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BARCELONA 2020, SPAIN

Conference Proceedings
Full papers & abstracts

Editors

Slagjana Stojanovska
Joaquim Ramos Silva
Richa Baghel

Barcelona, Spain
25-27 August 2020

Masters International
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International Academic Conference

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India Being an educator and researcher Dr. Richa Baghel's academic and research journey started with a university summer project, where she wasn't aware of how deep it would leave its impact on her. After completing a Ph.D. in management she realized that the thesis is published but the quest for research is continuing. Keen interest on individual mind and management routed her to Vedic philosophies. The duo of modern management and Vedic philosophies is opening a new arena of learning and knowing the unknown. Practical learning is the one thing which counts. It's about how you get to know yourself rather than how you know the subject. Once an individual have clarity of vision…subject matter just fits into it. With this ideology, she is teaching in Sri Sri University, Odisha, India from four years and empowering students to learn the best.

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We are very pleased to introduce the Conference Proceedings (full papers & abstracts) of the ***MIRDEC-17th, International Academic Conference on Economics, Business, Globalization and Social Science Studies (Global Meeting of Social Science Community),*** 2**5-27 August 2020, Hotel HCC St. Moritz, Barcelona, Spain**

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BARCELONA 2020

ANTONIO FOCACCI[1]

COVID-19 AND ECONOMIC CRISES: MAY MONEY BE THE SOLUTION?: THE ROLE OF PRO-POOR ECONOMIC GROWTH

Abstract

Current COVID-19 pandemic and deriving global economic contraction will stress the most developed Countries' fiscal frameworks raising several concerns about the real and effective possibilities to deal with all issues. The magnitude of the resulting shock will surely affect the fiscal deficit and public debt in the majority of them. In the present letter an investigation of the money-inflation relationship is proposed by examining its direct and supposed influencing mechanism. The aim is to empirically advocate additional different options to implement within the current institutional instruments and policies both as an intellectual challenging exercise for economics scholars on a theoretical side and for policy makers on a pragmatic one.

Keywords: Inflation, Money, Central Banks, Monetization, Fiscal Policy

JEL Codes: E02, E31, E58

1. Introduction

Present COVID-19 unexpected crisis will severely affect public health and economic systems. On a merely economic perspective, the last issue of the Statistical Annex European Economic Forecast (Spring 2020) makes a prediction of a contraction in GDP for the 2020 FY of several points. For the Countries included in the present work, it is possible to list: Euro Area (-7.4%), Italy (-9.5%), Japan (-5%), United Kingdom (-8.3%) and USA (-6.5%). If estimations will be confirmed at the end of the period, projections will describe worrisome scenarios. To make some comparisons with the WWII period, we can cite yearly average decreasing rates equal to -7.16% for Italy between 1939 and 1945, -10.7% for Japan between 1941 and 1945, and -3.6% for UK between 1943 and 1947. For what concerns the USA, they did not experience war damages on their territory, hence a more solid benchmark can be found in the Great Depression time span (1929-1933) where the corresponding contraction rate of the economy was equal to -7.76% (personal elaboration on all this set of figures on data collected in Bolt et al., 2018). Thus, the question is whether Governments are able to respond in an effective way to a war-like emergence period. Interventions by traditional macroeconomic instruments raise several issues (Corsi, 2020), and in this sense goes the recent ruling of the Federal Constitutional Court of Germany (BvR, 2020). Monetary policies show lacks in further supporting economic activities considering that lower interest rates environment lasts since the 2008-2011 crises. Additionally, even if the level of public debt cannot be considerate as a decisive factor in limiting the economic growth of an advanced Country (Panizza and Presbitero, 2014), a strong and traditional public fiscal stimulus following current rules is a complex (and probably not feasible) option for Countries where Government debt/GDP ratio reaches the highest level. All else be equal, a simultaneous increase of sovereign debt and contraction of GDP would result in a lethal combination. Especially, this holds for Countries within currency unions, where asymmetric interest rates price the different sovereign debt issued. On the counterpart, also an excessive level of private debt can be considered as detrimental for economies. Arcand et al. (2015) point out the negative effect exerted by finance on output growth when credit reaches a threshold of about 100% of GDP. At this point, both monetary and fiscal policies seem unfitted in their role. In the EU, for example, the application of the European Stability Mechanism (ESM) to Greece raised several criticism for its internal effects on the whole socio-economic structure.

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Within current debate, the possibility to adopt extraordinary and unconventional measures is authoritatively introduced and discussed in the recent contributions by Blanchard and Pisani-Ferry (2020) or Giavazzi and Tabellini (2020). Considering the extraordinary aspect of current crisis, the "forgotten" role of possible monetization of public debt surges as a renewed instruments in financing fiscal policy. Following this option, Central Banks (CBs) directly purchase Government Bonds issued to finance Government public spending to exploit the fiscal keynesian multiplier and sustain (or stimulate) output growth. This mechanism can be considered as a fundamental and unconventional driver for all those EU Countries adopting the euro currency in this emergency period. Even if such a choice is important also for those Countries having their own CBs and currency (Japan, UK and USA), the weight and its potential effect is totally different considering the complexity of the EU functioning. However, at the moment for example, within the current EU Treaty, this possibility is not allowed (art. 123 TFEU). Fear of potential inflation rise ignited by monetary base expansion is the controversial aspect advocated by opponents founding their background in the quantity theory of money.

This contribution investigates the empirical relationship between money growth and inflation.

2. Methodology and data

With the aim to investigate and trace out (potential) transmission effects originated by money growth on inflation, we follow a Granger-causality methodology (1969) to explore if one variable is of help in predicting the other one following a coherent influencing chain as fostered by literature theorizing the merely monetary nature of inflation. Hence, our goal is to understand if the money growth → inflation transmission mechanism is empirically plausible. Consequently, variables are tested in both directions examining the lead-lag relationships. The null hypotheses are that money growth does not Granger-cause inflation ($\theta j = 0$ for all *j*) and vice versa. Accordingly, the following equations (1) and (2) are estimated, when data are non-stationary in levels:

$$\Delta M_t = \phi_1 + \sum_{i=1}^{m} \sigma_i \, \Delta M_{t-1} + \sum_{j=1}^{n} \theta_j \Delta \, INFL_{t-j} + \varepsilon_t^M \quad (1)$$

$$\Delta \, INFL_t = \phi_2 + \sum_{i=1}^{m} \sigma_i \, \Delta \, INFL_{t-1} + \sum_{j=1}^{n} \theta_j \Delta \, M_{t-j} + \varepsilon_t^{INFL} \quad (2) .$$

where *INFL* and *M* represent the inflation and monetary aggregates. In the equations (1) and (2). By using first differences (Δ), stationarity can be guaranteed; ϕ is the intercept and ε_t is the error term. The residual sum of squares of models are then compared using an *F*-test to reject the respective null hypothesis (an additional explanatory variable of the unrestricted model has no influence). To determine the most appropriate lag-structure (*m*, *n*) for each model, we select the *BIC* information criteria.

Additionally, a Vector Error Correction Model (*VECM*) is used when variables contain unit roots with stationary first differences and cointegration properties (Fanchon and Wendel, 1992). Due to high responsiveness to deviations from the long-run equilibrium of cointegrated variables, a *VECM* is appropriated in dynamic analysis. To this aim, the statistical significance of *Error Correction Terms* (*ECT*, α_{11} and α_{21}) is considered in the long-run cointegration relationship estimating the subsequent equations (3) and (4):

$$\Delta M_t = \gamma_{10} + \alpha_{11} \, (M_{t-1} - \beta_0 - \beta_1 \, INFL_{t-1}) + v_t^M \quad (3)$$

$$\Delta \, INFL_t = \gamma_{20} + \alpha_{21} \, (M_{t-1} - \beta_0 - \beta_1 \, INFL_{t-1}) + v_t^{INFL} \quad (4)$$

wherein ($M_{t-1} - \beta_0 - \beta_1 \, INFL_{t-1}$) is the cointegrating vector .

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As far as analyzed the data framework is concerned, the following industrialized and financially advanced Countries are included: Italy, Japan, United Kingdom, United States and the Euro Area as a whole. On this point, it can be pointed out the choice is also driven by the availability of suitable datasets to process. Sources are different, because an international and single database collecting all required homogeneous values is not available.

Monetary aggregates include both narrow money M1 since most economists consider its growth rate as the key driver for inflation and broad money M2 as Friedman (1963) advocated (Cukierman, 2017). For United Kingdom the M4 variable is selected because this is the aggregate usually monitored by the Monetary Policy Committee (Ellington and Milas, 2019).

More in detail, the overall list includes:

-Italy yearly M1 and M2 (respectively labeled as ITA_M1 and ITA_M2) (Barbiellini Amidei et al, 2016) and Consumer Price Index (labeled as ITA_INFL) (IMF, 2020a and it.inflation.eu, 2020) from 1956 to 2014;

-Japan yearly M1 and M2 labeled as JPN_M1 (OECD, 2020a) and JPN_M2 (World Bank, 2020a) combined with Consumer Price Index (labeled as JPN_INFL) (World Bank, 2020 and it.inflation.eu, 2020) from 1960 to 2019 (M1 vs Inflation) and from 1961 to 2016 (M2 vs Inflation§);

-United Kingdom yearly M1 an M4 labeled as UK_M1 (Bank of England, 2020a) and UK_M4 (IMF, 2020b) paired with Consumer Price Inflation labeled as UK_INFL (Bank of England, 2020c) from 1923 to 2016 (M1 vs Inflation) and from 1881 to 2016 (M4 vs Inflation§);

-USA yearly M1 and M2 labeled as USA_M1 (IMF, 2020c) and USA_M2 (Board of Governors, 2020) combined with Consumer Price Index (labeled as USA_INFL) (World Bank, 2020b) from 1961 to 2017 (M1 vs Inflation) and from 1961 to 2019 (M2 vs Inflation§);

-Euro Area monthly M1 and M2 labeled as EURO_M1 (OECD, 2020b) and EURO_M2 (IMF, 2020c) paired with Consumer Price Index (All items less food, energy, tobacco, alcohol) labeled as EURO_INFL from 1997:01 to 2017:03 (OECD, 2020c) for both cases.

In Table 1 four among the most widespread and well-known unit root tests (Augmented Dickey-Fuller: ADF, Augmented Dickey-Fuller Generalized Least Squares Regression: ADF-GLS, Kwiatkowsky-Phillips-Schmidt-Shin: KPSS and Phillips-Perron: PP) are applied to investigate the stationarity properties of the time series.

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Table 1-Unit root test for the data (to be continued)

Series	ITA_M1	ITA_M2	ITA_INFL	JPN_M1	JPN_INFL	JPN_M2	JPN_INFL§
Time period	1956-2014	1956-2014	1956-2014	1960-2019	1960-2019	1961-2016	1961-2016
Unit root test							
ADF with const	-3.49	-2.19	-1.49	-3.02	-2.71	-3.71	-2.73
p-value (α = 0.05)	0.01*	0.21	0.53	0.04*	0.08	0.00*	0.08
ADF with const and trend	-4.66	-5.11	-1.73	-3.85	-3.88	-4.89	-3.58
p-value (α = 0.05)	0.00*	0.00*	0.72	0.02*	0.02*	0.00*	0.04*
ADF_GLS τ	-1.33	-2.34	-1.62	-2.23	-2.43	-5.12	-3.63
Critical value (α = 0.05)	-3.03	-3.03	-3.03	-3.03	-3.03	-3.03	-3.03
KPSS test	0.85	0.87	0.37	0.89	0.98	1.16	0.96
Critical value (α = 0.05)	0.46	0.46	0.46	0.46	0.46	0.46	0.46
PP Test Z τ	-3.40	-3.74	-1.65	-2.83	-2.53	-3.94	-2.62
p-value (α = 0.05)	0.01*	0.01*	0.45	0.06	0.11	0.00*	0.10

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

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Table 1-Unit root test for the data (to be continued)

Series	UK_M1	UK_INFL	UK_M4	UK_INFL§	USA_M1	USA_INFL	USA_M2
Time period	1923-2016	1923-2016	1881-2016	1881-2016	1961-2017	1961-2017	1961-2019
Unit root test							
ADF with const	-4.76	-3.53	-4.21	-4.15	-4.44	-2.01	-4.29
p-value (α = 0.05)	0.00*	0000*	0.00*	0.00*	0.00*	0.28	0.00*
ADF with const and trend	-4.92	-3.42	-4.56	-4.19	-4.44	-3.56	-4.67
p-value (α = 0.05)	0.00*	0.06	0.00*	0.01*	0.00*	0.03*	0.00*
ADF_GLS τ	-3.07	-1.54	-4.56*	-4.15*	-1.48	-1.46	-1.94
Critical value (α = 0.05)	-3.03	-3.03	-2.93	-2.93	-3.19	-3.03	-3.03
KPSS test	0.48	0.36*	0.79	0.39*	0.14*	0.47	0.49
Critical value (α = 0.05)	0.46	0.46	0.46	0.46	0.46	0.46	0.46
PP Test Z τ	-4.66	-3.43	-4.20	-4.25	-4.44	-2.38	-4.18
p-value (α = 0.05)	0.00*	0.01*	0.00*	0.00*	0.00*	0.15	0.00*

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

Table 1-Unit root test for the data

Series	USA_INFL§	EURO_M1	EURO_M2	EURO_INFL
Time period	1961-2019	1997:1-2017:3	1997:1-2017:3	1997:1-2017:3
Unit root test				
ADF with const	-2.04	-3.07	-1.80	1.72
p-value (α = 0.05)	0.27	0.03*	0.38	0.42
ADF with const and trend	-3.63	-3.12	-2.05	-2.18
p-value (α = 0.05)	0.03*	0.10	0.57	0.50
ADF_GLS τ	-1.48	-1.95	-1.92	-2.18
Critical value (α = 0.05)	-3.03	-2.89	-2.89	-2.89
KPSS test	0.49	0.11*	0.40	1.50
Critical value (α = 0.05)	0.46	0.46	0.46	0.46
PP Test Z τ	-2.39	-18.23	-15.70	-2.00
p-value (α = 0.05)	0.15	0.00*	0.00*	0.29

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

As can be appreciated series are non-stationary in levels, except in the case of UK_M4 and UK_INFL§. Hence, we proceed with first differencing for all non-stationary ones (Table 2).

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Table 2-Unit root test for the first difference series of data reported in italics (to be continued)

Series	*ITA_M1*	*ITA_M2*	*ITA_INFL*	*JPN_M1*	*JPN_INFL*	*JPN_M2*	*JPN_INFL§*
Time period	1956-2014	1956-2014	1956-2014	1960-2019	1960-2019	1961-2016	1961-2016
Unit root test							
ADF with const	-10.63	-8.56	-7.00	-7.91	-7.52	-13.63	-7.22
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*
ADF with const and trend	-10.57	-8.51	-7.07	-7.86	-7.44	-13.65	-7.15
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*
ADF_GLS τ	-10.42*	-12.60*	-3.47*	-9.35*	-7.14*	-2.58	-7.38*
Critical value (α = 0.05)	-3.03	-3.03	-3.03	-3.03	-3.03	-3.03	-3.03
KPSS test	0.07*	0.06*	0.13	0.06*	0.06*	0.04*	0.05*
Critical value (α = 0.05)	0.46	0.46	0.46	0.46	0.46	0.46	0.46
PP Test Z τ	-11.65	-14.56	-7.00	-11.04	-9.68	-14.79	-8.74
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

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Table 2-Unit root test for the first difference series of data reported in italics (to be continued)

Series	*UK_M1*	*UK_INFL*	*USA_M1*	*USA_INFL*	*USA_M2*	*USA_INFL§*
Time period	1923-2016	1923-2016	1961-2017	1961-2017	1961-2019	1961-2019
Unit root test						
ADF with const	-14.13	-9.01	-9.46	-7.09	-9.96	-7.24
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*
ADF with const and trend	-14.07	-9.02	-9.40	-7.13	-9.86	-7.27
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0,00*
ADF_GLS τ	-14.22*	-7.73*	-9.37*	-6.26*	-8.89*	-6.41*
Critical value (α = 0.05)	-3.03	-3.03	-3.03	-3.03	-3.03	-3.03
KPSS test	0.05*	0.13*	0.04*	0.11*	0.05*	0.11*
Critical value (α = 0.05)	0.46	0.46	0.46	0.46	0.46	0.46
PP Test Z τ	-15.12	-10.07	-10.18	-6.09	-10.88	-6.22
p-value (α = 0.05)	0.00*	0.00*	0.00*	0.00*	0.00*	0.00*

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

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Table 2-Unit root test for the first difference series of data (reported in italics)

Series	*EURO_M1*	*EURO_M2*	*EURO_INFL*
Time period	1997:1-2017:3	1997:1-2017:3	1997:1-2017:3
Unit root test			
ADF with const	-9.57	-14.40	-20.39
p-value (α = 0.05)	0.00*	0.00*	0.00*
ADF with const and trend	-9.55	-14.36	-20.37
p-value (α = 0.05)	0.00*	0.00*	0.00*
ADF_GLS τ	-10.68*	-14.75*	-2.18
Critical value (α = 0.05)	-2.89	-2.89	-4.79
KPSS test	0.06*	0.04*	0.07*
Critical value (α = 0.05)	0.46	0.46	0.46
PP Test Z τ	-37.70	-37.16*	-20.45
p-value (α = 0.05)	0.00*	0.00*	0.00*

Source: Personal elaboration on data
BIC Criterion for ADF and ADF_GLS
* indicates stationarity at 5% level

This transformation helps in obtaining stationarity, so we propose also cointegration tests (Table 3 and Table 4 with Johansen test and the Engle-Granger procedure).

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Table 3- Johansen cointegration tests of paired series

Paired Series	Lag order	Rank	Trace test	p-value	λ max	p-value
ITA_M1 vs ITA_INFL	1	0	22.93	0.00	20.76	0.00
		1	2.18	0.14*	2.18	0.14*
JPN_M1 vs JPN_INFL	1	0	32.45	0.00	26.32	0.00
		1	6.13	0.01	6.13	0.01
UK_M1 vs UK_INFL	1	0	39.78	0.00	28.02	0.00
		1	11.76	0.00	11.76	0.00
USA_M1 vs USA_INFL	1	0	23.78	0.00	18.10	0.01
		1	5.68	0.02	5.68	0.02
EURO_M1 vs EURO_INFL	6	0	31.25	0.00	27.10	0.00
		1	4.14	0.04	4.15	0.04
ITA_M2 vs ITA_INFL	1	0	24.46	0.00	22.60	0.00
		1	1.86	0.17*	1.86	0.17*
JPN_M2 vs JPN_INFL	1	0	32.82	0.00	27.41	0.00
		1	5.41	0.02	5.41	0.02
USA_M2 vs USA_INFL	2	0	28.28	0.00	24.13	0.00
		1	4.15	0.04	4.15	0.04

Source: Personal elaborations on data
* Indicates cointegration at 5% level.
Lag order is defined with BIC criterion

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Table 3- Engle-Granger cointegration tests of paired series

Paired Series	Lag order	ADF	p-value	ADF	p-value	Residuals	p-value
ITA_M1 vs ITA_INFL	1	-2.54	0.11	-1.70	0.43	-3.45	0.04*
JPN_M1 vs JPN_INFL	1	-2.69	0.07	-2.49	0.12	-3.58	0.03*
UK_M1 vs UK_INFL	1	-3.45	0.01	-3.30	0.01	-3.95	0.00
USA_M1 vs USA_INFL	1	-3.74	0.00	-3.00	0.03	-3.78	0.01
EURO_M1 vs EURO_INFL	6	-2.50	0.12	-3.77	0.00	-2.50	0.28
ITA_M2 vs ITA_INFL	1	-2.18	0.21	-1.70	0.43	-3.15	0.08**
JPN_M2 vs JPN_INFL	1	-3.71	0.00	-2.30	0.17	-4.79	0.00
USA_M2 vs USA_INFL	2	-2.29	0.17	-2.04	0.27	-2.91	0.13
EURO_M2 vs EURO_INFL	12	-1.77	0.40	-2.24	0.19	-2.39	0.33

Source: Personal elaborations on data
* Indicates cointegration at 5% level.
** Indicates cointegration at 10% level
Lag order is defined with BIC criterion

3. Elaborations and findings

Starting from these premises, we perform the Granger-causality test to analyze the potential lead-lag relationship between money growth and inflation. Results are summarized in Table 4.

Table 4. Results of bidirectional Granger-causality tests for M1 or M2 inflation relationships

M1/M2 as an independent variable	F / **ECT**	p-value	INFL as an independent variable	F / **ECT**	p-value
M1					
(ITA_M1 → INFL_ITA)	**-0.12**	0.00*	(ITA_M1← INFL_ITA)	**0.27**	0.00*
(JPN_M1 → INFL_JPN)	6.03	0.02*	(JPN_M1 ← INFL_JPN)	6.27	0.00"
(UK_M1 → INFL_UK)	1.06	0.31	(UK_M1 ← INFL_UK)	1.97	0.16
(USA_M1 → INFL_USA)	2.52	0.12	(USA_M1 ←INFL_USA)	0.82	0.37
(EU_M1 → INFL_EU)	1.58	0.15	(EU_M1 ← INFL_EU)	0.31	0.93
M2 (M4 for UK)					
(ITA_M2→ INFL_ITA)	**-0.49**	0.00*	(ITA_M2 ← INFL_ITA)	**0.14**	0.00*
(JPN_M2 → INFL_JPN)	0.02	0.89	(JPN_M2 ← INFL_JPN)	0.74	0.39
(UK_M4 → INFL_UK)	8.22	0.00*	(UK_M4 ← INFL_UK)	5.74	0.02*
(USA_M2 → INFL_USA)	1.25	0.30	(USA_M2← INFL_USA)	0.62	0.68
(EU_M2→ INFL_EU)	1.32	0.21	(EU_M2 ← INFL_EU)	1.35	0.19

Source: Personal elaborations on data
Note: * denotes statistical 5% significance of the relationship. Bold figures are for the relationships where Granger-causality is evaluated by a VECM due to cointegration between variables. In such cases correspon-ding ECT terms are proposed

Taking a closer look at the results, we find that there is not evidence of a Granger-causal relationship in all analyzed couples for the various cases. However, two different kind of outcomes can be drawn.

More in detail, as far as the first case is concerned (ITA_M1 and M2, JPN_M1 and UK_M4 vs respective inflation data), it is possible to point out that M1 (or M4 for UK) Granger-causes INFL (M1 → INFL). On the other side, a contemporary reverse direction in the relationship holds and can be detected. Considering such outcomes it is not possible to foster the hypothesis of a clear Granger-casual relationship between variables representing the strictly monetary hypothesis. On this aspect, while the money → inflation economic interpretation is quite standard and common, an explanation of the reverse direction (inflation → money) is less widespread and intuitive. As a matter of fact, such a reverse case is plausible when fiscal revenues sharply decline and negative shocks on the supply-side -like for example in war periods or for exogenous events (as for oil shocks in the 70s)- affect the whole economic system. In such a scenario, Government's possibilities to finance public spending are limited and increasing exogenous costs force new money issuances.

For what concerns the second case (the remaining couples), findings do not support any statistical evidence between variables. These lacks in representing a potential lead-lag relationship between money and inflation seems to stem the supposed inherent linkage as pointed out by monetarist theory. With specific reference to EU case, wherein the functioning of monetary system is quite different from Countries having their own currency and a national CB, present analysis support previous studies on the same topic (Gerlach and Svensson, 2003 and Nicoletti Altimari, 2001). Even if investigating a very different aggregate (M3) for the EU region, Kaufmann and Kugler (2008) pointed out opposite conclusions.

From the overall picture (and for the analyzed Countries), such results are hardly compatible with the advocated and supposed relevant influence exerted by money growth on inflation as orthodox monetary theory would imply. Hence, a univocal and clear relationship is not detectable in such an interlinked mechanism.

4. Implication for current debt managing policy choices in Covid-19 affected economies

This economic crisis will severely affect living standard and economic conditions all over the World. For all those advocating a strict money growth-inflation relationship coherent with traditional monetarist theory, it must be highlighted that current scenario can hardly be compatible with whatsoever kind of inflationary pressure in the short period. As a matter of fact, due to an overall contraction in economic activity it is plausible to expect a combination of low commodities prices and high unemployment rates. Taking the commodity side and considering oil as an example, the WTI 3-months future experienced an unprecedented historical record low of -37.63 $/bbl at closing quotation on April, 20th last (with a negative percentage change on previous day equal to -306%!). Such a depressed mix can hardly support the fear of an economic environment coherent with high price expectations in the very next short-run. To face such an unforeseeable scenario, the adoption of all available and (forgotten) unconventional macroeconomic policy instruments appears desirable to avoid deep recession or minimizing that detrimental impacts can last for years. Monetization is one possibility able to address such needs, for example by reducing the cost of servicing debt and leaving fiscal "space" to manage. The present analysis does not confirm that money can generate inflation in a direct transmission mechanism also within a long time span. Additional factors as supply-shocks are interlinked to excessive growing price paths. May money be the solution?

