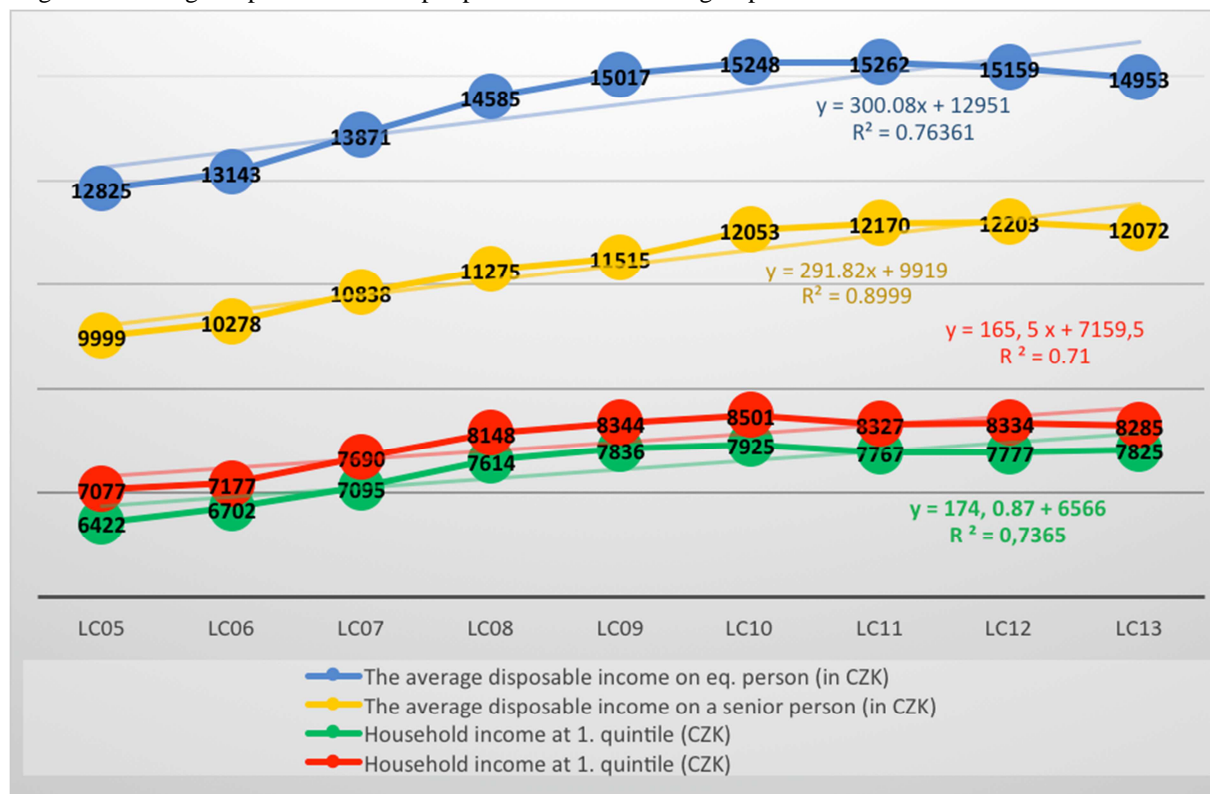
Source: Czech Statistical Office, authors

From the values given in Table 1 and graphical represented in Figure 1, it is clear that the impact of the negative economic developments in the Czech Republic are best demonstrated by real household incomes, which decreased.

It is not possible to accurately determine the actual income situation of Czech households on the basis of the values of the average income of households because it requires a high level of generalization. For a more detailed insight into the income situation of Czech households it is necessary to address the income situation within each group e.g. according to age, education, economic activity, social group, etc. It is for this reason that the focus of this analysis was on the income situation for selected groups of households at risk of poverty. For this purpose, the group of households in the 1st

quintile of income (i.e. the first 20 % of households ranked in ascending order according to the amount of income) and a group of seniors were analysed. For comparative purposes the average income of the entire population of the Czech Republic is also stated.

Figure 2: Average disposable income per person in the selected groups

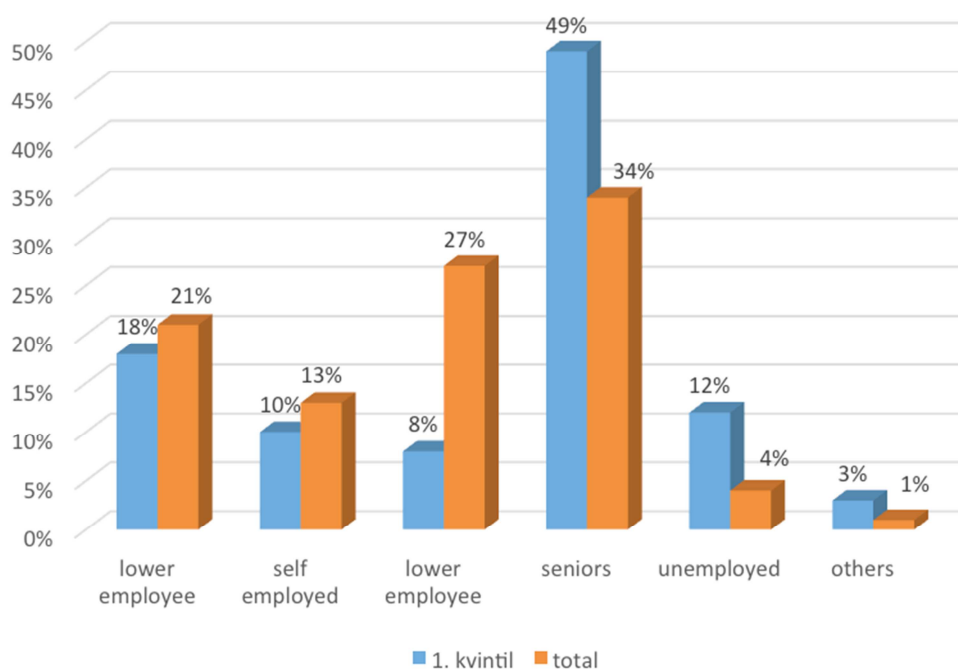


Source: Czech Statistical Office, authors

The figures clearly show that low-income households in the Czech Republic (in the 1st quintile) have lower incomes than senior households. The elderly are largely dependent on the State and its social policy. It can be deduced from Figure 2 that the State is aware of this obligation because during the reference period 2005-2013 the incomes of the elderly increased more (12.6%) than the incomes per person in all of the households in the Czech Republic (12.03%). The income per person in the Czech Republic over the reviewed period recorded a slightly positive trend, with an annual unit change of approximately CZK 300. The empirical value for incomes in the period 2011-13 recorded a decline. This can be explained as the delayed reaction to the economic crisis at the time. The levels and curves of income values over the tracked years confirms that there is a need for deeper analysis of the issue. The income per person for senior households achieves lower values compared to the income of households of the entire Czech Republic. However, the empirical values recorded at the time of the economic crisis show no decrease in the development of incomes for this segment of the population. These figures reflect the role of the State to protect the most dependent. This positive point does not take away the fact that the income trend for the 1st quintile of households was stagnant. This stagnation has a negative impact on society.

An analysis of the structure of households in the 1st quintile according to social group provides greater insight. In 2013, the 1st quintile was formed by the following: 49% senior households; 36% households with working income; 12% households headed by unemployed persons. The frequency of the various social groups in the context of the 1st quintile compared with the frequency within the whole Czech Republic is shown in Figure 3.

Figure 3: The frequency of households according to social groups in the 1st quintile and within the whole of the Czech Republic in 2013



Source: authors

The above chart shows that almost half of the households in the 1st quintile are senior households, which when viewed from the context of the whole population, represents 34% of all households. Of interest is the combined percentage of employees and the self-employed (36%) that fall into the 1st quintile even though they are economically active. (but there's still another 7% of economically active – working group of seniors and others). In contrast, the unemployed represent less than 12% of households in the 1st quintile and their numbers decreased by almost half during the monitored period. Table 3 provides a more detailed analysis of the 1st quintile of households.

Table 3: The income situation of selected groups in the 1st quintile in relative terms (in %)

Characteristics	LC05	LC06	LC07	LC08	LC09	LC10	LC11	LC12	LC13
Number of senior households in 1st quintile	43.3	45.3	47.6	52.9	52.9	50.7	48.9	48.9	48.8
Number of households receiving working income in 1st quintile (excl. seniors)	38.6	41.6	40,0	36.6	32.3	40.5	41.5	41.8	43.4
Number of households headed by unemployed in 1st quintile	20.2	16.4	16.9	13.9	10.5	11.3	12.7	12.4	11.7
Number of households receiving social benefits 1st quintile	92.0	93.6	94.2	92.6	87.2	84.8	83.3	82.3	81.4
Number of households receiving social benefits in 1st quintile (excl. seniors)	48.7	48.3	46.6	39.6	32.3	34.1	34.3	33.5	32.6

Source: authors

The year-on-year increase in the frequency of the elderly within the 1st quintile can be considered very negative. Over the monitored period the number of such households in the 1st quintile rose from approximately 43% in 2005 to 49% in 2013. In the same period, the number of households with a working income in the 1st quintile increased by almost 5%. Having households on a working income still in the 1st quintile is also a very negative situation. In the 1st quintile the drop in the number of unemployed is reflected in the rising number of households receiving a working income and the increasing number of senior households. This correlates with the decrease in the number of households in receipt of social benefits.

Different levels of income are one of many indicators of living standards i.e. the extent to which ones basic needs, consumption as an experience, and consumption as a means of integration are satisfied. The level of satisfaction and the need to meet the needs of individuals as well as those of different segments of society do not always run in the same direction. The manifestation of the unsatisfactory income situation of households is poverty. As previously stated, poverty has three basic dimensions: income poverty; material deprivation; and the intensity of work. Income poverty, especially its quantitative expression, is the expression of the economic situation of a household, but with deep social and societal consequences. The fact that it has an economic character is relatively well measured and knowable in terms of its size for individual segments of a society.

Table 4 lists basic information on the evolution of poverty in the Czech Republic in the period 2005-2013. The overall percentage of people at risk of poverty decreased, the only exception being the group of seniors for which it increased.

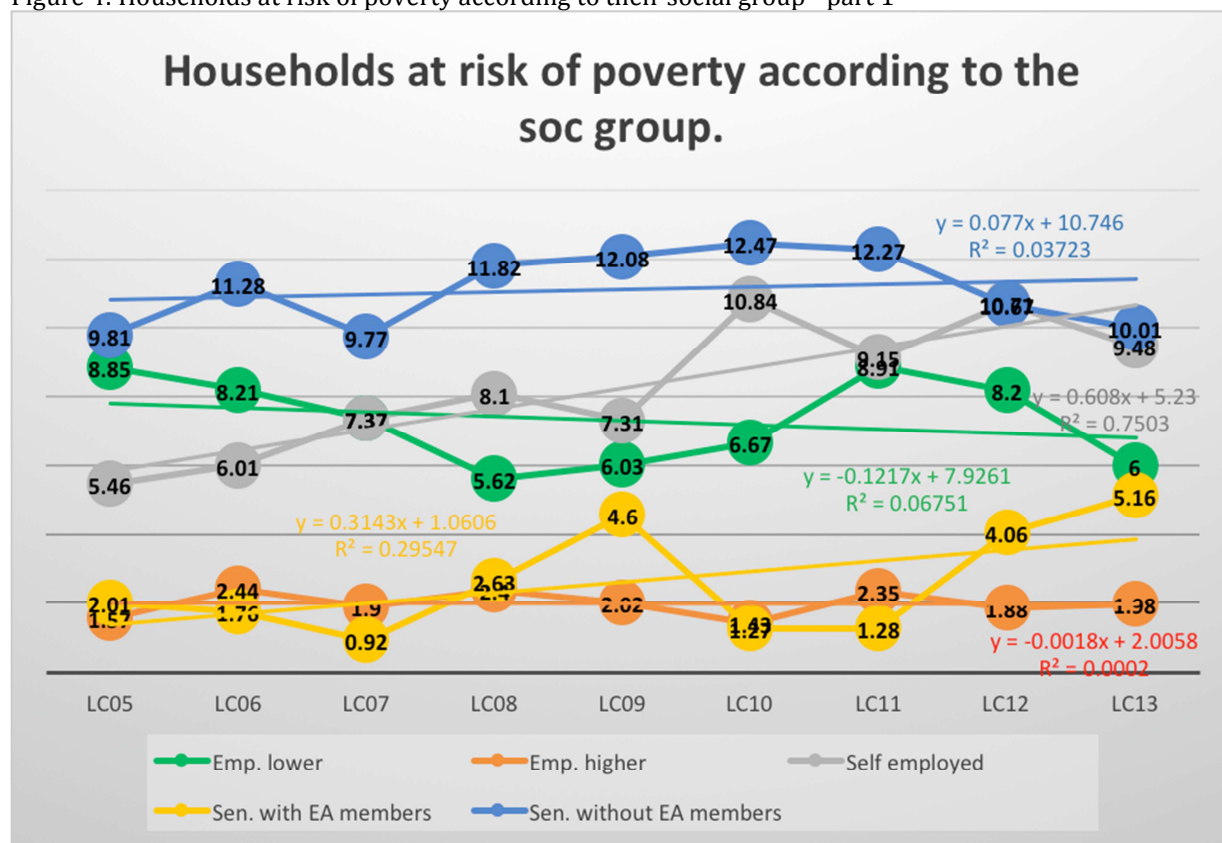
Tab. 4: People at risk of poverty (in %)

Characteristics	LC05	LC06	LC07	LC08	LC09	LC10	LC11	LC12	LC13
People at risk of poverty	10.36	9.8	9.6	9.1	8.6	9.0	9.8	9.6	8.6
Seniors at risk of poverty - of the entire population	1.75	2.06	1.73	2.20	2.34	2.26	2.26	2.19	2.14
Number of households at risk of poverty in 1st quintile	46.8	46.2	43.4	42.8	40.1	42.2	45.8	43.7	46.8

Source: EU-SILC, Czech Statistical Office², customized calculations. Note: 10% of people at risk of poverty correspond to approximately 1 million people

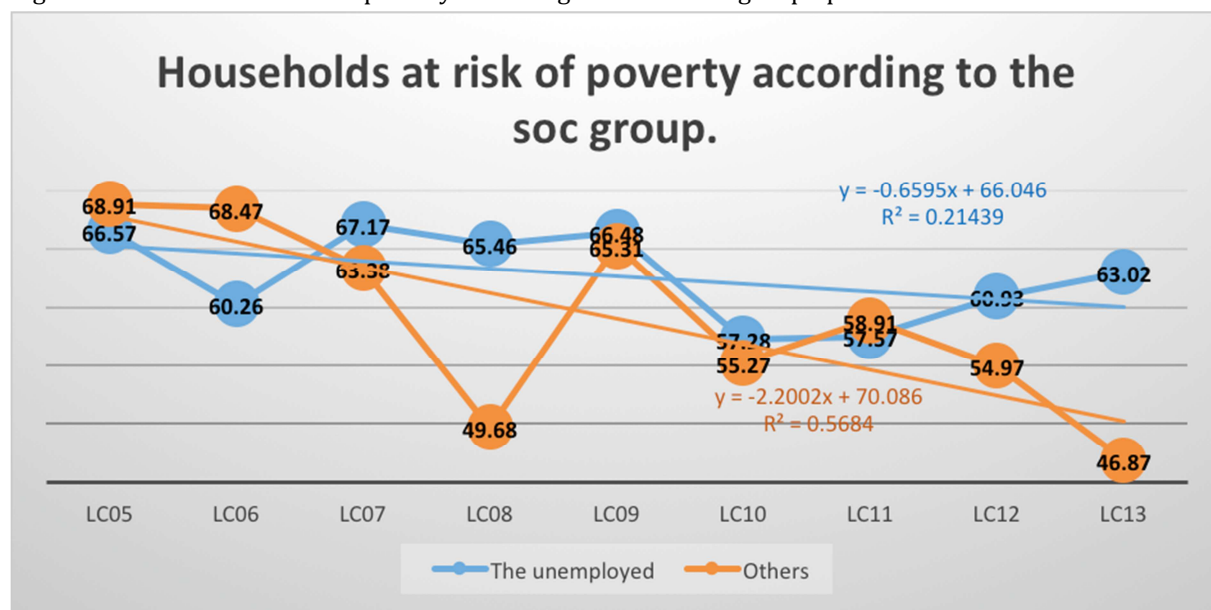
Figure 4 presents the number of households at risk of poverty in each social group and the development thereof over the period 2005-2013. The data presented in Table 5 below must be put into context with Figure 3, which shows the frequency according to the social groups within the context of the entire population in 2013.

Figure 4: Households at risk of poverty according to their social group - part 1



Source: authors

Figure 5: Households at risk of poverty according to their social group - part 2



Source: authors

From these values, and being conscious on how large this group in society is, it is clear that the highest number of people at risk of poverty is the group of retirees without an EA member. The reality is that this group has the smallest annual growth in people at risk of poverty. From 2011, the actual number of people at risk of poverty in this group fell, which is a positive development. Indeed, the most vulnerable group is the self-employed. The annual increase in the number of people at risk of poverty is the highest of all the groups (around 600). An increase in the number of people at risk of poverty was also recorded for the group of seniors with an EA member. The number of affected households in the group of qualified employees (Emp. higher) stayed approximately the same over the tracked period, whereas there were positive developments in terms of a decreasing number of vulnerable households in the group of lower-paid employees (Emp. lower) over the last three years.

It is important to point out that the percentages for the groups of unemployed people and others are high and ranges between 46-68%. These percentages were determined from the frequency of these groups in the population as a whole, where they represent 1% of the population. The number of people at risk of poverty within the group of households headed by an unemployed person decreased during the tracked period by 63%. However, this group represented 3.5% of the overall population of households headed by an unemployed person. Both trend values reflect a decline in values. On the basis of Figure 3 it is clear, therefore, that any social group has a different representation. Due to the fact that it is difficult to compare the poverty of several groups of different sizes, the index of the risk of poverty is calculated. This calculation is based on the frequency within the whole of the population and households at risk of poverty.

Table 5: The index of the risk of poverty for individual social groups

Characteristics	The frequency of the groups within the population (in %)	Risk of poverty within the population (in %)	Index of the risk of poverty
Emp. Lower	21.1	17.6	0.83
Emp. Higher	27.0	7.0	0.26
Self employed	13.3	17.7	1.33
Senior with an EA member	3.9	2.9	0.74
Senior without an EA member	30.1	22.1	0.73
Unemployed	3.5	26.8	7.7
Others	1.1	6.0	5.5
Total	100	100	-

Source: authors

When looking at the order of which people are most at risk of poverty according to their social group, the unemployed rank in first place (index 7.7), others in second place (index 5.5) and the self-employed in third place (index 1.33).

An effective tool for poverty alleviation is social transfers. The number of people at risk of poverty over the period dropped to 886,000 in 2013. However, the amount that they lack to overcome the boundaries of poverty increased overall. The need of these households to rise above the poverty threshold was approximately CZK 1.98 billion. If only senior households at risk of poverty (approximately 221,000 households) were taken into account, the resources needed to get them over the poverty threshold would be approximately CZK 328.3 million. The elderly should not be at risk of poverty and the State should support this group in particular.

Tab. 6: The necessary financial resources for households at risk of poverty

Characteristics	LC05	LC06	LC07	LC08	LC09	LC10	LC11	LC12	LC13
Persons at risk of poverty (in thousands)	1049	996	980	927	887	937	1022	990	886
Average missing amount (in CZK)	1565	1499	1681	1841	2030	2076	2120	2204	2235
Necessary financial resources (CZK millions)	1642	1492	1642	1706	1800	1946	2167	2183	1980
Number of seniors at risk of poverty (in thousands)	177.1	209.1	176.8	225.2	241.9	225.2	225.2	225.9	221.1
Average missing amount for seniors (in CZK)	770	897	970	1083	1234	1174	1309	1394	1485

Necessary financial resources for seniors (in CZK millions)	136.4	187.6	171.5	243.9	298.5	276.1	308.0	314.9	328.3
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Source: EU-SILC, CZECH STATISTICAL OFFICE², authors

If, in 2013, the State had committed CZK 328.3 million to this social group, the number of people at risk of poverty would have dropped to 719,853. The number of vulnerable seniors at risk of poverty would have also dropped to only 54,978. This means that the financial assistance to this social group would have reduced the numbers of seniors at risk by three quarters.

Conclusion

The income side of households can be evaluated from many angles. This article is focused in particular on the low-income groups of households and the problems of poverty. The analyses carried out clearly show that those people with the highest risk in the Czech Republic are not the people on the lowest incomes or those living on social benefits, but those who work i.e. lower grade employees and the self-employed, tax payers, and social and health insurance payers who are members of the 1st income quintile. These are people who are not in a position to cover their expenses with their income. The incomes clearly show that low-income households in the Czech Republic (in the 1st quintile) have a lower income than senior households. In 2005, the first quintile consisted of: 43% seniors; 39% people receiving employment income; and 20% unemployed. In 2013, the equivalent percentages had changed to: 49% seniors; 43% people receiving employment income; and 12% unemployed. From these figures it is clear that the number of workers in the first quintile has increased and the number of households headed by an unemployed person has decreased. When the 1st and the 2nd quintiles are compared the results are surprising. Even though incomes in the 2nd quintile are roughly consistent with expenditures, the groups face similar problems to households in the 1st quintile. This is all the more surprising when confronted with the fact that the Czech Republic has one of the lowest values of the Gini coefficient, which reflects the level of income inequality or equality, as well as the lowest percentage at risk of poverty, as calculated on the basis of income heterogeneity across all households. When it comes to the order of which people are most at risk of poverty according to their social group, the unemployed rank in first place, others in second place, and the self-employed in third place. Seniors represent a large group at risk. On the basis of solidarity, the elderly can be lifted over the income poverty threshold with the help of social transfers through the state pension system. In 2013 this would have required CZK 328 million. The impact of this financial assistance would have reduced the number of senior households at risk of poverty by three quarters.

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Promises, facts and challenges: Analysis of EU- LAC summits (1999 – 2015)

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Abstract

The aim of this paper is to analyse the nine summits that have taken place to date between the European Union, Latin America and the Caribbean. It is an historical analysis from the first EU-LAC Summit in 1999 to the most recent summit in 2015. It is an analysis of the issues, actions, initiatives and major achievements these summits have accomplished, as well as the challenges the relations between Latin America and the European Union still face. The analysis is based on the direct study of the official statements and documents of each summit.

There is no doubt that Latin America needs the European Union and vice versa. The European Union is Latin America's second largest trading partner, and may even become the largest. The European Union is the main source of foreign direct investment and the largest donor of development aid to the region. For the European Union, Latin America represents a strategically important region with a huge potential market of more than 626 million inhabitants, dynamic growth, positive population growth and a growing middle class. The integration of these two regions could generate more extensive (broader) markets for trade, increase investment opportunities and provide a firmer basis for further dialogue and the consolidation of new instruments adapted to the new international context and the evolution of the global economy.

Keywords: EU- LAC summits, Latin America and Caribbean, European Union, external relations, regional integration, Euro-Latin American relations.

Introduction

The oldest dialogue between the EU, Latin American and Caribbean sub-regional levels, were the Inter-Parliamentary Conferences which were initiated in 1974 between the

European Parliament and the Latin American Parliament, which in 2006 became the EuroLat Parliamentary Assembly. Despite the existence of this relationship between the three regions, it was not until the 1990's that mutual interests began to be emphasized. This change in emphasis was instigated due to major changes on the international scene. On the European side, Spain and Portugal had become Member States of the European Community (1986) and were pressing for greater attention to be focused on Latin America.

The initiative for holding a summit between Latin America, the Caribbean and the European Union emerged in Chile in 1996, during the Sixth Ibero-American Summit, in which the Spanish Prime Minister, José María Aznar, proposed the creation of a permanent dialogue between Latin America, the Caribbean and the EU. This idea was supported by the European Parliament (Bertens Report, 1997), by the foreign ministers of the EU (1997) and the Rio Group in its seventh ministerial meeting with the EU (1997).

Finally, in June 1999, the first summit between the European Union (EU) and the countries of Latin America and the Caribbean (LAC) was held in Rio de Janeiro, Brazil. This summit laid the groundwork for a strategic partnership. Since then, these summits have been held every two years in different countries throughout the three regions.

The EU is the second largest trading partner of LAC and has the potential to become the largest. The EU is a major foreign investor in LAC and a leading donor of development aid to the region. Latin America represents a strategically important region with a huge potential market of more than 626 million inhabitants, dynamic growth, positive population growth and a growing middle class; a region of opportunities for the EU. Further integration between these two regions could generate more extensive markets for trade, increased investment opportunities and a firmer basis for further dialogue and the consolidation of new instruments adapted to the new international context and the evolution of the global economy. The importance of these summits is increasing within the context of the current geopolitical context. They are becoming the drivers of development and the promoters of political, economic and social relations between the two regions.

The aim of this paper is to analyse the nine summits between the European Union and Latin America and the Caribbean from 1999 until 2015. It analyses the issues, actions and initiatives as well as identifies the major achievements these summits have accomplished and the challenges they still face.

Data was obtained directly from European Union official data. In addition to agreements and strategic partnership documents, official action plans for each summit are available on the EU website. The methodology involved the application of an historical analysis of the relevant documents, as well as the description, analysis, synthesis and comparison of others.

EU- LAC summits

The oldest dialogue between the EU, Latin American and the Caribbean sub regional levels, were the Inter-Parliamentary Conferences which were initiated in 1974 between the European Parliament and the Latin American Parliament, and which in 2006 became the EuroLat Parliamentary Assembly.

1999: Summit in Rio de Janeiro

The Summit took place on 28th - 29th June, 1999 in Rio de Janeiro and was designed to be the starting point for regular bi-regional meetings between the LAC and the EU. With the assistance of 48 heads of state and government, and under the motto "Building a Strategic Partnership", the Rio Summit concluded with a Joint Declaration and Plan of Action ("Priorities for Action"). The content of the declaration was structured around three broad areas: political dialogue; economic and trade relations; and cooperation. Paragraph 7 of the declaration effectively summarizes the overall objective of the newly opened bi-regional partnership, which aimed to provide "the same attention to the three following strategic dimensions: a fruitful political dialogue and, respectful of the rules of international law, solid economic and financial relations based on trade liberalization with a comprehensive and balanced character including the free flow of capital, and more dynamic and creative cooperation in the fields of education, science, technology, culture, both human and social".

The Rio Declaration consisted of 69 items divided into an introduction and three blocks (political, economic, and educational-cultural). The action plan consisted of 55 items divided into the same blocks as the declaration and provides more practical guidance and concrete plans than the latter. Both documents resulting from the Rio Summit focus on the following topics: strategic partnership; strengthening of democracy; strengthening political dialogue; sustainable economic development; international security; cooperation in science, technology, education and culture.

The Rio Summit had, among other things, the positive effect of giving global visibility to the relations between these two regions. It fanned global interest in the Latin American continent and resulted in the initiation of bilateral and multilateral negotiations between the EU, Mexico, Chile and Mercosur. However, despite the historic character of the summit, the final documents were not declarative enough. Deadlines were left out with regards to the achievement of its objectives, including those for the bilateral trade negotiations mentioned above.

2002: Madrid Summit

The Madrid Summit took place three years after the Rio Summit due to delays and defaults on cooperation commitments that had been agreed upon, in particular the "11 Tuusula priorities." The governments of both regions contributed to the delay e.g. the European Commission presented its proposals a year and a half late.

The Second EU-LAC Summit took place in a highly contentious international context. New York and Washington had become the centre of global attention due to the terrorist attacks of 11th September, 2001. There were therefore major security concerns. In addition, the economic crisis in Argentina started in the same year, which altered the functioning of Mercosur.

Against this backdrop, the Madrid Summit was focused on reviewing the partnership started in Rio de Janeiro and putting forward new proposals to give political relations between these two regions new impetus. Not surprisingly, the theme of the meeting was "EU-Latin America and the Caribbean: Advancing the Strategic Partnership for the XXI Century." There were forty-eight heads of state and government from Latin America, the

Caribbean and the European Union present in Madrid, on the 16th – 18th May, 2002. The timing of the summit happened to coincide with the Spanish presidency of the EU. During the summit there were five separate meetings with representatives present from the EU, Mexico, Central America, Mercosur, the Andean Community and Chile. Some of the meetings highlighted the need to work asymmetrically with different countries or sub-regions within the framework of regional relations. This approach was to become the template for all future EU-LAC relations.

The main topics of discussion were: strengthening the multilateral system; democratic institutions and the rule of law; human rights and equality; fight against terrorism in all its forms and manifestations; drug trafficking; corruption and organized crime; economic cooperation; sustainable development; peaceful settlement of disputes between states; culture, education and the information society.

The most important agreements emanating from the summit were the adherence to all international conventions relating to terrorism (it is important to note the influence of 9-11 on the agenda of the summit), the announcement of the conclusion of negotiations on the Association Agreement between the European Union and Chile, the pledge to continue negotiations on an agreement between Mercosur and the European Union, the pledge to start negotiations on association agreements between the EU and Central America and the EU and the Andean Community, and impetus for the approbation of the action plan for higher education between the EU and LAC.

2004: Guadalajara Summit

The third summit came at a crucial time in both regions. On the one hand, the European Union was facing one of its biggest challenges with regards to the integration process i.e. enlargement to a record 25 Member States. The EU, which was seeking to reinforce its position as a political and economic power on a global scale, was also immersed in the development of the legal framework for the European Constitution. At the same time, a significant number of Latin American and Caribbean countries were facing crises in the consolidation of their political and economic progress, which was weakening their roles as international players.

In this context, the Guadalajara Summit set its priorities on seeking progress on the issues of social cohesion and regional integration with the main focus being on the negotiations with Central America, the Andean Community and Mercosur. The summit was held on 28th – 29th May, 2004 and was attended by fifty-eight heads of state and government from the European Union, Latin America and the Caribbean. This summit had the motto "A New Agenda for Social Cohesion." The main outcome document of the summit was the Guadalajara Declaration. The declaration consisted of 104 points divided into three sections: multilateralism; social cohesion; and regional relationships. The main topics discussed at the summit and expressed in the declaration were: multilateralism; international security and terrorism; human rights; drugs and organized crime; sustainable development; fight against corruption; social cohesion; economy and trade; and regional integration.

In addition to the declaration, the third summit marked progress in trade negotiations and partnership agreements between the two regions. CARIFORUM began negotiations for an economic partnership agreement, in addition to meetings between the EU, Mexico

and Chile. Satisfaction was also shown with the progress made in negotiations on an interregional association agreement between the EU and Mercosur.

2006: Vienna Summit

The meeting of the heads of state and government was held in Vienna, Austria on 11th – 12th May, 2006. It was the first such summit to be held outside Latin America or a Spanish speaking nation. The theme of the summit was “Strengthening the Bi-regional Strategic Association”, the agenda being strongly influenced by issues both at home, abroad and globally for both regions. Latin America faced growing internal polarization, divided into two distinct ideologically blocks, whereby foreign policy either oriented towards a country’s pragmatic interests (Mexico, Colombia, Peru, Central America, Uruguay, Chile and Brazil) or towards ideology (Venezuela, Bolivia and Cuba). Venezuela decided to withdraw from the Andean Community of Nations, further weakening the possibility of promoting a partnership agreement with the EU. On the other side of the ocean, the European Union arrived at the summit with four major internal problems: the uncertain future of the draft constitution which had failed referendums in France and the Netherlands; the accession negotiations with Romania, Bulgaria, Croatia and Turkey; the political leadership crisis during the integration process and in countries like the UK, France and Italy; and energy supply problems which were derived from negotiations with Russia and issues this raised in countries such as Poland.

The Vienna Declaration consisted of 59 points which tackled thirteen specific issues of dialogue between the two regions: strengthening the bi-regional partnership strategy; democracy and human rights; strengthening of multilateralism; terrorism, drugs and organized crime; environmental protection; energy; partnership agreements, regional integration and trade (including the successful implementation of the association agreements between the EU, Mexico and Chile); growth and jobs; fight against poverty, inequality and social exclusion; development cooperation; migration; knowledge sharing; and human development.

The Vienna Summit brought major developments in the bi-regional strategy. This included: the official launch of negotiations for an EU- Central America Association Agreement; the creation of a Euro-Latin American Parliamentary Assembly; the application of the extraterritorial provisions of the Helms-Burton Act as rejection of unilateral coercive measures; and the continuation of negotiations between the EU and the Forum of Caribbean States (CARIFORUM). In addition to what was embodied in the declaration, it is noteworthy that the Vienna Summit was also able to incorporate new players into the official dialogue with the celebration of the first EU-LAC Business Summit.

The summit emphasized the importance of the bi-regional strategy for negotiating association agreements including free trade areas (negotiations between the EU and Central America began accordingly), and of the progress made in the negotiations between the EU and Mercosur, and the EU and CARIFORUM.

2008: The Lima Summit

Between the 2006 Vienna Summit and the 2008 Lima Summit, there was some progress, especially in relation to trade negotiations. Negotiations began on Association

Agreements between the EU and the Andean Community (in the Andean Presidential Summit in Tarija in June 2007) and between the EU and Central America (at a high level meeting in Brussels between the European Commission and Central America a few days after the previous), and continued on the balanced and ambitious Association Agreement between Mercosur and the European Union. Held an Association Agreement between the EU and 15 CARIFORUM States, and is institutionalized Euro-Latin American Parliamentary Assembly (EUROLAT).

The goals of the Lima Summit, according to the communications of the European Union, were to strengthen the links between the two regions through political dialogue at the highest level and to strengthen cooperation on the key issues established at the Vienna Summit: poverty, inequality and exclusion; sustainable development; environmental protection; climate change and energy.

Under the slogan "Together Responding to the Priorities of Our People," sixty heads of state and government from the European Union, Latin America and the Caribbean gathered in Lima, Peru from 15th – 16th May, 2008. The final document of the summit includes the Lima Declaration and the so-called "Lima Agenda". In the first part (of the declaration), the leaders showed their willingness to "give renewed impetus to the process of building the strategic partnership" and reaffirmed their commitment to the principles and values, through the progress of the negotiations on the different association agreements, which focus on the promotion of the welfare of the region's citizen, the deepening of regional integration, the successful conclusion of the Doha Round of the WTO, international security and the eradication of hunger and poverty.

The leaders also showed their satisfaction with the implementation of the association agreements with Mexico, Chile, and the EU, hailed the successful conclusion of negotiations for an Economic Partnership Agreement between the EU and CARIFORUM, and welcomed the start and relaxation of negotiations between the EU and Central America and the Andean Community for bi-regional association agreements, while claiming to have made significant progress in the regional integration of these sub-regions. They also emphasized the importance of an ambitious and balanced association agreement between Mercosur and the European Union, and they committed themselves to bringing the negotiations to a successful conclusion as soon as conditions permitted.

For its part, the Lima Agenda focuses on the following topics: poverty and hunger; inequality; trade and economy; employment; social inclusion; migration; sustainable development; environment and climate change; and energy.

In addition to the aforementioned progress in negotiations on association agreements with different countries, there was also the noteworthy launch of the EUroCLIMA programme for cooperation on climate change mitigation and the decision to create a EU-LAC Foundation as a bi-regional institution capable of serving as a link between the two regions and providing more stability to their relations.

2010: Madrid Summit

The sixth summit, which took place in Spain in May 2010, focused on new issues on the international agenda and saw the completion of bilateral negotiations with Peru, Colombia and Central America. It also revived negotiations with Mercosur and saw the adoption of the Agenda for Development and Innovation (ADI) with Chile. Among the

main contributions of the Madrid Summit was the adoption of the Action Plan 2010-2012, which included specific initiatives and results-oriented capacity development in the following areas: science; research; innovation and technology; sustainable development; environment; regional integration and interconnectivity to promote integration and social cohesion, including: migration; education and employment.

2013: Santiago Summit

On 3rd December, 2011, the Community of Latin American and Caribbean States (CELAC) was launched. From this point onwards CELAC would represent the entire region in its dialogue with the EU regarding the issues discussed at EU- LAC summits. For this reason the summits were renamed EU- CELAC summits.

The Santiago Summit (the seventh EU-LAC summit; or first EU-CELAC summit), was held in Santiago, Chile, on the 26th - 27th January, 2013. According to official information from the EU, the meeting addressed a partnership for sustainable development through the promotion of investment in social and environmental quality. During the summit, the leaders adopted a political declaration and an action plan, thereby expanding the bi-regional cooperation previously adopted at the Madrid Summit of 2010.

At the summit, the Pacific Alliance reached an agreement that would fuel powerful internal trade among its members. The Pacific Alliance aims to form an area of deep integration within the framework of the Latin American Pacific Rim, to encourage regional integration and increase growth, development and competitiveness. The project aims to be a Latin American integration system to counterbalance the Mercosur bloc which is currently the largest economic bloc, most populous, economically powerful and best integrated in the region. The Pacific Alliance leads in exports and foreign trade in Latin America. It consists of four countries: Chile, Colombia, Peru and Mexico.

The Santiago Declaration provides, among others things, a commitment to adopt policies that promote trade and investment between CELAC and the EU, in the belief that it will help ensure sustainable development and can promote economic growth and employment generation, particularly among young people, in both regions.

2015: Brussels Summit

The second EU-CELAC Summit was held in Brussels on the 10th – 11th June, 2015. The discussions at this conference focused on bi-regional and global issues. It was an opportunity to highlight the importance of EU-CELAC cooperation and revitalize the relationship in a complex and rapidly changing world. The summit also agreed to intensify cooperation on three major global issues: climatic change; development agenda after 2015; and the fight against drugs.

The summit saw the continuation of work on the agreement between the EU and Mercosur, and the expansion of the EU-CELAC action plan, including chapters on higher education and public safety. The completed EU-CELAC Action Plan 2015-2017 was later adopted in full. Finally, there was an announcement of a EUR 25 million contribution from the EU to improve transatlantic broadband connectivity between Latin America and the EU through a new direct fibre optic cable.

Analysis

There are many authors who have analysed each of the summits, but few have done a comparative and historical analysis. Among those that have are Dr. Stephanie Rodriguez and Traiana Aybar (2013)¹, who did a comparative analysis of EU-LAC summits from 1999 to 2010. The authors note, that as early as 2010, probably as a result of the international economic crisis, Latin America was interested in having the European Union as a strategic partner. However, this premise later changed and it is now the interests of the European states that continues to maintain and strengthen the relationship with Latin America.

The authors highlight the ability or inability of countries, particularly developing countries, to implement programs and projects that arise as a result of subsequent summits and ministerial meetings. They suggest that this is the biggest problem the region faces and that despite the progress made, integration has become a challenge that threatens the welfare of the consecration of this process.

According to Celestino del Arenal (2010)², the main weakness lies in the omission of an overall strategy, which has led to progress in some areas and stagnation in others. According to Jaime Ensignia (2008)³, who analysed the EU-LAC summit in 2008, the importance of globalization and the growing interdependence among nations is immersed in phases of profound transformations, such as the European Union and the processes of integration in Latin America and the Caribbean.

According to Jose Angel Sotillo (2009)⁴, a set of circumstances exists that prepares us for the conversion process of Euro-Latin American relations, gradually built on a series of actions that need to be articulated in a stronger way. The author understands these relationships not only as an option but as a necessity for both regions, whereby frictional elements complement each other and therefore become active partners in the definition of a new international architecture.

Legler (2013)⁵ uses four approaches (neoliberal institutionalism; power dimensions (realism); constructivism; and the political economy of regionalism) to explain the current situation of the summits. He speaks about the important role they have as a forum for engagement and dialogue. Maria Garcia (2012)⁶ talks about the imperial qualities and aspirations which can be observed in the EU's penchant for inter-regionalism whilst the transformative power of the EU remains limited.

¹ RODRIGUEZ, S., AYBAR T., 2013. Análisis de las Cumbres Unión Europea – América Latina y Caribe. Santo Domingo. Editorial Funglode, Fundación Global Democracia y Desarrollo, pp. 51-61.

² DEL ARENAL, C., 2010. "Balance de la asociación estratégica entre la Unión Europea (ue) y los países de América Latina y el Caribe (alc)", Fundación Carolina. Foro Eurolatinoamericano de Centros de Análisis. Madrid 2010.

³ ENSIGNIA L., J., 2008. Las Relaciones entre la Unión Europea, América Latina y el Caribe. Impactos de las cumbres en la perspectiva de Lima 2008. Page 2.

⁴ SOTILLO LORENZO, J.A., 2009. Las Cumbres Unión Europea - América Latina Y Caribe: Encuentros Y Desencuentros Eurolatinoamericanos] (2009) Revista de Derecho Comunitario Europeo, 13 (33), pp. 541-566.

⁵ LEGLER, T., 2013 The Rise and Decline of the Summit of the Americas. Journal of Iberian and Latin American Research, Volume 19, Issue 2, 2013, Pages 179-193

⁶ GARCIA, M., 2012. The European Union and Latin America: 'Transformative power Europe' versus the realities of economic interests. Cambridge Review of International Affairs – 2012, pp. 1-21.

For Sanahuja (2013)⁷, the support for integration and regionalism is one of the hallmarks of EU-LAC political dialogue and cooperation. For him, the biggest barrier in this association is the lack of internal cohesion among Latin American regional groups and the problems of coherence to EU policies that have subsequently limited their impact and effectiveness.

According to Roj (2013)⁸, who analysed the Santiago Summit, the integration of these regions runs contrary to the agreed dialogue due to the financial crisis in Europe, the multiple paths followed in this integration process, as well as the slow evolution of Latin American sub-regional integration.

In order to summarize and analyse the summits for ourselves, an historical, objective overview was required.

The first EU-LAC Summit was held 16 years ago in Rio de Janeiro in 1999. It is a strategic alliance between the 27 member states of the European Union and the 33 countries of Latin America and the Caribbean. At this summit, they established the three pillars that defined the structure and purpose of all bi-regional summits and agreements between the European Union and Latin American countries, namely: political dialogue; trade and financial relations; and cooperation.

The bi-regional summit process started in Rio de Janeiro in 1999 was ratified in Madrid in 2002 when the EU began negotiations with Chile and Mexico. In 2004 the Guadalajara Summit took place at which the main topics related to social cohesion and integration. In 2006, at the Vienna Summit, negotiations with Central America were officially launched. The fifth EU-LAC Summit in Lima in 2008 saw the conclusion of a free trade agreement with Peru and Colombia. In 2010, the Madrid Summit sought to improve cooperation with Chile in terms of technology. The Agency for Development and Innovation (ADI) was established, with the aim of promoting technological cooperation between neighbouring countries such as Peru and Argentina. The Madrid Summit implemented an action plan based on the axes of science and technology, education, climate change and the environment, regional integration, migration and drug trafficking. This action plan articulates the relationship between the pillars of the political dialogue, trade and financial relations, and cooperation between the European Union and Latin America. As a result of this work CELAC was created.

The first EU-CELAC Summit (seventh EU-LAC Summit) was held in Santiago, Chile, in January 2013. The summit was dedicated to further developing cooperation on trade and the promotion of investment, as well as social and environmental quality. At the Santiago Summit, leaders adopted a joint political declaration and action plan that extended to bi-regional cooperation.

The most recent EU-CELAC Summit took place in Brussels in June 2015. The discussions at the summit focused on bi-regional and global issues. It was an opportunity to highlight the importance of EU-CELAC cooperation and revitalize that relationship in a complex and rapidly changing world.

