

## Green entrepreneurship: EU experience and Ukraine perspectives

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### Abstract

*These days the environmental challenges begin to play crucial role in sustainable development of the countries and regions. European environmental policy aims in the creation of a favorable framework for the development of green entrepreneurship. The paper deals with the analysis of EU experience in supporting and promoting the green entrepreneurship. The author analyzed and systematized the EU trends in GHG emission. The main features and parts of the green economy are described. The author emphasizes that EU has the huge experience in the sphere of developing and providing relevant green activities, which can be used by Ukraine for implementation green entrepreneurship projects on the different levels of the economy. Thus, the green positive practices in Austria, Hungary, Ireland and Spain were described. The author underlines that green entrepreneurship for Ukraine is one of the necessary conditions for improving the environmental status, solving the problems with the rational use of natural resources, increasing the welfare of the citizen, integration into the European Union and to ensure the green of innovative development. The activities which are necessary for mainstreaming for Ukraine's integrating to the European sustainable entrepreneurship space were considered.*

*Keywords: entrepreneurship, European Union, green economy, funding, supporting.*

### 1. Introduction

Today the popularity of the "green" entrepreneurship is growing rapidly in the world and its concept is changing significantly driving. Thus, in the European Union countries the main programs are aimed, for example, not at putting into operation of treatment equipment, as it was until recently, but to creating and implementing environmentally friendly technologies. This indicates a tendency to increase interest and activating company's initiatives to develop strategies for green business conduct. Now the European Union countries has huge experience and great potential in creating, developing and implementing green technologies, eco-friendly activities, forming relevant environment legislation.

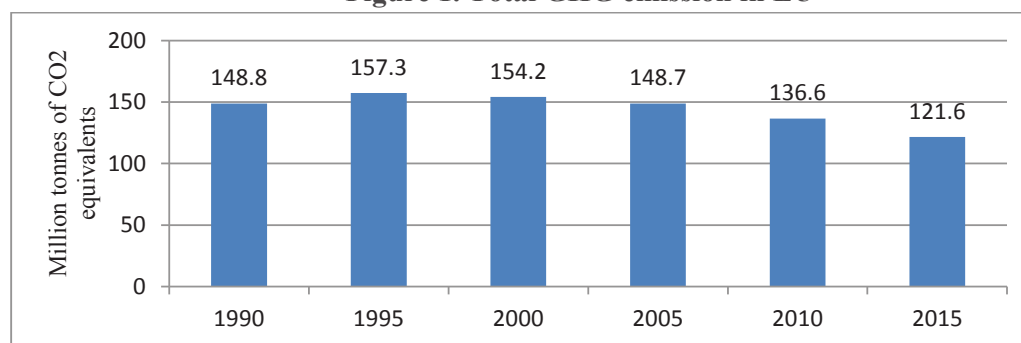
The aim of this article is to analyse the new tendencies in green entrepreneurship and green activities in EU with the purpose of their future implementation for Ukraine's economy and natural conditions.

## 2. Main part

Between 1970 and 2004 global emissions increased by 70%, exceeding the natural range of climate related gases (UNEP, 2011). The past decade has seen annual increases of 2.7% with 2012 emission growth increasing to 3%. If such trends continue, global average temperatures are likely to exceed 2 degrees, resulting in increasing melting of sea ice, an increase in extreme weather events and severe consequences for global agricultural production (Steurer, 2013).

But today the European Union has established a well-deserved reputation as a global leader on climate policy. So, we can see the positive trend in GHG emission (Figure 1).

**Figure 1. Total GHG emission in EU**



Source: Eurostat Statistics Explained (2016)

Also the analyzed sectoral greenhouse gas emissions tell about differences in the structure of emission by 1990 (Table 1).

**Table 1. Sectoral greenhouse gas emissions in EU**

|  | 1990    | 2014    | Difference |
|--|---------|---------|------------|
| Total                                  | 5668,7  | 4285,6  | -1383,2    |
| Energy supply                          | 1 861,4 | 1 334,3 | -527,1     |
| Industry                               | 1 376,4 | 866,1   | -510,2     |
| Agriculture                            | 643,6   | 514,1   | -129,5     |
| Residential and commercial             | 726,5   | 524,4   | 202,1      |
| Other                                  | 31,7    | 10,7    | 21,1       |
| Land Use, Land-Use Change and Forestry | -255,2  | -302,6  | -47,4      |
| International Aviation                 | 69,7    | 137,1   | 67,4       |
| Waste management                       | 243,5   | 146     | 97,6       |
| CO2 emissions from biomass             | 198,2   | 506,1   | 307,9      |
| International Navigation               | 109,4   | 135,2   | 25,8       |
| Transport                              | 785,5   | 889,9   | 104,4      |

Source: European Environment Agency (2016)

According to the latest official data published by the European Environment Agency (European Environment, 2016) in June 2016, GHG emissions in the EU-28 in 2014 amounted to 4 286 million tonnes CO<sub>2</sub>-equivalent reached their lowest level since 1990.

At an aggregate level, the biggest share of the emissions reductions during this 24-year period is split almost equally between industry and energy supply. A combination of factors explains lower emissions in industrial sectors. These include improved efficiency in restructured iron and steel plants, substantial improvements in carbon intensity and structural changes to the economy with a higher share of services and a lower share of more intensive industry in the total activity of this sector. Energy supply, improvements in the transformation efficiency of electricity and heat production, and the move towards less carbon intensive fuels at EU level have been the main reasons for the 28 % reduction of emissions. Important emissions reductions have been also achieved in the residential and commercial sectors, and agriculture.

According to (Europe's Greenhouse, 2016) the latest trends in the EU emissions problems can be systematized in the table 2.

**Table 2. Trends in the EU emissions problems**

| Trends in the EU emissions problems  |  |
|--|--|
| Positive   | Negative   |
| 1. The overall reduction of 24,4 %t in greenhouse gas emissions.   | 1. Increasing CO <sub>2</sub> emission in road transport:<br>- by 124 million tonnes from 1990-2014;<br>- by 7 million tonnes from 2013-2014.  |
| 2. Greenhouse gas emissions decreased in the majority of sectors between 1990 and 2014:<br>- manufacturing industries and construction - ↓372 million tonnes;<br>- electricity and heat production - ↓ 346 million tonnes);<br>- residential combustion - ↓140 million tonnes.   | 2. Increasing emissions from international transport (aviation and shipping) by 93 million tonnes between 1990 and 2014.   |
| 3. EU greenhouse gas emissions were cut by 185 million tonnes between 2013 and 2014 (4,1 %). The reduction in emissions was mainly due to lower heat demand by households due to the very warm winter in Europe. The increase in non-combustible renewables, particularly from wind and solar power also contributed to lower emissions in 2014. | 3. Emissions of hydrofluorocarbons, which is a group of greenhouse gases used in the production of cooling devices such as air conditioning systems and refrigerators, also increased (99 million tonnes). |

*Source:* Europe's Greenhouse, 2016

It have to be noted that mainstreaming of the green entrepreneurship or development of green economy has given a way which give the whole new economic opportunities for

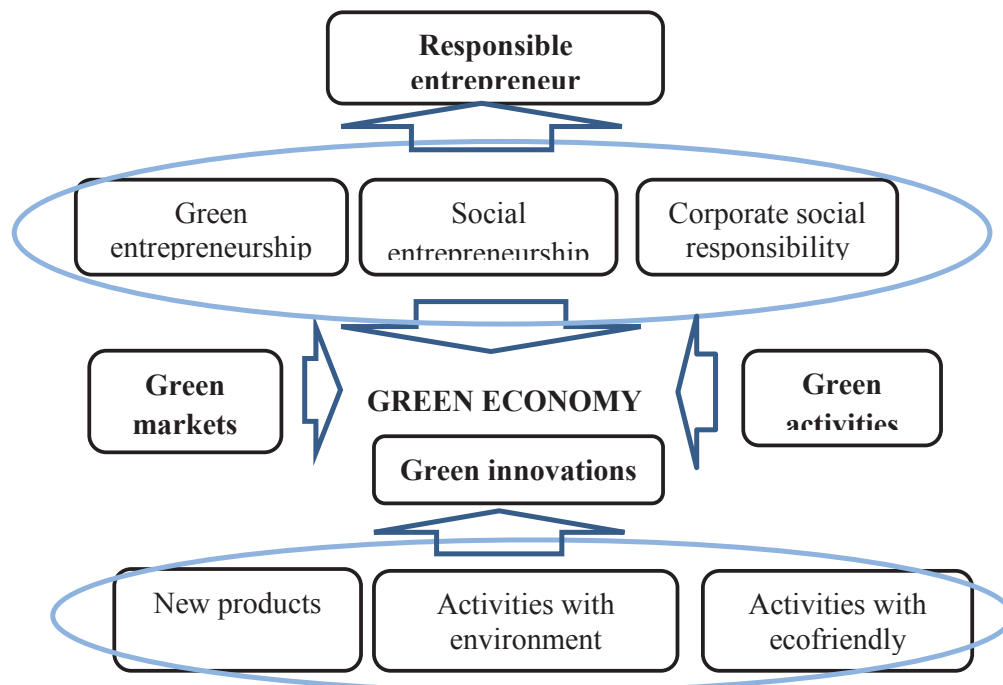
creation and evolution of new style of economy which will orient on sustainable development, job creation and environmental innovation.

UNEP defines a green economy as one that results in “improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities” (United, 2011). In its simplest expression, a green economy is low-carbon, resource efficient, and socially inclusive. In a green economy, growth in income and employment are driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments need to be catalyzed and supported by targeted public expenditure, policy reforms and regulation changes. The development path should maintain, enhance and, where necessary, rebuild natural capital as a critical economic asset and as a source of public benefits.

The concept of ‘green innovation’ is often associated with renewable energy. However, the shift to a post-carbon economy needs to be shared on several levels, from innovation in lifestyle to innovation in investment and governance. New corporate trends (Chigrin, 2014; Chygryn, 2016) seeking to address this challenge pointed at that sustainable functioning of the companies is possible on the conditions of mutual concord of their socio-economic and ecological interests.

The EU practice emphasizes a lot of trends in the sphere of green economy (figure 2).

**Figure 2. The main parts of the green economy**



*Source:* Created by author

The main green markets are: clean energy; sustainable transport; building energy efficiency and eco-construction; sustainable manufacturing activities; circular economy/waste

management; green services; sustainable land use (sustainable farming and forestry); sustainable water management.

In EU the green activities include green finance, eco-friendly retail, sustainable construction materials, organic catering, eco-friendly beauty salons, organic or recycled fashion, green app development, eco-friendly landscaping, sustainable event planning, air duct cleaning, bicycle repair and refurbishing, handmade all-natural (organic productions), eco-consulting, green waste management, organic agriculture, green house cleaning, composting, 'upcycled' furniture, green franchises.

It should be underlined that EU has the huge experience which can be used by Ukraine and implemented by different state and commercial institutions. Some of an examples of positive developing green entrepreneurship described in the table 3.

