



ISSN 1548-6591 (Print)
ISSN 1935-9691 (Online)
DOI:10.17265/1548-6591

From Knowledge to Wisdom

Journal of US-China Public Administration

Volume 13, Number 3, March 2016

David Publishing Company
www.davidpublisher.com

Journal of US-China Public Administration

Volume 13, Number 3, March 2016 (Serial Number 125)



David Publishing Company
www.davidpublisher.com

Publication Information:

Journal of US-China Public Administration is published monthly in print (ISSN 1548-6591) and online (ISSN 1935-9691) by David Publishing Company located at 616 Corporate Way, Suite 2-4876, Valley Cottage, NY 10989, USA.

Aims and Scope:

Journal of US-China Public Administration, a professional academic journal, commits itself to promoting the academic communication about analysis of developments in the organizational, administrative and policy sciences, covers all sorts of researches on social security, public management, educational economy and management, national political and economical affairs, social work, management theory and practice etc. and tries to provide a platform for experts and scholars worldwide to exchange their latest researches and findings.

Editorial Board Members:

Andrew Ikeh Emmanuel Ewoh (Texas Southern University, USA)
Beatriz Junquera (University of Oviedo, Spain)
Lipi Mukhopadhyay (Indian Institute of Public Administration, India)
Ludmila Cobzari (Academy of Economic Studies from Moldova, Republic of Moldova)
Manfred Fredrick Meine (Troy University, USA)
Maria Bordas (Corvinus University of Budapest, Hungary)
Massimo Franco (University of Molise, Italy)
Patrycja Joanna Suwaj (Stanislaw Staszic School of Public Administration, Poland)
Paulo Vicente dos Santos Alves (Fundação Dom Cabral—FDC, Brazil)
Robert Henry Cox (University of Oklahoma, USA)
Sema Kalaycioglu (Istanbul University, Turkey)

Manuscripts and correspondence are invited for publication. You can submit your papers via Web Submission, or E-mail to managers@davidpublishing.com. Submission guidelines and Web Submission system are available at <http://www.davidpublisher.com>

Editorial Office:

616 Corporate Way, Suite 2-4876, Valley Cottage, NY 10989
Tel: 1-323-984-7526; 323-410-1082 Fax: 1-323-984-7374; 323-908-0457
E-mail: managers@davidpublishing.com; public858@hotmail.com

Copyright©2016 by David Publishing Company and individual contributors. All rights reserved. David Publishing Company holds the exclusive copyright of all the contents of this journal. In accordance with the international convention, no part of this journal may be reproduced or transmitted by any media or publishing organs (including various websites) without the written permission of the copyright holder. Otherwise, any conduct would be considered as the violation of the copyright. The contents of this journal are available for any citation, however, all the citations should be clearly indicated with the title of this journal, serial number and the name of the author.

Abstracted / Indexed in:

Chinese Database of CEPS, Airiti Inc. & OCLC
Chinese Scientific Journals Database, VIP Corporation, Chongqing, P.R. China
Database of EBSCO, Massachusetts, USA
Google Scholar
Index Copernicus, Poland
Norwegian Social Science Data Services (NSD), Norway
ProQuest/CSA Social Science Collection, Public Affairs Information Service (PAIS), USA
Summon Serials Solutions

Subscription Information:

Print \$560 Online \$360 Print and Online \$680 (per year)
For past issues, please contact: shelly@davidpublishing.com, order@davidpublishing.com

David Publishing Company
616 Corporate Way, Suite 2-4876, Valley Cottage, NY 10989
Tel: 1-323-984-7526; 323-410-1082. Fax: 1-323-984-7374; 323-908-0457
E-mail: order@davidpublishing.com



David Publishing Company
www.davidpublisher.com

Journal of US-China Public Administration

Volume 13, Number 3, March 2016 (Serial Number 125)

Contents

Regional Politics and Economy

- The Urbanization Pattern of China in the 21st Century** 145
Yu Cheng, Wang Xiaohui, Yao Shimou
- Informal Sector Employment and Consumption Patterns in China** 156
Junzi He, Bo Li
- Municipal Audit Outcomes: Toward Collective Management and Intervention
Strategies in the Free State Province** 166
Beaula M. Kruger, Cornelis J. Van Rooyen

Management Issues and Practice

- Models for Arts and Culture Financial Support** 173
Tatiana Abankina
- The NFL and Its Concussion Crisis: Adapting the Contingency Theory to
Examine Shifts in Publics' Stances** 181
Douglas Wilbur, Dani Myers
- The Real Danger Behind the Offshore Business: Identity Laundering** 189
Marius Burcă

Political Studies and Public Administration

- Should Public Administration Be Internationalized** 195
Tam T.H Mai
- The Tragedy of Holocaust and Possibilities for Reconciliation in the Society of Lithuania** 203
Robertas Pukenis

The Urbanization Pattern of China in the 21st Century*

Yu Cheng, Wang Xiaohui

Key Laboratory of Watershed Geographic Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, Nanjing, China

University of Chinese Academy of Sciences, Beijing, China

Yao Shimou

Key Laboratory of Watershed Geographic Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, Nanjing, China

The 21st century is referred to as a “century for cities” or “era for cities”, and China has also speeded up its process of urbanization. It is very important to choose a scientific urbanization pattern to exert the function of cities and realize our dream for China to become a powerful modernized country. It is concluded from history since 1800 that the pattern of the world urbanization has transformed from “extensive” to “intensive”. However, it is still an extensive pattern in China, and there are many problems behind the splendid achievements, reflected on the urbanization process of the country since 1949. Today, sustainable development and the knowledge economy are the themes of the cities; it is inevitable to change China’s urbanization pattern. Employing the law of inter-conversion between quality and quantity, the paper points out that the urbanization of China should concentrate not only on quality but also on quantity. High quality and multiform urbanization pattern is an inevitable choice of China, and the development of the region can also be exalted by the radiation of the cities. But what is the real meaning of the new pattern? What is its difference from the western countries? The paper discusses its content according to the reality of China.

Keywords: urbanization pattern, multiform, intensive, China

The 21st century is referred to as a “century for cities” or “era for cities”, and China has also speeded up its process of urbanization, which will bring massive influence to the economic development of the country and also to the world. Joseph E. Stiglize, a winner of the Nobel Prize on Economy, said that “The urbanization in China and the development of high technologies in the United States will be two major subjects with a profound effect to the development of all mankind in the 21st century” (L. Y. Wu, W. J. Wu, & T. H. Wu, 2003); Chen Shupeng, an academician, also emphasized that the urbanization, as the main rhythm of modernization, is becoming the power and source to drive the regional economy growth in China (He & Meng, 2002). During this key stage of rapid economy development and swift growth of urbanization in China, to

* This study was funded by the Sino-Africa Joint Research Center, Chinese Academy of Sciences (No. SAJC201319).

Yu Cheng, Ph.D., Key Laboratory of Watershed Geographic Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, University of Chinese Academy of Sciences, China; research field: research of urbanization between China and Tanzania.

Wang Xiaohui, Key Laboratory of Watershed Geographic Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, University of Chinese Academy of Sciences, China; research field: study on new town.

Corresponding author: Yao Shimou, Ph.D., professor, Key Laboratory of Watershed Geographic Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, China; research field: urban agglomeration research.

determine a scientific and appropriate pattern of urbanization by borrowing the historical experience and lessons of developed countries will be of great and far-reaching historical significance and realistic importance to sustaining rapid and healthy development of cities in the whole country and to realizing the goal of building a well-off society in an all-round way.

Evolution Law of Urbanization Patterns in Developed Countries

The so-called urbanization pattern consists of the essential characteristics, main route, main direction, and driving mechanism of urbanization defined from the overall and long-term strategic point of view. As with the pattern of economic development, the urbanization pattern varies in different regions and during different periods. Selection of the urbanization pattern in the new century cannot be made without a global view. An overview of the law of overall development of urbanization in developed countries shows that the urbanization pattern is rapidly changing from extensive to intensive type.

The Driving Mechanism for Urbanization Is Changing From Industrial Economy to Intelligent Economy and Tertiary Industry

It is unquestionable that in either developed countries in the West or developing countries, the neoteric urbanization was basically the migration of rural population to cities as driven by industrialization. The industrial revolution taking place in the mid 18th century, especially the invention of steam engine gave birth to the first group of industrial cities, starting a totally new period in the history of city development. After that, every major technological breakthrough by mankind resulted in new industrial sectors, pushing ahead the development of cities. During the entire middle period of industrialization in developed countries, the correlation coefficient between industrialization and urbanization remained high, both being almost two parallel rising curves. This coefficient was 0.985 in the UK during 1841-1931, 0.970 in France during 1866-1946, 0.967 in Sweden during 1870-1940, and 0.997 in all developed countries. However, during the recent half a century, with the rising of intelligent economy of the network information society, and the development of the city hub economy, the extensive application of high technology represented by the information technology has become an important motivational force in the development of cities (Xu, 2003). As a result, cities have changed from product manufacturing centers to service centers, information centers, business and commercial centers, becoming the “brain” for the development of regional economy.

The Expansion Pattern of Cities Have Changed From Extension Type to Intension Type

With the gathering of population in cities, expansion of cities space would become an inevitable choice. In the early period of city development, the expansion of city space was a simple spreading pattern. With the occurrence of many problems in cities, the expansion pattern of cities changed greatly, from the extension type with low efficiency to the intension type with higher quality and efficiency. Firstly, the orderless development was replaced by planning, control and the macroscopic control of government in city development was increased. Secondly, the spreading and widening was replaced by tapping internal potentials, sustainable development and smart growth has been advocated. In extra large cities, the favorable circulation of city aggregation (concentration)—inverted urbanization (organic evacuation)—re-urbanization (concentration again) has appeared, and satellite cities with relatively complete functions have been built. Thirdly, two-dimensional development (see Figure 1a) has given way to four-dimensional development (see Figure 1b), from pure planar construction (two-dimension) to stereo expansion, with the time dimension as the emphasis, and space has been

reserved for the dynamic development of cities from the strategic point of view. More and more skyscrapers and the proposal to build urban underground expressways made by academician Qian Qihu are both examples of multi-dimensional development.

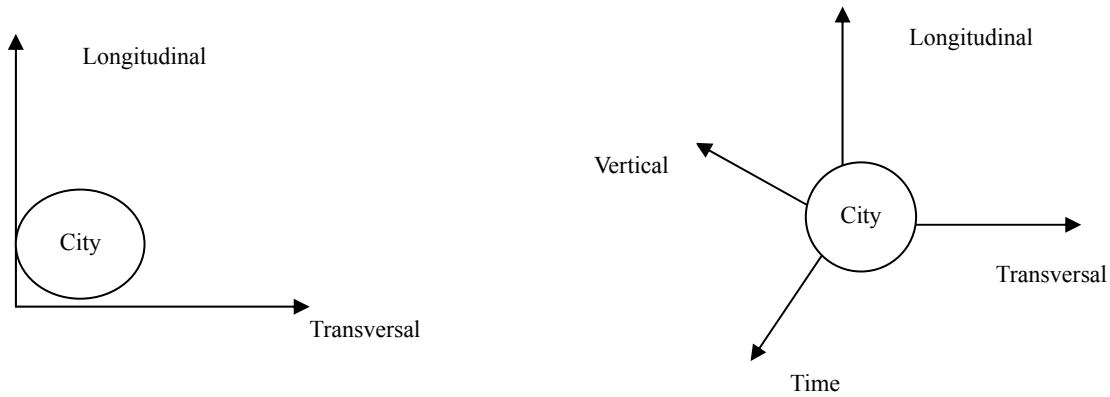


Figure 1a. Planar development pattern of neoteric cities. Figure 1b. Four dimension development pattern of modern cities.

From Production Cities to Ecological Cities

After the industrial revolution, cities were centered on and driven by the development of industrial and mining enterprises, thus becoming the main sources of regional pollution, while becoming the main carriers of industrial development. When people become daily aware of environmental protection for cities and of the sustainable development, improving the environment in cities has been included as an important subject from planning to the construction. From production to consumption, corresponding concepts have been formed in various fields, for instance, clean production and green industry during the process of industrialization, the ecological city and optimum inhabitation environment in the construction of cities, and the recycling economy and green consumption in daily production and living. Correspondingly, cities are changing from production-consumption-ecological cities. In developed countries, the speed of urbanization has been continuously lowering, while the living quality in cities is becoming improved. See Table 1.

Table 1
Growth Speed of World Urbanization From 1800 to 1998

Period	1800-1850	1850-1900	1900-1950	1950-1998
Annual average growth rate (percentage)	0.08	0.14	0.29	0.46

From Large Cities Taking the Main to Coordinated Development of Large, Medium, and Small Cities

In general, the urbanization of the world has exceeded 50% and is still in rapid growth. However, the trends and patterns of development are different in countries with different levels of development. Because of the powerful pulling up by developing countries, large cities are still increasing sharply in number. However, it is known by surveys, the urbanization process in developed countries over the past 200 years that, during the initial and early medium periods, aggregation dominated, and large cities took the lead in their development by aggregation. After the late medium period, with the enhancing radiation and driving power of large cities and the appearance of city diseases, medium and small cities prevailed, hence becoming the situation of coordinated development of large, medium, and small cities.

Retrospect of Existing City Development Pattern in China

Since the founding of New China, urbanization in China has experienced four stages: restoration development—inverted urbanization—stable development—and high speed development (see Table 2). The urbanization in China in the real sense was started only after reform and opening-up, and the urbanization pattern with Chinese characteristics was formed at the same time, i.e., the extensive development pattern with small cities and towns dominating.

Main Characteristics

Small cities and towns dominating. The Chinese government adopted the practice of “controlling large cities and developing small cities and towns” early in the 1950s. Since the reform and opening up, a number of patterns for city development have been proposed in China, all emphasizing the development of small cities and towns. In 1980, the State Construction Commission put forth the policy for city development—“controlling the scale of large cities, developing medium cities in a rational way and actively developing small cities”. In the “Law of the People’s Republic of China on City Development” promulgated in December 1989, the policy of urbanization was modified as “strictly controlling the scale of large cities, and actively developing medium and small cities”. During the 8th Five-Year Plan period, the number of large and extra large cities increased from 59 to 75, by only 27%, while that of medium cities increased from 117 to 192, by 64% and that of small cities from 291 to 373, by 28%. Small towns have increased at high speed, from 2,173 in 1978 to 19,881 in 2012, by 814.9%.

Characterized by administrative regulation and control. From the early 1950s to the 1980s, the speed and scale of urbanization in China were strictly planned and controlled by the government. The total urban population was a main target of plan control, and the household registration system became a serious obstacle to the development of cities. In the recent decade or more, the urbanization process was obviously characterized by change of systems. The urbanization was governed by the function of market as well as the direction by government, and in particular, the direction behavior of government was quite obvious in the review and approval and the restrictions to city planning (S. C. Wang, Y. Q. Wang, & Liu, 2003).

Industrialization has been the main driving force. Over a long time in China, cities have been basically defined as production centers, and especially during the 30 years after the founding of New China, people always emphasized converting consumptive cities to productive cities, which in turn came to industrial cities. During the early and medium periods of industrialization, development of industries in cities played a decisive role in pushing ahead the urbanization in China, especially the development of small cities and towns. In the meantime, the unreasonable layout of “having fire and smoke from every household” has brought serious pollution to the urban and rural environment.

Extensive development for sole speed. Because of rapid economic development and restorative and compensative growth of urban population, the urbanization development in China has gradually accelerated since the reform and opening-up (see Table 2). From 1978 to 2014, the urbanization rate of China increased from 17.9% to 54.77%, or 1.02 percentage points per year, being over 10 times that in the period from 1958 to 1978 (see Table 2). Especially from 1996 to 2014, the annual growth rate was as high as 1.41 percentage points (compared with an annual growth of 0.5 percentage point in urbanization rate during the high speed urbanization period of 1860 to 1920 in the United States). But in the meantime, the infrastructure in cities was seriously lagging behind, with large cities overloaded operating and small cities developing slowly. The

prevailing pattern of “one commercial street, one market and one thousand non-rural populations” was also lacking in attraction and gathering power.

Table 2

Comparison of Four Urbanization Phases in China

	Restorative development	Turbulent period	Steady development	Rapid development
Period	1949-1957	1957-1978	1978-1996	1996-2014
Urbanization rate (%)	10.6-15.9	15.9-17.9	17.9-29.4	29.4-54.77
Total growth in urbanization rate	5.3	2	11.5	25.37
Annual average growth (%)	0.66	0.095	0.64	1.41

Note. Source: Sorted out from “China Statistics Yearbook 2014”.

Existing Problems

The existing urbanization pattern in China has its obvious characteristics, and it has also brought relatively serious problems while promoting the urbanization process in China. The Minister of China Construction Wang Guangtao has pointed out that, since the reform and opening-up, great achievements have been obtained in the urban construction in China, but there are still some problems that should be solved step by step in the course of reform and development.