7 SANAHUJA, J. A. 2013. Towards a new framework of relations between the European Union and Latin America and the Caribbean. *Investigación y desarrollo*. Vol 21. No.1. June 1013. ISSN: 2011-7574, pp. 155-180.

8 ROY, J., 2013. La integración regional en Europa y América Latina [Regional integration in Europe and Latin America]. In J. Roy (Ed.), *Después de Santiago* [After Santiago] (pp. 9–22). Miami, FL: University of Miami.

To date, the most important achievements in the relationship between Latin America and the European Union are the following:

- EU - Central America Association Agreement and the ratification thereof;
- Support for the Regional Security Strategy of Central America and its implementation;
- Free Trade Agreement between the EU, Colombia and Peru;
- Strategic Association: EU- Mexico;
- Creation by the EU of the Latin America Investment Facility (LAIF);
- Relaunch of negotiations between the EU and MERCOSUR;
- Conclusion of negotiations and adoption of the Joint EU - Caribbean Partnership Strategy and the establishment of the Caribbean Investment Facility to support investments in the Caribbean;
- Joint EU - CARIFORUM Partnership Strategy for Climate Change;
- Ratification of the EU – Andean Community Political Dialogue and Cooperation Agreement;
- Establishment of EUROLAC as a tool to strengthen the foundation of the strategic partnership;
- Establishment of new investment mechanisms through the Latin America Investment Facility (LAIF);
- Pacific Alliance;
- Establishment of an Intergovernmental Negotiating Committee Programme for the United Nations Environment Programme;
- Joint Initiative for Research and Innovation, with regards to regional research, development and innovation;
- Establishment of the EU- LAC Foundation;
- Expansion of the EU-CELAC Action Plan (inclusion of chapters on higher education and public safety);
- Discussions on lines of action proposed in the EU strategy on citizen security in Central America and the Caribbean;
- Update of existing EU agreements with Mexico and Chile;
- Continued efforts to finalize an agreement between the EU and Mercosur that is balanced, comprehensive and ambitious.

Conclusions

A lot of work remains to strengthen bi-regional cooperation and improve the coherence and effectiveness of development cooperation policies. There are some problems which persist in hindering a real 'strategic partnership.' It is no coincidence that after the Madrid Summit the only Latin American countries that have not signed EU association agreements, or the like, are Cuba, Venezuela and Bolivia. Ecuador is currently in negotiations.

In order for the summits to achieve better results, the EU made a tremendous shift in its negotiating policy with Latin America. They opted for a bilateral approach, leaving negotiation requirements to sub-regional integration bodies. There were many dissenting voices when this step was taken, with many warning that it would complicate Latin American integration. However, it should be taken into account that:

- the bilateral commitment demonstrates great respect for those Latin American countries who wished to negotiate with Europe and could not;
- the measure does not exclude sub-solutions, as and when they are possible, as seen in the cases of CARIFORUM and Central America,
- the only countries responsible for the success or failure of regional integration in Latin America are the countries themselves.

It is also important to note that integration in Latin America has many barriers, including the slow evolution of their sub-systems and many institutional issues. The creation of CELAC, not only establishes a formal change but also the opportunity for a more balanced regional dialogue owing to the fact that the two regions are now represented at the institutional level.

While this process of integration has been quite advanced, true integration is being postponed by the addition of new chapters. As each summit seeks to build on the last, more topics, like climate change, drug safety, higher education, public safety are added to each successive summit. While these are important topics worthy of discussion, when we consider the lack of integration between Latin American countries and their individual institutional problems, perhaps it would be better to focus on strengthening their foundations first in order to stimulate true integration across the regions.

At present, we are facing a time when Latin America and the Caribbean need the European Union and vice versa. Europe needs to recover economically from the recession whilst Latin America and the Caribbean need technology and need to industrialize.

The summits provide an opportunity to deepen the political dialogue on initiatives between both regions and strengthen relationships. These summits are the main forum for dialogue and cooperation between the European, Latin American and Caribbean countries and will remain so in the future. They have demonstrated that they can produce positive results, but that a lot of work still lies ahead.

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Non-profit Sector and Charity Financing: Mapping the Field

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Abstract

The issue of charitable giving has been central to the interest of researchers in the international field for several decades. Charitable giving is closely connected with economic policy and directly affects issues within civil society with regards to the financing of the third sector (non-profit organizations).

The objective of this paper is to carry out a critical exploration of the facts based on a review of theories and data sources relating to charitable giving, as well as the volume and structure thereof. The search for and submission of appropriate explanatory paradigms enables the subject of charitable giving to be conceptually anchored, which in turn enables us to determine a theoretically grounded set of variables for it. Following on from these intellectual developments in the given area, this paper maps the current state of empirical knowledge in the Czech Republic.

Keywords: Charity, Czech Republic, economic value, giving, non-profit sector, philanthropy.

Introduction

The terms philanthropy, charitable giving or charity are not only relevant to the non-profit sector. What is interesting about these terms is that they are inherently cross-cutting themes. According to Lloyd (2004), philanthropy is essentially a mechanism through which people can express their humanitarian impulses and confirm their membership in the larger society.

The topic of charitable giving is inseparably linked with the idea of doing good for others, without entitlement to remuneration or profit (Frič, 2001). In parallel with the development of philanthropy (and the part of the non-profit sector which can be perceived as its representation), the relationship of government bodies to philanthropy has been developing as well. This relationship can be termed as a “partnership”, although the form of this partnership depends on the specific conditions of the respective country. Both sides need each other and are dependent on the activities of their counterparts. However, the non-profit sector in this spirit cannot be understood to be a derivative of the market or the State. This is because altruism historically preceded the existence of the market, and organized philanthropy preceded state interventions (Salamon, 1987).

To a great extent the topic of this paper predetermines the selection of the appropriate methods. They are in particular general scientific methods including the descriptive method, which allows to quantify exploratory findings, and the method of content analysis of relevant documents and professional literature, and their subsequent synthesis. The theoretical and methodological backgrounds of the researched issues are put to an analysis and synthesis. To detect and identify the possible variables affecting charitable giving, the triangulation method (a combination of different methods/data sources to obtain the greatest possible quantity of perspectives) and historiographic analysis of sources were used. This procedure was chosen due to the interdisciplinary nature of the topic.

Interdisciplinary Approaches Justifying the Existence of Charitable Giving

Today, the neo-classical paradigm of rationality represents the prevailing direction of economic teachings. However, it can be argued that this concept fails to satisfactorily explain the whole range of an individual's behaviour in a society. From the perspective of this paper, such behaviour finds expression in charitable giving when individuals give away a part of their resources for the benefit of someone else. Significant disparities can be observed between actually observed and theoretically expected behaviours, in particular with regards to philanthropic behaviour (e.g. Melzochová, 2013; Horký, 2011).

Economists and sociologists alike (e.g. Simon, 1986; Wilson, 1993; Etzioni, 1995) have been posing questions for several decades about what makes altruism possible and what is the motivation for altruistic behaviour. According to neoclassical economics, rational behaviour was incorporated in the concept of "homo oeconomicus". This concept facilitated mathematical modelling, but failed to adequately describe reality. An alternative point of view is that it became apparent that it was inappropriate for capturing some "irrational" aspects.

Although every model requires a certain degree of abstraction, simplification had gradually reached a degree whereby theoretical explanations significantly moved away from actual human behaviour. Since the mid-20th century, the neoclassical paradigm has been shaken up as a result of a cognitive revolution. The paradigm of subjective rationality is seen as the total concept of all behavioral criticisms. According to Boudon (In: Simon (1986, p. 123)), it can be concluded that: "*subjectively rational behaviour is such that it is in accordance with current motivation (in the context of the situation).*" Subjectively rational individuals therefore make decisions that fulfil their needs, needs that vary from person to person.

In reviewing the theories, three dominant theoretical models prevail which attempt to explain the causes of charitable giving. These are:

- 1) prosocial preferences;
- 2) pure altruism;
- 3) impure altruism.

Under *prosocial preferences* the benefit to an individual directly depends on the benefit to other people i.e. people's utility functions are interdependent. In contrast, the model of *pure altruism* assumes that the needs of other people and their benefits enter the

utility function of the individual (Collard, 1979). People contribute to the public good (charity) because it gives them pleasure when others are doing well. Altruistic preferences are often used to explain a wide range of social behaviours: charitable giving, volunteering, etc. (Smith, 1995). The theory of pure altruism does not care about the source of the welfare of others. However, with respect to the aforementioned, the theory is subject to the problem of the crowding-out effect (Andreoni, 1988). Andreoni (1989) added the “warm-glow” motive to the model of pure altruism to create *impure altruism*. Under this model people do not only care about the benefit to others, but also get something in return for their prosocial behaviour. What the people receive in return is not goods (as is the case of models based on self-interest), but a satisfying internal feeling.

The core models, which can be applied to the interpretation of charitable giving in accordance with the economic apparatus, work with the level of benefit gained by the individual making charitable donations on the basis of selfish (egotistical) and unselfish (altruistic) motives. Charitable giving is based on various grounds, direct or indirect, overt or covert, and brings different benefits to the individual. Ziemek (2003) presents three basic benefits to the donor: altruistic benefits; personal benefits; and bartering benefits.

By using the definitions of these three benefits as the base upon which to build the following four micro-economic models it is possible to capture a donor's decision-making process. In the Czech Republic, the models were studied by Hyánek (2011) and Špalek (2011), among others. The models and their underlying motives are listed in the following table.

Table 1: Models explaining the act of charitable giving

Model	Contribution	General motive
Public Goods Model	Altruistic benefits	To increase the supply of public goods
Private Consumption Model	Personal contribution	To take pleasure from the act of charitable giving, the "warm-glow" benefit
Investment Model	Bartering benefits	To gain experience, knowledge and contacts in the labour market
Impure Altruism Model	Altruistic/personal benefits	A combination of the first and the second models

Source: authors (*edited according to Ziemek (2003)*).

While the first three models represent comparative models and refer only to the benefit or motive specified in the table, the impure altruism model is a synthesis of the motives represented in the public goods model and the private consumption model. When interpreting charitable giving by means of a mix of different interests, the impure altruism model presents us the most realistic perspective on a donor's decision-making principles.

Why do people give?

Many researchers have tried to answer the question of how to increase the share of funding of NGOs through private sources. The central question then is (Schervish, 2002; Bekkers and Wiepking 2010, Gittell and Tebaldi, 2006) which variables support or restrict charitable giving?

Contemporary literature on the factors that lead to charitable giving is extensive. The given variables are divided and classified differently. Although theoretical models of charitable giving work mostly with the question of what inner motives underpin a donor's behaviour, it is not possible to exclude extraneous variables - determinants from any empirical test. These determinants may influence some of the themes and it is therefore desirable to seek their mutual relations.

The following list, drawn up by the authors as part of their content analysis, represents those studies relating to the motives and determinants that were assessed to be the most important and most frequently tested: Becker, 1974; Collard, 1979; Andreoni, 1989; Wilson, 1993; Schervish, 2002; Lloyd, 2004; Carroll, 2005; Gittel and Tebaldi, 2006; Hewstome and Stroebe, 2006; Berger, 2006; Bekkers and Wiepking, 2010; James and Jones, 2007; Brown and Ferris, 2007; Bekkers and Schuyt, 2008; Wiepking and Maas, 2009; Snipes and Oswald, 2010; Showers et al., 2011; Andreoni and Payne, 2011; Michel and Rieunier, 2012; Marx and Carter, 2014. The motives and determinants are as follows: altruistic motives; selfish motives; affordability; tax policy; the size of the public sector; other economic variables: the number of children; household members; age; gender; education; socio-economic status; religious orientation; marital status; place of residence; models and experiences from people's youth; relations between the donor and the organization and the donor and the donee; and the nature of the situation.

Four research surveys were conducted in the Czech Republic on charitable donations made by individuals to NGOs: Frič (2001); Hladká and Šinkyříková (2009); Řežuchová (2011); Hladká (2015). All of them had a predetermined research objective and research questions, and were not a mere marketing probe lacking scientific potential. Hladká (2015) empirically tests all of the above mentioned factors affecting charitable giving. Furthermore, she tests the following set of motives with respect to *altruism*: empathy; affection; sympathy; compassion; solidarity; mercy; pity; respect; gratitude; social rules; faith in justice; conviction; social responsibility; moral obligation; and religious duty. The following were included among the *egoistic motives*: an opportunity to gain profit; rewards; desire for power; self-centeredness; acknowledgement; political influence; the feeling of irreplaceability; fear; worry; feeling good (warm-glow); reciprocity; conscience; desire for self-sacrifice; reputation; requital to society; and the need to belong. The conducted multiple linear regression analysis confirmed the statistical significance of the following factors: the level of income; repentance; faith in justice; relations with the organization and employees that received the donation; relationships to the ultimate beneficiary; and religious orientation.

How much do we give?

There are currently three large surveys that included multiple European countries and which cover questions on philanthropy (Gallup World Poll, European Social Survey and the Eurobarometer). In these surveys, the number of people that report giving donations to different causes varies. There are even large differences in the percentage of people that claim to give within a country. Describing the available data on a national level is the most important aim of the combined voluntary efforts of researchers who are part of ERNOP (European Research Network On Philanthropy). By using a standard template, 43 researchers from 23 countries were asked (May, 2015) to describe the available data sets on giving from all sources. What amounts are donated by households, corporations, foundations, charity lotteries and through bequests? The preliminary results show that data on household giving are the most widely available, but that there

is a lack of comparability with other data sets. Data on other sources is less widely available, and as a result any estimation of the amount given is assumed to be at the lower end of the scale. For some countries it is however possible to give a best estimate of the total size of the philanthropic sector. Furthermore, for many countries, national data is available for secondary analysis (ERNOP: Mapping the Current State of Giving Research in Europe).

In the Czech Republic, researchers (Hyánek, Hladká, et al.) used the data sources listed below. These sources are characterized by a sufficiently high level of reliability and representativeness for the purposes of this extensive research (processed by Prouzová in: Mapping the Current State of Giving Research in Europe: State of Giving Research in the Czech Republic as yet to be published by the Centre for Non-profit Sector Research):

1/ Satellite Account of Non-profit Institutions

Czech Statistical Office (CZSO) collects and presents macroeconomic data about the aggregate amounts of donations made by households to non-profit organisations. The figures represent the outcome from the NI 1-01 survey; they are consequently adjusted according to the ESA 2010 methodology and balanced among the sectors. The dataset includes information about the donations given by corporations to non-profit organizations.

2/ Annual National Accounts

The CZSO presents macroeconomic data about the aggregate amount of donations made by citizens of the Czech Republic in the figure stated under item number D.75 (*Miscellaneous current transfers*) for donations. These are donations made by households to other institutional sectors (according to ESA 2010).

3/ Data from the NI 1-01 survey

- i) The data covers the amounts of donations from inhabitants of the Czech Republic to individual NPOs. The data are collected annually. The respondents are NPOs and the inquiry about donations is made with respect to the revenues of NPOs.
- ii) Individual data provided by non-profit organizations. This dataset contains individual anonymised data collected annually by the CZSO from non-profit organizations through the NI 1-01 survey.

4/ Individual data provided by corporations

This dataset contains individual anonymised data collected annually by the CZSO from corporations with 50 or more employees. The data are not publicly available; they can be purchased from the CZSO.

5/ Ministry of Finance - Financial Administration

Tax-deductible items are one of many forms of tax relief. Claiming the deduction for donations is restricted by legally established limits.

6/ Data sources on giving by foundations

- i) The data are collected by the CZSO. These data are the most reliable as they are exact in terms of the number of existing foundations. However, the collected data only covers those foundations with more than nine employees (i.e. about 1% of foundations).
- ii) Additional relevant data are provided in the special annual reports of the Government Council for Non-Governmental Non-Profit Organisations. However, these

data are substantially unrepresentative because they only describe the foundations that were funded by the public *Foundation Investment Fund*.

iii) The third type of data source on Czech foundations are the annual reports of the Czech Donors Forum which provides annual data on selected foundations.

7/ Data sources on giving by charity lotteries

This information is publicly accessible on the Ministry of Finance website. New legislation means that no data is available after 2012.

The following section of this paper presents the basic outputs based on the specified data sources. These outputs can not only be used for the needs of Czech users, but also for the purpose of making comparisons with other countries. The results and related comments are divided according to the particular types of giving.

Giving by individuals in VIVO

As there are no systematic statistical data on individual giving available in the Czech Republic, two separate indicators were examined. These indicators do not provide a full picture of individual philanthropy, but as the following tables show, they indicate trends over the past few years.

Table 2. Donations by individuals over the period 2005 - 2013 (in EUR millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Amount of giving	478	441	598	418	406	397	396	407	365

Source: Czech Statistical Office, Satellite Account of Non-profit Institutions

The figures do not indicate any clear pattern of change in giving by individuals over the past few years. We can assume that the figures reflect the impact of the economic crisis in some way, however, there is insufficient evidence to confirm this statement.

The second indicator describing individual giving is found in the Ministry of Finance statistics on the number of natural persons applying for tax deductions on charitable donations made to NPOs.

Table 3. Number of taxpayers and total value of donations (in EUR millions)

	Number of taxpayers	Total value of donations (in EUR millions)
2006	132 470	49
2007	141 093	53
2008	110 614	52
2009	113 928	54
2010	116 959	55
2011	121 216	53
2012	124 096	57
2013	138 966	55

Source: Ministry of Finance

Data on giving and the philanthropic behaviour of individual donors are not collected on a regular basis and are therefore only available to a limited extent. The data that are available are typically from ad hoc surveys conducted by market research companies at the request of local non-profit organizations.

Giving by corporations

The Ministry of Finance publishes aggregated data based on the income tax reports filed by corporations. The data only include those donations for which companies applied for a tax deduction and represent all tax-deductible donations, including those for non-profit organizations, organizations in public administration or public universities. While it is generally assumed that this number is close to reality, it is also significantly below the amount published by the CZSO. For 2013, we can therefore say only the following (Stehlíková, 2015):

Approximately 5% of all legal persons (17,505 corporations) donated a total of EUR 88 million. The average donation was EUR 5,014. In 2012, 17,571 corporations donated a total of EUR 94 million. The average donation was EUR 5,376.

When comparing this data for 2012 with that of the data from the CZSO for the same period, the differences are clear. In 2012, according to the CZSO, non-profit organizations received EUR 157 million from corporations i.e. 60% more than the amount published by the Ministry of Finance.

Giving by foundations

There are three basic indicators for foundations in the Czech Republic. The first, the total number of registered foundations is provided by the CZSO. The second, data on the mean amount donated by a foundation in a given year may be retrieved from the annual reports of the Czech Donors Forum. Finally, data can be collated from the same source on the total value of donations provided by foundations in 2013.

The number of foundations in 2013 donating to different goals was in total 1,854 (Czech Statistical Office). The mean amount donated was EUR 278,788 (Czech Donors Forum). In 2013, the total value of donations by foundations totalled EUR 33.7 million (Czech Donors Forum).

Conclusion

The problem of the quality of available resources characterizing giving in the Czech Republic still remains. The problems lie in two areas:

Firstly, there is a lack of reliable and systematically collected data. Academic production in this direction is totally inadequate. This is disturbing because it shows a lack of interest in the surveyed area in the academic world. It is evident that a similar lack of interest is to some extent present in the Czech Republic too.

Secondly, some data and information are collected by specialized sectoral agencies, umbrella NGOs, and professional organizations. This can happen in the form of ad hoc surveys, regular yearbooks, limited member databases, etc.

Given the fragmented nature of the data collection methods, the different nature of each resource, and a lack of complete data, it is only possible to provide aggregate data in a much reduced structure. In addition, data of this kind only enables a limited analysis of

the various financial flows and makes it almost impossible to build an analysis of the individual or corporate donor's motives. However, it is precisely these topics that are the focus of researchers today (most recently Wittek and Bekkers, 2015). The authors of this paper set out in a similar direction. However, they utilized a data collection method for their research activities that is both demanding in terms of time and funds. The research activities were based on the use of quantitative methods such as regression analysis, the method of the analysis of variance (ANOVA), etc. The authors consider this article to be the necessary first step in the right direction.

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Participants in the “Image Politics” of Doksy in the First Half of the 20th Century

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Abstract

This article, by using the analytical category “image politics”, tries to disentangle the network of people and organizations that in the first half of the 20th century developed, produced and promoted the “image” of the North Bohemian town of Doksy as a spa resort surrounded by unspoilt countryside. The information contained within this article is sourced from the town’s chronicle, correspondence between various organizations and former promotional materials. During their evaluation, attention was primarily focused on the sphere of competence of the participants and their interconnection and cooperation. The study also highlights the methodological problems generally associated with research into the role of participants in “image politics”. The conclusions are therefore beneficial to current international research into the history of tourism.

Keywords: Image politics, tourism, spa, participants, Doksy, Great Pond

Introduction

Although the spa industry and tourism in the Czech Republic have not been historiographically completely neglected (Štemberk 2009; Štemberk, Jakubec 2009), the two themes still hide many desiderata. These include, inter alia, the formation, distribution and reception of certain images by which spas and other tourist destinations intentionally presented themselves to rising numbers of visitors. The focus of this study is on the North Bohemian town of Doksy and its media exposure in the first half of the 20th century. The aim of using a specific example was to show the possibilities and limitations of such research.

For this purpose, Doksy (Hirschberg in German) represents an ideal subject for scientific analysis. Until the 1880's the town remained almost unknown. However, the town and the surrounding landscape, relatively untouched by the industrialization process at that time,¹ started to attract a growing number of summer guests. At the turn of the 19th and 20th centuries a spa boom took place in the whole Bohemia.² This motivated Doksy, along with dozens of other peripheral locations,³ to profile themselves as spa resorts. Due to the Great Pond (Großteich in German, after World War II renamed the Mácha Lake, Máchovo jezero in Czech), Doksy and the village Staré Splavy (Thammühl in German), which lies on the north side of the Great Pond, gradually built up a reputation as *"the largest open-air spa in the Czechoslovak Republic"* (Obrazová služba správy lázní 1931) and proudly called itself the *"North Bohemian Lido"* (*Böhmens Lido* [after 1930]). The Great Pond and the surrounding countryside certainly provided suitable conditions for Doksy's meteoric rise as a spa resort. However, these characteristics were by no means sufficient and the town had to set in motion and put in place various mechanisms of self-representation. Fragmentary information on the birth and growing importance of those mechanisms has been preserved in the town's chronicle, in correspondence of the Town Council and in promotional materials.

These sources describe the same phenomenon by using deferent names. "Reklame", "Werbung" and "Propaganda" were in the mostly German-speaking Doksy conventional terms that expressed the co-operation between specialized agencies, periodicals and individuals on creating a highly idealized "image" of the town. In present day historiography these terms for the analysis of the formation of urban "image" have been waived. Whilst the terms "Reklame" and "Werbung" in present day German scientific discourse are seen as short-term tactics to sell a certain product, the term "Propaganda" has gained negative overtones due to its abuse under totalitarian regimes. Science has yet to redefine "Propaganda" so that it can once again become a part of its professional nomenclature (Fröhlich 2008, p. 101-108; Sösemann 2011, p. XXVIII-XLIV). Instead of these three terms, the expression "Public Relations" has recently been established in the Communication Sciences and is understood to mean the *"systematic, long-term and continuous planned distribution of information among a relevant section of the public"* (Com. Lange 2010, p. 2).

For towns and cities alike, "Reklame", "Propaganda", "Werbung" and "Public Relations" are currently only conceived to be instruments of so-called "Stadtmarketing" or "City Marketing", aimed at increasing the attractiveness of a community. This goal can be achieved not only by promoting tourism but also by improving the urban infrastructure or supporting the local economy (Grabow, Hollbach-Grömig 2006). The term "Stadtmarketing" arose in the 1980's and was introduced especially by German cities as a contemporary form of development in response to socio-demographic changes, to

¹ In the first half of the 19th century, Doksy was home to the textile industry, but only for a short time (Panáček, Wágner 1990, p. 11-12, 95).

² In 1903, for example, a so-called seasonal newspaper entitled "Healthy Air and Spa" (Zdravý vzduch a lázně) was issued under the tutelage of the Association of Bohemian Spa Doctors (Sdružení českých lázeňských lékařů) in Prague. One of its objectives was to show the benefits of spa treatments and *"to inform the audience of the appropriate places and appropriate summer spas"*. At the same time based on the initiative of the same organization a guide to spas, medical and summer residences within the Bohemian territory was published and annually updated (Zdravý vzduch 1903, p. 1; Lázně 1903-1911).

³ Around the same time as Doksy, for example, Potštejn in the Orlické Mountains also began to transform itself into a spa resort. Helena Kokešová presents it in her study (Kokešová 2009).

globalization and the resulting increased competition between cities (Grabow, Hollbach-Grömig, Birk 2006, p. 19-21).

Can the term “Stadtmarketing” be applied to events that happened before 1980? Some cultural historians do not consider the contemporary profiling of cities to be unique. They believe that “Stadtmarketing” existed much earlier - already during the construction of Berlin under the reign of Friedrich Wilhelm I purposeful efforts were made to publicize the city (Martens 2008). On the other hand, some historians demur to such use of the word “Stadtmarketing”. According to the historian Torben Giese, individual elements of “Stadtmarketing” can be found in much earlier times, but it is only in the latter part of the 20th century that they fused into a holistic marketing concept, which subsequently shaped the city according to its market needs. Research by Giese on Frankfurt am Main, Wiesbaden and Offenbach introduced the concept of “modern urban image politics” which, according to him, developed in the late 19th century as a result of municipal governments’ attempts *“to influence, systematize and professionalize the image of their cities”* (Giese 2010, p. 14-18).

There is therefore a plethora of terms which can be used to describe what took place in Doksy in the first half of the 20th century. Below we desist from referring to the terms “Werbung”, “Reklame”, “Propaganda” and “Public Relations”, in part due to period conditionality, and in part due to their very narrow meaning. “Stadtmarketing” is also not considered an appropriate term, although the local politics of Doksy in the first half of the 20th century did resemble this phenomenon. However, “Stadtmarketing” is a term which refers to a certain modern matter. The transfer of the term to events prior to 1980 is inappropriate and is like using the word “sport” to describe medieval knight tournaments or “homosexuality” for ancient same-sex acts.

For this research project the most suitable instrument for analysis seems to be the term “image politics”. According to Torben Giese, “image politics” encompasses all attempts by a town to consciously and deliberately affect or alter its “image”, either through the media or urban construction (Giese 2010, p. 55). Due to the enormous thematic range, it is not feasible to investigate the whole “image politics” of Doksy. The role of urban construction will be set aside and the focus is only on the area of media. At the forefront of our interest is not the resulting “image” of the town, nor the media itself, through which the “image” was multiplied, it is rather who organized the “image politics” and who was engaged in it. This study shows that in addition to the special institutions of the Town Council, associations and private initiatives participated in forming the “image” of Doksy as well. This also included many forms of regional and sub-regional cooperation. What the “image” of Doksy was and which was displayed to the world, was not only decided in Doksy, but also for example in Česká Lípa, Liberec and Berlin.

Activities of the Town Council

The organization of tourism and the “image politics” in Doksy was characterized by long-term tensions between the Town Council and the noble Waldstein family who owned the Great Pond. Before World War I, the Doksy Town Council had to annually ask permission from the aristocracy to allow summer guests to swim in the pond. It wasn’t until 1910 that the nobility granted long-term permission to the town *“until further notice”*. This permission was granted on the condition that, as was the case in previous

years, visitors were only allowed to swim in designated places and that there should be a visible notice informing people that the Great Pond and swimming areas were privately owned.⁴

This unbalanced relationship ended with the conclusion of World War I. In the newly established democratic Czechoslovakia it suddenly seemed incomprehensible to have to beg the nobility to “allow summer guest to swim”.⁵ A Special Commission (Sonderkommission) was founded, which discussed the new legal situation. A chronicler of the town and the town’s mayor between 1927 and 1937, Josef Quaißer, was involved in the commission. According to his chronicle, the municipality bought numerous plots of land near the pond from the nobility and gained free access to several routes. The most important result of the negotiations in 1920 was the emergence of the so-called Great Pond Commission (Großsteichkommission) under the auspices of the Town Council. The commission consisted of 10 representatives from the municipality and one representative of the nobility. The sources do not reveal how the Great Pond Commission worked. Quaißer only writes in the chronicle of a “broader committee” to decide what should happen, and a “narrower committee” which was responsible for the implementation of the decisions made.⁶ It can be said with almost certainty that the competences of the commission did not only include the management and operation of the Great Pond but also the creation of the “image” of the town. The tourist brochure “Hirschberg und Thammühl” states the Great Pond Commission as its publisher (*Hirschberg und Thammühl* [after 1925]). Unfortunately, the work of the commission in the “image politics” cannot be evaluated very positively. Frequent changes in membership of the commission, partisan skirmishes, and the lingering animosity between the Town Council and the nobility prevented a more systematic and planned generation of the “image” of the town.⁷

In 1928, legal, financial and economic frictions between the two partners eventually resulted in the commission being restructured. Its membership dropped to five; three members represented the town and two the nobility. The mayor of the town was put in charge of the commission and the organization acquired a new, grander name - Spa Administration (Badeverwaltung). Like its predecessor, the Great Pond Commission, the Spa Administration was responsible for everything related to the management of the water areas. This included for example the distribution of seasonal work on the beach or the purchase of motorboats.⁸ Responsibility for the media was also among its many tasks. The Spa Administration negotiated with advertising agencies in Ústí nad Labem (Anonncen-Expedition Merkur) and Liberec (Propaganda-Anonncen-u.-Reklame-Verlag

⁴ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 129, Inventory No. 602, “Máchovo jezero – organizační agenda”, a letter from Count Waldstein to the Municipal Office, dated 6 June, 1908; a letter from the mayor to Count Waldstein, dated 7 April, 1910; a letter from Count Waldstein to the Municipal Office, dated 21 April, 1910.

⁵ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 194, Inventory No. 813, QUAİßER, J. *Gemeinde-Gedenkbuch*, p. 140.

⁶ Ibidem, p. 140-141.

⁷ Ibidem, p. 141, 153.

⁸ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 173, Inventory No. 739, file “Pachtungen – Jezerní správa Doksy – najímání a pronájem prodejen 1927-1932”, rental agreements for commercial stalls; State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 194, Inventory No. 813, QUAİßER, J. *Gemeinde-Gedenkbuch*, p. 153, 156.

A.-G. Piras, Rudolf Mosse A.-G., ALA A.-G.) the conditions for advertising in newspapers.⁹ In addition, it published several leaflets (*Nordböhmisches Strandbäder* s.d.; Bilddienst der Badeverwaltung 1931), a large number of postcards and a richly decorated anthology under the title “Hirschberg und sein Teichgebiet” (Badeverwaltung Hirschberg-Thammühl [after 1937]). Again, the sources do not tell us whether the work on the promotional materials was entrusted to one member of the administration, or to all, and whether regular meetings were organized at which specific strategies relating to “image politics” were discussed. In all probability, the activities of the Spa Administration were rather the result of improvisation based undoubtedly on the state of the municipal coffers at the time.

The town, through the Spa Administration, slowly consolidated its position and superiority over the Waldstein family. In 1940, the then mayor of the town, Rudolf Dittrich, concluded an agreement with Charles Waldstein, whereby the latter renounced all rights to any business associated with the Great Pond. The town finally became the master of the pond which was absolutely indispensable to Doksy’s fame as a spa resort. In addition, the fifth paragraph of the contract dissolved the Spa Administration. Its tasks - and evidently also matters concerning “image politics” - passed into the hands of the mayor, who was surrounded for this task by an undefined number of advisers.¹⁰ In order to be an adviser an important criterion seemed to be membership of the National Socialist Party. One of the members of the new committee is identified in the minutes of a meeting in 1940 even as an “Ortsleiter Parteigenosse”.¹¹ During World War II, however, the mayor and his circle did not contribute very much to the “image politics” of Doksy because they were concerned with far more serious problems - including the possibility that the hotels in Doksy would be transformed into military hospitals and shelters for those displaced by bombings.¹²

The Initiatives of Associations and Individuals Connected with the Town

“Image politics” was not just the domain of the Town Council in Doksy; it was rather a broad forum which infiltrated many other participants. Long before 1920, when the Great Pond Commission was founded, the Beautification Association Doksy (Verschönerungsverein Hirschberg) was active. From 1888, the Beautification Association embellished the town’s surroundings and was probably responsible for organizing the publication of adverts in several issues in 1904 of the periodical “Prager Blatt”. The adverts invited people to visit the “*oldest and most important summer resort*

⁹ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 173, Inventory No. 739, file Správa Máchova jezera, 2) propagace 1935-1938”, correspondence of Spa Administration with advertising agencies from 1937.

¹⁰ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 183, Inventory No. 775, file “Lázeňská správa Máchova jezera 1939-1940 – různé spisy”, agreement dated 15 March, 1940 between the mayor of Doksy and Charles Waldstein about the management of the Great Pond.

¹¹ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 183, Inventory No. 775, file “Lázeňská správa Máchova jezera 1939-1940 – různé spisy”, protocol from negotiations of the Spa Administration, dated 18 March, 1940.

¹² State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 183, Inventory No. 775, file “Zemský spolek cizineckého ruchu v Sudetech”, letter from the Regional Authority (Landrat) to the mayor of Doksy, dated 2 January, 1942; letter from the mayor of Doksy to the Reserves Management (Leitung der Reserve), dated 3 March, 1942.

in northern Bohemia" and enticed them to swim in the "manor Great Pond".¹³ The association was also the author of a number of postcards.¹⁴ It continued its activities until 1930, when it was dissolved and absorbed into the new Association of Tourism (Fremdenverkehrsverein). From this time onwards the Association of Tourism coordinated the activities of organizations and companies which were involved in the management and "image" of the resort. Among the association's members were for example the Association of Innkeepers (Gastwirtengenossenschaft) and the Association of Building Experts (Baumeistervereinigung).¹⁵ In addition to the "Fremdenverkehrsverein" the sources also refer to other organisations such as the "Verkehrsamt" and "Verkehrsverein".¹⁶ However, it is difficult to say whether they coexisted or whether it was still the same association simply called by different names.

The "image" of the town was also formed by individuals. Publishers of postcards were local merchants, innkeepers and hoteliers.¹⁷ In 1931, the photographer Karl Zimmer made pictures right on the beach of Staré Splavy. The pictures were offered for sale in the local stall of Erwin Morawetz.¹⁸ Emil Lorenz was Zimmer's competitor on the beach. He actively promoted Staré Splavy by taking "thousands of group photographs",¹⁹ as he writes in a motivational letter to the Spa Administration. The influence of local patriots, who lived in Doksy or had a very intimate relationship to the town, cannot be overlooked as well. They wrote different extensive brochures introducing readers to the countryside around Doksy and providing practical information on accommodation, restaurants and leisure time activities (e.g. Hantschel 1922, Kinský 1931).²⁰

All these organizations and individuals did not work in isolation; "image politics" was, on the contrary, about close cooperation. This was especially true in a small town like Doksy. It is perfectly feasible that a certain hotel keeper might have published its own postcards and leaflets, while he was also a member of the Beautification Association and, from the 1930's onwards, along with other accommodation providers, of the Association of Tourism. The mutual support given by the participants in the "image politics" of the

¹³ State Regional Archives Česká Lípa, Fund "Okrašlovací spolek Doksy", Box 77, Inventory No. 933/35, newspaper cutting from "Prager Blat", dated 10 April, 1904 and 14 April, 1904.

¹⁴ Doksy Municipal Library, Regional Fund, for example the postcard entitled "Josefsanlagen, Gruss aus Hirschberg i. B."

¹⁵ State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 194, Inventory No. 813, QUAISER, J. *Gemeinde-Gedenkbuch*, p. 161-162.

¹⁶ State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 183, Inventory No. 775, file "Reklama a propagace, korespondence 1939", a letter from the journal "Fränkische Tageszeitung" to Doksy's organization "Verkehrsamt", dated 27 April, 1939; a letter from the journal "Dresdener Anzeiger" to Doksy's organization "Verkehrsverein", dated 2 May, 1939.

¹⁷ Doksy Municipal Library, Regional Fund, for example the postcard entitled "Kasino Hotel und Tanzdiele, Sommerfrische Hirschberg am See, E. Kunzmann, Besitzer."

¹⁸ State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 173, Inventory No. 739, file "Pachtungen – Jezerní správa Doksy – najímání a pronájem prodejen 1927-1932", a letter from Karl Zimmer to the Spa Administration, dated 15 September, 1930.

¹⁹ State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 173, Inventory No. 739, file "Pachtungen – Jezerní správa Doksy – najímání a pronájem prodejen 1927-1932", a letter from Emil Lorenz to the Spa Administration probably dating to 1931.

²⁰ Franz Hantschel (1844-1940), came from Chotovice near Nový Bor. He was a doctor, a member of the "Exkursions-Club" in Česká Lípa and a publisher of its journal in which he published a treatise on the nature of northern Bohemia. He also dedicated his monographies to this area. Bohumil Kinský (1898-1987) was a teacher and later director of the secondary school in Česká Lípa, an avid hiker and photographer. In the years 1928-1936, he published six guidebooks on various parts of northern Bohemia. For more information, see the article in the periodical "Heimatkundliche Nachrichten" (*Zum Gedenken* 1964).

town is evident in tourist guides. Gilbert Japp, an expert from the now-defunct State Hydrobiological Research Station in Doksy, wrote several contributions for the booklet "Hirschberg und sein Teichgebiet" (Japp [probably 1937a]) and submitted an article on vegetation to Fritz Günther for his guide "Hirschberg, die Perle Nordböhmens" (Japp [probably 1937b]). In the brochure "Die Binnenseebäder Hirschberg-Thammühl", there is an advert for the book "Unterm Altperstein" (Quaißer 1928, p. 7) which in turn recommends the brochure "Das Hirschberger und Daubaer Land" by Franz Hantschel (Steinitz, Quaißer 1922, book cover). Some passages from the guide "Hirschberg und Thammühl" were even verbatim put into "Die Binnenseebäder Hirschberg-Thammühl" (*Hirschberg und Thammühl* [after 1925], 9; Quaißer 1928, 8).

Numerous links also connect the initiatives of the associations and individuals with the organizations of the Town Council. Karl Zimmer and Emil Lorenz had yet to receive permission from the town's administration to shoot photographs on the beach. To win the concession they were asked to pay 500 Czechoslovak crowns and had to pledge that they would provide 50 photographs to the town free of charge with the "*permission to reproduce them for advertising purposes*".²¹ In this way the Town Council acquired images which the Spa Administration could use in its promotional materials. Joseph Quaißer, who was probably a member of both the Great Pond Commission and the Spa Administration, published his own tourist guides and he also contributed with several treatises to the publication "Unterm Altperstein" (Quaißer 1922). Membership of the Spa Administration in the Association of Tourism is by far the best indicator of the interconnections that existed between the Town Council and the other participants in the "image politics" of Doksy.²²

Cooperation with Regional Organizations and the Organizations from the "Third Reich"

Although the centre of the "image politics" lay in Doksy, in reality the network of participants stretched far beyond the town's limits. For example, Gilbert Japp apparently lived in Česká Lípa, where also Franz Hantschel settled. Neither the photographer Karl Zimmer, nor his colleague Emil Lorenz, were residents of Doksy – evidence shows that both only came to Staré Splavy for the season. Even the most famous postcards of Doksy and its pond were not taken by a photographer who lived in the town. They were taken and published by Karel Streer from the nearby Dubá (Dauba in German).²³

There were many organizations and associations in the region with which Doksy established loose relations. The main goal of such cooperation probably lay in obtaining funds for the further development of the town's "image". The North Bohemian Union of Tourism (Nordböhmischer Fremdenverkehrsverband) was involved in the "image politics" of Doksy and it is probable that under its auspices the Association of Tourism in Doksy was formed. Doksy was also a member of the Confederation of North Bohemian Spas and Resorts in Česká Lípa (Verband der Nordböhmischen Kurorte und

²¹ State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 173, Inventory No. 739, file "Pachtungen – Jezerní správa Doksy – najímání a pronájem prodejen 1927-1932", a letter from Doksy's Municipal Office to Karl Zimmer and Emil Lorenz, dated 7 May, 1931.

²² State Regional Archives Česká Lípa, Fund "Městský úřad Doksy", Box 194, Inventory No. 813, QUAIßER, J. *Gemeinde-Gedenkbuch*, p. 161.

²³ For artistic and political activities, see Streers profile in the publication about old postcards (Dulík s. d, p. 13).

Sommerfrischen in Böhmisches Leipa). In 1930, the confederation invited a delegation of German journalists to Doksy,²⁴ and in the following years it prepared mass advertising for North Bohemian spas, putting Doksy in first place.²⁵

Doksy maintained active links with the neighbouring towns of Hamr na Jezeře (Hammer am See in German), Stráž pod Ralskem (Wartenberg an der Roll in German) and Hradčany (Kummer in German). All of them apparently tried to transform themselves into a resort like Doksy. Unfortunately, their budgets prevented them from investing in large-scale “image” campaigns. In the 1930’s they therefore joined forces with Doksy which had more experience and enjoyed a wider awareness among the public. The result of joining forces was the so-called “collective advertising” (Kolektivreklame) which Hamr, Stráž, Hradčany and Doksy organized independently of the Confederation of North Bohemian Spas and Resorts in Česká Lípa. The procedure went as follows: at the beginning of the year, the Spa Administration sent a letter to the advertising agencies Merkur, Piras and Rudolf Mosse with a request for a quote for collective newspaper advertising for the four towns. During February, the Spa Administration received a quote from each of the agencies. It was agreed beforehand that each town would contribute a different amount. Doksy, the largest and most prominent of the towns, would take responsibility for the largest share – and would take the most space in the advert. The representatives of the four towns subsequently met to compare the submitted proposals and instructed one agency to organize the “collective advertising”.²⁶

In 1939, the “image politics” in Doksy gained a new, supra-regional partner. The most important impulse was the “liberation of Sudetenland”. Where “*a short time ago the borders divided Germans from Germans*” (Bachmann [1939], p. 447), a “*free German*” (Bachmann [1939], p. 447) travel destination was suddenly created which “*met the demands of all who seek relaxation*” (Bachmann [1940], p. 54). Doksy and other local towns were immediately pulled into the machinery of the centralized institutions which were dominated by the Reich Association of Tourism (Reichsfremdenverkehrsverband).

This central organization was formed in 1936 with a view to bringing all sectors of tourism under Nazi control. The organization was managed by Hermann Esser. In the Reich Ministry of National Enlightenment and Propaganda (Reichsministerium für Volksaufklärung und Propaganda) headed by Joseph Goebbels, Esser also held the post of Secretary of State for Tourism (Heilingbrunner [1940], p. 11). Among the 34 provincial associations which were affiliated to the Reich Association of Tourism was also the Provincial Association of Tourism Sudetenland (Landesfremdenverkehrsverband Sudetenland). The association, headquartered in Liberec, became a member in 1939. Until the end of March 1940 it numbered 463 communes. Doksy was not missing from the list. The association in Liberec also included

²⁴ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 194, Inventory No. 813, QUAIßER, J. *Gemeinde-Gedenkbuch*, p. 161-162.