**Table 3. Green entrepreneurship implementation examples in EU**

| Country | Activities  |
|---------|---|
| Austria | On public level, there are funding structures to promote (green) entrepreneurship. The overall approach includes funding, but also mentoring/coaching by industry experts, who have in particular an entrepreneurial background. According to the intergovernmental agreement 2015, the city of Vienna promotes green initiatives, green jobs as well as social entrepreneurship, which does through different initiatives and funding. |
| Hungary | In 2013, the Hungarian Parliament adopted the new National Framework Strategy on Sustainable Development in Hungary for the period 2012-24. Framework Strategy is the first step of the sustainability transition. The environmental awareness is quite high among the young people, the education based on sustainability orientation could be exploited in developing a new green way of development                                  |
| Ireland | The Green Economy presents a major opportunity for employment creation in Ireland and for the development of enterprises. The various government bodies providing green mentoring are funding by government   |
| Spain   | The main leading institution regarding green entrepreneurship in the environmental field is the Biodiversity Foundation (Fundacion biodiversidad), which launched The Green Entrepreneur Support Network (Red Empreverde), co-founded by the European Social Found, with more than 7.500 entrepreneurs of the green sector.   |

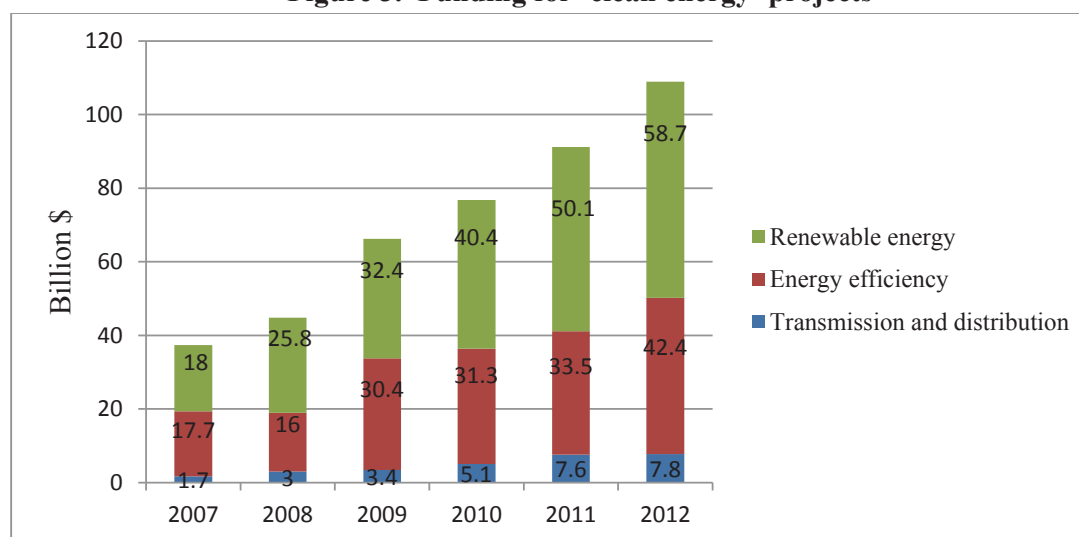
*Source:* Green mentor (2015)

Also the relevant good practices (programs) identified at the European level are the following: The Green Entrepreneurship Europe in Europe; Ecopreneurs4climate by Ecopreneur.eu in Europe; EMCC in Europe; Quality Award (EQA); Youth and Environment Europe in Europe; SWITCHMED program in EU; PRO CONCEPT/schooltalk.at in Austria;

The Green Entrepreneurship Europe in Europe; Green Business in Ireland; Eco-Recinnova by Red emprendeVerde in Spain.

For eco-entrepreneurs in Europe, such a situation provides considerable business opportunities. They can offer services to small and medium enterprises, but also to bigger companies to help them meet environmental challenges. They can promote resource efficiency or provide support in the face of new environmental regulation, sometimes even anticipating it to gain business advantages. Now the global greentech market is estimated at US\$ 0,6 - 1 trillion and growing, and European companies are holding the greatest market share (Eco Innovation, 2016). Also noted that in recent years the development banks have been a key source of investing in green energy projects, committing more than US\$100 billion in 2012 (Figure 3)

**Figure 3. Funding for ‘clean energy’ projects**



Source: Mazzucato (2015)

Ukraine has a lot of environment problems, such as: high energy consumption in industrial and private heating; water and land pollution from chemical and metal industry; threats on biodiversity and use of resources in general; urban contamination and degradation of coastal environments; soil pollution and degradation due to inefficient agricultural activities; transport pollution in cities, landfills growth

The green entrepreneurship in this case is one of the necessary conditions for improving the environmental status, solving the problems with the rational use of natural resources, increasing the welfare of the citizen and integration into the European Union. It should be noted that in order to ensure the green of innovative development, a sufficient level of motivation for ecologization of innovation activity of enterprises of various sectors of the economy and society as a whole is required.

It is necessary to emphasize the mainstreaming for Ukraine's integrating to the European sustainable entrepreneurship space through providing the next activities.

1. Supporting in different levels of the green innovation. They must be put at the center of support efforts for green entrepreneurs, for small and medium enterprises. Easy entry and registration for eco-innovators provide clear guidance to available support offerings.

2. Encouraging experimentation and improvements: it has to be support for eco-innovators because for many branches in Ukraine it is a fairly new phenomenon. For entrepreneurs should be free and available best World and European practices in different spheres of eco-entrepreneurship (green products, technologies, approaches, energy savings).

3. Domestic adaptation of support activities: eco-entrepreneurs are not a homogeneous group, but comprise different types of entrepreneurs who act in very different sectors, markets and environments.

4. Mainstreaming sustainability in the supports system (economic and organizational with the specific relevant market instruments). Green entrepreneurship providing is not just an issue for the specific group of domestic eco-entrepreneurs that are highly mission-driven or active in specific green markets. Nowadays it is relevant for all entrepreneurs no matter in which field of technology, sector or market they are active or intend to be active. Therefore green business principles have to be deep integrated on the state and local levels to be active in the development and support system.

5. Economic assessment and monitoring of effectiveness are not an end in itself, but should contribute to specific goals. Support systems for green innovation and eco-entrepreneurship should be designed to generate multi-purpose benefits (economic, ecologic, and social). This requires relevant assessment and monitoring tools (environmental audit, green standards, environment management system etc.) that will help to benchmark existing support systems, measure impacts and outcomes of support activities and provide information for policy makers and decision makers.

### 3. Conclusions

Ukraine eco-entrepreneurs should be are not only interested in being more efficient and greener but as also be involved to be environmental problem-solvers. Future eco-entrepreneurial solutions have to be innovative, long-term and beneficial to both the environment and the domestic economy. Since eco-entrepreneurship can be a win response boosting both environmental and economic performance, eco-entrepreneurs have been attracted increasing attention from society, policy-makers as reflected by the many EU programs supporting them.

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## Politica de Coeziune a Uniunii Europene în Perioada 2014-2020

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### Abstract

*Following the reform of the Cohesion Policy in 2014-2020, two key objectives and 11 thematic objectives were set. These objectives are allocated to the European Structural and Cohesion Funds (ESCF). SCFs are part of the European Structural and Investment Fund (FSIE) which includes 5 funds, namely: The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the European Fund for Fisheries and Maritime Affairs (FEPAM). . The reform of access to European funds is regulated by a new regulation, namely the Regulation of the Common Provisions (RCP) no. 1303/2013. The new regulation contains two types of regulations, regulations common to the five Funds (FSFE), but also specific rules for each fund. Initially, the two types of regulations seem to create confusion, but art. 66 of the RCP specifies that FSIE is used to provide support in the form of grants, prizes, reimbursable assistance, financial instruments or a combination of these. In the RDC, it is stipulated that operational programs benefiting from contributions from the Cohesion Fund are drawn up at national level, which did not exist during the 2007-2013 programming period. Ex ante evaluations are also conditional requirements for the approval of programs in each Member State.*

*Keywords: Cohesion policy, key objectives, cohesion fund, structural funds, programming period*

### Abstract

*În urma reformei Politicii de coeziune din perioada 2014-2020 s-au stabilit două obiective cheie și 11 obiective tematice. Aceste obiective sunt repartizate pe Fondurile Structurale și de Coeziune ( FSC). FSC fac parte din Fondul Structural și de Investiții Europene(FSIE), care include 5 fonduri și anume: Fondul European de Dezvoltare Regionala(FEDR), Fondul Social European(FSE), Fondul de Coeziune(FC), Fondul European Agricol de Dezvoltare Rurală(FEADR), Fondul European pentru Pescuit și Afaceri Maritime(FEPAM). Reforma accesării fondurilor europene este reglementată printr-un nou regulament și anume Regulamentul Dispozițiilor Comune (RDC) cu nr.1303/2013. Noul regulament conține două tipuri de reglementări, reglementări comune celor cinci fonduri (FSIE), dar și norme specifice fiecărui fond. Inițial cele două tipuri de reglementări par să creeze confuzie, dar art. 66 din RDC specifică că FSIE este utilizat pentru a furniza sprijin sub formă de granturi, premii, asistență rambursabilă, instrumente financiare sau o combinație între acestea. În RDC este stipulat că programele operaționale care beneficiază de contribuții din Fondul de Coeziune sunt întocmite la nivel național, reglementare care nu exista în perioada de programare 2007-2013. De asemenea, evaluările ex ante sunt condiționalități exigente pentru aprobarea programelor din fiecare stat membru.*

*Cuvinte cheie:* politică de coeziune, obiective cheie, fond de coeziune, fonduri structurale, competitive, perioada de programare

## 1. Introducere

Politica de coeziune este principala politică de investiții a Uniunii Europene, deoarece se adresează tuturor regiunilor și orașelor pentru a crea locuri de muncă, conform priorităților comunitare de dezvoltare.

Politica de coeziune asigură în special cadrul și strategia de investiții necesară îndeplinirii obiectivelor de creștere prevăzută de Strategia "Europa 2020". Uniunea Europeană s-a angajat să creeze locuri de muncă mai multe și de bună calitate și o societate favorabilă incluziunii sociale, în perioada de programare 2014-2020.

Pentru realizarea obiectivelor strategiei, politica de coeziune s-a reformat, în sensul că s-au stabilit numai două obiective cheie și 11 obiective tematice.

Prin Fondul de Coeziune (FC) se finanțează proiecte mari de infrastructură cum ar fi construcția și modernizarea coridoarelor de transport și investiții majore în infrastructura de mediu, proiecte care vizează îmbunătățirea managementului traficului aerian și rutier, precum și modernizarea traficului urban.

Fondul este deschis accesului statelor membre al cărui venit național brut (VNB) este mai mic de 90 la sută din media comunitară.

FC susține alături de FEDR (Fondul European de Dezvoltare Regională) și FSE (Fondul Social European) programe de dezvoltare multianuală propuse de regiuni, state membre și Comisie.

În perioada de programare 2007-2013, Politica Europeană de Coeziune Economică și Socială a oferit o concepție coerentă și stabilă privind dezvoltarea statelor membre transpusă la nivel național în planurile naționale de dezvoltare care cuprindeau prioritățile de dezvoltare, programările și proiecte în concordanță cu principiul programării fondurilor structurale. În perioada anterioară, politica de coeziune și-a propus să reducă cât mai repede disparitățile de dezvoltare socio-economică dintre statele membre. Constatăm că în perioada 2007-2013, Planul Național de Dezvoltare s-a axat atât pe orientările strategice comunitare, cât și pe prioritățile Strategiei de la Lisabona.