The city systems have lost balance in structure and weakened in function. Although China has been adopting the policy of developing small cities and towns continuously, large cities are being expanded dramatically as driven by benefit mechanism. Xu Kuangdi, director of China Academy of Engineering, pointed out that in recent years, a total population of about 200 million rural people has flocked into cities, mainly to large cities, and only 10% of them have flocked to medium and small cities. This movement has resulted in serious loss of balance in city system structure. Firstly, the city scale and structure are not coordinated. There are too many large cities but shorts of small cities, thus lowering the overall radiating and driving function of the city and town system as a whole (see Table 3). Secondly, the city space structure is not in balance. The space difference in the development of cities in the eastern, central, and western parts of the country is obvious and is being continuously enlarged. Thirdly, the industrial structure in cities is not reasonable. In many cities, virtual upgrading and homoorganicity of industries has occurred, unreasonable system for division of industry has been formed among large, medium, and small cities. The extra large cities, which are at the top of the city system of China, although at the equal population scale and regional space size as the top cities in developed countries, are much lower in terms of economic structure level, comprehensive strength, and efficiency indicators.

Table 3

Number of Cities of Different Sizes in China in 2013

	Grouping by population in urban area					Number of towns (for comparison)
	Super city over 2 million	Extra large city 1-2 million	Large city 500,000-1 million	Medium city 200,000-500,000	Small city below 200,000	
Number	47	86	103	52	2	19,881
Percentage (%)	16.2	29.7	35.5	17.9	0.7	—

Note. Source: National Bureau of Statistics of China. China Statistical Yearbook 2014.

The ecological environment is worsening with outstanding contradiction in resources. Due to the development of industries and high degree of population gathering, the discharge of various pollutants has increased sharply, resulting in environmental problems which are difficult to be solved, such as pollution to the atmosphere, rubbish surrounding the cities, short supply of water resources, noise, light and magnetic pollution, posing serious threats to the urban ecological environment and safety. According to statistics, 78% of the river sections flowing through cities are not suitable as potable water source, the underground water of more than 50% of cities has been polluted. More seriously, different types of pollution have been spread from cities to small cities and towns and rural villages.

City construction is out of order and the unique features of cities have gradually been lost. China has a vast land and a long history, and the splendid culture of 5,000 years has deposited in cities, the miraculous natural landscape has molded the images of cities, basically forming unique features in different cities. However, the extensive construction during the recent decade has resulted in the complete destruction of the carrier of historical civilizations, the natural landscaping no longer exists, and characteristics of national culture and regions have gradually disappeared. Moreover, the construction pattern and pace of all cities in the country, large, medium, or small, have been basically the same, with prevailing “cloned” landscaping in cities, from central business district to developing zone, from streets with buildings of European styles to large squares with lawns, from forest of tall buildings to expansion of new districts. All cities now have the same appearance, and the identifiable features of cities are missing.

The urban and rural relationship is not harmonious, with obvious two-form structures. Urban and rural areas, as the main gathering places of human beings in their lives, are complementary to and supporting each other. However, in the course of city development in China, the contradiction between urban and rural areas has been sharp at all times, with gaps between cities and countryside enlarging daily, the question of “agriculture, rural areas and farmers” is outstanding. Some experts pointed out that the advancement of cities in China was a result of exploitation of the rural areas, and in some sense, we can say that the “so advanced cities” is the cause of “so backward countryside” (National Condition Analysis and Research Group of the Chinese Academy of Sciences, 1994). According to statistics by some experts, since the reform and opening-up, large amounts of land have been occupied for expanding cities and construction of roads, airports, water conservancy facilities, and mines, especially for the construction of development zones. However, farmers and village collectives have got very little compensation in the end, and the losses to farmers in the land requisition alone are as high as 2 trillion yuan. Moreover, the unreasonable concentrated use of rural land has deprived the farmers of the last barrier in their lives—the land, but they cannot enjoy policies as urban dwellers, such as minimum income guarantee. As a result, the broad rural areas remain in poverty, and cannot provide powerful support to the healthy development of cities.

Development Pattern of Urbanization in China in the New Century

Requirements by the Times for Urbanization Pattern

Following the trends of the world and conforming to the actual conditions in China. The background, conditions, and history of urbanization in China are substantially different from those of developed countries. Therefore, selection of the urbanization pattern in China must be made on the basis of combining the actual development conditions at present and the development trend, and follow the three major trends in the world today, i.e., adapting to the requirements by the era of intelligent economy, participating in the intensive

competition for economic globalization, and accepting the concepts and actions of sustainable development (Wu et al., 2003). In the meantime, we should take positive actions to adapt ourselves to the requirements of the times for the popularization of IT and network technologies at present. Premier Li Keqiang put forward the concept of new urbanization.

Making progress in both quality and quantity, and taking quality as the main. In the 21st century, the period of high speed urbanization has come in China (Hu, 2003). History has proved that the quality of urbanization during this period is of vital importance. Urbanization is a process of quality and quantity in dialectic unification. The expansion of area and population of cities is a process of expansion of quantity, while the construction of modernized ecological cities is a process of improving quality. It can be known from summarizing the law of city development in the world that, urbanization is essentially the common demonstration of “quantity” and “quality”. Development of cities demands both speed and the associated quality. Urbanization cannot do without quality, while poor quality will lose the essential significance of urbanization (C. X. Wang, Yao, & X. S. Wang, 2004).

Conforming to laws of city development. Progress of urbanization has its own laws. On one hand, cities are the crystal of human intelligence, and the urbanization should adapt to the development level of economy and conform to the efficiency laws of economic activities. On the other hand, cities must conform to natural laws as organic parts of the nature (Yao & Hu, 2002). Mr. Zhou Ganshi, an academician of both China Academy of Sciences and China Academy of Engineering, pointed out that we should further deepen our knowledge on the laws of urbanization, raise the quality level of urbanization, and create urbanization patterns with our own characteristics.

Patterns of Urbanization in China and Their Connotation

In the new century, the urbanization pattern of multiform, intensive, and coordinated development should be adopted for the urbanization in China, based on the laws of urbanization in the world and the experience and lessons of urbanization in China during the past decades.

Multiform. China has a vast area, and in different regions, natural factors, humanistic conditions, economic levels, and infrastructures differ greatly. Therefore, the urbanization in China must follow the requirements from population density, industrialization, the development of IT technology, and service industry, the demand for land utilization efficiency and the requirements of economic globalization, and adapt to the natural conditions and the demand for economic and social development. The size of cities should adapt to the actual conditions, and large, medium, and small cities should be developed in parallel with small towns in multiform and in a coordinated manner (Wang, 2003; Zhu, 2003). The special features of each city and each area should be taken into consideration at appropriate time and in the light of local conditions. We must also exercise our inventive minds to solve matters in the urbanization in a creative way (Wu, 2002).

Intensive type. Scale economy and aggregation effect should be the fundamental features of cities (Zhu, 2003). Although the development of China has its special features, the general law of urbanization cannot be resisted. In particular, China has a large population with relatively less land, and the amount of various resources per capita is very low, therefore we have more reasons to adopt an urbanization development pattern of the resources saving type. We must bring into full play the scale efficiency of all types of cities, minimize the use of land, and obtain the maximum output with minimum input. In recent period, the economic efficiency should be taken as the main with due consideration for social and ecological efficiency. The social efficiency

should be taken as the main in the medium period while the ecological efficiency is taken as the main in the long-term development. In the meantime, we should be vigilant to various problems in the protection of water and soil resources, and in the construction of cities (Yao et al., 2003).

Coordinated development. Cities cannot develop well only by themselves. The relations of all aspects must be coordinated in the course of urbanization. First, attention should be paid to the coordination of city and town structures, to form fairly complete city systems with high growing capacity, so as to absorb the largest rural population and produce the maximum economic and social efficiency. The second is the coordination and combination between urban and rural areas. If the urban and rural relationship in the 1950s was characterized as the urban area being an excessive burden to the rural area, the situation today is just opposite, as now the rural area has become an excessive burden to cities. Only if rapid development has been achieved in the rural area can it form a huge pushing force to the urbanization. The third is the coordination of market and planning. Market should play the dominating role and planning should be in an auxiliary position.

Main Contents of Urbanization Patterns of China

At the national level, there are many patterns for urbanization. In the course of urbanization, different areas must choose the patterns which are suitable to their own in the light of local conditions.

Coordinated development of large, medium, and small cities in city scale and structure. According to the central area theory by Christaller, the regional city and town system is normally in a pyramid structure. In China, even if an absolute pyramid structure cannot be formed due to regional differences, the laws of growing and development of cities cannot be resisted. In either a pattern with small cities and towns dominating, or a pattern with a large city dominating, we should not go away from the theme of the times in the present economic development period of China to take economy as the central task and the lives of people as the fundamental starting point. As cities of different scales have their respective advantages and functions, in the scale structure of cities, large, medium, and small cities and small towns should develop in coordination, to form a complete city and town system structure. It is clearly pointed out in the report to the Sixteenth National Congress of the CPC (Communist Party of China) that: “It is essential to raise the level of urbanization gradually and persist in the coordinated development of large, medium and small cities and small towns along the path to urbanization with Chinese characteristics”. Mr. Lu Yongxiang, academician of the Academic of Science of China, also made it clear and put it as “We can only take the development pattern of combining the large, medium and small cities first”¹.

Combination of centralization and scattering in city layout. China differs greatly in the east and west regions in terms of economy, social development level, natural conditions, and urbanization are all at different development stages in these regions. Therefore, we cannot follow the same development pattern for urbanization in different regions, and should pay attention to the study of development of urbanization and reasonable layout from a regional point of view. In the east region with a fairly developed economy, a good foundation has already been laid for urbanization and groups of cities of all types are rising, small cities and towns are being constructed everywhere, and extra large cities have started to play the radiating and driving function. Urbanization characterized by developing small cities and towns should be changed to that—emphasizing modernization (Hong & Chen, 2000). Therefore, we should adopt the strategy of taking the

¹ Lu, Y. X. (2003). Study on modernization has strategic and global significance. *Science and Modernization*, No. 1. (No. 904 in total).

medium and small cities as the dominant sector, making full use of the division of industries in central cities in the region, actively expanding the scale of small cities and towns, increasing the supply to cities, enhancing the city functions, and increasing the overall competition capacity of the region with the development of the hinterland. And at the same time, improving the quality of central cities. In the West, as the natural ecological volume is low, the pattern with large cities dominating should be adopted, to increase the population bearing capacity of land with the scale economic efficiency of large cities.

Combination of single-center spreading pattern with dual/multi-center development in the space expansion of cities and towns. There are different patterns for expansion of cities due to different natural and geographic conditions. Mainly they include single-center spreading pattern and multi-center enclave pattern. In the future, these two patterns will coexist in harmony. In the developed provinces and municipalities in East China, industries have been developing rapidly thanks to its profound economic foundation. In most large cities, planning and construction of “dual-center”, “main-auxiliary” cities or satellite cities have started. For example, in Shenzhen, the planned structure of “one municipality with a number of cities with all stars surrounding the moon” has formed. This pattern is particularly suitable to famous historical and cultural cities. For medium and small cities in western region of China which have not reached the scale economic efficiency or where the industrial foundation is comparatively poor, the spreading structure should be further adopted with proper planning being made. For every specific city, its history and culture should be studied in depth and respected, and its feasible space development pattern should be designed according to the changing social and economic structures (Wu, 2002).

Combination of industry leading type with service leading type in the development driving force for cities. Industries are the fundamental driving force for the development of cities, and are the source of radiating power and gathering power of cities. In the change of urbanization patterns, industries in cities should take the lead to realize the conversion from extensive growth to intensive growth, to provide material guarantees for the high quality development of cities, and to give space for the industrial development in rural areas. As most cities in China are presently still in the medium stage of industrialization, to the majority of cities, industrialization should still be taken as the main economic body of the cities and the important force to promote employment while multiplying the forms of driving force for cities. Industrialization will lead to urbanization, and urbanization will inevitably push the economic society into the senior stage of modernization and informationization (Yao, Chang, & Zhu, 2001). However, to metropolitans such as Shanghai and Beijing, the service sectors with the IT industry, banking, and insurance as the main have become the largest industrial sectors and leading motive force for urbanization, and are shouldering the heavy task as the core of city groups and as world-class cities.

Shifting from pure production city to city with production, living and ecological functions in terms of city functions. Eventually, the purpose of urbanization is to raise the living quality of people. Development of production and consuming cities has met the material demand of the people, but cannot meet their demand for multiform spiritual and environmental demand in the new stage of development. To each city, the functions of the city will shift when it is shifting from a pure producing city to one with harmonious coordination of production, living, and ecology, for “everlasting development with due considerations to production, living and ecology” (Gu, 2002). As pointed by Mr. Li Xiankui, if the first stage for the construction of cities at the beginning of reform and opening up was a stage to make up the past debts and lay foundations for future development and therefore stress was laid on quantity and scale, the second stage starting in recent years should

be a comprehensive development stage with due emphasis placed on science and technology, humanistic aspects, ecology, quality, environment, and urban arts (Li, 2001). Moreover, with the rapid economic development, the overall ability of human beings to protect the environment is also in the rising trend, and the intensity of damage to the environment shows a trend of first increasing and then descending (see Figure 2). In this way, we have the internal motive mechanism and material guarantee to make the best habitation environment and build the “landscape city” (Gu, 2003).

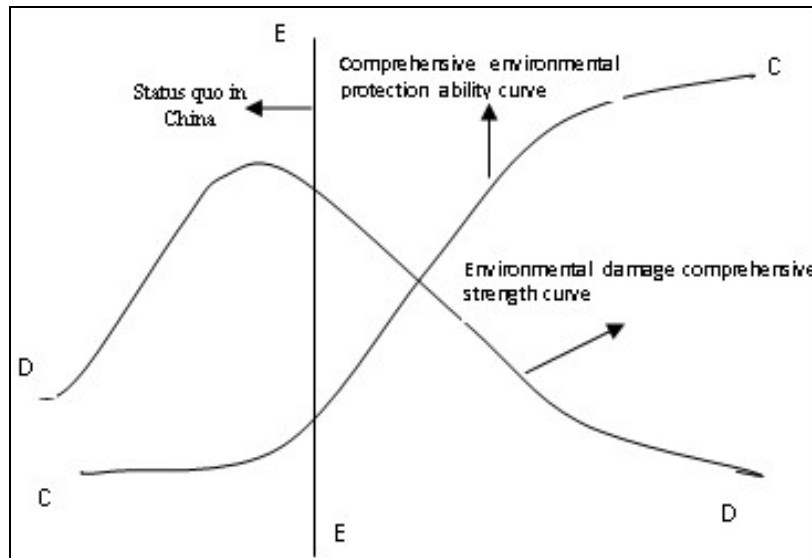


Figure 2. Law of environment and economic development and status in China.

Conclusions

According to the world city development law and movement, the currently prevailing urbanization pattern with small cities and towns as the primary in China can no longer meet the requirements of city development in the new century. Therefore, we must take new patterns for urbanization as early as possible, to ensure the sustaining, rapid, and healthy development of cities.

In the new century, China should take the urbanization pattern of multiform, intensive, and coordinated development. While emphasizing the differential development in regions, the economic, social, and ecological efficiency of urbanization should be raised according to the actual conditions in China, and coordination between different regions, between urban and rural areas, and among cities and town systems should be guaranteed, to realize our dream of regional sustainable development (Wang & Zhou, 2002).

Selection of specific development patterns for different cities should be based on local conditions. At the national level, there should not be a unified pattern of urbanization in China. Different cities should have their suitable scale, direction of expansion, layout structure, and driving force mechanism according to their own economic ability, natural conditions, and other factors, provided they must not go against the economic and natural laws.

The key to the change of urbanization patterns lies in the government. Change of urbanization pattern is a systematic engineering project involving many aspects in a broad space and time scale, and facing many problems. Among all the seven major issues put forth by the Minister of Construction of China Wang Guangxi that should be solved in the development of cities in China, the government takes the leading position.

Therefore, the key to the change of urbanization patterns still lies in the governments at all levels, and the planning, management, and regulation and control of cities should be strengthened.