²⁵ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 173, Inventory No. 739, file “Správa Máchova jezera, 2) propagace 1935-1938”, a letter from the advertising agency Rudolf Mosse to the Confederation of North Bohemian Spas and Resorts in Česká Lípa, dated 15 January, 1936; a letter from the Confederation of North Bohemian Spas and Resorts in Česká Lípa to the advertising agency Rudolf Mosse, dated 20 February, 1936.

²⁶ State Regional Archives Česká Lípa, Fund “Městský úřad Doksy”, Box 173, Inventory No. 739, file “Správa Máchova jezera, 2) propagace 1935-1938”, correspondence of the Spa Administration with advertising agencies and representatives of partner cities in the years 1936 and 1937.

an Advertising Committee (Werbeausschuss), which had 18 members, one of whom came from Doksy.²⁷ This is indisputable evidence of the town's years of experience in the field of "image politics".

The extent to which membership of the organization was voluntary remains a question for future researchers to examine in more detail. The benefit of being an associated member of both the Provincial and Reich Associations of Tourism was that they offered unparalleled opportunities to reach a mass audience. The downside was that the town experienced unprecedented interference in its "image politics". Esser had been commissioned to manage tourism in the whole of Germany under the same rules to the benefit of the national community (Graf [1940], p. 29). In cooperation with the Institute for the German Reich Spas (Reichsanstalt für das deutsche Bäderwesen) and the Reich Meteorological Office (Reichsamt für Wetterdienst), individual destinations were therefore categorized according to their nature into mandatory categories (Bacmeister [1940]) and "*their picture and written advertising, advertisements, advertising papers and posters were subject to an approval procedure*" (Graf [1940], p. 30). In the Reich's monumental encyclopaedic survey of tourist destinations from 1940, Doksy fell into the category of "air spa" (*Lufkurorte* [1940]) and its brochure "Hirschberg-Thammühl am See – Sudetenland" had to be certified by the Provincial Association of Tourism in Liberec (Verkehrsamt Hirschberg-Thammühl am See 1931). Although the new participant implemented clear rules and standards in the "image politics" of Doksy, the times in which there was freedom to form its own urban "image" had ended for good. All the other participants quickly got in line with their Reich partner.

Conclusion

From the end of the 19th century until the outbreak of World War II, the North Bohemian town of Doksy and the adjacent village Staré Splavy changed beyond recognition. From a marginal agricultural area it gradually developed into a popular destination for summer guests who sought relief from their hectic city lives on the banks and in the waters of the Great Pond (now the Mácha Lake). To intensify its appeal and to enter the public consciousness as a spa resort, Doksy operated intense media "image politics" in which several players participated. These players included individuals (local patriots, artists, hoteliers, innkeepers) and organizations either directly from Doksy (Beautification Association, Great Pond Commission, Spa Administration, Association of Tourism), or from the surrounding area (Confederation of North Bohemian Spas and Resorts in Česká Lípa, North Bohemian Association of Tourism, Provincial Association of Tourism Sudetenland), as well as from abroad (Reich Association of Tourism). Until 1938, the dominant participant in the "image politics" of Doksy seems to have been the institutions connected with the Town Council. The products of the Great Pond Commission and the Spa Administration were obviously considered official and apparently became prototypes for brochures, leaflets and postcards of other

²⁷ The Provincial Association of Tourism Sudetenland was appointed by decree on 31 October, 1938. The founding assembly took place in Liberec, 17 January, 1939. Regional State Archives Česká Lípa, Fund "Městský úřad Doksy", Box 183, Inventory No. 775, File "Zemský spolek cizineckého ruchu v Sudetech – korespondence s obecním úřadem, 1939-1943 Cizinecký ruch", *Geschäftsbericht des Landesfremdenverkehrsverbandes Sudetenland (Oktober 1938/März 1940)* [probably 1940], Reichenberg: Landesfremdenverkehrsverband Sudetenland, p. 5-6, 7, 29, 35.

participants. Once Doksy joined the Provincial Association of Tourism after the occupation of the border, the “image” of the town was strictly regimented according to the guidelines defined by the central office in Berlin. The scope of the influence of other participants in the “image politics” of the town was seriously limited.

The fragmentary nature of the sources and their informative value prevents us from getting a closer insight into the mechanism behind the “image politics” of Doksy. From the chronicle, correspondence and promotional materials, it is not possible to learn more about the participants other than their names. The full extent of the activities of the Spa Administration or the Association of Tourism therefore remains obscured. The fate of the majority of hoteliers, retailers, photographers and local patriots who supported the fame of Doksy with their images and texts also remains uncertain. For this reason, it is not possible to exactly determine who for example was brought into the “image politics” for profit or for the love of their community and country.

The sources reveal very few clues to the interactions between the different participants. Certain strategies, agreements and of course finances were needed to create the “image”, so that the participants had to often negotiate among themselves. The cooperation established between Doksy and its neighbouring towns on “collective advertising” is the only substantiated evidence that exists of such negotiations. There is no information on further communications between the participants. In effect, this means that we know the participants by their names, we know the results of their work in the form of advertisements, postcards, leaflets and tourist brochures, but we cannot reconstruct the processes that made it happen.

Finally, it is necessary to take into account the nature of the sources which are available on the “image politics” of Doksy. The sources were mostly produced by organizations (correspondence of the Spa Administration) and by individuals (chronicle written by Josef Quaißer) associated with the Town Council. To fully understand the development of the “image” of the town, we would require documents respecting the perspective of other participants - the Waldstein family, the Confederation of North Bohemian Spas and Resorts in Česká Lípa or accommodation providers in Doksy. Due to their absence a multi-perspective analysis of the topic is strongly compromised.

It is possible to assume that for larger tourist locations comprehensive and content-rich files of sources exist that would enable us to look in detail at the role of participants, individuals and organisations in “image politics”, as well as clarify their interactions over a longer period of time and from different perspectives. On the contrary, in smaller locations researchers will often be confronted with the same limitations which our study encountered when trying to get acquainted with the protagonists of the “image politics” of Doksy in the first half of the 20th century. Nevertheless, further research into the stakeholders involved in the creation of the Doksy’s “image” would not be wasted and promises to reveal new and interesting findings. This would be particularly the case if it involves research over a broader time line. Doksy’s popularity among summer visitors did not cease in 1945. Although the town stopped being a fashionable lake and air spa, its new “image” as the recreation centre of the Revolutionary Trade Union Movement guaranteed the town’s continued boom. New times and new clientele required new participants in the “image politics” of the town. Although some authors of tourist guides embodied their personal continuity in the “image politics” of the town during the inter-war and post-war years, local, regional and national entities entered the scene and

distanced themselves from past trends. Their analysis can be an important insight into the functioning of the mechanisms of "image politics" with regards to socialist recreation. This study not only provides a number of theoretical and methodological impulses on the history of tourism, but it is also the starting point for further research into a regional topic with supra-regional relevance.

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Eminent Domain: History and Economics

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Abstract

The power of eminent domain is often considered to be the inherent power of the government and it is rarely questioned. There are two possible justifications for eminent domain. Either the government has a superior position to that of private owners, such as a feudal lord, or the power of eminent domain exists to prevent the problem of holdout, i.e. the problem of high transaction costs. This paper examines and contrasts the historical and economic approaches to eminent domain and shows the complementarity of these disciplines.

Keywords: eminent domain, property in land, feudalism, holdout

Introduction

Eminent domain has become a standard way for governments around the world to purchase land. The use of the governmental power to take private property is now generally accepted and rarely questioned. However, the case for eminent domain is far from clear and some questions remain. The most fundamental question concerns the justification for eminent domain.

Property in land is protected by two distinct rules. In most cases it is protected by the property rule. However, when it comes to government purchases, it is protected by the liability rule. This paper aims to examine the justification for such duality in the protection of the same entitlement. One is economic, the other is based on political and legal history.

The purpose of this exercise is to show how different disciplines approach the same problem. There is a well-known diversion in the way in which economists explain the emergence of property rights. One is represented by Harrold Demsetz (1967), the other by Douglass C. North (1981). The former stresses the efficiency approach, the latter accounts for the political process. In the same vein as Demsetz, the traditional economic approach to eminent domain focuses on efficiency issues and ignores the historical development and political processes that have given rise to this institution. There is a lot that history can supplement the economic account with.

This paper is organized in the following way. The nature of property and eminent domain is described in the first part of the paper. Subsequently, the economic theory of eminent domain is presented, followed by an historical account of its emergence in England and the United States. The final part contrasts these approaches and draws conclusions.

Property and Eminent Domain

For lawyers, property is "a legally protected 'expectation' of deriving certain advantages from a 'thing'... [and thus it is] comprised of legal relations between persons with respect to 'things'." (Cunningham, Stoebuck and Whitman, 1989, 3). The term "property" stands for a bundle of rights, each representing a different aspect of ownership. This concept of property rights is useful for further analysis. It is useful to specify these "protected expectations" or the "sticks in the bundle" in more detail.

There are six different aspects of property that are defined in European civil law which are also recognized and protected in Anglo-American law. These are the "legally protected 'expectations': (1) a right of possession (*jus possidendi*); (2) a right of exclusion (*jus prohibendi*); (3) a right of disposition (*jus disponendi*); (4) a right of use (*jus utendi*); (5) a right to enjoy fruits or profits (*jus fruendi*); (6) a right of destruction (*jus abutendi*)." (Cunningham, Stoebuck and Whitman, 1989, 7). The use of eminent domain primarily deprives the owner of *jus disponendi*, the power to change legal relations with respect to a thing. Consequently, it removes all of the interests (i.e. rights, privileges and powers) in the property.

Eminent domain gives a government the power to acquire property from private individuals by forced rather than by voluntary exchange. Different rules are used to protect private property against the government and against other potential takers. While in most cases property in land is protected by property rules, it is only protected by a liability rule vis-à-vis the government (Calabresi and Melamed, 1972).²

The power of eminent domain is usually perceived as an inherent power of a government and a necessary attribute of sovereignty.³ However, this power is

² An entitlement protected by a property rule is fully protected against unwanted taking. As a result, "someone who wishes to remove the entitlement from its holder must buy it from him in a voluntary transaction in which the value of the entitlement is agreed upon by the seller [...] Property rules involve a collective decision as to who is to be given an initial entitlement but not as to the value of the entitlement." On the other hand, liability rules do not protect an entitlement against all unwanted taking. An entitlement is protected by a liability rule when "someone may destroy the initial entitlement if he is willing to pay an objectively determined value for it [...] This value may be what it is thought the original holder of the entitlement would have sold it for. But the holder's complaint that he would have demanded more will not avail him once the objectively determined value is set." (Calabresi and Melamed, 1972, 1092).

³ See Cunningham, Stoebuck and Whitman (1989, 510). An argument for regarding the power of eminent domain as a necessary attribute of sovereignty could be made on the basis of the historical development discussed below.

Cunningham, Stoebuck and Whitman further claim that "[c]onstitutional provisions do not create or grant the power of eminent domain to the state and federal governments. Rather both state and federal constitutions limit the power by requiring state and federal governments (and other entities to which the power is properly delegated) to pay for what they 'take'." (Cunningham, Stoebuck and Whitman, 1989, 510). The origin of eminent domain in their legal theory therefore remains unexplained.

frequently delegated to private corporations as well. It is quite obvious, as we will see later, that there is no clear cut rule for the delegation of the power of eminent domain to private parties.

The power of eminent domain cannot be made general. As noted by Murray Rothbard, "[i]f it were, then chaos would truly ensue. For when the government confers a privilege of eminent domain (as it has done on railroads and many other businesses), it has virtually granted a license for theft. [...] The entire system of private property would then be scrapped in favour of a society of mutual plunder." (Rothbard, 2004, 1139). The power to take private property must therefore be either distributed on some discriminatory basis or abolished completely.

There are multiple ways to explain and rationalize the institution of eminent domain. In this paper, two possible lines of reasoning are followed. The first, that there is an economic justification for eminent domain. Eminent domain is said to be the best instrument to overcome the problem of holdout. This therefore makes it an institution that promotes higher efficiency in a world of high transaction costs. The second, is the historical evolution of the law of property which gives a reasonable explanation behind certain powers that governments have in present times. Under this line of reasoning, eminent domain can be explained as a residue of the former feudal system of government.

Economic justification for eminent domain

In economic literature,⁴ the taking of land using the power of eminent domain is usually considered to be justified for two reasons.

Firstly, it is said that eminent domain prevents individuals from refusing to sell their property to the government at a "reasonable" price (Miceli and Segerson, 2000). This argument is problematic in that the real value of a property for its owner cannot be discovered if they are not willing to sell it. The concept of "reasonable" price is nonsensical without any contract being drawn up or without the acceptance of the fact that things have some intrinsic value that is independent of their utility.

Secondly, eminent domain is said to be justified by the extremely high transaction costs of land assembly, i.e. by the problem of holdout (Miceli and Segerson, 2000). Although this argument is worth more analysis, "[a] crude examination of the circumstances in which ED is actually used does not leave the impression that their outstanding common characteristic is consolidation of ownership rights, which is nowhere mentioned as a necessary condition of the granting of ED power [...] The outstanding characteristic of situations where ED is used is land acquisition by a government-related body, not consolidation of ownership rights." (Munch 1976, 474-5)⁵. It is quite clear that no

Benson (2008) states that (in the United States) the power of eminent domain is generally inferred today from Article 1, Section 8 of the U.S. Constitution and the taking clause of the Fifth Amendment.

⁴ A comprehensive, although not up to date, overview of economics of eminent domain can be found in Epstein (1985). This paper intentionally ignores a significant portion of the legal and economic literature on eminent domain that deals with just compensation, such as Michelman (1967), Knetsch and Borcherting (1979), Blume and Rubinfeld (1984), or Blume, Rubinfeld, and Shapiro (1984).

⁵ Government-related bodies should be interpreted not only as governmental agencies and publicly owned corporations but also any private businesses that are for whatever reason favoured by government. "In practice,

general rule based on transaction costs has been employed to decide who should be eligible to benefit from eminent domain. The power to take private land was rather granted on different bases.

Considering the economic justification for eminent domain, there are two different situations which must be clearly distinguished – monopoly and holdout. The first occurs when a government or private party wants to acquire a unique parcel of land. There are several problems connected with this concept. The most important issue is what constitutes uniqueness. This is similar to the issue of "what is a relevant market" in the standard economic theory of monopoly. It may often be just a government's decision to use a particular parcel of land that makes it unique. Even if the uniqueness is satisfactorily defined, it is not clear how the justification for eminent domain follows from it. The second, the problem of holdout, is connected with the consolidation of many separately owned parcels of land under single ownership. This is truly a problem of high transaction costs. Every owner has the incentive to be the last seller and to extract the rent. Negotiations between the owner and the potential buyer are therefore very costly. This results in a suboptimal amount of land assembly (Munch, 1976).

With regard to the distinction between property rules and liability rules mentioned above, the question it poses is whether a particular entitlement (in our case property rights to land) should be protected by a property rule or by a liability rule. The key to this question is said to be the transaction costs.

According to Posner, "what is fundamental is the distinction between low-transaction-cost setting and high-transaction-cost setting." While in the former situation parties should be required to transact in the market, "in the setting of high transaction costs people must be allowed to use the courts to shift resources to a more valuable use because the market is by definition unable to perform this function in those settings." (Posner, 1986, 49-50).

Calabresi and Melamed (1972) go even further. In their view, "even if holdout and freeloader problems can be met feasibly by the market, an argument may remain for employing a liability rule." (p. 1107). They suggest that it may be possible to eliminate the problem of holdout on the seller's side; however, at a price. Calabresi and Melamed therefore assume that a forced transaction in return for "the objectively determined value" may be more efficient. They show how a hypothetical park would be efficiently established using eminent domain and that if a market was used instead, "a market which was not worth having would have been paid for." (Calabresi and Melamed, 1972, 1107).

The approach described above is based on the efficiency theory of rights. The aim of the law is said to be an efficient allocation of entitlements whereby transaction costs prevent people from achieving the optimal allocation in the market. Krauss (2000)

almost all departments of federal, state, and local government, many regulated industries, and government-related educational and medical establishments have some form of ED power in most states, regardless of whether they wish to acquire one parcel for a schoolhouse or campaign headquarters or 1,000 miles of right-of-way for a freeway." On the other hand, "[n]otable examples of industries in the United States which must assemble property, do serve the public, but have not themselves been granted ED are agriculture, private manufacturing, and suburban development." (Munch, 1976, 474-5)

summarizes the conventional answer to the question whether a particular entitlement should be protected by a property rule or by a liability rule as follows:

"The conventional law and economics answer to this question is that a property rule should be chosen if transaction costs are low (in which case the parties can arguably best establish the relevant values by bargaining after the assignment of the entitlement), while a liability rule should be chosen if transaction costs are high (as might be the case if large numbers of parties are involved either as plaintiffs or defendants, creating risks of free-riding or of holdouts, if the entitlement is incorrectly assigned from an efficiency standpoint)." (Krauss, 2000, 788).

However, the efficiency theory is problematic. As noted by Benson "[o]ne reason for questioning this widely held conclusion is the often implicit assumption that whereas transactions costs are high for private parties, information costs are low for judges or juries who must determine compensation." (Benson, 2005, 169). The assumption is, in fact, that a third party can at low costs "objectively determine value" of a particular entitlement. This can hardly be true, especially if one assumes that the preferences of different people are only revealed in actual transactions.

Richard Posner states that subjective values cannot be used to calculate just compensation. As he admits, "although [it is] illogical in pure theory, it may well be justified by the difficulty (cost) of measuring those values." (Posner, 1986, 51). That is to say, that the cost of determining truly fair value is too high or, more precisely, prohibitive. One must therefore either drop the assumption that a forced transaction with just compensation will lead to the efficient allocation of entitlements or the assumption of determining the just compensation in the courts at low costs. According to Krauss, if "both transaction costs and judicial assessment costs are high, there is little reason to believe that protection of an entitlement with a liability rule will be particularly conducive to efficiency." (Krauss, 2000, 788).

Feudal superiority of government

The law governing property in land originates from feudal systems from the Middle Ages. Even those countries that never experienced feudal rule, such as the United States, have derived the law from pre-existing legal systems.⁶ The evolution of English law gives a good illustration of the processes that have shaped the present day rules.⁷

A feudal system is based on the vertical relations of power and property. In England, following the conquest of William the Conqueror, all land was confiscated by the new king and then redistributed to barons and the church. The King, as the ultimate land owner, granted fiefs to tenants in chief (barons, religious bodies and ecclesiastical officials) in exchange for some obligations. These included primarily military service, offices in the royal household and religious duties such as saying mass and praying for the royal family.

⁶ American law of land is obviously based on English law. (Cunningham, Stoebeuck and Whitman 1989; Benson 2008). Hart (1996) informs about the development of takings in early American history.

⁷ See, e.g., Lyon (1980) for further details on the development of English law.

Property rights to land were therefore distributed among several people. "[A]s a consequence of tenurial system, two or more persons had interest of some sort in each parcel of land except for the demesne land of the King." (Cunningham, Stoebuck and Whitman, 1989, 18). Hence nobody had full ownership, with exception to the King with respect to his demesne land.

Throughout the twelfth and thirteenth centuries the rules developed whereby there was a shift in property rights towards tenants and the creation of fuller ownership. Originally, if a tenant died, the land reverted to the lord and the lord could decide whether to grant the land to the tenant's heirs (usually after payment of "incidents") or another tenant. The "common law right of inheritance" that emerged required land to remain with the tenant's heirs. If no heirs existed, the fee would "escheat" to the deceased tenant's lord. Later on, the "fee simple" was established which was transferable inter vivos without the consent of the lord (Cunningham, Stoebuck and Whitman, 1989, 19-24). Although by the seventeenth century most of the property rights were transferred to tenants in fee simple, the institutions of eminent domain and escheat remain to this day.

In the United States, "[t]he American Revolution clearly ended any tenurial relationship between English king and American landholders. Some of the original thirteen states adopted the view that the state had succeeded to the position of the English king as 'lord' and that tenure continue to exist, while other states enacted statutes or constitutional provisions declaring that land ownership should thenceforth be 'allodial,' or otherwise declaring that tenure was abolished." (Cunningham, Stoebuck and Whitman, 1989, 25). Although it is claimed that "[f]or all practical purposes, one who owns land in fee simple anywhere in the United States has 'complete property' in (full ownership of) the land" (ibid.), the institution of eminent domain (and escheat) was adopted in American law.

From the beginning, tenants struggled to limit the King's power with respect to their land. The Kings' attempts to seize the property of barons were met by several revolts. In 1215, King John was forced to adopt the Magna Carta, a charter limiting his powers including the power to take property.⁸ However, "[t]he barons did not prevent the seizure of property [...] because they, too, wanted the power to seize property." (Benson, 2008, 426).

The creation and growing power of the parliament also did not eliminate eminent domain. Parliament struggled to acquire powers from the King rather than to limit his power. "The power to seize property, for example, did not disappear as Parliament's power grew at the expense of the king's." (Benson, 2008, 427). Moreover, the parliament also assumed the prerogative to delegate the power to take property. Although, it must be noted that before the voting franchise was expanded, most parliamentarians were also landowners.⁹

In the United States, some of the Founding Fathers argued for absolute ownership. Thomas Jefferson "contended that all remnants of feudalism in regard to property

⁸ Chapter 29 of the Magna Carta proclaims: "No Freeman shall be taken, or imprisoned, or be disseized of his Freehold ... but by lawful Judgment of his Peers, or by the Law of the Land."

⁹ This was reflected in a practice whereby compensation for the taking of land included a 10 percent bonus. This bonus was abandoned after the voting franchise was expanded to include many non-landowners. (Benson, 2008, 428).

should be eliminated [and] landowners should not be treated as stewards, with property ultimately controlled by the prerogative of the state." (Benson, 2008, 429). However, some states had already used the power of eminent domain and consensus could only be reached on the limitation thereof. Notably, Jefferson used the term "public use" rather than public purpose, interest, benefit or some other term.¹⁰

There is good reason to believe that eminent domain is a remnant of feudalism. Despite the fact that there had been no feudal system in the United States, the link to English common law prevailed over the attempts of some Founding Fathers to make property rights absolute. The economic justification for eminent domain clearly only emerged as an *ex post* rationalization of the institution. Today, it provides an acceptable justification for the use of the power of eminent domain in modern market economies.

Conclusion

Economists tend to argue from the perspective of efficiency. To make reality tractable, economic models are necessarily simplified. Simplification is not problematic per se. However, models should not be mistaken for reality. The economic justification for eminent domain makes sense as a solution to the problem of holdout. Nevertheless, it does not provide an explanation for all the situations in which the power of eminent domain is used; nor does it explain how and why the institution of eminent domain emerged.

Historians pay more attention to reality. Typically they do not need to fit into an established model or framework and therefore have more freedom to present details, the details that are so inconvenient for model-building. The case of eminent domain presented in this paper shows how historians can inform economists by supplying facts that would otherwise be left to one side as being redundant. What is more, they can point to these facts as essential elements with which to explain reality.

The role of economists and historians may therefore be complementary. Economists provide general frameworks and models for explaining human behaviour, whilst historians provide information about reality. Historians could benefit from having knowledge of economic theories, whilst economist should listen to historians because otherwise economics cannot be a science that provides meaningful statements about the real world. Economics without history would therefore only be a sophisticated discipline that deals with something else other than reality.

¹⁰ However, the "public use" condition was gradually eliminated by the government and the Supreme Court. In the dissenting opinion to *Kelo v. New London*, Justice O'Connor states: "To reason, *as the Court does*, that the incidental public benefits resulting from the subsequent ordinary use of private property render economic development takings 'for public use' is to wash out any distinction between private and public use of property – and thereby *effectively to delete the words 'for public use'* from the Takings Clause of the Fifth Amendment." (*Kelo v. New London*, 545 U.S. 469 (2005), emphasis added).

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The Current Problems in Relations between Germany and Namibia

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Abstract

Relations between Germany and Namibia are still heavily influenced by colonialism. As part of the scramble for Africa in the 1880's, the German Empire came to what is now Namibia and created German South-West Africa. Germany remained the colonial power of the territory until 1915. The period of colonial rule was marked by the genocides of the Hereros and the Namas tribes.

This article focuses on the current political climate within Federal Republic Germany and how the nation is dealing with the difficulties of its colonial past. It is clear how strained relations are between the colonizer and the former colony. It should be noted that Germany has undertaken reconciliatory steps this year (which marks the 100th anniversary of the end of German rule over Namibia) in order to deal with its history.

Keywords:

Germany, Namibia, genocide, colonialism, German South-West Africa.

Introduction

It is a well-known fact that former colonisers have quite complicated relations with their former colonies (Loomba 2015). All of the former colonial powers committed some sort of injustice, repression, organised violence or genocide while their colonies were under their rule. It is therefore understandable that these historical events are still causing problems in relations between these countries. This is the result of the difficulties the former colonisers have with dealing with the issues effectively and critically.

These issues are often not only related to politics but also to interpersonal issues. The latter is particularly true if in the given countries ("old colonies") there are still large groups of descendants of the former colonisers still living there. This is exactly the case in Namibia which was a German colony until 1915. The Germans started to occupy and inhabit Namibia in the early 1890's. Their arrival marked an increased involvement in politics, the economy and society. This had a major impact on the lives of the local black inhabitants, who soon felt repressed. The repression resulted in the ethnic tribes rioting.

A three year genocide ensued in which the Hereros (65,000 – 85,000 victims) and the Namas tribes (10,000 tribesman) were persecuted.

The Germans acted with extreme aggression. The genocide is considered to be the biggest trauma in the history of Namibia (Melber 2005). The genocide is in fact forgotten in Germany because it is overshadowed by the events of the Second World War and the guilt Germans still feel for what happened. Taking responsibility for the blame of the wrong-doing during the colonial era is a problematic point in German history because it has been forgotten.

The situation in Germany contrasts strongly with that in Namibia. Many Namibians are living descendants of the murdered Hereros and Namas. They refuse to ignore the genocide and do not want this fact to be forgotten (Anderson 2005, Special Issue 1993). They are continuing to demand that Germany recognizes the atrocities they committed during the genocide and for Germany to extend an apology. Some are even demanding financial compensation (Coopert 2006).

This study aims to show that there are broader issues within Germany with regards to reconciling itself with its own history, including the issue of colonial rule and with that the Namibian genocide at the start of the 20th century. The only reason that this historical event has recently been brought to the attention of the public is the 100th anniversary of the end of German colonial rule in Namibia. In connection with this anniversary, the Chairman of the German Bundestag officially apologised for acts of the German colonisers in German South-West Africa and named the mass killings as genocide (*Völkermord*). This gesture must be considered a ground-breaking conciliatory act towards Namibia because until then the relationship between the two nations was strained. This was clear from the numerous diplomatic and other misunderstandings that occurred over time.

This article is neither an historical text, nor a description of the act of genocide, but is a description of the process of reconciliation within German politics and society with its own history. This year's apology is a significant act, but by no means usual. The fear of apologising sooner was probably driven by the demands of the descendants of the victims to pay financial compensation. The analysis in this article of the steps Germany has undertaken to reconcile itself with its history are presented and explained within the context of the country's politics and economics. The aim of this essay is to find answers to questions such as: how are current relations between the two countries weighed down by the shadow of colonialism? And, whether the recent steps Germany has taken is helping to normalise relations.

The results of events that led to the explosion of violence and the bloody genocide of 1904-1908 speak for themselves. In 1904, there were an estimated 80,000 – 100,000 Hereros. By 1911 there were only an estimated 15,000 left (65,000 – 85,000 were killed in the violence). At the end of the same period, there were only an estimated 10,000 Namas left (of an original 25,000). With such low numbers both the Hereros and Namas were no longer considered to be a danger to the colonisers anymore.

Settlement with the genocide

No compensation has as yet been discussed or agreed for the victims of the genocide. This is not for want of trying by Namibia itself and by other organisations who have sought recognition of the genocide for several decades. In so doing, they have referenced the Convention on the Prevention and Punishment of the Crime of Genocide, as recognised by the United Nations in 1948. Partial success was booked with the publication of the Whitaker Report in 1985. This report was the result of the work of a sub-commission, created in 1983 under the auspices of the United Nations, into the prevention of discrimination and the protection of minority laws. The report explicitly mentions the Hereros massacre as an example of genocide. This clear message was never accepted as a resolution. The genocide was therefore never officially recognized by the United Nations (Eatwell 2006). Under the circumstances, and in combination with the United Nations standoff attitude towards the Namibian genocide, it is of no surprise that Germany did not engage very much in the issue. This attitude even prevails today with regards to normalizing relations (Kössler 2008).

Evidence of the mutual problems is reflected in the fact that until 1995 not one German Federal Chancellor visited Namibia. This changed with the visit of Helmut Kohl. However, Kohl chose to skip a meeting with the Hereros. As a result of this visit, the Federal Ministry of Foreign Affairs openly condemned the events which happened in German South-West Africa. However, Germany refused to take responsibility for these events with reference to the Genocide Convention of the United Nations, which it should be noted cannot be applied retrospectively.¹

Germany's argument for not accepting responsibility was that, since 1990 Namibia had received hundreds of millions of German Marks in developmental aid (by end of 2014 approx. EUR 800 million according to German Foreign Office).² However, according to the organisations representing the Hereros tribe, the financial help is mainly managed by the Namibian state party SWAPO (South-West African People's Organization) and only a small part of the funds finds its way to them. To emphasise their case, the Hereros point to Germany's violation of the fourth convention of 1899. As a result they are asking for material and financial compensation from Germany. This was clearly stated by the spokesman of the Hereros delegation to Berlin on 3rd August 2004, where he demanded an admission of guilt for Germany's colonial past (Die Zeit 5.8.2004). This appeal came on the back of Holocaust memorials at the time. The delegation reminded Germany that the Hereros had been forgotten – there were no memorials in the whole of Germany and not even the Battle of Waterberg was commemorated.

The lack of a memorial was eventually addressed in 1999 with the erection of a memorial to the victims of the genocide and the Battle of Waterberg close to the anti-colonialism monument in Bremen. The memorial itself was built out of stones from the place where the Hereros were imprisoned, where they lived without food or water and where they died in their masses. Despite a slight improvement in the political relations with the Hereros, some court proceedings were initiated in 2002 by the American law

¹ N.N., 2014. Bundesregierung: Deutschland hat keinen Völkermord an Herero und Nama begangen. [online]. [12-04-2015]. Available from: http://webarchiv.bundestag.de/archive/2013/1212/presse/hib/2012_08/2012_367/05.html

² N.N., 2014. Beziehungen zu Deutschland. [online]. [12-04-2015]. Available from: http://www.auswaertiges-amt.de/sid_3144239D29F4CFB63EA9929FEA7F43A8/DE/Aussenpolitik/Laender/Laenderinfos/Namibia/Bilaterale_node.html#doc352362bodyText3

firm Musolino and Dessel on behalf of their client, the “Herero People’s Reparations Corporation”. The organisation was led by Kuaimo Riruak who in 2003 became the Chairman of the National Unity Democratic Organisation. The organisation went to the American Courts of Justice (Washington) demanding USD 2 billion in compensation for the residuary of the Hereros (Der Spiegel 25.6.2008). In 1999, similar accusations were also placed with the International Court of Justice. The claimant did not come off well. The subject of the claim was to make Germany recognise that it had committed an act of genocide, that Germany should condemn the violations of the German African Line (*Deutsche Afrika-Linien*) and that Germany should pay compensation to the residuary of the victims (Kämmerer – Föh 2004). Until today, no court case has been won on this topic, however we can be sure that the accusations will not stop and that we can expect more court cases of this kind in the future.

To make matters worse, Namibian politicians are now siding with the Hereros with regards to their demands. On 15th November 2007, the late Namibian Minister of Foreign Affairs, Marco Hausiku, sent a letter to his German counterpart Franka-Waltera Steinmeier, with a request for compensation for the Hereros (Allgemeine Zeitung 26.11.2007). Another important step towards reconciliation between the Germans and Namibians was the attendance of Heidemarie Wiecek-Zeul (Minister for Developmental Aid) at the remembrance service held in Okkarara on 14th August 2004 to mark the 100th anniversary of the Battle of Waterberg. The event included a short re-enactment of the uprising which included Hereros. The minister became the first official member of a German government to attend the ceremony.

While giving a speech she recognised the political and moral responsibility Germany had for the acts of the German army units. Literally, she stated: The past acts of violence are what in today’s world we would call genocide. Germans recognise the historical and political responsibility, as well as the moral and ethical responsibility, and recognise our blame. ³ I beg you to say the Lord’s Prayer and to forgive us.” (Der Spiegel 13.7. 2004). However, the minister did not go so far as to offer financial compensation, although she promised continuous financial support to Namibia.

In November 2004 there was another important act of reconciliation between members of the Von Trotha family (descendants of General Trotha who oversaw the genocide) and Omar Alfons Maharero (Chief of one of the Hereros groups living in Namibia). Maharero is the direct descendant of Samiel Maharr who was the Chief of Hereros during the uprising against the colonisers. The meeting took place in Ginheim-upon-Rhine. The Von Trotha family apologised for the acts of wrong doing and for all the violence committed by their ancestor, General von Trotha, during the colonial era. The family also apologised in written form. They wrote: as citizens of today’s Germany and also as Christians, we are asking together with you for forgiveness.⁴ In October 2007, eleven members of the Von Trotha family travelled to Omaruru at the invitation of the Chief of the Hereros. On this occasion the family officially apologised for the acts of General von Trotha and asked for forgiveness (Der Standard 25.4.2008).

³ N.N., 2004. Rede von Bundesministerin Heidemarie Wiecek-Zeul bei den Gedenkfeierlichkeiten der Herero-Aufstände am 14. August 2004 in Okakarara. [online]. [12-04-2015]. Available from: http://www.windhuk.diplo.de/Vertretung/windhuk/de/03/Gedenkjahre__2004__2005/Seite__Rede__BMZ__2004-08-14.html

⁴ N.N., 2014. German family's Namibia apology. Bbc.co.uk [online]. [12-04-2015]. Available from: <http://news.bbc.co.uk/2/hi/africa/7033042.stm>

The latest developments

In 2011 a Namibian political representation visited Germany to repatriate over 20 skulls of Hereros from the colonial period which had been in storage in the hospital a Charité Berlin. It is estimated that in Germany there are 3,000 such skulls in existence. These skulls are an indication of the trade that existed in these objects at the time. Photographic evidence exists to this effect which shows German soldiers packing skulls and sending them to Germany for various purposes. Scientists who were influenced by the work of Eugen Fischer were interested in the skulls. Fischer's thoughts inspired The Third Empire and the theory that the white race (Arian race from Europe) was superior to the black race.

The skulls had also been used by German scientists for various race study projects back in 1904. The official ceremony to mark the return of the skulls to Namibia was supposed to be a conciliatory event, but it ended up in a fiasco. The Namibian delegation led by the Minister of Culture and Youth, Mr Kazanambe, whose family was a member of one of the persecuted groups, was unhappy that the German government had not sent anyone of the appropriate level. Ideally this should have been the Minister for Foreign Affairs. Unfortunately, the minister's back up was sent, the State Minister, Cornelia Pieper. She was forced to leave the ceremony shortly after completing her speech. There was loud booing throughout. Kazenambo also left the ceremony early which once again led to a worsening of relations (Focus 30.9.2011). In Charité Berlin and German universities there are additional skulls of Namibians from the colonial era (Allgemeine Zeitung 2.12.2011). As a result, another 14 unidentified Hereros skulls were returned to Namibia in 2011.⁵

On 22nd March 2012, on the 22nd anniversary of the independence of Namibia, the German Bundestag discussed the joint past between Germany and Namibia for the very first time. This discussion was instigated at the behest of the SPD and the Green Party. The debate only lasted half an hour. Until today, there remains very little interest in Germany for discussions on this topic. The current majority government has refused requests from the opposition to raise the issue. The only positive, is that the SPD and the Green party made more progress on the issue whilst in power (between 1998 -2005) than any other government at any other time. Unfortunately, their initiative did not produce visible results, with both parties unable to formulate a joint plan. Also of interest at this time was the fact that Party Die Linke (Party of the Left) was trying to push for financial compensation and continues to do so from time to time (Zimmerer 2005).

It is evident that even after 100 years, history is still alive. The issue of colonial rule will not disappear from the memories of the victims' descendants. It is however positive that in today's Germany a debate has begun on the issue in society itself and among intellectuals. Unfortunately, this cannot be said for Germany's politicians. History is interestingly also influencing the present. This is particularly reflected in protests against street names in German cities which carry the names of late colonial army leaders. For example: In 2013, Von-Trotha-Straße in Munich (named after General Von Trotha - one of the most active oppressors and genocide leader) was renamed Hererostraße; and Wissmannstraße (named after Governor Hermann von Wissmann) in

⁵ N.N., 2014. Rückführung von Schädeln aus Namibia. Uni-freiburg.de [online]. [12-04-2015]. Available from: <http://www.pr.uni-freiburg.de/pm/2014/pm.2014-03-04.18>.

the suburb of Stammheim in Stuttgart was renamed Wolle-Kriwanek-Straße.

The latest event on this issue occurred in July of this year when the Chairman of the Federal Government gave a speech in the Bundestag. The Chairman of the Bundestag, Norbert Lammert, officially recognised the colonial atrocities as genocide. He declared that if someone talked about genocide in connection to the Armenians in the Osman Empire, the same should be said about wrong doing of the German army in the German South-West Africa (Die Zeit 8.7.2015). The debate about the behaviour of the German colonizers in Namibia was held in connection to the fate of the Armenians in the Osman Empire (the Bundestag criticized the genocide of the Armenians even against strong Turkish protests). The Austrian-Hungarian Empire and the German Empire were allies of the Osman Empire during the First World War. Politicians in Berlin and Vienna were all aware of the Armenian massacre, however they were not willing or simply failed to get involved.

In connection with Namibia, the Chairman of the Bundestag said: "The war in Namibia between 1904 and 1908 was a war crime and genocide." This can be interpreted as a major turning point in the current relations between Germany and Namibia. In the next couple of months there will be a planned joint declaration with the Namibian government. The German Ministry of Foreign Affairs has not expressed whether the next step of German diplomacy will be a formal apology to Namibia, or alternatively whether there will also be some form of financial or other kind of compensation. Until this day, the brutal killings 100 years ago still burden the political relations between the two countries. The culprit, Germany, still has, at least on a political level, a very big issue with taking the blame for the events, making an apology and showing compassion by moving towards the provision of possible compensation to the victims of the genocide.

The federal government is in all likelihood afraid that any warm gesture could set a precedent. If the Germans are seen to be willing to accept their moral and political duty and work towards a financial settlement this could put additional pressure on the other former colonial powers. Similar problems are being experienced by Britain, France, the Netherlands, Portugal, Belgium and Italy in their former colonies. In 1990, Namibia gained independence and became an internationally recognized sovereign state. German-Namibian relations are still burdened and Germany's colonial past is still a hot topic in Namibia. The tracks of the German minority are also still visible in industry and culture to this day. During the Cold War two German states existed. It was the GDR which strived to create good relations with today's governing party in Namibia, the South-West African People's Organization (SWAPO).

The SED regime in the GDR actively supported the emancipation efforts of Namibia. Ironically, at the same time Namibians gained independence, the SED was dismantled. Today the only partner for SWAPO is clearly Germany. Germany is trying hard to develop a very special developmental strategy towards Namibia and tries to support Namibia economically. There are now discussions underway about some form of compensation for the wrong doing during colonialism. Germany is the most important donor of developmental aid to Namibia, although the value of this aid pales into insignificance when compared to the loss of lives (Zimmerer 2005). It is a fact that Germans are extremely unpopular in Namibia, which directly influences the lives of the local German minority (Gretschel, 1995; Blackshire-Belay, 1992). The Federal German Government is unlikely to ever unequivocally accept the blame for the genocide that occurred in Namibia at the beginning of 20th century. The next step towards

reconciliation of the relations could be compensation for the residuary of the victims, however this has been firmly rejected by the German Ministry of Foreign Affairs. The residuary of formerly haunted groups of the Namibian population are also unfortunately underrepresented within the Namibian government. Hereros, Namas and Damaras are trying to gain greater minority rights, however they have very little influence, even though there have been some concessions and friendly steps from the Namibian government.

The conclusion

Firstly, the colonial events from the time before the First World War still influence German-Namibian relations. It is clear that the issue is not as “dead” as it may seem from the “European” point of view. In Namibia it is still a huge topic of discussion which is kept alive by Namibian politicians and organizations representing Hereros and Namas alike. The strain in relations is evident from the fact that until 1995 no German Chancellor had ever visited Namibia. Diplomatic exchanges on the Namibian side also appear to be slow. However, both countries are ever so slowly attempting to rebuild political ties, but the relationship remains influenced by the residuary of Namibian victims from the Hereros tribe, who continue to call for various forms of apology and compensation. Court cases are also still pending and overall relations are also influenced by the fact that Germany does not want to unequivocally accept the blame for the genocide. Germany has recently sought to ease relations by increasing its financial aid to Namibia, however this is not sufficient to dampen the calls and growing pressure to resolve the situation at least symbolically.

Secondly, there have been recent changes to the political communications between both countries. In particular, when the Bundestag and the Federal Government recognized, that what happened to the Hereros and Namas during 1904 and 1908 was genocide (*Völkermord*). This is a real breakthrough and represents a new direction in the diplomatic relations between the two countries. Germany probably does not feel comfortable with the situation within the context of its important role in world politics. This is possibly the reason why this fitting symbolic gesture was made during the 100th anniversary of the end of colonial rule.

In the near future a joint German-Namibian declaration will be made which should raise the relations one degree higher. One of the relics of the cohabitation of Namibians and Germans is the local German minority. These are the descendants of the late colonizers. It is this minority which is trying to keep the cultural heritage of Germans alive. However, the reality is different. The minority is getting smaller and it's close to dying off and is therefore not able to maintain the role of the “living” bridge between Germany and Namibia, even though there is continuous support from various German institutions, including the local Goethe Institute. German-Namibian relations are therefore influenced by the shadow of German colonialism. Hopefully in the near future the planned joint declaration will provide positive results for both countries.

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Self-reflection on the Learning Styles of Students in the Tertiary Education Sector

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Abstract

One of the main tools with which a teacher contributes to the effective education of students is the issue of learning styles. A teacher should not only be able to recognize these learning styles and respect them, but also to effectively influence them. If there occurs a failure to respect the learning styles of individual students as well as of those regarding the teacher's styles of teaching, one may lose original individuals, or thinkers (Mareš, 1998). In this study, attention is not only focused on the possibility that learning styles differ merely in terms of students' individual attitudes, but also on the opportunities where learning styles may be significantly influenced by the nature of various fields of study. This article aims to present the results of a quasi-experiment which was conducted at the Institute of Business and Technology in České Budejovice during the academic year 2013/2014. The main purpose was to determine and take into account the differences in the learning styles among students of economic and technical study programmes.

Key words

learning style, cognitive style, gender, tertiary education

Introduction

Generally speaking, the way students acquire knowledge and skills varies for each of them. This process is called learning. Everyone's approach to learning is different as are the variety of methods utilized to find out more about a subject matter or curriculum. These methods of acquiring a curriculum are called curriculum learning styles because upon entering a college or university (a transition between the secondary and tertiary level of education), each student gradually becomes familiar with the new set of requirements presented to them in the corresponding study programmes, fields or subjects. Based on those requirements, they generate ways or methods of coping with these accordingly. They therefore establish their own systems, strategies or learning tactics that are suitably adapted to their learning style (or styles). According to a number

of authors, this is (these are) linked to a particular school, subject, school learning situation, or even preparation for a school (S.M. Schenk, R. Säljö). When taking these elements into consideration, it is necessary to distinguish the terms styles of learning (or learning styles), cognitive styles and approaches to learning (or learning attitudes), as presented in professional literature.