Politica de Coeziune a fost corelată cu Strategia de la Lisabona prin cerința ca fondurile alocate să reprezinte contribuția politicii de coeziune la investiții, în vederea creșterii competitivității economiei europene și a creșterii numărului locurilor de muncă.

La nivel European, rezultatele Strategiei de la Lisabona au fost insuficiente, multe obiective au fost recunoscute ca eșec, economia europeană nu a devenit nici cea mai competitivă din lume și nu a creat nici cele mai multe locuri de muncă.

La nivel național, deși Planul Național de Dezvoltare prevedea programa pentru absorbția fondurilor europene, acestea nu au fost utilizate la maxim din următoarele cauze: incompetența în administrarea fondurilor, întâzieri în lansarea programelor operaționale sectoriale, proiecte nesustenabile, lipsa de comunicare între autoritățile române și cele de la Bruxelles cu privire la estimarea plăților pe proiecte și lipsei de informare a beneficiarilor etc.

În perioada 2007-2013, întreaga responsabilitate pentru managementul fondurilor europene a revenit autorităților naționale, spre deosebire de perioada de preaderare și perioada actuală, în care, rolul predominant revine Comisiei Europene.

În prezent, Politica de Coeziune trece printr-un amplu proces de reformă care urmărește maximizarea impactului finanțării și creșterea valorii adăugate. Dacă în perioada 2007-2013 existau trei obiective cheie, convergența, competitivitatea regională și ocuparea forței de muncă, în actuala perioadă de programare sunt două obiective cheie și anume investiții pentru creștere economică și crearea de locuri de muncă și cooperare teritorială europeană. Considerăm că aceste două obiective sunt mai realiste, mai precise, mai importante pentru actuala perioadă.

Măsurile necesare maximizării finanțării sunt: întărirea programării strategice și concentrarea intervențiilor pe prioritățile stabilite în Strategia ” Europa 2020”; orientarea spre performanță prin întărirea sistemului de condiționalități și stimulente; îmbunătățirea evaluării performanțelor și rezultatelor ; sprijinirea utilizării de noi instrumente financiare, consolidarea guvernantei; întărirea dimensiunii teritoriale a politicii de coeziune; consolidarea parteneriatelor; simplificarea sistemului de punere în aplicare ; îmbunătățirea managementului financiar; reducerea ponderii administrative; asigurarea disciplinei financiare.

Aceste măsuri sunt preluate în regulamentele europene pentru accesarea fondurilor, deoarece trebuie să contribuie la înlăturarea suspiciunilor de fraudă și corupție, fenomene întâlnite în aproape toate statele membre. Astfel, Regulamentul (CE) nr. 1083/2006 al Consiliului a fost înlocuit de Regulamentul nr. 1303/2013 care stabilește dispoziții comune pentru cele 5 fonduri ( FEDR, FSE, FC, FEADR, FEPAM) care formează un nou fond, numit Fondul Structural de Investiții Europene (FSIE). Acest regulament conține două tipuri de reglementări și anume prevederi comune celor cinci fonduri, dar și norme separate specifice fiecărui fond. Regulamentul face o clasificare a fondurilor printre care se află Fondurile Structurale și de Coeziune formate din FEDR, FSE și FC. Pentru perioada de programare 2014-2020, politica de coeziune are 11 obiective tematice repartizate pe următoarele fonduri:

Investițiile din FEDR sprijină principalele priorități și anume: consolidarea cercetării dezvoltării tehnologice și inovării; îmbunătățirea accesului la tehnologia informației și comunicațiilor, precum și îmbunătățirea utilizării și calității acestora; sporirea competitivității IMM-urilor ; sprijinirea trecerii la o economie cu emisii reduse de carbon.

Fondul Social European (FSE) sprijină: promovarea sustenabilității și calității locurilor de muncă și sprijinirea mobilității lucrătorilor; promovarea incluziunii sociale, combaterea sărăciei și a oricărei forme de discriminare; efectuarea de investiții în domeniul educației, al instruirii și al învățării pe tot parcursul vieții; îmbunătățirea administrației publice.

Fondul de Coeziune sprijină următoarele obiective: sprijinirea trecerii la o economie cu emisii reduse de carbon; promovarea adaptării la schimbările climatice, precum și prevenirii și gestionării riscurilor, conservarea și protejarea mediului și promovarea eficienței resurselor, promovarea unui transport durabil și îmbunătățirea infrastructurilor rețelelor, îmbunătățirea eficienței administrației publice. Conform noului regulament privind accesarea fondurilor europene, investițiile din FEDR vor sprijini toate cele 11 obiective tematice.

La nivel european pentru perioada 2014-2020 au fost alocate 351,8 mild. euro, aproximativ o treime din bugetul total al U.E. pentru politica de coeziune, în vederea atingerii tuturor obiectivelor și a îndeplinirii diverselor nevoi existente la nivelul regiunilor. În acest

context, României i-au fost alocate aproximativ 23 mld euro din fondul politici de coeziune europene, cu 10% mai mult față de perioada anterioară.

Partea a treia din Regulamentul nr. 1303/2013 ( RDC) începe cu ”Dispoziții generale aplicabile FEDR, FSE, FC. Art. 90” Investiții pentru creștere și locuri de muncă” alin 1 stipulează că fondurile structurale sprijină obiectivul privind investițiile pentru creștere economică și locuri de muncă în toate regiunile corespunzătoare nivelului NUTS2.

La alin 2 se arată că fondurile structurale sunt repartizate pe trei categorii de regiuni:

- Regiuni mai puțin dezvoltate, al căror PIB pe cap de locuitor este mai mic decât 75% din PIB-ul mediu al UE-27;
- Regiuni de tranziție, al căror PIB pe cap de locuitor este între 75% și 90% din PIB-ul mediu al UE-27;
- Regiuni mai dezvoltate al căror PIB pe cap de locuitor este mai mare de 90% din PIB-ul mediu al UE-27.

În art.92 din RDC sunt prevăzute resursele pentru obiectivele cheie ale politicii de coeziune și anume un total de 313.197.435.409 euro (96,33 din resursele globale) este alocat astfel: 52,45% pentru regiunile mai puțin dezvoltate, 10,24% pentru regiunile în tranziție, 15,67% pentru regiunile mai dezvoltate, 21,19% pentru statele membre care beneficiază de contribuții din Fondul de Coeziune. Un element de noutate al RDC este faptul că programele operaționale, care beneficiază de contribuții din Fondul de Coeziune sunt întocmite la nivel național, în acest caz Comisia Europeană nu are nici o responsabilitate, răspunderea revine numai autorităților naționale, 0,44% ca finanțare suplimentară pentru regiunile ultraperiferice.

Alin 2. din art. 37 din RDC arată că sprijinul instrumentelor financiare se face pe baza unei ” evaluări ex ante”, care este o condiție specifică înainte de accesarea fondurilor. Această evaluare se efectuează înainte ca Autoritatea de Management să aducă contribuții din program la un instrument financiar. Considerăm că această condiție este necesară pentru a sprijini eficacitatea și eficiența fondurilor, dar prea restrictivă, greu de îndeplinit pentru state mai puțin dezvoltate.

În cadrul ajustării tehnice, Comisia Europeană revizuieste totalul fondurilor alocate obiectivelor cheie, adoptă o decizie prin care stabilește repartizarea anuală a resurselor globale pentru fiecare stat membru.

Comisia Europeană alocă sprijin financiar și pentru Mecanismul pentru Interconectarea Europei (MIE). Pentru perioada actuală de programare, cuantumul din Fondul de Coeziune care urmează a fi transferat către MIE este de 10 md euro, sumă cheltuită pentru proiecte de infrastructură de transport în conformitate cu Regulamentul nr.1316/2013. Suma transferată din Fondul de Coeziune către MIE poate fi cheltuită de statele membre eligibile, depunând cereri specifice pentru proiecte de implementare a rețelelor de bază sau pentru proiecte și activități orizontale.

O parte din resursele fondurilor structurale privind investiții pentru creștere economică și locuri de muncă se alocă acțiunilor inovatoare, gestionate direct sau indirect de Comisie în domeniul dezvoltării urbane durabile.

Cu privire la cel de-al doilea obiectiv cheie ”cooperare teritorială europeană” sunt încurajate regiunile și orașe din diferite state membre U.E. să colaboreze și să învețe unele de la celelalte.

Programele, proiectele și rețele comune trebuie să aibă efecte concrete asupra vieții economice.

De asemenea programele transfrontaliere, transnaționale și interregionale beneficiază de finanțare din FEDR. Cel de-al doilea obiectiv cheie , beneficiază în perioada 2014-2020 de 2,75% din resursele globale disponibile.

## 2. Concluzii

Pentru perioada 2014-2020, politica de coeziune s-a reformat, în sensul că s-au stabilit numai două obiective cheie și 11 obiective tematice. Considerăm că aceste două obiective sunt mai realiste, mai precise, mai importante pentru actuala perioadă. Programele operaționale care beneficiază de contribuții din Fondul de Coeziune sunt întocmite la nivel național. În perioada anterioară, întreaga responsabilitate pentru managementul fondurilor europene a revenit autorităților naționale, spre deosebire de perioada de preaderare și perioada actuală, în care, rolul predominant revine Comisiei Europene. În acest context, României i-au fost alocate aproximativ 23 mild euro din fondul politici de coeziune europene, cu 10% mai mult față de perioada anterioară. În RDC se arată că, sprijinul instrumentelor financiare se face pe baza unei ” evaluări ex ante ” care este o condiție specifică înainte de accesarea fondurilor. Această condiție este necesară pentru a sprijini eficacitatea și eficiența fondurilor, dar prea restrictivă, greu de îndeplinit pentru state mai puțin dezvoltate.

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## The Gdańsk Liberals – an Exemplification of Polish Pragmatic Liberalism

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### Abstract

*The purpose of the article is to present the ideology and socio-political program of the Gdansk liberals. Subsequently, an attempt will be made to incorporate the concept of the Gdansk liberals in the party program of the Liberal Democratic Congress (Kongres Liberalno-Demokratyczny). The introduction focuses on the definition of intellectual formation called the Gdansk liberals. Further the author introduces the basic ideas, the political program (system of state, privatization as an attempt to create a middle class, regionalism, and the issue of "liberal revolution"). The article ends with reflections on the relationship of Gdansk's liberals to Congress.*

*Keywords: Gdansk Liberals, parliamentary democracy, privatization, regionalism, Poland.*

### 1. Introduction

The Gdańsk liberals were an intellectual formation created in the early 1980s, bringing together the intelligentsia of Gdansk who opposed the communism. At the beginning of their existence, the members of this group did not have specific views, but they were primarily reluctant to join the political system at the time. Their ideas began to crystallize in 1983 when the first issue of the "Political Review" ("Przegląd Polityczny") was published, whose editor-in-chief was Donald Tusk, current president of the European Council (originally written under the pseudonyms Anna Barycz and Tadeusz Doniecki). The list of editors included Wojciech Duda, Marek Zająkała, Jacek Kozłowski, Andrzej Zarębski and Wojciech Fułek. (Paradowska, Baczynski, 1993, p. 55) Among the Gdansk liberals apart from those mentioned above were Dariusz Filar, Lech and Longin Mażewski, Piotr Kapczyński and Jan Szomburg. Views of the Gdańsk liberals were reflected in the program of the party Liberal Democratic Congress (1990), which stopped existing in 1994, joining the Democratic Union (Unia Demokratyczna).