References

- Gu, M. C. (2003). Qian Xuesen's five theories on architectural science. *Engineering Science*, 5(11), 8-17.
- Gu, W. X. (2003). Emphasizing construction of ecological environment and greeting the new stage of urbanization in mainland. *Urban Studies*, 10(1), 32-39.
- He, X., & Meng, H. H. (2002). Economic integration and acceleration in Yangtze River Delta Area. *Macroeconomics*, 10(9), 22-25.
- Hong, Y. X., & Chen, W. (2000). Analysis with Jiangsu as an example, new development of urbanization patterns. *Economic Research*, 10(12), 66-71.
- Hu, Z. L. (2003). Greeting the upsurge of urbanization, and building a well-off society in an all-round way. *Issues of Cities*, 14(1), 4-5.
- Li, X. K. (2001). Urban environmental construction and countermeasure. *Architecture Journal*, 9(1), 43-47.
- National Condition Analysis and Research Group of the Chinese Academy of Sciences. (1994). *Cities and rural areas*. Beijing: Science Publishing House.
- Wang, C. X., Yao, S. M., & Wang, X. S. (2004). Dialectic analysis of relations between quality and quantity in the urbanization process of China. *Geography and Geographic Information Science*, 19(5), 46-49.
- Wang, S. C., Wang, Y. Q., & Liu, X. M. (2003). Research on selection of urbanization patterns in China. *Study and Exploration*, 144(1), 90-94.
- Wang, S. G., & Zhou, Y. Z. (2002). Integrated frame research for resources and environment in megalopolises and regional sustainable development: Case study on Pearl River Delta. *China Population, Resources and Environment*, 12(3), 52-57.
- Wang, Z. H. (2003). *Symposium on "urbanization" chaired by president Xu Kuangdi*. Retrieved from <http://www.cae.cn/03yjzx/2003/04-12.htm>
- Wu, L. Y. (2002). *Research on urban and rural space development planning in Beijing, Tianjin and Tangshan region*. Beijing: Tsinghua University Publishing House.
- Wu, L. Y., Wu, W. J., & Wu, T. H. (2003). View of urbanization development in China from the major trend of urbanization in the world. *Science News*, (17), 7-9.
- Xu, K. D. (2003). *Engineering science and technology and urban economy*. Retrieved from <http://www.cae.cn/09gjyth/907/907-07a.htm>
- Yao, S. M., & Hu, G. (2002). Natural laws in the course of urbanization. *Science and Technology Review*, (6), 8-10.
- Yao, S. M., Chang, W., & Zhu, Z. G. (2001). Issues of urbanization with Chinese characteristics. *Resources and Environment in the Yangtze River Basin*, 10(5), 401-406.
- Yao, S. M., Wang, W. M., Zhang, L. C., Chen, S., Zhu, Z. G., Chen, C. H., & Fang, G. K. (2003). Soil and water resources preservation and city construction in coastal regions of China and suggestions. *State Land Resources*, (9), 4-6.
- Zhu, T. Z. (2003, May 13). Taking the urbanization pattern for multiform coordinated development. *People's Daily*. Retrieved from <http://paper.people.com.cn>



Informal Sector Employment and Consumption Patterns in China*

Junzi He

Central University of Finance and Economics, Beijing, China

Bo Li

Peking University, Beijing, China

The paper investigates how workers employed in informal sector will affect household consumption patterns, and how such patterns vary across different income distribution. China Household Finance Survey (CHFS) dataset is well qualified for this research and empirical results show that families where wives are informal employed tend to reduce their expenditure on time-saving goods and time-consuming goods, while there is a significant raise if the husbands are informal employed. For necessities, families with wives working in formal sector enjoy much better fringe benefits. Richest families are not as much constrained as those in poorest families due to less budget constraint as well as time constraint. In addition, concerning the demographic characteristics of the household members, especially the educational attainment, both female and male spouse have positive impacts on the time-saving and time-intensive goods, while there is not significant effect on time-neutral goods. The presence and age of children in the household have a significant effect on time-saving goods. The household subjective factors play an important role on expenditure on time-saving goods, especially for the poorest household.

Keywords: informal sector employment, consumption pattern, income quantile, empirical analysis

During the past three decades, China has achieved unprecedented economic growth and social development, the consumption patterns for Chinese people have also changed remarkably. People tend to spend less on basic daily necessities but more on traveling, IT products, housing, medical insurance, entertainment, which helps to promote the catering and tourism sectors. For each individual, two factors contribute to their consumption decision. Employment status is the first one. Due to the reason that China's labor market is not homogeneous, there exists large amount of employment in informal sector. This phenomenon will influence household income and their temporal restriction, so the composition of goods demanded by the whole family will be affected. The second factor is income distribution. The consumption-choice criteria as well as consumption patterns of higher income consumers are generally different from those with lower income

* The authors would like to express their thanks for the financial support of China Scholarship Council and China Postdoctoral Science Foundation (Project No. 2016M590001).

Corresponding author: Junzi He, Ph.D. candidate, research assistant, China Center for Human Capital and Labor Market Research, Central University of Finance and Economics, Beijing, China; research fields: labor economics, micro econometrics, education economics.

Bo Li, post-doc, School of Economics, Peking University, Beijing, China; research fields: development economics, labor economics, macroeconomics and micro applied economics.

consumers. Individuals belonging to different income levels will also have different uncertain expectation of future household expenditure, which in turn has an impact on their consumption in current period.

This paper focuses on the consumption patterns in respect of employment status and income distribution. A first attempt is made to explore the impact of informal sector employment of household members on the family consumption patterns. The questions of interest are as follows: first, whether those family members who participate in informal sector present differential consumption patterns with those in formal employment status. Second, how difference the impact of employment status on expenditure of typical goods and services across different family income quantile is.

The paper is structured as follows: The next Section 2 summarizes the existing literature and provides theoretical framework and the hypotheses tested in the paper. Section 3 describes the data, definition of variables, and methodologies used. In Section 4, the authors analyze empirical result. Finally, some conclusions and policy implications are given in Section 5.

Literature and Theoretical Framework

This section presents a review of the literature and sheds some light on the theoretical framework of the link between employment status and consumption patterns. While a wealth of research has been conducted on the Chinese economy and society, there is a relative paucity of research on mainland Chinese consumer behavior through various bibliographic databases. Many studies tried to find out consumption patterns by addressing the factor of segmentation of mainland China (see Chen, Aung, Zhou, & Kanetkar, 2005; Dickson, Lennon, Montalto, Shen, & Zhang, 2004; Sun & Wu, 2004; Cui & Liu, 2000). Some studies on Chinese consumer behavior have focused on a particular subset of the entire population, especially the urban consumers (see Wei, 1997; Sun, Chang, & Yu, 2001). Other research papers dealt with specific expenditure categories such as food (see Ma, Huang, Fuller, & Rozelle, 2006; Gould & Villarreal, 2006; Min, Fang, & Li, 2004) and specific age groups such as elder (see Ying & Yao, 2006). On the other hand, many of the existing literatures have concentrated on consumption classes and expenditure on different commodities (see Yusuf & Brooks, 2010; Yusuf & Wu, 1997). However, almost none of the existing literature concerns on consumption patterns in respect of employment status in China, especially the impact of informal employment.

With the high speed of urbanization in late 1980s in China, massive immigrants have flooded from rural to urban areas. Those immigrants find it hard to be employed in formal sector because of skill mismatch and “hukou” system restriction. Also with the economic transformation from plan economy to market-oriented economy, a great number of laid-off workers from own-stated enterprise or collective enterprise have to face reemployment. Then informal sector provides a channel to absorb the spillover jobless of the formal sector. “Informal sector” is a commonly used term in development economics, which is characterized as “low wage”, “small and family-based”, “freedom of entry”, “lack of a stable employer-employee relationship”, and “being ignored by the authorities” [Todaro, 1969; Fields, 1975; Mazumdar, 1977; International Labour Office (ILO), 1984; Banerjee, 1983]. In this paper, the authors define informal employment based on the survey of China Household Finance Survey (CHFS) 2011 and it will be introduced in details later. Specifically, the authors are particularly interested in estimating the impact of informal sector employment and household expenditure on three different types of goods: (1) catering services, they are time-saving goods or income-intensive goods; (2) entertainment services which are time-consuming goods or time-intensive goods; (3) necessities which we can expect are not time-consuming for the family members.

The authors concern on the effect of employment status on time constraint and budget constraint of household in order to find some empirical evidence on the impact of informal employment on consumption patterns. The authors will not only investigate the differential impact of employment status but also analyze it in great details by observing the differential effect on expenditure across different household income distribution. In addition, the authors will also consider the effect of some demographic variables and the employment situation by gender. The theoretical rationality is summarized as follows:

Firstly, employment type is highly correlated with labor income which determines the time constraint as well as budget constraint. Formal employments and informal employments face different time constraint no matter in working or job searching. Those working in informal sector have more flexible working schedule and less commuting. As for budget constraint, employees who are in formal sector, especially in state-owned enterprise (SOE) enjoy many more fringe benefits such as welfare and subsidies or bonus, which compose the most part of non-labor income. Individual decision of consumption is a multi-periods decision which will also be affected by expectation for next period. Many of those workers in informal sector are normally temporary workers which means they have much higher possibilities to be fired than those worked in formal sector. Such uncertainty will lead them to be more precautionary saving but not for consuming. One phenomenon which cannot be ignored is gender discrimination in labor market especially in developing countries. In general, female finds it harder to receive the offer from formal sector than male. Even in the same position, the payment is lower for female, the barriers and window-ceiling effect also halt women's career path. Such discriminations in labor market lead to different behavior in consumption. Women are less likely to spend on income-intensive goods, while male will consume more on time-saving goods. In addition, women are burdened with child care and housework, the allocation and preference of time and income will be totally different with men.

Secondly, consumption decision will show different patterns among different income quantiles. For poorest families, basic necessities are of the utmost urgency to maintain living, while for the richest, more attention may be put on tourist or entertainment activities. Such patterns will also be affected by employment types, because salaries and social security system are well-provided in formal sector, lower income families in formal sector will not worry so much compared with those in informal sector because lower risk there will be in the future. While workers in informal sector have much more instability, they may weight more time on searching stable job and consume more on time-saving goods and services.

Thirdly, consumption patterns are also affected by demographic characteristics such as age, education level, and geographical location, especially for those married couple. Specifically, the composition of families will affect household production function. The presence and age of children are expected to cause "optimal choice" with respect to labor supply of family members. Childcare can be treated as a commodity in household production function, individual working in different employment types and families standing in different income distribution will have different substitution effect in terms of time and money. Families with younger children will tend to reduce the expenditure on leisure goods and services but increase it when children grow up. With the population aging, tourist and entertainment industries share a large benefit from grey market. Especially for those who worked in formal sector, they may have higher preference on it since more disposable time is now available after retirement.

Data and Variables

Recent data containing information on labor force participation, consumption patterns, earnings, and

socioeconomic characteristics of households are available in the CHFS 2011. This survey tends to be very good data source of household income and expenditure. In addition, it provides full information on household subjective attitude which also plays a very important role on investigating consumption including consumption preference, time preference, and future economy forecast. The data source is unique in that sense. In addition, it presents more detailed information to categorize informal employment in China. The definition of informal employment based on CHFS refers to the classical definition of informal employment, the authors define informal employment with following criterion: (1) the person who is not in charge of the enterprise; (2) the person whose post is not cadre; (3) the person who is not employed by following initial plan and does not accord with the regular system; (4) the person who is employed without any insurance. Except for that, the authors also classify self-employment status in the domain of informal employment. The authors can then use the group of household formed by married couple where the female group is included into the group of age of 16-55 and the male group is included into the group of age 16-60. The variable statistic descriptions are shown in Table 1.

Table 1

Statistics Summary for Key Variables by Household Income Quintile

Variable	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max
	Poorest 20% family				Richest 20% family				Middle 60% family			
Ratio_catering	0.0586	0.0979	0	0.5309	0.1105	0.1024	0	0.5096	0.0890	0.1055	0	0.6702
Ratio_entertainment	0.0053	0.0141	0	0.0850	0.0221	0.0408	0	0.4020	0.0085	0.0213	0	0.2789
Ratio_necessities	0.0312	0.0335	0	0.3469	0.0307	0.0369	0	0.2893	0.0327	0.0368	0	0.3072
EDHS	0.6885	0.4640	0	1	0.2824	0.4510	0	1	0.5684	0.4956	0	1
EDHH	0.1615	0.3687	0	1	0.6870	0.4646	0	1	0.3714	0.4835	0	1
AGEH2	0.2115	0.4092	0	1	0.3168	0.4661	0	1	0.2823	0.4504	0	1
AGEH3	0.4423	0.4976	0	1	0.3588	0.4806	0	1	0.4065	0.4915	0	1
AGEH4	0.7154	0.4521	0	1	0.5840	0.4938	0	1	0.6412	0.4800	0	1
AGEH5	0.0115	0.1070	0	1	0.0076	0.0872	0	1	0.0100	0.0997	0	1
IFEMH	0.5500	0.4985	0	1	0.1679	0.3745	0	1	0.1907	0.3931	0	1
IFEMW	0.5692	0.4961	0	1	0.1450	0.3528	0	1	0.2045	0.4036	0	1
FEMH	0.4500	0.4985	0	1	0.8321	0.3745	0	1	0.8093	0.3931	0	1
FEMW	0.4308	0.4961	0	1	0.8550	0.3528	0	1	0.7955	0.4036	0	1
EDWS	0.6615	0.4741	0	1	0.3015	0.4598	0	1	0.6010	0.4900	0	1
EDWH	0.1385	0.3460	0	1	0.6489	0.4782	0	1	0.3099	0.4627	0	1
AGEW2	0.2192	0.4145	0	1	0.3817	0.4867	0	1	0.3187	0.4663	0	1
AGEW3	0.4615	0.4995	0	1	0.3015	0.4598	0	1	0.4166	0.4933	0	1
AGEW4	0.6731	0.4700	0	1	0.4924	0.5009	0	1	0.5834	0.4933	0	1
Obs	260				262				797			

In order to estimate the Tobit equations for different groups of goods and services, the authors have the relevant information about the Chinese household's expenditure of three subgroups: "catering services", "entertainment service", and "necessities goods"¹. The dependent variables are defined as the ratio among the

¹ One of the important features of this kind of consumption model and its econometric implementation is the treatment of zero expenditure. That happens when we have corner solutions for a number of families. When we have this type of sample, it is convenient to estimate through a Tobit model. In some case, the sign of the effect of the above-mentioned factors, on the expenditure of goods and services will depend on whether the good is time-intensive or time-saving or neutral.

expenditure on catering service, on entertainment service (magazines, newspapers, and reviews), and on necessities, with respect to the total expenditure of the household respectively.

The explanatory variables are defined as follows: The age of men is a set of the five dummies: men 16-25 (AGEH1), and serves as reference group; men 26-35 (AGEH2); men 36-45 (AGEH3); men 46-55 (AGEH4); men 55 above (AGEH5). The age of women is also a set of four dummies: women 16-25 (AGEW1), is reference group; women 26-35 (AGEW2); women 36-45 (AGEW3); women 46-55 (AGEW4). Education of the male partner is a set of dummies: the reference category is primary education (EDHP); secondary education (EDHS); higher education (EDHH). Similarly with education of female partner, the reference category is primary education (EDWP); secondary education (EDWS); higher education (EDWH). Total household members are a quantitative variable (FAMEMBER). Employment situation has two categories: formal employed (reference category), informal employed (IFEMH). Age of children is a set of four dummies: there are children 0-2 years old in the household (AGECHILD1); there are children 3-6 years old in the household (AGECHILD2); there are children 7-12 years old in the household (AGECHILD3); there are children 13-18 years old in the household (AGECHILD4). The reference category is the household where there is no child in the corresponding age group. Age of elder is a set of two dummies: there are elder 60-80 years old in the household (AGELDER1); there are elder above 80 years old in the household (AGELDER2). The reference category is the household where there are no elders in the corresponding age group. Household income is a quantitative variable (HHINCOME) measuring the total household income. Household subjective attitude includes: two dummies measuring consumption preference: willing to consume (WCONSUME); unwilling to consume (UWCONSUME); the reference category is neutral attitude for consuming. Two dummies measuring forecast on interest rate: expect to increase (IRUP); expect to decrease (IRDOWN); the reference category is the unchanged expectation of interest rate. Two dummies measuring economy forecast: expect to boom (ECBOOM); expect to recessive (ECRECESSIVE); the reference category is unchanged expectation of economy status. Last one is time preference dummies: willing to pay this year (TIMEPRE); the reference category is willing to pay next year.

Estimation Results

From the following regression results which are reported in Table 2, we can find how informal sector employment will affect household expenditure, and how those consumption patterns vary among different family income quantiles. The first three columns show the regression result of household expenditure on three groups of goods and services: catering, entertainment, and necessities. The key variable of our interest is the employment status of their spouse and all the other explanatory variables remain the same for the three groups, and the sample bias problem is addressed by introducing the Inverse Mills Ratio (IMR) to the censored regression.

Families with male working in informal sector will spend 2.2% more on catering compared with those in formal sector, and it is significant under 10% significant level. But with female partner working in informal sector, the expenditure on catering is significantly 2.63% lower than those in formal sector. One possible reason is that male has more bargaining power and dominates the consumption choice on eating out. The positive sign for male partner and negative sign for female partner remain the same with expenditure on entertainment but the effect is not much significant. As with necessities, still, male dominates female on consumption choice,

informal employment male prefers to have less 0.56% expenditure on necessities. Such patterns demonstrate the fringe benefit effect in formal sector is widespread. Compared to reference group with primary education, there is no significant difference on necessities, but for husbands who work in informal sector will have 6.29% higher expenditure on catering service. Both husband and wife who are employed in informal sector have significant higher consumption on entertainment service, especially with higher education. It shows that people with higher education have higher payment and can afford time-consuming service. For age group, male workers between 36-45 years old in informal sector have 0.996% higher expenditure on entertainment service, while female workers between 46-55 years old have 4.79% lower expenditure on catering. It is consistent with career path development because male needs more social activities to build interpersonal network. For demographic variables, only families having children with 0-2 years old have 4.15% lower on catering since the children are too young to eat out. The age dummies of elders in the household have no significant effect on expenditure of any goods and services.