Furthermore, Mareš (1998, p. 50) defines the term cognitive styles as the characteristic ways through which people perceive, memorize information, think, solve problems or make decisions. To add to this, the Czech edition of the Pedagogical Dictionary (Průcha, Walterová and Mareš, 2001, p. 102) defines cognitive styles as peculiar ways of perception and cognition and individually different courses of perceptual, cognitive and intellectual processes belonging to the category of disposition, which is largely innate, thus difficult to vary, yet able to be diagnosed.

Moreover, Průcha, Walterová and Mareš (2001, p. 236) define the term learning styles as procedures for learning that an individual uses within a certain period of life in most pedagogical types of situations (independent to a certain extent of the learning content), with these (the cognitive styles) being formed on an innate basis and developing through the interaction of internal and external influences. In addition, Mareš (1998, p. 55) sees cognitive styles as a constituent that is not impressionable - probably the core of learning styles, which is largely innate.

Differences between Cognitive Styles and Learning Styles

Firstly, whilst studying selected professional literature, it is clear that the relationship between the cognitive styles and learning styles is the subject of many discussions. Many foreign authors merely talk about cognitive styles (Cassidy, 2004; Riding and Cheema 1991), while others describe their mutual relationship as superior and subordinate, smaller versus greater, dependent and independent (Desmedt and Valcke, 2004). To be more specific, Riding and Cheema (1991) state that the importance of the learning style concept depends largely on its definition by individual authors of different models whilst at the same time taking into consideration the potential existence of multiple elements in the learning style that cannot only be characterized on a polar range. Curry (1991) argues that the term learning style may be evaluated as a cognitive style, thereby pointing out that the construct of cognitive styles was originally proposed by Allport (1937), who referred to an individual's habitual or typical way of perceiving, remembering, thinking, and problem solving. Further in their work, the British researchers Riding and Cheema (1991) go on to define the term cognitive style as being a two-dimensional one with the possible characteristics of either an x or a value. They also define this style as a theoretical basis for more practically measured learning styles and divide the cognitive style into being globally analytical and having verbal imagination. As for the learning styles, they mention different views on the stability of cognitive styles (Riding and Cheema, 1991, p. 194). In addition to this, Witkin et al., express the perceived stability of cognitive styles through individual differences in thinking, perception, problem solving, learning and finding relationships (Witkin, Moore, Goodenough and Cox, 1997). They further add that this does not mean they are invariable and consider bipolarity as being a particularly important feature of cognitive styles.

Secondly, some Czech experts, including Lojová and Vlčková (2011), refer to the hierarchical relationship of cognitive styles, learning styles and learning techniques and

strategies, thereby confirming a theory expressed by Mareš (1998). That theory suggests that cognitive style forms the deepest and most hereditary layer in terms of perception and cognition, which is joined by a layer of (mostly) acquired learning style, is more tied to and influenced by specific content and situations, and is initially spontaneous but later conscious. They also state that this cognitive style forms a special component of learning style, but it is difficult to vary as it is fairly consistent.

Furthermore, concepts of cognitive and learning styles within pedagogy and didactics are very common. For example, Vlčková (2007, p. 12) complements the relationship between the cognitive style and learning style by projecting it onto a relationship between cognition and learning, which are two terms that intersect. Mareš (1998, p. 75) claims that the cognitive processes mediate a particular learning process and are rarely a learning objective. He also adds that learning styles have the character of a meta strategy, bringing together learning tactics and operations. These are then monitored, evaluated and oriented towards a particular direction and regulated with regards to the conditions of learning, the actual course of the learning curve, the achieved results of learning and the social learning context. Vlčková (2007, p. 13) also states that an individual does not realize their particular learning style, but takes it for granted and considers it to be compliant with their specific needs. According to some opinions, it is possible to diagnose and change individual learning styles. For example, Švec (1998, p. 43) refers to learning styles as an individual's characteristics which can be seen as an intrinsic component of the skills that an entity acquires. Additionally, Witten and De Bell (1990, p. 204) claim that any learning style is the way people absorb, process and memorize information. At the same time, they provide different learning models that focus on cognitive, affective and psychological characteristics relating to both, and primarily in the areas of psychology and cognition.

Thirdly, the influence of learning styles and their impact on the performance and success of university students was studied by R. Dunn, A. Honigsfeld and L. S. Doolan (2009). They argue that university students' knowledge of learning styles helped them to become better at learning and increased their efficiency, whereby it was necessary to take into account the reality that a specific curriculum requires specific procedures for learning. Messick (1994) highlighted the compliance of teaching and students' learning styles, stating that this compliance has its advantages in that teachers and students with similar styles are closer to one another, appreciate each other more and communicate better.

Also, several learning styles are significantly affected by the perspective of gender. This was dealt with in the studies by Oxford (1986), Oxford and Ehrman (1987) and Vlčková (2010). All of the studies verify that females use more diverse, efficient and different learning styles than males. Gender differences affecting some of the learning styles were also examined by C. D. Miller, J. Finley and D. L. McKinley (1990), using three types of questionnaires: SPQ - Study Process Questionnaire, ASI - Approaches to Studying Inventory, ILP - Inventory of Learning Processes. As a result, 16 gender differences were identified out of 26 variables (for males – prevalence of deep learning, learning-oriented understanding of meaning and importance, whilst for females – methodical learning, strategic approach, superficial learning or even super-meticulousness).

Finally, while conducting a specific research into learning, the terms strategy of learning or learning strategy are often used. Riding and Cheema (1991, p. 195) state that these strategies are specific ways with which to deal with a given situation that can be learned and that above the different learning strategies there is a learning style that takes on the

form of a meta-learning strategy. Moreover, the Czech edition of the Psychological Dictionary (Hartl and Hartlová 2000, 2004, Sillamy 2001, p. 567) defines only cognitive strategies as ways of how individuals use their prior knowledge, skills and experience in subsequent learning. Klauer, Rosnagel and Musch (1997), and Van Dijk and Knitsch (1983) see the strategies as a hierarchically superior process that is mentally represented as plans or sequences of acts through which a certain goal is to be achieved.

Research Objective and Methodology

This research study is based on a thesis that one of the authors wrote as part of their studies into pedagogical sciences for teachers of vocational subjects, practical subjects and vocational training. The authors' aim was to extend the thesis in light of their research. By using a questionnaire survey, the research objective was to explore individual preferences for learning styles among students attending higher education in the technical and economic fields with a view to comparing their preferences to determine the similarities or differences between them. It is assumed that the different requirements of the study programmes also influence students' actual preferences for different learning (or studying) strategies. The authors also focused on the students' age and their stage of study. Lastly, when evaluating the learning styles, a certain emphasis is put on making a gender comparison of the variables of individual learning styles.

Target Group and Research Sample

The questionnaire survey was aimed at establishing the learning styles of students in higher education and was carried out at the Institute of Business and Technology in České Budějovice, with its bachelor degree students being the target group. The research sample consisted of adolescents (young adults) of selected economic (study programme Economics and Management) and technical (study programme Civil Engineering) study programmes. In total, 100 respondents were interviewed, with 50 respondents from each study programme.

Questionnaire Survey

The questionnaire survey was conducted at the Institute of Business and Technology in České Budějovice during the academic year 2013/2014. A total of 100 students of full-time bachelor's degree programmes were assigned (in paper form) standardized IASLP questionnaires by N. Entwistle and P. Ramsden, translated into Czech by Jiří Mareš in 1984. Each questionnaire consisted of 45 items (questions) in order to establish the different variables of learning styles. It distinguished six basic variables, of which three supported students' learning (performance, meaning and purpose of learning, systematic learning) and three hindered it (reproduction of curriculum, extracurricular orientation, negative trends or tendencies in learning). Each of these variables further comprised of sub-components (sub-variables) which could be evaluated separately as well.

The students were engaged in answering questions for about 15 minutes. On the basis of the Likert scale, they were asked to select from one of the following options: complete consent (4); utter disapproval (0); cannot decide (2).

The questionnaire survey also identified information about the individual respondents on the basis of their gender, for the main focus was concerned with establishing the respondents' learning styles.

Method of Data Processing

All the data gathered through the questionnaire survey were analysed with consideration given to the psychometric properties of the questionnaire. The data were subsequently verified by a correlation analysis of the differences between the main and intermediate learning style variables among the subgroups of students of the two selected study programmes (Economics and Management – E; Civil Engineering – T) and among the male (M) and female (F) students.

Research Questions and Established Hypotheses

Research question 1:

Does the students' particular learning style correlate with their selected subject of study?

Hypothesis 1: Students of economic subjects record higher scores for the negative variable "reproduction of curriculum", as opposed to technically oriented students.

Hypothesis 2: Students of technical subjects achieve lower scores for the positive variable "systematic learning", as opposed to economically oriented students.

Research question 2:

Does a learning style correlate with the gender differentiation?

Hypothesis 3: Compared with males, females record higher scores for the variable "reproduction of curriculum."

Hypothesis 4: Males achieve lower scores than females for the variable "meaning and purpose of learning."

Results

In the practical part, the authors focus on analysing the learning styles of higher education students at the Institute of Business and Technology in České Budějovice (IBT). The aim of the analysis was to take into account gender variables and the differences between the technical and economic fields at IBT.

Table 1: Research sample

Study programme	Frequency	Gender	
		F	M
Economics and Management(E)	50	32	18
Civil Engineering (T)	50	33	17
Total	100	65	35

Source: Authors (based on Polanecký, 2014)

Using the questionnaire, the authors obtained data to determine the main (basic) variables by which each student was to be assessed. The main listed variables that support students' learning were:

- Performance (orientation towards);
- Meaning and purpose of learning (orientation towards);
- Systematic learning.

In contrast to the supporting variables, there were also three basic variables listed with a negative impact on students' learning. These were:

- Reproduction of curriculum (focus on);
- Extracurricular orientation;
- Negative tendencies in learning.

In terms of the psychometric properties of the standardized questionnaire, these main variables also included partial variables (sub-variables). These are presented in Table. 2.

Table 2: Overview of all the studied variables

Main variables	Sub-variables
Orientation towards performance	Strategic approach
	Efforts to achieve success
	Professional motivation
Orientation towards meaning and purpose of learning	In-depth learning(Deep learning)
	Intrinsic motivation
Systematic learning	
Focus on reproduction of curriculum	Superficial approach

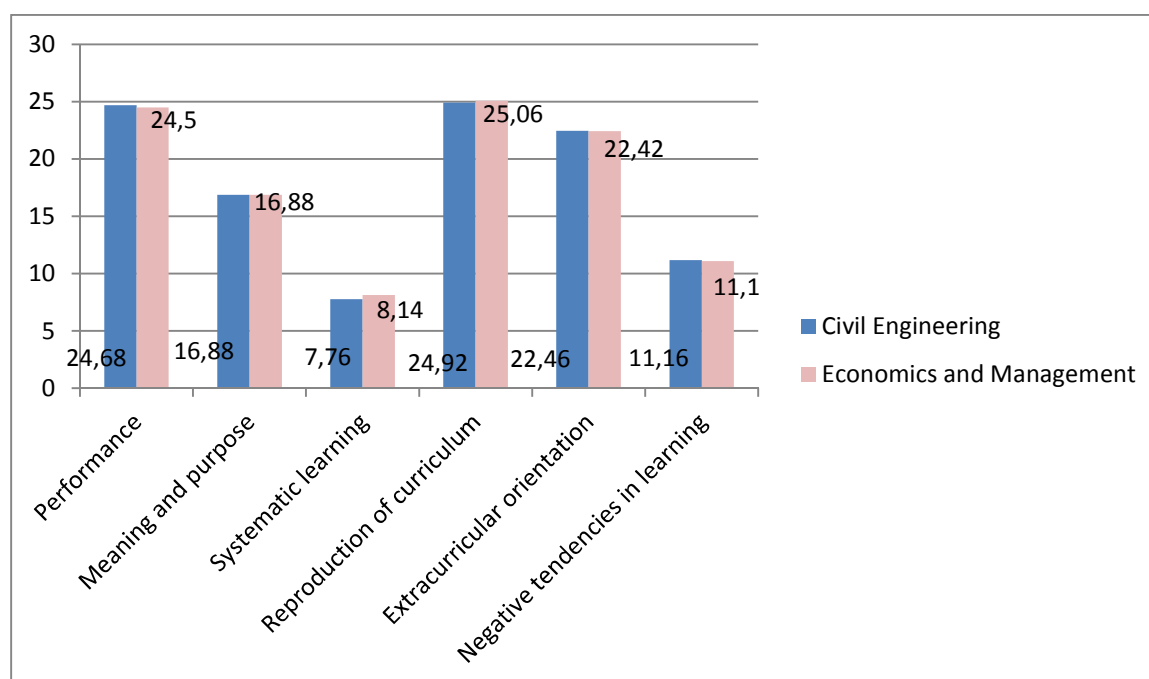
	Efforts to avoid failure
Extracurricular orientation	Piecemeal approach
	Negative motivation
	Need for social contact
Negative tendencies in learning	Reckless approach
	Meticulousness, lack of perspective

Source: Authors (based on Polanecký, 2014)

Evaluation of Main Variables in Relation to Study Programme

An evaluation of the main variables was undertaken according to the average points earned, which were further divided according to the degree courses (Economics and Management and Civil Engineering). The results are shown in Figure 1.

Figure 1: Comparison of main variables according to study programme



Source: Authors (based on Polanecký, 2014)

Figure 1 indicates that the highest numbers of points for Economics and Management were recorded for the variables "reproduction of curriculum" (average score 25.06) and "performance" (24.5). In contrast, the fewest points were recorded for the variables "systematic learning" (8.14) and "negative tendencies in learning" (11.1). With regards to Civil Engineering, the highest scores were also attained by the variables "reproduction of curriculum" (average score 24.92) and "performance" (24.68), and

similarly the lowest scores for the variables "systematic learning" (7.76) and "negative tendencies in learning" (11.16).

Evaluation of Main Variables According to Gender

The data in Table 3 show that the highest scores among male students of Economics and Management were attained by main variables "reproduction of curriculum" (the highest being 25.04) and "performance" (24.69). The results of the main variables for male students of Civil Engineering are not significantly different. The highest average scores were again for "reproduction of curriculum" (24.92) and "performance" (24.68). In addition, the data also show that the highest average scores of the main variables for female students were almost identical to those of their male counterparts. Once again, these variables were "reproduction of curriculum" (average score for Economics and Management was 25.09, whereas the average score for Civil Engineering was 24.88) and "performance" (24.07 for the Economics and Management and 24.66 for Civil Engineering). In contrast, the lowest average score for a main variable for both genders was attained by "systematic learning", with scores not even reaching nine points for either study programme. Another variable with low scores (just over 11 points) was "negative tendencies in learning".

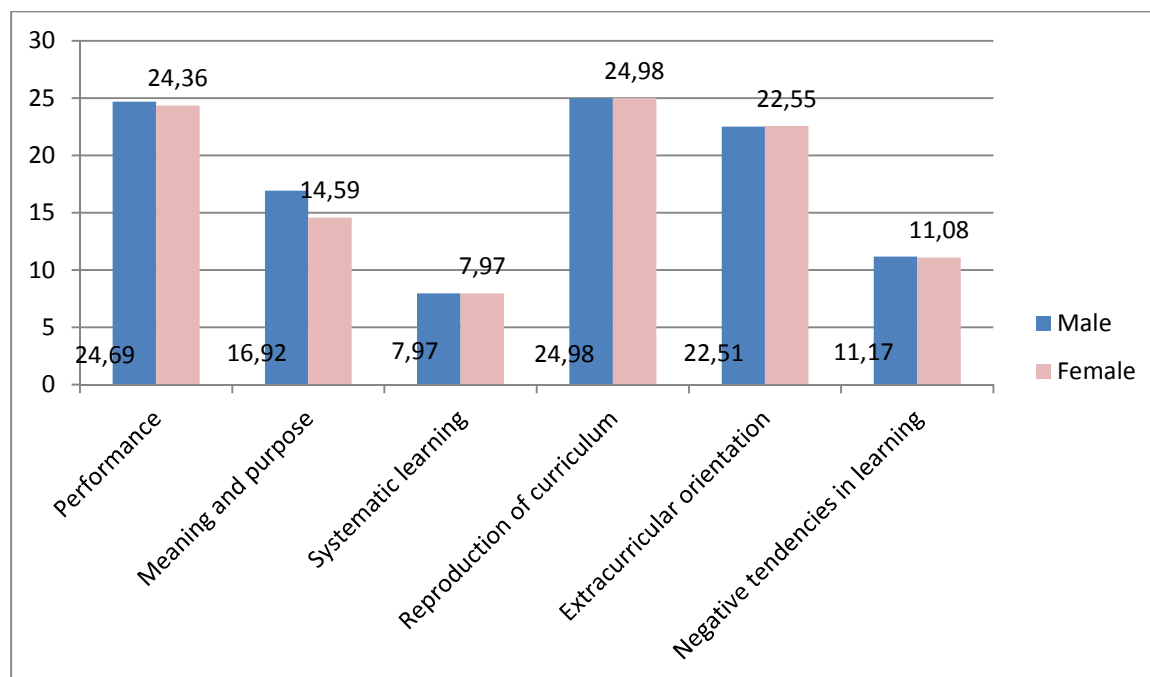
Table 3: Evaluation of main variables according to their average scores from the gender and study programme perspectives

Males			Females		
Average			Average		
Variables	E	T	Variables	E	T
Performance	24.69	24.68	Performance	24.07	24.66
Meaning and purpose	16.96	16.88	Meaning and purpose	16.67	17.07
Systematic learning	8.18	7.76	Systematic learning	8.15	7.78
Reproduction of curriculum	25.04	24.92	Reproduction of curriculum	25.09	24.88
Extracurricular orientation	22.55	22.46	Extracurricular orientation	22.41	22.68
Negative tendencies	11.18	11.16	Negative tendencies	11.11	11.05

Source: Authors (based on Polanecký, 2014)

Another observed criterion in terms of gender was the total average scores of male and females students irrespective of the study programme. These average scores were gained as an average score of the two sub-variable scores in Table 3.

Figure 2: Overall evaluation of the main variables according to gender



Source: Authors (based on Polanecký, 2014)

Figure 2 illustrates that both males and females achieved the same high scores for the main variable "reproduction of curriculum" (average score 24.98), with this variable also being the most frequent for both genders. Other very frequent variables included "performance" and "extracurricular orientation". Overall, almost all of the variables in the graph are essentially balanced in terms of scores for males and females and there are no large observable differences. The only variable with a notable difference between the two genders (males score it higher by 2.33) is "meaning and purpose of learning". The lowest scores were attained by the variables "systematic learning" and "negative tendencies in learning."

The Relationship between Main Variables and sub-Variables as Expressed by Correlation Matrices

Using correlation matrices, the intensity of the linear relationships between the examined variables was expressed.

Table 4: Main variables

Main variables
1. Performance
2. Meaning and purpose
3. Systematic learning
4. Reproduction of curriculum
5. Extracurricular orientation
6. Negative tendencies in learning

Source: Authors

Table 5: Correlation matrix for the main variables of Economics and Management

	1	2	3	4	5	6
1	1.000	0.422	0.485	0.151	-0.146	0.088
2	0.422	1.000	0.424	0.105	-0.266	0.186
3	0.485	0.424	1.000	0.359	0.222	0.293
4	0.151	0.105	0.359	1.000	0.262	0.461
5	-0.146	-0.266	0.222	0.262	1.000	0.290
6	0.088	0.186	0.293	0.461	0.290	1.000

Source: Authors

As may be inferred from this correlation matrix, there are four strong dependencies between the main variables: a) between "performance" and "systematic learning"; b) between "reproduction of curriculum" and "negative tendencies in learning"; c) between "meaning and purpose of learning" and "systematic learning"; and d) between "meaning and purpose of learning" and "performance" (with a value of 0.4). All of these correlation dependencies clearly prove their direct dependency (with an increase of one variable, the other one rises as well).

Table 6: Correlation matrix for the main variables of Civil Engineering

	1	2	3	4	5	6
1	1.000	0.374	0.440	0.294	-0.166	0.318
2	0.374	1.000	0.275	0.295	-0.055	0.094
3	0.440	0.275	1.000	0.236	-0.092	0.200
4	0.294	0.295	0.236	1.000	0.266	0.402
5	-0.166	-0.055	-0.092	0.266	1.000	0.129
6	0.318	0.094	0.200	0.402	0.129	1.000

Source: Authors

As for Civil Engineering, the strongest correlation dependencies proved to be those variables that achieved a minimum value of 0.4, the strongest dependency being between "systematic learning" and "performance", followed by the dependency between "reproduction of curriculum" and "negative tendencies in learning."

Table 7: Sub-variables

Sub-variables
1. Strategic approach
2. Efforts to achieve success
3. Professional motivation
4. In-depth learning (Deep learning)
5. Intrinsic motivation
6. Superficial approach
7. Efforts to avoid failure
8. Piecemeal approach

9. Negative motivation
10. Need for social contact
11. Reckless approach
12. Meticulousness, lack of perspective

Source: Authors

Table 8: Correlation matrix for the sub-variables of Economics and Management

	1	2	3	4	5	6	7	8	9	10	11	12
1	1.000	0.228	0.157	0.232	0.162	0.201	0.145	0.042	-0.029	0.007	0.097	0.033
2	0.228	1.000	0.181	0.279	0.220	0.172	0.085	-0.063	-0.059	-0.074	-0.075	0.057
3	0.157	0.181	1.000	0.281	0.184	0.248	0.124	0.030	-0.040	0.062	0.103	0.217
4	0.232	0.279	0.281	1.000	0.492	0.142	0.028	-0.003	-0.027	0.068	0.104	0.176
5	0.162	0.220	0.184	0.492	1.000	0.011	0.030	0.053	-0.118	0.052	0.071	0.204
6	0.201	0.172	0.248	0.142	0.011	1.000	0.421	0.144	0.189	0.196	0.233	0.176
7	0.145	0.085	0.124	0.028	0.030	0.421	1.000	0.295	0.331	0.087	0.311	0.267
8	0.042	-0.063	0.030	-0.003	0.053	0.144	0.295	1.000	0.283	0.102	0.338	0.189
9	-0.029	-0.059	-0.040	-0.027	-0.118	0.189	0.331	0.283	1.000	0.115	0.326	0.140
10	0.007	-0.074	0.062	0.068	0.052	0.196	0.087	0.102	0.115	1.000	0.131	0.068
11	0.097	-0.075	0.103	0.104	0.071	0.233	0.311	0.338	0.326	0.131	1.000	0.201
12	0.033	0.057	0.217	0.176	0.204	0.176	0.267	0.189	0.140	0.068	0.201	1.000

Source: Authors

The data in Table 8 show that no significant direct correlations occur here. The strongest dependencies can be seen between "intrinsic motivation" and "in-depth learning", and between "superficial approach" and "efforts to avoid failure."

It is therefore possible to come to conclusion that while learning, the students of economics try to learn their subject matter by rote rather than to think about it and understand it.

Table 9: Correlation matrix for the sub-variables of Civil Engineering

	1	2	3	4	5	6	7	8	9	10	11	12
1	1.000	0.528	-0.006	0.283	0.308	0.347	0.397	0.265	-0.091	-0.028	0.216	0.102
2	0.528	1.000	-0.065	0.197	0.380	0.470	0.091	0.341	-0.124	-0.449	0.094	0.155
3	-0.006	-0.065	1.000	0.008	0.045	0.118	-0.060	-0.402	-0.004	-0.416	-0.139	-0.052
4	0.283	0.197	0.008	1.000	0.682	0.096	0.452	0.029	-0.036	0.176	-0.123	0.085
5	0.308	0.380	0.045	0.682	1.000	0.276	0.279	0.023	-0.107	-0.107	-0.297	-0.083
6	0.397	0.091	-0.060	0.452	0.279	0.171	1.000	0.047	0.112	0.171	0.100	0.180
7	0.265	0.341	-0.402	0.029	0.023	0.156	0.047	1.000	0.177	0.128	0.227	0.447
8	-0.091	-0.124	-0.004	-0.036	-0.107	0.019	0.112	0.177	1.000	0.424	0.123	0.287
9	-0.028	-0.449	-0.416	0.176	-0.107	-0.328	0.171	0.128	0.424	1.000	0.176	0.240
10	0.216	0.094	-0.139	-0.123	-0.297	0.059	0.100	0.227	0.123	0.176	1.000	0.379
11	0.102	0.155	-0.052	0.085	-0.083	0.179	0.180	0.447	0.287	0.240	0.379	1.000
12	0.050	0.174	0.164	-0.025	0.087	0.100	-0.108	0.349	-0.017	-0.288	0.008	0.157

Source: Authors

The data in Table 9 shows that the highest direct relationship exists between the "strategic approach" and "efforts to achieve success", followed by the relationship between "learning in depth" and "efforts to avoid failure". It is clear from these results that the students of the technical programme try to comprehend and understand their curriculum.

Assessment of hypotheses

Hypothesis 1: Students of economic subjects record higher scores for the negative variable "reproduction of curriculum", as opposed to technically oriented students.

The first hypothesis was confirmed based on the results of Figure 1, which shows the comparison between the two study programmes and a noticeable difference for each of the main variables. The main variable (i.e. "reproduction of curriculum") for hypothesis 1 was aimed at proving that students of Economics and Management in fact achieved higher scores than students of Civil Engineering. The scores were expressed by the average number of points the variable was awarded. The students of Economics and Management recorded 25.06, compared to the students of Civil Engineering with a total average of 24.92.

Hypothesis 2: Students of technical subjects achieve lower scores for the positive variable "systematic learning", as opposed to economically oriented students.

Based on the results shown in Figures 1 and 2, the second hypothesis was confirmed due to the average scores for the main variable "systematic learning". This variable has some positive impacts on students' learning. The total score for Civil Engineering was 7.76, whilst for Economics and Management was 8.14.

Hypothesis 3: Compared with males, females record higher scores for the variable "reproduction of curriculum."

The third hypothesis contained two levels, the first being the concept of gender in terms of the studied programmes. The researched programmes were divided into male and female categories and the average scores subsequently determined for the main variables. In this case, the hypothesis could be confirmed for Economics and Management students, whereby the average scores were 25.09 for females and 25.04 for males. Although the differences were only slight, the results confirmed that females recorded higher scores. However, this hypothesis was refuted for Civil Engineering because males on average achieved a score of 24.92, whereas females scored 24.88.

The second of these two levels regarded the issue of gender for both study programmes together. According to the results, garnered on the basis of the average of the given scores, the hypothesis could not be confirmed because both males and females achieved identical scores (i.e. 24.98).

Hypothesis 4: Males achieve lower scores than females for the variable "meaning and purpose of learning."

Based on comparison of the average scores for both gender and the study programmes, the last hypothesis was refuted. The average total score for females was 14.59, as opposed to males at 16.92. The visible difference of 2.33 points represents a clear explanatory power that disproves the hypothesis.

The only aspect in which this hypothesis could possibly be confirmed is from the gender point of view according to the individually examined study programmes. When considering the hypothesis in this manner, it may only be confirmed for Civil Engineering, whereby males actually scored lower (16.88) than their female counterparts (17.07 points).

Conclusion

The main purpose of the research, conducted on the basis of a questionnaire survey into the specific learning styles of full-time students (aged 19–26) in higher education at the Institute of Business and Technology (IBT) in České Budějovice, was to find out whether there were any differences in the learning styles of the individual students.

Based on the research, it is not possible to claim that all of the established hypotheses were confirmed. The gender differences that have an impact on several learning styles affected the variables "meaning and purpose of learning", "performance" and "negative tendencies in learning." The results of the research also produced the rather surprising finding that full-time male students at IBT focus more on the "meaning and purpose of learning" than their female counterparts.

In terms of the learning style correlations of students within a particular study programme, the students of Economics and Management awarded more points to the variable "reproduction of curriculum" than the students of Civil Engineering. Those studying Civil Engineering awarded the highest points to the main variable "meaning and purpose of learning". These differences in the learning styles of students of Economics and Management and Civil Engineering, in their second development stage (16–40 years), confirm the authors' findings. At this stage, the students begin to develop one specific style of learning, whilst the other styles are not utilized as much.

The study was composed within the scientific activities at the Institute of Business and Technology in České Budějovice as well as the PhD studies at the Faculty of Economics at the University of West Bohemia in Pilsen.

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The Application of Game Theory to Forecasting Orders

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Abstract

The article deals with the effort to forecast the development of future sales over a period of several months. The ability to forecast is very important for a company in terms of being able to manage its working capital i.e. cash flow, materials, semi-products, work in progress, products and receivables, according to the forecast. Forecasting is often very difficult, particularly in a situation when a company enters a new market and has insufficient data over a substantial period of time, in particular when we consider the seasonality of a product or service. The article therefore analyses the possible application of game theory to the forecasting of orders.

Keywords: game theory, forecast, trade, working capital management, controlling

Introduction

Companies transform production factors (inputs) into the form of outputs, be it either products or services. The main goal of a company is to make profit, or to maximize shareholder value. It is for this reason that a company tries to perform the transformation as efficiently as possible. We understand efficiency in the same way as Synek & Kislingerová (2015), as the favourable ratio of input production factors to outputs. In other words a company tries to achieve “minimax” – to obtain the maximum output values by means of the minimum input values.

There are a lot of inputs that participate in the transformation of production factors. From the point of view of business economics these include executive and managerial work, materials and fixed assets. To transform these production factors we must state exactly what outputs they are to be transformed into, into what form, in what time, etc. This requires planning (Vochozka & Mulač, 2012).

The plan should determine the resources to be committed and how they should be gradually transformed into outputs. This implies that a company's plan should consist of numerous sub-plans e.g. a personnel plan with which to resolve recruitment issues and needs, professional exams, trades, and others; or a production plan crucial for material ordering, linked to a financial plan because the quantities of materials held directly affects the amount of available resources.

All the plans that a company prepares, with exception to some very specialized ones e.g. R&D, depend on an estimation of the development of sales. Realistic estimations over the long term are extremely difficult, if not impossible, to make because of the uncertainties within economies over a period of years. Short-term planning is different. A company can influence future short-term developments through its own behaviour. The requirements for accuracy in short-term plans are therefore much higher.

It is clear from the above that in the short term a company has to plan sales relatively accurately – it has to be able to forecast sales in order to purchase inventories, to address personnel demands (particularly where it concerns seasonal products or services) and cash-flow.

Although there is the requirement for very accurate planning, it is important to account for the fact that there is a certain level of probability when it comes to making forecasts. In some cases it may therefore be difficult to plan ahead. Planning involves decision making. If such decision making is considered to be a conflict situation, it is possible to apply game theory to the process.

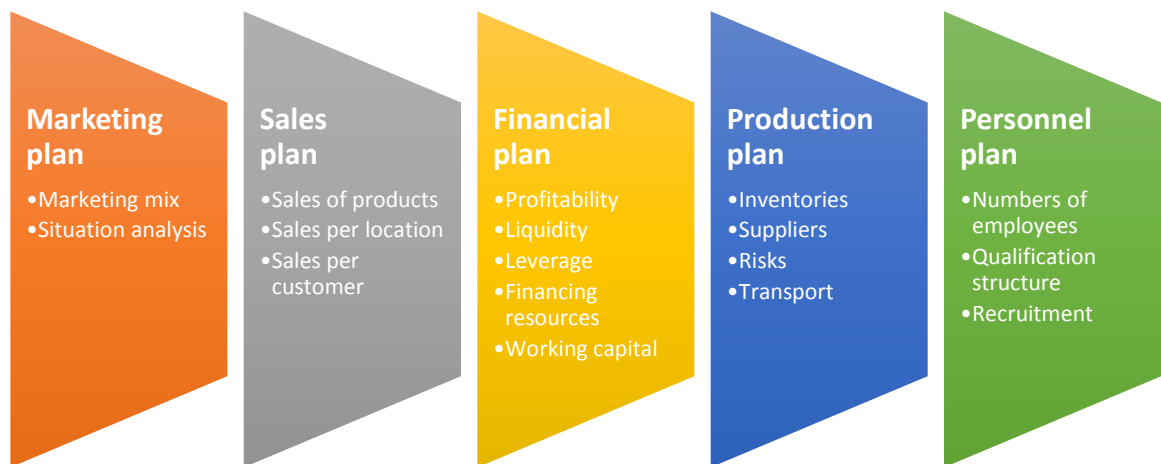
The aim of this article is to analyse the possibility of applying game theory to sales forecasting.

Theoretical-methodological part

Links between forecasts and other company plans

As previously mentioned, the forecasting of sales involves the exact determination of future sales. This is of importance to other company plans which are directly linked to sales. Figure 1 shows the system of individual plans. It is clear that a company must first analyse its market and select the appropriate marketing tools. By applying those tools the company seeks to fulfil its sales plan. The sales plan subsequently impacts on the financial, production and personnel plans which are closely linked to it. In some cases, the marketing function is so closely linked to the sales department that there is no clearly defined border between them.

Figure 1: Company plans and their links



Source: Havlíček (2011) – modified.

Whilst the marketing plan deals with market research, the marketing mix and the application thereof, the sales plan deals with concrete levels of sales both in quantitative and financial terms. This is why sales plans are usually divided into 3 categories according to:

- 1) territories;
- 2) products; and
- 3) customers.

The final plans must have the same values at the end in terms of the numbers of units, numbers of rendered services and sales revenues. The reason for the division of a plan into three categories with the same final results is the need for controlling, the task of which is to find mistakes in the planning.

If a plan were only drawn up according to territories, a mistake based for example on planned purchases from an untrustworthy company that might go bankrupt, might not be detected. The same principle applies to plans based on customers, whereby a mistake in the selection of a wrong market segment might not reveal how easily a competitor could substitute a service or a product on the local market. An example of a sales plans is given in Table 1.

Table 1: Example of Sales Plan for the First Four Months.

Line descriptions	January	February	March	April	Sum
Customer					
Retailers	525	473	496	521	2,015
Wholesalers	261	235	247	259	1,002
Direct sales	264	238	249	262	1,013
Sum	1,050	945	992	1,042	4,029
Product					
Wardrobe	210	189	198	208	806
Dining table	210	189	198	208	806
Bed	210	189	198	208	806
Office desk	210	189	198	208	806
Office chair	210	189	198	208	806
Sum	1,050	945	992	1,042	4,029
Territory					
Czech Republic	747	648	670	693	2,758
Austria	153	150	163	176	641
Other EU Members	150	147	160	173	630
Sum	1,050	945	992	1,042	4,029

Source: Authors

Table 1 shows that the company wants to sell the same quantities of the individual categories of products, whereby sales are primarily focused on retailers in the Czech Republic. We can also see that the company has taken seasonal fluctuations into account. If similar plans were drawn up for the other quarters an annual plan would be generated.

After completion of the annual plan, it is implemented. In doing so, it is of importance to take into consideration market uncertainties, as well as uncertainties within the macro and micro-economic environments in which the company operates. Examples include, a drop in sales because of an outbreak of flu, or because of the introduction of a new information system which employees are not able to use efficiently. Such circumstances, and the results thereof, are the reasons why monthly plans are adjusted and modified with only one goal in mind – the fulfilment of the annual plan. These corrections however have to be done several months in advance because of production planning needs, the particular time period being dependent on the complexity of the manufacturing process.

The forecasting of orders must therefore be managed through a system of regular meetings, on the basis of which the sales department determines the individual forecasts and the production department the purchase and manufacture of goods accordingly. An example of a scheme of forecast management is given in Table 2.

Table 2: Management of forecasts

	October	November	December	January	February	March	April	May	June	July	August	September	October	November
1														
2														
3														
4														
5														
6														
7														
8														
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Key:



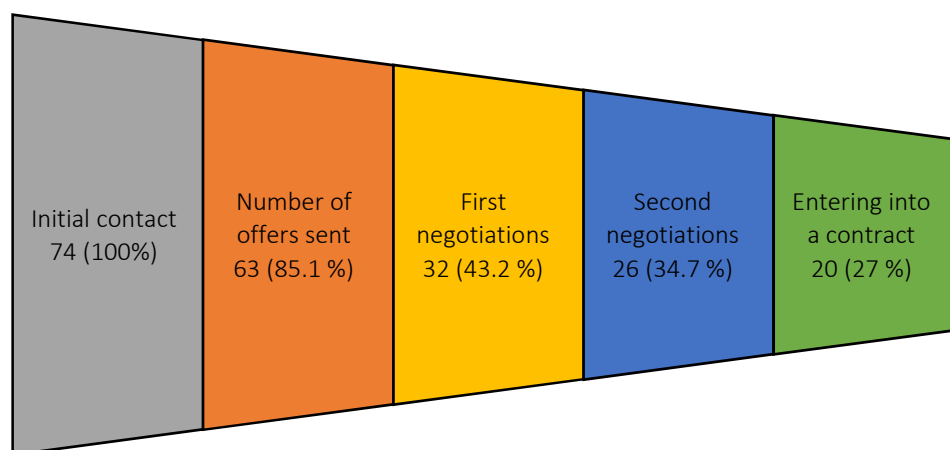
Sale time

Time for forecast discussion

Source: Authors

It is therefore up to the sales department to determine how many orders will be completed in the first 2 months. For this purpose probability rates, based on previous periods and the success rates (in percentage terms) of individual sales representatives in business negotiations, are used. Figure 2 is a schematic representation based on these success rates.

Figure 2: Scheme of the success rate of a sales representative



Source: Authors

Figure 2 shows that the sales process involves 5 phases. The initial contact is usually either personal, or electronic, and is followed up by an offer. In approximately 50% of cases the offer is of interest and triggers the first sales negotiations, whereby the terms and conditions are adjusted, discounts are discussed and other matters resolved. A lower percentage of those involved in first negotiations progress to a second round of negotiations on the basis of which a contract is entered into. From the point of view of

how many of the initial contacts (74 in total) resulted in a signed contract (20 in total), which is approximately 27 %, in reality depends on the specifics of the company.

The process illustrated in Figure 2 may take several weeks. At this stage, it is important to account for the fact that the delivery of the goods will be subject to some delay, dependent on the product specification. At the time the individual forecasts are being drawn up the company should know how many contracts have been, and will be, concluded. These statistics are usually calculated using ERP systems and a company does not have to deal with them. For such systems to be reliable and accurate they must build up an historic time line, over months and years, of contracts concluded.

If such a time line exists, it can help a company calculate with the highest possible probability how many deals of those already in progress it will close. This is done on the basis of how successful the company was in the past in converting initial contacts and achieving the set goal. If such a time line is absent the reliability percentage is lower. In such cases, companies can apply game theory to determine the first initial estimates for forecasts.

Game theory and probability

Game theory utilizes mathematics to describe real situations in decision making processes and then seeks the optimum i.e. the most advantageous, strategy within them. Numerous situations (games) are determined with the individuals playing a game having a limited number of strategies to achieve the payoff matrix. The payoff matrix is easy to calculate and represents the reward that a player gains in relation to a particular strategy subject to the responses of the other players. Nevertheless, other types of games (decision making situations) are not as clearly defined. It is for example possible to play against an unintelligent player (e.g. nature), who does not decide for the optimization of the payoff function, but who decides at random. For this reason Harsanyi (1967) chose, as the first to do so, to substitute incomplete information for complete but imperfect information. This entails assigning probabilities to the strategies of an unintelligent player. Games in which this is done are called Bayesian (Harsanyi, 1967). The imperfection of the information is based on the principle of probability, we know which situation may occur and with what probability, but we are not sure whether it will occur. By assigning probabilities it is then possible to construct a classical game in which it is possible to resolve the issue of the optimum strategy (Jackson, Tomás & Xu, 2012). In cases where the probability distribution is unknown, it is possible to apply a Laplace criterion which is based on a uniform probability distribution. Gross (2003) defines three additional criteria to the above:

- 1) Wald pessimistic criterion – the worst situation will occur;
- 2) Svagen criterion – the possible loss is minimized;
- 3) Hurwitz criterion – the decision maker's relation to the risk is taken into account.

The application of Bayes' criterion is advantageous for an entrepreneur under the condition that they can use at least some data to enable them to play this type of game (Beggs & Alan, 2015).

Bayesian criterion

In addition to the classical game as defined by a set of players, a set of strategies and their payoffs (Kalčevová, 2006), this game is complemented (Mañas, 1971) by:

- 1) a set of probabilities of the players $p = \{1, \dots, n\}$;
- 2) a set of payoff functions $f = \{(x_1; p_1), \dots, (x_i; p_n)\}$.

The principle of the Nash equilibrium (Nash, 1950) is retained in Bayesian games, so that:

$$x = \max_i \sum_{j=1}^n p_j \cdot m_{ij}$$

where:

- x - is the optimum strategy;
- p_j - probability that situation j occurs (the unintelligent player plays strategy j);
- m_{ij} - payoff for strategies i and j.

Application

In the case below it is assumed that a sales representative has a forecast for the following two months and that they have to start to market a brand new product in a new territory. No previous statistics are available for making a reliable estimation. However, it is possible to utilize some statistics at least as an input for calculations. Under the circumstances, three situations may occur in which the product might sell well, less well and badly. These values thereby imply the probability with which the sales representative could complete the deals for which negotiations have already begun. In the case in question, it is assumed that the sales representative wants to set the forecast for orders at 240,000 and to initially address 50 potential customers. The sales representative would then decide how many potential customers to address to be able to comfortably ensure a turnover of 240,000 on the basis of 10,000 per contract. Table 3 shows with what probability the product will sell very well, well and badly. The table also shows the success rate that sales representatives would usually have in such situations (from 20 to 30%).

Table 3: Product success rate

	Bad product	Good product	Very good product
Success rate of entering into contract	20%	30%	40%
Probability of product success	30%	70%	30%

Source: Authors

If we assume that a sales representative intends to address a further 10 to 30 customers, it is possible, using the data above, to prepare a matrix with the payoffs for the individual situations. The payoff amounts on the basis of the data in Table 3 are calculated using the formula:

$$Z = -|p \cdot (S_r + S_d) - V_f|$$

where:

- Z - is the payoff amount;
- p - probability of entering into a contract;
- S_r - customers already addressed;

S_d - customers that are going to be addressed;
 V_f - forecast value (in this case 240,000).

The results are given in Table 4. The purpose of the absolute value and the negative sign is the fact that the sales representative has to set the exact offtake and not struggle for the maximum number of deals for the reason that the more stores they contact the more customers will not be satisfied over time. In opposite situations, materials or human resources would therefore remain unutilized. For simplicity, it is assumed that the costs related to the later satisfaction of a customer are equal to those of the non-utilization of resources. This cost is given by the difference from the forecast.

Table 4: Payoff matrix

Newly addressed	Bad product	Good product	Very good product
10	-120,000	-60,000	0
20	-100,000	-30,000	-40,000
30	-80,000	0	-80,000

Source: Authors

As stated, the situation involves a brand new product for which it is not possible to say whether it will sell well or badly. For this reason, the probability based on the historic experience of the company with launching new products is taken into account (the item "Probability of product success" in Table 3). The resulting payoff values are given in Table 5.