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AGNETHA FLORE[1] AND JAN ELMAR KRAUSKOPF[2]

A REFERENCE ARCITECTURE FOR MATURITY MODEL DESIGN FRAMEWORKS

Abstract

For small and medium-sized enterprises (SEM), the strategy-driven use of information and communication technologies in the scope of Industry 4.0 represents a challenge. In the context of intensified competitive conditions, many SMEs are focusing on the cost-benefit-oriented implementation of the topics Industry 4.0 and digitization. A first step in strategic planning is to assess the current situation. The maturity models used make it possible to evaluate the success of a transformation process and identify further potential for optimization by comparing the start and target status. The maturity models used make it possible to evaluate the success of a transformation process and identify further potential for optimization by comparing the start and target status. The publication quality of maturity models varies greatly, therefor several authors have published frameworks for their design ((Becker, Knackstedt and Poeppelbuss, 2009);(De Bruin et al., 2005)). These frameworks represent different views on the mental model of design science research within the field of information systems. The criteria described by the individual authors for the design of maturity models are modelled as feature models. This enables a differentiated analysis of the four common and scientifically accepted frameworks for the design of maturity models, whereby the differences and similarities are shown with regard to the underlying mental model in the research field of maturity models. Based on this analysis, a meta-framework is developed and also presented as a meta-feature-diagram in this contribution.

Keywords: Maturity Model, Meta-Framework, Feature-Diagram, Design Science Research

JEL Codes: M10, M20

1. Introduction

Maturity models are a recognized tool used in strategy development both as a basis for planning and for its evaluation. Maturity levels (i.e. competence, ability, level of complexity) are measured within several dimensions in relation to a selected domain. The number of published maturity models is continuously increasing (Becker, Knackstedt and Poeppelbuss, 2009) but their quality often does not meet scientific standards (Batory, 2005).

For this reason, various frameworks for the design of maturity models are presented. A look is taken at four widespread and scientifically accepted maturity models of Becker et al. (2009), de Bruin et al. (2005), Hevner et al. (2004) and Peffers et al. (2007). The frameworks originate from design science in information systems.

The design science paradigm aims to expand the limits of human and organizational abilities by creating new and innovative artifacts (Hevner *et al.*, 2004) (Hevner and Chatterjee, 2010). By IT artifacts constructs, models and immediate tips are understand. They are regulations that enable IT researchers and practitioners to understand and address the problems and the development and successful implementation of IS in organizations (Smith and March, 1995) (Nunamaker, Chen and Purdin, 1990). Based on these four frameworks, a meta-framework is to be created which can serve as a guideline for maturity models to be developed in the future.

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This meta-framework is intended to answer the research question as to which model can be used to develop a maturity model within the framework of a design-scientific procedure.

The rest of this paper is structured as follows: In section 2 the reference models to which this study refer is presented. In order to provide a consolidated statement on the creation of a new maturity model for Industry 4.0, a meta-framework in section 3 is proposed. In section 4 a suitable visualization technique is introduced and end in the last section with a conclusion and an outlook.

2. Object of research

This section first gives an overview of the process for creating a maturity model in Industry 4.0.

For this work, an extensive literature search on the topic of maturity models was carried out. The findings will be used to create an own maturity model. Based on the insight how important a rigorous development process for maturity models is in the context of IS research methods, reference models for maturity models and rigor design-scientific research were selected for further analysis. The four models will then be compared.

Based on this, a meta-framework was created from these reference models (Chapter 3), which combines all advantages and decisive points of the four reference models in one model and is to serve as a basis for the creation of further maturity models.

For better visualization (Chapter 4), the individual reference models and the meta-framework were presented in the form of feature diagrams.

For this work, extensive literature research on maturity models, maturity models for industry 4.0, the creation of maturity models and rigorous research methods in IS was carried out.

As a result of the literature research, the following four models were selected as reference models:

- Becker, J. et al.: Developing Maturity Models for IT Management (Becker, Knackstedt and Poeppelbuss, 2009)
- De Bruin, T. et al.: Understanding the Main Phases of Developing a Maturity Assessment Model (De Bruin *et al.,* 2005)
- Hevner et al.: Design Science in Information Systems Research (Hevner *et al.*, 2004)
- Peffer, K. et al.: A Design Science Research Methodology for Information Systems Research (Peffers *et al.*, 2007)

The next sections give a brief overview of the individual models.

2.1. Model by Becker et al.

Becker et al. (2009) (Becker, Knackstedt and Poeppelbuss, 2009) write in their article "*Development of maturity models for IT management - process model and practical application*" requirements for the development of maturity models.

Becker criticizes the arbitrariness of most of the maturity level models developed so far. Therefore, a process model has to be designed for the development of maturity models. His 8 phases are based on the 7 guidelines of Hevner et al. - which are described in more detail in chapter 2.3 - since he understands maturity level models as artifacts that serve to solve the problem of location determination and the derivation of suggestions for improvement. Hevner's guidelines revolve precisely around these artifacts (Becker et al., 2009) (Becker, Knackstedt and Poeppelbuss, 2009).

The defined 8 phases are:

- R1: Comparison with existing maturity models
- R2: Iterative Procedure
- R3: Evaluation
- R4: Multi-methodological Procedure
- R5: Identification of Problem Relevance
- R6: Problem Definition
- R7: Targeted Presentation of Results
- R8: Scientific Documentation

According to Becker et al. phase 1 describes the importance of comparing the maturity model to be developed with existing maturity models. An improvement of existing maturity models is also conceivable. The procedure should be iterative in several steps (phase 2).

In phase 3, in the individual steps of the maturity model development, the detailed basics and premises, the usefulness, quality and effectiveness of the artifact are to be evaluated. The evaluation of intermediate results should be carried out using appropriate methods.

The different use of research methods in the development of maturity models must be justified and coordinated (phase 4).

The relevance of the problem-solving contribution must also be explained (phase 5).

Before the maturity model is developed, the domain, the prerequisites for its use and the intended benefit must be defined (phase 6).

Furthermore, the maturity model shall be made available to the users in a manner appropriate to the addressees and taking into account their application requirements and interests (phase 7).

Finally, scientific documentation of the development process with regard to the individual steps, participants, methods applied and results is important (phase 8).

2.2. Model by de Bruin et al.

In their article "*Understanding the Main Phases of Developing a Maturity Assessment Model*" de Bruin et al. (2005) (De Bruin *et al.*, 2005) defined 6 phases which ought to be completed in order to develop a maturity model.

This research was triggered by the lack of transparency and depth of model development in the many maturity models already developed. The proposed development framework provides a solid basis for first developing a descriptive model and then going through the prescriptive and comparative phases (de Bruin et al., 2005) (De Bruin *et al.*, 2005).

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The 6 phases are called:

- Scope
- Design
- Populate
- Test
- Deploy
- Maintain

According to de Bruin et al., the scope of the maturity model to be developed is to be determined in phase 1. This includes the determination whether the model should be specific or general and for which user it will be developed (e.g. academics, practitioners, government, different user groups).

In a next step (phase 2) the design and architecture of the model will be defined. As criteria for this the audience (internal, external), the type of application (self-assessment, supported by third parties, certified experts), the driver of the application (internal or external requirement), respondents (management, employees, business partners) and the application (single instances or regions or multiple) are mentioned.

Once the scope and design have been defined, the next step (Phase 3) is to decide on the content of the model. Questions such as "What should be measured", "How should be measured" and "With which instruments should be measured" should be answered, domain components identified and a literature search conducted.

As soon as the model has been developed, it must be tested for relevance and rigor in Phase 4. It is important to test both the construct of the model and the model instruments for validity, reliability and generalizability. It makes sense to pre-test the model with a pilot.

In a next step (phase 5) it is important to make the model available for application. This can be done in two steps, first for the stakeholder and then for other users.

For the maturity model developed, it is crucial how much resources can be invested to maintain and further develop the model after development (phase 6). One conceivable option would be to make the model available via a web interface, to create training material and to advance the globalization of the model, and thus to certify it.

2.3. Model by Hevner et al.

In their paper "*Design Science in Information Systems Research*" Hevner et al. (2004) (Hevner *et al.*, 2004) describe 7 guidelines for good design research.

The guidelines are intended to provide a concise conceptual framework for the understanding, implementation and evaluation of research in the field of design science (Hevner et al., 2004) (Hevner *et al.*, 2004).

The 7 guidelines are:

- Guideline 1: Design as an Artifact
- Guideline 2: Problem Relevance
- Guideline 3: Design Evaluation
- Guideline 4: Research Contributions
- Guideline 5: Research Rigor
- Guideline 6: Design as a Search Process
- Guideline 7: Communication of Research

According to Hevner et al., the first guideline stipulates that in design science research an IT artifact is created which addresses an important problem. This artifact can be created in the form of a construct, a model, a method or an instantiation.

Guideline 2 describes the topic of problem relevance. The goal of IS research is to acquire knowledge and understanding that will enable technology-based solutions for previously unsolved and important business problems to be developed and implemented. For this purpose, innovative artifacts are constructed (e.g. technology-based, organization-based or human-based artifacts).

Guideline 3 describes design evaluation, in which the benefit, quality and effectiveness of the artifact is to be demonstrated rigor through well performed evaluation methods. According to Hevner et al., evaluation is an essential part of the research process.

Guideline 4 deals with the research contribution. For effective design-scientific research must make a clear contribution in the areas of design artifact, design-construction knowledge (e.g. foundation) and/or design evaluation knowledge (e.g. methods). According to Hevner et al. design-scientific research holds the potential for three types of research performance based on the novelty, universality, and significance of the designed artifact. At least one of these contributions must be found in a research project.

The Research Strength (Guideline 5) deals with the way research is conducted. Scientific design research requires the application of rigor methods, both in the construction and in the evaluation of the designed artifact.

Since design science is inherently iterative, Guideline 6 also refers to design as a search process, because finding the best or optimal design is often difficult for realistic problems with information systems. For example, you need to understand why an artifact works. First of all, it has to be established that it works and the environment in which it works has to be characterized. Thus, the artifact can already be used and one can determine where it can be improved in practice and thus provides context for further research.

Design-scientific research must be presented both technology- and management-oriented (Guideline 7). In doing so, attention must be paid to what information the respective target group needs and how they adjust to it.

2.4. Model by Peffers et al.

In their article "*A Design Science Research Methodology for Information systems Research*", Ken Peffers et al. (2007) (Peffers *et al.*, 2007), like Hevner and colleagues, write about a methodology for DS research.

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Their aim is to develop a methodology for DS research in IS by introducing a DS process model. The introduction of the process aims to achieve three objectives: (1) provide a process for conducting design research; (2) build on previous literature on design sciences in IS and reference disciplines; and (3) provide researchers with a mental model or template for a structure for research results (Peffers et al., 2007) (Peffers *et al.*, 2007).

The target process is divided into the following 6 activities:

- Activity 1: Problem identification and motivation
- Activity 2: Define the objectives for a solution
- Activity 3: Design and development
- Activity 4: Demonstration
- Activity 5: Evaluation
- Activity 6: Communication

In the first activity, Peffers et al. describes the definition of the specific research problem and the justification of the value of a solution to it. By justifying the value of a solution, the researcher and the audience are motivated to follow the solution and accept the results.

The definition of goals of a solution from the problem are highlighted in the second activity. The objectives can be quantitative or qualitative. The goals should be derived rationally from the problem specification. Resources required for this are knowledge of the current status of the problem as well as current solutions and their effectiveness.

The creation of the artifact is Activity 3 (Design and Development). Artifacts can be constructs, models, methods or instantiations. This step determines both the desired functionality of the artifact and its architecture.

Activity 4 demonstrates the use of the artifact to solve one or more instances of the problem. Experiments, simulations, case studies, evidence or other appropriate activities are conceivable. This step requires effective knowledge of how to use the artifact to solve the problem.

The evaluation of the artifact, i.e. observing and measuring how good the artifact is, is done in activity 5. This compares the objectives of a solution with the actual observable results from using the artifact in the demonstration. This requires knowledge from relevant metrics and analytical techniques. At the end of this activity, the researcher can decide whether to return to the third activity to try to improve the effectiveness of the artifact or to continue communication and leave further improvements to subsequent projects.

In the final activity, communication, the problem and its meaning, the artifact, its utility, its novelty, the rigor of the design and its effectiveness are passed on to researchers and other relevant target groups, such as practitioners.

2.5. Comparative Analysis

In a comparison of the four frameworks, Hevner et al. and Peffers et al. focus on the application of their design science guidelines to create a maturity model.

If, in a first step, the terms on the heading level of the phases/activities/guidelines are compared, it can be seen that both Hevner, Becker and Peffers have the term "evaluation". The terms "communication", "relevance" and "design" each exist twice: the first for Hevner and Peffers, the second for Hevner and Peffers and the latter for de Bruin and Hevner.

Basically it can be said that the approaches of Becker and Hevner are similar. This is not surprising, since Becker's phase model is based on the guidelines of Hevner et al. In their article "Developing Maturity Models for IT Management - A Procedure model and its Application", Becker et al. (2009) state that a justified catalogue of requirements for the development of maturity models is to be derived in which the seven guidelines defined by Hevner et al. (2004), which are to guide the implementation of design science, are used as a basis for argumentation.

Hevner and Peffers - the two design science models - also have some similarities. Only de Bruin's approach stands out in terms of terminology.

But if one compares not only the terms in a second step, but the meaning of the terms, one can recognize even more similarities.

For example, Hevner et al.'s "Research Rigor" means something very similar to de Bruin's "Population" phase. Also the phase "Maintain" by de Bruin contains points which others declare under "Communication". Also the terms "Demonstration" by Peffers and "Presentation" by Becker are very close.

A third possibility of comparison is offered by the order of the phases: roughly speaking, one can say that each of the authors first looks for an artifact, then defines a scope in which he defines his motivation and goals and makes comparisons. The next step is to evaluate, measure and try. This procedure must be scientifically sound, i.e. it must correspond to the principles of design-scientific research. And in the last phase it is about the presentation and communication of the results, the use of prototypes and maintenance.

So you can roughly divide all frameworks into three phases, all of which have slightly different individual components, but are very similar in their approach.

3. Meta-framework

Now there is a description of the four previously defined models and then a comparison of the four models, which highlights similarities and differences. Two of them describe the development of maturity models (Becker et al. and de Bruin et al.) and two of them research work for DS research at IS (Hevner et al. and Peffers et al.).

In order to have a general methodology for creating maturity models, these four models were combined into a meta-framework.

For the meta-framework seven central phases were identified as a result of the analysis of the four previously presented models. Phases 1-6 are found in a similar form in all models. Phase 7 is an additional one, which only Becker et al. (2009) have to show in the form, but which has been included in the meta-model due to its importance. There are:

- 1. Realisation documentation
- 2. Design process documentation
- 3. Data collection documentation
- 4. Model testing
- 5. Design process testing
- 6. Publication of realisation
- 7. Publication of design process

All these seven phases have to be worked on for a rigorous development of maturity models, which corresponds to the approach of design-scientific research.

In the first phase of the realisation of the documentation the implementation must be described (Hevner *et al.*, 2004), the measuring instruments must be shown as well as the measured properties (De Bruin *et al.*, 2005). Depending on the artifact to be described, the functionality or the architecture must be presented (Peffers *et al.*, 2007).

In the second phase the documentation of the design process takes place. If an unsolved problem is to be tackled with the artifact, this can be added as a contribution to the problem solution and the problem can be tackled appropriately or only the contribution can be described and the environment must be characterized (Hevner *et al.*, 2004). As preliminary work, comparisons have to be made, the domains have to be looked at and benefits (Becker, Knackstedt and Poeppelbuss, 2009) and values (Peffers *et al.*, 2007) have to be worked out. The documentation can also show improvements (Becker, Knackstedt and Poeppelbuss, 2009) and the design process must be iterative. A definition of the artifact and a problem definition must be made, and the problem can also be conceptually atomized so that the solution can grasp its complexity. The objectives must be set out. These can be qualitative or quantitative (Peffers *et al.*, 2007). It makes sense to define the focus for his model, which can be domains specific or general. It is also helpful to consider which stakeholders can support the development of the model. These can be academics, practitioners, non-profit or the government (De Bruin *et al.*, 2005). Basically it is important to know the participants (Becker, Knackstedt and Poeppelbuss, 2009) and the target audience. This can be internal or external (De Bruin *et al.*, 2005) and can be aimed at practitioners or researchers (Becker, Knackstedt and Poeppelbuss, 2009).

For the third phase of the documentation of the data collection, conditions can be specified (Becker, Knackstedt and Poeppelbuss, 2009), it must be specified who was questioned and where it should be applied (e.g. entities, regions, numbers) (De Bruin *et al.*, 2005).

According to Hevner et al. (Hevner *et al.*, 2004), in phase number four of the meta-model - the model testing - it must be tested for rigor, usefulness, effectiveness. Becker et al. (Becker, Knackstedt and Poeppelbuss, 2009) give effectiveness, Peffers et al. (Peffers *et al.*, 2007) emphasizes demonstration and de Bruin et al. (De Bruin *et al.*, 2005) on reliability and generalizability.

The design process test in phase five should take place with well-founded or finely tuned methods. The principles and premises that go into the development are to be evaluated (Becker, Knackstedt and Poeppelbuss, 2009). Hevner et al. state that the rigor construction and the appropriate metrics shall be checked (Hevner *et al.*, 2004) and according to de Bruin et al. the model construct shall be checked for validity and reliability (De Bruin *et al.*, 2005).

Phase six - the publication of the realization - is intended to bring the benefits of the artifact closer to the users (Becker, Knackstedt and Poeppelbuss, 2009). It is also intended to present the artifact in a way that is appropriate for its target audience and to address the preconditions for its use (Hevner *et al.*, 2004). Peffers et al. (Peffers *et al.*, 2007)say that the publication should be for scientists and other

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relevant audiences and deal with the problem, the usefulness, the novelty, the rigor and the efficacy. Basically, the audience can be divided into internal and external. This refers to internal performers/technicians and management, and to external auditors and partners. For de Bruin et al. the explanation of scalability, traceability and updates are also important (De Bruin *et al.*, 2005).

In the seventh phase of the publication of the design process, the process of developing the maturity model as well as the methods and results applied are to be documented in detail (Becker, Knackstedt and Poeppelbuss, 2009).

Once a meta-framework has been created, it makes sense to visualize it in a suitable way. The visualization should serve to bring a procedure model closer to the addressees in a better and more concise way. This should make the application easier and provide a better basis for discussion.

In this paper, the feature model was chosen for the visualization, which will be presented in detail in the next chapter.

4. Feature-diagrams

Feature models were chosen for the graphical representation of the reference models, presented in chapter 2. Feature models offer the advantages that they are simple and clear, are formal models that can be validated and are well suited for modelling incomplete concepts (Gudenkauf *et al.*, 2013). Basically, feature diagrams are the graphical representation of features in a feature model. This type of visualization is also called a tree. It is used to show product line members clearly in their order and their interdependence (Batory, 2005).

A feature diagram is a hierarchical representation of a group of characteristics to each other. There is always a relationship between two related characteristics: the parent characteristic and the child characteristic. Feature modelling is also the activity of identifying externally visible characteristics of products in a domain and organizing them in a model (Lee, Kang and Lee, 2002).

Between the following connection categories is differentiated:

- **And:** all sub features must be selected,
- **Alternative:** only one of the sub features can be selected,
- **Or:** one or more of the sub features can be selected,
- **Mandatory:** sub features that are absolutely necessary,
- **Optional:** sub features that are only optional.

The following legend applies to the presentation in this paper (Mahmood, Lai and Kim, 2007) (Antkiewicz *et al.*, 2004) (Czarnecki, Helsen and Eisenecker, 2004) (Riebisch *et al.*, 2002):

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Figure 1. Legend feature-diagram

Legend Feature-Diagram
black circle: And – all subfeatures must be selected
white circle: Alternative (Xor) – only one subfeature can be selected
no circle: Or – one or more can be selected
node color dark orange: mandatory node
node color light orange: optional node

Source: Authors.

For this purpose, the phases/activities/guidelines are represented as main features, i.e. as the first parent element with resulting sub-features, the child elements.

4.1. Feature-diagram Becker et al.

Figure 2 represents the 8 phases of the Becker et al. (2009) (Becker, Knackstedt and Poeppelbuss, 2009) model with the main features mentioned in section 2.1 and the further sub features.

As can be seen from the graph, phases 4 and 6-8 are "and"-connection, phases 1, 2 and 5 are "or"-connection and phase 3 is a "and/or(xor)"-connection. All features are mandatory, only the feature "improvements" is optional.

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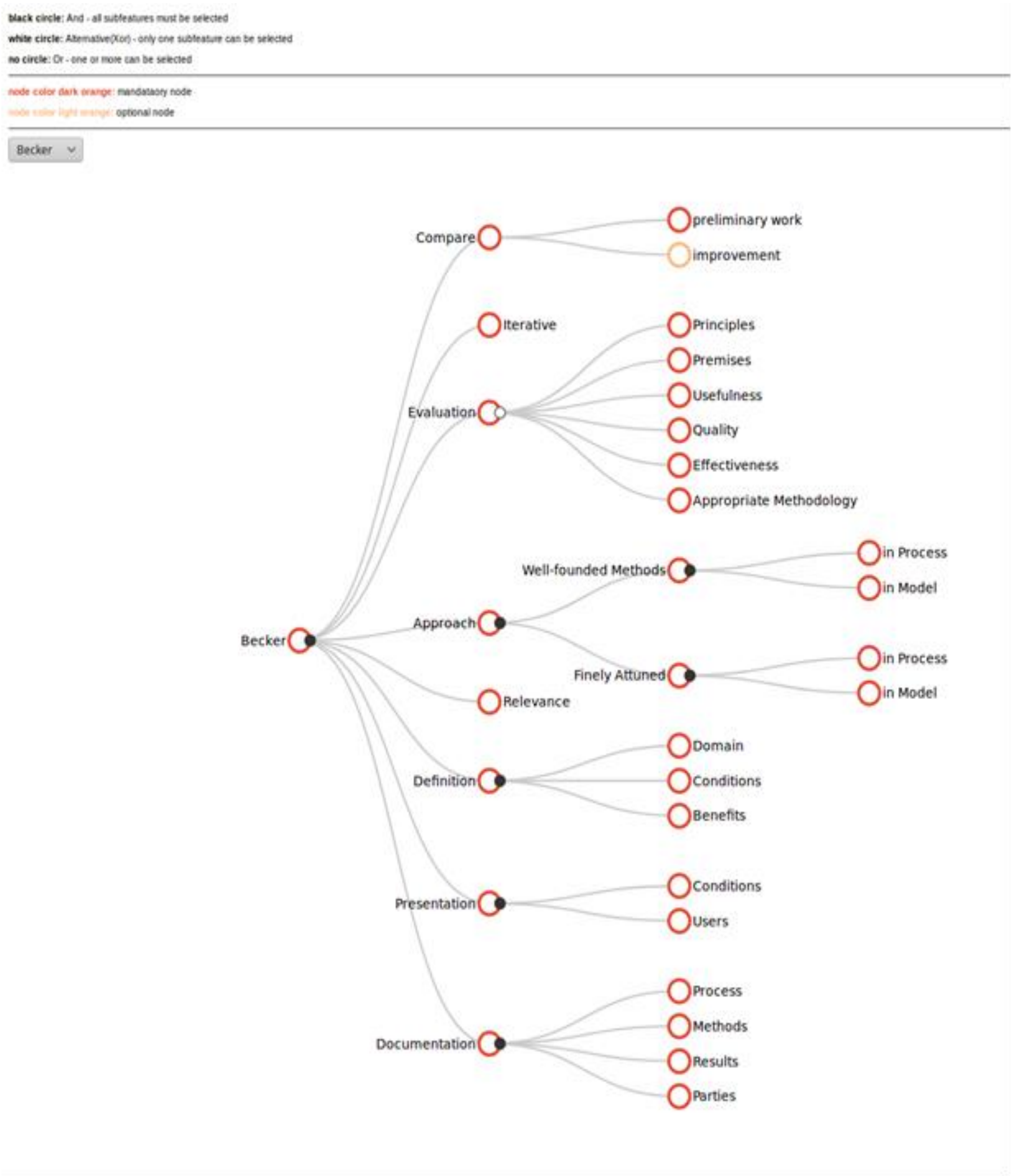
Figure 2. Feature-diagram Becker et al. (2009)



Source: Feature-diagram Becker et al. (2009).