There is positive impact of total household income on expenditure of all the goods and services except the expenditure of catering. Household income has a significantly positive impact on entertainment services. In contrast, the income effect on necessities is significantly negative. This being in line with the Engel's Coefficient states that families with more money will spend less on food. The attitude of future economy forecast will also affect consumption choice. Household which is unwilling to consume tends to spend less 2.85% and 1.15% on catering and entertainment respectively than those with neutral attitude. But the household with positive attitude inclines to spend 0.044% less on necessities than those with neutral attitude. It shows the elasticity for necessities is smaller than entertainment and catering.

Without considering income distribution, the authors can summarize that there is significantly different gender preference on consumption patterns in informal sector. Families with those wives who are informal employed tend to reduce expenditure on time-saving goods, but opposite effect occurs if their husbands are informal employed. This indicates a different allocation of time by male and female spouses within the household. Presumably, informal women spouses tend to devote most of their time to housework, while men make use of their time searching for stable jobs or increasing their earnings. The significant and negative impact of informal employment on the expenditure of necessities for male shows that male dominates family budget.

In the following part, the authors want to investigate how the differential impact of employment status on consumption patterns across household income distribution is. This will give the authors more detailed evidence that how the informal employment affects the expenditure of different goods and services. The authors divided the population into different sized groups in the order of poorest to richest. The household income shares are in the measurement of income distribution, including low income, middle income, and high income household. Those households with income shares below 20% are categorized for poorest income group and above 20% are treated as richest income group. The households which account for 60% income shares are the middle income group.

The result of the regression of household expenditure on groups of goods and services across household income quantile is shown in Table 2. Similarly, all the regression equations have the same set of repressors and they are estimated separately for each type of goods and services. The authors will first comment on the impact of the various factors considered here about catering services, which are time-saving commodities.

Table 2

Regression Results for Ratio of Catering, Entertainment, Necessities to Total Expenditure in Different Income Quantile

	Ratio of catering, entertainment and necessities to total expenditure			Budget share of catering service			Budget share of entertainment service			Budget share of necessities		
	Catering	Entertainment	Necessities	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle
IFEMH	0.0220 [*] (-0.0121)	0.00526 (-0.00458)	-0.00563 ^{**} (-0.00284)	0.0690 ^{**} (0.0285)	0.0398 (0.0282)	0.0181 (0.0154)	0.0176 ^{**} (0.00831)	-0.00998 (0.0151)	0.000121 (0.00467)	0.00591 (0.00486)	-0.0239 ^{***} (0.00911)	-0.00765 ^{**} (0.00385)
IFEMW	-0.0263 ^{**} (-0.0133)	-0.00693 (-0.00516)	0.0029 (-0.00311)	-0.0609 ^{**} (0.0289)	-0.0293 (0.0307)	-0.00716 (0.0173)	-0.0178 ^{**} (0.00841)	0.00713 (0.0140)	-0.00103 (0.00613)	-0.00304 (0.00489)	0.0189 [*] (0.0106)	0.00497 (0.00440)
EDHS	0.0262 (-0.0262)	0.0178 [*] (-0.00923)	0.00596 (-0.00463)	0.109 ^{**} (0.0467)	-0.244 ^{***} (0.0787)	0.00156 (0.0346)	0.0198 (0.0127)	-0.00627 (0.0183)	-0.000186 (0.00913)	0.0132 (0.00974)	0.000856 (0.00971)	0.00311 (0.00525)
EDHH	0.0629 ^{**} (-0.028)	0.0275 ^{***} (-0.00981)	0.00487 (-0.005)	0.191 ^{***} (0.0600)	-0.225 ^{***} (0.0799)	0.0337 (0.0367)	0.0301 ^{**} (0.0145)	-0.00621 (0.0191)	0.00655 (0.00974)	0.00643 (0.00964)	0.00634 (0.0117)	0.00143 (0.00598)
EDWS	-0.00364 (-0.0219)	0.0107 (-0.00694)	-0.0065 (-0.00449)	0.105 ^{**} (0.0464)	0.0540 (0.0557)	-0.0392 (0.0277)	0.0207 ^{**} (0.0103)	-0.0222 (0.0157)	0.00856 (0.00814)	-0.0124 (0.00772)	-0.00800 (0.00835)	-0.00545 (0.00490)
EDWH	0.00661 (-0.0242)	0.0293 ^{***} (-0.0077)	-0.00637 (-0.00504)	0.149 ^{**} (0.0597)	0.0284 (0.0573)	-0.0225 (0.0305)	0.0242 [*] (0.0125)	-0.00657 (0.0171)	0.0268 ^{***} (0.00904)	-0.0168 (0.0108)	-0.00989 (0.0100)	-0.00490 (0.00590)
AGEH2	-0.0186 (-0.0172)	-0.000487 (-0.00964)	0.00162 (-0.00452)	-0.0105 (0.0604)	-0.0469 (0.0316)	-0.0101 (0.0222)	0.00871 (0.0143)	-0.0148 (0.0219)	0.00156 (0.00862)	0.00733 (0.00837)	0.00437 (0.0114)	-0.000755 (0.00596)
AGEH3	-0.00859 (-0.0156)	0.00996 [*] (-0.00523)	0.00449 (-0.00382)	-0.00735 (0.0467)	-0.0583 ^{**} (0.0289)	0.00127 (0.0207)	0.00166 (0.0150)	0.00713 (0.0104)	0.00860 (0.00545)	0.0141 (0.00878)	0.00105 (0.00687)	0.000537 (0.00485)
AGEH4	-0.023 (-0.0244)	-0.0122 (-0.0112)	-0.0025 (-0.00614)	0.0845 (0.0855)	-0.0338 (0.0407)	-0.0149 (0.0324)	0.0336 (0.0257)	-0.0385 [*] (0.0231)	-0.00346 (0.00985)	-0.00998 (0.0126)	0.000818 (0.0107)	0.00252 (0.00866)
AGEH5	-0.0734 (-0.0634)	0.00529 (-0.0175)	0.0349 [*] (-0.019)	-0.0824 (0.0510)	-0.0496 (0.0509)	-0.0881 (0.0957)	-0.150 (0.0241)	-0.0237 (0.0258)	0.00738 (0.0212)	0.00374 (0.0225)	-0.0180 (0.0148)	0.0678 ^{**} (0.0264)
AGEW2	-0.0142 (-0.0156)	-0.00451 (-0.007)	-0.00134 (-0.0047)	0.0269 (0.0519)	0.0112 (0.0252)	-0.0183 (0.0202)	-0.00770 (0.0115)	0.00120 (0.0138)	-0.00599 (0.00874)	-0.0103 [*] (0.00582)	-0.0187 (0.0140)	0.00405 (0.00566)
AGEW3	0.0142 (-0.0178)	-0.00196 (-0.00548)	-0.00322 (-0.00421)	0.0642 (0.0537)	0.0134 (0.0286)	0.0383 (0.0241)	0.0233 (0.0168)	-0.00432 (0.0100)	-0.000657 (0.00636)	0.000986 (0.00903)	-0.0200 ^{**} (0.00818)	-0.000350 (0.00580)
AGEW4	-0.0479 [*] (-0.0246)	-0.00233 (-0.00847)	-0.00691 (-0.00638)	-0.107 (0.0825)	-0.0120 (0.0386)	-0.0858 ^{***} (0.0326)	-0.0410 [*] (0.0213)	-0.00981 (0.0152)	0.0000499 (0.0103)	0.000800 (0.0108)	-0.0175 (0.0148)	-0.00859 (0.00870)

Table 2 continued

	Ratio of catering, entertainment and necessities to total expenditure			Budget share of catering service			Budget share of entertainment service			Budget share of necessities		
	Catering	Entertainment	Necessities	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle	Income quantile 20% below	Income quantile 80% above	Income quantile 60% middle
HHINCOME	1.52E-08 (-2.09E-08)	1.51e-08* (-8.22E-09)	-5.39e-09* (-2.99E-09)	-0.000000128 (0.000000972)	-1.58e-08 (1.89e-08)	0.000000389* (0.000000231)	-6.41e-08 (0.000000207)	-2.84e-09 (7.26e-09)	0.000000188** (7.93e-08)	-0.000000123 (9.39e-08)	-2.26e-09 (3.75e-09)	7.31e-09 (6.13e-08)
Household characteristics	√	√	√	√	√	√	√	√	√	√	√	√
Household subjective attitude	√	√	√	√	√	√	√	√	√	√	√	√
_cons	0.125*** (-0.0397)	-0.0448*** (-0.0146)	0.0537*** (-0.0102)	-0.238** (0.102)	0.327*** (0.105)	0.152*** (0.0564)	-0.104*** (0.0249)	0.110*** (0.0422)	-0.0503** (0.0197)	0.0756*** (0.0211)	0.0619** (0.0247)	0.0420*** (0.0128)
Sigma	0.142*** (-0.00506)	0.0462*** (-0.00499)	0.0377*** (-0.00203)	0.163*** (0.0136)	0.108*** (0.00679)	0.145*** (0.00638)	0.0352*** (0.00404)	0.0507*** (0.00789)	0.0411*** (0.00517)	0.0337*** (0.00512)	0.0373*** (0.00429)	0.0383*** (0.00224)
N	1310	1310	1310	258	258	794	260	262	797	258	258	794

Notes. Standard errors are in parentheses; * means statistically significant at the 10% level; ** means statistically significant at the 5% level; *** means statistically significant at the 1% level.

The regression results of catering services are shown in second three columns. For middle group and richest group, there is no significant evidence between formal and informal sector, but for the poorest 20% quintile, female partners spend less 6.09% than the household with formal employed wives, while for male partner it shows opposite effect, with 6.09% more expenditure, indicating that the budget constraint for poor family can change their consumption patterns, and women are more inclined to suffer from it. For male partners with higher education in the richest quintile, they are less likely to spend on catering which is in line with age group male 36-45 years old. For those in prime age, catering is treated like necessities, consequently, much time and budget has been transferred to tourist or education investment. For poorest families, those with children aged between 3-6 years old and 13-18 years old also spend less on catering, because they need to save money to afford their education as they are growing up.

The third three columns in Table 2 present the expenditure on entertainment services. In the poorest household group, it shows the same pattern compared with catering service, but the magnitude is much lower, with only about 1.76% higher for male partner and 1.78% lower for female partner. The similar pattern also appears in female partner education, but the effect has been doubled. For middle group, only higher education groups have 2.68% higher on entertainment service. While for the richest, the trend for male partner is still negative, but for female partner, it is negative compared with catering. It shows that women in different income distribution have different preference on time-consuming service. For the richer employees, they enjoy more flexible working time and better working environment; for poorest workers, they are mostly labor-intensive workers who need to suffer from long-working hours, leading them to cherish more on time-consuming goods. There appears a significantly positive effect (2.95%) when poorest families have children 3-5 years old, and negative effect (2.13%) when they grow up to 13-18 with respect to no children in the household. In combination of catering and entertainment, poorest families save the money on catering for entertainment when children are younger and cut off budget on both of them to save money for education in the future. The same trend happens in the middle family but for age group of 7-12 years old. Compared with those negative effect, the richest always have positive sign on those expenditure although it is not much significant, which is in consistent with that they are not concerned too much on budget constraint.

Finally, the impact of employment status on the family expenditure of necessities shows different trend for richest people. For poorest family, it has no significant effect because those necessities maintain the basic living, so they are infinitely elastic which can hardly be affected by budget constraint. But for richest family, wives in informal sector tend to have 1.89% more on necessities, husbands with 2.39% lower. It shows that they enjoy better benefits in SOE or collective enterprise, especially for female who has maternity benefits.

Conclusions

The purpose of the paper is to investigate the impact of informal employment status on the consumption and how those impacts vary with the income distribution. The authors find that there is significantly different gender preference on consumption patterns for employees who worked in informal sector. After considering different income quantile, for time-saving goods, family where wife is informal employed tends to reduce their expenditure on time-saving goods, while there is a significant raise if the husband is informal employed. And such pattern is more significant in the poorest income groups compared with higher income groups. For time-consuming goods as entertainment services, poorest families where wife is in informal employed tend to reduce their expenditure share on it, while there is also a significant raise if the husband is informal employed.

Richest families are not as much constrained as those in poorest families due to less budget constraint as well as time constraint. For necessities, families with wives working in formal sector enjoy much better fringe benefits. In addition, concerning the demographic characteristics of the household members, especially the educational attainment, both female and male spouse have positive impacts on the time-saving and time-intensive goods, while there is not significant effect on time-neutral goods. The presence and age of children in the household have a significant effect on time-saving goods. The household subjective factors play an important role on expenditure on time-saving goods, especially for the poorest household.

References

- Banerjee, B. (1983). The role of the informal sector in the migration process: A test of probabilistic migration models and labour market segmentation for India. *Oxford Economic Papers*, 35(3), 399-422.
- Chen, J., Aung, M., Zhou, L., & Kanetkar, V. (2005). Chinese ethnic identification and conspicuous consumption: Are there moderators or mediators effect of acculturation dimensions? *Journal of International Consumer Marketing*, 17(2-3), 117-136.
- Cui, G., & Liu, Q. (2000). Regional market segments of China: Opportunities and barriers in a big emerging market. *Journal of Consumer Marketing*, 17(1), 55-72.
- Dickson, M. A., Lennon, S. J., Montalto, C. P., Shen, D., & Zhang, L. (2004). Chinese consumer market segments for foreign apparel products. *Journal of Consumer Marketing*, 21(5), 301-317.
- Fields, G. S. (1975). Rural-urban migration, urban unemployment and underemployment, and job-search activity in LDCs. *Journal of Development Economics*, 2(2), 165-187.
- Gould, B. W., & Villarreal, H. J. (2006). An assessment of the current structure of food demand in urban China. *Agricultural Economics*, 34(1), 1-16.
- Min, I., Fang, C., & Li, Q. (2004). Investigation of patterns in food-away-from-home expenditure for China. *China Economic Review*, 15(4), 457-476.
- International Labour Office (ILO). (1984). *Urbanisation, informal sector and employment: A progress report on research*. Advisory Services and Technical Cooperation, World Employment Programme, Geneva.
- Ma, H., Huang, J., Fuller, F., & Rozelle, S. (2006). Getting rich and eating out: Consumption of food away from home in urban China. *Canadian Journal of Agricultural Economics/Revue canadienne d'agroeconomie*, 54(1), 101-119.
- Mazumdar, D. (1977). Analysis of the dual labour market in LDCs. In S. Kannappan (Ed.), *Studies in urban labour market behaviour in developing areas* (pp. 13-33). Geneva: International Institute for Labour Studies, ILO.
- Sun, Q., Tong, W., & Yu, Q. (2002). Determinants of foreign direct investment across China. *Journal of International Money and Finance*, 21(1), 79-113.
- Sun, T., & Wu, G. (2004). Consumption patterns of Chinese urban and rural consumers. *Journal of Consumer Marketing*, 21(4), 245-253.
- Sun, T., Chang, T. K., & Yu, G. (2001). Social structure, media system, and audiences in China: Testing the uses and dependency model. *Mass Communication & Society*, 4(2), 199-217.
- Todaro, M. P. (1969). A model of labor migration and urban unemployment in less developed countries. *The American Economic Review*, 59(1), 138-148.
- Wei, R. (1997). Emerging lifestyles in China and consequences for perception of advertising, buying behavior and consumption preferences. *International Journal of Advertising*, 16(4), 261-275.
- Wei, Y., Liu, X., Parker, D., & Vaidya, K. (1999). The regional distribution of foreign direct investment in China. *Regional Studies*, 33(9), 857-867.
- Ying, B., & Yao, R. (2006). Consumption patterns of Chinese elders: Evidence from a survey in Wuhan, China. *Journal of Family and Economic Issues*, 27(4), 702-714.
- Yusuf, F., & Brooks, G. (2010). Demographics and consumption patterns in urban China. *Population Research and Policy Review*, 29(1), 5-17.
- Yusuf, S., & Wu, W. (1997). *The dynamics of urban growth in three Chinese cities*. World Bank Publication, Oxford University Press.

Municipal Audit Outcomes: Toward Collective Management and Intervention Strategies in the Free State Province

Beaula M. Kruger, Cornelis J. Van Rooyen
Free State Provincial Legislature, Free State, South Africa

The Local Government Municipal Finance Management Act No. 56 of 2003 provided guidelines/framework for sound and sustainable management of the financial affairs of municipalities and other institutions in local sphere of government. In addition, the Free State Provincial Legislature Standing Committee of Public Accounts provided oversight over the Executive Committee and Local Government on public spending, however, there remained to be financial challenges persisting in South African municipalities. In response to this, Operation Clean Audit was launched in 2009 in the South African Parliament and they expected 100% clean audit status from local governments by 2014. Despite their expectation, 2014 was a year where the Free State government municipalities faced several challenges. The definition of a clean audit report, according to the Auditor General, is unqualified audit outcome without findings on compliance and performance information. Departing from this definition, no municipality or municipal entity in the Free State province achieved a clean audit opinion during the 2013/2014 financial year.