Table 5: Payoff matrix after taking probability into account

Newly addressed	Bad product	Good product	Very good product	Sum
10	-36,000	-42,000	0	-78,000
20	-30,000	-21,000	-12,000	-63,000
30	-24,000	0	-24,000	-48,000

Source: Authors

It is clear from the results in Table 5 that according to the Bayesian criterion the best strategy is to address a further 30 potential customers. This result was already implied from the results in Table 4 in which it was clear that the sales representative might achieve the required status in only two situations i.e. addressing 10 or 30 potential customers. If only 10 customers were addressed, the company would need to be sure that the new product would sell well. However, this variant had a lower probability, which implies that it would be more suitable to address 30 potential customers.

Conclusion

The forecasting of orders is very important from the point of view of servicing customers and the efficient use of production factors. It also enables efficient controlling which leads to the dynamism of the sales plan, which is based on the gradual modification of the individual monthly plans on the basis of the results of the previous months.

In most cases, where a longer time line exists, standard tools provided by various ERP systems can be applied. However, when a new product is launched or a new territory entered, the application of these tools might not be suitable because no relevant data is available. In such cases game theory may be applied to forecasting decisions, or in more accurate terms, the theory may help an entrepreneur to establish how many potential customers they should address to fulfil the forecast in full.

An entrepreneur might simply estimate the number of customers they should address. However, if they address fewer customers and find that the product does not sell as expected they may choose not to address further numbers of customers, which in turn may lead to the non-fulfilment of the forecast.

In contrast, if an entrepreneur addresses excessive numbers of customers, some customers may not be served on time, which in turn may have a negative impact on future deals with the customer. In addition, damage to the reputation and good name of the company is also likely to occur because individual customers may mention such information in non-formal discussions elsewhere. It is for this reason that it is important to deal with forecasts already in the first few months of launching a new product. Game theory provides an efficient tool for obtaining the inputs for decision making.

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Professors and Associate Professors in Communist Czechoslovakia – A Case Study of the Process of Awarding Academic Degrees in the 1950s

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Abstract

The paper focuses on the scientific degrees awarded by the University of Economics, Prague (UEP), in 1950s Czechoslovakia. Unique primary sources, such as minutes from UEP Scientific Board meetings and witness statements, were used in an interdisciplinary economic-historical analysis of the UEP scientific research position after the implementation of the Soviet model doctrine, through the dogmatic teaching of Marxism-Leninism in 1953. The results show that the UEP failed to increase the number of scientists and teachers, particularly associate professors and professors. Changes in the law, which saw the introduction of the CSc. (candidatus scientiarum) and DrSc. (doctor scientiarum) degrees and a “deputy” version of the associate professor degree, allowed a number of combinations for scientific career progression with the possibility to waive or skip some of the traditional requirements thereof, such as a dissertation thesis or previous scientific experience. Contrary to our expectations, political economics was not given preference at the expense of other fields of study among the new associate professors. Due to the new cadre policies, only highly politically reliable teachers were appointed. This frustrated many and prevented them from working for the universities. The lack of flexibility at the Ministry of Education, the rigid bureaucratic policies of the State Committee for Scientific Degrees, continuous changes in laws and regulations along with the total control of the Communist Party, led to a lack of experienced scientists. It also created a class of deprived teachers who had no time to immerse themselves in intense research activities due to inadequate preparation in both knowledge and methodology. In addition, a teacher’s salary was unsatisfactory and young graduates were not motivated to remain in the academic field. The results also suggest that the appointment of professors without appropriate education, pedagogical and scientific activities wasn’t an easy task. This proves that the Communist leadership was, to some extent, reluctant to completely ignore the need for a scientific background.

Keywords: Academic degrees, University of Economics in Prague, Czechoslovakia after 1948, Communist Party, Marxist-Leninism, economics, candidacy

Introduction

This study analyses the process of awarding academic degrees in the 1950s. It focuses on the only school, the University of Economics in Prague (UEP), which educated economists and managers in readiness for a career in a centrally controlled economy. Particular attention was paid to the associate professor and professor academic degrees. The awarding process combined a traditional procedure known to universities across Central Europe and a practice affected by the totalitarian regime in communist Czechoslovakia. This practice was supposed to adequately raise the number of loyal university teachers. This process is analysed in detail, including all the problems associated with the effort to increase the number of new teachers and scientists (Stellner and Szobi 2013).

The new “socialistic” intelligence was an ultimate purpose project run by the universities in Communist countries. It was based on the “production” of highly qualified and ideologically loyal cadres and a process of “suppression” which was aimed at the predominance of students from a “non-workers-class”. The universities based their teaching on Marxism-Leninism, which completely dominated economic science at the time. This approach followed the completely dogmatic Stalinist interpretation with no opportunities to relativize or challenge it (Ash, 2010, 215-245; Maňák, 2004, p. 140).

After 1945, the Communists faced the risk of losing their very limited influence in the academic senates and the professoriate. They therefore restricted participation in academics to “excellent practitioners and politicians” and enlarged the definition of professor in order to award the degree to people without the necessary qualifications. University professors could be appointed in a very specific way: “...the outstanding individuals who have proven themselves in politics, in the social field, or journalism may have, in the opinion of the Academic Senate, the other requirements waived.” (Urbášek and Pulec, 2012, p. 37). For example, a Communist functionary named Ladislav Štoll was appointed professor at the University of Political and Social Studies in Prague (Vysoká škola politická a sociální v Praze) although he had only graduated from a common middle school and taken a one-year course at a business secondary school (Štoll, 2005, p. 87; Devátá, 2010; Šmok, 2014).

In the 1950s, the associate professor and professor degrees were the highest academic qualifications a scholar could achieve in Czechoslovakia. Until 1950, the UEP professoriate had the power to award an associate professor degree. A defence took place in front of a commission and, similar to the process of a doctoral dissertation, the scientific activities of the applicant and, usually, their teaching ability were evaluated. The relevant ministry would then confirm the whole process by awarding the degree. The candidate, also called “habilitant”, had to have a research doctorate and a habilitation thesis in print. The status “private associate professor” meant a teacher, a university associate professor, who wasn’t paid for their lectures and usually had another occupation (Stellner, 2015).

Until 1950, the UEP professoriate also had the power to award the professor degree. A defence took place in front of a commission and then the president had to confirm the process and appoint the candidate. The status “extraordinary professor” signified a

professor without a chair who was paid the same as an associate professor. This traditional Central European procedure had been gradually modified from 1950 onwards until the Communists instituted the new Higher Education Act (Czechoslovakia, 1950). This act repealed the rigorous procedures for achieving the doctorate degree, abolished the private associate professor status, and eased the process of habilitation, allowing the waiver of existing conditions.

At the same time, the position of “deputy” associate professor and “deputy” professor were introduced. These new temporary university positions allowed practitioners to teach at a university without any previous scientific activities or teaching experience (ČSR Parliament 1950).

From 1956 (Czechoslovakia, 1956) both the associate professor and “scientific-pedagogical” professor degrees were separated from university jobs. Departments containing several professors replaced the existing teaching chairs managed by a professor. They could be appointed and recruited from individuals, “...who have demonstrated outstanding scientific (artistic) and teaching competence i.e. usually, from university doctors of science or associate professors” (Czechoslovakia, 1956). In contrast to most Central European countries, the new Czechoslovak professor degree became a non-job related pedagogical-academic title that could be obtained with ease by skipping some of the traditional academic requirements (Mates, Průcha and Svatoň, 1984).

The law also introduced the university scientific boards that replaced the institution of the professoriate. These reforms completely removed the last remnants of academic autonomy and introduced a new organization along the lines of the so-called Soviet model. A 1958 Ministry directive states that the competency evaluation “... for university teachers has to be based on all the fundamental aspects of political, ideological and professional maturity of the applicants i.e. aspects, which are completely equivalent and their application must be uniform and comprehensive” (The Ministry of Education and Culture, 1958).

In reality, this meant that the Communist Party’s representatives were in charge of assessing the political and ideological aspects of applicants thereby gaining an instrument with which to strengthen their control over the cadre at the universities. The professional maturity of the applicants remained in the hands of scientific boards. Upon the presentation of the habilitation thesis and the discussion of opponents’ opinions, the board voted on the appointment. However, the party representatives made the key decisions and the appointment was more of a formal procedure. In the case of the University of Economics in Prague, the associate professors (or their deputies) were approved by the city committee and professors (or their deputies) were approved by the political bureau (Stellner, 2015).

The process of awarding academic degrees was modified several times. New laws and directives were introduced to meet the requirements of the Soviet model (Tromly, 2014). This model established a new pedagogy-scientific system, which included professors, doctors of science (DrSc., doctor scientiarum), associate professors, candidates of science (CSc., candidatus scientiarum), engineers, teaching assistants, lecturers, instructors and specialized instructors.

Methods and data

This study required the combination of economic, social, cultural and political history methods. The study also utilises economic and statistical methods. This interdisciplinary approach enabled the determination of general factors i.e. an analysis, which describes and examines, in detail, the research and scientific position of the UEP in the 1950s. We used previously untapped resources preserved in the UEP archives, including professoriate records (Scientific Board records from 1956 onwards), minutes of meetings, personal memories, political speeches and diaries.

An analysis was also made of contemporary newspapers and journals. This puts high demands on the criticism of those sources, the evaluation of their documentary and historical value, and their appropriate use as valid data with high information value. Using the method of oral history, we processed the memories of witnesses - mostly university teachers. We also relied on current economic and scientific literature dealing with science and education development in communist Czechoslovakia.

Results

Year	Teachers total [Head count]	Associate professors (AP) [Head count]	Professors [Head count]	Relative shares of AP's and professors of the total teachers
1953	193	16	4	10.36 %
1958	267	37	3	14.98 %
1959	266	40	3	16.16 %

Table 1. Teachers, associate professors and professors at UEP 1953-1959¹

The UEP played an important role in education in the former Czechoslovakia. Established in 1953, the UEP became one of the key institutions where political economics was developing towards a dogmatic form of Marxism. Stalin formulated this dogma in, among other things, the work called *Economic Problems of Socialism in the USSR*. The first dean of the UEP described it as a “brilliant” masterpiece (Sedlák, 1953, p. 182).

Due to a lack of good quality political economics teachers, the Communist leadership placed high priority on the initiation of the new “cadres” as soon as possible (Connelly, 2008, p. 342; Spurný, 2012). In the period 1953 – 1959, there was an approximate increase in the number of UEP teachers of 38% (see Table 1). In the same period, the number of associate professors increased to 40 (150%) and there was a reduction in the number of professors by one (25%).

The UEP numbers were significantly behind the national average. The proportion of associate professors and professors to the total number of teachers in the country was, in the academic year 1948-1949, approximately 24%. By the academic year 1958-1959, this had dropped to 18.6% (Urbášek and Pulec, 2012, p. 367-368). The UEP Scientific

¹ University of Economics, Prague (UEP) archive, *Academic year 1957/58 Annual Activity Report*, UEP Scientific Board records 1953-1959/60, 1960, 31.

Board had always examined the professional standards of applicant associate professors. At the end of the 1950s this standard was also examined by a Faculty Scientific Board, which took place during the appointment discussions regarding professors and associate professors.

There were, for example, subjects such as English or Psychical Education. Between 1953 and 1959 the UEP Scientific Board examined a total of 43 appointments (38 successfully), of which 4 were for professors and 39 for associate professors. The most represented field was political economics with five proceedings. There were three proceedings in each of the fields of labour economics, industrial economics and accounting.

Out of 38 appointments, only one concerned a woman, leading to a deeper gender imbalance. This woman was Zoe Svoboda-Klusáková, an Associate Professor of Political Economics², and daughter of Army General and President of Czechoslovakia, Ludvík Svoboda (Klusáková-Svobodová, 2005). In 1957, the university and all the faculties' scientific boards were appointed. Out of the 108 members, there was only one woman, Jaromíra Zapletalová. She was an Associate Professor, and a member of the UEP and Faculty of Production Economics Scientific Board.³ At the time, only about 16.6% of students were female (Urban, 1958, p. 137). In 1966, the situation in the German Democratic Republic was similar. Of the 328 professors only 9 of them were female (2.7%) (Budde, 2003, p. 166).

The first ever UEP deputy professor appointment procedure concerned Edward Vopička. Vopička came from the Institute of Industrial Economics and led a systematic cycle of lectures on the Soviet "khozraschyot" at the Czech Technical University in Prague (CTU).⁴ In 1955, the Scientific Board approved his application to be appointed as a deputy professor at the Department of Industrial Economics in the field of Organization and Company Planning. In the same year, he took over management of the Department of Industrial Economics (Kubr, 2012).⁵ By the end of the 1950s his appointment procedure had not been completed and he didn't become a deputy professor.

In 1957, the first appointment procedure for a professor degree (full professorship, not deputy) at the university was started for Benedict Korda in the field of Statistics. His appointment was not completed until 1959.⁶ He graduated from the School of Special Sciences at CTU and gained experience at the Ministry of Fuels. At the UEP he held the position of vice-dean for academic work⁷. He subsequently completed his habilitation

² UEP archive, *Minutes of University Board meeting*, ibid, No. 3, Nov. 12, 1954, 2.

³ UEP archive, *UEP Scientific Board meeting*, Record No 1 (4), Jan 25, 1957, 2; UEP archive, ibid, 1-3.

⁴ Archive Czech Technical University in Prague (CTU), *Minutes of CTU Economic Sciences Faculty Board meeting in Prague*, Professoriate meeting protocols VŠO collection, Box 01, Folder 6, 1951-52, Jan 18, 1952, 1.

⁵ UEP archive, *Minutes of University Board meeting*. No. 10 UEP Scientific Board records 1953-1959/60, May 26, 1955. The economist Milan Kubr worked at UEP until 1965, emigrated in 1968. Among other things, he is the author and editor of the famous book: "Management consulting: A guide to the profession", which was translated into 16 languages.

⁶ UEP archive, *UEP Scientific Board meeting*, Record No. 1 (4) p. 2, UEP Scientific Board records 1953-1959/60, Jan 25, 1957, 4; He wasn't identified as a professor in the 1959 annual report. UEP archive, *Academic year 1958/59 Annual Activity Report*, ibid, 27.

⁷ UEP archive, *Minutes of University Board meeting*, No. 7, ibid, Jul 7, 1954.

and assumed leadership of the Department of Statistics (Cyhelský, 1992).⁸ Unlike Vopička, he had extensively published before the professor appointment procedure.

An analysis of the minutes of the UEP Scientific Board meetings shows that the vast majority of the proceedings before the Scientific Board ended with a unanimous vote. When a proceeding was postponed it was for administrative reasons. The proceeding for Edgar Semmel, in the field of Industrial Economics, was disrupted at the last minute by party agencies. Their orders resulted in the rejection of the proposed appointment.⁹ His colleague mentions this moment in his memoirs: "He was more open and his critiques were sharper than the high party instances were willing to tolerate after the XX Party Congress. Someone from the school reported Semmel. He therefore didn't stay at the university very long and instead decided to vacate the field and return to the ČKD factory after 'fine' recommendations from above. It also did not help him that he had been a volunteer in the Czechoslovak military units in England and fought at Dunkerque during the war, and that he had studied in Leningrad after the war!" (Kubr, 2012).

Felix Oliva and Eduard Vopička were the most frequent authors of habilitation thesis assessments. The long-term party member F. Oliva was known as "Doyen" of the UEP and a leading dogmatic. The theses in the field of Political Economics were compilations of dogmatic precepts which were published in huge quantities. Unfortunately, they failed to help the economy or the development of economic science. The second most frequent author of habilitation thesis assessments was E. Vopička, the "khozaschyot" lecturer¹⁰.

The Scientific Board records suggest that during the appointment procedures, the most important and most discussed factors were the dissertation thesis, practical experience, studies in the USSR, teaching experience, scientific publications and political activity. A lengthy discussion was a rare phenomenon. The appointment procedure for Miroslav Peroutka was an exception. One of the debaters said that his thesis "...does not fully meet the requirements," and that most of his publications concern "works of official activities."¹¹ In spite of this, he received all the votes in a secret ballot. Original scientific work was only rarely taken into account during the formal discussions of the appointment procedure. Habilitation and professorial work ceased to be a monograph, but textbooks and original scientific studies were mostly replaced by office reports, etc.

At the end of the 1950s, the UEP had to cope with yet another major change that affected the structure of scientific and pedagogical degrees. From its establishment, it had not been possible to obtain a doctoral degree (Ph.D.) at the UEP. The rigorous proceedings had already been abolished in 1950 and it was only possible to finish older on-going proceedings until 1953. These abolished proceedings in engineering, agricultural sciences and business economics included one oral exam, called "rigorosum", and the defence of a written scientific discourse, the dissertation. There was neither a special admission procedure nor a fixed study plan or a certain position for doctoral students. The universities decided themselves about doctoral graduations and the procedure was solely in their hands.

⁸ UEP archive, *Minutes of University Board meeting*, No. 9 *ibid*, Apr 5, 1955.

⁹ UEP archive, *UEP Scientific Board meeting*, Record No. 1 (4) p. 2, *ibid*, Jan 25, 1957, 5.

¹⁰ Archive CTU in Prague, *Minutes of CTU Economic Sciences Faculty Board meeting in Prague*, VŠO collection Box 01, Folder 6, 1951-52 - Professoriate meeting protocols, Jan 18, 1952, 1.

¹¹ UEP archive, *Minutes of University Board meeting*, No. 3 UEP Scientific Board records 1953-1959/60, Nov 12, 1954, 2-3.

Instead of the rigorous proceedings, the 1953 Governmental Regulation introduced a new proceeding - the candidacy of sciences (the CSc. degree, "candidatus scientiarum"), also called "aspirantura", which, according to the Soviet planning model, was called the "production of professional forces" (Albrecht, 2000, p. 274). Connelly describes the activity of the CSc. students: "Aspirants usually obtained a three-year scholarship and didn't have to participate in teaching" (Choma, 2012). During this period, they had to write a candidate's dissertation thesis and obtain the candidate of science degree. It was expected that the students would become a new type of graduate who would carry out detailed, centrally approved study plans. A series of tests and exams had to be taken including Russian and Marxism-Leninism. Aspirants went through a series of qualification meetings at the college, university and at ministry level" (Connelly 2008, p. 117; comp. Kausch, 2009, p. 158-159; Applebaum, 2015).

It was assumed that before habilitation the aspirant would achieve candidacy (CSc.). Similarly, before the professor appointment procedure the aspirants would achieve habilitation (Dr.Sc.). In this way, the Communists wanted to ensure the emergence of a new class of teachers who had undergone thorough Marxist-Leninist training. This new class started to replace the older "cadres" who had experienced traditional rigorous proceedings and were affected by the *bourgeois* "reactionary" past.

In the academic year 1956-1957, the UEP had 104 CSc. students, of which 26 had a full-time scholarship.¹² In 1956 there were 1263 CSc. graduates in Czechoslovakia, 695 full-time CSc. students and 1343 distance study CSc. students (Connelly 2008, p. 118, note 364). In the academic year 1957-1958, 28 CSc. students ended their candidacy, of whom four submitted their thesis and only two defended them.¹³ In the following school year, there were 112 CSc. students of which only 11 graduated.¹⁴ In the German Democratic Republic there were about 1650 aspirants in 1954 (Jessen, 1999, p. 59).

The UEP leadership tried to improve the quality of CSc. studies and often discussed this issue at Scientific Board meetings. However, the necessity to maximize the number of graduates was discussed more often. The statement relating to improving quality also didn't correspond to the possibility to do the habilitation without the CSc. degree.¹⁵ Due to the changes in the appointment procedures, a number of combinations for career progression were possible.

In 1957, one of the members of the Scientific Board, Václav Bernášek, complained: "There are two categories of teachers: (1) UEP graduates who are going through the candidacy, (2) practitioners, who are going through the associate professor appointment procedure and don't feel the pertinence to undergo the candidacy. We must therefore ensure that the associate professors become candidates of science and vice versa that the candidates of sciences become associate professors, however not universally."¹⁶ The quality of the "cadres" should have been influenced by the introduction of CSc. studies

¹² UEP archive, *Minutes of UEP Scientific Board meeting on UEP aspirantura progress in the academic year 1956/57*, Record No. 5 (8), *ibid*, May 28, 1957, 1.

¹³ UEP archive, *Academic year 1957/58 Annual Activity Report*, *ibid*, 1958, 21-23.

¹⁴ UEP archive, *Academic year 1958/59 Annual Activity Report*, *ibid*, 1959, 22.

¹⁵ UEP archive, *Minutes of University Board meeting*, No. 8, *ibid*, Mar 1, 1955, 1-3; For example the waivers requested a statistician Benedikt Korda. UEP archive, *Minutes of University Board meeting*, No. 10, *ibid*, May 26, 1955, 5;

¹⁶ UEP archive, *UEP Scientific Board meeting*, Record No. 5(8), *ibid*, May 28, 1957, 3.

and the DrSc. degree. However, at that time, it was possible to do the habilitation, obtain the Doc. (associate professor) degree, all without the CSc. degree. In such cases an applicant didn't have to be an author of two academic publications. One was enough and this was often substituted with a textbook.

The thesis opponent reports show that the UEP cooperated intensively with the University of Economics in Bratislava, University of Agriculture in Prague and the Czech Technical University (CTU). This was due to the field of study "Relatedness" as well as the fact that many personalities came to the UEP from CTU and maintained their previous contacts.

In the second half of the 1950s, the authorities recognized that there was a problem with the lack of appropriate "cadres". For example, in April 1956, the Communist Party of Czechoslovakia plenary session concluded that the rapid growth of universities had inevitably brought some shortcomings (in comparison to 1937, the number of universities had quadrupled, the number of students had increased 2.5 times, and the university network had expanded from 4 to 17 cities).

"This allegedly resulted from the fact that university teachers were mostly young, and lacking the necessary experience because they had just started their academic careers and began acquiring their first scientifically pedagogical experience. [...] The connection of universities to common life and production was described as inadequate. Serious dissatisfaction was also expressed with the deficiencies in the educational work of university teachers who weren't properly paying attention to purposeful educational activities and tended to pursue only professional teaching, or an increase in their (often missing) professional preparedness and qualifications. [...] In the case of academic officials, it was discussed that they shouldn't be overburdened by administrative work" (Morkes, 2000, p. 60; comp. Čudová, 1997, p. 22-23).

One witness described the conditions manifesting themselves at UEP: "Our university teacher preparation in this system was, both in terms of knowledge and methodology, completely inadequate. And, I'm not even referring to practical experience. We only had the superficial and dogmatic teaching of Marxist economic theory and a few rather short exploratory courses in disciplines that were crucial for industrial economics and business management. The only possible solution was to start with everything again, from scratch and simultaneously with the job, as beginners with a heavy work load" (Kubr, 2012).

Discussion

Throughout the 1950s, the UEP leadership began to realize that they were operating under extremely unfavourable conditions, "...when it comes to teaching cadres (professors and associate professors)". It was concluded that "...for scientific work, study material is not a problem, the lack of time is..." and "The plan of scientific-research work is extensive, but fragmented..."¹⁷.

¹⁷ UEP archive, *Academic year 1957/58 Annual Activity Report*, ibid, 1959, 1.

Further, the lack of interest in the Russian¹⁸ language was criticized and the necessity to “broaden the Scientific Board with comrades from the factories and bring its actions in line with practice”¹⁹ was discussed. In the 1959 annual report it was stated: “In the scientific work of our departments, we are still observing the fragmentation of scientific themes, the lack of connection between scientific research and practice and a lack of discipline in the performance of scientific tasks and the like.”²⁰ The scientific-research work should have been improved by the “narrow contact with practice”, “the coordination of scientific work”²¹ and the implementation of a five-year plan for scientific-research work.²²

The collected data shows that a very small number of professors worked at UEP in the 1950s. This suggests that the appointment of professors without appropriate education, pedagogical and scientific activities wasn’t an easy task and proves that the Communist leadership was reluctant to completely ignore the need for scientific work. There is no evidence any particular subjects were favoured e.g. political economics wasn’t preferred in the proceedings at the expense of the other subjects.

Furthermore, we can conclude that the UEP significantly failed to increase the number of professors and associate professors in the first seven years of its existence. If we compare the years 1953 and 1959, there was a decline in the number of professors from 4 to 3, and an increase in the number of associate professors from 16 to 40, together with a significant increase in the number of students.

One of the reasons for this was the failure of the Communist leadership to approach academia. Most of the universities were traditional scientific institutions and symbolized the bourgeois world for Communists, a world and society they sought to revolutionize and newly constitute according to the Soviet planning model. This resulted in a series of missteps.

One of the factors was the cadre policy. The policy thwarted a number of scientists’ chances to work at universities and allowed only politically reliable teachers to enter academia.

The consequences of the bureaucratic apparatus and structural rigidities also did not help the situation. This was evident in the negative impacts of the constant changes in laws and regulations as implemented by the Ministry of Education and the State Committee for Scientific Ranks. These changes had a negative impact on teachers’ professional development and therefore on their lack of scientific experience. Teachers and scientists were overburdened by administration and various extracurricular activities and didn’t have much time to really immerse themselves in research activities.

In addition, a teacher’s salary was quite unsatisfactory in comparison to a number of manual or mere administrative occupations. Young graduates weren’t motivated to

¹⁸ UEP archive, *Minutes of University Board meeting*, No. 3, *ibid*, Nov 23, 1954, 2-3.

¹⁹ UEP archive, *UEP Scientific Board meeting*, Record No. 1, *ibid*, Oct 7, 1958, 1.

²⁰ UEP archive, *Academic year 1958/59 Annual Activity Report*, *ibid*, 1959, 16.

²¹ UEP archive, *Minutes of University Board meeting*, No. 2, *ibid*, Sep 28, 1954, 1-4.

²² UEP archive, *Minutes of University Board meeting*, No. 3, *ibid*, Nov 23, 1954, 4.

remain in the academic field. On top of that, and in contrast to the inter-war period, being in academia wasn't considered a prestigious career.

The Communists entirely controlled the appointment procedure of both the associate professor and professor degrees. In summation: (a) the Communist Party designated officials, often sworn party members, to be stationed in universities; (b) all appointment procedures were only started with the permission of the head of the department i.e. a Communist Party member; (c) the relevant faculty Communist Party organizations and officials prepared the cadre testimonies which were a key instrument with which to make decisions; (d) the Communists had a majority on the Scientific Boards; (e) the relevant Ministry was also completely under Communist Party control; (f) the President of the Czechoslovak Republic was the highest representative of the party.

On the one hand, the system provided teachers loyal to the party with a career path without having to present original or valuable scientific work. On the other hand, the system didn't completely prohibit those with actual scientific capacities to achieve the position of associate professor and professor; they just had to conform to the principles of the Communist Party's higher education policy. When the appointing procedure got to the phase where the Scientific Board discussed the opponent reports, especially when they were about to grant the associated professor degree, it was in the vast majority of cases a smooth procedure with a unanimous vote. This also meant that personalities in ideological or opinionated opposition, which is a good scientific quality, had almost no chance to undergo the procedure; moreover, when such a procedure started by coincidence, it was terminated and they had to leave the university.

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Entry of West German Investments into the Czechoslovak Economy in the 1970s through the Example of Schwarzkopf AG

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Abstract

This article deals with the economic relations between the Federal Republic of Germany and Czechoslovakia in the 1960's and 1970's. Its goal is to establish whether the current economic interconnection of the German and Czech economies has its roots in the period of the so-called normalization. Particular emphasis is placed on the institutional anchoring of mutual relations, the development of trade and West German investments in the Czechoslovak Socialist Republic. Interest is drawn to the joint cooperation agreements and projects in the automobile industry and engineering that came to fruition. The circumstances surrounding the intensive inflow of such investments from West German into Czechoslovakian companies prior to 1989 is analysed using the example of the licensing agreement with Schwarzkopf AG. The author's conclusions are based upon the interpretation of unpublished sources, primarily from the collections of the Bundesarchiv Koblenz and the Konzernarchiv Henkel.

Key words: Federal Republic of Germany, Czechoslovakia, West German-Czechoslovak relations, licensing agreements, Schwarzkopf

Introduction

This article deals with the relatively untouched issue of the economic interests of the Federal Republic of Germany and private West German companies in Czechoslovakia during the period of normalization. The goal was twofold. Firstly, to establish which institutional anchors existed for the economic activities of West Germany in the Czechoslovak Socialist Republic. Secondly, to establish, through the investment plans and licensing agreements of Schwarzkopf AG, that the origin of the strong interconnectedness of the Czech and German economies at the present time is not just

the result of large German investments in the transition period of the 1990's, but rather due to the activities that took place in the period prior to the events of 1989. To this end, only a brief period of the 1970's is looked at for the analysis. This is for the following reasons: in 1973, official diplomatic relations between Bonn and Prague were established which resulted two years later in the signing of the Agreement on Economic Cooperation and Scientific-Technical Collaboration. Within a broader context, this was the jewel in the crown of Federal Chancellor Brandt's (SPD – German Social Democratic Party) policy towards the Eastern Bloc. The policy included the renewal of diplomatic relations with Eastern Bloc countries and the expansion of economic cooperation. The most significant period of expansion in mutual trade and intensive political dialogue began in 1981, with the election of the centre-right candidate, Helmut Kohl, as Federal Chancellor (CDU - Christian Democratic Union). His election saw the start of high level, intensive and constructive efforts by the federal government to actively seek out opportunities for cooperation between West German and Czechoslovak companies which had until then been overshadowed by the increased activities of private entrepreneurs and investors. Unfortunately, only the fragmentary sources of the former archive of the Central Committee of the Czechoslovak Communist Party (ÚV KSČ) can provide evidence of this. Documents from the institutions of the federal government dating to the mid-1980's remain inaccessible and unpublished.

The research carried out in the above referenced archive was necessary in order to credibly establish West Germany's entry into the Czechoslovak economy during the period of socialism. Confirmation of the institutional dimension of the cooperation can be found in the form of published agreements and in the compilation of laws. The hypothesis that the Federal Republic of Germany had increasing economic interests in Czechoslovakia was also confirmed through official annually published statistics on the values of the mutual exchange of goods. Unfortunately, neither published sources nor professional monographs exist, therefore partial research studies into specific cases of cooperation are considered to suffice. Within this context, Czech historiography has also included works that have often focused on the partial issues of mutual relations after 1945 (Jindřich Dejmek, Ivan Jakubec, Radek Soběhart, Jaroslav Kučera, Miroslav Kunštát).

Gradual Improvement in Relations

In the autumn of 1949, after the creation of the independent Federal Republic of Germany, relations between the former western occupied zones and Czechoslovakia remained cool. This was emphasized in economic terms by the passing of the Marshall Plan in the Federal Republic of Germany and in contrast, the inclusion of Czechoslovakia into the structures of the Council for Mutual Economic Assistance. In the first half of the 1950's it became clear that the Czechoslovak government was, for ideological reasons, intensifying mutual trade with the Soviet Union and the Eastern Bloc. This intensification of relations was at the cost of existing intensive business contacts with the rest of Europe. At the time, the Federal Republic, as part of the implementation of the Hallstein Doctrine, refused to create official diplomatic relations with Czechoslovakia in light of its lack of recognition of the German Democratic Republic. However, as far as business was concerned, the government in Bonn was more pragmatic. This pragmatism was reflected in the advice the government gave to businesspeople. Those with

investment interests in the countries that made up the Council for Mutual Economic Assistance were told not to be discouraged by political developments (Rudolph 2004). West German diplomats and businesspeople therefore occasionally travelled to Czechoslovakia, leaving interesting records of their travels. For example, in the personal correspondence of the former German Ambassador to the United Kingdom, Hans Schlang-Schöningen, a message was found from a businessman from Mülheim regarding his trip around Czechoslovakia in 1959: "I have returned from my trip to Prague. They treated me very hospitably (...) People must export, unless they want to go hungry, because their agriculture is woeful. A large part of the food must be imported (...). New modern crusaders must once again go to battle so that (...) slowly but surely at least a part of our country gets back under control (...). After all, we are also investing capital in other countries, so why not in the East? The position of Poles and Czechs of not operating and completely ignoring any trade is erroneous at its root." (Bundesarchiv Koblenz, sg. N 1071/15). Several years later, reports from West German businesspeople had become significantly more positive. They were surprised by the relatively good standard of living, although they also noted the lack of consumer goods, as well as the bad state of the infrastructure (Bundesarchiv Koblenz, sg. B 102).

It was only in March 1963 that a protocol on the exchange of goods between the Czechoslovak Socialist Republic and the Federal Republic of Germany was signed. This protocol was de facto valid until the second half of the 1960's. Representatives of the Czechoslovak government also made it clear to Wolff von Amerongen, the head of the Ost-Ausschuss der deutschen Wirtschaft, during the Brno Trade Fair, that they were interested in expanding trade along the same lines as had been established with Poland, Hungary, Romania and Bulgaria (Rudolph 2004). However, it was not until 1967 that, after complicated negotiations, a West German Chamber of Commerce was successfully opened in Prague (Jakubec 2005). The political issues aside, one additional factor played a role in delaying the deepening of mutual business relations when compared to Hungary, Poland and Bulgaria. This factor lay in the difference in export profiles. The Czechoslovak Socialist Republic exported more finished industrial products to the markets of the European Economic Community, primarily into West Germany, whereas the other countries exported more agricultural produce.

The process of normalization after 1968 suppressed Czechoslovak interest in deepening relations with the Federal Republic. At the start of the 1970's conservative financial policy prevailed in Czechoslovakia. This autarchic policy was promoted by the federal administration of Lubomír Štrougal, supported by the Minister for Foreign Trade, Andrej Barčák, the Minister of Finance, Leopold Lér, as well as the Chairman of the Czechoslovak State Bank, Stanislav Potáč. This policy was in contrast to that in other socialist states who utilized the preparedness of West German investors to participate financially in joint projects.

In 1973, diplomatic relations were finally re-established with the signing of the Agreement on Mutual Relations between the Czechoslovak Socialist Republic and the Federal Republic of Germany. Upon signing the agreement, voices within Czechoslovak state companies and trade immediately began calling for the deepening of cooperation with West Germany. They did this in an effort to counterbalance the great influence of French and Italian importers and investors, primarily in the areas of engineering goods and the automotive industry (Bundesarchiv Koblenz, sg. B 102). Representatives of the German car manufacturer BMW even requested the Federal Ministry of Economy to

attempt to negotiate with the Czechoslovak government, because “the construction of FIAT and RENAULT plants in some socialist countries has caused a nearly complete loss of any basis for active export by the German automotive industry.” (Bundesarchiv Koblenz, sg. B 102). Despite the fact that, for example, Volkswagen had begun to work on a project with Czechoslovak partners from the car producer Automobilové závody, národní podnik, Mladá Boleslav (State Automobile Company, Mladá Boleslav; hereinafter referred to as AZNP) and had held discussions on the installation of German engines into Škoda automobiles, neither project resulted in any production. However, the numerous meetings between representatives of Volkswagen and AZNP Mladá Boleslav did lead to their subsequent successful cooperation on the modernization of the Škoda Favorit. Similarly unsuccessful efforts at direct cooperation were made between Tatra Kopřivnice and Kloeckner-Humboldt-Deutz AG on the joint production of ventilated truck engines (Bundesarchiv Koblenz, sg. B 102).

The lack of progress on this front only led to a change in understanding of foreign investments in the mid-1970's. This change was driven by two factors. Firstly, the inability of Czechoslovak industry to maintain the levels of exports of industrial goods to developed countries in Western Europe. Secondly, by worsening exchange rates as a result of the high demand for energy. The deliberations resulted in 1975 in the signing of the Agreement on Economic Collaboration and Scientific-Technical Cooperation with the Federal Republic of Germany. This set the foundation for intense dialogue both on the intergovernmental and intercompany level. This was seen most noticeably in the creation of the German-Czechoslovak Committee for Cooperation, which held its first meeting in Prague in the autumn of 1975 (Bundesarchiv Koblenz, sg. B 102). In the late 1970's and 1980's the importance of the committee continued to grow with the election to the joint post of chairmen of the Federal Minister of Economy and the Deputy Prime Minister of the Czechoslovak Federal Cabinet. In addition to this committee, other specialized committees for individual industrial sectors were set up and held meetings.

By the second half of the 1970's, approximately 30 cooperation projects were entered into. These projects mostly involved licensing agreements primarily focused on the chemical and metallurgical industries. Vacmetal (Hoesch) from Dortmund participated in the construction and operation of vacuum equipment for the processing of liquid steel in Vítkovice. Thyssen-Rehinstahl installed equipment at the Východoslovenské železiarne in Košice (East Slovak Steel Mills) for the de-sulphurization of raw iron. The other direction, Czechoslovak companies provided Dynamit Nobel with a license to produce Feropur, a preparation for metal steeping (Bundesarchiv Koblenz, sg. B 102). On occasion, the federal government would express its disappointment with the number of cooperation agreements and would point to the greater number of West German projects in Poland and Hungary as examples of this. However, these comments ignored the greater openness there existed in the neighbouring countries with regards to German investments, the liberal laws that existed there too on the establishment of companies with joint participation, as well as the slowing West German economy of the 1970's (Bundesarchiv Koblenz, sg. B 102).

Under normal circumstances, the slow development of institutional cooperation would be an indication of equally slow development in mutual trade relations. However, large West German companies such as Krupp and Siemens managed to work their way into joint projects with Czechoslovak companies without such institutional security. In addition to the engineering sector, companies from the food industry and cosmetics

were also able to establish themselves in Czechoslovakia. In parallel to these activities, Czechoslovak companies were able to export a large proportion of their products to European Community countries, in particular the Federal Republic of Germany e.g. more than half of all textile production (Bundesarchiv Koblenz, sg. B 102). The fast growth in the mutual exchange of goods is evidence of the intensifying trade relations that were developing without institutional support. Whilst in 1961, the value of exports was DM 0.55 million (German marks), by 1970 it had risen to DM 1.8 billion, and by 1974 to DM 2.8 billion German marks in 1974. This put the Federal Republic of Germany in fourth place in Czechoslovakia's foreign economic relations (Bundesarchiv Koblenz, sg. B 102). In 1971 and 1977, the so-called Hamburg Economic Days took place in Prague. A delegation from the port of Hamburg also took part. Czechoslovakia was its second most important partner for the transit of goods (Bundesarchiv Koblenz, sg. B 102). When the Federal Minister of Economy, Count Otto von Lambsdorff, came to Czechoslovakia in 1981 and mentioned that West German exports into the Czechoslovak Socialist Republic were stagnating, the State Secretary of the Ministry of Foreign Trade, Jaroslav Jakubec, emphasized the point that France and Italy were complaining about the preference being given to business with the Federal Republic (Bundesarchiv Koblenz, sg. B 102).

"Taft – for every day, for all hair": a Case Study of Successful Licensed Production

The West German company Schwarzkopf AG successfully entered the Czechoslovak cosmetics market. After 1945, the family run business moved from Berlin to Hamburg. Its headquarters remained there until 1996, when the company was sold to the Henkel concern. After re-establishing the business on the West German market in the 1950's, the owner, Hans Schwarzkopf and his sons, sought options with which to replace not only the loss of the East German market, but also to reassert the company's products on the markets in other Eastern Bloc countries. The Schwarzkopf brand had been well established prior to World War II, but consumer awareness of its existence was gradually fading away. Schwarzkopf therefore, like in other western European countries, decided to utilize all the options available to it to open up channels of communication with socialist companies and governments. In the majority of cases this meant either participation in trade missions to the countries in question or visits to international trade fairs held within those countries. Examples include the trade fairs in Brno (Czechoslovakia) and Leipzig (German Democratic Republic). From the start of the 1960's there was a significant shift in this regard. Eastern European governments no longer obstructed the development of business relations with Western Europe.

Companies like Schwarzkopf were very interested in expanding their operations into eastern European countries, but they lacked knowledge of the local conditions. This included information on how state companies functioned within a planned economy, the legal regulations, as well as the contacts to important representatives of government authorities that could open the doors to cooperation. This lack of knowledge was utilized by professional company brokers who usually knew the local language, had a long-term presence in local society, and had a network of contacts within government institutions that made the decisions on foreign business cooperation. Such representatives gradually joined together into eleven agencies representing the interests of foreign companies in Czechoslovakia (Bundesarchiv Koblenz, sg. B 102).

Such professional representatives included the likes of Eric H. Knapp, an emigrant from Czechoslovakia, living and doing business on a long-term basis in Canada. He utilized the opportunity perfectly and represented the interests of western companies in Czechoslovakia and Poland. In 1966, during his stay in Canada, he contacted Gerd Schwarzkopf, the director of the Canadian branch of Schwarzkopf, and offered him his services (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). In a letter to his father in Hamburg, Gerd wrote that Knapp had visited him, because he had, he said, information that Schwarzkopf was intending to develop business in Czechoslovakia. Knapp's overly confident behaviour struck Gerd as untrustworthy, but his attention was captivated by the emigrant's proposal. According to the proposal, the Schwarzkopf brand was still well known in socialist countries and there was an opportunity for the company to re-establish itself because it would not be exposed to any competition. "Definitely no competition, as far as product quality is concerned" (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I).

Knapp prepared for the meeting and immediately put forward examples of how the company could manufacture its products in Czechoslovakia. According to him, shampoos and hairsprays could be manufactured at a factory in Bratislava, where the most modern production line was, and creams, hair colours and hair conditioners could be manufactured in two other factories in Prague. However, the Czechoslovak side would allegedly require 10% of the products to remain for sale in Czechoslovakia with the remainder allocated for export to Romania, Bulgaria, the USSR and Poland. The majority of the material for production was to come from Romania (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I).

It is interesting to note that Knapp urged for an agreement to be signed with the Canadian branch of Schwarzkopf. The branch, under the stewardship of Gerd Schwarzkopf, operated from Toronto under the name "Silhouette Products Ltd.". Knapp stated that the reason for this were the excellent trade relations at the time between Canada and the Czechoslovak Socialist Republic (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). However, it is likely that he had already previously attempted to work with West German companies and had encountered legal problems that did not enable him to complete the transactions. Despite the fact that Gerd was cautious in his assessment of Knapp's intentions, he did finally call the project a fantastic opportunity, "one that should not be ignored" (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). Knapp recommended cooperation with the Czechoslovak company Chemapol through a concession to produce and distribute cosmetic preparations, creams, aerosol shaving creams, shampoos and anti-dandruff preparations i.e. products that there were in short supply on the Czechoslovak market.

Both Hans and Gerd Schwarzkopf had their reservations about Knapp's intentions. Hans, in a letter to Gerd, complains that besides a large fee, Knapp was also asking for a company car to be made available to him in Czechoslovakia, and that he was refusing to go to Hamburg to negotiate with the company in person: "What was your personal impression of Mr. Knapp? The honesty and righteousness of this person are of the utmost importance, as it is quite possible that he will receive a high fee for months and the transaction will never materialize." (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). In addition to this, Knapp also asked for cash finances in order to speed up the negotiations with Czechoslovak authorities. This unsettled Hans Schwarzkopf because he did not want the family company to be associated with bribery. It is for this

reason the Schwarzkopf company hired a private investigator in Canada to check Eric Knapp out. The truth came out and their wariness was vindicated. Two companies for which Knapp had previously worked had declared bankruptcy and he had threatened the representatives of an American company that had wanted to negotiate deals in Eastern Europe through him with a revolver. The Schwarzkopf company broke off communications with Knapp with immediate effect (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I).