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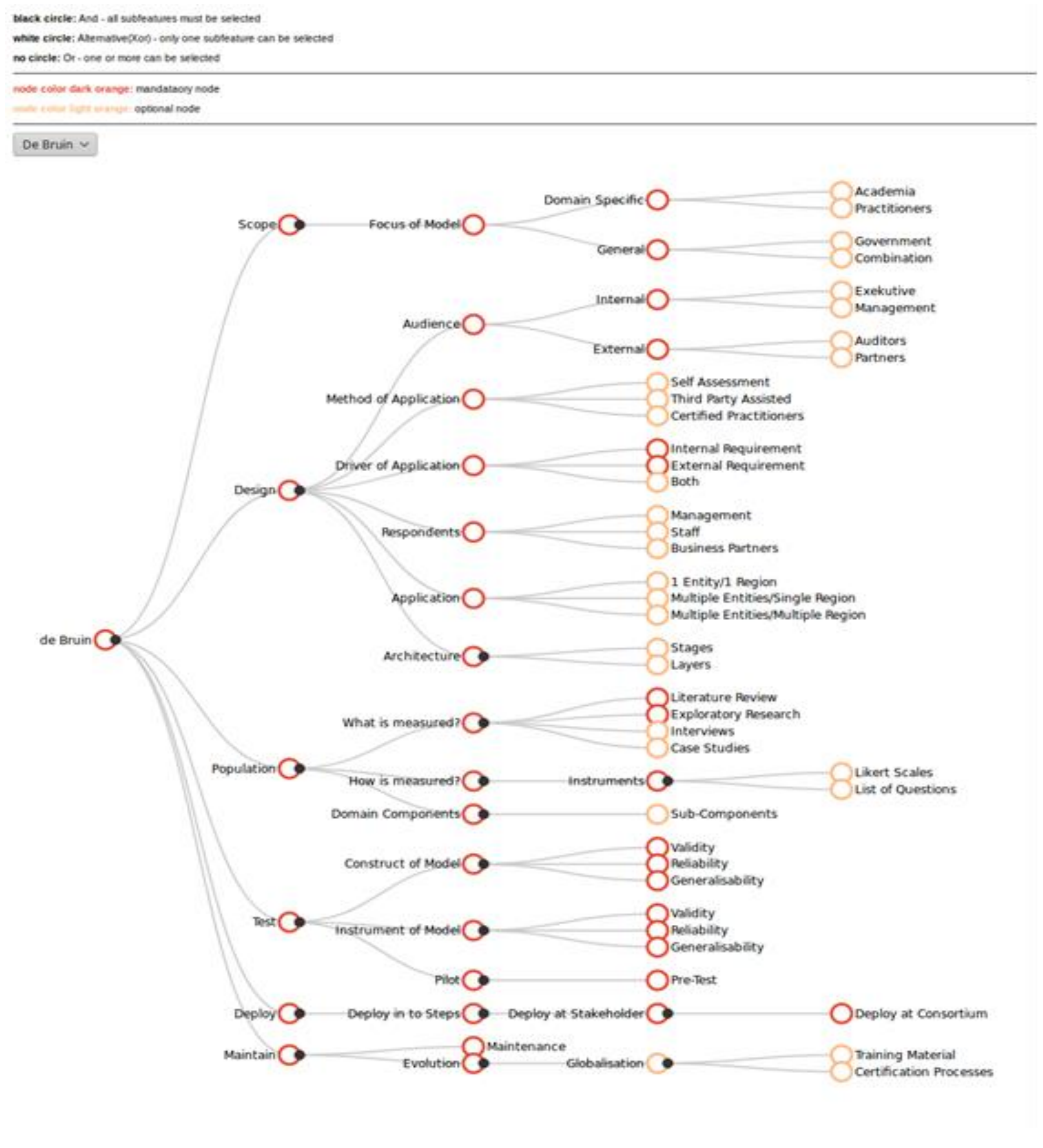
4.2. Feature-diagram de Bruin et al.

Figure 3 shows the representation of the de Bruin et al. (2005) (De Bruin *et al.*, 2005) model as in section 2.2.

All six phases of the model are "and"-connections and mandatory. Only with the sub-features several aspects are "or"-connections (without black dot), but also all are mandatory. Likewise there are many aspects in this model from the sub-sub-feature level, which are no longer mandatory (dark orange) but optional (light orange).

Figure 3. Feature-diagram de Bruin et al. (2005)



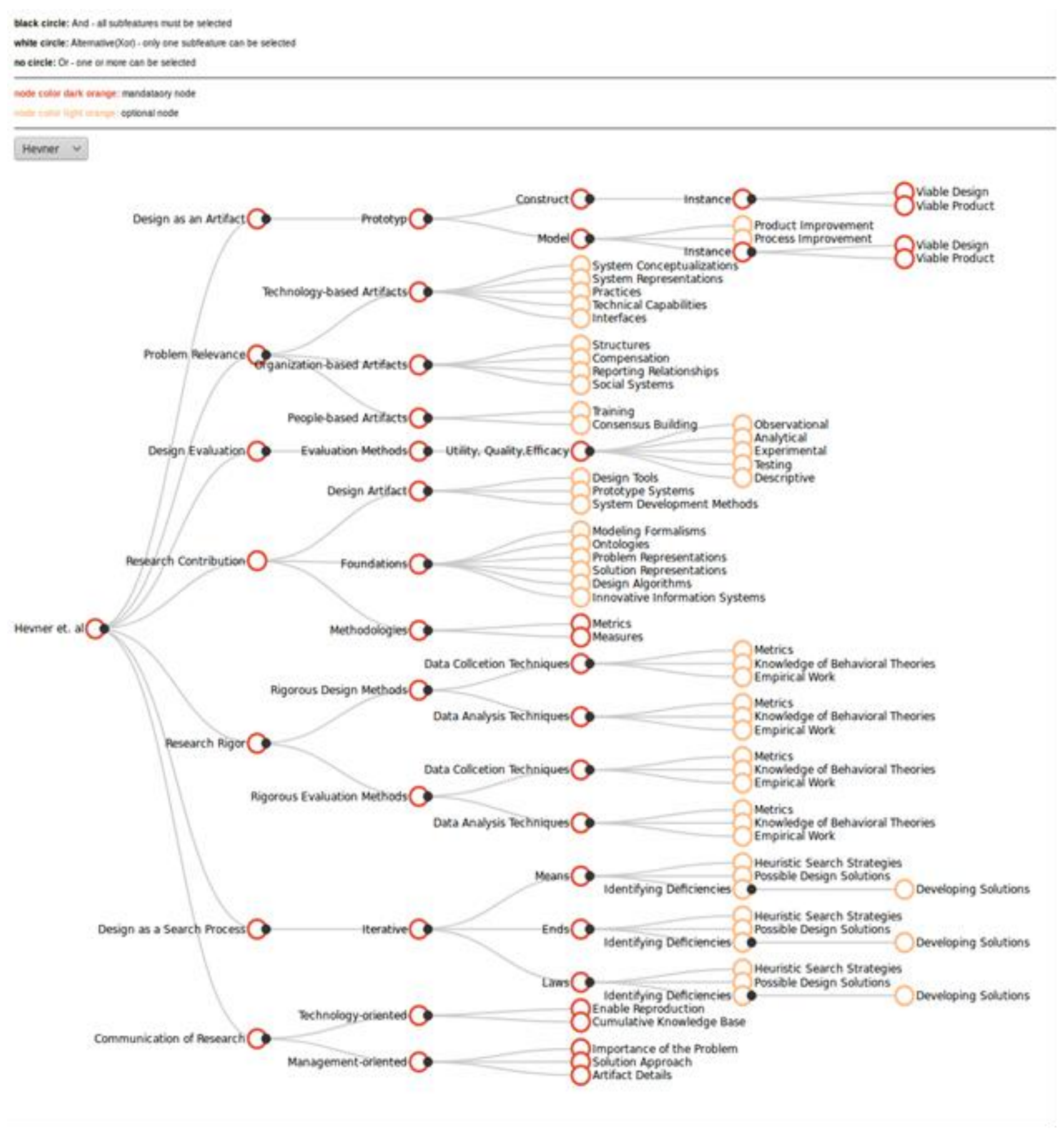
Source: Feature-diagram de Bruin et al. (2005).

4.3. Feature-diagram Hevner et al.

Figure 4 demonstrates the visualized Hevner et al. (2004) (Hevner *et al.*, 2004) model.

For Hevner et al., the figure shows that all guidelines are "and"-connections and mandatory, except guideline 4, which is mandatory but an "or"-connection. At the sub-feature level there are only mandatory "and"-connections, but at the sub-sub-feature level and above there are just as many optional aspects and also "or"-connections.

Figure 4. Feature-diagram Hevner et al. (2004)



Source: Feature-diagram Hevner et al. (2004).

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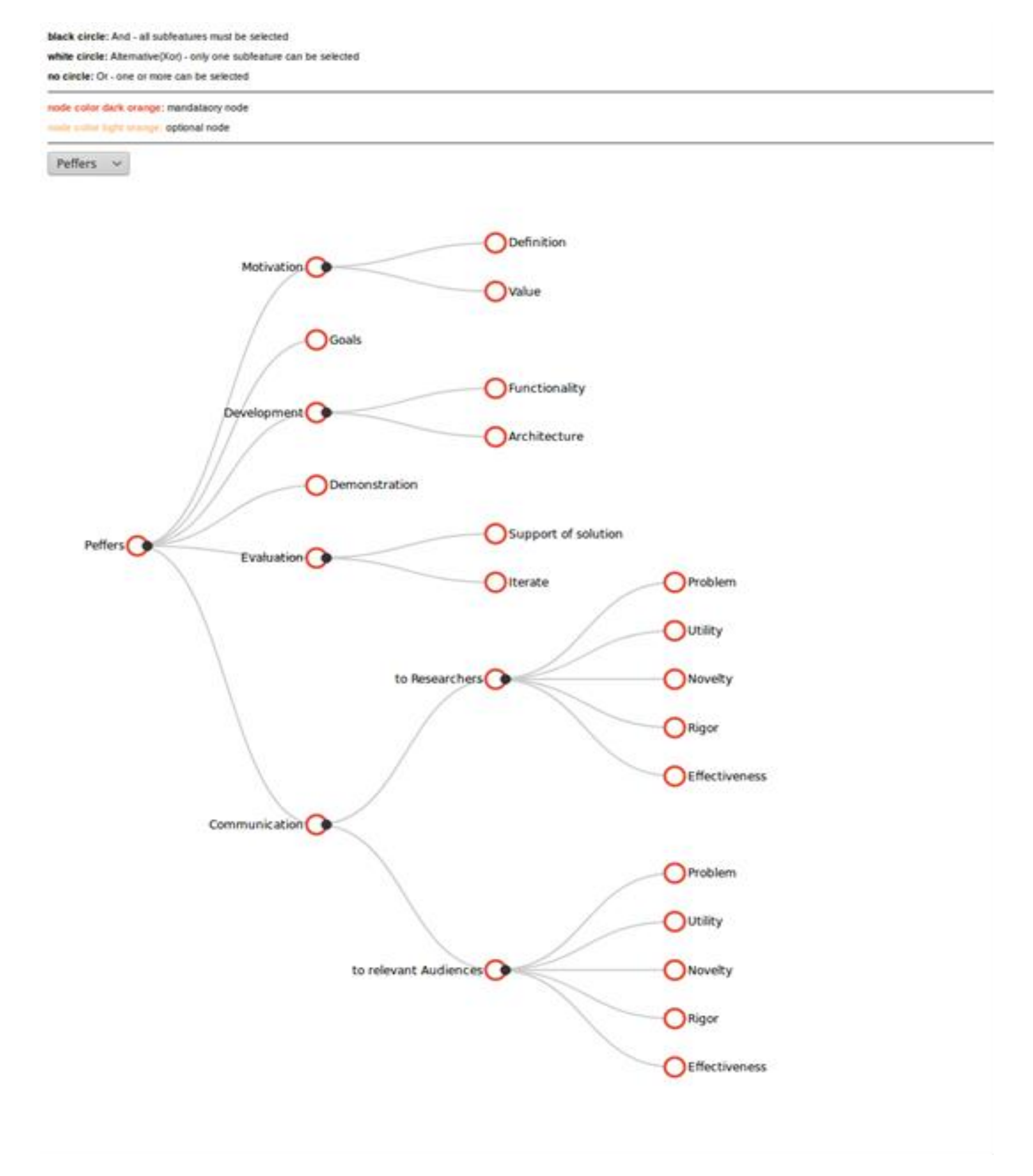
4.4. Feature-diagram Peffers et al.

Figure 5 shows the feature of the Peffers et al. (2007) (Peffers *et al.*, 2007) model.

The activities of Peffers et al. are partly "and"-connections (activities 1, 3, 5 and 6) and "or"-connections (activities 2 and 4). On the following sub-feature levels there are mainly "or"-connections. However, in Peffers et al. there are only mandatory and no optional aspects.

Figure 5. Feature-diagram Peffers et al. (2007)



Source: Feature-diagram Peffers et al. (2007).

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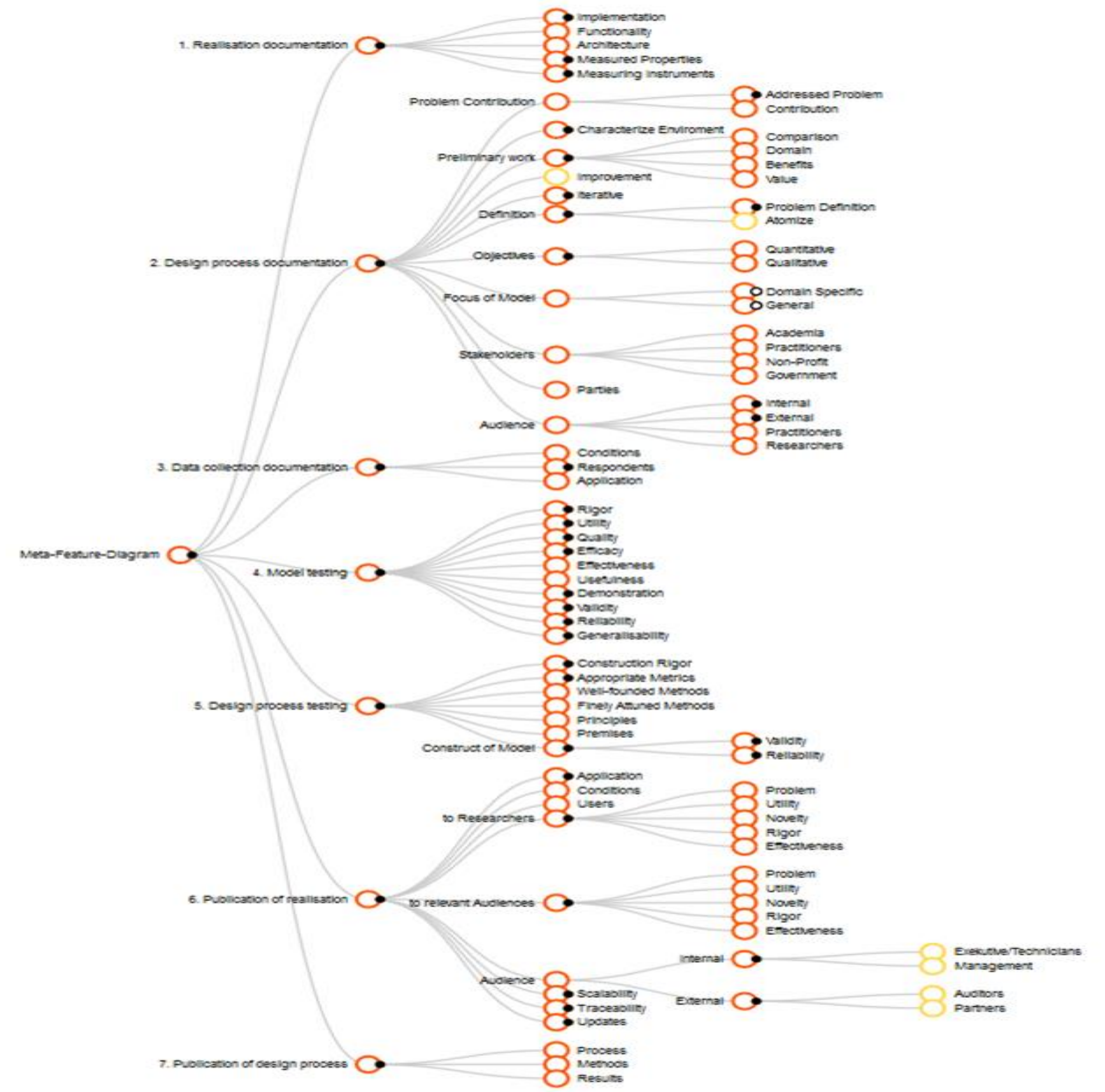
4.5. Meta-feature-diagram

The following meta-feature-diagram results from the four preceding feature diagram and the description of the meta-framework in Section III (see Figure 6).

In the developed meta-model, all seven phases are "and"-connections and mandatory. At the sub-feature level, both "and" and "or"-connections are mandatory, but all but one (improvement). On the third level both types of connections are also available, there are even two "and/or (xor)"-connections (Domain specific, General) and all but one aspect (Atomize) are mandatory. On the fourth level, there are only four optional aspects with "or"-connections.

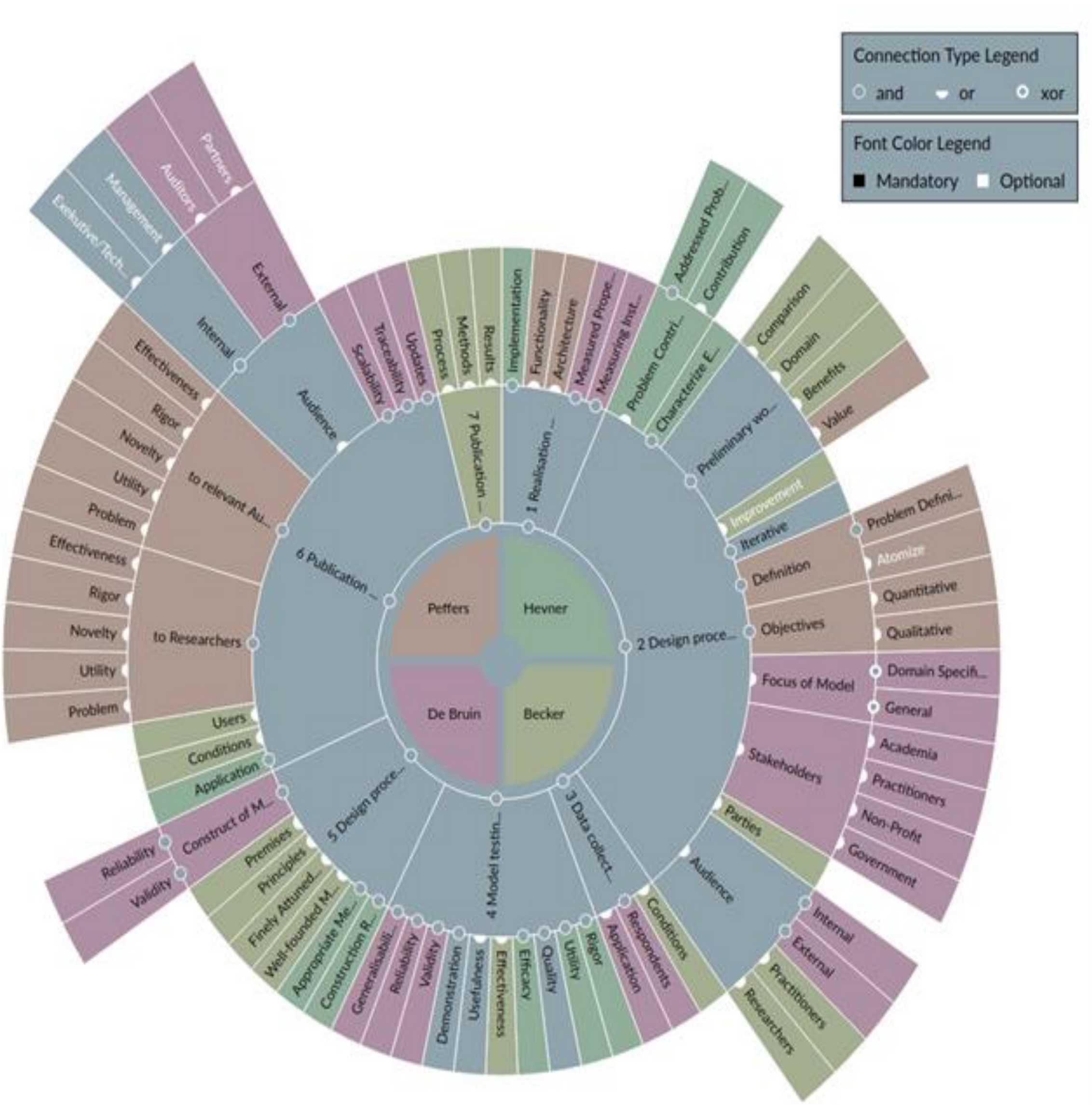
Figure 6. Meta-feature-diagram



Source: Authors.

The second form contains the same information, but in a different design. The colours indicate from which of the four models the input comes. The blue ones are sorting terms/headings created for the meta-model.

Figure 7. Colored meta-feature-diagram



Source: Authors.

5. Conclusion and outlook

To gain an overview of the creation of a new maturity model for Industry 4.0, various models were examined that deal with the creation of maturity models or with proper research. Based on this study, a consolidated meta-framework is proposed and visualized it with a feature diagram.

Building on this meta-framework, the research can be continued to advance and develop a new maturity model that meets the requirements for rigorous scientific work and is intended to serve future research in general (Webster and Watson, 2002).

This work is seen as an important step in reducing proliferation in the development of maturity models. This meta-framework is a solid basis for a uniform conception in the future that meets the scientific requirements of more rigorous research and thus answers the research question posed at the beginning (Chapter 1) for a model that can be used to create maturity models according to strict design-scientific research guidelines.

With the meta-framework not only maturity models for Industry 4.0 can be developed, but it is also valid as a generally valid model for further maturity models to be developed (e.g. for processes or projects) or domains specific (e.g. energy domain).

A further research contribution is therefore in a next step the application of the meta-framework in order to develop a maturity level model, independent of industry 4.0 or other fields of application.

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ELENA E. GRISHINA[1] AND ELENA A. TSATSURA[2]

SUBJECTIVE POVERTY AND MATERIAL DEPRIVATION IN RUSSIA, ARMENIA AND GEORGIA

Abstract

This article provides an overview of different aspects of poverty in three Post-Soviet countries: Russia, Armenia and Georgia. It looks into the material situation of households and subjective and deprivation poverty. Our analysis shows a significant level of material deprivation among the population in the studied countries. The most vulnerable categories are rural population, 65+, and families with three or more children. Although the level of material deprivation in Russia is significantly lower compared with Armenia and Georgia, the level of relative subjective poverty in Russia is notably higher. This is likely due to higher inequality, which may point at risks of social instability.

Keywords: Households; financial situation; subjective poverty; material deprivation

JEL Codes: I31, I32, D31

1. Introduction

Poverty is a rather complex phenomenon, and therefore to study it we need to look into a wide array of indicators, describing the numerous manifestations of poverty.

At present, the research community has reached a consensus that when analyzing poverty it is advisable to resort to not only monetary, but also subjective and deprivation dimensions of poverty.

P. Townsend suggested that poverty could be defined based on consumption deprivation (Townsend, 2002). A. Sen defined poverty as deprivation of capabilities allowing to successfully function in the society (Sen, 1985).

Subjective poverty perceptions are an important indicator of poverty too, as they allow to take into account what the people in need themselves think about poverty, identify the risks of poverty and seek mechanisms to reduce it. Subjective poverty may be approached from different angles, for example, households unable to make ends meet, households with a low position on the “poor to rich” scale, or households, which have low self-reported income level (Noll, Weick, 2014; European Commission, 2010).

The aim of our research is to analyze economic conditions, subjective poverty and material deprivation among the population of three former USSR states: Russia, Armenia and Georgia.

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2. Methodology

The data on Armenia and Georgia was retrieved from "Caucasus Barometer" 2017[3]. The source of the Russian data is the Regular National Representative Survey of the Demographic, Social and Economic Behavior of the Population "Person, Family, Society" 2017[4].

The data is representative nationwide. The sample size is 1,648 respondents in Armenia, 2,379 respondents in Georgia and 9,605 respondents in Russia.

We use Statistical Package for the Social Sciences (SPSS) to analyze the households' economic conditions based on self-reported ability to buy food, clothes and durable goods, incidence of borrowing money to buy food, subjective assessment of household's standing compared with other households in the country and availability of different sources of income.

The analysis was focused both on the countries overall, and on different segments of the population in each country, including urban and rural population, persons living with children under 18; adults aged 18 to 64, and the elderly aged 65 and above.