Keywords: public financial management, oversight, accountability, good governance

Municipal Financial Management Act (MFMA)

The Municipal Financial Management Act (MFMA) of No. 56 of 2003 is applicable to all municipalities, all municipal entities, and national and provincial organs of state to the extent of their financial dealings with municipalities. The objective of the act is to ensure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms, standards, and other requirements to ensure:

- (1) That municipalities and municipal entities are transparent, accountable, and conduct appropriate lines of responsibility in their fiscal and financial affairs;
- (2) The management of their revenues, expenditures, assets, liabilities, and the conduct of their financial transactions;

Corresponding author: Beaula M. Kruger, BA in International Relations and Postgraduate Diploma in Governance and Political Transformation from the University of the Free State (UFS), currently employed as the ANC (African National Congress) Caucus Senior Researcher in the Office of the Chief Whip in the Free State Legislature, and in addition serves as the Deputy Coordinator of the ANC Free State Provincial Elections Research Team (PERT), Free State Provincial Legislature, South Africa; research fields: governance and political transformation, public administration, elections management, higher education, legislative rules and orders, youth development and community engagement.

Cornelis J. Van Rooyen, BA in Public Administration from the University of the Free State (UFS), Member of the Free State Provincial Legislature (MPL), Chief Whip of Legislature and Chairperson for Public Accounts and Finance Committee, Free State Provincial Legislature, South Africa; research fields: public finances, public accounts, division of revenue, legislation rules and orders and political communication.

(3) Budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government;

(4) Borrowing and handling of financial problems which may occur in municipalities;

(5) Supply chain management and all other financial management (Republic of South Africa, 2003, p. 23).

Municipal finances not only involve processes, but they are also regulated by the MFMA which includes: budgetary processes, capital planning, consumer debt, revenue management, procurement, and most importantly financial reporting and auditing. The purpose of financial auditing is to detect possible problems that may compromise the system, and therefore audit reports play a vital role:

(1) By ensuring that the financial statements are not subjected to misstatements;

(2) By reporting on the credibility and reliability of the information;

(3) By reporting on material non-compliance with key legislation;

(4) By identifying key internal control deficiencies (Mtwesi, 2015).

However despite the guidelines/frameworks provided in the MFMA, the financial health of the province faced several challenges relating to financial management in municipalities. Local municipalities in the Free State during the 2013/2014 financial year faced several challenges related to: slow response by management, cash flow constraints, unauthorised and irregular expenditure, supply management, skills shortage, information technology, and security management. The biggest challenge however in the Free State is to ensure that government builds a public service which is characterised by transparent finance and performance reporting (Auditor-General, 2015, pp. 6-7). Here, the role and functions of the provincial Public Accounts Committee (PAC) play a vital role as a mechanism through which the Free State Provincial Legislature exercises control over the expenditure of public money (*Provincial Public Accounts Committee's method of work*, 2015, p. 1). The Association of Public Accounts Committees (APAC) plays a crucial role in ensuring that PAC members and support staff are prepared to effectively and efficiently perform their oversight and accountable functions. It is therefore, institutions such as APAC, Auditor-General, National Treasury, and the South African Legislative Sector that are continuously capacitating PAC members to execute their mandate (Makhado, Masehela, & Mokhari, 2012, pp. 1-2). The main function of the committee is to examine the financial issues/concerns raised by the Auditor-General. The Public Accounts Committee assesses the report, its criticism, and recommendations made by the Auditor-General (*Provincial Public Accounts Committee's method of work*, 2015, pp. 1-3). Therefore, the PAC enhances oversight and accountability of public funds by promoting effectiveness, efficiency, and economics (EEEs) of public resources allocated. The effectiveness and efficiency of the PAC members and their work is measured on the basis of the committee's ability to provide oversight and accountability. The concept of oversight is defined by the National Parliament of South Africa in 2009, outlining the functions as:

(1) Protect the rights and freedom of citizens, while holding government departments and public entities accountable for use of "taxpayers' money";

(2) Improve on the accomplishment of government departments and public entities in relation to their Annual Performance Plan (APP) and Strategic Plan, while improving on the efficiency and effectiveness of government operations;

(3) Reinforcement of transparency and good governance.

The National Parliament of South Africa further provides a working definition and functions of accountability. Accountability is understood as the ability to "give an account" or to "account for" the spending

of public funds. The functions of accountability include:

- (1) Effect and strengthen democratic control while enhancing the integrity of public governance;
- (2) To improve service delivery performances and review the performance of government;
- (3) The implementation tools of accountability involve conducting budget votes (direct tool of accountability), and public hearings (the power to summon the executive bodies to account for their decisions and actions taken) (Makhado et al., 2012, pp. 4-5).

What strategies have the South African national government and the Free State government employed to address these issues?

Overview of National and Provincial Government Initiatives

The South African Constitution Act 108 of 1996, Section 151 (1)-(4) on Local Government, stipulates that local sphere of government consists of municipalities which have executive and legislature authority that is vested in the Municipal Council. Furthermore, municipalities have the right to govern using its own initiative, however, the local government affairs are subject to both national and provincial legislation provided by the constitution. Section 152 (1) stipulates the objectives of local government which are as follows:

- (1) Provide democratic and accountable government for local communities;
- (2) Ensure the provision of services to communities in a sustainable manner;
- (3) Promote social and economic development;
- (4) Promote a safe and healthy environment;
- (5) Encourage the involvement of communities and community organisations in the matters of local government (Auditor-General, 2015, p. 10).

Furthermore, Section 152 (2) of the constitution stipulates that: “A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)” [Republic of South Africa (RSA), 1996, p. 1331]. In efforts to align with the constitutional provisions and improve on audit outcome, the “Back to Basics Strategy” was launched in the Free State in October 2014. The Free State government had aligned its Municipal Support Programme with the “Back to Basics Strategy” which focuses on: prioritising people and their concerns, creating decent living conditions, demonstrating good governance, certifying sound financial management, and the construction and maintenance of sound institutional and administrative capabilities. In the same year, the objectives set out in the Operation Clean Audit (OPCA) 2014, were expected to have been achieved by the end of 2014. OPCA 2014 was launched on September 22, 2009 based on the findings of the South African government study into issues relating to service delivery, leadership, financial management, and governance (Auditor-General, 2015, p. 11). The Department of Cooperative Governance and Traditional Affairs (COGTA) has made several attempts to improve the audit outcomes of local municipalities. However, the Local Government Turn Around Strategy (LGTAS) was disbanded in 2011 due to stagnation for a period of 18 months. Improvements have been evident following the appointment of a new minister, the LGTAS has improved in terms of directing their attention to the 108 municipalities. The LGTAS has identified key areas to ensure the improvements of audit outcomes of municipalities, and these include: enhancing good governance, promoting sound financial management, accelerating service delivery, fighting corruption, and facilitating sustainable infrastructure development (Chaane, 2012). In efforts toward supporting COGTA’s OPCA 2014, the Auditor General South Africa (AGSA) strengthened their interactions with political and administrative leadership on their outcomes in municipalities. The AGSA operates on a constitutional mandate,

and as the Supreme Audit Institution (SAI) of South Africa, they are committed to ensure oversight, accountability, and governance in the public sector through auditing which would ultimately result in the South African public confidence. In addition, the AGSA has further committed itself to being a critical supporter of the Free State government's back-to-basics initiative (Auditor-General, 2015, p. 11).

Toward Collective Management and Intervention Strategies

Despite these initiatives, the Free State government municipalities have received criticism regarding their continuous financial difficulties over the years. The Free State 2013/2014 general report on the audit outcomes of local government indicated that no municipality or municipal entity achieved a clean audit report (Auditor-General, 2015, pp. 6-7). The general report on the local government audit outcomes of the Free State MFMA 2013/2014, further indicates that there is a lack of improvement with regards to day-to-day operations, lack of skilled employees and various key vacancies (including municipal manager, chief financial officer, head of supply chain management), submissions of poor financial information, little improvement in the information technology controls, and concern remaining with the level of unauthorised, irregular, fruitless, and wasteful expenditure in the Free State municipalities. However, progress has been made; the 2013/2014 municipal audit outcomes indicate a net improvement in four audit outcomes from 2012/2013. Six auditees improved and two regressed. These improvements were realised through audit adjustments and the use of consultants. The general report on local government audit outcomes of the Free State for 2013/2014 indicated that 38% of the audit outcomes were modified (unqualified with findings on compliance or performance report). Modified outcomes representing 62% remained a concern because it directly affected budgets by municipalities. Table 1 indicates audit outcomes of 2013/2014: the movements, improvements, and regression of municipalities in the Free State.

Table 1

Free State Audit Outcomes of 2013/2014

Audit outcomes	Improved (6)	Unchanged (19)	Regressed (2)
Unqualified with findings (12)	Mangaung metro Metsimaholo Setsoto Tokologo Centlec	Lejweleputswa district Thabo Mofutsanyana district, DihlabengNketoana, Twelopele Maluti-a-Phofung water Lejwaleputswa Development agency	
Qualified with findings (6)	Naledi	Xhariep district Kopanong Masilonyana Mohokare	Fezile Dabi district
Disclaimer with findings (9)		Mafube, Maluti-a-Phofung, Mantsopa Matjhabeng, Moqhaka, Nala, Ngwathe, Phumelela	Letsemeng

Note. Colour of name indicates audit opinion from which the auditee has moved; adapted from Auditor-General (2015, p. 26).

The 2013/2014 audit outcomes in Table 1 indicated the improvements, unchanged status and regressions by municipalities. On improvements, five auditees improved from qualified to unqualified audit opinions with findings, and therefore only 12 auditees had unqualified audit outcomes. Furthermore, majority of the auditees improved due to enhanced oversight and responding timeously to financial issues. Naledi has also improved from a disclaimer of opinion to a qualified audit opinion. These improvements are clear indications of

improved leadership, accountability, and greater levels of discipline. Regarding unchanged opinions, 19 auditees did not improve on their audit outcomes, while seven auditees maintained an unqualified audit opinion with findings. These findings are a result of lack of pivotal and rigorous leadership, neglect for good governance principles, and lack of enhancement of the basic values governing public administration. Finally, on regression, two municipalities have regressed in their audit outcomes, despite the Free State government's goal of moving toward sound financial management and accountability. The Auditor-General is of the opinion that the regression of two municipalities is a result of lack of implementing recommendations made in the previous year.

The Free State government has taken a hands-on approach through improved coordination to focus on these target areas and developed support programmes for the municipality. In addition, a proactive approach was also employed by both political leadership and management from district and local municipalities in terms of internal control environment (respecting and implementing good governance principles). Furthermore, the support shown by the Auditor General in the Free State also contributed toward the enhancement of accountability, transparency, and interpreting legislation into everyday operations in these municipalities (Rockman, 2016, p. 7). As a result, at local government level, the Free State government with its collective management and intervention programmes assisted provincial municipal audit outcomes. The coordination and support programmes were implemented by the Department of COGTA, Provincial Treasury, South African Local Government Association (SALGA), and National Treasury, efforts resulted in the following:

- (1) The Thabo Mofutsanya District Municipality obtained the first clean audit by a Free State municipality;
- (2) Municipalities that were improved from “qualified” to “unqualified” audit opinions were achieved by the Mohokare Local Municipality and Fezile Dabi District Municipality;
- (3) Municipalities that were improved from a “disclaimer” to “unqualified” audit opinions included: Moqhaka, Letsemeng, and Mantsopa local municipalities;
- (4) In 2013/2014, nine municipalities received disclaimer opinions, this has decreased to only three in 2014/2015.

In the 2016 media release by the Auditor-General of South Africa, the Free State municipalities amongst other provinces, received appraisal for showing that they are moving towards the right direction especially noting the improvements made by Thabo Mofutsanyana District Municipality. However, the Auditor General advised that “leadership in the provinces should place more emphasis on the benefits of good governance at all municipalities” (Auditor-General, 2016, p. 4). Koma (2010, p. 116) endorsed the advice by the Auditor-General and further added that solid, lucid, and transformative leadership is required to ensure results on service delivery.

What Did the Free State Provincial Government Do Differently

The Free State government established a Provincial Audit Intervention Committee that directly addressed the broader coordination of the provincial and municipal audit processes. The Provincial Audit Intervention Committee intervened in municipalities that were not progressing. Furthermore, constant facilitation of communication with key role-players was ensured to address transversal issues and technical disputes. The role of the Provincial Audit Intervention Committee has proven to be key in the improvements of the 2014/2015 audit outcomes. The Intervention Committee has assisted in ensuring enhanced efficient and effective audit processes in the Free State province. Other programmes facilitated in the improvements of municipal audit

outcomes are the Fraud Awareness Week which provides informative and educational sessions throughout the province. In partnership with different stakeholders, the province now participates in the International Fraud Awareness Week activities. Twenty (20) public servants from both provincial and local government sector attended the Certified Fraud Examiners training, in addition to all provincial government departments that have developed and successfully implemented a Fraud Prevention and Response Plan. In response to Free State municipalities decline in revenue collection due to high unemployment rate and economic challenges, Provincial Treasury, COGTA, SALGA, Department of Energy and Eskom have established a Steering Committee to review all payment plans submitted to Eskom. This Steering Committee has assisted municipalities with developing payment plans and turnaround strategies. In addition, the Free State local government is also considering an alternative funding model for electricity supply and the distribution of electricity in identified municipalities, which is currently being developed (Rockman, 2016, pp. 7-8).

The improvement of the audit outcomes in the Free State municipalities is not an isolated achievement. The Auditor-General has announced that there are considerable improvements in South Africa's local government audit outcomes for the 2014/2015 financial year. The number of unqualified audit opinions with no findings in South Africa has increased from 13 to 54 and 18 additional municipal entities also achieved clean audit outcomes, making a total of 72 for the 2014/2015 financial year (Auditor-General, 2016, p. 1). It is therefore clear that local governments in South Africa are employing financial management disciplines, improving oversight structures and decisive leadership. South African municipalities should have strategic leaders with the skills and knowledge in order to achieve municipal strategic vision and objectives. Provincial governments and treasuries should be more strategic in their allocation of resources and should be more attentive to low-capacity municipalities (Koma, 2010, pp. 116-117).

Conclusions

The general report on the local government audit outcomes of the Free State 2013/2014 did not indicate any significant improvements since the previous year. Despite efforts made by the provincial government, challenges within these municipalities persisted. However, through the collective leadership approach and intervention strategies employed, the 2014/2015 audit outcomes already indicate an improvement in the municipalities. The establishments of the Provincial Audit Intervention Committee, Fraud Awareness Week, and the Steering Committee are additional programmes developed by the Free State government. These programmes are aligned with legislation such as the MFMA and the Back-to-Basic plan. The Provincial Committee of Public Accounts now has to continue enhancing their oversight by monitoring the public funds spent by municipalities in the Free State province. The interventions by the Free State government have proven to be beneficial in order to ensure efficiency and effectiveness as well as accountability of all stakeholders involved. Despite the challenges faced by the municipalities in the Free State, there is a clear indication that in the province, financial management of municipalities is moving toward a positive and improved direction.

References

- Auditor-General. (2015). *General report on the local government audit outcomes of the Free State*. Pretoria: Government Printers.
- Auditor-General. (2016). *Media release*. Retrieved from [https://www.agsa.co.za/Portals/0/MFMA%202014-15/Section%201-9%20MFMA%202014-2015/FINAL%20MEDIA%20RELEASE%20\(MFMA%202016\)%20FN.pdf](https://www.agsa.co.za/Portals/0/MFMA%202014-15/Section%201-9%20MFMA%202014-2015/FINAL%20MEDIA%20RELEASE%20(MFMA%202016)%20FN.pdf)
- Chaane, T. (2012). Operation clean audit by 2014: Department cooperative governance progress report. *Parliamentary Monitoring Group*. Retrieved from <https://pmg.org.za/committee-meeting/15024/>

- Koma, S. B. (2010). The state of local government in South Africa: Issues, trends and options. *Journal of Public Administration*, 45(1), 111-120.
- Lotriet, D. (2015). No clean audits for Free State municipalities. *Mail & Guardian*. Retrieved from <http://mg.co.za/article/2015-06-10-no-clean-audits-for-free-state-municipalities>
- Makhado, R. A., Masehela, K. L., & Mokhari, R. W. (2012). Effectiveness and efficiency of Public Accounts Committees (PACs) in enhancing oversight and accountability in the public sector. Proceedings from *the 2012 SALSA Development Seminar*. October 2-5, East London, Eastern Cape, South Africa.
- Mtwesi, A. (2015). Fundamentals of municipal finances. *Helen Suzman Foundation*. Retrieved from <http://hsf.org.za/resource-centre/hsf-briefs/fundamentals-of-municipal-finances>
- Provincial Public Accounts Committee's method of work*. (2015). Office of the Chief Whip, Free State Legislature.
- Republic of South Africa (RSA). (1996). *Constitution of the Republic of South Africa Act (Act 108 of 1996)*. Pretoria: Government Printers.
- Republic of South Africa. (2003). *Local government: Municipal financial management act*. Retrieved from <https://www.westerncape.gov.za/Text/2004/8/mfma.pdf>
- Rockman, E. (2016). Department of Treasury budget vote 2016/2017. *Free State government*. Bloemfontein: Government Printers.