Schwarzkopf - Development of Licensed Production in the 1970's

Finally, primarily due to the opening up of the Federal Republic of Germany Chamber of Commerce in Prague in 1967, simplified negotiations took place directly with the Czechoslovak foreign trade company, Polytechna, and the directorate of Tukový průmysl (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). The preparation of the manufacturing license agreement brought up the question of whether the existing companies would be able to handle the production of large amounts of products. For that reason, the representatives of Tukový průmysl decided that the majority of the products would be manufactured under license at the company Milo Olomouc, and a completely new company, Astrid, would be established in Prague to manufacture the popular Taft hairsprays (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). The licensed manufacturing agreement for both companies came into force in March 1969. In the following years, PZO Polytechna attempted to negotiate a reduction in the license fees as a result of an increase in the Czechoslovak income tax in 1971. However, it is likely that Polytechna submitted the request on the basis of the requirements of the government to reduce expenditures in convertible currencies. The management of Schwarzkopf did not agree to the changes. On the contrary, they took the opportunity to highlight the accommodating concessions the company had made with regards to the Czechoslovak production plants. These concessions included the provision of machinery and the repairs thereof free of charge, as well as material for the production of advertising in Czechoslovakia (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I).

However, at the start of the 1970's, new licensing agreements needed to be drawn up. In order for Schwarzkopf to maintain its strong position on the Czechoslovak market it had to concede on the issue of licensing fees for certain products e.g. TOPAS sunblock cream (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). This product was produced by the Rakona plant of Tukový průmysl in parallel with its own protective preparations. As a result, whilst the purchase prices of individual products produced by the Astrid and Milo companies gradually grew, Schwarzkopf, in view of its excellent relations and good sales results, could leave prices at a lower level. In 1971, the purchase price of Igora Royal increased from DM 2.40 to DM 3 in 1976, but the license fee was left at the 1971 level. The same thing was true for products that were introduced later. Consideration was always given to the purchase price in the year when a product was put on the market (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). Despite the fact that the company management considered increasing prices in 1977, better turnover and the expectation of a further rise in sales led to the license fees being maintained at the 1971 level until the end of the 1970's (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). From the point of view of Czechoslovak companies, the licensing agreements

with the Schwarzkopf company were advantageous not only for the coverage they provided on the domestic market with goods that were in demand, but also for the opportunity they provided to export such products to other states of the Council for Mutual Economic Assistance. However, at the end of the 1970's and the beginning of the 1980's, Schwarzkopf entered into new agreements for licensed production in other socialist countries. As a result, in 1978, Astrid ceased exporting its products to Romania, the Soviet Union and the German Democratic Republic (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I).

The actual quality of the licensed products was monitored regularly by the Schwarzkopf company. The company archive includes the reactions and suggestions of end customers, who, for the most part, spoke highly of the products, including West German tourists in Czechoslovakia (Konzernarchiv Henkel, Schwarzkopf GmbH K-Akte ČSSR I). As a result, the assortment of goods produced under license was gradually expanded and further Czechoslovak companies became involved in the cooperation e.g. Povltavské tukové závody in Kralupy nad Vltavou or Kozmetika Bratislava, or Palma in Bratislava.

Conclusion

The intent of this article was to establish the development of business relations between the Federal Republic of Germany and Czechoslovakia prior to 1989. It is evident from the research that this was the case at both an institutional level and individual business level. Despite the fact that official diplomatic relations between both countries were only confirmed by way of an international agreement from 1973, the Federal Republic of Germany had had a Chamber of Commerce in Prague since 1968. The research also shows, through the example of the licensed manufacturing of Schwarzkopf products, that in the 1970's effective cooperation between Czechoslovak state businesses and West German investors could successfully be developed. However, within the analysed period, this is only example which could be documented due to the access that was given to materials in the Schwarzkopf company archives. Inaccessible sources of the federal government after 1985, as well as the inaccessibility and incomplete documents of Czechoslovak government institutions until 1989, make further research more difficult. Further research will therefore need to focus on company archives that contain documentation pertaining to cooperation with Czechoslovak partners e.g. Siemens, BASF, Thyssen/Krupp, Volkswagen, Baiersdorf and others. A thorough analysis of these business documents will likely confirm the hypothesis of the interconnection of the Czechoslovak economy with West German industry during the period of normalization by providing additional examples of direct investments, licensing agreements and collaboration projects.

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Perceived advantages and disadvantages of Internet Shopping

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Abstract

In comparison with the traditional way of trading, the Internet business companies have greater growth potential. This is true for as long as they are able to recognize and expand efficient marketing activities within the ever changing boundaries of e-commerce. For Internet shops this implies the ability to design an attractive purchase conditions and propositions. It is for this reason that this paper researches the advantages and disadvantages of Internet shopping as perceived by customers.

The main objectives are to find out the strength of the perceived advantages and disadvantages and to consequently define some recommendations for Internet shops. At the same time, the research sought to identify significant clusters of customers according to their identically perceived advantages of Internet shopping. Significant clusters are then described.

For this purpose, an extensive survey was conducted in the form of an electronic survey. In addition to methods of statistical description, cluster analysis, including classification trees, was used to search for and identify significant segmentation criteria. The most strongly perceived advantages and disadvantages are identified, recommendations for value co-creation are formulated and new potential segmentation criterion is created. The results of this research should be helpful to Internet business companies to keep and strengthen their market position compared to conventional shops.

Keywords: Internet shopping, e-commerce, value-creation, segmentation, perceived advantages

Introduction

The volumes of business transactions realized via Internet businesses continues to grow. This is true for as long as they are able to recognize and expand efficient marketing activities within the ever changing boundaries of e-commerce.

The key issue is to obtain and take full advantage of the knowledge of how customers perceive offered value within the realms of e-commerce and how this perceived value can be increased and co-created (Simová, 2009).

The concept of creating value for the customer on the basis of the joint work of business and customers is referred to in literature "value co-creation". This theory is developed on the basis of the interactive cooperation of customers whilst shopping via the Internet (Chih, 2015). The essence of value co-creation is primarily based on the fact that online trading occurs in real time and that information can be exchanged by which it is possible to regulate the purchasing behaviour of the customer. Value, under the joint creation of value, is considered to be that value that has been obtained within the context of the integration into customers' processes before-the purchase behavior (Amit, Zott, 2001). The value is formed by customers on the basis of useful information from which they gain greater understanding, satisfy themselves that their behaviour is correct, and hedonistically fulfill the purchasing process (Smith, Colgate, 2007). Value creation therefore involves the analysis of online customer behaviour in order to determine which information sources and formats are most likely to meet the customer's specific requirement at a particular time.

Many authors agree on the finding that, compared with the traditional way of trading, companies providing Internet business have the greatest potential for growth (To et al., 2007). The volumes of transactions realized this way and the number of buyers on Internet shops is constantly increasing and this trend is set to continue for a long time to come. Internet businesses should therefore pay maximum attention to and take full advantage of these new opportunities and explore the creation of value perceived by customers (Bucklin et al., 2002).

The traditional method of trading is linked to customer interaction with the physical environment of a business, its staff and the services it provides. Electronic technology, by contrast, creates an entirely different customer experience, often diametrically different from those that occur in traditional trade formats.

When shopping online there is no longer a shoppers' presence in conventional store and the experience of shopping is converted into Web interactions. In an environment of e-commerce Internet shops usually communicate with consumers through an automated interface, without having direct contact with the product. With fewer services on offer, Internet shops can reduce their transaction costs considerably. There is, however, a serious error in the interpretation of this fact. Internet shops believe that customers purchasing in the online mode will take "the burden of these costs and effort" and they will not ask for a "refund" (Chen, 2006). A favourable experience with online shopping only generates a satisfied buyer if Internet shops provide them with the following three attributes:

- Relevant information,
- Ease of use website,
- Customer Service (Moon & Frei, 2000).

To understand the composition of attribute values, and draw conclusions and recommendations for enhancing the perceived value it is also necessary to study (and subsequently create) possible classifications of customers (Hassouneh, Brengman, 2011). Further, classification approach can also be used where clusters are formed on the basis of differences that the clusters exhibit, determine the factors that most significantly contribute to the perception of value that is offered to the customer.

In terms of e-commerce it is possible to extend the segmentation of customers of conventional stores on the basis of other attributes including, values such as convenience, wide product range, but also social status (Tišlerová, 2012). The greater transparency of proposition, savings in time and effort, and other benefits associated with online stores are also of significant importance for value creation. According to the perceived benefits and valued attribute values (components of purchase proposal), additional classification criteria can be uncovered and new customer segments identified.

Materials and Methods

The main tasks are to find out the strength of the perceived advantages and disadvantages, then to formulate some recommendations and to try to create clusters of respondents according to their attitude. If a significant cluster is found, to subsequently describe who the customers are in the cluster.

At first, in order to identify the main perceived advantages and disadvantages of Internet shopping three focus groups were conducted. The main goal was to reduce the number of items to an acceptable level suitable for the questionnaire. Finally 15 main advantages and disadvantages were formulated for the purpose of this survey.

An extensive survey was conducted in the form of an electronic survey. Respondents were sent questionnaires containing questions on the perceived advantages and disadvantages accompanied by questions on both basic and extended classification data. This survey also includes questions on the demographic, sociographic and other characteristics of the respondents e.g. their habits, plans, experience, etc. covering the field of Internet shopping. Based on the Likert scale, respondents marked the strength of their opinion (according to importance of each advantage/disadvantage stated).

As to data processing - except for methods of statistical description (to define the strength of perceived advantages), cluster analysis, including classification trees, was used to search for potential significant segmentation criterion. There have been many different ways of clustering applied: division into two clusters (two-step), or sequential reduction and adding the number of clusters (K-means). Quality aggregates and meaningful segmentation was assessed by the percentage of errors, or the non-members and the size of the resulting cluster. All the classification criteria and several other identified characteristics have been taken into account.

The total number of valid questionnaires totalled 503. The structure of the respondents is as follows:

- Gender: 45% male, 55% female
- Age: cumulatively 60% younger than 30 years
- Education: cumulatively 42% undergraduates
- Income: average income per person: CZK 13 800
- Frequency of internet shopping: cumulatively 75% of respondents make purchases via Internet shops less than 30 times per year, 25% do Internet shopping more frequently
- Volume of money spent via internet shops: cumulatively 77% made purchases totalling up to CZK 50 000
- Intention to increase/decrease Internet shopping: cumulatively 69 % intend to maintain their Internet purchases at the same level as the current year, 26 % plan to increase their level of Internet shopping.

Results

The three research objectives have been defined. Therefore, there are the three sections of results arising from the survey and data processing.

The strength of perceived advantages

At first, the research task to find out the strength of the perceived advantages and disadvantages of Internet shopping is presented as follows in Table 1:

Table 1: The strength of perceived advantages/disadvantages

Advantage, Disadvantage (A,D)	Mean	St. Dev.
A – The possibility to shop from the comfort of your home	1.42	.728
A – The possibility to do shopping at any hour	1.44	.728
A – Cheaper goods	1.71	.832
D - A chance to try/touch the goods	1.73	1.079
A - Can be undisturbed and as long as you make decisions on purchasing	1.84	.913
A- Larger choice of goods	1.85	.867
A - No need to browse the shops - saving time	1.90	.987
A - Can see and take into account references of other buyers	1.92	.867
A - Doan not succumb to pressure and influence of the shop-assistant	2.21	1.002
D - Unsecured claims	2.24	.989
A – To return goods back within 14 days	2.34	.959
A - No need to browse the shops - saving physical effort	2.35	1.087

D - I do not know who I am dealing with	2.39	1.048
A – I hate to visit shops	2.58	1.110
D – After sending the order my shopping is not completed	2.84	.911

Source: own processing

In total 15 advantages and disadvantages of Internet shopping (compared with the traditional way of shopping) were selected. Respondents could mark each on a scale of 1 to 5, whereby 1 represented an item that was of great importance to them, and 5 an item that was unimportant to them. The highest average value achieved is 1.42, the lowest 2.84. The most important advantage seems to be the possibility to shop from the comfort of your home, the second is the possibility to shop anytime during the day/night. These two main advantages also have the highest compliance of respondents (the lowest standard deviation).

The strongest disadvantage respondents identified is the chance to try/touch the goods (on average 1.73). However, some differences appear in this opinion, because the standard deviation reaches 1.079.

Recommendations for value-creation arising from perceived advantages

The conclusions and recommendations in this area are formulated on the basis of an analysis of the advantages and disadvantages that Internet shops have compared to conventional stores. The benefits that customers perceive whilst making purchases on Internet shops should be encouraged and strengthened. The fulfilment of these expected benefits is a necessity if Internet shops are to increase the perceived value of their business proposals.

- Two dominant advantages can be outlined: customers can shop from the comfort of their own home and they can do so at any time. Especially the second most important advantage is crucial for Internet shops when it comes to creating the concept of Internet business venture that does not bind all its services and communications to traditional sales period (as it does quite often). The company that offers "live" communication during the night and at weekends (answering questions and providing further information), will face increasing operating costs, but certainly gains a significant competitive advantage
- Customers select online stores also because of the lower prices of the goods, when compared with those in conventional store (although they use the words "cheaper goods"). Their expectations, however, stem from the fact that Internet shops need not spend such operating costs as the conventional shops. However, this does not mean that they would be willing to accept goods that are of secondary, inferior quality, damaged, etc. (ie those where the price reduction was achieved by making certain "compromises").

Sometimes Internet businesses misrepresent the aforementioned customer demand for "cheaper goods" by seeking substitutes and alternative imports instead of offering the standard goods at lower price due to their lower operational costs.

- It is with relatively difficulty (high importance of this disadvantage) that the customers accept the fact that they cannot try the goods, touch them, etc. This is the reason why Internet shops must describe their goods accurately and adequately. By doing so, they are perceived to be customer friendly. If they only describe the general characteristics of the goods, then their potential customers would be greatly discouraged and would redirect to the pages of another Internet shop. Alternatively, the customers might return to conventional stores.
- The considerable advantage of Internet shopping compared to the traditional way of purchasing goods is that e-customers can select of goods undisturbed and that they therefore spend any long periods on their purchasing decisions. It is therefore recommended to add extra-help applications to facilitate the selection of goods (e.g. the possibility to view the favoured merchandise, mark the goods with their preferences, eliminate and compare items).
In contrast, there should be no aggressive sales menus, pop-up windows, unexpected advertisements, banners and similar distractions which obstruct the purchasing process.
- Customers expect a larger range of goods from Internet shops. Whilst in conventional stores customers understand that (due to limited space) it is not possible to offer products in all variants of sizes, colours and types, Internet shops are required to ensure such offer. It is therefore not possible for a successful Internet shop to supply customers only several times a year. Online stores that strictly maintain the extensive variability of the goods all year round tend to attract a larger number of customers.
- Customers of Internet shops also usually dislike passing conventional stores; because it is time-consuming (the next disadvantage is because of the energy and effort they consume). Therefore a successful Internet shop concept depends on its ability to replace several stores at the same time, particularly in the sense of providing a "deep" assortment.
- The possibility to view the references of other buyers is considered a significant advantage of Internet shops. Even though the published references might be adjusted by the Internet shops themselves, customers trust these views more than "ordinary" advertising. Furthermore, the references often give the customer additional insights, advices and recommendations relating to the product. This does not incur any additional costs but can potentially generate additional sales. Internet shops should therefore expand and promote their references section and discussion forums so that they are easily accessible.

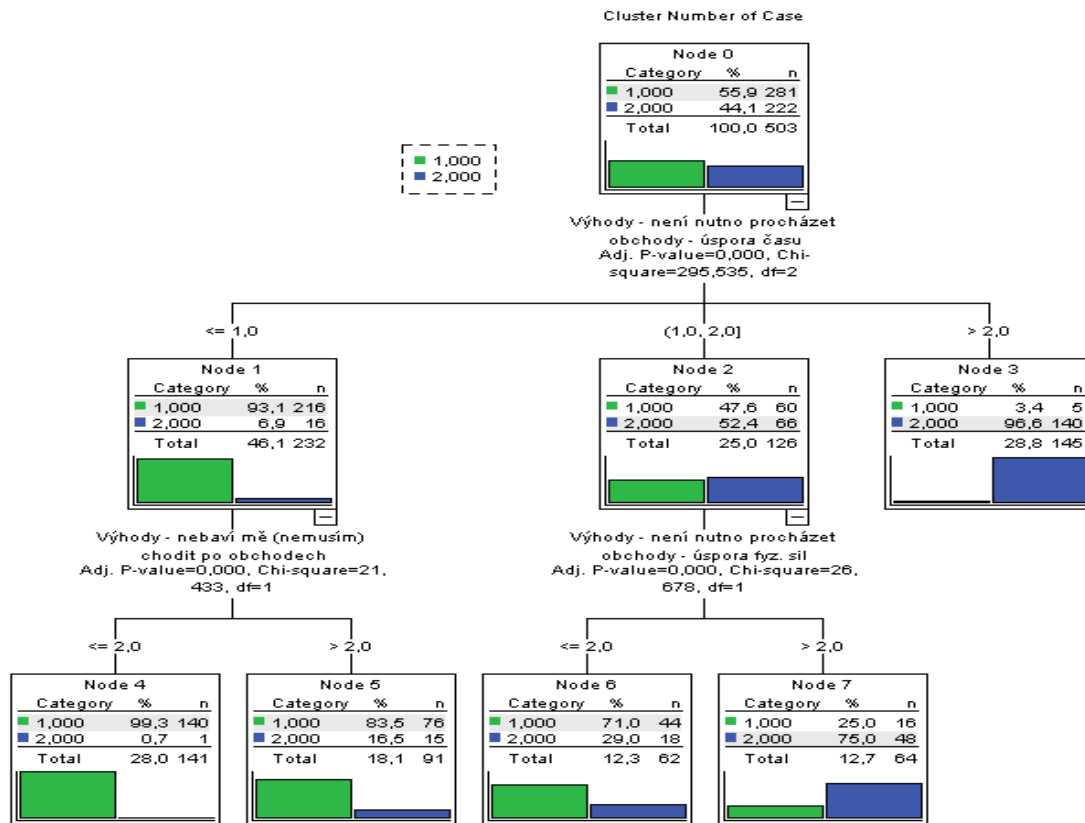
Clustering of Internet shoppers

After data processing the most significant advantage of Internet shopping was identified as being time saving.

A diagram of the cluster analysis is shown in Figure. 1. It can be said of the first cluster (marked in green) that these are customers for who time saving (they do not need to physically browse the shops) it is an unequivocal "definitely important" advantage (216 respondents). Furthermore, the cluster is characterized by customers who hate the idea of browsing shops. The second cluster (marked in blue) evaluates the time saving factor

as "rather important" and "neutral". In both clusters there is still a mixed valuation advantage with regards to savings physical effort when making purchases through online stores. Only 11 % left as unexplained.

Fig. 1: Cluster creation



Source: own processing – SPSS output

Translation of SPSS output:

- Advantages - No need to browse the shops – time saving
- Advantages
 - No need to browse the shops - saving physical effort
 - Advantages - I hate to visit shops

All the respondents are classified by demographical, economical and behavioural criteria. The independent variables for cluster analysis are as follows (translation of the model summary):

- Education
- Income
- Frequency of Internet shopping
- Volume of money spent via Internet shops
- Intention to increase/decrease Internet shopping in future
- Gender
- Age

The structure of data processing in cluster analysis is shown in Table 2:

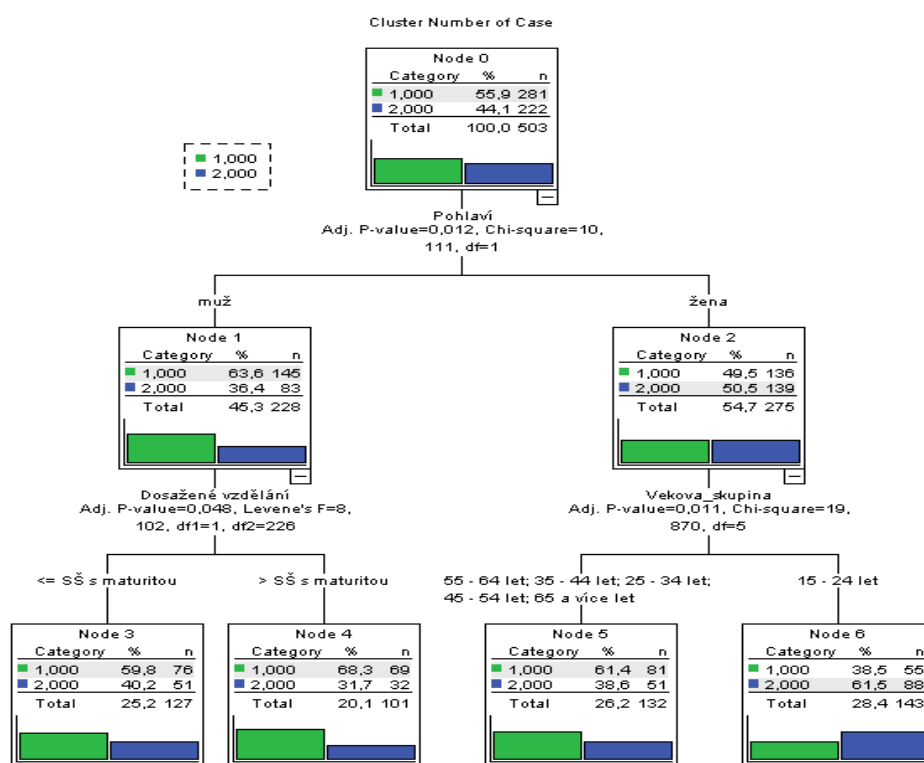
Table 2: Model Summary – Cluster Analysis

Specifications	Growing Method	QUEST
	Dependent Variable	Cluster Number of Case
	Independent Variables	Dosažené vzdělání, Kolik let již nakupuje přes internet, prijem_skala, frekvence, utrata, zamer, Pohlaví, Vekova_skupina
	Validation	None
	Maximum Tree Depth	5
	Minimum Cases in Parent Node	100
	Minimum Cases in Child Node	50
	Independent Variables Included	Pohlaví, utrata, Kolik let již nakupuje přes internet, prijem_skala, Vekova_skupina, Dosažené vzdělání, frekvence
Results	Number of Nodes	7
	Number of Terminal Nodes	4
	Depth	2

Source: own processing – SPSS output

With the usage of a classification tree it was possible to characterize one of the two resulting clusters (see Figure 2). Members of the first (green) cluster are predominantly men, in particular university graduates. These customers therefore greatly appreciate and require time-saving. In the second cluster are those who are looking for attributes more important than saving time while shopping on-line. This is typical characteristic of women aged 15-24.

Fig. 2: Cluster identification



Source: Own processing – SPSS

Translation of SPSS output:

- Gender (the main cluster)
- Male, Female
- Education:
 - Less than undergraduate – More than undergraduate
 - Age: 55-64, 35-44, 25-34, 45-54, 65+ - 15-24

Discussion

The trend towards value co-creation should be developed in order to generate a competitive advantage (Waal, 2012). The competitors of Internet businesses are arising not only from other Internet businesses but also from conventional shops. How then do Internet shops successfully compete? The solution is to work with the customer to design a proposition (in its complexity) that is attractive as possible and which is, together with the customer, tailored to and matches segment of customers.

It is important to note that all customer preferences and values are important. Unfortunately, only the most important perceived advantages and disadvantages of

Internet shopping are examined in this survey. This means that only a fragment of the complex nature of consumer behaviour is explored. However, some valuable recommendations for designing proposals and the creation of segments are formulated.

Conclusion

Two dominant advantages can be identified. Customers can shop from the comfort of their own home and they can make a purchase at any time. In contrast, customers miss the opportunity to try and touch the goods. These are the most strongly perceived advantages and disadvantages. It is generally known but important to emphasize, that all the perceived advantages must be dealt with - in their entirety and complexity, including knowing exactly their "ranking", the distances between their positions, etc. It is only on the basis of these circumstances that an e-business is able to formulate the best purchase proposal and offer better services than its competitors can.

The other research objective (resp. result) gives different insight into possible segmentation criteria. Even though the advantage "saving time" is a common one, this paper shows and proves the necessity for a deeper insight, because there are many inner differences (shown in the cluster analysis).

The obtained results and conclusions derived should serve as a solid basis for further research in the field of marketing in Internet business. Due to the implications of the research and the recommendations which were formulated, this paper should also be beneficial for the corporate practice, because increasing perceived value is an important tool for improving the attractiveness of proposals, which in turn creates competitive advantage.

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Social Entrepreneurship in the Czech Republic in Light of the European Migrant Crisis

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Abstract

The European migrant crisis is a current phenomenon which has sparked heated debate within professional circles and among the general public. This paper looks at the current situation in Europe and reflects on the problems related to the enormous increase in immigration from the point of view of the Czech Republic. On the basis of an interdisciplinary approach which combines the premise of social economic policies and the basic principles of integration policy, we aim to present a new and innovative approach to research into the respective issues. We combine the idea and the principles underpinning the operations of work integration social enterprises (WISE) and the necessity to include immigrants in the labour market, paving the way for exploiting the potential of social entrepreneurship as a tool of the integration policy of the Czech Republic. At the same time, we fill in the research gaps stemming from the absence of the respective scientific disciplines under the current socio-economic and political conditions within the Czech Republic, thereby making use of appropriate methodologies and materials available. The outcome of this paper is an analysis of the development and the current state of social entrepreneurship in the (post-)transition conditions specific to the Czech Republic. This serves as a new and hitherto unexplored parallel which enables the evaluation of the potential utilization of the integration social enterprises under the conditions specific to the current migration crisis in Europe. The presented findings and proposals are discussed with respect to the current state of research in the field both in the country and abroad and provide sufficient space for the implications these may have on integration policy.

Keywords: European migrant crisis, integration policy, Czech Republic, social entrepreneurship, WISE work integration social enterprise

Introduction

The early 21st century marked a key period within the social economy when new problems began to appear for which European countries had to seek innovative solutions. These solutions were provided mostly by social enterprises (Vaceková et al., 2015). Nowadays, numerous immigrants represent the greatest challenge for societies in all member states of the European Union. This raises a number of questions. Can social entrepreneurship be seen as a potential tool for solving problems arising explicitly from the European migrant crisis? Are social enterprises a potential tool of the integration policy of the Czech Republic?

The discourse on social entrepreneurship is quite different across countries; the Czech Republic still lacks legislative regulation on social entrepreneurship. The definitions of social enterprise are diverse and tend to describe the functions of different types of social entrepreneurship (c.f. Dees, 1998; Dart, 2004; Harding, 2004; Haugh, 2006; Thompson & Doherty, 2006; Hockerts, 2006; Peredo & Chrisman, 2006; Korosec & Berman, 2006; Hartigan, 2006; Masseti, 2008; Yunus, 2008; Emerson & Twersky, 1996; OECD, 2013; EMES, 2012; Wronka, 2013). The primary intention of social enterprises is usually not related to profit. They are characterized by the performance of activities for the benefit of the public, as well as their contribution to the inclusion of people who are in some way disadvantaged in the labour market.

At present, the issue of the inclusion of people who are disadvantaged in the labour market in the Czech Republic is closely connected to the necessity to tackle the significant increase in the influx of immigrants from outside Europe. The Czech Republic is not among the Member States of the European Union that are most affected by the migration and refugee crisis (such as Greece, Italy, Germany, Sweden, France, c.f. FRONTEX, 2015). Nevertheless, the issue of immigrants is no longer a matter for the distant future, but a daily reality in Czech society. In view of the aim and the scope of this paper, we do not explain the differences between the individual categories of migrants (see Bolečková, 2010), instead, we will use the term *immigrant* in its broadest sense, including refugees. This will also apply when discussing the issue of the integration of immigrants¹.

For the needs of this article, we understand integration to mean *“the process by which immigrants and their descendants get adapted to their surroundings, and this in several dimensions - cultural, social, economic and political, and at the same time, the majority society adapts and changes in response to immigration during the process.”* (Bernard & Mikešová, 2014, p. 524). This definition includes the two main features of the integration process namely, the gradual reduction of differences between immigrant communities and the majority population, and the multidimensionality of the process. Integration policy can be perceived as either a sub-policy of migration policy - the authors of this paper prefer this interpretation, or as a separate policy. Integration and the integration policy of the Czech Republic has been the subject of studies and scientific research conducted by several

¹ The approach of the state institutions in the Czech Republic is different. In their conceptual documents they only consider citizens of third countries legally residing in the Czech Republic to be the target group of integration policy; in exceptional cases, citizens of the European Union in a critical situation may be part of the target group; however, the concept for the integration of foreigners does not include applicants seeking international protection and persons who have been granted international protection because the integration of asylum seekers has been secured through the State Integration Programme.

authors (e.g. Baršová & Barša, 2005; Rákoczyová & Trbola, 2008; Leontiyeva & Vávra, 2009; Drbohlav & Schovánková, 2011; Bernard & Mikešová, 2014). In this paper we try to point out the potential of social entrepreneurship as a possible integration policy tool. Although this is associated with the socio-economic area of integration, we believe that it can also contribute to improved integration in the socio-cultural area (c.f. Bernard & Mikešová, 2014).

An interdisciplinary research focus on the social economy which reflects the specific nature of the European migrant crisis is lacking. This paper will fill this gap while questioning the relevance of social entrepreneurship in the Czech Republic within the context of European integration policy. Our new and innovative scientific approach to this issue is based on two main assumptions:

- one of the most important indicators of the integration of immigrants is employment;
- Work Integration Social Enterprises (WISE) focus on employing significantly disadvantaged groups whose employment opportunities are severely restricted.

This paper therefore aims to analyse and assess the development and current state of social enterprises in the Czech Republic in light of the growing migrant crisis in Europe and within the broader context of integration policy. The following research questions were set:

- Which historical events in Europe were the driving forces explicitly influencing the development and the current state of social entrepreneurship in the Czech Republic?
- What are the opportunities for social entrepreneurship under the conditions specific to the current European migrant crisis and the implications for Czech immigration policy?

The first part of this paper describes the European migrant crisis and provides a brief historical excursus on social entrepreneurship in Europe and the key events in its development. The second part presents the development and the current state of social entrepreneurship in the Czech Republic in light of the current European migrant crisis. The final part is devoted to a discussion of these results and the formulation of conclusions with regards to integration policy implications.

Materials and Methods

This paper relies on the study of the development of social entrepreneurship with an emphasis on recent development trends in light of the European migrant crisis. It is based on up-to-date and comprehensive research data and analysis in line with the methodology set out herein.

The data on social entrepreneurship were obtained from the register of social enterprises created under the TESSEA project and from the lists of supported enterprises from two

grant calls focused on the social economy. Use is also made of data from the directory of social enterprises. The Czech Republic has not yet put any legislative definition of social entrepreneurship into effect. As it is not possible to strictly define the criteria that a social enterprise should meet, it is also impossible to find a comprehensive register of all the social enterprises in the Czech Republic.

The data on immigrants was based on Linked Open Data from the Czech Statistical Office and free databases provided by the OECD. In order to measure the effect of policy on the integration of migrants in EU countries, including the Czech Republic, the Migrant Integration Policy Index (MIPEX 2015) was used. In addition, comprehensive statistical data was drawn from Eurostat, European Web Site on Integration, IOM, UHNCR, and the UN Global Migration Database.

The methodology was based on a multidisciplinary approach because the focus was both on the social economy and migration policy, whilst simultaneously seeking to “interpret” the past and present states using the past concept and a perspective that exist in the present. This is one of the possible approaches under historical methods and methods of economic institutionalism (the process of the evolution of institutions). To draw conclusions, logical induction, deduction and logical cognitive methods were utilized.

Results

In the Czech Republic, the phenomenon of the social economy and social entrepreneurship was particularly important during the transformation process because the change in national economic structures created the conditions for an enormous increase in unemployment and social exclusion (Vaceková et al., 2015). Nowadays, Czech society has to face another phenomenon connected with this issue – the European migrant crisis.

European migrant crisis - the Czech case

The European migrant crisis has been an ongoing political crisis throughout 2015 due to the significant increase in the influx of immigrants – both economic migrants and refugees – from across the Mediterranean Sea, the Balkans, Africa, and the Near and Middle East. Despite the fact that refugees heading further West usually consider the Czech Republic to be more of a transit country than a target state, the migration crisis affects the Czech Republic in similar ways to that of the other EU Member States.

From the moment the Czech Republic became an independent state, and prior to the current European migrant crisis, the number of foreigners with temporary or permanent residence in the the Czech Republic had been continuously growing. The economic crisis of 2008 saw a reversal in this trend. It took until 2013 for the number of foreigners to recover and to reach, or even slightly surpass, the level of 2008 (c.f. Kotová et al., 2014; <https://www.czso.cz/csu/cizinci/cizinci-pocet-cizincu>). At the end of 2013, in total 441,000 foreigners had a residence permit in the Czech Republic. This number accounted for approximately 4% of the total population. In 2014, the number of foreigners increased by 2.4% to 451,000. The majority of foreigners residing in the Czech Republic come from the Ukraine (104,000), Slovakia (96,000), and Vietnam (57,000) (OECD, 2015).

The Czech Republic is therefore clearly an immigration country, however, public opinion is less favourable towards immigrants than is the case in other EU Member States. According

to the Standard Eurobarometer 71 opinion poll, which was conducted in EU Member States during June-July 2009 and published in January 2010 i.e. before the outbreak of the current migration crisis, only 37% of the interviewed Czechs believed that the presence of other ethnic groups enriched the cultural life of their country, and vice versa, up to 65% of the respondents considered that the presence of people of other ethnic groups increased unemployment. A public opinion poll conducted in the spring of 2015 (Standard Eurobarometer 83) proved that the attitudes of Czech people towards migration are among the most negative in all EU Member States. Whilst immigration is perceived positively by a (near absolute) majority of other EU Member States, 64% of Czechs still perceive mobility within the EU negatively. The immigration of people from so-called third countries is perceived negatively in the vast majority of (21) EU Member States. The Czech Republic is once again at the head of this group with up to 81% of respondents declaring they were opposed to immigrants from states outside the EU. A poll of 1,000 Czech citizens by the Focus agency found that 94% think the EU should deport all refugees, whilst 44% thought the Czech Republic should not be helping refugees at all (Graham, 2015). These results suggest that immigration represents a major challenge for Czech society and that it is therefore very important to pay special attention to the integration of immigrants (Collet & Petrovic, 2014).

History of social entrepreneurship in Europe

The first mention of the issue of a social economy appeared in the early nineteenth century (EMES online, 2010). The main reason for the creation of the contemporary social business sector occurred during the economic downturn in Western Europe in the 1970's. Rising unemployment put great pressure on the social security system. Societies tried to cope with social problems by introducing innovative programmes. In 1980, in France, the national council for relations between mutual societies, associations and cooperatives drew up the Social Economy Charter. In 1981, France incorporated the concept of a social economy into its legislation as a group of organizations operating on democratic principles that do not belong to the public sector and that redistribute profit for their own purposes and further development, especially in the area of improving services for its members and for the whole of society. Social entrepreneurship became a recognized form of business in France and gradually began to spread to other countries (Dohnalová, 2006).

In 1989, discussions about the concept of a social economy began in other states of the European Union. A number of countries began to focus on the promotion and development of a social economy through the establishment of and support for scientific institutions. In 1996, EMES was created. EMES is a specialized network dealing with the development of social entrepreneurship in Europe (online EMES, 2015). As a result of the aforementioned developments, the first WISE businesses started to appear. Their aim was to help the unemployed to adapt to the regular labour market and to support them in their job searches. In some areas, the social business sector was strongly supported by governments, which contributed to its rapid growth. Governments considered social enterprises to be partners through which socio-economic problems could be addressed. Effective problem solving was achieved through direct state support and by the creation of a favourable institutional environment (Hyánek, 2013).

In 1990, Greece became the first country to establish social cooperatives with limited liability; Italy followed suit in 1991. In 1998, social solidarity cooperatives also began to emerge in Portugal. Spain followed this trend with the creation of social initiative cooperatives in 1999.

The social sector in Western Europe is largely influenced by legal structures created by the state. The sector is characterized by social purposes, the creation of jobs and the reduction of profit distribution (Defourny & Nyssens, 2010). As a result of the 1970 economic recession and the transition to a market economy, massive displacements occurred within the economy. This was marked by high rates of unemployment and a reduction in the state's role in addressing socio-economic issues. In Eastern Europe, the social business sector was formed as a result of the fall of communism when the conditions were very similar to those that Western Europe experienced before it. Later, many states acceded the European Union upon the condition that various socio-economic problems be resolved. The social enterprise sector in Eastern Europe is relatively underdeveloped in terms of legal and institutional definitions (Poon, 2011).

Important developments in social enterprises have occurred in the last decade. This was particularly the case when the economic crisis started in 2008. The interest in various forms of social enterprise began to emerge and spread (Gidron & Hasenfeld, 2012). At present, it is possible to observe a worldwide increase in so called refugee and migrant social entrepreneurs.

Tables 1 and 2 provide a brief overview of the institutions and bodies that have provided an impetus for the definition of the social economy in the non-profit and private sectors in Europe.

Table 1 Precursors of social entrepreneurship in the non-profit sector

Precursors of social entrepreneurship in the non-profit sector	
1890: <i>Carnegie model</i>	Development of universities, freely available libraries, hospitals, parks, concert halls, swimming pools, and churches. Their expenses were considered good deeds.
1910–1920: <i>Rosenwald model</i>	Investment in organizations related to the farming community. The expenditures were considered to be sunk costs.
1960–1980: <i>Norris model</i>	Development of educational programmes based on work with computers, revitalization of urban neighbourhoods and rural communities, creation of businesses and educational opportunities in prisons, first corporate windmills, mobile medical vehicles. The expenses were considered to be investments.

1970	Centres for adult day care, early childhood education centres, housing for low-income families, training, hospice care, rehabilitation services, computer training programmes for self-employed people, tutoring centres, prisons, universities, windmills, rehabilitation centres for mentally disturbed people and substance abusers, home care for the elderly.
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Source: authors (on the basis of data from the Institute for Social Entrepreneurs, 2015)

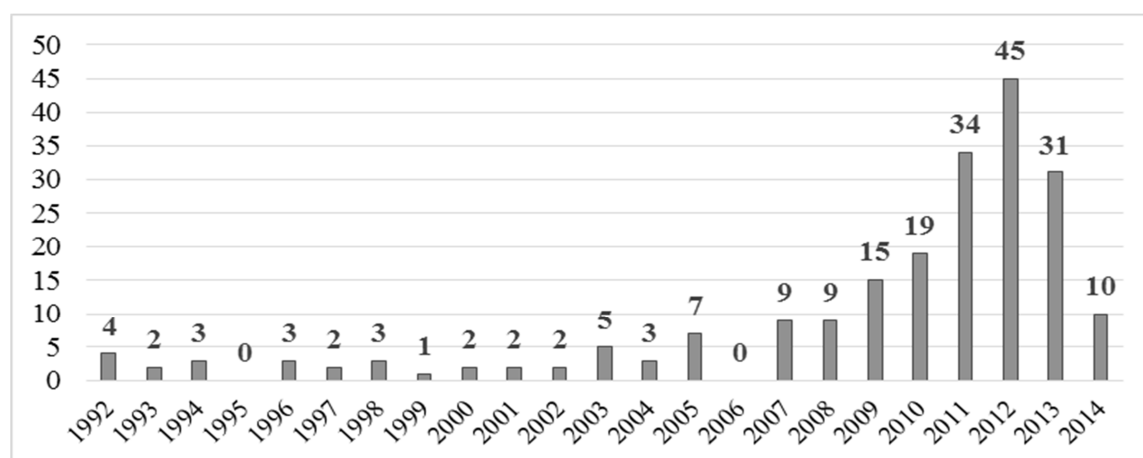
Table 2 Precursors of social entrepreneurship in the private sector

Precursors of social entrepreneurship in the private sector	
1844: <i>Rochdale, England</i>	Factory owners and traders charged outrageous prices. 28 workers subsequently gathered 28 pounds and opened up their own shop.
1884: <i>Chicago, Jane Addams</i>	Night school for adults, nursery schools, clubs for older children, public kitchens, cafes, galleries, girls' clubs, gyms, swimming pools, music schools, drama groups, libraries.
1895: <i>Boston, Rev. Edgar J. Helms</i>	The beginnings of efficient business. Employment of immigrants for the repair and reconstruction of useless household goods for resale. Income from the sales were used to pay workers' wages.
1938: <i>Washington, DC</i>	Wagner-O'Day Act. Legislative measure provided jobs for people with severe disabilities.

Source: authors (on the basis of data from the Institute for Social Entrepreneurs, 2015)

Development of social entrepreneurship in the Czech Republic

The events presented contributed to the development of social entrepreneurship both globally and later in the Czech Republic. Social enterprises began to flourish in the Czech Republic in 2008, as the first social enterprises combining black, Asian and ethnic minorities were established (Vaceková et al., 2015).

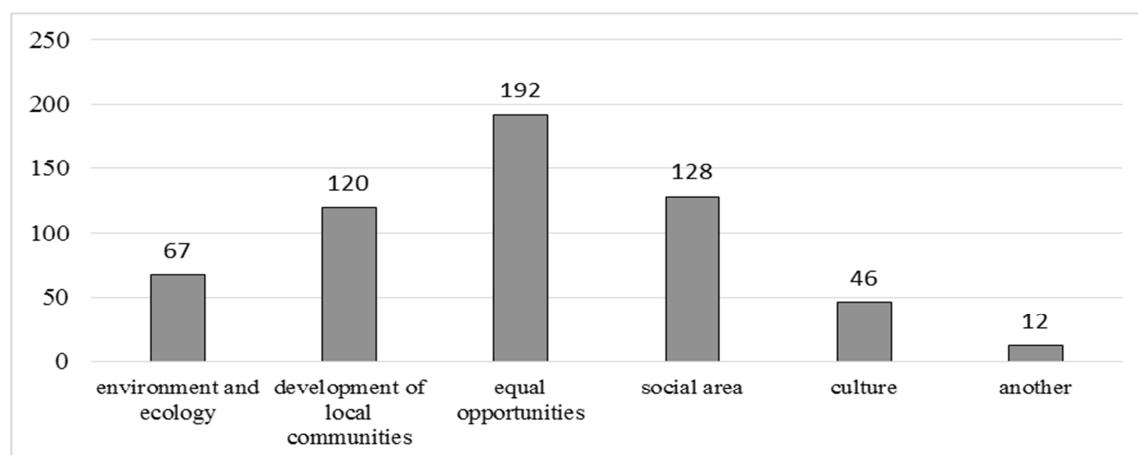
Figure 1. Development of social enterprises

Source: authors (based on data from the Directory of Social Enterprises, 2015)

The first social enterprises were established as early as 1992. There were no significant changes in their development until 2007. In 2007 and 2008, nine new social enterprises were established. After the economic crisis (2008-2009), the number of newly established social enterprises started to increase. From 2009 until the first quarter of 2014, it was possible to draw subsidies from the ESF (European Social Fund) and ERDF (European Regional Development Fund). As a result, the number of newly established social enterprises increased rapidly, with a record number of 45 in 2012. With the end of the entitlement to subsidies, the number of start-ups dropped to only 10 in 2014. The total number of registered social enterprises currently stands at 211 (Vaceková et. al, 2015).