### 2. Fundamental ideas

In the first issue of the "Political Review" the editorial stated: "We do not have the ambition to create our own political program at least. It is probably still too early". (From Editorial, 1983, p. 1) Indeed it was too early, because liberal ideas were discussed in Poland, but in the larger academic centers such as Warsaw, Poznan and Krakow. Only minor works

on this subject were published in Gdańsk. In the first few years of the activities of the Gdańsk liberals there was no debate on the essence of liberalism. It should be noted, however, that the aim of the "Political Review" was to create an ideological and substantive basis for the new policy. The realization of this goal seems to be an article D. Tusk "Reflections on Liberalism". It did not contain any serious research on the main philosophical assumptions of this doctrine. Freedom seemed to be the author of the idea of the most important characteristic of "practical liberalism".

So the phenomenon of Gdansk was called by J. K. Bielecki in an interview with Mark Rudziński (Bielecki, Rudzinski, 1991, p. 15)

However, D. Tusk barely mentioned his fundamental ideas of the Gdańsk liberals. D. Tusk stated in it: "What does the liberal demand in a state of parliamentary democracy, what else in a totalitarian state? In communism or fascism every liberal is entered radicalism attitudes and actions". (Barycz (Tusk), 1984, p. 23) Three years later, D. Tusk asked rhetorically, "How important for us to be able to dispute the liberals of the free world within involvement of the welfare state, the degree of freedom of competition, the nuances of the liberal conception of man, etc. - for us who live in the country of unlimited power policeman and an officer of the party?", (Doniecki, (Tusk), 1987, p. 18) and I answered as follows: "It was only sensible to adopt the broadest version of liberalism, which he means as much as anti-totalitarianism" (Doniecki, (Tusk), 1987, p. 18). Because there is no way undermine the simple truth that "liberalism offers a radical form of escape from the totalitarian system, because it is obvious opposite of". (Wegielek, 1991, p. 11) The 80s liberalism was seen "not as a program of socio-political and economic, but as a personality predisposition, way of thinking and the initial canon of political principles" (Doniecki, (Tusk), 1987, p. 18. For these reasons, it did not require any justification. This caused a complete loss from the field of view of the problems of building the next political system. There was no reflection on what it was like to move on to the new order, and what ideological-programmatic assumptions should be adopted by free Poland. Liberalism must have transformed itself into a utopia or a more subtle vision that became popular only because it was highly contrasting with the realities of the communist regime. (Szacki, 1991, p. 201).

D. Tusk substantially agreed with this assessment, but he was convinced that "(...) we developed (meaning: Gdansk liberal) some insights and assumptions" importing the following:

1. One of the main sources of civilizational collapse in Poland is etatism; without a fundamental change in the sphere of ownership of means of production and the limitation of state omnipotence, Poland has no chance of recovering from the crisis;
2. Private property, free market and free competition of free generators are guarantees for the proper functioning of the economy. Any ideas related to the "third way", "no bourgeois civil society", "socialism with human face", etc. are utopian and political fiction, regardless of their origin. The idea of civil society in the traditional sense of the term (and therefore the only positive one tested) is immanently linked to economic freedom;
3. Polish society is largely egalitarian. It is still common to allow etatist omnipotence and overprotectiveness, and one of the main tasks of the opposition is to change that attitude;

4. The Poles need reforms - they must at the same time demand rights. (Filar, 1988, p. 20)

### **3. Political program**

In the 1980s, the liberal program in Poland was reduced to four principles: "freedom, not equality", "individual, not mass", "law, not violence", "property, not alienation", "evolution, not revolution" (Filar, 1988, p. 20). However, the Gdansk liberals quickly created their own concept of political system - democratic capitalism - inspired by the publications of Michaela Novaka, whose elements were presidential-parliamentary republic, regionalization, separation of church and state, widespread privatization, as well as the liberal revolution as a way to come to them. (Mazewski 1991, p. 21). The political program developed by the Gdansk liberals contained a vision of political and economic order as well as considerations on the way out of communism and the separation of church and state. The most important element of the ideas of Gdańsk liberals was privatization and regionalism. These were the two main conditions for the final overthrow of communism in Poland. (Tusk, 1991, p. 2). A "competent" separation of church and state was the least refined element of the program of Gdansk liberals. They admitted that "neutrality worldview should take in Poland different shape than in the West", but the details of the program on this subject have only "become the subject of public debate" . It was only known that this should "bring about the development of the Church itself" (Mazewski 1991, p. 23). This issue will be omitted in further reflections.

#### **3.1. State supreme governing body**

According to the Gdansk liberals, the president of Poland should be elected by a direct vote. The term of office would be 6 years, but there would be no re-election ban. Besides the traditional powers of the head of the parliamentary state, the President would have a number of personal competencies. The most important of them would be: nominating and releasing the head of the armed forces, appointing a commander of the armed forces for the time of war, the powers associated with the introduction and conduct of extraordinary states, the appointment and dismissal of the prime minister, the possibility of defining a separate act of direct relations between the president and the ministers of foreign affairs and defence, the right of veto of the legislature and the unlimited possibility of dissolving the parliament before the end of the term. In case of official actions, the president would not be held accountable for political matters, but only for criminal and constitutional reasons on the basis of consistent resolutions of both chambers. The justification for such a solution would be to make the head of state independent (by way of appointment) from the parliament and to make it equal to the parliament's legitimacy to power. A range of competencies allow the president to be active in political life, especially as defence and foreign policy issues would be entrusted to him bypassing the government. The right of veto suspension and unlimited resolution of the chambers would mean a profound interference in the legislative activity.

Parliament should consist of two equal chambers: the Sejm (lower house) and the Senate (upper house). The parliamentary tasks would primarily include legislative activity (presidential decree could only take place through parliamentary mandate during inter-



parliamentary periods) and government scrutiny. The Gdańsk liberals rejected the conception of the Senate as representative of the regions. It would come from regional-based elections (according to which smaller towns are subject to the nearest major center), but would not represent a region, as it would be contrary to the idea of a regional state (a unitarian and non-federal state). Both chambers would come from the general elections with a majority. (Mazewski 1991, p. 25).

The Gdańsk liberals demanded the independence of the Senate from the Sejm. The dissolution of the lower house of the Polish parliament would not entail the filing of elections to a higher chamber. The effect of the Senate's continuity could be strengthened if, with the four-year term of senators being renewed, half of its composition was renewed every two years. In addition, the Gdańsk liberals have postulated that the higher chamber is competent to draft statutes. The establishment of a legislative act in the described manner would only occur in the event of natural disaster, war and emergency at the request of the government. Laws passed by the Senate alone would be subject to approval by the Sejm within 30 days of its establishment. The legal acts established in this special procedure would cease to apply in two cases: 1) if the lower house of the Polish parliament would not approve them and 2) if they were not submitted for approval.

The Gdańsk liberals were opponents of the Senate's transformation into a self-governing chamber. They were supporters of the general election to the upper house. They did not want the passive right to be voted only by qualified citizens who had the function of coming from the local government elections. (Tusk, 1995, p. 43)

### **3.2. Privatization as an attempt to create a middle class**

The difficulty in introducing the changes proposed by the Gdańsk liberals was that there was no significant breakthrough in the initial years for building a new system that would coincide with its real interests. Lech Mazewski recalled that: "The medium class with the pattern of its western counterparts could be the backbone for us". But this was not. Therefore, Janusz Lewandowski and Jan Szomburg and Lech and Longin Mazewski proposed universal privatization as a tool capable of creating it. It was not an original idea, because in countries where the sociological dimension of the appropriation was strongly emphasized, the focus was on the empowerment of small shareholders. It was characteristic of the "people's capitalism", proclaimed by Ludwik Erhard at the congress of the CDU in Hamburg in 1957 and for the subsequent re-privatization of the public sector in Austria, where it was also about the social privatization (*soziale Privatisierung*). The social motif was clearly intertwined with fiscal motives in numerous re-privatization undertakings. Conservatives openly declared aim was the British folk capital market (*people's capital market*). It was a conscious process of creating - through direct, indirect and not capitalizing savings - a broader layer of risk-taking individuals, necessary work revitalize the economy, building economic culture (*enterprise culture*). It was also in France and other Western countries.

The universal and mass privatization of J. Lewandowski and J. Szomburg was supposed to be a top-down transformation of the amorphous state ownership into a decentralized system of individual and voluntary powers over the existing production assets. (Lewandowski, Szomburg, 1991, p. 25). According to J. Lewandowski and J. Szomburg, the effects of the

transfer of ownership rights to a wide range of society would not only be a radical socialization of the dispersing economy, but also the spread of private property, the creation of a market economy and the creation of "property specialists" - middle class representatives. The parcel of state property meant that every Polish household would have the property right "which will soon be able to try on the stock market". (Lewandowski, Szomburg, 1991, p. 25)

The result of the reflections of J. Lewandowski and J. Szomburg was the idea of taking over the re-privatization of all natural persons over 18 years of age who were Polish citizens. They would receive nominal property bills of 2 million zlotys (today's 200 zlotys, approximately 40 sterling pounds). They could be used only for one purpose: as a right to take shares of equivalent value. The holder of the voucher could choose the moment in which he appears on the stock exchange as a potential shareholder, knowing the fixed schedule of re-privatization with the dates of introduction of individual companies on the stock exchange. Apart from the issue of ordinary bearer shares, the issue of preference shares of the company concerned was also issued to its employees. It would take over these shares for vouchers or buy them with a rebate, thus providing the right amount of voting power at the shareholders meeting. The legal form was obtained by Janusz Lewandowski and Jan Szomburg in the Act of 30th April 1993 on national investment funds and their privatization (*Ustawa z dnia 30 kwietnia 1993 r. o narodowych funduszach inwestycyjnych i ich prywatyzacji*). The law envisaged the conversion of about 5% of state-owned companies into commercial law companies and the transfer of their shares to national investment funds. It was intended to transfer the shares of commercialized businesses to two types of funds:

1. Common investment fund,
2. Compensation fund investment.

National investment funds (NIF), in accordance with the law, were state-owned companies with the aim of managing privatized state-owned companies. The shares of these companies themselves were subject to the following division:

1. 60% of shares had to hit different NIFs, however, one NIF held a 33% controlling stake, while the rest, 27%, received each NIF equally, and 15% of those shares were reserved for the management company of the NIF as compensation. For her work;
2. 15% of the shares went free to company employees;
3. 25% of the shares were held by the State Treasury to subsidize the social security system or as a compensation fund for employees of the budgetary sphere or pensioners.