Models for Arts and Culture Financial Support*

Tatiana Abankina

National Research University Higher School of Economics, Moscow, Russia

The purpose of this paper is to identify main approaches for the state support of cultural sector, their underpinning concepts and complex of financial instruments, using Russian and international practice. The paper examines and builds connections among basic theories, objectives, and financial instruments shaping main approaches to the public support of cultural sector and compares three corresponding models—paternalistic, investment, and stimulating. Three different models of public support for arts and culture: Paternalistic model implies making compensation of the objective revenue deficit in the cultural institutions with the aid of budgetary allocations; investment model means increasing government investment in the humanitarian field to ensure the transition to the innovation and knowledge-based economy and to sustainable social and economic growth; stimulating model implies creating conditions for the cultural industries development and creative class attraction, providing international competitiveness of the nations and cities in the global economy. The paper concludes that the models are not necessarily alternative, they complement each other rather than exclude. The paper, exploring the evolution of government support models for arts and culture, contributes to the discussion on the approaches to public financing for cultural sector in times of the budgetary restrictions on public spending and the changed role of culture in the society.

Keywords: financing arts and culture, patronized goods, human capital, creative economy

Recent decades, throughout the world, including Russia, saw apparently changing understanding of the role culture plays in society; structure of cultural economics in the modern world, and economic mechanisms and management technologies are to provide necessary inflow of resources to cultural sector. For a long time, culture was considered to be a costly sector, from the economic point of view. A dominating concept was that of an “inherent value” of culture—It should be supported as a certain aggregate of the accumulated public wealth, cultural heritage, and artistic achievement, valuable as it is. Financial basis for the cultural organizations’ operations was formed mainly at the expense of budget funding or sustained financial support from other establishments—patrons. Cultural organizations were dealing with the “high” and “eternal”, engaged in preserving culture “for generations to come” and giving more and more people access to the arts. Which of the arts they were giving access to seemed less important compared with the very idea of the Enlightenment. Traditionally, the management of cultural organizations is regarded distinctly different of that of business organizations, therefore the important thing is to protect the high culture from the tough market realities to prevent a decline in artistic quality.

* This study was implemented in the framework of the Programme of Fundamental Studies 2013, National Research University Higher School of Economics, Moscow.

Corresponding author: Tatiana Abankina, Ph.D. in economics, professor, director, Center of Public Economy Sector, National Research University Higher School of Economics, Moscow, Russia; research fields: economics of arts and culture, arts and culture funding, culture policy, organizational and economic mechanisms, and legal issues of arts and culture development.

However, at the end of the 20th century, budget funds and sponsorship of cultural institutions have been decreasing every year. Moreover, all financial donors, including state and municipal authorities, charitable foundations, private sponsors and patrons, began to support cultural organizations depending on their performance and social impact of their activities. It was a powerful impetus for the revision of the culture's place and role in society, of the management technologies applied by cultural organizations and their capacity to work with different audiences and to attract public attention. Since the 70s, cultural workers in the European countries initiated a wide debate on the issues of culture—Why it is important for society as a whole and for specific local communities, how it could contribute to new economy and social development, and what share it has in the post-industrial urban and regional development.

The search for new solutions to provide resources and support for culture goes in the direction of enhancing culture, state, and business interactions on the principles of social partnerships. The consequences of the financial crisis have shown that only a combination of budgetary and extra-budgetary long-term funding would provide for artistic independence and economic autonomy of cultural institutions. With the accelerating pace of social change, the role of culture increases—Culture moves from the periphery to the center of social interests and public attention. Sometimes, it is argued that a rapid development of so called creative industries in Europe is a response to the economic crisis in traditional industries such as steel and textile. It is not quite so. The economy of most European countries that started to actively develop creative industries was on the rise. Actually, it allows them to accumulate a certain “safety margin” and to make a transition to post-industrial type of economic development, to withdraw outdated industries from the cities, to improve urban environment through the revitalization of the vacant industrial areas and construction of new cultural facilities, and in fact to create new cultural infrastructure. The development of creative (cultural industries) was more likely program of social adaptation that advanced the transition to “new employment” in post-industrial economy.

Not all European countries followed the path of de-industrialization, many began to develop cultural industries in addition to the existing industries while actively modernizing them and introducing new technologies. Nevertheless, all countries demonstrate a significant change in their attitudes toward cultural sector, a tendency to turn it into a profitable sector of modern economy, to study, realize, evaluate, and use the economic potential of the accumulated and newly created wealth, and to actively incorporate it in the economic activities, in modern lifestyle.

The state and a thin layer of aristocratic families can no longer shoulder the burden of preserving, and what is more, of developing the arts and culture. State budgetary support and elite patronage technologies are gradually replaced by the democratic technologies of social partnership. Each country develops its own funding model for arts and culture. At the same time, all counties are in continuous search of an integral concept substantiating a combination of different instruments of financial support for cultural sector, their efficiency and sustainability. For all the diversity of cultural sub-sectors and the difference of their economic situation, arts and culture are seen as one important sector of national economy and society, and its development requires the state to work out an extensive support system.

Paternalistic Model for Culture Support

The basic concept, underpinning the state support for arts and culture is certainly the theory of patronized goods and its further developments. Many experts rightly view culture as mixed goods, but the key value here is their merit nature or the social importance and public interest in stimulating their consumption. A. Rubinstein

following the Musgrave's tradition of public finances has developed the theory of markets of patronized goods, i.e. those patronized by the state (Rubinstein, 2009a). Within the framework of "economic sociodynamics" theory, one of the key theses to justify the state support for culture is the need to compensate for cost disease in arts and culture, a phenomenon studied in the works of W. Baumol and W. Bowen boils down to the fact that the production costs in the performing arts always grow faster than revenue (Baumol & Bowen, 1966). This phenomenon was examined and confirmed in the course of the empirical study of all Russian theatres, concert organizations, and museums for the period of 1990-2010 (Rubinstein, 2012).

Thus, the first model of the state support for culture stemming from the theory of the merit goods can be called a "paternalistic" model. The essence of the paternalistic model of the state support for culture is to offset the cultural organizations' revenue shortfall by the budgetary subsidies. Within the paternalistic model, arts and culture are funded through budgetary allocations. In most of the developed European countries, budgetary funding remains one of the main forms of arts and culture support. However, the share allocated for these needs in the total expenses of the state budgets is comparatively small—from 0.2% to 2.5%. In Russia, the proportion of expenditure on culture in the consolidated budget accounted for about 2.0-2.5% during the last decade, and in recent years, it has been slightly decreasing (Abankina, Kushtanina, Romanova, & Rudnik, 2014). To compare the budgetary expenditure on culture in Russia with that in OECD (Organization for Economic Cooperation and Development) countries, the author uses the expenditures on culture as a percentage of GDP (Gross Domestic Product) (see Table 1). The analysis shows that by the share of expenditure on culture in GDP, Russia lags behind the developed countries and the OECD average.

Each country with the selected financial methods, forms, and mechanisms develops its own model for arts and culture budgetary funding which is heavily influenced by such factors as the established attitudes of the state toward arts and culture, and the specifics in the public policy in the sector. Paternalistic model of arts and culture funding is determined by the degree of centralization or decentralization in public administration, and the fiscal relations between different levels of government. In unitary states, such as Sweden, the central budget continues to play the key role, while in the federal state of Germany, its economic functions are reduced to funding of broadcasting and international cultural activities.

The state budgetary support for arts and culture is provided through several channels:

- (1) Direct financing;
- (2) General and targeted transfers to subnational budgets;
- (3) Pooled funding from the governments of different levels.

The direct financing is used in all the countries, but its biggest share is the budgets of the European unitary states. It is carried out in the form of full funding of operating costs and capital investments, special targeted transfers, and in the form of grant as well. The oldest method of the state support for culture—full direct financing—has already been rejected by most countries. This way of subsidizing is still used for some national museums, archives, libraries, or to support national broadcasting companies. Special purpose transfers are commonly used for the implementation of national culture development programs. The most common form of the direct state financing is a grant support; grants are given to both organizations and individuals in cultural sector; the terms and conditions of their provision vary significantly from country to country.

In addition to the direct budgetary allocations, arts and culture can be supported indirectly through tax incentives. It is justified by special public importance of creative labour and its products. Tax-benefit system usually applies to both producers of cultural goods and services and donors, patrons in cultural sector.

Table 1

Expenditure on Culture in Russia and OECD Countries (as a Percentage of GDP)

Country*	2005	2008	2010	2011	2012
Iceland	1.24	1.36	1.25	1.16	1.16
Luxemburg	1.65	1.21	1.16	1.14	1.13
Estonia	1.48	1.56	1.34	1.25	1.11
Slovenia	0.92	0.93	1.04	1.00	0.98
The Netherlands	0.89	0.82	0.90	0.85	0.86
France	0.71	0.79	0.77	0.78	0.79
Denmark	0.71	0.67	0.72	0.71	0.74
Czech Republic	0.70	0.71	0.83	0.78	0.72
Malta	0.41	0.47	0.59	0.64	0.70
Poland	0.72	0.88	0.72	0.68	0.67
Hungary	0.79	0.78	0.82	0.77	0.65
Austria	0.60	0.62	0.64	0.62	0.62
The OECD average	0.65	0.66	0.66	0.63	0.62
Norway	0.54	0.55	0.64	0.62	0.60
Lithuania	0.69	0.80	0.69	0.62	0.59
Spain	0.61	0.74	0.69	0.61	n/a
Sweden	0.59	0.62	0.61	0.59	0.57
Finland	0.49	0.50	0.57	0.57	0.57
Russian Federation	0.55	0.60	0.60	0.55	0.55
Germany	0.46	0.43	0.44	0.45	0.44
Bulgaria	0.39	0.44	0.38	0.41	0.43
Portugal	0.53	0.44	0.47	0.43	0.42
Ireland	0.35	0.45	0.39	0.40	0.39
Italy	0.42	0.41	0.39	0.36	0.34
Cyprus	0.35	0.36	0.40	0.42	0.34
Great Britain	0.41	0.39	0.37	0.34	0.33
Greece	0.15	0.24	0.23	0.26	0.26

Note. * Countries are given in descending order of expenditures on culture (as a percentage of GDP) according to the 2012 data.

Sources: Eurostat data base (for OECD countries) and calculations of the Institute of Public Resource Management, Higher School of Economics (for the Russian Federation).

Investment Model for Culture Support

A new perspective of arts and culture support models is connected with the dissemination of human capital theory, which is developed almost in parallel with the theory of public goods (Becker, 1964; Musgrave, 1996; Shultz, 1968). The key point that differentiates the new view from the approach based on the theory of merit goods is that the human capital theory gradually but radically changes the attitude toward the state support for education, health care, culture, and ecology—They are considered to be not so much important social needs to be “patronized” by the state as the investments that can bring returns (Mincer, 1994).

Initially, human capital referred to a sum of investments increasing human ability to perform labour—education and professional skills. Then, the concept of human capital has been significantly expanded. Recent calculations made by the World Bank experts include household expenditures as well—food, housing, education, health care, culture, and the government spending for these purposes. Further fundamental and applied studies of the human capital value, its contribution to socio-economic development of the cities and

nations, evaluation of return on human capital investment, gradually made these notions to be included in political agendas and strategy documents in different countries, including Russia. Thus, the “Concept of Long-term Socio-economic Development of the Russian Federation for the Period up to 2020” regards culture as having “a leading role in the formation of human capital, creating knowledge-based economy”. The reason for the exceptional role of culture in the transition from resource-based economy to innovation economy lies in higher professional requirements, “including the level of intellectual and cultural development that is possible only in a cultural environment enabling realization of the objectives and ethical values of the society’s development”.

Thus, the second model of the state support for culture derived from the human capital theory might be called an “investment” model. The investment model implies that increasing public investment in humanitarian sphere contributes to the transition to innovation, knowledge-based economy, and sustainable socio-economic development.

Financial support for cultural sector within the investment model exceeds the budgetary allocations for arts and culture, the funds as well come from broader socio-economic programs supporting regional development, job creation, small and medium enterprises, reconstruction of urban economic infrastructure, and vocational training and development. The value of co-funding for the cultural organizations and investment projects from budgetary and extra-budgetary sources increases. In Europe, partnerships and cooperation of the government and corporate sponsors in cultural sector financing become more evident form of support which contributes to a considerable inflow of funds from private sector. The investment model also implies the functions of financing culture dispersed among different authorities and agencies. For example, Ministry of Defense funds military bands, Ministry of Justice—cultural activities in penal institutions, Ministry of Education—teaching different disciplines related to culture in secondary schools. Interdepartmental cultural investment programs are developed in order to make budgetary funding more efficient.

Many countries along with the budgetary funds more often use public financing from extra-budgetary funds; their formation is grounded by “special financial needs” of cultural sector or “national interests” in human capital development. The resources are pooled from the central budget revenues as well as the taxes on radio and TV companies, film service, and other special taxes. There are significantly expanded tax and other incentives for private donors. These measures help attract substantial investments to renovate and upgrade theatres and art galleries. In addition to the taxes, generally used for the cultural sector, there are specific forms of taxation, connected with the specificity of income generation in the sector, introduced to accumulate investment resources. Some Nordic countries and France have a specific tax such as one percent of public construction costs used for the acquisition of art works.

Many countries widely use intermediary NGOs (Non-Governmental Organizations) to allocate the resources for human capital development. The arm’s length principle prevails as it minimizes government officials’ participation in the assessment of the works of art, creative activities of cultural organizations and professionals. It is one of the most democratic methods providing high efficiency of public investments in cultural sector on a competitive basis.

Stimulating Model for Culture Support

A modern approach to the financing of culture is associated with the transition to a post-industrial type of socio-economic development. Some European countries, notably the Netherlands and the United Kingdom,

choose de-industrialization as the leading development strategy for their cities. Since the 70s of the last century, support for culture has become a strategic priority in these countries. Then developed projects formed the basis for the programs to support creative sector—Creative industries that help increase the investment attractiveness of the territories contribute to workforce development, stimulate innovations and creativity, and enhance the competitiveness of the cities and countries. Creative industries development has become a social adaptation program that enabled many countries to move to the “new employment” in the post-industrial development.

Since that time, we see the rise of creative economy; its theoretical propositions are developed in the works, already classic ones, by John Howkins, Richard Florida, Charles Landry, and many other researchers and experts (Florida, 2005; Howkins, 2007; Landry, 2000). As a result, they have formed a three-dimensional picture of a creative cluster in today’s world—the planet with its creative ethnos, new economy, and developing cities. With these current trends, culture is regarded as a resource for new economy, development actor, and a source for new thinking. Widely discussed and substantiated is the thesis that culture accumulates positive effects in various areas, makes it possible to turn weaknesses into strengths; that the enhanced cooperation of cultural organizations and other institutions stimulates improvements in urban environment, tourism development, and growth of investments, thereby initiates job creation and helps to find solutions of current social and economic problems.

Thus, the third model of state support for culture, arising from the creative economy concept, can be described as “stimulating” model. The stimulating model of state support for culture envisages development of enabling environment for creative industries and an influx of creative individuals due to high migration attractiveness of the country to ensure its international competitiveness and advanced social and economic development in the global economy.

Practically, culture financial support in the creative economy focuses on three main areas:

- (1) Creation of a favorable environment for creative businesses;
- (2) Tax incentives and preferences for creative individuals and organizations;
- (3) Protection of intellectual property and copyright.

One of the main financing mechanisms here is program and project finance. The creative industries have long since become an established priority in the development strategies, cultural and social agendas of many cities in Europe, Asia, and America. The cities overstepping the limits of their countries become global or world cities, they find their own identity and the place on the world map. De-industrialization projects with the support for creative clusters have been implemented in the US, Canada, Germany, France, Austria, Spain, and Great Britain (Creative London strategy was one of the first papers of the kind). Large-scale programs supporting creative industries are launched in the countries of Southeast Asia and primarily in China. In Russia, creative clusters appeared quite recently. And it has just started developing sustainable mechanisms to support creative industries in the regions and cities (Abankina, 2013).

The stimulating model of arts and culture support in European countries is implemented through the adoption of public support measures to improve financial conditions for artists and other creative professionals. They usually have additional privileges on the deduction of the costs for their professional activities from the tax base. With the development of commercial activities of cultural organizations, a bank loan plays increasingly important role in their funding system. State assists cultural organizations in obtaining bank loans by providing loan guarantees. The main thing is that the venture capital companies start to actively work with cultural projects and creative entrepreneurship. The stimulating model of arts and culture support widely uses

matching grants. The objective of these grants is not only to improve the financial situation of cultural institutions but also to promote their adaptation to the market environment.

Intellectual property protection is one of the key areas in supporting creative industries. Uncontrolled mass reproduction and replication of the creative products generates a problem of compensation for the income loss of the authors, performers, and producers. The problem was largely solved by the expansion of copyright and related rights and introduction of special duties on copying, technical means in order to use it somehow or other for reimbursement of these losses.

Conclusions

In conclusion, it can be stated that the identified models—paternalistic, investment, and stimulating—are not necessarily alternative; they complement each other rather than exclude. This reflects cultural sector phenomenon, as it is a syncretic, compound, and human-centered sector of the modern economy. Only by combining financial instruments aimed at different outcomes is it possible to pool necessary resources from different sources to ensure rigorous development of cultural sector. It is the convergence of financial instruments that makes it possible to create an ecosystem of culture, providing its diversity.