Social enterprises most often state that their social contribution is in the area of equal opportunity (employment of socially or physically disadvantaged people) in combination with a focus on the environment and ecology, and the social or cultural development of local communities. In total 192 social enterprises reported a social contribution; 120 enterprises reported being involved in the development of the local community; 128 social enterprises dealt with the provision of social counselling and social assistance; and 46 enterprises claimed culture to be their public contribution. In order for an enterprise to be considered socially integrated, it is necessary for it to employ a fixed proportion of socially or physically disadvantaged people. The largest target group specified in the area of equal employment opportunities was people with disabilities. In total 143 enterprises targeted this group. The second largest group was the unemployed, with 68 enterprises focusing on employing these socially disadvantaged people. Social enterprises are least focused on integrating people with addictions into the regular labour market.

Figure 2. Social enterprises according to their social beneficial effects



Source: authors (based on data from the Directory of Social Enterprises, 2015)

When reflecting on the main orientation of social enterprises, it is clear that immigrants also present a suitable target group for the activities of such enterprises. The importance of promoting social cohesion through the generation of employment opportunities for these disadvantaged people cannot be understated. The reason for this is that in the first phase of integration, immigrants from culturally different home countries will probably lack the necessary language and other skills. In addition, communities of immigrants may also present a suitable target group for social enterprises in terms of social and cultural development activities.

Discussion

The Czech Republic continues to take the lead in Central Europe in developing an integration policy that responds to the needs of local communities, immigrants and their children (MIPEX, 2015). Authorities took several steps forward to remedy weaknesses identified by MIPEX, but also took a few steps back in two areas, namely family reunions and long-term residence. Overall, the country's general framework for integration according to MIPEX advanced by +3 points during the period 2010-2014 (and by +4 points during the period 2007-2010 due to the 2009 Anti-Discrimination Law). These findings encourage us to open up a discussion on the presented results.

Koppmans (2010) studied how the welfare state affects the level of socio-economic integration of immigrants. The research results indicate that in those countries where a multicultural model of integration policy is applied (i.e. those countries that provide immigrants relatively simple access to the same rights as their own citizens, have no strict requirement to master the language of their host country, and which tolerate the maintaining of the culture of ethnic communities) in combination with a strong welfare state, generate not only lower levels of participation of immigrants in the labour market, but also a high degree of segregation and high numbers convicted for criminal acts. The author also concluded that those immigrants who were dependent on the market

environment needed to master the language and cultural skills of their host country in order to be able to successfully earn a living. On the other hand, although Germany and Austria have relatively generous social systems, their restrictive legislation on immigrants and naturalization made the right of residence dependent on performance (access to citizenship was determined by an employment relationship and a clean record), thereby replacing the pressure of the market environment on immigrants with that of the influence of the State (Bolečeková, 2011).

In the current concept of the integration policy of the Czech Republic, the indicators of integration which are considered and evaluated include: the stay in the Czech Republic, the acquisition of Czech citizenship, the labour market and economic activity of foreigners, social benefits, and education. Bernard & Mikešová (2014) conducted research aimed at exploring the factors affecting the integration of immigrants in the Czech Republic (specifically Ukrainians and the Vietnamese who, together with Slovaks, form the largest immigration communities). The results of the research showed that for Ukrainians the dominant factor affecting the degree of integration was the length of stay in the Czech Republic (their households and housing preferences are complementary to those in the Czech Republic), whilst for the Vietnamese the dominant factor was the age at which they came to the Czech Republic. The authors concluded their analysis by expressing their view that the different course of integration of Ukrainians and Vietnamese could be explained by cultural differences and the dominant economic strategies of both groups.

The integration processes which various immigrants and immigrant groups experience, differs. It is possible to distinguish several groups of factors that influence whether such processes are successful or not. These factors are only partly directly related to the immigrants themselves. This is because the achieved level of integration is also dependent on the environment in which the immigrants arrive (i.e. the immigration "context"). This "context" includes issues such as the form of the labour market, integration policy, and the levels of prejudice or discrimination against immigrants.

In the Czech Republic, the socio-economic integration of immigrants has not posed significant problems so far because most immigrants are active in the labour market and unemployment amongst them is very low. When taking into consideration the intensity and structure of the current migration flows, it can be assumed that the structure of immigrants in the Czech Republic will create greater national/ethnic diversity. It is however questionable whether these immigrants will succeed in joining the labour market with the same levels of success as their predecessors. It is for this reason this paper has tried to point out the relevance of social entrepreneurship in the Czech Republic within the broader context of integration policy under the conditions specific to the current European migrant crisis.

Conclusion

In November 2004, the European Council adopted common basic principles for their integration policy. The adopted concept emphasises that *"integration is a dynamic two-way process of mutual adaptation of all immigrants and the population of Member States"*. This

means that not only immigrants but also host societies need to adapt. At the same time, host societies should create opportunities for immigrants for their full economic, social, cultural and political participation.

Employment is a key part of the integration process within the concept. In this regard, the burden of adapting has shifted from the State to the immigrants, especially in the first phase after their arrival in a new society. At the same time, at EU level, integration requirements were set out with regards to the basic knowledge of the language of the receiving country, its history and institutions. The approaches of individual EU Member States to the integration of immigrants still varies considerably. These differences originate in their different histories, social models and traditions, as well as the routes of migration flows. In recent years, the legal frameworks in the area of immigration and integration have either been amended or new ones developed in almost all EU Member States. The Czech Republic adopted its concept of integration in 2000, and updated it in 2011.

The aim of integration policy is to create the conditions for the integration of immigrants (but also of minority or marginalized groups). At the primary level the State (through the Ministry of the Interior) is responsible for this through the legislative and institutional tools it has at its disposal to create the conditions for their successful integration. However, the influence and cooperation of regional and local bodies – including social enterprises - is also important in this process. The role of the State not only lies in the wording of policies in the form of strategic documents, but also in the creation of assumptions and conditions for their implementation. New situations, including international developments and their impact on internal economic development, bring with them new needs. It is therefore important to continually search for and formulate new, innovative policy options which not only reflect, but also anticipate, the implications of the social changes that are a consequence of immigration. It is therefore necessary to reflect on possible new instruments that will facilitate the integration of immigrants into Czech society, and which at the same time will yield positive effects for the host society. This paper contributes to the conversation on new and innovative instruments by trying to point out the potential of social entrepreneurship as a possible integration policy tool, which is currently the subject of both professional and intense political debate at the international level.

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Courland during the Reign of Peter von Biron (1769-1795)¹

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Abstract

This article deals with the period of Peter von Biron's rule in the Duchy of Courland. It analyses the Duke's relationship with Courland nobility, his foreign policy and the reasons for the ending of the independence of the Duchy. Great emphasis is also placed on the influence of the issue of Courland on the foreign policy of Russia, Prussia and Poland. This article's research was conducted on the basis of Latvian and Polish archival sources.

Keywords: Duchy of Courland, Russia, Poland, Prussia, Peter von Biron, Catherine II, nobility, fief, 18th century.

Introduction

The period of Peter von Biron in Courland culminated with Russian-Polish rivalry which took place throughout the 18th century. Although Courland was a Polish fief, it had attracted the attention of Russian rulers for a long time because it was an important strategic point, the control of which would allow Russia better access to the Baltic Sea, which would in turn strengthen its power. Empress Catherine II therefore tried to tie Courland to Russia as much as possible. The Polish King was aware of this and naturally tried to prevent this but lacked the resources to do so.

The period of the reign of Peter von Biron has not yet been monographed because the majority most of scientific literature usually focuses on the history of Courland as a whole (i.e. from the establishment of the Duchy in 1561 to the end of its independence in 1795). Literature on the history of Courland is not very extensive. To this day it has been marked by the fact that the history focuses mainly on the second half of the 19th century. The materials and analyses gathered are still used today and their interpretive framework is still seen as being valid.

¹ This study is an outcome of the project "Courland during the Reign of Peter Biron" which was supported from the specific university research at the Faculty of Arts of Charles University in Prague in 2014.

The earliest scientific work dealing with the history of Courland called *Curland unter den Herzögen* was written by Carl Wilhelm Cruse. The author discussed some events of the history of Courland in great detail. Unfortunately, his work contains partial factual inaccuracies. Copies of various documents issued by the Courland Duke or the Courland Landtag are attached. The publication *Die Geschichte des Herzogtums Kurland (1561–1795)* by August Seraphim can still be beneficial today. The author focused mainly on political history. He based his work on the memoirs of those that took part in the events, records of the meetings of the Courland Landtag and older German literature. Valuable information was also provided by a two-volume book by Alexander von Richter entitled *Geschichte der dem russischen Kaiserthum einverleibten deutschen Ostseeprovinzen bis zur Zeit ihrer Vereinigung mit demselben*. The third part of the second volume extensively discusses the history of Courland. The author used resources written in German and Latin and also dealt mainly with political history.

The most useful publication written in Russian is *Kurljandskij vopros v XVIII veke* which was written by the Latvian historian Heinrich Strods. The author worked with historical sources that are archived in Latvian and Russian archives. For foreign policy he referred to the administration of the Duchy of Courland.

In comparison to literature written in German and Russian, Anglo-American productions are briefer and do not go into too much detail. I consider the monograph *The History of the Duchy of Courland 1561–1795* by the American historian of Latvian origin, Alexander Valdonis Berkis, to be a great overview of the history of Courland. In addition to political history, he also focused on culture and education.

Despite the relatively extensive factual elaboration of the history of Courland in the aforementioned publications, even for the basic assessment of the period of the reign of Peter von Biron, it is necessary to also work with sources that are archived in the National Archives of Latvia in Riga, specifically with the materials of the fund *Courland Ducal Archive*. This archive includes records of the meeting of the Courland Landtag, laws and regulations of the Courland dukes, contracts with European countries, instructions for Courland delegates dealing with various European monarchs, letters to and from delegates in which they provided information about the results of meetings, or documents of Polish kings and Polish major chancellors, etc.

Valuable sources can also be found in the Central Archives of Historical Records in Warsaw, especially in the fund *Crown Archive*. This archive includes documents on Russian-Polish negotiations, reports by the Russian and Polish ambassadors working in Courland, Courland's legal codes or documents issued by the Polish King, Stanisław August Poniatowski, and the Russian Empress, Catherine II.

Some documents on the history of Courland have also been published. One of the latest editions is the publication *Kurland: vom polnisch-litauischen Lehnherzogtum zur russischen Provinz: Dokumente zur Verfassungsgeschichte 1561–1795* compiled by the German historians Erwin Oberländer and Volker Keller, leading experts on the issue of Courland. The aim of the edition was not to provide a complete range of documents, but to choose only the most important ones for each time period.

Besides editions of legal and administrative documents, it is also possible to use the published memoirs of Baron Karl-Heinrich Heyking entitled *Aus Polens und Kurlands*

letzten Tagen which describe the period 1752–1796. In addition to the family history and his own life, Baron Heyking also focused on the major events of his time. Due to the fact that he worked in both the Russian and Polish services and was in contact with senior representatives of both countries, it is not surprising that he gives information that is not found elsewhere.

From the Czech literature, the monograph *Kateřina Zaháňská* written by Helena Sobková can be recommended. Catherine Wilhelmine of Sagan, known as Princess in the book *The Grandma* by Božena Němcová, was the daughter of Peter von Biron. She inherited the Náchod Estate from her father. In her monograph, the author quite understandably focused on Catherine's personality. However, some chapters also examined the policy of Peter von Biron which the author tried to put into a broader context.

This article focuses primarily on the relationship between the Duke and the nobility. It aims to answer the question of why there were constant disputes between those that took part in events and how those disputes were resolved. It also addresses the influence of the issue of Courland on the foreign policies of Russia, Poland and Prussia. It aims to clarify how these states interfered with the issues of Courland and how these interventions were legitimised.

Results

The life of the last Duke of Courland, Peter von Biron, stands on the edge of the attention of European historians. Our scientific environment does not focus on Peter von Biron even though he is closely tied to Czech history. He owned the Náchod Estate and his daughter was Catherine Wilhelmine, Duchess of Sagan, known as Princess in the book *The Grandma* by Božena Němcová. The lack of knowledge of the existence of Peter von Biron in the Czech lands is the main reason for writing this article.

Peter von Biron was born on 15 February, 1724. He was the eldest son of Ernst Johann von Biron and his wife Benigna Gottlieb von Trotta-Treyden. Both parents lived at the court of the Duchess of Courland, Anna Ioanovna. His mother was her maid of honour, his father, chamberlain, and also Anna's lover and confidant. The godfather of the newborn was the uncle of Anna Ioanovna, the Russian Emperor, Peter the Great, after whom he was named.

In 1730, Anna Ioanovna became the Empress and moved to Russia. She quickly invited her favourite, with his family, to join her. Peter spent his youth in Saint Petersburg where his family enjoyed the favour of the Empress. In 1737, Anna Ioanovna arranged for his father to be elected the Duke of Courland (SIRIO 1892, 81, No. 8, p. 31; Kurukin 2014, pp. 43-44; Sobková 2007, p. 18).

Ernst Johann von Biron had big plans for his son. He decided to try to get the Russian crown for him. He therefore asked Anna Ioanovna, who was childless, for her permission for her niece, Anna Leopoldovna, to marry his eldest son, Peter. This was because Biron assumed that Anna Ioanovna would appoint her niece, who was her closest living relative, as her successor. However, this plan did not succeed because Anna Leopoldovna resolutely refused Peter and the Empress did not force her into the marriage (Russkij dvor 1907, pp. 37-38; Pavlenko 2002, p. 104).

Anna Ioanovna died in 1740. Before her death, she appointed the then two-month-old Ivan Antonovich, the son of her niece Anna Leopoldovna of Mecklenburg and her husband Anton Ulrich of Brunswick, as her successor. According to the wishes of the Empress, the Duke of Courland, Ernst Johann von Biron, became the Regent for the minor Tsar. However, he was in power for a mere three weeks. After that, he was thrown out by his opponents, who were led by the Tsar's mother. Based on her instructions, the family was sent into exile to the small Siberian village of Pelym (Münnich 1874, p. 59; Manstein 1875, p. 208; SIRIO 1893, 85, No. 62, p. 236).

In 1741, there was another palace revolution that brought Elizabeth Petrovna, the daughter of Peter the Great, to power. The new Empress had always had good relations with Ernst Johann von Biron. It was therefore assumed that she would call him back from exile and allow him to once again rule over the Duchy of Courland. To everyone's surprise, Elizabeth Petrovna prohibited Biron and his family from returning to Saint Petersburg and ordered them to move to Yaroslavl. Despite this, the living conditions of the family improved significantly. Part of their property was returned to them, they were allowed to receive and send mail and move freely around the city and its surroundings.

Biron's family were not allowed to return to Saint Petersburg until after the death of Elizabeth Petrovna in 1762. The new Emperor, Peter III, granted Ernst Johann von Biron an official pardon but did not go so far as to reinstate Courland. It was Empress Catherine II who finally did so in 1763 (Biron 1829, pp. 155-156; Kurukin 2014, pp. 365, 372, 385-386, 391, 398).

When Peter returned to Courland, he was already 38 years old. He decided to get married quickly. Unfortunately, he was not too lucky in his married life. His first wife was Princess Caroline Louise of Waldeck and Pyrmont. The spouses had very different personalities. They divorced after seven years. In 1774, Peter married a second time. This time, his chosen one was the Russian Princess, Evdokia Borisovna Yusupova. She had an intolerant nature, could not get used to living in Courland and was not very popular there either. She returned to Saint Petersburg very soon after the wedding. They divorced in 1778. The marriage also remained childless. In the following year Peter married for the third time. He married Anna Charlotte Dorothea von Medem, a member of an old Courland aristocratic family. The age difference between the spouses was 37 years, but the marriage was initially happy. Dorothea gave birth to a total of six children, of which four daughters lived to adulthood. The father of the youngest daughter, Dorothea, was not Peter von Biron, but the Polish nobleman Alexander Batowski. The Duke of Courland considered divorce. Eventually, to prevent a scandal, he officially took little Dorothea as his own and treated her the same as his other daughters. Dorothea also always considered Peter as her father. The relationship of the Biron couple became considerably more distant after Dorothea's infidelity and from then on they lived separately and met very little (Wilpert 1917, pp. 47-48; Arbusow 1908, p. 253; Sobková 2007, pp. 27-28, 60).

Although Peter von Biron was not an ugly person, as described by his contemporaries, he was not sensitive to the needs of his time. He did not achieve the same qualities of his father, Ernst Johann von Biron, even though he had a much better education than his father. He lacked Ernst's characteristic energy and slightly ruthless ambition. The long years spent in exile had adversely affected his character. Peter was often petty, sulky,

not sufficiently patient, did not know the right time to compromise and lacked practical political skills. He supported the arts, sciences and construction activity. He had most of the palaces that he owned magnificently rebuilt. His tender love for his children was also characteristic for him (Seraphim 1896, pp. 631, 633-634; Wittram 1973, p. 122; Berkis 1969, p. 262).

On 25 November, 1769, Ernst Johann von Biron passed the rule in Courland to his son Peter. He was tired of the constant disputes with the nobility and wanted to enjoy his old age in peace. However, part of the Courland nobility refused to recognise Peter von Biron as the new duke and sent a delegation with a complaint to Warsaw. The mission failed because the Polish King, Stanislaw August Poniatowski, issued a decision in February 1770 in which he ordered the Courland nobility to recognise the new duke and take the oath of allegiance to him. Peter von Biron also had the support of the Russian Empress, Catherine II. The Russian delegate in Courland, Simolin, was given the task to warn the nobility not to oppose to the Duke. The nobility, however, still refused to obey. Otto Hermann von der Howen² spoke out against the Duke most actively. He was arrested in July 1771 based on an instruction of the Russian Court in Warsaw. Correspondence with the Saxon electoral court and plans to overthrow Peter von Biron and reinstate Charles of Saxony³ were found amongst his documents. Von der Howen was imprisoned in Riga for three years and was then released. After some time, he joined the pro-Russian-oriented party of Courland nobles and defended the interests of Catherine II. He was a man with great political skills, but of poor character. He was willing to sacrifice the interests of the Duchy for his own personal gain (Cruse 1837, p. 180; Berkis 1969, p. 263).

The entire reign of Peter von Biron was marked by disputes between the Duke and the nobility who sought to limit the Duke's power and get the so-called ducal domain⁴ under their control. In 1740 – 1758, Courland experienced a period of interregnum during which the nobility tried what it is like to have power in their hands. They did not want to lose the power after the Duke's return. A great inspiration for the Courland noblemen was also the position of the Polish nobility. They often blamed the Duke for violations of their land and their economic rights. The Duke of Courland also often asked the Polish King, his feudal master, for help. The mutual disputes led to the weakening of the Duke's power and were beneficial to the neighbouring states that had a defence for intervention. The Duke did not have a sufficiently large army at his disposal and was therefore not able to defend the Duchy, in particular from Russian interventions (Strods 1993, pp. 147-149).

² Otto Hermann von der Howen (1740-1806) came from an old Courland family. His father Otto Christopher von der Howen was the Hofmeister and often stood in opposition to the Duke of Courland. Otto Hermann studied in Strasbourg and Kiel where he gained a doctorate in International Law. He held many important offices and acted as the diplomat of the Courland nobility. He was often sent out on extraordinary missions to Warsaw.

³ Charles of Saxony (1733-1796) was the son of Augustus III, Elector of Saxony and King of Poland. In 1758, the King of Poland declared the Duchy of Courland as vacant feud and arranged for his son to be elected the new Duke. However, in 1762 Catherine the Great ascended the Russian throne and decided to return Courland to Ernst Johann von Biron because she expected he would be grateful and would defend Russian interests. In 1763, Charles of Saxony was expelled from Courland by the Russian Army. He repeatedly tried to get back the Duchy of Courland.

⁴ Ducal domain was movable and immovable property that belonged to the Duchy of Courland. The Duke could rent out or pawn off these homesteads, fields and forests for his own gain. It was however not his personal private property. One third of Courland belonged to the ducal domain.

In 1772, the first partition of Poland occurred. This idea is usually attributed Prince Henry, the brother of the Prussian King, Friedrich II. Prince Henry suggested that Prussia, Russia and Austria should split off part of the Polish territory, thereby reducing tensions between the superpowers and averting the threat of a European war. The agreement on the partition was signed on 5 August, 1772, in Saint Petersburg. Poland lost 30 % of its territory and 35 % of its population. After the first partition of Poland, the Russian influence in Courland intensified. The Duchy was now surrounded by Russia which had gained some Polish territories in western Livonia. The first partition of Poland also showed that Poland was facing complete disintegration. The cessation of Poland would result in there being very little chance of Courland maintaining its independence. Furthermore, it was widely known that Russia was interested in the ice-free ports of Liepāja and Ventspils in Courland (Stellner 2009, p. 261; Berkis 1969, p. 290).

In 1775, Peter von Biron founded the Academy of Sciences in Mitau⁵ and wanted to establish a university there as well. However, to do this, he needed the consent of the Polish King because Courland was formally a Polish fief. The Polish King feared the animosity of the Pope. Had he agreed to the establishment of a Protestant university, he would, as a Catholic ruler, have been in violation of canon law. He therefore refused to approve the establishment of the university (Seraphim 1896, p. 638; Wilpert 1917, p. 46).

The year 1776 was a turning point for Duke Peter. The Russian Empress, Catherine II, who initially supported the Duke, decided to change her tactics in the 1770s. On 2 May, 1776, she informed the Russian delegate in Warsaw, Count Stackelberg, that she had decided to reward Prince Potemkin for his loyal service by granting him the Duchy of Courland. The delegate was instructed to cease support for Duke Peter and to begin pointing out his shortcomings. At the same time, he was supposed to inform the Courland opposition against the Duke that they did not need to fear Russia at all. The delegate was also supposed to seek the resignation of Duke Biron and ensure that Prince Potemkin was elected as the new duke. The Courland nobility was horrified by this idea because the powerful Potemkin would pose a greater danger for them than Duke Peter von Biron. The Courland noblemen therefore sought reconciliation with the Duke. Finally, an agreement was mediated by von der Howen for which he was rewarded by Peter von Biron with an annual income of 1,000 talers. On 8 August, 1776, the Duke signed a document that declared hereditary land ownership to all its current holders. This order also applied to some goods from the ducal domain. In return, the nobility supported Peter von Biron and did not insist on his resignation. The plan of the Russian Empress had failed. However, from that point onwards she always acted against the Duke.

On 27 September, 1782, Catherine II issued an imposition on the protection of the borders between the Riga governorate and the Duchy of Courland. Six border guard points were set up and Russian troops were deployed to the territory of the Duchy of Courland. The purpose of this move was to prevent illegal Courland and Polish-Lithuanian trade in Riga and to limit the escape of peasants on the routes between the Duchy of Courland and Riga. This regulation restricted the independence of the Duchy of

⁵ Mitau was the capital of Courland.

Courland, but the Duke was powerless against it (Bilbassow 1895a, pp. 293-294; Strods 1973, p. 150).

In 1783, a Russia-Courland agreement relating to trade and their shared border was concluded. Russian buyers acquired the rights to the free transport of goods across Courland. On the other hand, Courland goods had to be exported through the Russian port in Riga. The area around the city of Sloka was attached to Russia.⁶ Russia concluded this agreement with Courland without the permission of the Polish King. Poland therefore did not want to ratify the agreement. It did so only after the insistence of the Courland delegate Ziegenhorn (Berkis 1969, p. 266; Mattiesen 1957a, p. 204).

The dispute between the Duke and the nobility escalated further in 1788. In 1784-1787, Duke Peter took a journey across Europe during which he visited places such as Berlin, Dresden, Munich and Italy. During this journey he tried to strengthen his position and gain allies. Leaving the Duchy for so long was considered a very thoughtless step and Peter's closest relatives attempted to talk him out of it. However, the Duke had his way. In his absence, the Duchy was to be ruled and the ducal domain managed by the highest ducal councilman and the Courland provincial council.⁷ The nobility, of course, tried to enrich themselves at the expense of the Duke. The salaries of the officials of the ducal office were raised without his consent and knowledge, new office jobs were created, wood from ducal forests was deliberately timbered and the ducal property was leased to noblemen for too long under disadvantageous terms. During the Duke's stay abroad, the noblemen destroyed about 60 ducal estates. They were very cheaply leased to the Duke's opponents. The debt of the Duchy increased from 73,000 to nearly half a million talers. After returning home, the Duke requested the property back and the nobility, of course, refused to return it. Peter therefore appealed to the Polish King who issued a decision in favour of the Duke on 15 January, 1788. At the beginning of the judgement, Stanislaw August Poniatowski emphasised that he hoped for a reconciliation of the dispute between the Duke and the nobility. He went on to express his wish that similar clashes would no longer occur in the future. After considering the arguments of both sides, the King said that although the highest ducal council was authorised to manage the ducal domain in the absence of the Duke under the applicable laws of Courland, it was not authorised to approve regulations that would restrict or challenge the rights of the Duke. The Polish King accused the highest ducal councilman and the Courland provincial council of a breach of the oath of allegiance to the Duke because they had failed to defend his rights. Stanislaw August insisted that the Duke had the right to freely manage the ducal domain and establish institutions for its management as well as lease his estate to whomever he wanted. The nobility did not have the right to make such extensive changes. Although the Polish King believed that the salaries of some officials were unsatisfactory and advised the Duke to increase them in the future, he condemned their autonomic increase. Finally, the King urged both parties to settle their disputes. The nobility were supposed to respect the Duke's decisions and protect his honour, reputation and rights (Heyking 1897, p. 320; Berkis 1969, pp. 266-269; Strods 1993, pp. 153-154; Cruse 1837, pp. 191-193; Richter 1858, p. 201).

6 The Empress confirmed the treaty on 3 August, 1785. Central Archives of Historical Records in Warsaw, *Crown Archive*, Part Russia, folder 11, signature 23/6, 3 August, 1785, pp. 5-6.

7 National Archives of Latvia in Riga, *Courland Ducal Archive*, folder 1570, 4 August, 1784, pp. 10-12od.

The Courland nobility was outraged by this decision and accused the Polish King of overstepping his powers because, in their opinion, such a dispute was supposed to be handled by the Polish Sejm. To support its position, Peter sent his wife Dorothea, who had excellent diplomatic skills and quick wits, to Warsaw. The Duchess of Courland made an excellent impression on the Polish noblemen. As a result, the council eventually ruled in the Duke's favour. Dorothea also charmed the Polish King with her beauty and fell in love with her (Heyking 1897, p. 343; Sobková 2007, pp. 46, 55).

Throughout the 18th century, Courland was the subject of Polish-Russian rivalry because it was an important strategic area. After the expulsion of Charles of Saxony from Courland and the death of Augustus III, the Polish influence on the Duchy weakened because the new King, Stanislaw August Poniatowski, was rather passive. Conversely, the Russian Empress, Catherine II tried to strengthen Russian influence in Courland. She actively interfered in Courland matters with the aim of weakening it as much as possible to be able to attach it to the Russian empire at the right moment. Courland also attracted the interest of Prussia, but suitable conditions for the more active promotion of Prussian interests only occurred after the first partition of Poland. Contacts between Courland and Prussia were conducted through the University of Königsberg and Prussian immigrants who had great cultural influence. A number of Courland noblemen also served in the Prussian army which, of course, caused displeasure to Russia (Strods 1993, p. 160).

Peter von Biron continued with the traditional Courland foreign policy of focusing on cooperation with Prussia. After the first partition of Poland, it was also clear that only Prussia was able to maintain Russian influence on the Duchy within certain limits. At the end of the 1780s, the interest of Russia in Courland weakened as a result of wars with Sweden and Turkey⁸ (Tuchtenhagen 2005, p. 46). Prussia therefore decided to seize the opportunity. On 26 September, 1790, the Prussian Legation was established in the capital of Courland, Mitau, and Carl Ludwig Hüttel was appointed the head of the legation. His task was nothing less than to weaken the Russian influence on the Duchy. The delegate was also assigned the task of acquainting the Duke with a plan to create a marriage alliance. According to this plan, Prince Frederik of Orange, the nephew of the Prussian King, Frederick William II, and Wilhelmina, the eldest daughter of the Duke Peter von Biron, were supposed to marry. This marriage was supposed to protect the independence of Courland and prevent its attachment to Russia. After the Duke's death, his son-in-law was supposed to take over the Courland ducal throne. The Duke of Courland agreed with this idea and Prussia began to explore what the opinions of such a marriage would be in other European countries. In the end, the marriage did not take place because the Russian Empress was opposed to it, referring to the fact that she had to protect the interests of the children of the Duke's uncle, Charles Biron⁹ (Bilbassow 1895a, p. 299; Arbusow 1908, p. 254; Cruse 1837, p. 186; Berkis 1969, pp. 291-294).

The Prussian delegate was also tasked with informing the Prussian King of the number and disposition of Russian troops in Courland and report on the position of Duke Biron. In his dispatches there are frequent mentions of the Duke's helplessness and the

⁸ The Russo-Swedish War lasted from 1788 to 1790. The Russo-Turkish War lasted from 1787 to 1791 and it was terminated by the Treaty of Jassy. The borders of the Russian Empire were transferred to the Dniester. Turkey recognized Russia's annexation of the Crimean Khanate.

⁹ Peter's brother Charles had male offspring.

weakness of his supporters. The Prussian delegate assessed the majority of Courland noblemen as being persons with no patriotic or national sentiment. He was very well aware that the nobility hated the Duke because of his wealth, and therefore he advised Peter to lease out the greater part of the ducal domain (Strods 1993, pp. 163, 165).

In 1792, the second partition of Poland took place. This time only Russia and Prussia were involved. The agreement signed by the two countries on 7 August, 1792, contained a secret clause in which both sides agreed to maintain the status quo in Courland. Despite the agreement, Prussia became more deeply involved in Courland affairs. In December 1792, the Russian Chancellor therefore asked for the Prussian delegate to be removed from Courland. On 28 January, 1793, Hüttel received an order from the Prussian Foreign Minister regarding the closing of the legation. After the second partition of Poland, it became evident that Prussia would not help Courland. The annexation of Courland by Prussia was not possible, probably for strategic reasons. Courland was too far from the centre of Prussia and in the event of a war with Russia its defence would be very difficult (Berkis 1969, pp. 294-295).

The second partition of Poland triggered a revolution in Poland. At the beginning of 1794, Lithuanian troops crossed the Courland borders to deal with Russia. The Russian delegate in Mitau urged Peter to strengthen the ducal units for the event that the insurgents attacked. The Duke said that it was impossible for his 400-500 men to defend the entire Lithuanian border, especially when Courland people sympathised with the insurgents. On 23 May, 1794, the Lithuanian insurgents, under the command of Prussian Lieutenant Mirbach, occupied the city of Liepāja, raided the local military warehouse and proclaimed the freedom of the vassals. The Duke was invited to pledge allegiance to the Polish constitution from 1791. The Courland underlings joined the insurgents and rebelled against their masters. On 30 May, 1794, Duke Peter issued a statement in which he urged Courland underlings not to pay any attention to the new doctrines declaring freedom and equality. Although the Duke's statement was read in churches for six weeks, it did not make the peasants refrain from supporting the insurgents. The insurgents gradually took over several other Courland cities. After the two-day battle of Gaviezis, which took place on 24-25 July, 1794, they forced the regular Russian army to retreat. The Russians retreated to Mitau. Some Courland noblemen were aware of the impending danger and therefore promised their peasants to revoke servitude if they maintained peace and good order. However, the majority of them did not truly mean what they had said because they definitely did not intend to voluntarily give up their privileges (Seraphim 1896, pp. 669-670; Richter 1858, p. 231).

Peter Biron eventually decided to write a letter to Empress Catherine II in which he asked her to have Russia take over the protection of Courland. The Duke still hoped that Courland could maintain its independence, the only difference being that Poland, as its feudal master, would be replaced by Russia. On the Duke's order, an extraordinary provincial council was convened and held from 30 June to 12 July 1794.¹⁰ The delegates approved the Duke's request for Russian protection and military help against the insurgents. The insurgents left Courland on 11 August, 1794 upon learning that General Suvorov had started moving towards Warsaw with his powerful army (Heyking 1897, p. 443; Berkis 1969, p. 296).

¹⁰ Central Archives of Historical Records in Warsaw, *Crown Archive*, Part Russia, folder 117, signature 55a/36, May 30, 1794, pp. 1-7.

The Courland nobility decided to request the annexation of Courland to Russia. Otto von der Howen was once again actively involved in this matter. He arranged for the extraordinary provincial council to send a delegation headed by him to Russia. Duke Peter von Biron was invited by the Russian Vice-Chancellor Ostermann to come to the Russian court together with the delegation. On 7 February, 1795, the Duke arrived in Saint Petersburg with the delegation. Empress Catherine II secretly met with von der Howen and agreed how Courland would be connected to Russia. After the meeting, the governor of Livonia, General Pahlen, received special instructions in which the Empress ordered him to support the activities of von der Howen. However, Catherine informed the Courland delegation that the annexation may occur only if approved by the Courland provincial council. At the same time, she assured the nobility that their privileges would be maintained. The council, not surprisingly, approved the annexation to Russia without any problems.¹¹ Duke Peter finally had no other choice but to agree with the decision of the council because Catherine had informed him that after the fall of Poland there was no longer a reason for the separate existence of his vassal state. On 17 March, 1795, Peter von Biron signed a document of abdication (Oberländer, Keller 2008, pp. 315-316). For his voluntary resignation, Catherine II left him a life-title of the Duke of Courland and gave him an annual allowance of 25,000 ducats. She also bought his private Courland estates for two million roubles (Heyking 1897, pp. 454-455; Sobková 2007, p. 61; Wittram 1973, p. 124).

Conclusion

The reign of Peter von Biron was marked by constant disputes between the Duke and the nobility who sought to limit his power and keep their privileges. Courland noblemen prioritised their wealth, privileges and personal interests and did not hesitate to sacrifice the independence of the Duchy in the pursuit thereof. The Duke had no means to regulate the nobility.

During the reign of Peter von Biron, as was true during previous times, Courland was a territory where Russian and Polish interests clashed. While the Polish influence steadily declined, the Russian influence strengthened. There was a short weakening of the Russian influence after the second partition of Poland. This was because Russia had to turn its attention to other problems for some time. Prussia took advantage of this opportunity and tried to prevent the annexation of Courland to Russia and take the Duchy for itself. This effort failed because of the considerable distance between both territories.

The Duke of Courland, Peter von Biron, managed to economically stabilise the Duchy and accumulate considerable wealth. However, he could not have prevented the annexation of Courland to Russia. It was impossible due to the limited options he had as the ruler of a small state, in particular the absence of a sufficiently strong army. He therefore eventually made an agreement with the Russian Empress and voluntarily abdicated, for which he received substantial compensation. At that point Courland definitively became part of the Russian empire and the Courland issue came to an end.

¹¹ National Archives of Latvia in Riga, *Courland Ducal Archive*, folder 1574, March 18, 1795, pp. 10-12od.

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Economic Relationships between Czechoslovakia and Argentina in 1945–1955: Cooperation of the “Communist Police State” and the “Fascist Demagogue” at the Beginning of the Cold War

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Abstract

The aim of this study is to analyse the economic relationship between Czechoslovakia and Argentina in the period 1945–1955 via archival documents. At the end of World War II Czechoslovakia was unable to recover the positions it had established in Latin America in the 1920's and 1930's. The increasing influence of Russia on Czechoslovakian foreign policy and the incipient Cold War drastically limited Czechoslovakian opportunities. In addition, the relationship with Argentina was rather specific within the region. On the one hand, the country was of key financial importance and commanded massive surpluses that were required by the Czechoslovakian economy (wool, raw leather, meat, tannin, fodder, corn, plant oils, etc.). On the other hand, there was Juan Domingo Perón's political regime whose foreign-political line was to seek ever greater autonomy from the USA. Despite the mutual antagonism between both regimes, Peronist Argentina became one of the Czechoslovakia's largest non-European markets. As a matter of fact, Czechoslovakia implemented a large number of major orders in the country, of which the distillery in San Nicolás was the most significant. At that time it was to be the largest distillery in the world.

Key words: Czechoslovakia, Argentina, economic relationships, economic history, Latin America, Cold War

Introduction

After the end of World War II, Czechoslovakia was compelled to invest massively in its political and economic revival. There was general approval in foreign-political terms that the leadership of the USSR would provide security for the republic against any future German aggression. All the same, the communists denied the need and importance of these connections, notably economic, with the western world. This policy, which was labelled a “bridge concept”, soon became problematic. The increasing interference of the Soviet Union in Czechoslovakian affairs culminated in a communist coup in February 1948. As a result, the period from the end of the 1940’s to the mid-1950’s represented the steepest decline in Czechoslovakian foreign-political activities. The removal of Vladimír Clementis, the Minister of Foreign Affairs in 1948–1950, and his adherents, was the clearest indication of the changes that were afoot. On the international stage, Prague’s own political activities were reduced to a minimum and it began merely repeating Soviet ideological standpoints (Dejmek 2002, p. 31)

In contrast, the role of Czechoslovakia, a Soviet Bloc country, in international relations with Latin American was very different. This was the result of the position Czechoslovakia had attained whilst penetrating the region during the interwar period (a widespread network of embassies, trade exchange). The exceptional position of Czechoslovakia was in part due to its economic prowess and the status it held in comparison to that of the other countries within the Soviet Bloc. For example, the Czechoslovakian arms industry was highly acclaimed and its production output was capable of meeting the demands of nationalistic regimes. All the same, adhering to this tradition was very difficult during the first post-war years. As a matter of fact, the atmosphere surrounding the incipient Cold War severely affected ties between Czechoslovakia and Latin America. In 1947, Chile, under considerable pressure from the USA, broke off all economic and political ties with Czechoslovakia. One year later Colombia and Peru followed suit, closing their embassies in Prague. In 1952, Venezuela also severed its links with the country. These links with Latin American countries would only be rebuilt and fully restored after Stalin’s death. The Cuban Revolution a few months later would mark the start of a new chapter in relationships by reigniting interest in the region within the Eastern Bloc (Opatrný, Zourek, Majlátová, Pelant 2015; Bortlová 2013; Březinová 2013, Opatrný 2013).

The aim of this study is to analyse the economic relationships between Czechoslovakia and Argentina in 1945–1955 by means of archival documents. The relationship was highly specific compared to that with other countries in the region. Argentina, a significant exporter of agricultural products, was undeniably one of Czechoslovakia’s largest trading partners. This was reciprocal. Czechoslovakia viewed Argentina as a key export market for its commodities. Furthermore, in contrast to other nation’s notable lack of interest in the region, economic circumstances made Czechoslovakian authorities keenly aware of the opportunities Argentina provided. However, the election of Juan Domingo Perón, a charismatic populist, to the office of president, represented a crucial turning point in Argentinian domestic and international politics. The mutual economic relationship will be analysed within the context of these two main factors. In the conclusion of the study a comparison is made of Czechoslovakian foreign commerce with Argentina and that of other countries in Latin America.

Tradition of Economic Exchange

In the 1920's and 1930's Argentina was unquestionably Latin America's largest trading partner with Czechoslovakia. The trade with Argentina accounted for approximately one-third of Czechoslovakia's mutual trade with the continent (Novotný, Šouša 1997). In terms of exports, Argentina was ranked as the country's third largest non-European trading partner. Argentina mainly exported agricultural related products to Czechoslovakia e.g. corn, leather, wool, plants and seeds. On the Czechoslovak side the range of goods was broader. In the 1920's exports included sugar, malt, hops, iron and steel products and glass. In the 1930's the interest in the Argentinian market only grew as a result of the Great Depression. In this decade, exports also included military arms and engineering products (Novotný, Šouša 1990; Bouček 1988). At the same time the role of the Czech and Slovakian communities¹ engaged in the development of the Argentinian sugar, beer (Novotný, Šouša 1993; Novotný, Šouša 1994) and engineering industries, grew in importance.

The first major sign of the significance of the mutual business relations dates back to 1937. In that year a trade agreement was negotiated and signed to the benefit of both nations. The agreement came into interim force in the same year; however it was never ratified by either party. The level of international trade between the two nations peaked during 1937–1938. Examples of the business links that existed include Škoda Platense and Baťa. Škoda Platense, which had been re-established after World War I, set up a business in Argentina. In 1938, that business represented the single most significant Czechoslovakian subsidiary on the continent. At the time, Baťa enterprises also had significant interests in Argentina, Brazil and Mexico. However, In March 1939, Argentina approved the Protectorate of Bohemia and Moravia. Furthermore, Argentina's strained relationships with Axis countries and the USA, thwarted the restoration of diplomatic relations (Nálevka 1975). Relations were eventually restored on 18th April 1945 via an exchange of notes between the Czechoslovakian and Argentinian governments.

Peronism and Soviet Bloc Countries

Argentina, during Juan Domingo Perón's regime (1946–1955), endeavoured to engage in so-called Third Way Politics. Its goal was to implement international politics by means of promoting independence from the then world powers – USA and Soviet Union. This was undoubtedly a bold and decisive step when taking into consideration where the military might at that time lay (Siepe, Llairó, Gale 1994). The existence of an "Eastern hand" would serve to reinforce the region's influence and secure a negotiating position with Washington. It is with this in mind, that two days after Perón's takeover, Argentina established diplomatic relations with the Soviet Union. It is a well-known fact that in 1947, Perón, in contrast to neighbouring Chile, declined to follow the USA appeal to revoke diplomatic relationships with Eastern Bloc countries. On the contrary, the president clearly signalled that Argentinian international policy would be independent of Washington. Argentina subsequently signed a series of business contracts (1947 Czechoslovakia, Romania; 1948 Hungary, Poland; 1949 Bulgaria).

¹ According to estimates by the Czechoslovakian Foreign Institution, 45,000 compatriots were living in Argentina in 1945 – 25,000 Slovaks and 20,000 Czechs. Archiv ministerstva zahraničních věcí (Archives of the Ministry of Foreign Affairs, Czech Republic, AMFA), f. Dokumentace teritoriálních odborů (Territorial Departments Documentation, TDD), Argentina, book 45, K historii slovenské emigrace v Argentině, p. 6.

In contrast, Perón's domestic politics were distinctly different. He enthusiastically endorsed anti-communism. As a result, most compatriot schools, clubs and associations were shut down. Those that remained open did so under the control of the state security apparatus, or were deprived of the use of their facilities. Hence, the Czechoslovakian compatriot community suffered severe disruption (Zourek 2014). In order to prevent communist propaganda, the measures went so far as to limit the number of admitted Slavic citizens to those who possessed diplomatic or official passports.² Those who were admitted were subjected to strict audits.

The anti-communist politics and rhetoric came in for fierce criticism by Moscow. The president was considered a leading representative of a "fascist" regime, whose popularity was grounded on demagoguery.³ Unscrupulous information on Argentina subsequently started to appear in Czechoslovakian media (Zourek, 2014). Indeed, an Argentinian emissary states in a report from 1952 that "current leading authorities neither deserve our confidence, nor our thoughts or special consideration. It's a government which shrinks from any responsibility for its actions, and thus, falls back on supreme arrogance. To put it in another way, we are dealing with a communist police state."⁴

However, mutual relations improved during Perón's second mandate (1952–1955) due to the improving economic situation on the global market. The war-torn western European economies began to stabilize, which implied a declining demand for Argentinian merchandise. This resulted in foreign exchange shortages for the purchase of machines and materials. Industrialization was an intrinsic part of Perón's plan. These facts combined, forced a rethink in strategy and resulted in a rekindled interest in eastern European markets. The war-devastated Soviet Union had been struggling with a huge corn deficit. In 1953, Argentina stepped in to fill the gap and thereby became the very first Latin American country to sign a business contract with the Soviet Union. Czechoslovakia also proved to be an equal partner because it was the only Eastern-Bloc country proficient in importing engineering equipment to Argentina.⁵ Unfortunately, Perón was deposed in a military coup in 1955. As a result, Eduardo Lonardi took lead of the country, only to be replaced a few weeks later by Pedro Aramburu. Czechoslovakia, as pragmatic as ever, and in striving to maintain and develop its economic cooperation, promptly recognized the new transitional government.