By assessing the above distribution of shares, attention should be paid to the appropriation of the NIF and its management boards to the dissemination of the rest of the shareholders. This is because they have become the real owners of commercialized businesses. In addition, the employees of the privatized company were too comfortable to participate in both the privatization of their company and the Universal Share Certificate (Powszechnie Swiadectwo Udzialowe; USC) equivalent to one share in each NIF. The USC itself cost 10% of the average monthly salary announced by Polish Central Statistics Office and the approximate valuation of shares received by one citizen was estimated at about 20 thousand polish zlotys (approximately 5 sterling pounds). (Thieme, 1991, p. 24)

Among the proposed proposals for emancipation, a special attention should be drawn to Compensation Share Certificate, which was to be distributed free of charge to persons who

did not receive valorization of their benefits or wages from the government in the second half of 1991. In concluding the program of universal privatization, it should be emphasized that, at the moment of specifying the NIF and their privatization, it completely abandoned the idea of creating a middle class. Its purpose has been to seize state-owned enterprises, improve their market position, and compensate for the absence of increases in the budgetary sphere. The main weakness of the program was the limited scope of privatization, which covered only 10% of state-owned enterprises at that time, which, even in mass participation, could not provide the capital needed to create their own businesses. The proposals of J. Lewandowski and J. Szomburg were not unanimously accepted by the Liberal Democratic Congress. Part of the Gdańsk liberals saw the shortcomings of the Universal Privatization Program.

The leaders of the opposition in the Congress were Lech and Longin Mażewskis, who, because of their lack of acceptance for their privatization program, left the Congress and joined the Conservative Party of Alexander Hall. Even as members of the Congress, they proposed a commercialization project at the Congress of the Congress (17th June 1992), competing against the then-program of J. Lewandowski and J. Szomburg. The main assumptions of the mass and universal privatization of Mażewskis were:

1. System of credit vouchers;
2. Regionalization of privatization rights;
3. Regionalization of stock exchanges;
4. Use of NIF for privatization purposes. (Mażewski, 1993, p. 32)

The authors of the concept of credit vouchers referred to the idea of Lech Wałęsa, "100 million zlotys for everyone" (today's 10.000 polish zlotys, approximately 2.000 sterling pounds). According to L. Walesa, every adult citizen was eligible to receive a loan of 10.000 American dollars, which had to be repaid within 20 years. However, for the first 10 years, one's would not be charged interest. In 11 years the interest rate would be 10% per annum. So repaying the loan earlier, the citizen could count on lower investment costs. In the concept of L. Walesa, to which the brothers Mażewski referred to, the sum received could be used to repay debts, purchase state and communal property, and purchase shares of commercialized enterprises. (Mażewski 1991, p. 25). The whole process of privatization in accordance with this concept should become the domain of individual teams counting a number of voivodeships, to which 20% of the proceeds from the commercialization of enterprises would be charged.

Privatization, in line with the concept of a conservative Congress option, should be done with reprivatization through reprivatization bills, as well as returns in kind where possible. The property repatriate was to be the National Repurchase Fund, which had the power to exchange reprivatization vouchers for shares of commercial enterprises (at central level) or financial assets (at local level).

Another point of the Mażewski brothers program was the division into the central stock exchange and its regional counterparts. This would allow access to the capital markets of smaller and lesser-known privatized state-owned and private companies, for which certain conditions of admission to the markets were relaxed, such as period of operation and size. On the other hand, at central level they would have to be the subject to all restrictions.

The conservative option program of the Liberal-Democratic Congress also assumed a modification of the rules for the formation and functioning of the NIF. As a result of these

changes, the NIFs would become joint stock companies of the Treasury and management companies. Citizens could place credit bundles in the selected fund, which would force competition between them for investors. The authors of the concept claimed that the result of mass credit would be the emergence of the middle class. Thanks to it, according to Lech and Longin Mazewski, the transformation of Poland would take place not as a result of the administration, but due to the forces actively interested in defending and deepening "democratic capitalism". They believed that "the property revolution would lead to the individual interest joining the common interest". (Mazewski 1991, p. 56).

In summary, the Congress conservative option program assumed universality, despite the emphasis on participating only in the most active entities - people capable of multiplying the acquired capital and returning it after a maximum of 20 years. Moreover, it did not put the employees or managers of the privatized enterprises in a privileged position. It is therefore possible for authors to conceive that the aim was to create a middle class by using regional instruments as close as possible to the citizen. Also worth mentioning is the combination of privatization and reprivatization, which J. Lewandowski and J. Szomburg overlooked in total silence.

The presentation of liberal privatization projects in Poland after 1989 aiming at the creation of the middle class allows us to answer the question posed at the beginning. Liberal projects seem to confirm the following thesis: they believed that the best way to create a middle class, then limited to entrepreneurs and consolidating it in the structure of Polish society, would be to provide capital to citizens. They will use it to invest not only in their own home but also in building or strengthening their own businesses.

The privatization project of J. Lewandowski and J. Szomburg suffered an absolute defeat not in the Poles but in the NIF, their management companies and the employees of the commercialized companies. The concept of Mazewski brothers was definitely a better solution. It had the potential to cover all Poles by providing them with capital in the form of a preferential loan. It was not a money distribution, because on the borrower's side was born a debt, which after a maximum of 20 years should be returned. The concept of mass and universal privatization put emphasis on entrepreneurship and accountability, not just past conductio sine the development of capitalism, but also the development of the middle class. The results of Polish privatization were much more modest than the expectations of the liberals. As a result of the universal privatization program, citizens received a voucher of today's value of PLN 20, which in no way could help them run a business or secure a substantial investment. Common Stock Certificates were often sold after a while from purchase at the same bank where they were obtained. Until now, most citizens have not been deprived of their citizenship. Perpetual usufruct, cooperative and communal property are just some examples of areas the privatization of which has been lost.

The development of the middle class took place without political elites, including those liberal proponents interested in current profits from the commercialization of enterprises. He made it in the midst of small business - trade, services, small production. Today's small entrepreneurs started their businesses with the introduction of the economic laws of Mieczysław Rakowski and Mieczysław Wilczka, and developed them without the capital inflow from privatized companies. Privatization itself has preserved the division of Poles into: the class of beneficiaries of change, and those who have come to their own positions. The

potential for dissatisfaction has become a breeding ground for parties interested in gaining access to power.

The authors of the presented conceptual errors can be seen in the desire to shape the Polish society in accordance with their will and imagination. The strategy adopted by them was erroneous. Instead of limiting state participation in the process of economic and social reconstruction, they carried out active pro-state economic and social policies. They could not reduce the burden on the middle class. Liberals considered these burdens to guarantee funds for its development. In fact, the middle class in Poland was born outside of the liberals.

### 3.3. Regionalism

Some representatives of the Gdańsk liberals, including D. Tusk, had at least an ambivalent attitude towards Poland. For D. Tusk: "Polishness is abnormality (...) Polishness invokes invariably the reaction of rebellion: history, geography, historical bad luck and God knows what else has thrown on my shoulders a burden that I have no special desire to carry and I can not dump I want anyway?, Burn the badge and make it proudly". (Tusk, 1987, p. 12-15) The source of this dual relationship to the homeland can be seen in the double identity of the national part of the Gdańsk liberals. Many of them were Kashubs or had Kashubian origin, among others D. Tusk and J. Szomburg.

The solution to Polish problems was regionalism for the liberals in Gdańsk. In their understanding, this was a far broader concept than folklore, folk and ritual. Indignation caused them to limit the idea of regionalism only to the cultural sphere. They considered regionalism to be a political movement intended to defend the values threatened by central government, progress, egalitarianism and unification. (Tusk, 1995, p. 17 and Tusk 1998, p. 12)

The goal of regionalism was to allow Pomerania and other aspirations of self-government to be understood not as a rebellion against the center, but as an active participation in the reform of the whole state, to realize the regional system. The autonomy of small homeland was to be achieved not with Poland but with regard to central bureaucracy (Tusk, 1992a, p. 2). D. Tusk proposed:

1. Intensifying the existing ways of functioning of regional organizations by promoting regional culture and self-education of future local government staff;
2. Undertaking a broad educational campaign, showing the dangers of a centralized state model and the opportunity arising from the decentralization of power;
3. Establishing closer cooperation between regional unions;
4. Improving and enhancing the effectiveness of lobbying in the Sejm and the Senate, and in particular gaining the regional ideas of the individual members of those clubs which remain indifferent to the issues of regionalization;
5. Establishing contacts with entrepreneurial circles, and in particular with regional chambers of commerce and private capital clubs. "An increasing number of such circles are interested in increasing the role of local government, as decentralization provides greater opportunities for effective control of taxpayer dollars";
6. Working on a specific economic program that addresses the realities and capabilities of individual regions;

7. Preparing for the election campaign together with the political parties which are ready to implement the idea of regionalism. (Tusk, 1992b, p. 6)

The Lech Mazewski program of "Regionalism of Administration" was an attempt to apply the idea of regional self-government to reality. This concept was based on the decentralization of administrative activities in accordance with the principles of democracy and participation in the functioning of a given self-government unit of its citizens. This participation, according to the author's intent, consisted of the participation of individuals in the election of representatives of municipal and provincial assemblies as well as the activity of pressure groups aimed at realizing the interests of specific communities. Democracy in Lech Mazewski's project was not limited to the choice of the representatives of the organs - assemblies or councils, but also the manner of cooperation between them. It is worth noting that the system of self-government did not propose the introduction of intermediate units between voivodeships and districts.

The key issue of the project was the demarcation between the competence of the municipality, which should be autonomous and the tasks entrusted to it by the state. In the sphere of its own actions the municipality should not be constrained by the supervision and management of the central authorities. The organizational chart of the municipality included:

1. Representative Assembly - council board or council;
2. Executive body - board of municipalities, cities;
3. The head of the municipality, the president of the city;
4. Administrative staff.

The number of members of the representative assembly and the executive body should depend on the number of inhabitants of the given local government unit. The democratic election of members of municipal councils should take place in the absolute majority system in two rounds. The condition for selection is that the candidate receives more than half of all valid votes in the constituency. The assembly is chaired by the head of the municipality, or mayor of the city, who has an advisory or deciding vote depending on whether or not he is a member of the council. The body convening the board meeting is in turn the board. The project assumes a general presumption of competence in local council issues. In addition, it has the right to issue local acts and the status of administrative staff. Central authority may also advise the municipality of its competence on the tasks entrusted by statute.

The board is similar to the collegiate board, except that individual board members do not have individual rights. It is made up of members headed by the head of the municipality. Executive electing takes place in democratically elected councils from among its members for a term of office. The Management Board shall act in accordance with its rules of procedure after the Chief Executive has been appointed. In addition, in moments important for the functioning of a given small homeland the main task of the board is to implement the resolutions of the council and their own, as well as the current reporting of matters of the municipality. The head of the municipality (city president) appoints and dismisses the council for an indefinite period of time. Candidates for this post are presented after consultation with the board and the governor. The head not being a member of the board is the chairman of the board and he has a decisive voice there. The council only has an advisory role. In addition, he is a representative of his community and a representative of central

government. The head is also the head of administrative staff, whose numbers depend on the size of the local government unit. (Mazewski, 1989, p. 17). The supervision measures of the voivode and the central authority will be used only in relation to unlawful acts. The average level of territorial division in this program is voivodeship. The administration of the voivodeship consists of two assemblies: the resolution (voivodeship council) and the advisory (voivodeship chamber). The voivodeship is governed by the voivode, who is also subject to administrative staff. The resolution assembly consists of three types of members:

1. Deputies elected in the voivodeship;
2. Equal number of councilors nominated by the president at the request of the Prime Minister from among the citizens of particular merit for the given voivodeship;
3. Councilors elected in the democratic elections by citizens of the voivodeship twice as large as the other two groups of members of the assembly of the legislature.