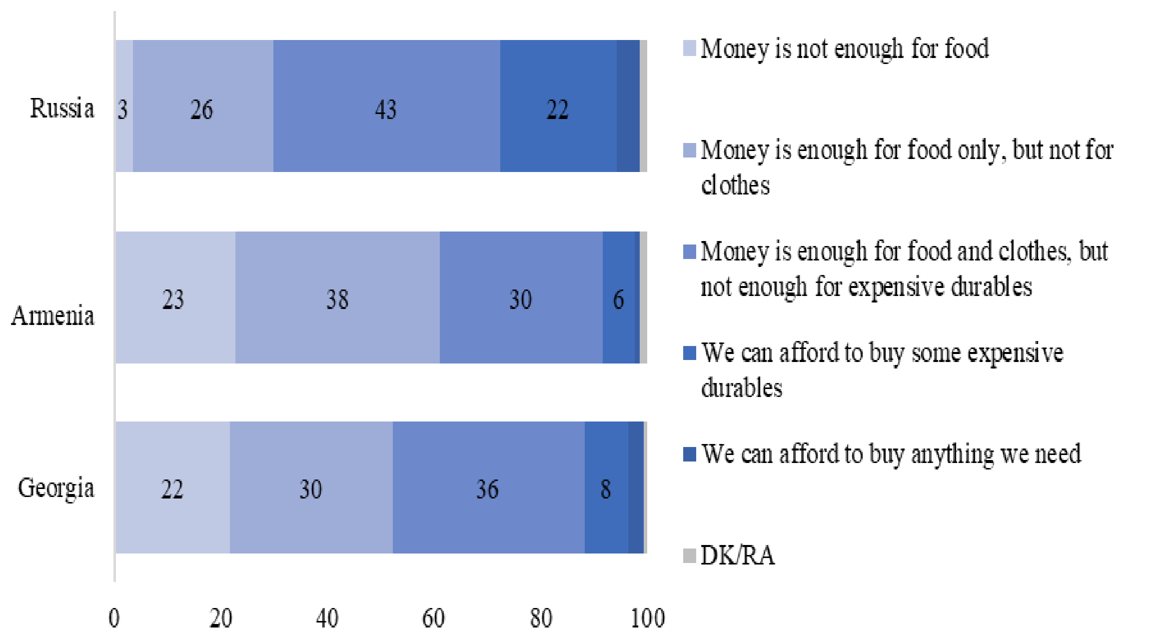
The reliability of the relationships between the variables is checked by the Chi-square Test and the Mann-Whitney Test.

3. Results

The analysis shows that the share of extremely poor persons, living in households that don't have enough money even to buy food is only 3% in Russia, compared with over 20% in Armenia and Georgia (Figure 1). 25% of households in Russia can afford to buy food, but not clothes. In Armenia and Georgia, the share of such households is higher.

[3] Caucasus Research Resource Centers. "Caucasus Barometer" 2017, , available at: https://caucasusbarometer.org/en/datasets/ (accessed 29 July 2020).
[4] Regular National Representative Survey of the Demographic, Social and Economic Behavior of the Population "Person, Family, Society" 2017, , available at: https://social.ranepa.ru/tsentry-i-instituty/institut-sotsialnogo-analiza-i-prognozirovaniya/issledovaniya/86-chelovek-semya-obshchestvo-2017 (accessed 29 July 2020).

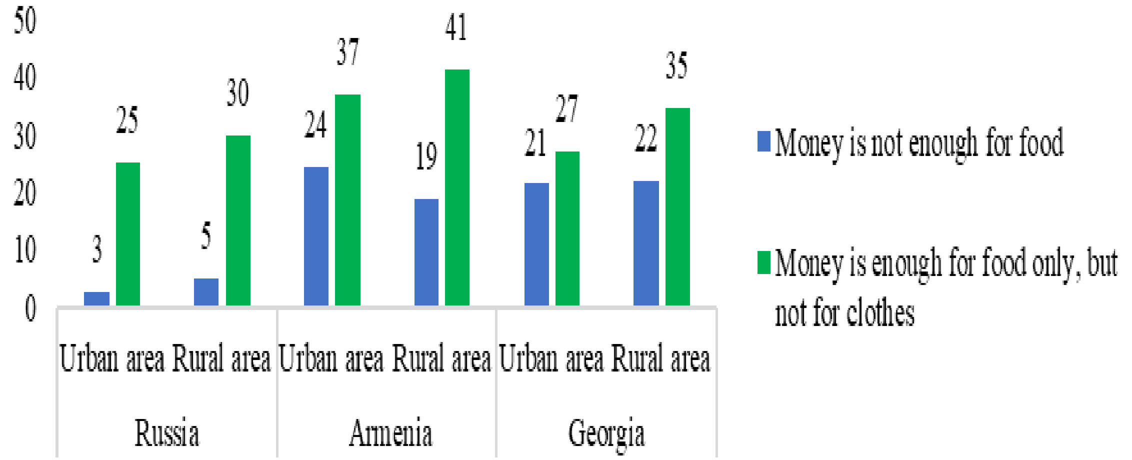
Figure 1. Respondents' views on economic situation of their household, %



Source: Authors.

In all the three countries, rural areas have a higher share of persons living in a household that can afford food, but not clothes (Figure 2).

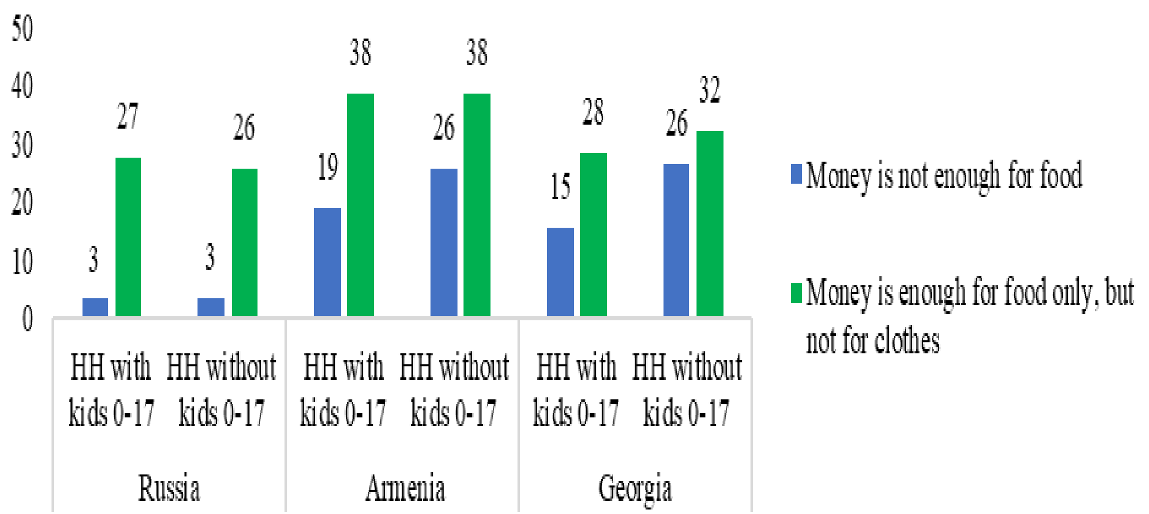
Figure 2. Share of people estimated the economic situation of the household as “Money is not enough for food” and “Money is not enough for clothes”, in rural and urban households, %



Source: Authors.

Respondents in Armenia and Georgia, who live in a childless household, more frequently reported that they did not have enough money to buy food (Figure 3). In Russia, the factor of children did not make any difference.

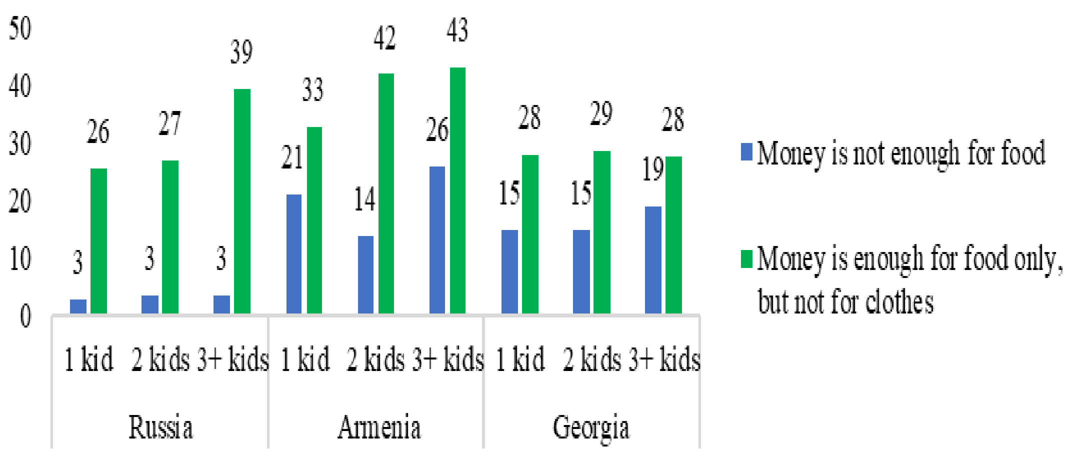
Figure 3. Share of people estimated the economic situation of the household as “Money is not enough for food” and “Money is not enough for clothes”, in households with children and without children, %



Source: Authors.

In Armenia and Russia, multi-child households are experiencing more serious material deprivation, than households with one child (Figure 4).

Figure 4. Share of people estimated the economic situation of the household as “Money is not enough for food” and “Money is not enough for clothes”, in households with different number of children, %



Source: Authors.

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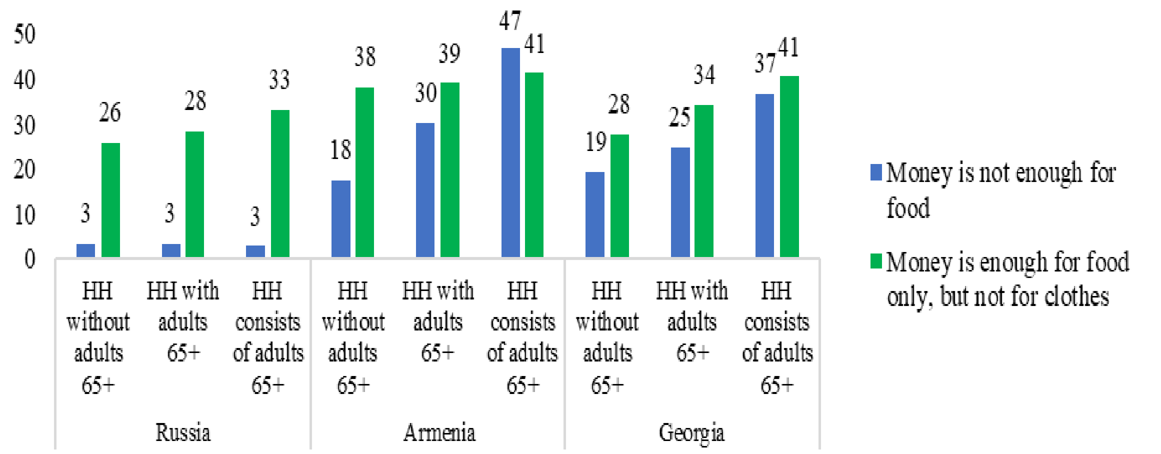
In all the three countries, people aged 65 and above are more likely to report that they only have enough money to buy food, or even that can be a problem (Figure 5). Notably, this is the case with slightly over a third of respondents in Russia living in households made of persons aged 65+, but in Armenia and Georgia this figure rises to more than 70%.

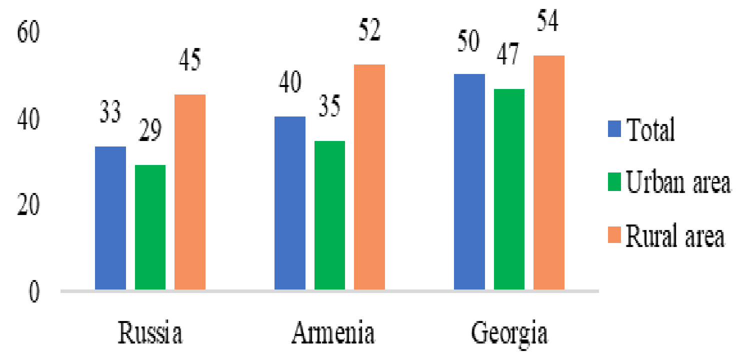
Figure 5. Share of people estimated the economic situation of the household as "Money is not enough for food" and "Money is not enough for clothes", in households with adults aged 65+, %



Source: Authors.

Scarcity of money among the population of considered countries translates into a third of respondents and more living in households, that have borrowed money to buy food (Figure 6). Rural people are more likely to borrow money for food than urban residents.

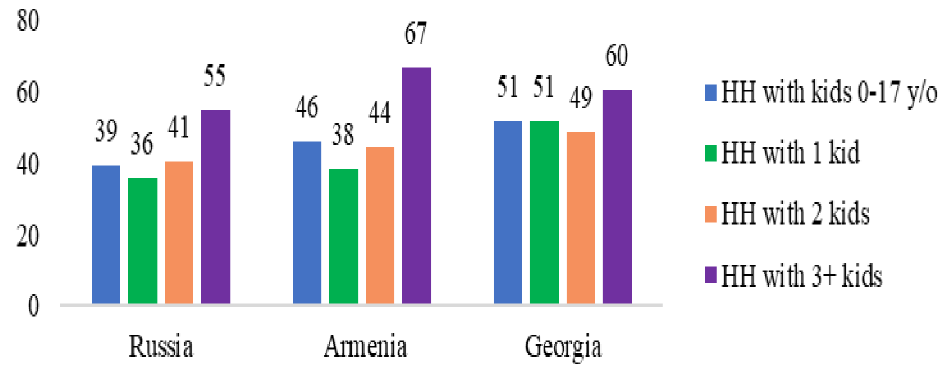
Figure 6. Share of people, living in households that borrow money for food, in urban and rural area, %



Source: Authors.

In Russia and Armenia, households with children are more likely to have to borrow money for food (Figure 7). In all the three countries, borrowing money for food is the highest among the multi-child households.

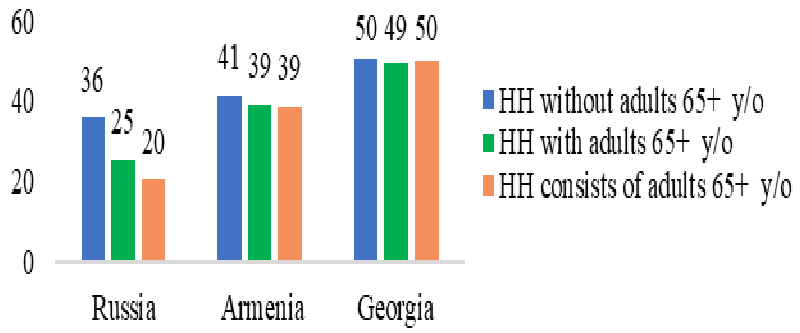
Figure 7. Share of people, living in households that borrow money for food, in households with different number of children, %



Source: Authors.

In Russia households with elderly persons are significantly less likely to borrow money for food (Figure 8).

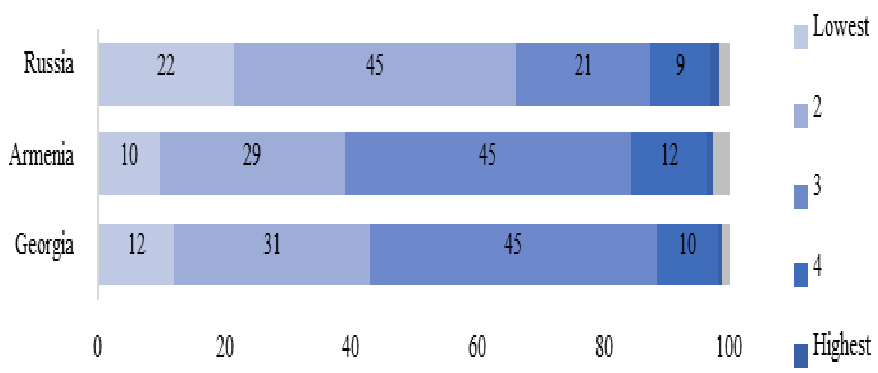
Figure 8. Share of people, living in households that borrow money for food, in households with adults aged 65+, %



Source: Authors.

Speaking of the relative economic situation of their households, more than 20% of respondents in Russia said it's "the lowest", whereas in Armenia and Georgia the share of such respondents was about 10% (Figure 9).

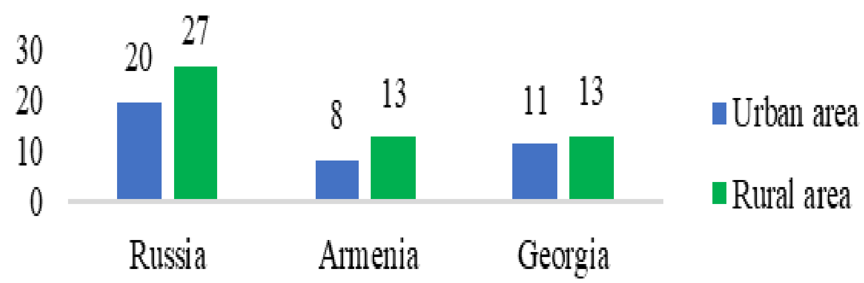
Figure 9. Respondents' views on relative economic standing of their household, %



Source: Authors.

Analyzing the share of respondents who evaluate their household's economic situation the lowest, we can observe that in rural areas of Russia and Armenia it is higher than in the cities. But this is not true for Georgia (Figure 10).

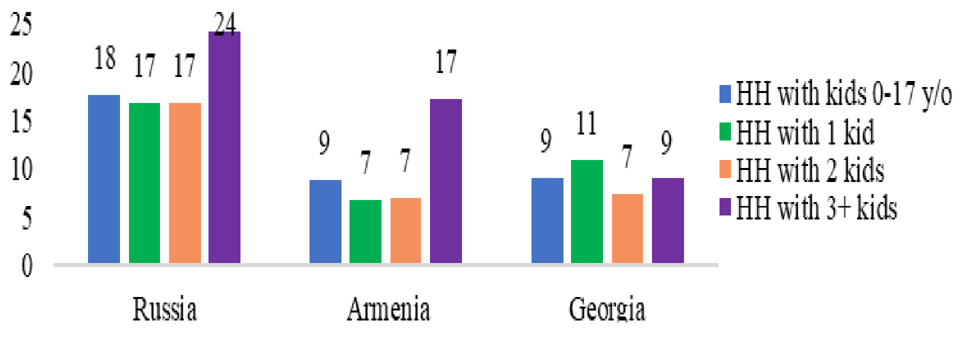
Figure 10. Share of people estimated the economic standing of their household as the lowest, in urban and rural area, %



Source: Authors.

Households with three children and more from Russia and Armenia are more likely to say that their economic situation is the worst, but in Georgia the level of relative subjective poverty is practically the same in households with different number of children (Figure 11).

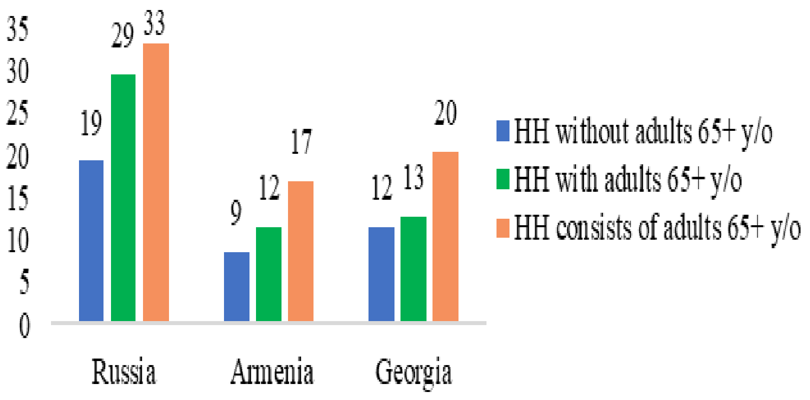
Figure 11. Share of people estimated the economic standing of their household as the lowest, in households with different number of children, %



Source: Authors.

The level of relative subjective poverty among households in Armenia, Russia and Georgia, consisting of persons aged 65 and above, is significantly higher compared with households with no members of that age (Figure 12).

Figure 12. Share of people estimated the economic standing of their household as the lowest, in households with adults aged 65+, %

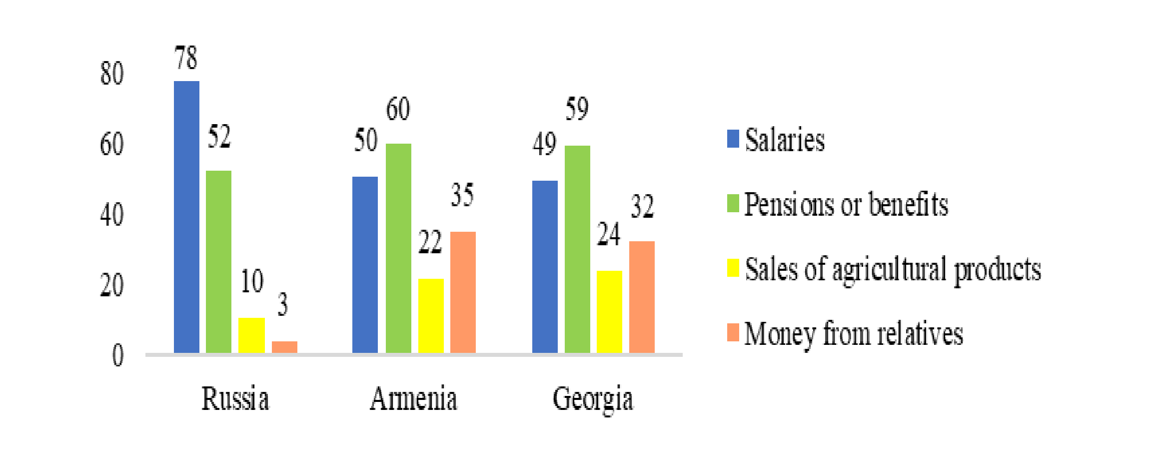


Source: Authors.

Differences in households' economic conditions in the reviewed countries may be explained by their income composition.

Employment plays a more substantial part as an income source for households in Russia, compared with Armenia and Georgia (Figure 13). By contrast, in Armenia and Georgia, the share of respondents, who named farming as a source of income was twice as high, and the share of those, who take money from their relatives, was more than thrice as high as in Russia.

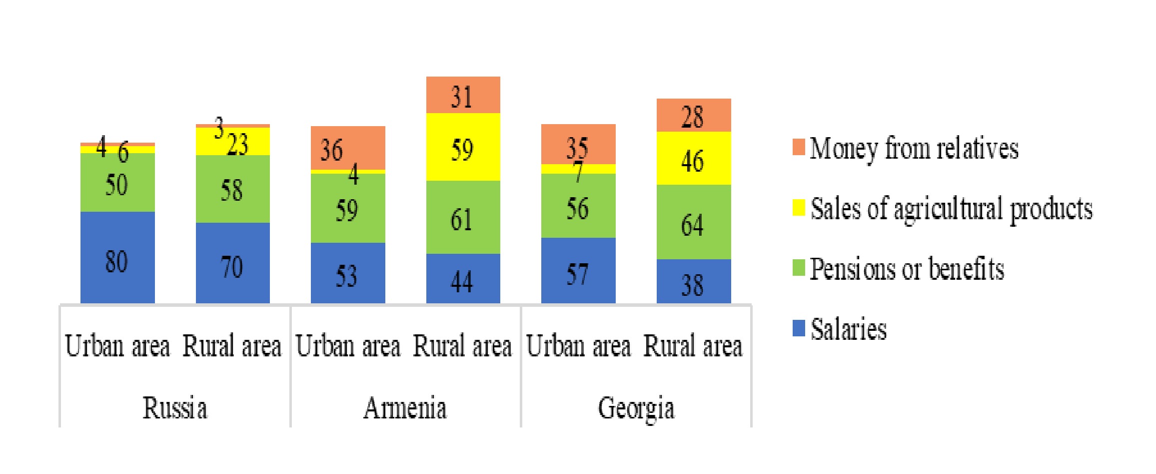
Figure 13. Share of people reported different sources of household income, %



Source: Authors.

Rural households are more likely to have income from farming and less likely to have employment income (Figure 14). In Russia and Georgia, rural households are more likely to have pensions and social benefits. In Armenia and Georgia, the share of urban households that receive financial aid from their relatives is higher than among rural households.

Figure 14. Share of people reported different sources of household income, in urban and rural areas, %



Source: Authors.

Households with three children and more are more likely to have pensions, social benefits and farming as a source of income (Figure 15).