Economic Cooperation

Argentina, whose economy had been booming, was considered a valuable trading partner with large surpluses of commodities the Czechoslovak economy required (wool, raw leather, meat, tanning, feedstuff, corn, plant oils, etc.). Perón's industrialization plan also created invaluable opportunities to export Czechoslovakian engineering products which had a formidable reputation dating back to the pre-war period. In the autumn of

² Archivo Histórico de Cancillería (Diplomatic Archives of the Ministry of Foreign Affairs, Argentina, DAMF), División política: Checoslovaquia – Arabia Saudita – Bulgaria, 1950, box nr. 1, El Departamento de Política, 27/5/1950.

³ AMFA, f. Porady kolegia (Collegium meetings), 1953–1989, book 14, Zpráva o Argentíně a čs. argentinských stycích, Pro schůzi kolegia MZV, 2/6/1955, p. 11.

⁴ DAMF, División política: Checoslovaquia, 1951, Elevar Memoria Estadística, 11/1/1952.

⁵ AMFA, f. Teritoriální odbory–tajné (Territorial Departments–Secret, TD-S), Argentina – průběh a stav obchodně-politických jednání, 4/12/1954.

1946, Czechoslovakia sent a trade mission lead by Vladimír Khek to Argentina in order to strengthen the economic relations. The mission negotiated with Brazilian and Uruguayan representatives, namely with the Minister of the Foreign Affairs and the managing director of the central bank. The negotiations were remarkably tough and the Argentinian government declined to ratify the agreement that had been struck. From 1937, the country claimed that it would no longer provide other countries with tangible benefits (*La Nación* 1946). The mutual business connections therefore progressed without any beneficial international contractual arrangements.⁶

As a result, a trade mission came to Buenos Aires in the summer of 1947 and signed a new business contract on 2nd July via IAPI (Instituto Argentino de Promoción de Cambio). As part of the agreement, which held until the end of 1951, Czechoslovakia imported 30,000 tonnes of wheat, maize, quebracha, leather, wool and plant oils. As of 1948, the imports were boosted with the inclusion of linen oil, farina and eggs. The payments were arranged through the establishment of clearing accounts and lists of merchandise. Although the passive balance was subject to a foreign-exchange payment or payment in gold, this official regulation was never enforced. Argentina had acceded the transfer of the account balance to the following year, whereby Czechoslovakia ran up huge debts.⁷

In 1948, the then managing director of the Czech National Bank, Leopold Chmela, flew to Argentina to discuss the issue. As a matter of fact, the debt was subject to payments in kind in the form of food and arms supplies. As a result of the international political situation, the orders for Czechoslovakian arms had been blocked. The mounting debt therefore only rose further to new heights. In 1953, the debt stood at CSK 600 million (Czechoslovak Crowns).⁸ The thorny issue was dealt with by the signing of a new trade agreement in November 1952.

Despite all the political issues, Argentina, under Perón's first term as president, was ranked as one of Czechoslovakia's most thriving markets outside Europe. In 1947-1951, Czechoslovakia exported 15,000 tonnes of iron, barrels, rails and steel to Argentina. The most outstanding order was for the construction of a distillery in San Nicolás. Work on the distillery commenced in 1947. Although it was set to be the biggest distillery in the world, it was never put into operation because the price of the maize, from which the alcohol was to be made, had exceeded the price of the final product. As a result, the ambitious project fell through.

Despite the improving diplomatic relations, there was a sharp decline in trade between the countries in the period 1952-1954. Several factors played a role in this. The Czechoslovakian economy gave preference to exports to the countries with the possibility of free foreign exchange. Broadly speaking, the clearing trade system meant that Argentina was not a top priority. If it had been the potential for Czechoslovakian exports would have stagnated. At this time, Argentina had also started conducting negotiations with the USSR and CSR for drilling rig supplies for diesel oil extraction.⁹ An Argentinian finance committee visited Czechoslovakia at the end of February 1954 to

⁶ AMFA, TD-S, Argentina 1955-1959, Jednání o čs.-argentinskou obchodní smlouvu, 7/8/1954.

⁷ AMFA, f. Collegium meetings 1953-1989, book 14, Zpráva o Argentině a čs. argentinských stycích, 2/6/1955.

⁸ Ibid.

⁹ Ibid.

this end.¹⁰ They eventually reached an agreement with North American companies instead. The only official Czechoslovakian visit to Perón's Argentina took place in the autumn of 1954. The fact that Josef Horn, a deputy of the Ministry of Foreign Affairs, was received by the President, the Ministers of Foreign Affairs, Finance, and Commerce, as well as the Home Secretary, confirms that Argentina attached great importance to the mutual relationship.¹¹

All the same, a sorry affair arose with regards to a certain rolling mill which had been ordered by a Czechoslovakian metallurgical manufacturing facility Báňská in the USA in 1947. However unsettling the experience was, it did not significantly affect the flourishing trade. In fact, the rolling mill, for which the Czechoslovakian party had paid USD 16 million, was to be delivered in 1949. However, the political situation had dramatically changed. On the basis of a strict embargo imposed on exports to socialistic countries, American authorities declined to grant permission for shipments to be exported. The Czechoslovakian government therefore sought to sell the rolling mill to a third country. In November 1953, a purchaser was finally found and an agreement reached for USD 10 million. The USA promptly responded and decided to sell the rolling mill by means of an auction. As a result, Argentina bought the rolling mill for USD 9 million, which were later distributed among the "victims" of nationalization.¹²

On 27th January 1955, after four months of negotiations, a business contract was signed on the grounds of which the trade exchange was to increase. The contract came into force on 11th February. As part of the contract, the Ministry of Commerce set up an engineering centre in Argentina, the activities of which were to be extended to neighbouring countries.¹³ On 5th July 1955, a valid contract was drawn up between PZO Technoexport and Combustibles Solidos (ENDE), an Argentinian Ministry of Industry enterprise. The contract covered the delivery and installation of electrical-mechanical equipment, as well as steel constructions for a coal preparation plant in Patagonian Rio Turbio. The value of the order was USD 1,686,000.¹⁴ The construction of this manufacturing plant was considered to be Czechoslovakia's greatest achievement in Argentina in the 1950's. Under the agreement, huge numbers of tractors, lorries, looms and machines were also imported into Argentina. However, there was always the assertion that the levels of commerce were accompanied by scandalous levels of bribery due to the cut-throat international competition that existed.¹⁵ Accordingly, in 1955, an Argentinian request to produce artillery barrels was met with general approval.¹⁶

¹⁰ DAMF, División política: Checoslovaquia, 1951, Informar sobre Delegación Comercial Argentina, 15/3/1954.

¹¹ AMFA, TD-S, Argentina 1945–1954, Argentina – průběh a stav obchodně-politických jednání, 4/12/1954.

¹² AMFA, f. Collegium meetings 1953–1989, book 14, Zpráva o Argentině a čs. argentinských stycích, 2/6/1955.

¹³ Ibid.

¹⁴ AMFA, f. TD-S, Argentina 1945–1954, Mimořádná zpráva o uzavření dodávkové smlouvy mezi čs. PZO Technoexportem a podnikem argentinského ministerstva průmyslu, October 1955.

¹⁵ AMFA, TD-S, Argentina 1965–1969, Poznámky k situaci a výhledu našeho zahraničního obchodu v Argentině, 15/12/1966.

¹⁶ Národní Archiv (National Archive, Czech Republic, NA), A ÚV KSČ f. 02/2, svazek (volume) 57–58, archivní jednotka (archival entity), 73, bod (article) 11, Povolení k podání nabídky a vývozu zařízení pro výrobu dělostřeleckých hlavních o délce 9.000 mm a Ø vrtání 300 mm do Argentiny, 15/8/1955.

Table 1: The trade between Czechoslovakia and Argentina in 1946–1955 (in CSK millions (Czechoslovak Crowns))¹⁷

Year	Export	Import	Total
1946	15	20	35
1947	84.6	99.5	184.1
1948	76.9	111.1	188
1949	61.3	122.1	183.4
1950	69.8	63	132.8
1951	73.8	92.8	166.6
1952	28.7	36.1	64.8
1953	29.5	16.4	43.9
1954	69.7	46.3	116
1955	167.8	149.9	317.7

International Trade with Argentina within Latin American context

Although the levels of trade between Czechoslovakia and Latin America showed an upward trend, pre-war levels were not maintained for long. As a matter of fact, the Czechoslovakian share in international trade never exceeded 2% of its total capacity in any of the Latin American countries. In contrast, Latin America's shares in Czechoslovakian international trade amounted to 5.8% in 1949, 6.8% in 1950 and 7.8% in 1951. On the whole, the most significant business partner was, like in the inter-war period, Argentina. Despite the history, or possibly as a result of it, Brazil replaced Argentina as the country's largest trading partner in Latin America. This remains the case to this day.

Table 2: International Czechoslovakian trade with Latin America in 1937, 1946–1949 (in CSK thousands (Czechoslovak Crowns))¹⁸

	1937		1946		1947		1948		1949	
	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP
Argentina	185,385	231,297	15,022	20,001	84,588	99,470	76,850	111,071	61,329	122,136
Bolivia	6,651	161	104	-	1,244	-	874	-	2,215	-

¹⁷ Official figures differ. Those mentioned above are quoted most frequently, thus employed by most resources. AMFA, f. Collegium meetings 1953–1989, book 18, Zpráva o vzájemných vztazích Československé republiky s Latinskou Amerikou, 10/11/1955; AMFA, f. TD-S, Argentina 1955–1959; NA, Ministerstvo zahraničního obchodu (Ministry of Foreign Trade), Argentina, 10/11/1958.

¹⁸ AMFA, f. Porady kolegia (Collegium meetings), 1953–1989, book 18, Zpráva o vzájemných vztazích Československé republiky s Latinskou Amerikou, 10/11/1955.

Brazil	85,313	172,908	53,862	15,521	38,949	116,336	64,951	80,470	73,193	35.,
Colombia	47,246	29,005	2,383	-	3,654	-	5,059	-	1,800	431
Chile	10,143	65,389	660	221	2,400	300	1,351	236	315	1,060
Ecuador	8,404	10,223	161	-	1,340	80	1,298	1,575	1,215	40
Mexico	29,050	52,613	6,829	1,981	13,995	2,628	9,461	3,969	6,026	12,854
Paraguay	1,609	6,750	25	69	529	835	1,907	419	2,857	1.707
Peru	18,744	22,185	460	-	3,420	2,450	4,100	1,700	3,640	3,075
Uruguay	31,094	52,174	1,817	2,032	10,540	2,280	15,653	10,439	6,323	5,965
Venezuela	24,151	4,250	2,532	-	16,195	5,594	10,528	4,182	9,554	-
Central America	70,184	28,399	2,048	1,000	12,120	-	15,111	37	6,710	169
Total	518,274	675,354	85,903	40,825	188,974	169,973	207,143	214,098	175,177	182,874

Table 3: International Czechoslovakian trade with Latin America in 1950–1954 (in CSK thousands (Czechoslovak Crowns))¹⁹

	1950		1951		1952		1953		1954	
	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP
Argentina	69,797	62,996	73,733	92,831	28,656	36,047	29,523	16,368	69,729	46,317
Bolivia	722	2	1,289	-	1,298	-	1,040	-	2,440	-
Brazil	61,877	55,828	51,642	97,388	30,514	40,718	50,278	55,943	90,652	87,470
Colombia	3,130	-	2,443	-	2,974	-	6,011	1,457	4,456	-
Chile	390	1,000	200	-	99	-	343	718	2,634	6,391
Ecuador	1,913	119	1,822	420	2,820	-	2,029	360	1,819	1,956
Mexico	10,390	1,731	12,756	16,990	8,680	8,260	7,905	3,049	7,409	8,284
Paraguay	2,424	2,305	195	49	46	-	17	-	77	357
Peru	8,900	2,790	7,300	2,300	3,450	-	438	-	116	-
Uruguay	11,400	6,677	5,635	4,622	3,732	7,296	3,637	3,021	2,234	16,555
Venezuela	12,653	646	8,448	-	7,664	-	7,643	-	7,595	251
Central America	14,553	739	16,676	1,653	20,477	-	13,163	1,828	13,383	1,458
Total	198,159	134,833	182,139	216,253	110,410	92,321	122,027	82,744	202,545	169,039

¹⁹ Idem.

Conclusion

On the whole, the relationship between communist Czechoslovakia and Perón's Argentina could be described as fraught and tumultuous with regards to the politics concerned. Perón's domestic political agenda was radically anti-communist. He was therefore described as a fascistic dictator in the countries of the Eastern Bloc. On the economic front the situation was very different. Perón and his government signed a range of business contracts in order to create a better negotiating position with the USA. For Czechoslovakia, the strongest incentives for trade were the Argentinian export system and Perón's industrialization plans.

In general, Czechoslovakia implemented several outstanding orders e.g. the construction of the world's biggest distillery in San Nicolás, although its potential was never fulfilled. Besides the political instability, which culminated in the fall of the established regime, there was mutual trade. The level of trade was limited by the characteristics of the clearing system. Communist countries, Czechoslovakia included, desperately needed hard currency and therefore focused its efforts on exporting to the countries of the capitalist world.

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Innovation Project Performance Measurement: Selected Shortcomings

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Abstract

This paper presents an overview of studies that describe the emergence of innovation project performance measurement. It is dedicated to the issue of economic indicators and focuses on the metrics that can be employed to evaluate a single innovation project. These metrics are divided into two groups, financial and non-financial. Comparisons are made between these indicators using methods of analysis and synthesis. This includes the establishment of their pros and cons, and a discussion on the revealed shortcomings. The main findings of the paper refer to the importance of innovation project performance measurement within the framework of a corporation. However, a one size fits all solution does not exist. Every innovation project is unique and specific. This paper should therefore motivate researchers to conduct more large scale studies into the area of innovation project performance measurement in different business sector and areas.

Keywords: innovation, innovation project, performance measurement, management control, financial indicators, non-financial indicators

Introduction

Innovation is the basis for the sustainable growth of a business corporation. However, no matter how high the investment in innovation might be, there is no guarantee that the resources committed to it are spent efficiently. It is therefore necessary to innovate wisely and with focus. Such activity requires companies to be capable of the continuous evaluation of ongoing innovation projects and to use this data to make decisions on whether to continue or not.

In order to assess the success of innovations it is necessary to select criteria by which the assessment can be made. Hauschildt and Salomo (2011) recommend the following three types of criteria to measure innovation success: technical; economic; and others. This paper is intended to assess the economic performance of innovation projects.

The range of options for expressing innovation project performance through economic indicators has also been investigated by Valenta (2001). In his last publication, he concludes that in general terms the improved economic performance of a company i.e. a change in a company's economic behaviour towards its environment, is not only the

result of innovative measures in the manufacturing field, but also a product of non-manufacturing innovations expressed through management and service activities. In addition, it is also intensively influenced by the external environment e.g. by changes in the price of purchased components and investment goods, as well as by the company's success or otherwise in achieving the volumes and prices ideally counted on in the sale of its products when the decision was taken to move forward with a particular innovation project (Valenta, 2001). Valenta's theory was expanded on by Vlček (2008) with a study into innovation value, the effect of which is the growth, or rather, the maximization of value for the customer with a simultaneous growth in the value of a company.

Methods for economic analysis are currently the most diffused methods for the evaluation of innovation projects (e.g. Ryan & Ryan, 2002). Although existing methods largely differ in their implementation, they all share a common principle, that is, the capital budgeting approach for calculating the economic return of a project as a sequence of discounted cash flows (Chiesa & Frattini, 2009).

Materials and Methods

The scientific aim of this paper is to gain knowledge and analyse the present status of innovation projects and their performance measurement as published in Czech and foreign professional literature by leading experts from the past and the present. The objective of the article rests in the summarization and presentation of the results of a literature review of the relationship between innovations and performance measurement. In addition, the paper is also important in terms of innovation management, which is a field of science, and its related disciplines, specifically strategic management.

The systematic approach of analysis, comparison and synthesis was applied to this paper. Analysis was used as the method for acquiring new knowledge and for the interpretation thereof. When processing secondary data, the secondary analysis method was used. Professional literature, in particular foreign resources, was the source of secondary data. Comparisons were then made of the various pros and cons of the various approaches to innovation performance measurement.

Results

Well managed innovations successfully commercialized in the market are a tool with which companies can win competitive advantages that will allow them to prosper and grow over the long term. Many studies show that the growth of a company does not occur at random as is not independent of its size. Since Schumpeter (1950) suggested that large enterprises are more likely to innovate than their smaller counterparts, researchers have investigated the relationship between innovation, performance, and enterprise size (Rosenbusch et al., 2011). Large companies, it is argued, are in a better position to carry out the necessary R&D for innovation and may also be better placed to exploit the market potential of each innovation (Love & Roper, 1999). In addition, these companies are also in a better position to employ professional managers and technical experts, and to protect innovations against competition, strong marketing, etc. (Rogers, 2003).

Research into innovation in SMEs is more recent (Audretsch & Lehmann, 2005) and, although the evidence of a strong correlation between innovation and SME performance is overwhelming (e.g. Baldwin & Gellatly, 2003; Mansury & Love, 2008), the dynamics of this relationship remain ambiguous (Gronun et al., 2012). Studies prove that SMEs tend to grow faster than larger enterprises in most sectors (Falk, 2008; Fiala & Hedija, 2015). The better management of the innovation process by smaller companies could be one of the reasons for their faster growth. The main innovation advantage which small companies are suggested to have is that of entrepreneurial dynamics and flexibility. The dynamics and flexibility are mostly derived from a simpler, flatter organisational structure which translates into a significantly more flexible response to, and faster capitalisation of, market opportunities (Bhattacharya & Bloch, 2004; Link & Rees, 1990; Rothwell, 1989).

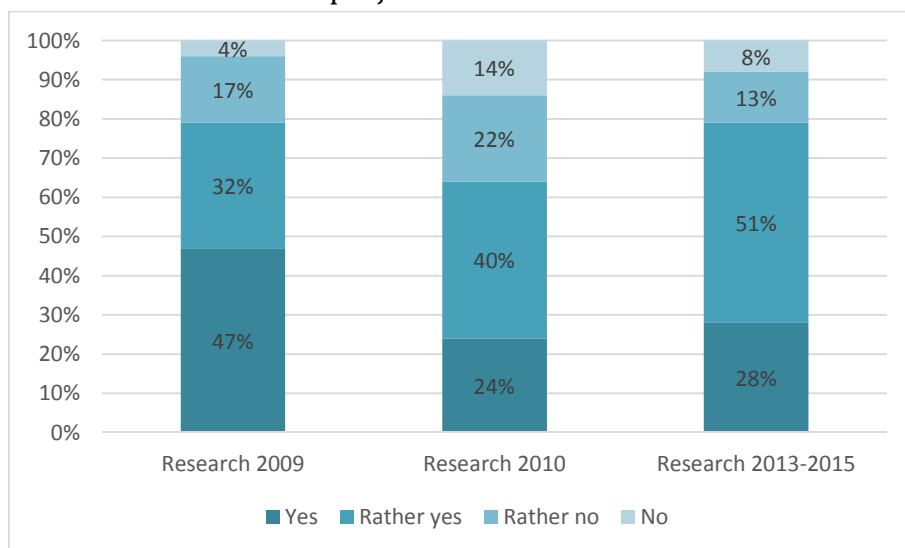
When considering the commercial success of innovation, it is very important to evaluate the effect of the business opportunity, both in terms of incremental innovation and radical innovation. The financial evaluation of an incremental innovation requires a project management perspective. This involves:

- estimating (setting up) future cash flows;
- calculating return on invested resources;
- calculating financial indicators;
- comparing the calculated values with predefined criterion.

The evaluation of the potential effect of a radical innovation in preparation should help a company to find out whether practical research will bring sufficient progress and whether there is a market in which that radical innovation can be successful. Furthermore, it must answer the question of what will be the costs of production of the relevant technology or product and what amount of capital will be required (Gault 2013; Van Merkerk & Smits, 2008). For every aspect, performance must be evaluated during each phase on the basis of economic criteria – from the inception of an idea to its final commercialisation. In other words, this means that the evaluation for each period of time considers whether the potential revenue and/or cost savings expected from the innovation are likely to be greater than the fixed and variable costs of the mobilised resources, given the strategy, the business model and the organisation.

To measure or not to measure the performance of innovations remains an open question. The majority of people would affirm the need to measure, however results of primary research conducted in Czech manufacturing companies (Žižlavský, 2015; Žižlavský & Bartoš, 2010; Žižlavský 2009) indicates that the surveyed managers were not so quick to respond in this way. When asked whether the companies had evaluated the implemented innovation projects, the vast majority answered affirmatively in all the periods under consideration, 79%, 64%, and 79% of respondents, respectively. What is disquieting is the fact that this area is neglected by 21%, 36%, and 21% of the respondents even though innovations were implemented by them (see Figure 1).

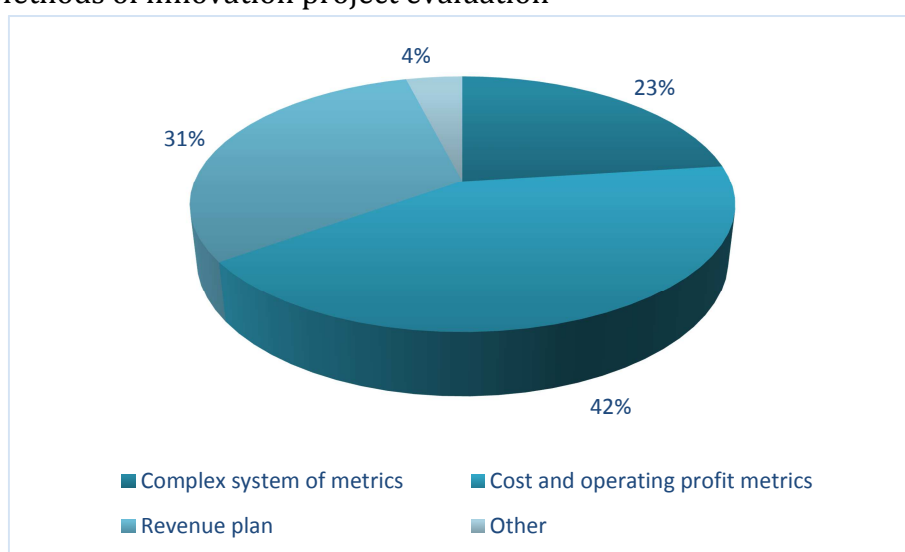
Figure 1: Evaluation of innovation projects



Source: Žižlavský (2015)

For companies which responded affirmatively to the above question, the method of evaluating the innovations has been examined. The results are shown in the Figure 2. The prevailing approach is to monitor financial indicators or, more precisely, to monitor costs with respect to operating profit and the fulfilment of turnover based on the sales plan. Other data and indicators were not considered essential by the surveyed companies. Only 23% of respondents transformed the objectives and strategies of innovations into a comprehensive system of measurable financial and non-financial indicators. It should be noted that after overcoming the initial barriers and the reluctance of managers to communicate more detailed information about their systems of innovation evaluation, these systems often proved to be inappropriate and biased in favour of financial indicators.

Figure 2: Methods of innovation project evaluation



Source: (Žižlavský & Bartoš, 2010)

In follow-up research (Žižlavský, 2015) respondents were asked to indicate the evaluation techniques they use within innovation projects to provide the information they require for decision-making and control. The measurement tools were divided into two groups - financial and non-financial tools.

Table 1. Performance measurement methods (n=354)

Category (Number of employees)		Micro (1-9)	Small (10-49)	Medium (50-249)	Large (>250)
Financial tools	Balanced Scorecard	0.00%	2.38%	10.95%	33.91%
	Budget	67.45%	72.46%	84.27%	100.00%
	Cost accounting (with cost centres)	11.33%	19.31%	35.13%	42.67%
	Cost accounting (without cost centres)	20.38%	25.19%	22.54%	14.17%
	EBITDA, EBIT	28.16%	30.45%	36.19%	34.85%
	Economic value added EVA	0.00%	2.14%	17.50%	20.15%
	Payback period	3.15%	17.23%	24.49%	36.84%
	Profitability (ROI, ROE, ROA, ROS)	23.70%	20.13%	13.52%	7.92%
	Revenues from innovation	59.19%	74.28%	83.45%	100.00%
Non-financial tools	Cannibalization of existing products by innovation	4.12%	5.26%	6.43%	16.24%
	Customer satisfaction indicators	23.45%	17.33%	22.50%	26.67%
	Growth of market share	8.69%	13.17%	18.36%	36.13%
	Innovativeness	2.70%	2.56%	7.12%	13.41%
	Number of new customers	34.33%	32.73%	47.20%	52.48%
	Patents	7.81%	10.47%	28.49%	36.96%
	Productivity and quality indicators (lead time, etc.)	3.43%	6.81%	15.70%	32.76%

Source: (Žižlavský, 2015)

Financial indicators

Table 1 demonstrates that financial indicators are more frequently adopted than non-financial indicators. Since this study concentrates on Czech manufacturing i.e. the for-profit sector, innovation evaluation must always be based on a group of logically

interrelated financial indicators. The financial indicators can be divided into three elementary groups.

- The first group of indicators serve to evaluate the contribution of innovations to the increase in the competitiveness of the entire company. The most frequently used indicators in this category include production power, return on sales, liquidity and indebtedness.
- The second group of indicators serve to evaluate how the innovation plan is reflected in the economic results of the company. These include profitability indicators such as ROCE, ROI and ROE.
- The third group of indicators serve to evaluate the financial effects of innovative activities. These include working capital turnover ratio, profit ratio and the total rate of return (Pitra, 2006).

Other popular innovation performance metrics in industry include the percentage of revenues from new products, percentage of growth in new products, and overall profits generated by new products (Cooper et al., 2004).

“An innovation is successful if it positively contributes to the profits and return of a company.” (Gemünden & Littkermann, 2007; Pitra 2006; Thomaschewski & Tarlatt, 2010)

In this regard it is difficult to state what the optimal length of the planning period is. Some innovations require a significantly longer market introduction and acceptance period, whereas others generate a rapid payback (Thomaschewski & Tarlatt, 2010). An ideal amortization period needs to compensate for the invested capital e.g. costs for R&D, production, market launch and marketing as well as the cost of capital.

This brings up the issue of comparing the achieved results with a reference value during and at the end of the project implementation process. The question is, what the obtained data will be compared with i.e. how is the baseline for the comparison set. One option is to compare it with the existing situation – at the time of measuring e.g. the degree of progress in technical parameters, growth rate or increase in economic parameters such as the amount of profit, sales, contribution margin and market share. It is subsequently useful to compare the individual parameters with pre-defined goals, subject to them having been set realistically, and simultaneously, with sufficient stringency.

Comparisons on the basis of benchmarking seem to be the most appropriate method. Such comparisons can be made against a competing company but also against an “ideal” or normative model. Examples of such performance related comparisons include the Malcolm Baldrige Award in the US, the Deming Prize in Japan and the Quality Award in Europe. The growing use of the Internet has also led to numerous web portals offering interactive systems for evaluating the innovation performance of companies.

Non-financial indicators

Economic assessment is an integral part of every project and is the preferred approach of company owners. It should be borne in mind that the owners have invested in the company with the prospect of achieving a return. From the owners’ perspective, the company is a “money-making-machine”. If it fails in this role, the owners see the root

cause in incompetent management – and rightly so from their perspective. Financial indicators are indispensable for evaluating performance. They alone can inform managers whether the company is generating value and whether the measures adopted by them have contributed to value generation.

How do we objectively assess the rate of return on invested efforts and time? Purely assessing the results of a project in terms of its economic benefits may not always be the most advantageous way because it may also result in the rejection of projects in which the qualitative benefits significantly exceed the potential costs associated with project implementation.

The development and improvement of measurement systems has therefore led to financial indicators being supplemented by many other non-financial indicators used by companies seeking to measure and evaluate the development of basic success factors in their respective strategic areas (Ittner & Larcker, 1998; Kaplan & Norton, 1992; Nanni et al., 1992; Neuman et al., 2008; Palmer 1992; Vaivio, 1999). It has been clear for some time that the traditional systems for measuring performance could not succeed in the ever changing conditions associated with global business (Johnson & Kaplan, 1987).

Non-financial indicators are not a new concept but they have enjoyed huge interest among the professional public since the 1980's. The integration of non-financial metrics into systems for measuring performance allows managers to better understand the relations between various strategic innovation targets, communicate the linking of these targets with workers' activities and, subject to the defined targets, to formulate priorities and allocate resources (Kaplan & Norton 2001). The results of an international study have confirmed that there is a strong association between the use of non-financial indicators and strategies oriented towards innovation and quality (Said et al. 2003).

Discussion

Project management, as well as the process of measuring innovation performance as outlined above, are often used in practice. The first phase of the process i.e. the estimation of future cash flows, is problematic. The credibility of the specified benefits of a particular innovation, which directly depends on the depth of the innovation being implemented, is a weak spot in performance evaluation of the innovation process. Practical experience shows that companies are unable to estimate with sufficient accuracy the costs of developing and introducing an innovation, let alone the effects generated by that innovation. Since companies face considerable uncertainty regarding the results of their innovative activities – in introducing something new, previously unknown and untested – the calculation of the benefits of innovations tends to be inaccurate and incomplete because all possible applications are not estimated successfully at the time when the programme is first engaged.

What matters in the initial phase of the innovation project is to establish whether there has been a shift in knowledge, whether new findings have made it possible to develop new technologies and products which will be successful on the market, and whether they help reduce production costs. For the innovation itself, it is necessary to establish what economic benefits (sales, profit, etc.) a new product brings, or what savings can be

derived from process innovations and in what proportion these benefits stand to the costs expended (Kislingerová, 2008).

In order to evaluate the profitability of a project, it is first necessary to compile the required data i.e. determine the revenues and costs related to the innovation concerned. Basically, it is easier to measure costs than revenues.

A budget showing the costs of implementing an innovation project is an important underlying document for a company. It shows what costs must be expended in the course of implementing a project and specifies the purpose for which they will be used. In budgeting, a company must not restrict itself to the direct costs (materials, salaries and depreciation) related to the individual phases for bringing an innovation to life. In addition to direct costs, the budget must also reflect the costs of project development, integration and implementation, as well as overhead costs (such as laboratory fees and licence fees). As a rule, creative costs can be simply gathered through project control and management. Overhead costs are first recorded for the whole company. Capital expenses (CAPEX), operating expenses (OPEX) and the costs of innovation use and company operations are then recorded. These are generated by the need to cover the additional expenses of existing business because corporate performance must not decrease as a result of bringing an innovation to fruition. Residual costs are also important – the non-depreciated value of tangible assets divested by a company e.g. due to technology upgrades.

For incremental innovations, past purchasing and start-up costs can often be used. Measurement in the case of radical innovations is even more difficult since, depending on the case, this involves the use of completely new technologies for which no market prices exists in the present. In contrast, OPEX for incremental innovations as well as completely new technologies can often be measured with reference to past experiences. Sales, marketing, call centre, or service costs can be taken from existing business and adapted, whereby flat rate values are frequently used.

The next step is to compile, on the basis of the results of market research and the market placement plan in combination with the production plan, an overview of expected revenues for individual innovative products and future financial flows from collected revenues, including risk appraisal. However, the measurement of revenues presents the greatest risk due to the fact that they are only forecasts.

The marketing information system (e.g. Žižlavský, 2012) can be crucial in helping to forecast future revenues from individual customers. The system collects customers' business data. This allows past contracts to be used for forecasting future revenues from new products. Innovation-generated sales are among the most important revenue items. The difference between radical and incremental innovations also plays an important role. Existing and historic market data can be used to measure revenues from incremental innovations. For radical innovations on the other hand, customer surveys and market tests are often very difficult to use because users generally have little knowledge of new technology. This makes it impossible to achieve good quality forecasts for expected revenues. Simultaneously, this makes it more difficult to predict how willing customers will be to use and pay for the relevant innovation. One option for avoiding the use of surveys is to use comparable cases from other sectors or foreign markets.

Other revenues may result from the provision of consultancy services, the sale of licences or patents. Most revenues are generated only after costs are expended because innovation projects usually do not generate any revenues during the inception and innovation phases.

A forecast of the income tax rate subsequently makes it possible to specify the estimated net profits. Given the fact that it also includes costs that do not fall under expenses (such as depreciation), and that some expenses are not included (debt instalments, distribution of profits, increased demands for working capital), it is necessary to adjust net profits by these items to help determine the cash flow.

Managerial steering in this setting means to constantly monitor the development of the business case for an innovation in order to safeguard the payback from the innovation and to limit eventual losses. This can be accomplished via *ex ante* and *ex post* comparisons of the business case for an innovation at each critical decision phase.

Another important aspect lies in the allocation of costs and revenues to a specific innovation or innovation project. In this respect, a serious problem lies in the fact that accounting systems are not capable of sufficiently reflecting the costs and revenues of a specific innovation project. The innovation process occurs in phases and often takes a number of years. In contrast, accounting records do not operate with accumulated figures and accounting periods do not mirror the phases of the innovation process. Some intangible investment goods used in developing an innovation are also not subject to depreciation. For costs and effects to be allocated, it is therefore necessary that the innovation project be clearly defined from the very beginning in both substantive and temporal terms. However, this requirement often cannot be met in the initial phases of the innovation process when innovation proposals are generated and selected (Kislingerová, 2008). Without this future orientation, the assessment of innovation projects would always be negative, since the innovation sometimes does not generate revenues until some considerable time after the project has been completed (Gemünden & Littkemann, 2007).

The innovation type is also crucial to the allocation of costs and revenues. Costs can generally be allocated to innovations in methods, processes and infrastructure, as well as to product innovations. This applies equally to capital costs and all cost savings that can be achieved later through improvements. The division of overhead costs is the most difficult task. An overview and division by function significantly simplifies later structuring into innovation projects but it also entails increased costs. In addition to traditional overhead costs such as personnel costs, other costs can also take the form of overheads, especially where integrated products are concerned. If several products are based on a single innovation infrastructure, costs must be allocated to individual innovations (Erner & Presse, 2010).

Allocating revenues is even more difficult. Incremental innovations improve an already existing product, thereby increasing the value for customers and, simultaneously, sales of that product. However, it is difficult to determine whether and, even more importantly, to what extent the increase in revenues was in fact due to the relevant innovation. If sales are decreasing, the improvement in the product is deemed successful if it at least contributes to maintaining the existing level of sales. With radical innovations, the allocation issue is often far easier because radical innovations can be clearly identified as new benefits for customers. Radical innovations often lead to a

completely new range of products which makes it possible to clearly allocate the resulting revenues to the innovation in question. As mentioned above, not only the level of innovation but also its kind is important for allocation purposes. While revenues from a product innovation are relatively easy to allocate, this is not directly possible with process innovations where only theoretical constructs can be applied.

Conclusion

Innovations must be implemented prudently and in a targeted manner. Moreover, innovations are very costly and they tie a substantial part of a company's available resources for a significant period of time (Erner & Presse, 2010; Gaily, 2011; Huang et al., 2004; Patterson, 2009; Thomaschewski & Tarlatt, 2010). The effort and resources expended must be recouped if a company is to stand a chance of surviving in a strongly competitive environment. The need for a management control system is crucial for innovations.

Unfortunately, there are no uniform guidelines in the professional literature for measuring the performance of innovations (Adams et al., 2006). Every innovation is unique, specific, and intended to bring competitive advantage and company growth (Bonner et al., 2001). It brings a growth in revenues but also generates costs. From this point of view, the use of selected financial indicators appears to be a suitable approach to measuring the performance of innovation activities.

However, innovation performance measurement has its pitfalls. Traditional accounting information cannot reflect some of the indirect consequences of business decisions. Financial indicators are related to short-term goals and built on historic accounting data – as such they are not suitable for predicting future developments and for strategic planning; they are in fact lag indicators. Since they are mostly based on profitability and net profits, there is a risk of their being “embellished” through the manipulation of profit/loss figures (Kislingerová, 2008).

A well developed system of evaluation of innovation projects should therefore contain a suitable mix of quantitative financial and qualitative non-financial indicators. The former being best suited to capturing unmeasurable aspects, and the latter capable of reducing the subjectivity of the evaluation (Driva et al., 2000; Chiesa & Frattini, 2009; Werner & Souder, 1997). Furthermore, given that economic-financial indicators are often questionable because it is very difficult to evaluate intangible elements in monetary terms over time, as typically happens in innovation (Frattini et al., 2006), they are often integrated with non-financial indicators, which can be more easily estimated. Under such circumstances, the use of benchmarking to compare metrics with competitors or excellence models is beneficial.

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Conference Review: Innovative Economic Symposium (IES) 2015, Small and Medium-Sized Enterprises (SMEs) as a Stabilizing Factor in the Market Economy

Marek Vokoun

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Introduction

The conference was hosted by The Institute of Technology and Business in České Budějovice, the Czech Republic on 5th November 2015. The Institute currently focuses on transferring research activities into the application sphere and deepening the cooperation with private sector. The conference focused on small and medium-sized enterprises (SMEs) and their contribution to a market economy. Professor Jan Váchal directed the morning section and introduced three key factors for SMEs, this year's conference dealt with. He highlighted pro-growth and stabilizing function of SMEs as the main factor. Furthermore, SMEs play an important role in international exchange in global supply chains and in providing information and communication services. He indicated a kind of transformation of SMEs in relation to large multinational corporations, and their important role in the new integration and cooperation activities as another key topic. Representatives from the public sector and the first key-note speaker appeared in the first part. The afternoon part of the conference was chaired by Marek Vokoun.

Public sector contributions

The public sector was represented by the Deputy Minister Tomáš Novotný from the Ministry of Industry and Trade and the Head of the Technology Agency of the Czech Republic (TACR) Rut Bízková. Due to poor global position of the Czech Republic in the

framework of indicators measuring the ease of doing business (World Bank, Doing Business project) and innovation activities, the emphasis was on presenting projects that focus on speeding up the process of business start-ups, reducing administrative burdens, ease of establishing a cooperation between the private and public sectors, consultancy work and innovation. TACR is an important institution that promotes applied research. The chairperson presented the agency as a very professional institution with a capable administration that is able to competently make decisions about public money, which in her view should accrue not only to the high-tech projects, but also projects that use knowledge intensity for innovations targeting everyday life activities.

Key-note speakers

Scientists from various academic institutions spoke during the conference. The first key-note speaker was the Rector of The Institute of Technology and Business in České Budějovice Marek Vochozka, who at the beginning marked the context of an economic crisis as a unique testing ground for economic research, which also requires quality data. A need to correctly interpret the data at the corporate level requires tools that provide useful information for strategic business decisions. Economists, both from the public and private sectors, can often suggest how to deal with negative socioeconomic consequences of the events and can describe the causes and factors. However, the possibility of prediction in economics proves to be a controversial topic for centuries. On the other hand, for many centuries we did not have such modern technologies as artificial intelligence and neural networks. These tools have the chance to become useful technologies also in the context of small and medium business and technology clusters.

Second key-note speaker Professor Hao Kai from North China University presented his contribution, which was built on the link between warfare strategies and corporate strategies. He introduced selected quotes of the legendary Chinese general Sun Tzu. The uniqueness of this work lies in the timelessness of its suggested tactics and strategies. These strategies can be applied to the private sector and SMEs. The struggle for customers and market position is also about "warrior skills" of managers who must not forget about innovation. According to a Chinese general Sun Tzu, it is important to be surprising, innovative, unconventional, adaptable and able to predict the strategy of the enemy. The same applies to the competitive environment for SMEs.

Academic presentations

Other academics also introduced new tools and useful applications. Lenka Dvořáková (Žilina University) presented usefulness of methods for assessing the vitality of enterprises, which is based on the method of Harry Pollak, Vojtěch Stehel (Žilina University) presented the usefulness of the method of evolutionary game theory and Petr Sádlo paused over the usefulness and precision of language skills. English is Lingua franca of economic research and due to globalization tendencies English is also the standard language used in international exchange. Simona Hašková (ITB) introduced techniques and procedures for effective management decisions for frequently repeated investments.

Major differences in innovation activities between SMEs and large enterprises in the manufacturing sector during the economic crisis were also introduced (Marek Vokoun, ITB). Large enterprises are more likely than small businesses to decide on a continuous approach to innovation activities. Small businesses in the economic crisis had not increased spending on research activities per employee and this did not change by participation in the programs of public support that with some exceptions generally proved highly inefficient. Large businesses also achieved higher sales from innovative products than small businesses. The advantage of SMEs lies so far only in the effective transformation of innovation inputs into innovation outputs and higher labor productivity. SMEs that innovate more effectively are those that focus on international and global markets and move in high-tech sectors. The main obstacles for SMEs in times of crisis were lack of qualified staff and lack of funds. Large companies did not observe these obstacles, they considered high cost of innovation projects as the main obstacle especially during the crisis.

Emphasis was also placed on strategic risks, technological opportunities and new obstacles for small and medium businesses. Kamila Tišlerová (ITB) focused on the need for marketing education, ability to plan and effective use of the obtained social capital, typical for SMEs in the Region of South Bohemia. Petra Solarová (ITB) considers prepared law on electronic records of sales and its many unresolved technical issues, such as cash on delivery payments records, internet outages, etc. a major obstacle for SMEs.

According to Josef Maroušek (ITB), SMEs' ability to explore new technologies that are aimed at improving the quality of the environment constitutes good opportunities for them. These projects and companies have the opportunity to both gain huge public support, improve the quality of life and, if successful, a small company could grow into a global company in a relatively short time. His proposal for a cost-effective carbon storage is among such projects. According to Šimon Buryan (UEP) trade in chemicals poses a great future burden, especially for SMEs. Project REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is currently in his view set up for the interests of large corporations.

Conclusion

The conference ended in the evening with an excursion to the brewery and the promise of the next year's Innovative Economic Symposium at ITB in České Budějovice. The aim of this first year was to initiate a discussion on the problems of SMEs and link academic discussion with participation of leaders from public sector. Interest in the debate was high in the opening part. The discussion focused on the efficiency of public funds and programs focusing on innovation, cooperation, entrepreneurship and SMEs. The second part of the conference featured contributions from doctoral students and academics of the organizing institute, whose papers were mostly research objectives and descriptions of useful methods and barriers to entrepreneurship in the sector of SMEs. Because of that we watched a lack of interest in discussions at the conference. Current research focuses on SMEs in areas such as entrepreneurship and corporate governance, start-ups, global tendencies, family firms, dynamics of entrepreneurship, R & D and Innovation, and changes in paradigm of entrepreneurship. These areas were greatly neglected. However, lack of good contributions can be expected from the first year of the conference. This conference is

an ambitious project with a promise of quality growth in the future. Focus on the critical discussion with representatives of the public sector, which significantly affects SMEs business may be its comparative advantage.

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