The introduction of deputies to the county council has, according to Lech Mazewski, to ensure coherence between government and local government, and the inclusion of councilors nominated by the president is a compromise between the authorities and society. It is worth noting the close association of the non-elected councilor with the mandate of a deputy. At the moment of losing the right to sit in parliament, he is also deprived of the opportunity to sit on the council. The number of voivodeship councilors will be similar to that of members of municipal assemblies, depending on the number of inhabitants of the given local government unit. In parallel to the council of the municipality, voivodeship council is characterized by a general presumption of competence on matters of provincial coverage. The Voivodeship Chamber of Commerce comprises three types of members:

1. Half of them are representatives of employers' organizations, trade unions, professions, crafts and chambers of commerce;
2. 25% are recruited from enterprises specific to the given voivodeships;
3. 25% of the space is reserved for representatives of organizations dealing with ecology, public health, education and culture. (Mazewski, 1989, p. 18)

The Voivodeship Chamber of Commerce has only advisory competence. The voivodeship is in turn the executive body of the voivodeship self-government without the right of veto to the resolutions of the council. The scope of its tasks vis-à-vis the voivodeship is the same as that of the municipality. Supervision over the activities of the voivodeship administration should lie with the joint commission of the two chambers of Polish Parliament. It should be noted that the presented program was, according to the author, the "institutional brake of presidential power". It enabled to disperse the negative effects of the necessary reconstruction on various local systems (Tadeusz Mazowiecki's cabinet). In addition, it mobilized local resources, which enabled him to entrust local governments with social policies and the organization of collective consumption. (Mazewski, 1991, p. 5)

### **3.4. Liberal revolution**

According to the "Sociological dictionary" of Krzysztof Olechnicki and Pawel Załęcki, a revolution is:

1. "The process of violent and radical changes in the existing state of affairs or the system of relations; Overturn, rapid transition from one developmental stage to another; Opposite concept of evolution";
2. "The violent change of the existing social organization and the shape of the system of the state, of the nation, of society accompanied by the usually armed attempts to exchange political elites".

(Olechnicki, Zalecki, 1999, p. 177)

In addition, researchers referring to the "revolution" as a rule also take into account the criterion of mass participation, which distinguishes it from the revolts (Topolski, 1976, p. 81) and from the coup (Kolakowski, 1984, p. 101). For the definition of revolutions, the following are characteristic:

1. Violence - sudden and speedy;
2. Radicality - bringing about fundamental changes in social life;
3. Massiveness - participation of a large number of people;
4. Exchange of social elites - as a result of successful revolution;
5. Violence - exert an influence on the mental process, behavior or physical condition of a group of people without their consent;
6. The social dimension of change - encompassing changes in all spheres of social life.

In addition to Piotr Sztompka, I would also like to distinguish:

7. Emotional and intellectual reactions characterized by revolutions, such as the eruption of mass mobilization, enthusiasm, excitement, joy, euphoria, optimism and hope, sense of power and power, joy of activism and a sense of life reasserted by exuberant aspirations and utopian visions of the near future. (Sztompka, 2005, p. 279)

Since the philosophy of liberalism adopts an evolutionary model of change in society, a revolution in the sense given above is not in line with the liberal idea. According to Karl Popper, the leading proponent of liberalism, the optimal model of social change is the partial social engineer, which consists of:

1. Institutional approach to social problems - focusing on improving the actions of individual institutions, avoiding holistic goals;
2. Small-scale social experiment that determines gradual social change in one institution at a given time;
3. Rationalism implies partial compromise and openness to criticism, so you can focus on ski indirect goals, rejecting the ultimate solution.

If the interpretation of the liberal position is the point of view of K. Popper, the term "liberal revolution" is intrinsically contradictory. In the meantime, the Gdansk liberals, when they existed as a compact ideological formation, invoked the concept. (Popper, 1993, p. 123-127)

By popularizing liberalism, D. Tusk was aware that the liberal idea could not be applied to the reality of real socialism as "it is impossible to take liberal heritage uncritically because it becomes rather embarrassing: the mechanical transfer of the concept of programs of democratic societies was and is impossible. Adopting liberalism as an ideological foundation for political action is an unprecedented experiment that requires original, interpretative and specific way of acting" (Tusk, 1989, p. 24) The term "liberal revolution" can be considered a significant novum modifying the liberal tradition. This idea has never been more widely



developed, but it can be conventionally included in all those activities that do not fall within the evolutionary concept of social change. (Popper, 1993, p. 140) These are:

1. Non-compliance with the law, consisting of writings, circles, groups, political parties capable of mobilizing people to mass actions such as demonstrations and strikes, whose "effect ... was to be aware of the proposal for a new social construction remaining solidarity in action with Everyone who is close to the idea of Free Poland" (Barycz (Tusk), 1984, p. 2);
2. Exerting pressure on power - "tearing up the power of social space, which must be managed by, on the one hand, organizing social pressure, coercive coercion and, on the other, by building social, economic and political infrastructure". (Tusk, 1989, p. 32)

After 1989, the term "liberal revolution" was referred to the radical economic change in economics. W. Gadomski, the spokesperson for this understanding, remarked that "the transition from the stage of evolution to the stage of the so-called liberal revolution seems to be inevitable, because the possibilities for continuing the reforms according to the existing evolutionary scenario are exhausted". As W. Gadomski noted, "Despite the introduction of market mechanisms into the economy, it remained largely dominated by state-owned enterprises that behaved otherwise than private". According to the author, "The Liberal Revolution can not be made by democratic means". The only chance to do so is to find support among the beneficiaries of capitalist change. Privatization and economic policy must be subordinated to the creation of this class, which, as W. Gadomski writes, "Entrepreneurs must have access to cheap credit, even if this is contrary to anti-inflationary policies. There must also be exceptional facilities for those who want to become entrepreneurs". (Gadomski, 1991 p. 10-13) As I tried to show, the Gdańsk liberals used the term "liberal revolution" in a different sense than in the social sciences. Referring to the definition of the concept of "revolution" presented at the beginning of this subsection, it can be stated that the Gdansk liberals have defined them apart from such features of the revolution as:

1. Violence - its role in the liberal revolution was negated by D. Tusk by the statement: "The political ethos of the opposition of our generation is clearly changing. Until recently radical, revolutionary, believing in the sense of violent coup today, we are ready to give importance to values and concepts such as political and civic responsibility, the power bill, political culture, reason and moderation, imagination and predictability"; (Barycz (Tusk), 1984, p. 19-23)
  2. The social dimension of change - The Gdansk liberals focused on the political and economic spheres bypassing the cultural sphere and in the 1990s only limited to the economic sphere;
  3. Exchange of social elites - one of the main goals of the Gdańsk liberals was to create a middle class rather than overthrow the old social elites;
  4. Violence - was completely negated by the Gdansk liberals. (Gadomski, 1991 p. 17)
- Some of the components of the revolution in turn have been selectively accepted in the discussed concept, e.g.:
5. The radical resilience of the revolution was limited to the economic sphere; (Doniecki, (Tusk), 1987, p. 11)

It is also worth stressing the attitude of the Gdansk liberals to:

6. Massive - this feature of the revolution has fully endorsed;
7. Emotional reactions that would be a kind of catalyst for change in the "liberal revolution". (Gadomski, 1991 p. 11)

In conclusion it can be stated that the redefinition of the term "revolution" in the thinking of the Gdansk liberals was due, on the one hand, to the social conditions of real socialism, which were fundamentally incompatible with values accentuated by liberal traditions such as free market and democracy, and, on the other, limiting the role of coercion in social change. The formation of the term "liberal revolution" by social conditions - the experience of totalitarian communism and fascism draws the attention of Bruce Ackerman. For him, "the goal of revolutionary liberals is not a radical transformation of human nature. Liberalism wants to support, not suppress, the extraordinary variety of human aspirations. It aims to work for social justice in terms of the distribution of opportunities for individual growth and development" (Ackerman, 1996, p. 16). This is how "liberal revolution" was understood by the liberal Gdansk.

#### **4. The Gdańsk Liberals and Liberal-Democratic Congress**

The road to their own political party for the Gdansk liberals began on 24<sup>th</sup> of February 1989, when an application was submitted for registration of the Gdansk Socio-Economic Society "Congress of Liberals". Their ideological declaration, which was signed by all the leading representatives of the "Political Review" (D. Filar, J. Lewandowski, Lech Mażewski, D. Tusk, J. Szomburg) was, as they wrote about it, "long distance work" and boiled down to the following:

1. Support for private entrepreneurship and other forms of economic activity of citizens;
2. Actions for the re-privatization of the Polish economy and the appropriation of citizens;
3. Rebuilding the ethos of entrepreneurship, working culture and the climate of social trust in market institutions and private property;
4. Inspire the authentic forms of self-organization of the economic environment for the defense of his interests;
5. The pursuit of full democratization of life at the basic and regional level;
6. Action for the gradual democratization of central political institutions and the reconstruction of constitutional order. (Ideological Declaration of the Gdansk Socio-Economic Society, 1989, p. 28)

Most of the above mentioned points were in principle common to people with different political orientations at the turn of the 80s and 90s. Among them are the theses 2, 3 and 4, which appear to be the result of the influence of the concept of democratic capitalism of M. Novak. The Declaration was not a political program. It was about to come out a year later during the founding conference of the Liberal Democratic Congress. There were loudspeaker slogans implicitly included in the "Political Review", repeated later in "Marriot Hotel Theses" (November 15, 1990), together with statements from the already mentioned article by J. Lewandowski and L. Szomburg, on:

1. Freedom is understood as "the value of the superior and the first principle of social order that can and will be guaranteed only where respect for the permanent values of

- human settlements among moral norms". Freedom that leads to material inequalities according to the Gdansk liberals "a price worth paying for creativity and social wellbeing," favoring "the formation of political, economic and cultural elites appreciated especially in the development and civilization of every society";
2. Private property - the "material guarantee of human freedom" that justifies and restricts "property in freedom" by creating "civil society";
  3. Economic rebirth which could only be achieved "through the development of private entrepreneurship organized in a market competition system" based on the "freedom of transaction and individual ownership". (Program Declaration of the Liberal Democratic Congress, 1998, p. 190)

During the presidential campaign in December 1990 the Gdansk liberals gained an unexpected promoter - Lech Wałęsa - who benefited from their help (especially Janusz Merkel, Andrzej Zarębski and Jacek Kozłowski), established a plenipotentiary Jan Krzysztof Bielecki, the chairman of the Liberal Democratic Congress political council. The influence of Congress in Wałęsa's center of power was one of the sources of Congress's election success. The party gained 7.5% of the support in the parliamentary elections (October 27, 1991), which allowed it to enact 37 Members of Parliament (J. K. Bielecki won the nationwide 115,000 votes). Despite its success, however, this was the beginning of the end of ideological liberalism. This period was named by Bogusław Mazur, journalist of "Wprost", "a quarter of the liberals" (Mazur, 1981, p. 13) due to the participation of their representatives in the highest authorities of the state from 12<sup>th</sup> of January 1991 to 5<sup>th</sup> of December 1991. J.K. Bielecki became Prime Minister, J. Lewandowski Minister of Property Transformations, Andrzej Zawisłak Minister of Industry and Trade, Press Spokesman A. Zarębski, next ministers joined Michał Boni (Minister of Labor and Social Policy), Krzysztof Żabiński (Head of the Council Office of Prime Minister), Robert Głębocki (Minister of National Education) and J. Kozłowski (Director of the Government Press Office). Paweł Piskorski and Lech Mażewski were also nominated as special advisers to the Council of Ministries.