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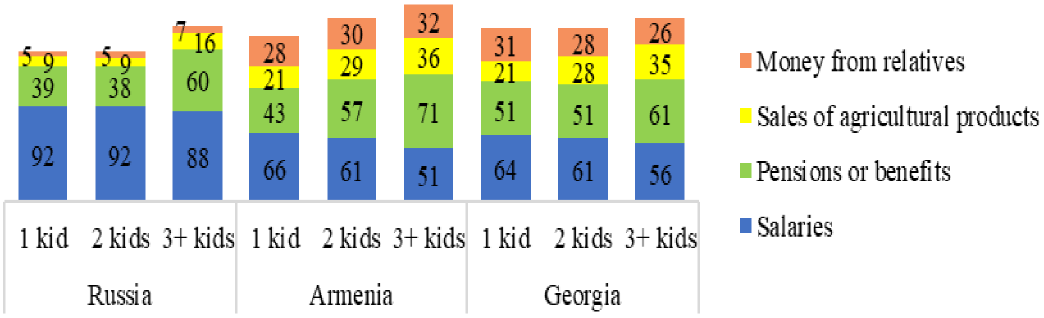
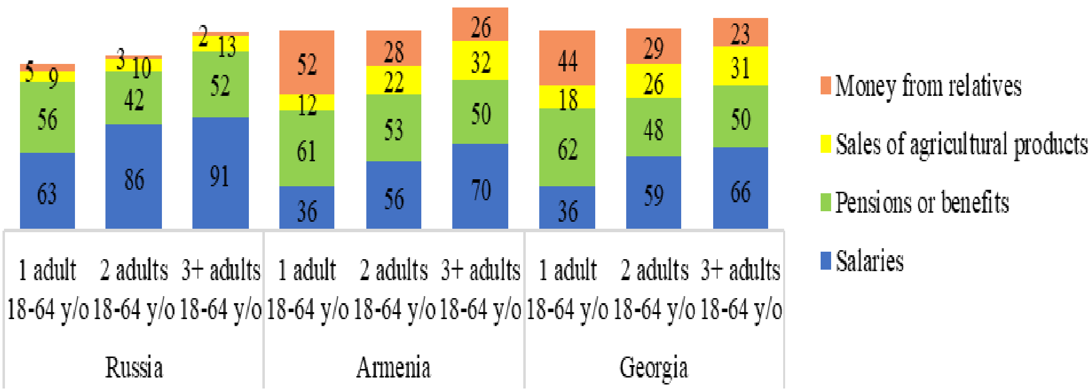
Figure 15. Share of people reported different sources of household income, in households with different number of children, %



Source: Authors.

In all considered countries households with two and more persons aged 18 to 64 are more likely to have employment income and less likely to receive pensions and social benefits (Figure 16). Besides, in Armenia and Georgia, such households are more likely to have farming income and less likely to take money from relatives.

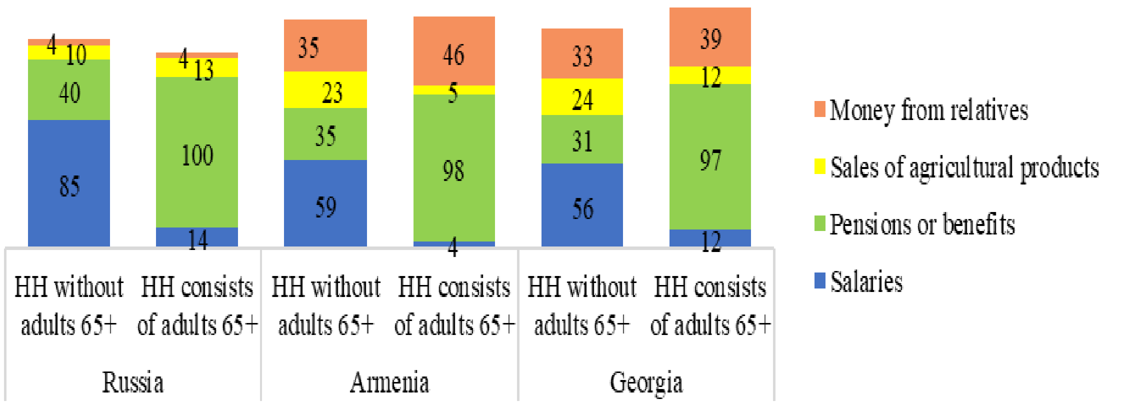
Figure 16. Share of people reported different sources of household income, in households with different number of adults, %



Source: Authors.

In Armenia and Georgia households consisting of persons aged 65 and above are more likely to receive financial aid from their relatives, than households which don't have third-age members (Figure 17).

Figure 17. Share of people reported different sources of household income, in households with and without of adults aged 65+, %



Source: Authors.

4. Conclusion

Our study shows that although the level of material deprivation in Russia is significantly lower, the level of relative subjective poverty in Russia is notably higher.

This can be explained by the fact that self-evaluation is formed in comparison with the position of the reference group. Inequality in Russia is higher than in Armenia and Georgia (GINI index is equal 37.5; 34.4 and 36.4 respectively)[5] and the population compares their financial situation with high-income groups. Data from the Human Development Report (UNDP, 2019) shows that the negative attitude to inequality is significantly higher in Russia than in Armenia and Georgia: the share of people strongly supports the statement “Incomes should be made more equal” in Russia is equal to 34%, whereas in Armenia and Georgia the share of such respondents is 16% and 6% respectively.

The higher level of relative subjective poverty in Russia may also point at the risks of social instability and insufficient social mobility.

This indicates the need for new government policies in Russia that would focus on social development and reduction of inequality and social exclusion. Development of effective protection policies, greater spending on health and education, ensuring access to services, enhancement of voluntary sector and community participation in local projects will contribute to social inclusion.

Acknowledgements

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IRINA ANA DROBOT[1]

THE ART OF ARGUMENTATION IN ANCIENT CHINA IN THE MOVIE SERIES: THE VIRTUOUS QUEEN OF HAN (2014)

Abstract

In the movie series The Virtuous Queen of Han (2014), a Chinese drama, we see in episode 23 a way of arguing against superstitious beliefs. In fact, the superstitious beliefs were only used as a means to manipulate the people in believing that the empress is a jinx that led to the drought that has affected the people's lives. This is just an example of moment when there are arguments against and in favour of a certain situation. Other examples when characters argue are when they wish to convince the Emperor or Empress about a certain state of affairs, e.g. about the innocence of a person at court and about the guilty ones. Unlike the Western world philospophers, the ancient Chinese used to argue by analogy (Rosker 2014: 23), and this specific trait can be traced back to the Book of Changes. The purpose of this paper is to analyse to what extent the argumentation of the characters on various occasions in the series is by analogy or it is adapted to the Western frame of mind.

Keywords: Argument by analogy, Book of Changes, Western philosophy, Chinese philosophy

JEL Codes: A10

Introduction

The movie series *The Virtuous Queen of Han* (2014) depicts the life of empress Wei Zifu, who lived until the year 91 BC and had a reign lasting for 49 years, starting from the moment she is crowned empress. During those moments, she experiences flashbacks from her childhood. Her parents had a tough life, and, moreover, their family was dealing at the moment of the flashbacks with getting away from their village which had been flooded. On top of it all, her father does not wish to acknowledge her as part of the family and even goes as far as telling her mother to leave her behind. After a while, though, her mother and brothers return after her. During her childhood she also had beautiful moments, as when she had a love story with a childhood friend, when they played the engagement game and when he showed her the stars. Wei Zifu could not find her way since she could not see the Big Dipper one night, and the boy told her that he would always be there for her and be her Big Dipper. The flashbacks are key moments in the characters' later lives, when, due to their choices in childhood they would face various issues.

One main feature of the series is the fact that, at all times, argumentation is power. The words which are uttered as they should be at the right moment bring the characters happiness and save them from danger. On several occasions we see how Princess Pingyang saves Wei Zifu from the empress and her mother due to her power of arguing. Wei Zifu herself knows how to argue, especially in the episode 23, where she talks about the problems which the people will face if they are led to believe in superstitions, namely in the superstition that empress Wei Zifu was a jinx, as a man following the orders of the former empress' mother tried to make them all believe in order to free the imprisoned former empress from the palace. The emperor himself is a good arguer and debater, showing the people practically that it could still rain and the drought could still end with the empress Zifu on the platform.

Shen Jia, Zifu's friend, tells Zifu about herself that she is just a weed, she is not gifted with great looks like a flower, but she is useful, just like the weeds. Shen Jia was rejected at first by Zifu's brother, with whon Shen Jia was in love. However, Zifu's brother was and would be in love with Princess Pingyang.

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Rumours about the reputation of the princess due to her relationship with a former stable boy and the emperor's mother's wish and demand to help Princess Pingyang regain her reputation determine Zifu's brother to ask the emperor's permission to be married to Shen Jia. During their marriage he gets attached to her and grows more affectionate to his wife. Shen Jia will ask to go with her husband on the battlefield, as his health is not to good, and she is worried about him. She looks for medicinal plants to help cure his internal wounds. At some point she is caught by the enemy, and, as she is threated with a sword, she asks her husband not to delay the important military action trying to save her, a small weed. She diverts the ones threatening her, her husband kills them, but she is wounded with a cut in her throat and she dies. The comparison between people and plants, be they flowers or weeds, is part of the ancient Chinese argument by analogy, which starts with the famous *Book of Changes* (Rosker 2014: 23).

The Role of Argumentation

The difference between these two series of examples of arguments is the fact that, in the case of the superstition argument, the argumentation structure is of the Western type, while in the case of Shen Jia's argumentation, there is clearly an example of ancient Chinese argument by analogy. The series offers examples of both types of argumentation, although we deal with characters belonging all to the ancient Chinese culture. The reason for this mixture could be the wish to help the viewer better get acquainted with this very different civilization and culture, get better accommodated with it and better sympathize with the characters, as well as better understanding what is going on.

The power of words in the series could be seen as a universal element. Arguing goes hand in hand with persuading someone and influencing one's decision. We see this so often in the way political discourses are built. During any political campaign, the speech is one of the main weapons against the opponents. After all, life at court is a constant political struggle: all relationships can be part of political manipulation. At court, personal life and political life can be intertwined, as the ladies at court have lots of political schemes in mind even when they bring concubines to the emperor and even when they befriend someone. The way the characters deal with getting what they want, with saving someone close to their heart and getting forgiveness is grounded in the way they deal with words and built their speeches to the ones in power. For instance, Zifu is accused on the occasion of mourning in the royal family by the empress Chen that she does not educate well her young daughter and allows her to play with colourful ribbons. This is seen as inappropriate and Zifu uses words very carefully chosen so as not to offend the empress dowager and to reduce her anger. Zifu takes then into account the hierarchy and show she knows her place, and is obedient and willing to make things right.

From the start of the series, viewers can notice the power of carefully chosen words. Zifu gets the emperor's attention due to her great sense of observation, since she believes that the people is wronged and should not be, by those in power. These thoughts were written by her after witnessing a scene where her brother stops a carriage and injures the nobleman in it, who was throwing gold coins before the poor and then was about to run the horse drawn carriage over them. Her brother and herself are saved by Princess Pingyang. The brother tells her to punish him, and Zifu tells her to punish her. In the end, Princess Pingyang hits the ground with a whip and tells Zifu's brother that this is his punishment. From then on, they will be friends and she will help save Zifu's life by her power of argumentation.

Words can both help protect one's life and can also put one's life in danger. The part when words can be dangerous to one's life is when the new concubine meant to give a second son to the emperor is overheard talking to her sister. They both give away their intentions. The new concubine sits on the throne believing that they are alone and nobody can see and hear them. She pretends to be empress and her sister makes her order getting rid of the emperor's most faithful subjects, including Zifu's brother and childhood friend, as well as empress Zifu herself. This scene condemns both sisters, the concubine is sent away in exile with her son and her sister is executed. In this way they have proved their evil intentions.

Several aspects need to be considered when analyzing the way the art of argumentation in ancient China goes in the series. First, we have the difference between Western argumentation and ancient Chinese argument by analogy. Second, we need to consider the power granted by successful argumentation and use of words, in contrast with the issues faced when telling the wrong words at the wrong time. For one thing, using words efficiently could help ensure one's survival at court. Third, we should consider the way argumentation is used in relation to the concept of authenticity. Finally, we need to consider the way the reader is gradually introduced into ancient Chinese culture, through the use of argument by analogy as well as through the use of Western-type of arguments.

Arguing by analogy is exemplified with the help of two texts on human nature from ancient China in a paper by Volkov (1992, p. 19-20) as follows:

> A typical occurence of such reasoning can be found in Mengzi. Here Kao Tzu (Gaozi) discusses with Mencius (Mengzi) the problem of human nature 13. This text, as translated by D. C. Lau, reads as follows: Kao Tzu said,
>
> Human nature is like whirling water. Give it an outlet in the east and it will flow east ; give it an outlet in the west and it will flow west. The human nature shows no preference for either becoming good or becoming bad is like water showing no preference for either flowing east or flowing west (sic),
>
> Mencius said,
>
> It is certainly the case that water shows no preference for either flowing east or flowing west, but does it show the same indifference to flowing upwards and flowing downwards? Human nature being good is like water seeking low ground. There is no man who is not good just as there is no water that does not flow downwards. Now with water, by splashing it one can make it shoot up higher than one's forehead, and by forcing it one can make it stay on a hill. But can that be said to be the nature of water? It is the special circumstances that make it behave so. That man can be made bad shows that his nature is open to similar treatment [Lau 1963, p. 174]

The two texts illustrate the concept of mapping from one domain to another to create metaphor. One domain, water, is mapped to another, namely human nature. Through this analogy the following interpretation results:

> According to the interpretation of D. C. Lau, Gaozi and Mengzi both used the same metaphor «human nature is like water» but with different aims and in different ways. The point of Gaozi was to show that «man becomes good or bad as he happens to be guided one way or the other» [Lau 1963, p. 175], i.e., as water does not care where it flows-to the left or to the right. The point of Mengzi is that a human being can be made bad - as water could be made to stay on the top of a hill - but it would be done against human nature: «It is more natural for man to be moral» [Ibid., p. 176]. (Volkov, 1992, p. 20)

For the Western mindset, the above is not truly an argument, but simply a comparison and an example of figurative speech. Here it is all a matter of the way two different cultures see logic, and a matter of cognition when it comes to reasoning.

For the Western mind, the classical structure for arguments is offered by Aristotle as follows: first, when you introduce the issue, you come up with a thesis. Afterwards, you present your case showing why you believe something should be or should be done in a certain way. Next, you present the opposite side's take on the issue, and then you will bring proofs gradually showing why your side is correct. In the end, you will show your conclusions, reminding your thesis and the main ideas of your argument. This structure is visible in the episode where the superstitious beliefs are debated. Zifu's uncle Yi refutes the argument regarding the superstition about the jinx bringing drought with the help of a book which explains scientifically the fact that in nature there are cycles of drought and floods. What is more, he manages to understand how the man willing to make empress Zifu look like a jinx was so sure that rain was going to come after the empress would live the palace: it was due to the way the ants were moving, a sign which both men were aware of. In this way, the man willing to destroy Zifu's public image was exposed, together with his intentions, and the people were shown how it was raining with the empress on the platform. In this way, the emperor and the empress showed the people that they should not lead their lives according to superstitious beliefs. The debate superstition vs scientific explanation is an old and universal one. It can easily be understood by viewers belonging to all cultures, and it is a way to make viewers realize that a culture so far back away in time and so different from their own apparently is not that different, and still has the same concerns. Like this, the viewers feel that they are acquainted with this different culture, and at some point their introduction and immersion into it comes so easy that they can feel that they have become part of the respective ancient Chinese culture.

The viewers are introduced to ancient China and its ways through gradual immersion, which is achieved not by explaining to them the differences among cultures and times, but through presenting them with similar situations and issues, as well as through introducing ways of argumentation specific to Western cultures here and there. Once the argument by analogy is easy to understand and is not found all throughout the series, it is easy for Western audiences to follow and understand what is going on. While they may not be aware of the differences in reasoning and arguing between Western and Asian cultures at the end of the series, the viewers sympathize easily with the characters and move smoothly together with them through the action. The specificities of ancient Chinese culture are compensated through presenting viewers with the customs and rituals related to etiquette at court function of the position occupied in the hierarchy. There is a lot of bowing, together with use of specific formulas of address, and the relationships among characters and rituals related to hierarchy are made clear through the way the action of the story and the relationships evolve.

The argumentation in episode 23 involves several characters and several characters' interests. Even Princess Pingyang has an interest, in siding through her argumentation with the man who claimed that, in his dreams, he was told that empress Zifu is the goddess of drought. Princess Pingyang had believed that it was in order to ensure Zifu's position as empress that her brother had given up the thought of marrying her, when in fact it had been the princess' mother who had told him that she wouldn't want the princess' reputation to suffer since he had started from a low position, serving her as a stable boy, until he had reached an important position in the emperor's army. The Princess asks the emperor to let the man give it a try, that he could be telling the truth after all, since he had managed to get water out of a dry well previously. The people's sake is used as a reason for giving the man with the prediction about the empress being a jinx the chance: "I beg your Majesty to allow me to give it a try for the sake of the people" (episode 23, 24: 02). Zifu argues as follows: "If I am indeed the Goddess of Drought with the wisdom of His Majesty and Empress Dowager how could they not have known?" (24: 20 – 24: 25) Another argument comes in favour of Empress Zifu: "Empress has always been well-composed and treated others with kindness. I'm afraid that this jinx theory that King of Huainan said is but nonsense." (24: 29 – 24-32) During the time, predictions were given high significance in ruling the kingdom. Everything was supposed to be done for the good of the dynasty and for the good of the people. However, the jinx theory was used as an accusation similar to the accusations coming from gossip and showing off compromising photos in order to bring down the reputation of someone on the political scene. The image of any actor on the political stage is an important part of maintaining his or her status and thus his or her power. Most of the times what persuades people to vote for someone or to maintain that person in power has to do with the way his or her image is constructed or preserved. Everything at this point is subjective, and subject to psychological manipulation. A similar situation to what happens nowadays on the political scene takes place here, in ancient Chinese culture. The image of the empress and thus her safety and stability as a rules are all threatened. However, the emperor and the others close to her help her with their arguments. Her uncle Yi will use scientific arguments, when he will talk about a book he had read dealing with the way nature phenomena work. Zifu claims that, since as the man who is the brother of the former empress' mother accusing her of being the jinx claims that every move she does will impact the nation, she will not set a wrong example for the people by leaving the palace and allowing them to believe in superstitions. Zifu's brother tells the man that he simply is pretending to do the ritual for rainfall as they all know that ants moving to another colony and wind changing directions are all signs of heavy rainfall anyway, and that he is just creating a show. This will all end up to deceive the people and make them rebel against empress Zifu, in order for a diversion to be created so that the former empress will be freed from the palace. In episode 24, Uncle Yi steps on the platform and confronts Grand Princess Dou's brother. He tells him that, as he is but a cook, he is also one of those people he intends to protect from drought and that he has the right to speak. Uncle Yi mentions *Gan and Shi's Celestial Book*, where "It says that all constellations are drawn by gravity that causes the rivers to flow. It can cause droughts and floods. These are all signs of nature. It has nothing to do with the power of gods." (3: 34 – 3-44). The people are thus convinced through this debate more by Uncle Yi's argument, since the emperor proves wrong the superstition of the jinx as it rains very well with the empress in the palace and on the platform.

Winning the argument, regardless if it is Western-type or argument by analogy, can prove vital not only for the public image of those involved but also on a personal level.

The fact that the empress is believed to be virtuous and the fact that telling the truth when arguing is a significant part of the discussion, can be regarded as the equivalent of the concept of authenticity. The ancient Greeks praised the concept of parrhesia, which is the beginning of sincerity. Parrhesia meant "to speak candidly or to ask forgiveness for so speaking" (Burton, 2007). Sincerity has been around since always, in the Middle Ages, Romanticism, Victorianism. Now it is present in the political discourse in Russia, e.g. Putin presenting himself as honest and trustworthy vs the Western world and its elites. In literature sincerity meant authenticity, while in politics it looked simply as means of persuasion. The notion of sincerity can be used as a rhetorical device:

> In this classical context, *parrhesia* – i.e. the courage to speak the truth candidly – was seen as a political virtue. The use of *parrhesia* was not unproblematic. Plato first warned that the parrhesiastic act could be misused for the purpose of gaining political capital. As Elizabeth Markovits illustrates in her book *The Politics of Sincerity: Plato, Frank Speech and Democratic Judgment* (2008), a similar risk of political opportunism looms in today's society. Contemporary politicians increasingly employ the notions of 'frank speech' and sincerity as tools to increase political efficacy. (Roggeveen, 2020)

The use of parrhesia could be compared to the use of virtue in ancient Chinese culture. However, virtue has nothing to do with political interests in Zifu's case. She is virtuous since she respects the education she has received and the values which she had been taught. On the other hand, we see that telling the truth, an example of parrhesia, is very much respected and praised. One's opinion is always values when that person is believed to be telling the truth and defending someone and even some principles and rituals. In personal life, sincerity is also valued. It is used to bring the characters' close to the viewers. For example, it is easy to forgive Princess Pingyang's behaviour as she suffers and is upset because she is taken apart from her love, Zifu's brother. She is mean to Zifu, but she can easily be forgiven since she does not know what her mother had told Zifu's brother about the rumours that could hurt the Princess' reputation. Zifu herself can forgive even the former empress, who had tried to get her killed and poisoned, when the former empress is about to die. She asks Zifu to help her see the emperor one last time. Zifu agrees, but the emperor refuses, saying that he cannot forgive what she had tried to do to Zifu. We can see here once again a debate or an argument, which is more Western in structure. However, it deals more with persuasion and emotions than with a logical structure. The viewers can understand both sides, so they cannot take one side only, and thus can sympathize with both emperor and empress.

Culturally speaking, it is not difficult for the viewers to get into the story. The different types of arguments are not made into a problematic issue for the understanding of all cultures, as the readers are introduced in the story as they are introduced into any work of fiction. They will need to do some suspension of disbelief first of all. Although things look familiar at some point, they are well-aware that there is a different mindset from that of their own in ancient China. To begin with, it is not a monogamous culture, like their own, and the way relationships go is different. However, the psychological structure of the characters is not that different from today's world and from the cultures of today's world: even Zifu feels neglected and even jealous at some point on the new concubine she had insisted that the emperor got, as she believed that she should do this out of filial duty to the dying Empress Dowager.

Conclusions

The viewers are introduced into the world of the ancient Chinese culture step-by-step. They discover rituals, customs and values through the art of argumentation and are gradually introduced to everything effortlessly, like they would be introduced into another world from any work of fiction. The atmosphere is at times that of a story, a fantasy tale or even a fairy-tale. Fairy-tale elements are those having to do with the way the concubines are chosen by the emperor, like in a Western *Cinderella* type of plot. The jealousy of Empress Chen and that of her mother remind of Cinderella's stepmother and stepsisters. The helpers, who are Zifu's brother, childhood friend and, up to a point, Princess Pingyang, remind of fairy-tale helpers. Zifu is noticed by the emperor by being herself when she writes down her political opinion regarding the way the people are unjustly treated by those in power. She comes from a low background, but gains the emperor's heart through her beauty, intelligence and right sense of observation as well as through her kindness. These elements are common to fairy-tale patterns, and through their universality help introduce viewers into a foreign culture which proves not to be so hard to understand after all. The palace and its rules could be compared to various realms from fantasy and fiction stories, to other worlds. Together with Zifu, her borther and childhood friend we discover gradually what is going on and what should be done in order to survive and protect oneself from the dangers posed by the others.

The art of argumentation is all a matter of strategy at the court of the emperor. It helps reveal the truth and argue in favour of it, establish useful relationships, helps save someone's life, secure someone's status of power, and helps reveal and understand other people's intentions.

It is clearly not as important what you say rather than how you say it. The art of rhetoric has been playing an important part since ancient times in political and public life, as well as in personal life. Arguing for or against an issue has been used in science as well. We always need to know how to persuade someone regarding our point of view on a certain issue, and whether we succeed or not has to do with the way we present our speech and the way we use words. The expressivity of any speech plays a part just as important as taking into account the way in which an argument should be structured, following the structure proposed by Aristotle or the way the argument by analogy is used in Chinese culture starting with *The Book of Changes*. In the movie series, function of the situation, the characters either use words very skillfully to appeal emotionally to the interlocutor, use argument by analogy or use the Western type of argumentation as created by Aristotle. Throughout the series, most significant decisions are influenced and taken following someone's skillful use of words.

The fortune tellers' words have a significant weight attached to them in the series, although even these words can be questioned function of understanding whether these words are simply used for manipulation in view of a certain party's interest or they do tell the truth. In the very beginning, a fortune teller tells Zifu's stepfather that she will bring him bad luck. Further in the series, the viewers will see how this situation is repeated when Zifu is framed as a jinx bringing drought over the people. Zifu's mother begs her stepfather to forget about the words of the fortune teller and bring Zifu along with them, not to abandon her while they were all travelling away from their flooded home. Perhaps this happening is why empress Zifu believes that superstition should not be encouraged among the people when she is accused of being the Goddess of Drought. However, her mother and brothers will defy the words of the teller and return for Zifu. They take her side since they care a lot about her. Her stepfather was using the prediction as anyway he was wishing to get rid of her and found the occasion to do so. He was using the teller's words in order to fulfill his wish, and justifying thus his actions due to the teller's words. Another instance where personal emotions are influenced by a teller's words comes from the moment when one teller launches a rumour that the Chinese characters of Zifu and her childhood friend are so close just as their relationship had been all along. Rumours that Zifu cheats the emperor with her childhood friend, with whom she had a love story which he had never forgotten but had controlled his feelings all along, reach the emperor and make him believe them since he feals jealous. Thus, words and rumours resonate with wishes and fears of various characters during various situations. The right words are also those which make the characters realize that what they fear or what they want is already talked about. They are troubled by them, such as the emperor is during the rumours about Zifu and her childhood friend. They can also show them reasons for getting rid of a person, such as the times when they try to discard Zifu, first in her childhood and then as an empress due to the predictions.