Providing cultural diversity is essential to respond to the challenges of modern audiences of “new type”—Their interests are focused on border crossings. This is so-called “the new culture consumer”. They choose and prefer at the same time ethnic (local) and world, popular and high, traditional and contemporary culture. One night they listen to the opera, and the next they go to a rock concert or a laser light show. During the holidays, they visit traditional museums and pop concerts, contemporary arts exhibitions and local folk festivals. The boundary between “elite” and “mass” culture is blurring. Modern cultural resource is very dynamic, what was radical just yesterday, becomes classics today. In such circumstances, only the support for arts and culture and cultural heritage through a wide range of financial instruments can provide matching supply with demand in the field of culture, which can be characterized as a space of “symbols”. Production and consumption of symbols satisfies high, non-material needs, according to the Maslow’s famous hierarchy of needs. Working on the market of symbols is working not with the goods and services but with social and psychological motives, desires, values, and prejudices of people in situations where consumption of material things reflects the intangible social needs. Thus, culture turns into a strategic resource that allows us to receive economic benefits from non-economic goods—symbolic attributes and privileges, tangible and intangible elements of reputation, legends and myths, cultural traditions, dreams and prejudices, tastes and likings of the audiences.

References

- Abankina, T. (2013). Regional development models using cultural heritage resources. *International Journal of Culture, Tourism and Hospitality Research*, 7(1), 3-10.
- Abankina, T., Kushtanina, E., Romanova, V., & Rudnik, B. (2014). *State support for culture*. Moscow: Higher School of Economics.
- Baumol, W. J., & Bowen, W. G. (1966). *Performing arts: The economic dilemma*. New York, NY: The Twentieth Century Fund.
- Becker, G. S. (1964). *Human capital*. New York, NY: Columbia University Press.
- Florida, R. (2005). *The rise of the creative class: And how it's transforming work, leisure, community and everyday life*. Moscow: Klassika-XXI.
- Howkins, J. (2007). *The creative economy: How people make money from ideas*. London: Penguin Books.
- Landry, C. (2000). *The creative city: A toolkit for urban innovators*. London: Earthscan Publications, Ltd.

- Mincer, J. (1994). The production of human capital and the lifecycle of earnings: Variations on a theme. *Working Paper of the NBER, No 4838*. Retrieved from <http://www.nber.org/papers/w4838.pdf>
- Musgrave, R. A. (1996). Public finance and finanzwissenschaft traditions compared. *FinanzArchiv*, 53(2), 145-193.
- Rubinstein, A. (2009a). On the theory of patronized goods. Article 1. Patronized goods and their place in the economic theory. *Obshchestvennye Nauki i Sovremennost (Social Sciences and Modernity)*, 1, 139-153.
- Rubinstein, A. (2009b). On the theory of patronized goods. Article 2. The sociodynamic description of the markets of patronized goods. *Obshchestvennye Nauki i Sovremennost (Social Sciences and Modernity)*, 2, 138-150.
- Rubinstein, A. (2012). *Patronized goods in cultural sector: Signs and consequences of the cost disease*. Moscow: Institute of Economics of Russian Academy of Sciences.
- Shultz, T. (1968). Human capital. In D. L. Sills (Ed.), *International encyclopedia of the social science* (vol. 6) (pp. 12-34). New York, NY: Macmillan.
- United Nations. (n.d.). *Creative economy report 2010*. Retrieved from http://unctad.org/es/Docs/ditctab20103_en.pdf

The NFL and Its Concussion Crisis: Adapting the Contingency Theory to Examine Shifts in Publics' Stances

Douglas Wilbur, Dani Myers
The University of Missouri-Columbia, Columbia, USA

The National Football League (NFL) is immersed in a serious conflict involving a disease called Chronic Traumatic Encephalopathy (CTE), and conflict appears to have manifested into a crisis with the release of Sony Motion Picture's film *Concussion*. This study uses the contingency theory of conflict management, which explains how an organization adopts toward a given public. No research has been done to identify if various unorganized publics can develop stances like an organization. A quantitative content analysis of 1,035 tweets about the movie and the NFL concussion issue was done immediately before and after the movie's release. Findings revealed some initial evidence that publics can develop a stance. In particular, most of the publics favored the movie and assumed a hostile stance toward the NFL. Only the health community revealed a stance suitable for cooperating with the NFL on the issue.

Keywords: crisis communication, contingency theory of conflict management, public relations, sports communication

The release of the Sony Motion Picture's film, *Concussion* is a crisis tipping point in a serious long-term conflict facing the National Football League (NFL), American football, and the numerous industries it supports. The movie is highly critical of the NFL, highlighting the discovery of Chronic Traumatic Encephalopathy (CTE) in deceased NFL players. It negatively portrays the NFL's sub-optimal response to the conflict as nefarious. The ability of motion pictures and other forms of popular media to shape public opinion is well established (Turner, Foley, Kinsella, O'Callaghan, & Clarke, 2014). Magnifying the seriousness of the CTE crisis is that it threatens an entrenched American cultural institution and a very profitable industry. The NFL has over a hundred million fans of varying loyalties across the US and a growing global fan base (Associated Press, 2014). Thus, understanding the reaction of various publics to *Concussion* is vital for the NFL to understand in order to adopt the optimal stance toward them.

Literature Review

The NFL was founded in 1920 for American football and was composed of 32 US based teams. Controversy has accompanied prosperity as the NFL is perpetually plagued by player misconduct that garners outsized media attention. Hazing and homophobia are prevalent as the league seemingly ignores the problem

Corresponding author: Douglas Wilbur, doctoral student, major in US Army (Retired), School of Journalism, The University of Missouri-Columbia, Columbia, Missouri, USA; research fields: strategic communication and public relations.

Dani Myers, doctoral student, School of Journalism, The University of Missouri-Columbia, Columbia, Missouri, USA; research fields: strategic communication and public relations.

(O'Mahoney, 2014). However, the NFL has managed to thrive despite these crises. Scholars have paid scant attention to the NFL despite the richness of communication phenomena the league generates.

Concussions and CTE

CTE is a progressive neurodegenerative disease that occurs in association with repetitive concussions (Stein, Alvarez, & McKee, 2014). It was discovered in 2009 by Bennet Omalu, the movie's protagonist represented by Will Smith, during the autopsy of retired NFL legend Mike Webster. It has since been discovered in athletes who played other contact sports and soldiers who survived explosions during combat. The prognosis for people with CTE is very grim given the lack of effective treatments and the current state of research (Mez, Stern, & McKee, 2013).

The only known treatment for CTE is prevention and some athletes and parents are choosing this option. Youth participation in football is declining nationwide and some states have even begun to regulate the conduct of high school football teams (Baker, 2016).

The CTE issue is not new for the NFL as it was officially recognized in 1994 with the formation of the Mild Traumatic Brain Injury Committee. It was headed by physicians with no expertise in head injuries. It was formed in response to the complaints of retired players filing disability claims (Keating, 2006). The crisis took on a new life with a 2009 exposure by *Gentleman's Quarterly*, which subsequently inspired the *Concussion* movie (Laskas, 2009). Subsequently, a number of retired players filed a class action lawsuit against the league for compensation in 2011, which was settled in 2015.

Crisis Communication and the Contingency Theory

A crisis is a significant event with negative outcomes that affects an organization, company, industry, public, or products and services (Fearn-Banks, 2002). A crisis creates a demand for information amongst various publics who will seek information out if it is not provided to them. Publics process this information to create knowledge, which they subsequently share with others (Coombs, Frandsen, Holladay, & Johansen, 2010). Conflict and controversy portrayed in the media can exert a profound influence on public opinion. This could exponentially complicate the public dialogue during a crisis (Ven-hwei, Ran, Hung-Yi, & Hsin-Ya, 2015). Public relations practitioners are in a unique position to shape publics' reactions to a crisis by providing them with relevant information in a timely manner.

The contingency theory of conflict management assumes that organizations must adapt their public relations activities to the reality of its situation (Cancel, Cameron, Sallot, & Mitrook, 1997). For instance, when faced with misinformation by antagonistic activists, an organization might adopt a purely advocative stance that is antithetical toward its opponents. A pure accommodative stance would be appropriate when compromising with opponent's demands is warranted by organizational malfeasance. Contingency theory acknowledges that an organization's chosen stance is determined by a mix of internal and external factors. Some of these factors, like regulatory constraints, are specific to organizations. However, other factors, like moral conviction, could apply to unorganized or semi-organized publics (Cameron, Cropp, & Reber, 2001). Some publics could feel compelled to adopt an advocative stance against the NFL on moral grounds (Cancel et al., 1997).

RQ (Research Question) 1: Did any of the unorganized or semi-organized publics, which might have a stake in or opinion toward the NFL concussion issue, adopt a clearly identifiable stance toward the NFL?

Twitter Usage During a Crisis

Research has demonstrated that Twitter is an effective communication tool used by a variety of people

during all kinds of crises. During a 2011 earthquake in Japan, the public leveraged Twitter to coordinate relief actions independent of the government (Cho, Jung, & Park, 2013). Thus, Twitter empowers publics to completely ignore and circumvent formal communication from government authorities, corporations, and other organizations. Twitter is essentially a micro blogging platform that allows users to send short messages of 140 characters or less, while also embedding hyperlinks and photographs. A researcher is able to analyze several aspects of the tweet. The source of the tweet can usually be determined by analyzing the profile of the Twitter user, unless they choose to be vague. In particular, the subject, valence, and any embedded links are accessible for analysis (Poynter, 2010). Thus, the following research questions are posed:

RQ 2: What is the specific subject or focus of tweets including the hashtag “#Concussion Movie” or the words “NFL” and “concussion”?

RQ 3: What is the valence—positive, negative, or neutral, toward the NFL or the *Concussion* movie of the tweets?

RQ 4: What types of links will members of various publics embed in their tweet to support their views on the NFL-CTE crisis?

Methodology

This study uses a quantitative content analysis to examine if any of relevant publics adopted an identifiable stance to the NFL-CTE crisis in the wake of the *Concussion* movie. Quantitative content analysis is an observational method employed to systematically analyze symbolic content of recorded communication (Wimmer & Dominick, 2011). Some subjective evaluation of the data by the researchers is necessary, but this is mitigated by standardizing codes, using multiple coders and testing reliability (Wrench, Thomas-Maddox, Richmond, & McCroskey, 2013).

The unit of analysis for this project was an individual tweet; responses from other Twitter users were ignored. The time frame for the sample collections was December 20, 2015 to January 1, 2016, a period of 13 days. The movie was released on the December 25; most of the sample was collected from the seven days after the movie’s release. The researchers used Twitter advanced search to collect all tweets including the search terms: “concussion movie”, “NFL concussions”, “football concussions”, and the hashtag “#Concussion Movie”. A population of over 3,000 tweets was gathered and from these, a third of them were randomly selected sample size of ($n = 1,035$). Two coders were employed to code all tweets. Inter-coder reliability was calculated using Holsti’s formula for 0.88 agreements.

Four coding categories were developed for this project: (1) public or source creating the tweet; (2) subject of tweet; (3) valence of tweet; and (4) the type of external link, if one was present. Some of the tweets had two subjects and two valences. The first category was the source of the tweet, which was determined by examining the tweet and the user’s profile page. Publics were categorized into five publics categorized by their detectable stake in the NFL-CTE issue: journalists; lay public or private individuals; athletes; celebrities or influencers; lawyers and members of the health community. Members of the lay public were classified as such because no aspects of the user’s revealed identity indicated that they had any personal stake (i.e., self-promotion, covering a news story, reviewing the *Concussion* movie, etc.) in the issue. Journalists included all types of journalists and support staff. The third public was the athletic community, which included current and former football players, coaches, parents of current athletes, and athletes from other sports (hockey and rugby, among others). This group has a personal stake in the concussion issue through their participation in sports that could cause

concussions. The fourth public was the health community including identifiable physicians, nurses, therapists, health advocacy organizations, charities, research companies, etc. The fifth public was classified as influencers as it included celebrities. Finally, some lawyers and law firms commented because of their involvement in related litigation.

The subject of the tweet was then coded. The first subject was the movie itself, which included tweets that mentioned Bennett Omalu (the M.D. who discovered CTE) and Will Smith (who played the role of Omalu in *Concussion*). The second subject was the NFL, which included specific mentions of teams, players, games, rules, and protocols. The third subject was the concussion issue and its role in sports. This ranged from discussion of CTE facts and research updates, comments from parents, etc. The valence of the tweet as it was directed toward the subject was the next coding category: positive, negative, or neutral. Finally, if the source included a link to an external site, the link was coded. The categories included links to: movie reviews, hard news stories (from professional news outlets), public relations and promotional material, blogs and related opinion-type websites, and health advocacy information.

Findings

The most common source of tweets was from the lay public at 44.5% of the sample. The health community came in second at 18.5%, followed closely by the journalist community at 18.1%. The athletic community represents 8.9%, while influencers were 6.6%. The legal community (3.5%) rounded out the sample. A chi-square test for independence of categorical values upon publics, subject, and valence, revealed significant with a calculated value ($X^2 = 214.514, p < 0.05$), as compared with the expected value of 207.223.

Research Question Two

Research question two asked: What are the subjects of the tweets? And these results are summarized in Figure 1. Examining this particular variable more closely, a separate chi-square goodness of fit test revealed ($X^2 = 125.675, p < 0.05$) which is a statistically significant difference among the movie, NFL, and the concussion issue. The *Concussion* movie was the topic of most tweets at 48.5%. It was clear that the dominant topic was for the lay public, journalists, athletes, and influencers. Its observed frequency was 502, which was higher than the expected frequency of 345.

The concussion issue (31.2%) and related safety and health concerns was the second most salient subject, but it occurred less frequently than statistical expectations ($F_o = 323, F_e = 345$). It was the dominant issue for the health community (67%) and the legal community (55.5%). For the athletic community (31.5%) and journalists (25.6%), the concussion issue merited more than one-quarter of their attention. The NFL (20.3%) received the least attention ($F_o = 210, F_e = 345$) from all of the publics sampled. Only the lay public (27.1%) and the influencers (23.5%) gave the NFL more than one-fifth of its attention.

Research Question Three

Research question three asked: What is the valence of these tweets? The results for valence are displayed in Figure 2 and matched against the subject of the tweet. In general terms, the *Concussion* movie received more (54%) positive tweets than negative (26.7%) ones. According to the chi-square test for independence of categorical values ($F_o = 288, F_e = 215$), the number of positive tweets about the movie exceeded statistical expectations. The influencers were the most positive about the movie, dedicating 45.5% of their tweets to make positive statements about it. The journalists (31%) and lay public (28.6%) followed in their admiration of the

movie. In contrast, the little attention that the NFL did receive was overwhelmingly negative (76.1%). Statistically, the NFL received far more negative tweets than expectations ($F_o = 160$, $F_e = 78$). The lay public (22.1%) and journalists (15%) had the most total negative tweets about the NFL. The broader issue of concussions and sports safety received a relatively equal mix of positive (39%), negative (28%), and neutral (32%).

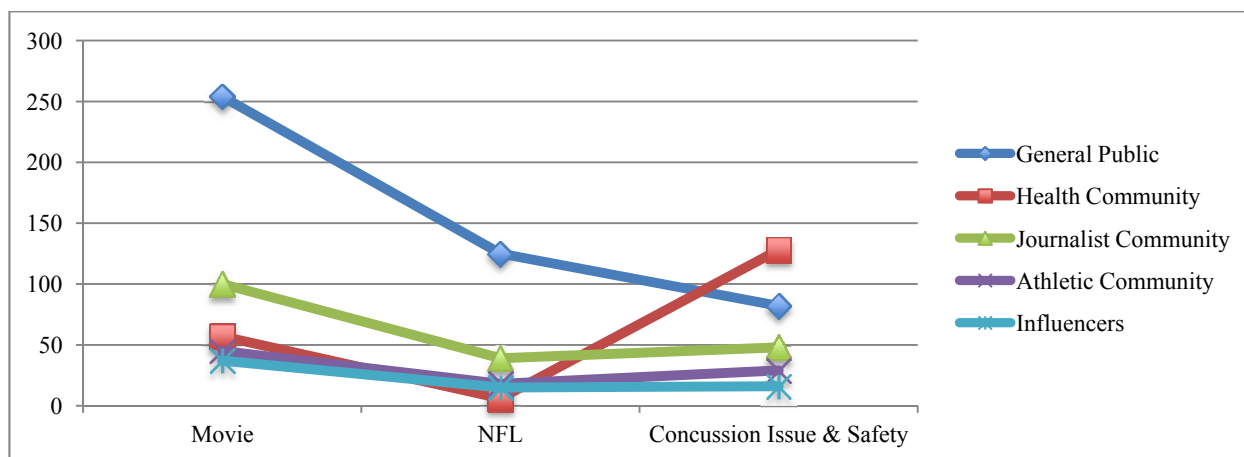


Figure 1. Direction of sources tweets.