Bielecki's government was, however, a return to "pragmatic liberalism", characterized by: "expecting that liberalism will ever be in Poland, because today the response of economic operators to market signals is limited or very weak. This is no longer a liberal proceeding. Going further, it can be said that the purpose of this government is to participate in the state building market economy, and this is not quite a liberal slogan, but that is reality". J. K. Bielecki was aware that the Congress was promoted thanks to him. In discussion Bielecki spoke of this fact as follows: "Let us not forget that the political advancement of the Congress is directly related to my person, my promotion. And neither my nor my congressional policy; Paradoxically, the lack of political significance of the liberals and of my person was one of the major leaps up." (Rudzinski, 1991, p. 9-10). The "invisible hand of the market" disappeared - it was the title of one of the commentaries on the action of Bielecki's government.

At that time widespread opinion was that "it is a paradox that the liberal-led government is going to take a decision from liberalism so distant" (Rudzinski, 1991, p. 15). Exposé of Bielecki began by saying, "My desire is not to lose hope of those who have it and that those who do not have it can gain it." (Tusk, 1998, p. 120) but in the following paragraphs there are economic conclusions. The goal of reforms was unequivocally defined: market economy and

the building of political and economic foundations of freedom. More than about the mechanisms of action, Bielecki spoke about the people and the opportunities offered to them by the free market. He appealed particularly to young people, seeing the future beneficiaries of change. The whole speech was accompanied by the belief that millions of people could be involved in the process of building capitalism. The task of the government was to open the fields for human energy and entrepreneurship. At that time, the liberals of Gdansk began to move away from the universal privatization program. The change in thinking occurred in the Cetniew Program: "Poland: towards democratic capitalism" (May 19, 1991). Their policy has become more "rational and pragmatic", which de facto meant moving away from the universal privatization program. The road to rapid growth of the middle class has become a popularization of property by "creating the conditions for honest enrichment through entrepreneurship and diligence". The first step was to open Poland for foreign capital that should participate in "transformations of the nationwide ownership structure and its adaptation to world market requirements". Transformation itself ceased to be the most important element of the Congress ideology, as economic success began to be defined as "strong money, future-oriented industrial and agricultural policy" (Tusk, 1998, p. 140). In the manifesto of the Liberal Democratic Congress, the liberals of Gdansk stated that they must become "a party of the Polish right in the conservative line, referring to the republican tradition of our statehood". The privatization itself at that time became only a means of "selling large state-owned enterprises to the investor, taking into account their financial obligations". The last idea for the implementation of Liberal Democratic Congress liberalism in Poland was to tie up its electorate with the quasi-middle class of the early 90s - entrepreneurs. The expression was the Pact with a private company (October 25, 1992), and in particular the statement that it was necessary to "guarantee the representatives of Polish capital more influence on the government's economic policy". (Tusk, 1998, p. 150)

## 5. Conclusion

The above presentation proves that the Gdansk liberals issue is worthy of further in depth studies. Their role in the beginning of Polish democracy and Polish capitalism is definitely not appreciated not only by ordinary Poles, but also by researchers. It was not only an original phenomenon but also a very intriguing one. Their deepened analysis would help to understand a number of phenomena not only in Poland but in all of Eastern Europe.

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## **World's Most Valuable Brand Resonation With Categories of Different Customer Needs**

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### **Abstract**

*One of the key performance indicators of brand success is its value. Brand value is an outcome of brand's performance in market, and is largely depended from brand's ability to satisfy certain customer needs. For the greatest success in the world's market brand should resonate its ability to satisfy some of customer's most universal needs. In this paper authors strives to find out which of the needs world's most successful brands are resonating with. Therefore paper goal is to is to determine what customer needs world's most valuable brands are primarily satisfying. First part of paper authors briefly evaluate Maslow theory of needs. In second part of paper authors identify main challenges of brand valuation, and briefly describe today's most valuable brands. In third part of paper authors analyzes if resonating certain human need in brand makes it to be more valuable. In last part of paper authors summarizes the main findings and gives recommendations for better marketing practices to other brands whose owners have high market ambitions. In order to attain the paper's goal, authors will use following research methods: Comparative analysis for comparing brands in different brand rankings; Content analysis for determining what need satisfaction brand advertisements resonate; Data analysis for quantify the results gathered from content analysis;*

*Keywords: Brand rankings, Customer needs, Maslow hierarchy of needs*

### **1. Introduction**

Marketing as concept has several explanations. One way to explain marketing is from business management perspective. In that case marketing is philosophy of business management, based upon a company-level approval of the need for customer orientation, profit orientation and recognition of marketing communications role in the needs of market.

Such explanation embraces marketing business objectives and emphasizes that marketing is primal business structure which is responsible for business results. Business results in long term are attained if brand manages to satisfy customer needs highly successfully. Therefore primal task for marketers is to make sure that brand so it would effectively resonates with customer needs. (McNamara, 1972)

Most fundamental need classification approach is Maslow theory of needs. There are many other attempts to classify human needs alternatively than Maslow. Few of these approaches have well recognized in academic and professional organization management as well as human resource management level, including McClelland's theory of needs or Alderfer's human needs EGR theory. Since the paper focuses more on brands and less on comparison of human need theories, the authors will base their analysis on the classical Maslow's hierarchy of needs.

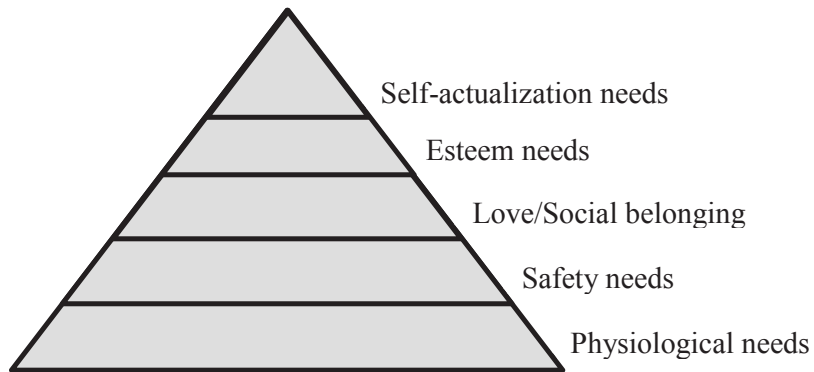
One of the key performance indicators of brand's overall success is brand's value. Throughout of this paper authors will strive to answer the following question – what is common for world's most valuable brands in terms of satisfying customer needs. Therefore **goal** for the paper is to determine what customer needs world's most valuable brands are satisfying. In order to attain the paper's goal, authors sets following **tasks** for the paper: 1) Explore customer need categorization approaches; 2) Analyze the structure of the world's most valuable brands; 3) Evaluate what customer needs world's most valuable brands are primarily resonating with; 4) Critically discuss the results and draw suggestions about the main findings.

In the paper development authors use several **research methods** including (1) Comparative analysis – for brands' comparison in different brand rankings; (2) Content analysis – for determining what need satisfaction brand advertisements resonate.; (3) Data analysis – for quantify the results gathered from content analysis.

## **2. Maslow's approach in categorization of customer needs**

On 1943 scientist A. Maslow presented his approach for human needs categorization - Maslow's Hierarchy of Needs. As authors indicated in paper's introduction, there are many other attempts to categorize human needs, for instance, McClelland (McClelland's theory of needs), Alderfer (Alderfer's human needs EGR theory) or Robbins (Six core human needs), but Maslow's approach has remain to be as one of the most recognized approaches. Therefore instead of investigating and comparing different human need models, authors will stick with the classical Maslow's hierarchy of needs. (Maslow, 1943; McClelland, 1961; Alderfer, 1969; Robbins, 2005)

Maslow has identified five basic human needs which are ranked in a hierarchy. Maslow hierarchy of needs is given in Figure 1 illustrated below.

**Figure 1. The Illustration of Maslow's Hierarchy of Needs**

**Source:** Authors' construction based on A. H. Maslow's research A theory of human motivation (1943).

As Figure 1 shows, Maslow suggested to classify the hierarchy of needs into five levels – from physiological needs to safety, love, esteem, and self-actualization needs. He argued that each next level of needs becomes actual after previous level of needs is satisfactorily fulfilled. Next authors explain these levels from today's perspective, and take into consideration different other authors' remarks of Maslow's provided hierarchy of needs.

As Maslow has identified, five basic human needs are:

1) Physiological needs – first level of Maslow's needs hierarchy includes the most basic needs for human survival, such as oxygen, food, water, sex and sleep. When physiological needs are not fully satisfied, it can result in physical or emotional discomfort and threaten health or even survival. (Avradinis, 2013)

2) Safety – safety needs are also recognized as basic needs. These needs are activated when physiological needs are satisfied. Safety needs include four types of securities: personal security, financial security, health and well-being, and safety against unexpected events such as illness or accidents. (Stum, 2001)

3) Social belonging – these can be different kind as relationship needs. These needs are highly social in nature. Main types of relationships as needs are family-relationships, friendship-relationships and intimacy or love. (Tikkanen, 2007)

4) Esteem – these needs emerges after customer fulfills its social belonging needs. Esteem level of needs will be achieved after he or she feel comfortable with latest accomplishments. This is also success level or status from customer him- or herself as well as other people. (Zakaria, 2014)

5) Self-actualization – Maslow argued that all the human beings aspire to become self-actualizing. According to researchers Taormina and Gao self-actualization needs are the hardest ones to define because of their beingness at the highest level of Maslow pyramid. (Stephens, 2000; Taormina, 2013)

As mentioned above, such classification is perceived as universal approach and can be applied large audiences (because the larger the audience is the more universal or vague approach should be used in its analysis). Typically widest audiences are served by largest



brands which at the same time are also most valuable brands. Such brands are designed so they could successfully resonate with needs of larger audiences. Therefore before investigating with what audience needs world's largest (or – most valuable) brands resonate, authors determine and briefly analyze the world's most valuable brands. That is being done in next section of paper.

### **3. Analysis of World's Most Valuable Brands.**

Brand's performance in market mainly is a result of effective marketing mix (product, price, place, promotion) management. Through marketing mix elements the human needs can also effectively resonated. Brands which does it most effectively on a large scale results in highest brand value.