Throughout the series, the action is set in motion through various arguments and discussions. The emperor's mother seems easy to be manipulated by the power of others' words, when she replaces the former Empress Dowager. The way she sees Zifu is not according to her own judgement, but according to the way the others describe her or according to the way they manipulate her. When Zifu is poisoned by the so-called healer, Chu Fu, she believes that it is right to bring Chu Fu to help her. She agrees with those who tell her that she should not let Zifu, who is acting strangely under the power of the poison given to her under the orders of the empress who was wishing to regain the emperor's favour, see her daughters, as she was dangerous to them. However, when the emperor rehabilitates her image, his mother becomes more trusting towards Zifu. The emperor appears to be a person who is never or rarely misled (such as is the case when he was jealous) by the power of others' words. He always listens to the what the others tell him critically, and is always willing to verify if they tell him the truth. He used the strategy of pretending to believe them only to stage an incident that would make his enemies give away their true intentions.

The power of arguing and the power of words is a universal one, which helps viewers find their way and adapt to the story right away. The argument by analogy is perceived as very expressive and very convincing to the viewers. The figurative language used in these cases also reminds of the parables in the Western world, which are regarded as examples of wisdom. The parallels between the two domains that are mapped are easy to understand, while at the same time make everything sound more convincing, since by visualizing situations and examples any speech becomes more persuasive.

The mixture of culture specificity and universal elements, as well as elements associated with Western culture, all work together to bring to life the past in a very convincing way. The viewers are convinced by the same art of persuasion that this world is a realistic one, they are convinced to go through

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suspension of disbelief and accept the world created by the series, with all the liberties it takes with the historical truth.

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ANDREA RACZ[1]

ETHOS OF CHILD WELFARE IN THE MIRROR OF SOCIAL MOBILITY

Abstract

The study examines the extent to which social work is able to provide support to disadvantaged, marginalized families and persons, and the way how the dysfunctional operation of the system contributes to the perpetuation of the clients' life conditions. The research entitled The Mechanisms Guiding the Functioning of the Social and Child Protection System had a twofold target group: on one hand clients and families struggling with different issues, on the other hand professionals working with them and actors involved in local decision-making. Based on both quantitative and qualitative results, the study outlines the opinions of these two target groups regarding the functioning of the social and child protection system and the effect of assisting individuals and families on their well-being and social mobility. It stresses upon the fact that the scarcity of financial and human resources in the field of social work and child protection, and the low social esteem towards the profession lead to the persistence and conservation of marginalized life conditions. Dysfunctionality typical to practice threatens the basic values and intervention principles of social work, thus restricting activities of providing professional support.

Keywords: Social work, families with children, well-being, social mobility and social care system

JEL Codes: I31, I38, I23

1. Child welfare social work, as quality help providing

We dispose of scarce information regarding the value and efficiency of professional work and its impact on social integration and mobility in Hungarian child protection from the perspective of professionals and clients. Within the research entitled *The Mechanisms Guiding the Functioning of the Social and Child Protection System*[2] we examined the way how the system reflects on the problems of the clients, the professional mentality, and in general how the system serves the improvement of the life quality and mobility prospects of clients, examining the cases of families with children struggling with various social issues. The research has been conducted in settlements of various sizes of a North-Hungarian disadvantaged micro-region and in a few locations of the Budapest metropolitan area. When presenting the findings, we use interviews with professionals, namely with social workers and decision-makers working in child welfare, and a population survey. The interviews with professionals reflect on the functioning of the system, while the interviews with the clients and the survey inquire what services facilitating child raising families with children know about, whether they use these services, and what their general opinion is about the quality of the services. We present the results from the perspective of child welfare services and quality service providing, thus of promoting social mobility.

Professional social work has many features: 1) integrity; 2) professional knowledge and efficiency; 3) ethical decision-making; 4) critical thinking and lifelong learning; 5) self-awareness and self-control; 6) cultural competence and acceptance of others; 7) social support (Vaike 2015:381). One of the basic

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notions and factors of social work is cooperation based on trust. Grell et al. (2019) points out that related to social work interventions and especially to official procedures, the clients accounted that they were afraid of not being understood, of being refused, or that they would be forced to do things they would not like to. They perceive the organisational unit responsible for officially initiated social work as an asymmetrical power, in which the formal character of the relationship between the client and the social worker is determinative. Moreover, depending on the complexity of their problems, the clients are in contact with multiple organisations, units or professionals, in many cases 7-10 professionals are involved in the life of the family, therefore they experience that they are lost in the system, "they become the case of everybody and of nobody" (Grell et al. 2019:4). The relationship intended to provide them support confers them the sense of discontinuity and fragmentation (Rácz 2017; 2019), while formal settings and (over)regulated competences often do not allow for the social worker to get to fully know the life situation of the client, which, in turn, increases distrust as case management and information gets fragmented. The social workers are afraid of making mistakes and of the consequences, which often impedes action, while the clients fear the consequences of interventions and that some of the interventions might not contribute to the solution of their complex and long-lasting problems. In many cases loosing their child is at stake (Wilkins–Whittaker 2017; Meysen–Kelly 2018).

In social work with families with children successful intervention means that one is aware of the advancement, and the life course of the client is followed through the various available services (Esposito et al. 2015). Complex, multiple welfare services can be defined as a social interaction, which implies simultaneously help, protection and impetus to development, from various sources, by involving the personal network of relationships of the individual and of the family (Mendonca–Simeos 2018). The interventions can be regarded as efficient if the participants are satisfied, motivated, if proper communication channels and the intent to solve interior conflicts are in place (Vaike 2015). We conducted the research with these values in view, attempting to explore the way how professionals and families with children reflect on the impact of social work on social integration and mobility in Hungary.

2. The views of child protection professionals and families with children on the services aimed at the development of children

Research method

The research relied on two pillars. In the first phase, we conducted interviews with 12 professionals working in child protection in the Budapest metropolitan area and in a disadvantaged micro-region in North-Hungary. The interviewees were selected through purposive sampling. The main topics of the interviews were the following: 1) presentation of the institutional structure; 2) the range of provisions and services; 3) presentation of the range of clients; 4) professional challenges, fields requiring development; 5) interpretation of the effect of a given services on mobility and life quality. The respondents included 1 local decision-maker, 3 managers of institutions, 2 case managers and 6 family carers.

In the next, second phase, we carried out the questionnaire-based survey in two steps, in summer 2018 and autumn 2019, also in a disadvantageous micro-region of North-Hungary, in settlements of various sizes, and in settlements within the Budapest metropolitan area. In the disadvantageous micro-region, the survey was conducted on a representative sample of families with children (aged 0-17 at the time of the research), applying stratified random sampling. The gathered data was weighted according to the composition of the households, the size of the sample in the weighted database consisting of 260 persons. The data collected in the Budapest metropolitan area represents data from 62 persons living in families with children; in this case we applied convenience sampling, therefore we consider that these data are merely informative.

17.1% of the respondents living in the disadvantaged North-Hungarian micro-region is male, while in the control area 14.5% are male. The rate of the urban population among the respondents is significantly lower in the disadvantaged area (29%) than in the Budapest area (85%). 24.9% of the respondents from the micro-region declared themselves of Roma ethnicity, while this percentage is only 1.6% in the Budapest area. 17.1% of the respondents from the disadvantaged area lives in a segregated area.

The study presents the results along the two pillars of the research; thus, first we conclude the critical observations of the professionals regarding the system, then we present the results of the survey, more precisely the level of awareness and use of services targeting child raising[3].

The views of professionals

The professionals pointed out several deficiencies of the the child welfare and child protection system. Undoubtedly the quality, or even the availability of services in the disadvantaged micro-region, especially in smaller settlements lag far behind the services existing in the towns. The professionals highlighted that they are unable to handle basic social problems, like poverty, unemployment and the family problems arising from these, like addiction, early school-leaving, teenage pregnancy. The high number of cases, the lack of proper resources and burn-out are permanent features of everyday work. An issue typical for all services is the scarcity of resources and the uncertainty of tenders.

Fluctuation, lack of professionals and the ensuing burn-out are all very demanding for people working in the system. They reveal disillusion when speaking about their performance of daily work or its quality, evaluating their situation especially from the perspective of the aim of the social supporting activity. They do not feel that they would have an impact on the actual problems of the clients or could influence the settling of their life condition on long term.

They think that services available limitedly and in a low quality are insufficient for promoting social mobility and compensating disadvantages. They consider that the situation of families with children is worsening due to the deepening of social problems and the limitations and deprival in the child care system. The lack of resources loosens the framework of social work as well, since when confronted with complex issues, in many cases social workers transfer problem solving to the level of authorities: *"Well, the problem is that we have few things at our disposal, so in most cases all what happens is that we visit the families and tell them. (...) So what we usually do is this, this is our support, and that we discuss with them, we go to see them, and then we guide them towards an authority, so it's a kind of contributor role, I don't know what else we could do."* (Family carer in a settlement in North-Hungary)

The view of families with children on awareness and use of provisions

The questionnaire was designed in order to find out which provisions and services, respectively family support services families with children know about and make use of in the field of health care, child raising and education.

We chose 14 services and provisions, which are of key importance from the point of view of the development of children, thus of successful social integration and the enhancement of their mobility chances:

- 2 provisions in the field of health care: general practitioner and child care officer.
- 5 provisions in the field of child raising: nursery, Sure Start House, kindergarten, educational counselling and child psychologist.

[3] The interviews with professionals were analyized with the contribution of Dorottya Sik, while the results of the survey were assessed with the contribution of Zita Éva Nagy.

- 5 provisions in the field of education: primary school, school for disadvantaged children, possibility to continue studies, college, language learning.
- 2 services in the field of child welfare: child welfare and family support, summer meals for children.

The first we examined was how known these provisions and services are, then to what extent families with children use them.

We can conclude that the 14 provisions are less known in the disadvantaged micro-region in North-Hungary (see Table 1). There is a stringent deficiency regarding the awareness about the general practitioner in the micro-region (only 43% of the respondents know who the general practitioner is), while this rate is 93,5% in the control group. However, the fact that the health care officer service is known in both locations, is a positive aspect.

Regarding child raising functions, we can conclude that the kindergarten service is generally known in the settlement or in the surroundings, in both locations. However, concerning the rest of the services, the differences are significant, especially regarding the nursery (there is a difference of 60.1% between the two areas), the child psychologist (the difference is 58.7%) and the educational counselling (the difference is 43.4%). The Sure Start House, which basically is a service created for deprived children, is known to 71.1% in the disadvantaged region, while this rate is 46.8% in the Budapest metropolitan area.

In turn, there are huge differences regarding opportunities to continuous education, which are of key importance in social mobility. In the Budapest area, 82.3% of the families are aware of such possibilities, while this rate is 20.8% in the disadvantaged region, which means a nearly four fold difference. That is also why placement in a college can be more important in the disadvantaged region (22.5%, while this rate is 9.7% in the Budapest area). Awareness about the language learning possibilities is three times higher in the metropolitan area (90.3%) than in the disadvantaged micro-region (32.6%).

In both examined areas, the family and child welfare services and the summer meals for children service are widely known, although the latter service reaches out to families to an even higher extent in the disadvantaged region, probably due to the more difficult financial situation: the rate is 85.2% as opposed to 61.3% in the capital city. The child welfare service is known to a high rate, as information on this service reaches out to two-third of the respondents in both examined regions.

Table 1. What kinds of services or institutions destined to children exist in the place you live or in the surroundings you know about, and which ones do you use? (%; N=260, respectively 62 individuals)

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Table 1. What kinds of services or institutions destined to children exist in the place you live or in the surroundings you know about, and which ones do you use? (%; N=260, respectively 62 individuals)

Services, provisions	Percentage of individuals being aware of the service in the disadvantaged microregion (%)	Percentage of individuals being aware of the service in the control group (%)	Percentage of individuals using the service in the disadvantaged microregion (%)	Percentage of individuals using the service in the control group (%)
Paediatrician	43	93.5	65.4	83.9
Child care official	93,7	96.8	78.4	85.5
Nursery	36.7	96.8	19.4	33.9
Sure Start House	71.1	46.8	35.7	16.1
Kindergarten	96.2	100	70.4	74.2
Educational counselling	32.4	75.8	12	22.6
Child psychologist	12.3	71	4.8	25.8
Primary school	97.4	100	62.2	61.3
School for disadvantaged children	19.7	14.5	6.8	1.6
Continuous learning	20.8	82.3	17.1	21
College	22.5	9.7	6.6	1.6
Language learning	32.6	90.3	19.8	33.9
Child welfare and family support service	77.3	91.9	25	11.3
Summer meals for children	85.2	61.3	33	0

Source: Author.

The extent to which these services are used varies. The difference in the recourse to services of a paediatrician presumably is due to the insufficiency of the provision in the micro-region (65.4% as opposed to 83.9% in the metropolitan area), while the services provided by the child care officer are highly used. Among the provisions targeting child raising, with the exception of the kindergarten, all the other services are accessed to a very low degree. Regarding provisions aiming at public education and continuous learning, there is no significant difference between the disadvantaged respondents and those belonging to the control group with regard to kindergarten and primary school. There is, however, significant difference in language learning, since the population in the metropolitan area has recourse to language courses at a higher rate: 33.9%, while this rate is 19.8% in the disadvantaged area.

Family support services are used more than two times in the disadvantaged area than in the capital city; this is due to higher levels of poverty, just as summer meals for children are used only in that region as well.

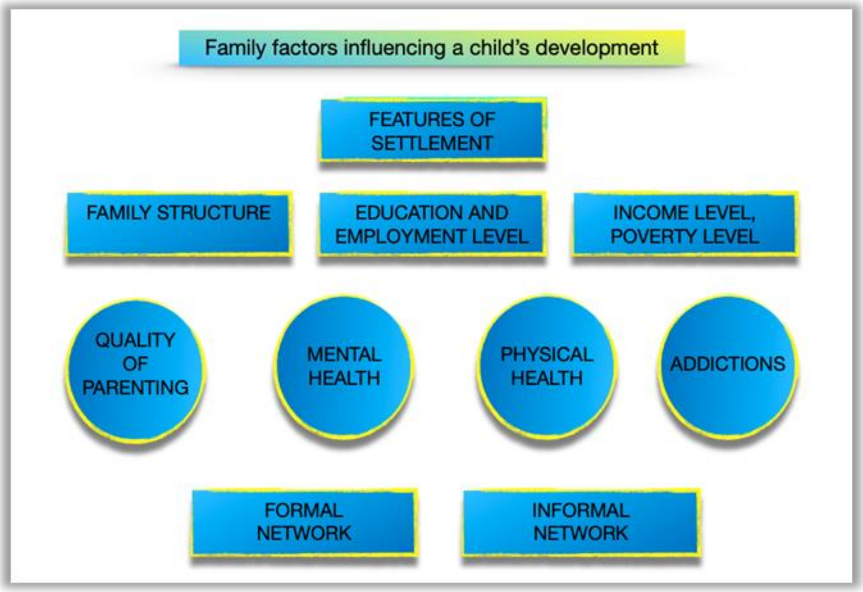
3. Conclusion

Our quantitative and qualitative results show that it is a basic problem that in the examined disadvantaged micro-region, the programs aiming prevention are almost entirely lacking, thus social work is aimed at families struggling with complex issues, carried out without proper professional means. Due to high fluctuation and the lack of human resources in general, the basic tasks are impossible to complete. Unfortunately the families often do not even know how they could ask support to the solving of their problems, since they do not have a realistic view of the services. The family problems keep worsening also because of the deficiencies in the functioning of the child welfare system, since no meaningful intervention is initiated for a prolonged period.

Our research results indicate that support provided to families lacks systemic approach, which would take into account the unsatisfied needs of children and adults. There is no partnership and open communication established between child protection actors and representatives of associated fields, typically the resources are fragmented, and the shifting of responsibility dominates.

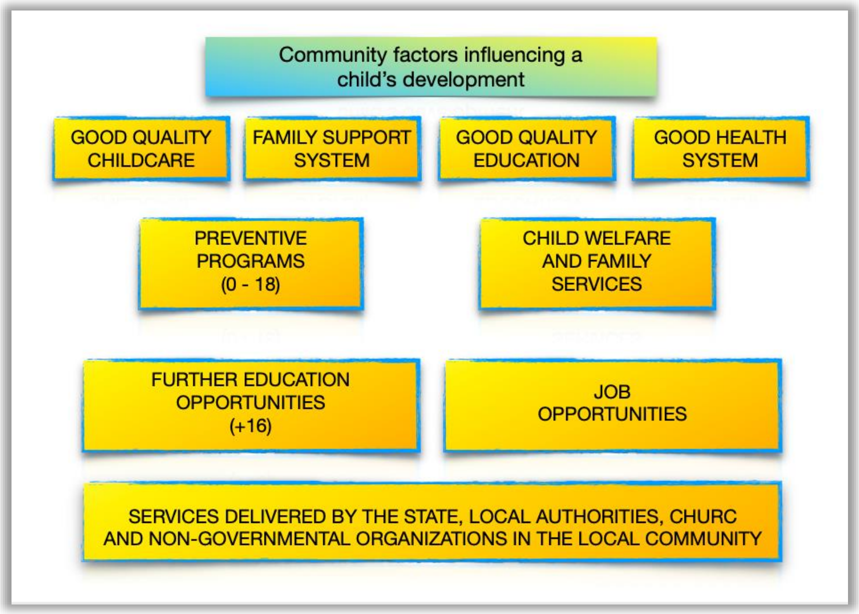
The findings confirm that the promotion of social mobility from the perspective of child welfare and child protection needs to rely on broad cooperation and partnership, which take into account both the family and community factors impacting the development of the child (see Figures 1 and 2).

Figure 1. Family functions of key importance



Source: Author's own work 2020 on the basis of CWDC (2011) and the presented research results.

Figure 2. Community functions of key importance



Source: Author's own work 2020 on the basis of CWDC (2011) and the presented research results.

As the research results also reveal, we need a child protection structure in place, which is supportive, builds on the work of well-trained professionals, and transmits varied services. We need complex forms of support in order to manage the accumulated and long-lasting problems of families; we also need to ensure specific mental health support to professionals in order to relieve professional burdens and preserve their mental health (Rácz 2016; 2019; Rácz–Bogács 2019; CWDC 2011). When these conditions are fulfilled, the families with children facing troubles become increasingly able to efficiently use the available services, thus contributing to the wellbeing of their family members and enhancing the mobility chances of children.

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RISK MANAGEMENT PROTOCOL FOR COVID-19 IN THE MEXICAN SMALL HOTELS

Abstract

The tourism is currently showing a discouraging panorama caused by the COVID-19 pandemic. The suspension of travel and the reduction of mobility caused an unprecedented drop in hotel occupancy rates. In addition, after more than three months of closure, hotels must comply with new operating conditions. In the world, risk management protocols are established, regardless of the size of the hotel establishment. Due to the difference in opportunities between large and small hotels to comply with the risk management protocol, this research analyzed the risk management indicators shown by small hotel establishments in one of the main tourist destinations in Mexico. Representatives of small hotels were interviewed. The content of the recorded interviews was analyzed with the Atlas.ti software and five categories resulted. The five categories were operationalized and a questionnaire was designed with which 85 administrators of small lodging establishments were surveyed. The result of the quantitative analysis was of five factors that define risk management in small hotels in one of the main cultural tourist destinations in Mexico.

Keywords: Tourism, Lodging, Small hotels, Risk management-COVID-19

JEL Codes: Z30, Z31, Z32, Z33

Introduction

The importance of the tourism sector in the world economy is evident. However, the COVID-19 pandemic has shown how weak this economic sector is and the ravages are now seen and will be seen for a long time. Before the current pandemic crisis, the tourism sector represented one of the main generators of employment and foreign exchange for Mexico. According to De la Rosa and Amador (2020), the income reported by the tourism sector represented an increase of 10.2% compared to 2018 and represented foreign currencies for 24.8 billion dollars in Mexico.

In 2019, Mexico dropped to 7th place in the international tourism ranking below Turkey. In seventh place, Mexico grew to a demand of 45 million international tourists and 29,000 new rooms were built according to the Secretary of Tourism of Oaxaca State (2018) being Cancun in the Caribbean and Los Cabos in the Pacific Coast are the most popular sun and beach destinations in Mexico. In recent years, the promotion of the films such as Specter by James Bond in 2015, Coco by Disney Pixar 2017 and Rome (winner of the Oscar in 2019), impacted in the imaginary of the number of visitors to destinations with cultural attractions, increasing their affluence as it appears that the film reproduces stereotypes constructed by the historical process and displays aspects of promoting tourism and events (Lopes, Nogueira y Baptista (2017).

Particularly in Oaxaca State of Mexican Southeast, where the day of the dead celebrations shown in the aforementioned films are held, a demand of 5,367,649 visitors was observed. The state capital city was visited by 20,715 international tourists during 2019. The tourist offer in Oaxaca City is a range that integrates culture, archeology, gastronomy, among others. The city of Oaxaca de Juárez has been

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declared a World Heritage City and has been part of the UNESCO catalog (2020) since 1987. The UNESCO distinction is important for tourist recognizement, but it reduces the possibility of new constructions and infraestructure for mobility. The accommodation offer is reduced to three large hotels, 12 medium-size and 121 small-size.

With the current COVID-19 crisis, there is an uncertanity panorama for the tourism and particularly for the lodging services. The lack of certainty to have a vaccine and the contagion risks is the scenario facing the hospitality services. Under the premise that security is imposed by the customers as a priority, some countries such as Spain, have developed security protocols for COVID-19. Safety protocols establish risk management as the main element to guarantee measures to avoid contagion. In Mexico, the tourism secretary published that lodging service establishments must follow a so-called security protocol with measures for cleaning and disinfecting surfaces and spaces for common use; correct hand washing, installation of sanitary filters for personnel; training of personnel on security measures and how to approach clients and protective equipment (masks, gloves and mouth covers) (Cortés Alcalá, 2020).

The security protocols and risk management are conditioning factors for hosting devices regardless of their size and adaptability. The large hotels, and especially those that belong to international chains, already promote the risk management systems implemented to avoid contagion as part of their current advertising for the reopening. The advertising in the media allows to see the progress in the opening of large hotels. The outlook for small hotels looks to be more complicated. In the case of the lodging accommodations in Oaxaca City, it seems that the COVID-19 will annihilate them. When conducting an interview with representatives of the small hotels in Oaxaca, they showed their resistance and resilience. The managers of the small hotels in Oaxaca City, who are in many cases same the owners, face the current reality and declare that they are standing with alternative measures for risk management.

In this document you will find the information organized as follows: A literature review containing the elements of the safety protocols and a review of the risk management protocols for COVID-19 available in the recent literature to identify the elements and factors that may lead to the construction of indicators in the Mexican Context. In the methodology section, the description of the population and the sample are shown; then, the structure of both the interview and the questionnaire used to collect the data and the qualitative and quantitative analysis carried out are integrated. In the results section, the tables summarize the data and the explanation thereof. Then, the conclusions and limitations contrast the results with the reviewed literature and mention the scope and possible continuity of this line of research.

Literature review

The COVID-19 crisis has caused an urgent need of multidisciplinary research to attend all of the challenging situations beside it. As an example of the criticism to the ultimate tourism development models, Gössling, Scott & Hall (2020) discuss about the recent global pandemic crisis under the premise of a need to question the volume growth tourism model advocated by the main tourism organizations worldwide. For the issues regarding acommodations services, Gössling, Scott & Hall (2020) have early identified the uncertainity about how these businesses could make sure that rooms are safe for newly arriving guests or how COVID-19 cases ocurring in these establishments would be handled.

On the other hand, Niewiadomski (2020) shows not only the temporary scenario of the de-globalisation as an enormous challenge for the tourism industry but also an unprecedented opportunity for a re-boot in an unrepeteable chance to re-develop doing away with the “dark sides” of tourism such as environmental degradation, economic exploitation and overcrowding. It is evident that the processes of adaptation for this crisis have to be attended to integrative approaches to reach the sustainability after this crisis.