Brand valuation is performed by several companies. Different brand-analyst companies use different approaches for brand valuation. Most of brand valuation methods includes evaluation of:

1. Brand financial performance. Financial performance of the brand reflects an organization's raw financial return to the investors and it is analyzed as economic profit which is determined by subtracting taxes from net operating profit to arrive at net operating profit after tax (NOPAT). From NOPAT, subtract a capital charge to account for the capital used to generate the brand's revenues, yielding the economic profit for each year analyzed. The capital charge rate is set by the industry-weighted average cost of capital. The financial performance is analyzed for a five-year forecast and for a terminal value. The terminal value represents the brand's expected performance beyond the forecast period. The economic profit that is calculated is then multiplied by the role of brand (a percentage) to determine the branded earnings that contribute to the valuation total. (Keller, 2013)

2. Role of brand. This component determines the portion of the customer decision to purchase that is attributable to the brand – unique of other purchase motives, for instance price or features of product. Here, role of brand reflects the quantity of demand for branded product that exceeds what the demand would be for the same product without a brand. The role of brand can be determined in different ways such as primary research, a review of historical roles of brand for companies in that industry, as well as expert panel assessment. In order to determine the amount of branded earnings that contribute to the valuation total, the percentage for the role of brand is multiplied by the economic profit of the branded products. (Keller, 2013)

3. Brand strength. This component measures the brand's ability to secure the delivery of expected future earnings. Usually, the brand strength is expressed on a 0-100 scale based on an 10 dimensions of brand activation. Performance in these dimensions is evaluated relative to other brands among the industry. The brand strength determines a discount rate, through a proprietary algorithm. That rate is used to discount branded earnings back to present value, based on the assumption that the brand will be able to overcome possible obstacles and deliver the expected earnings. (Keller, 2013)

Next, authors do brief analysis of TOP 50 most valuable brands. For brand analysis authors use most recent lists of most valuable brands. Different usage of brand valuation methods explains why different brand names appear in different publishers brand rankings. In

order to get more appropriate results, authors compare three different lists of TOP 50 most valuable brands which are published by three of the most recognized publishers – BrandZ, Forbes, and Brandirectory. (Kantar Millward Brown, 2017; Forbes, 2017; Brand Finance, 2017)

First, authors compares all three lists of most valuable brands and determines that 24 brands names appear in all three top 50 lists. Therefore further analysis will be based on determined 24 brand names which are – Google, Apple, Microsoft, Amazon, Facebook, AT&T, IBM, McDonalds, Verizon, Malboro, Coca-Cola, Wells Fargo, UPS, Disney, GE, Starbucks, The Home Depot, Nike, Toyota, Walmart, BMW, Samsung, Mercedes Benz and Oracle.

After analyzing brand's industry structure authors conclude that 8 of 24 of world's most valuable brands are representing technology industry, 4 of 24 brands are representing catering industry, 3 of 24 brands are representing auto manufacturing industry, and 2 of 24 brands are representing telecommunications industry. Rest of the brands are from different industries, including: tobacco, finance, shipping, entertainment, and retail. Brand GE represents multiple industries. Therefore authors concludes that the most represented industries among world's most valuable brands are technology and catering industries.

In next section authors evaluate what (if any) Maslow's human needs world's most valuable brands resonate.

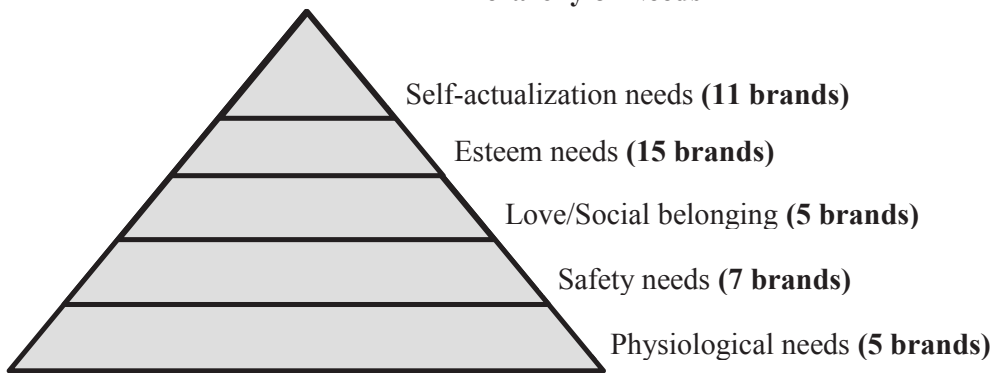
#### **4. Analysis of Maslow's needs resonation in world's most valuable brands**

Authors argues that “product” and “promotion” has the biggest potential of all four marketing mix elements to resonate certain human needs. Such assumption can be made because people are buying products to satisfy particular need. If it is functional need then product's aspect plays the main role in customer decision making process. If it is emotional need, then the product promotion role will strongly affect the outcome of customer decision making process. Authors agree that all the other marketing mix elements are important as well, but at the same other marketing mix elements such as place and price deals more with managerial issues, and therefore management of these elements comes after the determination product itself and its promotion. Therefore authors will only analyze the connection between (1) different levels of human needs and (2) product and its promotion.

Regarding to research methodology – authors determines how different Maslow's needs resonates with world's most valuable brands by evaluating products of each brands, as well as interpreting brand's promotional activities which includes advertisement across mass-communication channels, viral marketing efforts, website and communication in social media platforms.

Technology industry primarily allows customers to satisfy their esteem and self-actualization needs while catering industry allows customers to satisfy one of the basic human need – need for food. In order to gain greater understanding which of the Maslow pyramid needs different brand products satisfies, authors identifies products and one to two needs which these products strives to satisfy. Summarized results are provided in figure 2 below.

**Figure 2. World's Most Valuable Brands Products' Resonation With Maslow's Hierarchy of Needs**

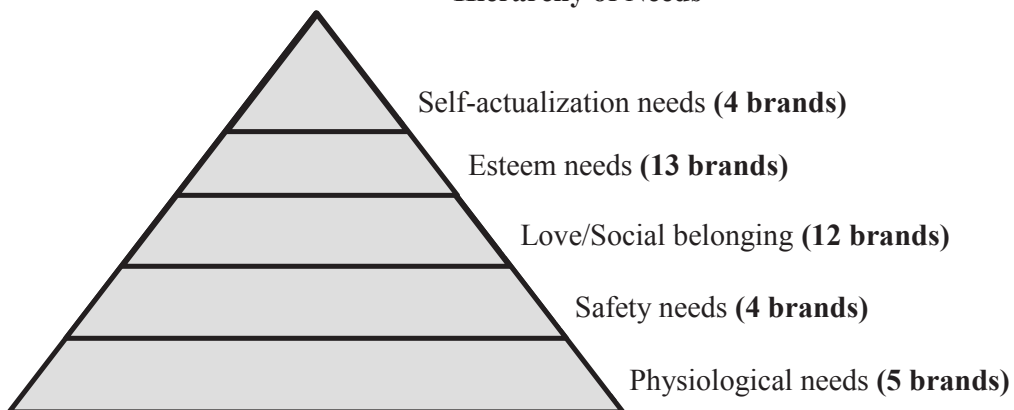


**Source:** Authors' construction based on A. H. Maslow's research A theory of human motivation (1943), and Authors' research results.

According to figure 2 significant portion of products of the world's most valuable brands primarily satisfies esteem and self-actualization needs. Authors suggests that it partly because people are likely to behave less rational (such as overpay for product's functional features) more if they are striving to satisfy esteem or self-actualization needs. Other reason is product's brand, which holds great potential for satisfying customers emotional needs. And customers emotional needs most of the time deals with self-esteem and self-actualization. As mentioned earlier, Maslow's hierarchy of needs is constructed based on assumption that all the human beings are striving to fulfill their self-actualization needs (which may truly become actual only after customer has satisfied all the previous levels of needs). Authors will analyze results as well as give their interpretations of results in next paper section (after analyzing brands' promotional aspect in terms of their resonation with Maslow's pyramid).

Next authors analyzes brands' promotion aspect, in particular, which of the Maslow needs' activation and satisfaction brand's promotion communicates. Results of such analysis are summarized in figure 3.

**Figure 3. World's Most Valuable Brands' Promotion Resonation With Maslow's Hierarchy of Needs**



**Source:** Authors' construction based on A. H. Maslow's research A theory of human motivation (1943), and Authors' research results.

After analyzing brands promotions and their interaction with communicating certain levels of Maslow's hierarchy of needs (figure 3), authors conclude that significant part of promotion communicates satisfaction of self-esteem needs and satisfaction of love/belonging needs. This proves that most valuable brands promotion are designed to communicate their ability to satisfy the esteem needs. There are several explanations for emphasis on Maslow's pyramids middle needs (love/belonging) strong appearance in results. First reason is interpretation. Since many brand communications are somewhat abstract, it can lead to slightly fuzzy judgements about which need's satisfaction brand's promotion reflects. Fuzziness can be decreased by inviting other independent experts to share their opinions on brand promotions across different communication platforms.

Regarding to Maslow's hierarchy of needs third level, social/belonging needs heavily deals with esteem needs, because esteem needs can be divided into two groups one of which is esteem received from others. Second reason deal with social proof which according to researcher R. Cialdini is one of six basic customer persuaders. By including social proof elements in their promotion, brands indirectly maintain association that the brand is accepted by large customer audiences. (Cialdini, 2006)

## 5. Results and discussion

As authors' analysis shows, technology-related brands have the biggest potential to attain outstanding positions among the world's most valuable brands, because one third or 8 of 24 companies in worlds most valuable brand lists representing technology industry.

Findings shows that most valuable brands are the ones who primarily satisfies customer self-esteem and self-actualization needs. Authors suggests that it is because the more higher level of Maslow's pyramid's needs customer is trying to fulfill, the more he is ready to pay for such need's fulfillment. Therefore most of the brands strives to emphasize their potential to fully satisfy esteem and self-actualization needs.

Thus in each of three world's most valuable brand lists the first and second position is shared by two giants of technology industry – Google and Apple. These two brands resonate not only their ability to satisfy esteem and self-actualization needs, but also making references to their ability to satisfy human's physiological needs. Apple – by its brand name (Apple), and Google by one of its key products name – mobile operation systems Android, which are named after specific food names including cupcake, marshmallow, donut and jelly bean.

However, tendency to emphasize brand's ability to satisfy most basic human needs is not observed among other non-catering brands. This arises question for further researches – does resonating brand with most basic human needs (air, water, food, sex, sleep) stimulates brand's acceptance among customers and increases brands value? One way to answer this question is to explore brands in different lists such as list of fortune 500 companies, and do in-depth analysis for their product promotions. Therefore authors makes recommendation for themselves to extend the research scale to Fortuna 500 companies.

While during the research authors concluded that completely different brand valuation methods leads to different brand rankings in most valuable brand lists. This could potentially lead to inappropriate conclusions. In order to overcome this issue, authors analyzed those brands which appeared in all three of the most recognized valuable brand lists. At the same

time authors suggest brand valuation companies to agree on of develop and use single-universal brand valuation method in order to help analysts and researchers to draw more appropriate conclusions and recommendations on brands overall performance.

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