The criticism about the current tourism development and its impacts has recently, before and during the COVID-19 crisis, raised the research approaches to the adaptations of the tourism practices for a"responsible" operation. Higging-Desbiolles (2020) suggests a community-centred tourism framework that defines and reorients tourism based on the rights and interest of local communities in order to make accountable to social and ecological limits of the planet. As the community tourism is highly appreciated in the indigenous peoples of Mexican Southeast, this research background seems to be interesting for further research in a vunerable sector of tourism in Mexico.

Unfortunately, the small-scale accomodation businesses is another highly vulnerable tourism sector. In Mexico, the compliance with environmental management programs is required for the certification of environmentally responsible hotels. Particularly in Oaxaca, the management of small hotels to achieve environmental certification has been analyzed. The results of Velázquez-Sánchez, et al (2018) showed the actions that the managers implement in small hotels to comply with environmental management. The results showed that micro-level actions are carried out in small hotels to comply with environmental regulations. For the COVID-19 crisis , the actions in small hotels will for sure be different from those carried out by large hotels according to their capacities.

The first documents that integrate tourism security protocols are found in the Leading Global Protocols for the New Normal (World Travel & Tourism Concil, 2020), in which the main objectives can be observed: 1) Have sector lead the definition of industry best practices as Travel & Tourism moves fron crisis managment to recovery and 2) Put the safety, health and security of travelers and the Travel. In the WTTC page the certified hotels complying with all the mentioned practices included in the protocol are shown, including chains that operate in Mexico such as Hilton, Marriott International, Cityexpress Hotels, Melia Hotels & Resorts and Posadas, among others.

In Mexico, the Secretary of Health disseminated the protocol to follow due to the coronavirus COV-19 (Cortés Alcalá, 2020), through an interview with the Director of Health Promotion. The protocol to be followed requires personal hygiene, environmental and healthy distance measures and includes: Cleaning and disinfection of surfaces and spaces for common use. Correct hand washing. Installation of sanitary filters. Training of personnel on measures of use of protective equipment. The general provisions of the Mexican health sector is for the compliance of all people in the different areas of activity.

On the other hand, the Secretary of Tourism (Secretary of Tourism, 2020) agreed with the different tourism stakeholders that in order to offer the lodging service, the following provisions must be met: 1) Acquisition of accredited products for disinfection and security of personnel. 2) Integration of a group of people responsible for monitoring risk management. 3) Carry out a protocol to carry out sanitary filters. 4) Provide training to personnel. 5). Guarantee hygiene of the environment. 6) Guarantee personal hygiene. 7) Guarantee the Healthy Distance. 8) Have an Isolation area for suspected cases.

For the particularities regarding hygiene-sanitary prevention measures to reduce the risk of COVID-19 infection, very little data is still available. It is important to mention that the recent publication of the protocols and the differentiated opening of tourist centers in different countries limits the availability of preliminary studies, so this study limits itself to describing a case study, which is the small hotels in Oaxaca City and can provide base information for subsequent studies, so it was proposed to carry out an exploratory study of the remains that the sector faces in the face of the pandemic.

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Methods

This study proposed a mixed qualitative – quantitative methodology. The first one with in-depth interviews which were carried via Zoom App with key informants, which were indicated by the administrators of small hotels in Oaxaca City. The information from the interviews was analyzed to identify risk management categories, using the Atlas.ti software. In a second moment, a questionnaire with the item design was constructed. A survey was conducted with eighty-five managers of small hotels. Through analysis of the main components, the risk management actions performed by the hotels were identified and oriented to indicators.

Qualitative Analysis

For the interview design, five general questions were designed based on the items for the risk management processes of COVID-19, both from the Mexican Secretary of Health and the Mexican Secretary of Tourism. The interview was conducted according to the agenda set by the key informants, including Representatives of the Small Stablishments of Oaxaca City (CANIRAC) and the State Secretary of Tourism. The five topics were provided and through a Zoom connection, the interviews were recorded in which, without limit or interruption, the interviewees expressed their opinion on the actions that small hotels should carry out according to their characteristics, in order to reduce the risk for customers in accommodation establishments.

Quantitative Analysis

For the collection of quantitative data, a questionnaire was constructed with 62 items designed from the operationalization of the four categories resulting from the first qualitative analysis. The items in the questionnaire were integrated with structured response alternatives, with a five-point liker scale, and they were applied by telephone calls. The people who answered the questionnaire were refered to provide the information. The data was provided by the administrators of the establishment and in a lower percentage by the owners.

Operational Definition

Risk Management in the Reception Area: A measurement of the actions for the process of reception and departure of the clients in the hotels was used and was defined operationally as the frequency with which they carry out actions to reduce the risk of clients at the time of registration and hotel exit. Eighteen items were designed for measurement and a five-point liker scale was included as can be seen in the operational Table 1.

Risk Management for Employees: It was measured with the construction of items by the actions they implement in hotels to reduce the risk of contagion among employees in the establishments. Seventeen items were designed and a likert scale with five points was used for its measurement.

Risk Management in the Rooms: Those actions implemented in the establishments to reduce the risk of contagion in the rooms were measured, sixteen items were constructed and a five-point liker scale was included as shown in Table 1.

Risk Management in the Common Areas: The frequencies with which they carry out actions to reduce the risk of contagion in the common areas of the establishment were measured. Eight items were designed with a five-point scale.

Table 1. Operational Framework of Risk Management before COVID-19 in small hotels

Category	Management Actions	Items
Risk Management at the Front Desk and Reservations Area.	Online Check-in Installation of gel alcohol dispensers Installation of sanitizing mats Temperature Checks Baggage disinfection Keys disinfection and packaging Surface disinfection at the reception area Floor disinfection Disinfection of access perimeter Disinfection of corridors near the reception area Disinfection of stairs near the reception area Disinfection of elevators Online Check-out Online Banking Charges Online Invoice System Higiene point for washing hands Temperature checks protocol	18
Risk Management for Employees	Entrance temperature check for employees Masks equipment (Mouth covers) Masks equipment (Face covers) Disposal Gloves equipment Safe Transportation Provision Clinical checks of routine Medical Service Customer service training Risk prevention training Training for the proper use of the protection equipment Training for disinfection in common areas Training to manage suspicious cases Waste Management Training Training for room disinfection Training for bed sheets and towels disinfection Training for maintenance of the safety equipment Training for the use of alcohol gel dispensers and sanitizing mats	17
Risk Management for Rooms	Implementation of access cards (instead of room keys) Keys disinfection Rugs and mats withdrawal Sanitizing mats at the entrance of each room Alcohol Gel Dispensers in each room Antibacterial soap dispensers in each room Bed disinfection Sheet sanitizing Blanket sanitizing Bedcover sanitizing Towel sanitizing Room curtains sanitizing Room Walls and Surfaces Sanitizing Furniture disinfection Toilet disinfection Lavatory disinfection Shower disinfection Implementation of infrared sensor taps Protocol for disposable resources at the rooms	18
Risk Management in common areas	Social distancing disclaimer Common areas disinfection Sanitizing mats in common areas Alcohol gel dispensers in common areas Maximum capacity disclaimer Use of masks required in common areas Schedule reduction for common areas Ventilation System Implementation	8

Source: Author’s own ellaboration.

The information gotten from the interviews was transformed into text and analyzed with the use of the Atlas.ti software to identify the predominant categories of risk management in the various processes of the accommodation service in small hotels in Oaxaca City. For the quantitative analysis of the information, the factor analysis of the items was carried out, with which the identification of risk management indicators before the COVID-19 in small hotels located in the city could be obtained.

Results and discusion

The results showed that the hotels in the sample are in a range of between 12 and 25 years old. Regarding knowledge of the Management System before COVID-19, 23 interviewees indicated that they do have knowledge of this concept and the implications that it requires to be able to provide the hosting service again. Respondents indicated that some institutions have established actions to reduce the risk of contagion among staff and customers. They also mentioned to the Mexican Association of Hotels and Motels of Oaxaca, the Secretary of State Tourism and the Secretary of National Tourism (SECTUR) the instances that establish the process for risk management protocols.

The main actions for risk management carried out in hotels are in the implementation of new devices at the establishment access, disinfection of areas, signage in spaces, placement of alcohol gel dispensers, separation of furniture in common areas, ventilation in closed spaces. As well as the provision of full masks and mouth covers to the staff and the trainings for customer service and disinfection of rooms respectively.

85% of the hotels do not have a comprehensive training program and are just training on the go. 90% of the interviewees stated that they carry out actions to reduce the risk during the customers' stay. 92% placed risk management actions against the COVID-19 contagion on their page to gain the confidence of tourists. The descriptive results showed the following percentages grouped into four categories: 50.8% showed indicators for risk management to reduce the risk of contagion in clients, 25% showed management indicators to reduce the risk of contagion in employees, 18.8% of the respondents showed management indicators to reduce the risk of contagion of COVID-19 in the rooms, and 12.5% of the sample mentioned performing management to reduce the risk of contagion in common areas.

Risk Management at the Front Desk and Reservations Area

It was identified that 56% of the hotels showed actions for online check-in check-out protocols, 32% with electronic banking systems for payments and invoice issuance, 98% have installed sanitizing mats and devices to access to the establishment. In 12% of establishments, baggage disinfection is carried out. The installation of automatic alcohol gel dispensers was observed in 25%. In 50% of the hotels they have hygiene points for hand washing, 25% make access check-ups with the temperature tap and 80% have access to the room with an electronic card.

Risk Management for Employees

On the type of training for hotel employees, 68% of the interviewees mentioned that in addition to training in the use of protective equipment, they have provided training for customer care to reduce the risk of contagion, but also to detect probable cases. Regarding the type of training, it was identified that 73% of the hotels use electronic thermometers to take the temperature and the rest have implemented an external service in case of suspected illness. Another outstanding indicator was that 100% stated that they trained personnel to disinfect areas particularly with the new products to eliminate the COVID-19 virus. The hotels that provided the least training to their workers are those with between 10 and 15 rooms. The worrying data is that only 10% of the sample has sent their employees to be tested in laboratories.

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Risk Management for Rooms

Regarding the actions implemented to reduce the risk of contagion in the rooms, 37% mentioned that protective measures for handling waste from rooms are part of the instructions to staff, 62% carry out disinfection actions after each occupation. The interviewees identified that risk management in the disinfection of bedding and towels is essential to reduce the risk of contagion, this is why they do it in each of the occupations. 50% of hotels do not have rugs in their rooms, 18% are removing carpets from the rooms and furniture that reduce spaces, and 12% reported installing automatic infrared sensor water taps.

Risk Management in Common Areas

The questions in this category focused on identifying specific actions in common areas that can allow the conglomeration of people. 98% have placed disclaimers or advertisement to indicate the number of people for maximum capacity of a certain common area and the need of distance of one and a half meters among people. 65% of those interviewed stated that they did not have a restaurant service and 20% mentioned that they have implemented the installation of glass dividers to avoid proximity.

Cuantitative Analysis

In the data analysis through the main components of risk management for the COVID-19, four indicators were identified for small hotels (Table 2).

Table 2. Risk Management Indicators for COVID-19 in small hotels in the city of Oaxaca

Risk Management Category	Indicators
Risk Management at the Front Desk and Reservations Area.	Higiene Points Placement (Personal) Sanitizing Points Placement (Objects and Places) Health Checkpoints Disinfection Protocols Online and Self Services
Risk Management for Employees	Employees Higiene and Health. Employees Protection. Training for the new features of customer service. Training for personal higiene and security measures.
Risk Management for Rooms	Adaptation of the facilities. Room Disinfectation Protocols. Bedding Disinfection Protocols Customers Higiniene Devices in the Rooms Advanced Waste Management for Rooms
Risk Management in common areas	Higiene and Security Disclaimers and Advertisement. Higiene Points Placement Capacity Limits Furnirure Optimization

Source: Authors.

Conclusion and recomendations

Based on the protocols that establish the hygienic-sanitary prevention measures for COVID-19, it was considered that the small hotels in Oaxaca City carry out some risk management actions to face the actual contagion conditions by the pandemic and with these actions promote the occupation of establishments.

The results of this research coincide with the actions recommended by the Secretary of Tourism of Mexico (2020) and the Secretary of Health in Millennium (Cortés Alcalá, 2020). The risk management indicators to anticipate COVID-19 contagion: for the registration and departure of customers, for the safety of employees and rooms coincide with that implemented by large hotels such as the great Hotel in Mexico City (Gran Hotel Mexico City, 2020).

The investigation results were fulfilled as it was analyzed that in the small hotels of the city of Oaxaca, there are indicators for risk management and a manifest concern to reduce the spread of the disease. The image of the establishment is also influenced by the trust of customers. The protocol of hygiene-sanitary prevention measures to reduce the risk of contagion of COVID-19, can be included in the client's preference.

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The risk management indicators can be observed when the actions for workers and customers protection are manifested in the changes and adjustments in the service and facilities. In this study it was verified that small hotels carry out more actions such as the installation of hygiene points and materials for shoe cleaning and temperature checkups at the entrance.

It was shown that 100% of the small hotels analyzed in Oaxaca City expressed interest in installing a protocol for risk management and reducing the possibility of contagion in their establishments. 85% consider that they can implement measures that comply with those established by the WTTC (World Travel & Tourism Concil, 2020), but also it is considered difficult as a start of operations. 56% of respondents stated that it will be impossible to meet all the indicators.

It is important to mention that some complications to carry out the study were due to the resistance of the interviewees to provide information, but mainly to the lack of proper information and guidance to implement the necessary measures. Another difficulty was the moment that the hotel sector is facing due to the level of contagion and the lack of a date for the official opening of the establishments.

This study has limitations, since only small hotels were considered, the results may vary with other hotels. The local context, the type of destination, the type of tourist segment and the type of supervision required by local and national health authorities may also vary. It is recommended to consider a different sample or to enlarge it based on the characteristics of the context for further studies. In these uncertain times, only preliminary data on the impact of the pandemic and then the resilience actions of small establishments can be provided.

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CONSERVATISM IN ALBANIA: WHERE DID IT GO WRONG?

Abstract

Political ideologies have constantly been the mechanisms which have shaped and pushed forward the political movements. As an example of that, the Democratic Party of Albania has tailored its statute and justified its activities under the conservative ideological umbrella. However, there is a thin line between identifying with a particular ideology and properly following and putting into practice its core ideas. While the DP would consider itself as a liberal conservative party and has shown to follow some of the ideas and practices that are inspired by such ideological division, it nevertheless has also shown to act contrary to what it preached. Moreover, it is seen that the party violated some of the core concepts of conservatism, specifically in two scenarios: (a) the land reform and (b) the sea agreement talks with Greece. In order to verify these assumptions, this study firstly provides a discussion on conservatism as a political ideology, together with some of its main thinkers. Later on, the discussion proceeds with the concept of liberal conservatism and how it is incorporated by the DP and in relation to that, the two scenarios that were mentioned above, which are treated separately, but nevertheless, they remain under the common framework of the discourse on conservatism and its practices.

Keywords: Conservatism; liberal, democratic party, Albania

JEL Codes: E61, D72, D78

1. Introduction

The Democratic Party of Albania is the main political party in that country to have declared an affiliation to the conservative ideology and precisely the liberal conservative ideology. Consequently, such party has established cooperation with other political parties alike in Europe and also in the United Stated of America. Formally, the conservative ideology in Albania is very much present and has been applied by one of the two biggest political party which has served for three terms. Nevertheless, the performance provided in these terms showed controversial behaviours and decision-makings that went against the principles of the conservative ideology. Particularly, in cases when the Democratic government had to sign an agreement with Greece for the demarcation of the sea borders between them and also during the time I decided to conduct the land reform.

The case of the sea agreement with Greece was declared at that time as a matter of territorial integrity for Albania and the terms that the Government agreed were believed to be in disfavor for the small country. As for the land reform conducted by the Democratic government in the early 1990's, it brought negative outcomes for the population, which persists up until this day. Moreover, the existence of democracy within the party has been put into question several times due to behavior of its former political elite.

This study aims to explain how the conservative ideology has been applied in Albania, and specially by the Democratic Party, as well as which principles of such ideology have been respected and which have been disregarded.

For this, the study starts with a short introduction on the conservative ideology and then continues with the discussion on the liberal conservatism, as one of its branches, and then it directs towards the

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relationship between such ideology and the Democratic Party. The study focuses on the case of land reform and sea agreement, two of the most well-known decision-makings of the Democratic regime. Finally, the study concludes with a recapitulation on the level of the applicability of the conservative ideology in Albania and reflects on the principles that have been violated in that context.

2. A short introduction to conservatism

Conservatism is a political ideology which has many interpretations but nevertheless it can be said its philosophical understanding comprises the preservation of the tradition and negligence to the changes. However, that does not mean that conservatism is against change or progress, as long as it is not based on abstract notions and that they do not produce unforeseeable outcomes. Moreover, conservatism has provided many nuances and understandings of what it is like to be a conservative and how they are perceived in various situations (Hoffman, 2015). Despite being a multi-layered ideology and having been introduced and applied in various ways in various countries it nevertheless follows 6 common practices and beliefs: It rejects the rationalist viewpoint, respects the traditions or experiences, discusses the nature of the humans, is skeptic regarding long political projections, tends to preserve the institutions and is concerned about the authority.

The importance of tradition and experience is stipulated by Hume who renders them by issuing the notion of sentiment. For Hume, only the induced experiences (sentiments) derived from past provide the basis for a true knowledge and explicitly criticizes rationalism which tends to disregard experience (Hume, 1738). Moreover, Hume puts an emphasis on the human nature which, regardless of being associated with self-interest, it can still stray away from the selfishness and can make people engage into cooperation under a legitimate government and hence secure their property. Following the same line of thought, Burke expresses a disagreement over the use of abstract ideas which would lead to the radical actions that in essence would provide an ambiguous future at the expense of not respecting the presence of the institutions (Burke, 1790). The threat coming from rationalism was as well expressed by Oakeshott who, besides reinstating what the previous conservative thinkers have assumed regarding such issue, has broken down the notion of knowledge in two parts: technical and practical knowledge where the former is more preferable by conservatism and latter by the rationalism (Oakeshott, 1962).

3. Liberal conservatism

The liberal conservatism is one of the several divisions of the traditional conservatism which is highly grasped on the idea of a common morality which is in an overall ordinance within the state, a natural legality, the protection and respect for tradition and a society which is organically unified (Heywood, 2017). Such division essentially supports the idea of a "small government" which in other terms is referred to the practices of not having a major interference of the state authorities in the economy but rather it supports the creation and expansion of a large private sector (Johnston, 2012). In this sense, such ideas derive from the liberal viewpoint on the freedom of the individual and the importance of the institutions in safe-keeping these liberties (McAnulla, 2006) in combination with the conservative approach of respecting the tradition and the historical institutions. In broad terms, the liberal conservatism is often being adopted by parties that are considerate to be leaning towards the center-right and is more found in Europe and adopted by parties such as the Christian Democratic Union in Germany or Forza Italia in Italy (Nordsieck, 2017).

4. The Democratic Party and the liberal conservatism

In the history of the modern Albanian political system, the Democratic Party is considerate as the flagship party during the country's reformation. Based on a liberal viewpoint on the economy, the DP, since from its election in 1991 has conducted mass privatization of the public assets, provided grounds for a free market (Teqja & Zotaj, 2014) and put forward the program of land distribution, which will be discussed in the upcoming section. These undertakings were as well part of the 2005-2009 and 2009-2013 terms in which it was shown substantial effort in strengthening the private sector (Papajorgji, 2014). More or so, this economical policy was executed in the educational system which saw a boom of the private higher educational institutions by the year 2012 (Çela & Muçaj, 2012).

Regardless of the seemingly applied liberal practices in the economy and education, the DP has shown to have followed ambiguous choices in ruling. Throughout the history, the party has reflected undemocratic practices despite of recurring to liberal discourses. More specifically, it was shown that there was a lack of intra-party democracy where the critics would be expelled from the party and the power was shared only amongst a small group of people (Krasniqi & Hackaj, 2014). From a liberal standpoint, this is an example of a violation of the rights and liberties of the people in terms of expression or action. In reference to the idea of the limitation of freedom in the case of DP it can be said that it generally comes from the authoritarian mentality that has been inherited from the former communist regime and was embedded within the higher ranking party officials (Kajsiu, 2002). Such way of ruling didn’t in fact establish the propelled cohesion and synergy with the population as in fact it created a polarized society in terms of economy, weak institutions and high level of corruption. Moreover, the responsibility to protect the interests of the people hasn’t been as much visible as it was assumed due to the inability of the Democrat Party to avoid the fall of the ponzy schemes and the state collapse in the year 1997 (Jarvis, 2000). As the liberal side of the party’s ideological has shown disturbance, the same thing as occurred for its conservative side which has took massive hits in the following two cases.

5. The land reform

The 1991 land reform that occurred in the newly democratic Albania has been one of the most recognizable malpractices of the political class during the last 28 years. While similar reforms had occurred in all of the Central European Countries, they differed from the one which the ruling Democratic Party had implemented in Albania. While in all the CEE countries the property was redirected to their righteous owners, in Albania there was a total redistribution of the property of a phew land owners in the country to a large number of people (Cungu & Swinnen, 1999).

In 1991, the Parliament of that time adopted the Law No. 7501 upon the proposal of the Democrat Council of Ministers (L.7501,1991) , a decision which overcomplicated the situation. Unlike what it was promised, this Law provided the opportunity for the farmers who had worked on a particular land during the communist regime to gain the ownership of that regardless of it being the property of others (Cungu & Swinnen, 1999). As a consequence, the former owners were to receive financial compensation for their respective lands and later on, due to some amendments to the law, the state would grant them with properties situated in the coastal or mountainous areas (Rama, 2013). However, the compensations were dragged in time and often would their lands would be subject to unfair compensations or even illegal privatizations or altering of their land’s borders (Likmeta, 2018). As a result, many people would turn to the European Court of Human Rights which, on most of the cases, it would draw decisions in favour of the citizens and would force the government to spend millions of leks in order to compensate them (Binjaku, 2018).

The negative outcomes that were generated by conducting this kind of reform in this particular way raised questions on the rationale of the Democratic Party’s decision-making during that time. Albeit the DP has demonstrated conservative viewpoints and policy-making in some cases, in this one it behaved more as a rational actor. The form of land distribution which was presented had violated one of the core principles of the conservatisms such as the respect for the tradition which in this case it is translated as the ownership right. By essence, the property wasn’t preserved but rather it was spread on the basis of the distribution of gains which leans towards a more rationalist approach. In addition, the reform, which in itself it is a form of change or progress, turned to be quite radical rather than gradual, contrary to what conservatism supports.

6. The sea agreement

In 2009, the Albanian government, headed by the Democrat Party Leader Berisha, engaged into talks with Greece regarding the sea border between the countries. At the core of the talks was the marking of the borders with the purpose of making such space to be properly used for economical activities with having a clear idea on the national jurisdictions' limits. However, the talks were kept behind closed doors and were finalized with the so called "Sea pact" which eventually turned out to be not beneficial for Albania as with the new marking, the country would end up with much lesser water space while Greece would gain more (Top Channel, 2018). For that reason, the Constitutional Court, upon receiving the request of the political opposition coalition as well of several experts drew the conclusion that this pact has challenged the constitution mainly the article 3, 4, 7 and 92/ë which protects the sovereignty, integrity of the borders of the Republic of Albania as well as the international agreements that are required to be conducted as the national law requires (Decision 15/2009).

Sovereignty and the protection of the borders are incremental to the state's identity and security not only due to the fact that they are sanctioned by law but also due to the fact that they have been embedded in the political discourse across several countries for centuries. However, in the current times, these elements are seen to be fading in a more globalized world which is also characterized by agreements that, for the sake of obtaining the common goods, the sovereignty and territory are "sacrificed". In the case of the sea pact, the government saw it as the opportunity to gain the vote of Greece for its entry into NATO and by doing so, it was ready to accept a reduction of its water borders (Meçollari, 2015). While this action makes more sense from a rational and hence liberal standpoint, it is not acceptable by the conservative ideology. The violation of the constitution and of the national interests has undermined the importance that not only traditional laws and customs have but also the idea of preserving them as forms of institutions. Whilst it is true that conservatism doesn't necessarily claim that institutions can never be subject to change, it is still necessary to emphasize that such changes would have to be done partially and for the purpose of making it more adaptable as time goes by as long as the core is preserved.

7. Conclusions

The use of the conservative political ideology by the Democrat Party in Albania was revealed to be quite ambiguous and partial. While the concepts of traditions, property and liberty find place in some of the practices of this party, they seem to be faded away in the cases of the land property and the sea agreement. It was seen that the land reform was in fact a radical choice to make, which was more rational than conservative as the basis of it wasn't much the preservation of tradition rather than the idea of redistributing the gains. As for the sea agreement, it turned out that the democrat government made a rational decision-making but trading some of its borders in order to obtain a political gain. Lastly, its liberal conservative identity was put into question as it was shown that the party behaved in an authoritarian way and occasionally failed to protect the interests of its people and thus violating some of ideals of its liberal side the same way that it violated the ones of its conservative side.

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TAMER BUDAK[1]

CLASSIFICATION OF CRYPTOCURRENCIES REVENUES IN TERMS OF TAXATION

Abstract

Cryptocurrency is a digital presence designed to work as an exchange tool that uses to secure financial transactions, verify the transfer of assets, and control the creation of additional components. The term cryptocurrency is also mainly used to describe a digital asset. Cryptocurrency usually processes independently of a central bank, central authority, or government. Cryptocurrencies have several features that set it apart from fiat currencies. It is decentralized, easy to set up and fast, anonymous, completely transparent, minuscule transaction fees, and irreversible transactions. The type of taxation of cryptocurrencies depends on its classified. One of the main debates that emerge from letting investments in and the use of cryptocurrencies is the matter of taxation. In this respect, the challenge appears to be how to categorize cryptocurrencies and the specific activities involving them for purposes of taxation. This issue mainly because whether returns made from mining or selling cryptocurrencies are categorized as income or capital gains invariably assign the applicable tax rate. In this concept, the European Central Bank has classified cryptocurrencies as a subset of virtual currencies. The usage of cryptocurrency is highly expected to grow in the future. If the future of electronic commerce depends on the increasing use of digital currencies, economic, political, and legal institutions must be prepared to deal with them and to incorporate them into the existing or new legal framework.

Keywords: Taxation, cryptocurrency, classification, digital economy

JEL Codes: H2, K34, F38, H87

1. Introduction

Based on the rapid increase in popularity and price of bitcoin and other cryptocurrencies. Usage cryptocurrency has become more popular than the former. But there is an important drawback about cryptocurrency revenues and its taxation. Beceuse taxation affects people's behaviors and their revenues. Digital life and economy are rapidly getting increase In the digital economy, the detection of cryptocurrency revenues and investments is not easy for tax authorities. All countries have classified cryptocurrency revenues indifferently. there are no common rules on the classification of revenues. This situation affects the tax policy and tax practices. This paper focuses on the classification of cryptocurrencies and their taxation in different countries.

2. Cryptocurrency; Short history, defining, and features

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions, control the creation of additional units, and verify the transfer of assets. (https://cointelegraph.com/bitcoin-for-beginners/what-are-cryptocurrencies), The opinion for cryptocurrency firstly began the 1980’s, the idea was for a currency that can be sent non-traceable and not require authority entities. American cryptographer David Chaum, in 1995, applied an anonymous cryptographic e-money named Digicash/eCash. This form of cryptographic electronic payments that necessary user software to withdraw from a bank and required specific encrypted keys before it could be sent to a recipient. Bit Gold, frequently named a direct pioneer to Bitcoin, was designed in 1998 by Nick Szabo. In 1989, Chaum associated this system into his electronic money corporation, DigiCash Inc. DigiCash let electronic payments to become untraceable and laid the

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foundation for anonymous transactions (https://academy.coinzilla.com/history-of-cryptocurrency/) In 2009, Satoshi Nakamoto, an anonymous programmer or a group of programmers under an alias, introduced Bitcoin. Satoshi described it as a 'peer-to-peer electronic cash system.' It is completely decentralized, meaning there are no servers involved and no central controlling authority. The concept closely resembles peer-to-peer networks for file sharing (https://www.ideaqu.com/co/coding/cryptocurrency-past-and-future/) Today, there are around 1500 cryptocurrencies exist with their total market capitalization hitting an all-time high of $830 billion on 7 January 2018 (Wu K, Wheatley S, Sornette D. 2018; p.2).

Cryptocurrencies have several features that set it apart from traditional currencies. It is decentralized, easy to set up and fast, anonymous, completely transparent, miniscule transaction fees, irreversible transation (Nelen, 2016: 6)

3. Classification of Cryptocurrencies

Cryptocurrencies have been classified by The European Central Bank as a subset of virtual currencies. According to the report on Virtual Currency Schemes of 2012, it is defined such currencies as a form of unregulated digital money, usually issued and controlled by its developers, and used and accepted among the members of a specific virtual community.

In addition, it defined that three types of virtual currencies can be distinguished depending on the interaction with traditional currencies and the real economy:

- virtual currencies that can only be used in a closed virtual system, mostly in online games;
- virtual currencies that are unilaterally linked to the real economy: a conversion rate exists to purchase the currency and the purchased currency can afterwards be used to buy virtual goods and services
- virtual currencies that are bilaterally linked to the real economy: there are conversion rates both for purchasing virtual currency as for selling such currency; the purchased currency can be used to buy both virtual as real goods and services.

Cryptocurrencies, such as Bitcoin, are virtual currencies of the latter type: they can both be bought and sold with traditional money and they can also be used to buy both digital and real goods and services. (Houben and Snyers, 2018; p.8)

The World Bank has categorized cryptocurrencies as a subset of digital currencies. Contrary to the majority of policymakers, the World Bank has described cryptocurrencies as digital currencies. Like the The European Central Bank, cryptocurrencies has been classified by the International Monetary Fund as a subset of virtual currencies. The opinion of the IMF, the concept of virtual currencies covers a wider order of 'currencies', ranging from basic IOUs by issuers, virtual currencies backed by assets such as gold, and cryptocurrencies such as Bitcoin (IMF, 2016: 7). Cryptocurrencies have been advised by the European Banking Authority as virtual currencies, which are used by persons as a means of exchange and can be transferred, stored or traded electronically (EBA, 2014; 6). There are a number of online services that accept Bitcoin (and other cryptocurrencies) in place of regular cash. Major retailers and international companies nowadays accept it as payment tool.

4. Tax issue of Cryptocurrency

Some of the terms used by countries to reference cryptocurrency such as digitalcurrency (Argentina, Thailand, and Australia), virtualcommodity (Canada, China, and Taiwan), crypto-token (Germany), paymenttoken (Switzerland), cybercurrency (Italyand and Lebanon), electroniccurrency (Colombia and Lebanon), and virtualasset (Honduras and Mexico) (The Law Library of Congress, 2018).

One of the many questions that arise from allowing investments in and the use of cryptocurrenciesis the issue of taxation. In this regard the challenge appears to be how to categorize cryptocurrenciesand the specific activities involving them for purposes of taxation. One of the many problems that arise from the use of cryptocurrencies is the matter of taxation. In this respect, the main difficulty is how to classify cryptocurrencies and certain activities cover them for the intent of taxation. This is very important because whether revenue made from mining or selling cryptocurrencies are classified as income or capital gains always determines the appropriate tax bracket. Some of the selected countries have categorized cryptocurrencies differently for tax purposes cryptocurrency in Israel is taxed as an asset; in Bulgaria is taxed as a financial asset; in Switzerland is taxed as foreign currency; in Argentina and Spain is subject to income tax; in Denmark is subject to income tax and losses as deductible; in United Kingdom corporations pay corporate tax, unincorporated businesses pay income tax, individuals pay capital gains tax. According to the 2015 decision of the European Court of Justice (ECJ), gains in cryptocurrency investments are not subject to value-added tax in the European Union Member States (The Law Library of Congress, 2018).

There is no common rule for classification of cryptocurrencies revenues. So every countries classify the revenue such as property revenue, private money, foreigncurrecy, property, and etc. Table 1 illustrates that classification and taxation of cryptocurrencies gains in selected countries.

Table 1. Classification and taxation

Country	Classification	Taxation
Australia	Proerty	• Capital gains tax • Goods Service Tax is not applicable
Germany	Private mony	• No capital gains tax • If owned less then one year, a progressive income tax of up to 45% applies for all gains. • Sales tax is not applicable.
Switzerland	Foreign currency	• No capital gains tax • Sales tax is not applicable
U.S.	Property	• Capital gains tax • Sales tax is not applicable
U.K.	Asset or private money	• Capital gains tax • Sales tax is not applicable
Japan	Legal method of payment	• Capital gains tax • Exempt from consumption tax
China	Virtual commodity	• No taxes

Source: Matthias Langer, Taxation of Cryptocurrencies in Europe, 2017. https://cryptoresearch.report/crypto-research/taxation-cryptocurrencies-europe/

There is no common rule for classification of cryptocurrencies revenues. So every countries classify the revenue such as property revenue, private money, foreigncurrecy, property, and etc. Table 1 illustrates that classification and taxation of cryptocurrencies gains in selected countries. In all EU countries and Switzerland and Liechtenstein cryptocurrency sales are exempt from the VAT.

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5. Conclusion

The use of digital currencies is expected to grow in the future. If the future of electronic commerce entails an increasing use of digital currencies, it is critical that our economic, political, and legal institutions are prepared to deal with them and to incorporate them into the existing legal framework. Because in the digital economy, the detection of cryptocurrency revenues and investments is not easy for tax collectors. There are also some instruments that try to track cryptocurrency investors. For example, If banks receive large transactions will ask questions and report the activity. There is no common rule for classification of cryptocurrencies revenues in terms of taxation.

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INES STASA[1]

TRANSITIONAL JUSTICE AS A LEADING NORM OR A LEADING SPACE FOR POLITICAL GAINS?

Abstract

Transitional Justice, as a leading norm or a leading space for political gains, is a question that intertwines several answers. At the core of it should be a balance in order to bring a new polity and a new legal order. On this matter, Albania has not invested politically or socially in terms of the creation of a 'space' filled with the 'time' of dealing with the past. Transitional political agenda have ignored transitional justice by rejecting, or putting off the table the core national issue to be dealt with. At the same time keeping files of the past as their personal privilege to blackmail and threaten each other. Within this never ending transition, Albania has evolved within several waves of transitions, which over years have overlapped and accumulated polarization. This analysis will focus on paradigm transition and context-based approach as counter-response to a failed 'one size fit all' methodology. This brings into question the citizen's political power to hold accountable former and current political class, and their responsibility in the political agenda. Transition is not a one-time event, but rather is a persistent participation of all citizens in the democratic process; which includes a wide range spectrum of moral commitments from politicians to capitalize good willingness for cooperation and responsible leadership.

Keywords: Transitional justice, democratization, Albania

JEL Codes: D70, P48, Z00

Introduction

My first observation when I started my research on Transitional Justice in Albania was that it is a huge gap in a national narrative and an obvious lack of professional research initiatives in the development of a public discourse. Most of all, there is a lack of serious attempts to reflect in the past, where actually lies the fundamental questions of our political identity. There is no surprise and almost everything is open for discussion. A society that not only suffered from the harshest regime from 1944-1990, but for many generations forced to survive in a terrific silence of terror and propaganda. This regime brought with its ascendency, the skeletons of many historic events, including here the events of interwar between Nationalist Front (representing the right wing) and Communists (representing Bolshevism) that even today have left their marks in the political arena by fueling with the fire and dusting narrow political interests.

This undemocratic legacy of Albania, embraced into suffocation of local conditions and regional and international context, reinforced in the early years of a pluralist regime (I will use pluralism instead of democracy) a highly politicized and blackmail process. The Process of several acts and laws were never discussed openly to bring a national consensus and a wind of change in the relationship between political parties, rather than enhanced the making of partisan laws, showing a defective side of the rule of law in Albania.

Justice is a political concept that requires willingness, national conscience and acknowledgment of the truth as a top priority of the political agendas. If prioritized, justice can indisputably contribute and lead to sustained development of a society and democratization of a particular country. This becomes particularly important for post-communist and post conflict countries such as Albania, where healing of

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the society's wounds requires strong commitment to deliver a much needed justice in order to keep the social cohesion and co-existence intact and strong.

Since the fall of communism, poor and insufficient initiatives and political steps are undertaken in Albania to address core transitional justice issues. Some of these insufficient initiatives include the Lustration Law or the financial compensation to the victims. Although- the background of this mechanism is highly politicized and questionable on its political purposes, nevertheless timing is still relevant to deal with the past. Recently, due to the continuous and consistent- "pressure"- from the International Community, legal and constitutional changes were carried out for the sake of the so called Vetting process; a process that is deeply concerned in the judiciary system.

Contemporary transitional justice scholarship has played a major part on supporting research based on the significance of politics and transitional institutions in dealing with the past, though little attention is paid on the importance of timing, contextualization and participation of the public in advancing transformative approaches.

Seeking justice in a divided region has motivated scholars and practioners in the field of human rights and peace-building to put transitional justice definition into the right context.

Transitional Justice in Albania may be the less spelled out concept by political and judicial actors; a country where the truth, justice and democracy have been on the shade for so long a process which has dealt with anything else except with its own past. Literature on Transitional Justice (hereafter "TJ") has remarked the fact that strategy in transition shifts approach including both norms and practices, and it is essential to put into context the timing of the norms of transitional justice, which in other words is linked with the "usage" of TJ mechanisms and instruments to achieve trust, peace and democracy as its endpoint. Speaking of Albania, this analysis is to be focused on contextual parameters, accordingly to four steps. The first part of the paper is going to bring a theoretical framework of transitional justice through the "norm diffusion", "justice cascade" concepts in order to better understand the genealogy of TJ in terms of rule of law in Albania. The second part of it will enhance an analysis on the legitimacy of the political regime and of justice as a symbol of societal structure. The third part will identify the four steps of analysis on contextual parameters which include instrumental variables also and come to an end with the impact area on democracy. This research methodology helps to answer the question of this paper which is how the contextual backgrounds mean for the impact of "success" of TJ mechanisms. In order to set the development of justice transition into context, this paper seeks to identify conditions in the Albanian context, which enhance consolidation of democratic political institutions of third wave countries.

Justice and democracy are no copy-cat formulas that every society should follow in order to achieve any "status". Although the timeline of events and political arrangements taken in 30 years of transitioning in Albania reflect the one-for all toolkit approach in creating institutions of the "under-democratization" process. Underestimating contexts, local conditions, norms and political culture, have reached at the point of a failure when the outcome is equivalent at coming to terms with the past. Why the past is important and necessary for us to deal with?

State of Art: Transitional Justice, transition paradigm and recent approaches

The 'transition paradigm' mindset enhanced after the Cold War was relied on theoretical assumptions that according to Carothers "constitutes a dangerous habit of trying to impose a simplistic and often incorrect conceptual order on an empirical tableau of considerable complexity" (2002:15). In order to understand this statement, we will draw lines on those assumptions which for the sake of "context" were oriented as global changes went by in seven regions of the world:

1. The fall of right-wing authoritarian regimes in Southern Europe in the mid-1970s;
2. The replacement of military dictatorships by elected civilian governments across Latin America from the late 1970s through the late 1980s;
3. The decline of authoritarian rule in parts of East and South Asia starting in the mid-1980s;
4. The collapse of communist regimes in Eastern Europe at the end of 1980s;
5. The breakup of the Soviet Union and the establishment of 15 post-Soviet Republics in 1991;
6. The decline of one-party regimes in many parts of Sub-Saharan Africa in the first half of the 1990s;
7. A weak but recognizable liberalizing trend in some Middle Eastern countries in the 1990s (Carothers, 2002: 5).

Speaking of Albania, recent Nations in Transit 2020 score was 47.02/100 and the democracy score was 3.82/7, yet a transitional/ hybrid regime status (Nations in Transit, 2020).

In order to check a correlation on the much longed transitional status of Albania, we will number a set of theoretical assumptions of transition paradigm that were followed blindly by the political class emerged after the fall of communism. How did this paradigm fail to balance the pursuit of justice and democratizing the country?

According to Skaar & al in 2015, there were several reasons for a real growing criticism in terms of the application of successful TJ mechanisms and initiatives, to mention "the lack of theorizing, the pasing of unverified claims as universal truths, the muddled and inconsistent use of terms and variables" (Skaar et al, 2015: 1).

The abovementioned findings coupled with the elements of transition paradigm, placed Albania in a very unprecedented condition, while recently the debate is evolved around a post-transitional justice and on basis of a contextual driven approaches, when 'transition' itself is poorly applied and defined for many decades. These insights will be put at the conclusion section, while in the meantime we will focus on first steps of wrongdoings with the transition era in Albania.

Five core assumptions define the 'transition paradigm':

1) Any country moving away from dictatorial rule can be considered a country in transition toward democracy; 2) Democratization tend to unfold in a set sequence of stages (the opening, the breakthrough, consolidation); 3) The belief in the determinative importance of elections; 4) The underlying conditions in transitional countries-their economic level, political history, institutional legacies, ethnic make-up, sociocultural traditions, or other structural features-will not be major factors in either the onset or the outcome of the transition process; 5) The democratic transitions make-up the third wave are being built on coherent, functioning states. The process of democratization is assumed to include some redesign of state institutions-such as the creation of new electoral institutions, parliamentary reform, and judicial reform- but as a modification of already functioning states (Carothers, 2002:8).

Evidences show that none of these explicitly assumptions correlate with the state of art of Albania transition from 1990 until 2020. Albania is still a country scored transitional or hybrid regime (Nations in Transit) , with features of an autocratically system, where the polarization of political parties and of society is at the highest points, sometimes followed by a compliant policy towards international standards and in other times with no point of orientation. Following the annually reports of Nations in Transit, the still transitional/hybrid regime evaluation of Albania, make the case of grey zone countries that Carothers (2002) bring as a category of states that are seen as feckless pluralism. In his considerations, this political syndrome have symptoms of an "elite-dominated domain, stale and corrupt politics, with a permanent weak state" (pg.11).

When one goes through the most of the literature on TJ, it sounds like Albania make the unique case to be researched further and deeper and to raise questions like: how is seen by democracy promoters the rule of law and justice and on what basis their universal mindset correlate with the perceived concept of justice by the society? How is to be explained the deterioration of political leadership after the thirty years of pluralism? Is it a matter of willingness or of ability to rule Albania on principles of law and justice?

The very challenging part of politics and its leadership depends on the commitment to address past wrongdoings by choosing an accurate and contextualized approach which would lead to a national consensus and reconciliation. In the meantime, with this huge political and societal responsibility to protect its own society by skeletons and myriads of the past comes further the ability to control and manage this delicate process in order to achieve trust, stable society, local ownership and a turning point in the history of politics. A point to consider in our analysis on transitional justice in Albania is to question whether justice reforms and tools are conceptualized as transitional justice or not? It requires further research on to drag into context the big picture of a divided society within the realm of real politics of post-communism.

There is no difficulty to understand that after thirty years of transition in Albania, there are parameters and indicators whose rates and scores define almost the whole panorama of legal, political, social conditions. The big 'fight" is still held on free and accepted elections and on political agreements, which tend to shut the political boycott and take real/ functional political duties in front of communities. The big challenge is yet to be confined by an impartial and independent judiciary system and on electoral reforms. The unfinished debate is still on elements of Constitution-changes to extend political powers with no consensus and no public discussion. This is too little to frame in the context of political discourse, not to mention other regional challenges and backgrounds that influence the state of mind of our politics. This section is discusses on context analysis, by exploring its significance in our society and how it has been ignored resulting in a poor, vague and unsettled approach on dealing with the past. It is important to mention, that recent studies followed by several previous findings have come to the approach that without considering context (national, regional, global, nature of institutions, nature of conflict, nature of political settlement, nature of economic and social structures) in shaping objectives and strategies on transitional justice, there is difficulty in delivering justice to the people, and most important, make them comprehend the importance of taking part in the transformation of politics by putting efforts into a 'good' transitioning of legal regimes. One concern that flows within this context is the issue of legitimacy and accountability. Political discourse, political boycott, non-recognition of elections, fragility of institutions, massive waves of emigration, tendencies/actions/initiatives that enforce authoritarian attitude, regional instability and inconsistent policies sometimes not in conjunction with national interests, have eroded the bonds of legitimacy in Albania. Transitioning to where? After thirty years of the fall of communism, there is still a questionable process of reforming institutions and bring unity in the society. Democracy and its transitioning path shall not be taken for granted, as it requires commitment, willingness, functioning political parties and leadership. Transition is often speculated in our environment and addressed as the finish of a glorious marathon. Meanwhile, transitional mechanisms are part of a process that occur even in most developed countries, because defending and protecting human rights, holding perpetrators accountable for their atrocities or violations is a continuous reality that evolves and perform with the mindset of social reconstruction.

Lessons learned from thirty years of transition in Albania call for a deeper, context-based approach, constructivist process that would enhance the role of social and political dynamics significance. The one and foremost is the immediate necessity to advocate for a national strategy on transitional justice, not a State-driven approach but a more comprehensive goal that will bring together policy-makers, experts, civil society and community. When I first began researching on transition justice as part of my own research project, one of the issues that I asked myself was whether I was going through a policy which was deemed to punish people? I didn't feel that this field has an aim to prosecute people or go after them as main objective. But I was quite sure and persistent that transitional justice, in my perspective and on what I knew on my country, was more a social reconstruction. The truth is that a society has to know and take decisions on its future trajectory. Limited knowledge on the truth of the common past, do not make us stable and peaceful, on the contrary, it continues to divide us in 'Communists' and 'Ballists', because our history hold many unrevealed truths and events for this society to get to know its political identity. The transition paradigm failed to provide the real aim of a transitional shift, by making no turning point at all in the thirty years history of Albanian transitional politics. Its assumptions were too ahistorical and decontextualized from our national needs and boundaries, and this was highly corresponding to the lack of willingness to break with the past and correlated with the lack of perspective by political class that found ways to consume the debate on lustration and de-communization to lower legitimacy and value of a possible transitional justice mechanism. The international context also came into aids to this post-communist country with the boundaries and statute of limitations; with the precedents of Constitutional Court decisions in Eastern and Central Europe, with universal principles of democracy and rule of law, while not considering the social costs of the society. Legal liability versus political responsibility has driven Albania onto a context wherein the rule of law is only a matter of legality, while not proceeding with the core issue in this aspect: how do Albanians perceive justice and rule of law when they never had free will and independent thinking and were constrain by a regime on a just order?

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ALBAN NAKO[1]

POLITICAL BOYCOTT IN ALBANIA 1991-2019

Abstract

Political boycott in Albania, in the past 29 years, has been a key distinctive feature of the democratization process. Political actors have engaged in series of different types of political boycott, from impeding the work of the parliament, abandoning official duties, organizing strikes, violent uprisings and pivoting with refusing to participate in 2019 local elections.

Why do political parties engage in political boycotts? In this paper, I will investigate through a qualitative method the rationale of political parties that engage in such behaviour. Furthermore, I will analyze the effect of the institutional and non-institutional boycott on the process of democratization, civic engagement and voter turnout in Albania for the period 1991-2019.

Although we can agree on the political polarization in Albania there is no evidence for political radicalization. In this context, I propel the idea that political boycott is used as a tool between political actors to strike a political deal in order to profit politically. Therefore, it can be deduced that the political boycott in Albania is a product of elite polarization.

I conclude that political boycott is not a democratic mechanism per se, therefore, it is being used as leverage for political gain and concurrently it damages the process of democratization. The political boycott is a violent mechanism that sustains and controls the political status quo.

Keywords: Albania, political parties, boycott, election, parliament, polarization

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DAN-DACIAN CUZDRIOREAN[1]

RISK MANAGEMENT IMPLEMENTATION IN ROMANIAN SMEs: THE CURRENT STATE

Abstract

Risk management has long been touted as a construct which differentiates SMEs from large organizations in terms of implementation. The purpose of this study has been to assess to current state of risk management implementation in Romanian SMEs. Using a descriptive survey as research method, data was collected from 29 SMEs assessed in two consecutive years. The results revealed that the large majority of SMEs do consider risk management implementation as being important but very few implemented it. The lack of resources was a determining factor in this regard. Main categories of risks covered under the company`s risk management system were the legal and compliance risk and financial reporting as those were regarded as main risks that Romanian SMEs are exposed to. The large majority of respondents concluded that risks are assessed based on their own methodologies, which are not formalized. Further, among the reasons found for risk management system implementation were the law changes and past experiences of such companies. No separate departments for risk management assessment were constituted in the sample examined. From one year to another no improvement was observed in terms of risk management practices, budget allocation nor attracting and retaining human resources specialized in such demarches.

Keywords: Risk management, Romanian SMEs, legal and compliance risk

JEL Codes: M41, G32

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SLAGJANA STOJANOVSKA[1]

FEMALE SELF-PERCEPTION FOR MACEDONIAN WOMEN ENTREPRENEURS

Abstract

It is difficult for women to start a new business and be entrepreneurs in a male-dominated business environment, with obstacles in the form of acquiring finances, entering new markets and working in a competitive environment. The purpose of this paper is to explore the framework of female perception of entrepreneurship in Macedonia as women entrepreneurship is a very neglected and overlooked issue worldwide. Doing so, we will analyze Global Entrepreneurship Monitor's (GEM) indicators for Macedonian entrepreneurship and compare them to female self-perception averages in middle income countries and globally. Also the paper will demonstrate what it takes to promote and improve women entrepreneurship, for women to run strong and viable enterprises.

This paper strives to send a message to decision makers for designing better and improved policy strategies for women entrepreneurship environment for enhanced social perception and attitudes; better promotional strategies; support and access to finance for women entrepreneurs.

Keywords: Female entrepreneurship, GEM indicators,social perception

JEL Codes: L20, L26

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