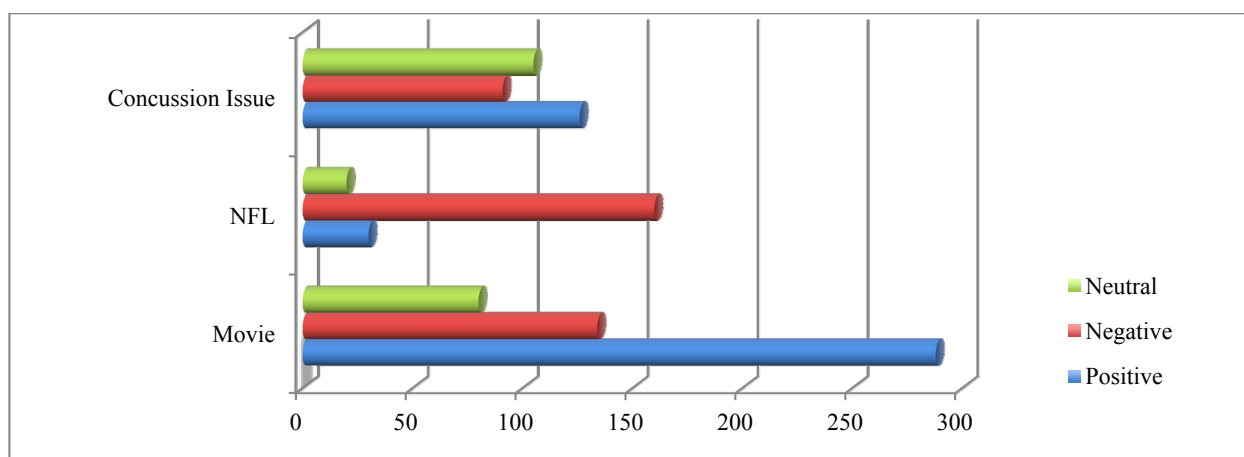


Figure 2. Subject and valence.

Research Question Four

Research question four asked: What types of links will members of various publics embed in their tweet about the NFL-CTE crisis? The health community embedded the most links ($n = 143$) in their tweets, followed by journalists ($n = 136$), the lay public ($n = 93$), and influencers ($n = 40$). Most of these links (34%) were to hard news articles or videos about the issue from journalists, although movie reviews from all sources were 18%. Unsurprisingly, journalists linked the most to news sites ($n = 51$) and to movie reviews ($n = 30$). The general public followed this pattern, linking to news ($n = 42$) and movie reviews ($n = 23$). Links to promotional material advocating for goods and services related to the issue composed 19% and blog posts about the topic were 11%. Health advocacy messages composed just 17% of links. The health community contributed 59% of these links while journalists contributed 15%.

Research Question One

Research question one asked: Did any of the publics adopt a clearly identifiable stance toward the NFL-CTE issue? Based on the data gathered from Twitter, four of the six publics appear to have an advocative stance against the NFL and the concussion problem. Of these four, the lay public was most clearly advocative against the NFL. This is inferred from the overwhelmingly positive response the movie has received. Since the movie is anti-NFL and essentially in competition with the NFL, public support might indicate hostility toward the NFL. When the overwhelmingly negative attention directed toward the NFL is considered, this stance becomes more probable.

The health community was the least hostile toward the NFL and appeared to have adopted a mildly accommodative stance. Judging from their links, they were concerned about disseminating health information. The valence of their tweets appeared to be linked with what the source was attempting to accomplish. If they were promoting CTE research, the tweet was generally positive. If the source was trying to issue a warning about the risks of concussion then it was generally negative. Finally, the legal community displayed an accommodation strategy with the most concern about the concussion issue while not establishing a firm stance toward either the movie or the NFL.

Discussions and Conclusions

The NFL continued to remain silent about the *Concussion* movie for several weeks after the study terminated. This is despite an admission by the NFL, via a panel of physicians, that the number of concussions increased during the 2015 regular season. It is highly probable that they are employing a public relations strategy of strategic ambiguity. Ambiguous messages have multiple meanings that are indistinct, incoherent, or fragmented. Thus, no single meaning offers an optimal coherent interpretation (Alvesson & Svingsson, 2003). Strategic ambiguity is the intentional employment of ambiguous messaging to achieve strategic goals by individuals and organizations (Jarzabkowski, Sillince, & Shaw, 2010). Strategic ambiguity could afford the NFL a space in which multiple stakeholders could derive their own unique interpretations of the message.

Stances of Publics

The general stances of the publics analyzed here are represented in Figure 3. The stances of the lay publics, journalists, influencers, and athletes appear to range from arguing to contending. These positions are inferred from the trends analyzed above in the findings. For the NFL, this is not a good sign. The fact that journalists and influencers favor the movie might indicate that they will communicate their discontent with the NFL in news coverage of the issue. Influencers from within the entertainment industry might express their disapproval of the NFL in media content they help to produce.

Analyzing the lay public, it is very probable that *Concussion* will influence their beliefs about the CTE issue and the NFL. If these beliefs are reinforced with other similar media, the NFL may face a difficult challenge of maintaining their relationships with the general public. Furthermore, the lay public appears to be attentive to player misconduct that exacerbates the issue. Many negative tweets about the NFL were in reference to reckless aggression by Odell Beckham during a game and the NFL's minimal punishment of him. Dangerous aggression by other players was noted as well in similar tweets.

The study does reveal an opportunity for cooperation and collaboration with the health community over the concussion issue. The health community benefits from research funds allocated to CTE research and

concussion prevention. A number of tweets hostile to the NFL specified anger with a December 23 news story that the NFL was withdrawing from its commitment to fund a CTE study for Boston University (O’Keeffe, 2015). This stance does not imply that the health community approves of the NFL or football, but it does indicate a willingness to cooperate on the issue.

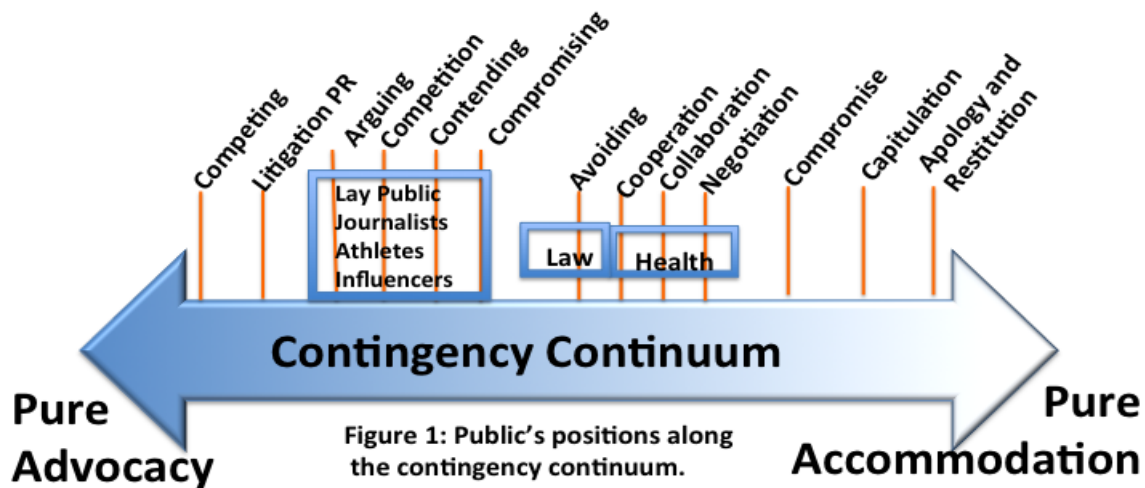


Figure 3. Public's positions along the contingency continuum.

Limitations

Ascertaining the stances adopted by various publics has proven to be difficult based upon the analysis of tweets collected in this study. Part of the difficulty lies with the diversity of opinions within unorganized and semi-organized publics. A single organization or industry that is unified can adopt an easily identifiable stance. Determining the stance of organized publics from social media is a process of inference from general trends. This is an imprecise process that cannot determine stance with the same precision as surveys or experimentation. Despite the limitations of this study, it is still possible to determine general attitudes of various publics.

Further complicating this study was the NFL's no comment policy on social media. The NFL simply did not engage the public on social media and there was no subsequent dialogue. If the NFL did engage the public in a dialogue, the study might have cultivated a much richer body of evidence; stances of the publics might have been more easily ascertained. Future studies should examine an actual and vibrant dialogue between an organization and its publics on social media. Surveys and experimentation might also provide evidence of unorganized and semi-organized publics adopting a stance.

References

- Alvesson, M., & Sveningsson, S. (2003). Good visions, bad micro-management and ugly ambiguity: Contradictions of (non-) leadership in a knowledge-intensive organization. *Organization Studies*, 24(6), 961-988.
- Associated Press. (2014). Poll: 49 percent are pro football fans. *ESPN*. Retrieved from http://espn.go.com/nfl/story/_id/10350802/poll-indicates-49-percent-americans-pro-football-fans
- Baker, M. (2016, June 6). FHSAA set to reduce live contact for high school football. *Tampa Bay Times*. Retrieved from <http://www.tampabay.com/blogs/hometeam/fhsaa-to-hear-proposal-on-reduced-live-contact-for-high-school-football/2280474>
- Cameron, G. T., Cropp, F., & Reber, B. H. (2001). Getting past platitudes: Factors limiting accommodation in public relations. *Journal of Communication Management*, 5(3), 242-261.

- Cancel, A. E., Cameron, G. T., Sallot, L. M., & Mitrook, M. A. (1997). It depends: A contingency theory of accommodation in public relations. *Journal of Public Relations Research*, 9(1), 31-63.
- Cho, S. E., Jung, K., & Park, H. W. (2013). Social media use during Japan's 2011 earthquake: How Twitter transforms the locus of crisis communication. *Media International Australia, Incorporating Culture & Policy*, 149, 28-40.
- Coombs, W. T., Frandsen, F., Holladay, S. J., & Johansen, W. (2010). Why a concern for apologia and crisis communication? *Corporate Communications: An International Journal*, 15(4), 337-349.
- Fearn-Banks, K. (2002). *Crisis communications: A casebook approach*. Mahwah, NJ: Erlbaum.
- Jarzabkowski, P., Sillince, J. A., & Shaw, D. (2010). Strategic ambiguity as a rhetorical resource for enabling multiple interests. *Human Relations*, 63(2), 219-248.
- Keating, P. (2006). Doctor yes. *ESPN*. Retrieved from <http://sports.espn.go.com/espnmag/story?id=3644940>
- Laskas, J. M. (2009). Bennet Omalu, concussions, and the NFL: How one doctor changed football forever. *News & Culture*. Retrieved from <http://www.gq.com/story/nfl-players-brain-dementia-study-memory-concussions>
- Mez, J., Stern, R. A., & McKee, A. C. (2013). Chronic traumatic encephalopathy: Where are we and where are we going? *Current Neurology and Neuroscience Reports*, 13(12), 407.
- O'Keeffe, M. (2015). NFL denies pulling funding for Boston University CTE study. *New York Daily News*. Retrieved from <http://www.nydailynews.com/sports/football/nfl-denies-pulling-funding-boston-university-cte-study-article-1.2473773>
- O'Mahoney, C. (2014). Calling an audible: Time to change the NFL's locker room policy. *Texas Review of Entertainment & Sports Law*, 16(1), 71-86.
- Poynter, R. (2010). *The handbook of online and social media research: Tools and techniques for market researchers*. Hoboken, NJ, USA: Wiley.
- Stein, T. D., Alvarez, V. E., & McKee, A. C. (2014). Chronic traumatic encephalopathy: A spectrum of neuropathological changes following repetitive brain trauma in athletes and military personnel. *Alzheimer's Research and Therapy*, 6(1), 2-11.
- Turner, N., Foley, S. R., Kinsella, A., O'Callaghan, E., & Clarke, M. (2014). Putting television's portrayal of schizophrenia into reverse: An evaluation of the impact on public opinion. *Early Intervention in Psychiatry*, 8(4), 366-374.
- Ven-hwei, L., Ran, W., Hung-Yi, L., & Hsin-Ya, H. (2015). Perceived issue importance, information processing, and third-person effect of news about the imported U.S. beef controversy. *International Journal of Public Opinion Research*, 27(3), 341-360.
- Wilcox, D. L., Cameron, G. T., & Reber, B. H. (2015). *Public relations: Strategies and tactics* (11th ed.). New York: Pearson.
- Wimmer, R. D., & Dominick, J. R. (2011). *Mass media research: An introduction* (9th ed.). United States: Wadsworth Cengage.
- Wrench, J. S., Thomas-Maddox, C., Richmond, V. P., & McCroskey, J. C. (2013). *Quantitative research methods: For communication*. New York: Oxford University Press.

The Real Danger Behind the Offshore Business: Identity Laundering

Marius Burcă

Valahia University, Târgoviște, Romania

Every once in a while the public is presented with new evidence that offshore business is evil. The Panama Papers make the latest example. This research would like to expose that offshore business is incriminated for the wrong reasons. Although it may be more popular to call upon the collective empathy that all equal people should equally pay their due tax, the author would like to back the idea that it is not money laundering (and, implicitly, tax evasion), but the terrorist financing which poses the real threat to modern day mankind. The true vulnerability is that the ultimate beneficial owner of any assets managed in offshore companies is no longer visible, which creates the perfect nest for nurturing terrorism. Offshore is not only tax haven, but could also easily become financing terror haven. The solution resides in enforcing ID laundering controls, based on the anti-money laundering ones, such as “Know Your Customer”, on a global scale. The challenges are related to how we all shape the present day definitions of privacy, freedom, and ultimately, human rights.

Keywords: offshore, shell companies, terrorism financing, money laundering, ID laundering, tax havens

On April 3, 2016, people from around the world were made aware of the “The Panama Papers”, a set of confidential documents which show how wealthy and influential people, including public officials, have concealed their assets away from the regulators in their home countries. A Panama-based law firm allegedly created about 214,000 shell companies from 1977 through the end of 2015, in various offshore jurisdictions around the world, such as the British Virgin Islands, Panama, Bermuda, Seychelles as well as other territories which offer significant tax benefits to foreign capital (BBC News, 2016b; The Independent, 2016b).

According to Wikipedia.org the leak dates back to the early 2015 when an anonymous source made the documents available in batches to the German newspaper “*Süddeutsche Zeitung*”. The information from this “unremunerated whistleblower” eventually totaled 2.6 terabytes of data (11.5 million documents referring to 214,488 offshore entities linked to 14,153 clients in 200 countries and territories).

Given the scale of the leak, the newspaper enlisted the help of the International Consortium of Investigative Journalists (ICIJ), which distributed the documents for investigation and analysis to some 400 journalists at 107 media organizations in 76 countries. The ICIJ plans to publish a full list of companies involved in early May 2016. (Wikipedia, 2016a)

The disclosure has raised waves of mass emotions all around the world (Wikipedia, 2016b). The Icelandic Prime Minister “stepped aside for an unspecified amount of time” (Iceland Monitor, 2016) after facing serious anti-government protests outside the Parliament from over 20,000 people, which made Edward Snowden [former

Corresponding author: Marius Burcă, Ph.D. researcher, Valahia University, Târgoviște, Romania; research fields: management, human resources, anti-fraud and anti-money laundering in e-commerce (online gaming).

Central Intelligence Agency (CIA) employee who leaked classified information from the National Security Agency (NSA) on numerous global surveillance programs—[https://en.wikipedia.org/wiki/ Edward_Snowden](https://en.wikipedia.org/wiki/Edward_Snowden)] wonder whether that would be “the largest protest by percentage of population in history” (Snowden, 2016).

The UK Prime Minister David Cameron had found himself in an awkward position when he received political pressure to take action in respect to enforcing more control over British overseas tax havens whilst the Panama Papers revealed his family’s close links to “tax avoidance” (The Independent, 2016a).

The world is still undecided whether “tax avoidance” is actually not yet incriminated “tax evasion” which is acted via the offshore businesses. Although there is no formal definition, a jurisdiction is considered an “offshore financial center” (less formally known as “tax haven”) when their banking infrastructure:

- (1) Focuses on providing services to non-residents;
- (2) Requires little or no disclosure of business information;
- (3) Offers low or zero tax scheme (Zoromé, 2007).

Doing business in such a jurisdiction is not illegal per se, and not even morally wrong (Australian Broadcasting Corporation, 2016).

However, the journalists and researchers such as “The Economist” and the “Tax Justice Network” concluded that “The most obvious use of offshore financial centers is to avoid taxes” (The Economist, 2007; Harari, Meinzer, & Murphy, 2012).

Furthermore, Igor Angelini, head of Europol’s Financial Intelligence Group, said that the shell companies used for this purpose “play an important role in large-scale money laundering activities” and that they are often a means to “transfer bribe money” (Leyendecker, Obermaier, Obermayer, & Wormer, 2016).

Tax Havens Dilemma

Based on the above, there seems to be efforts to have crowds convinced that offshore business could be evil because it may facilitate money laundering. The author of this paper would like to express different views, as follows:

(1) Although the modern international regulations are incriminating it as a separate offence, money laundering, by its mechanics, is not a crime in itself (Angell, 2016) but an alert to a probable underlying fraud (predicate offence). The said elusive prime crime had been committed within the home jurisdiction, and not the offshore one. When a public official from a certain country where they live and work receives bribe money into an offshore account, the bribe constitutes the proceeds of corruption undergoing within the public official’s home country, so the whole illegal activity was executed by residents of that particular jurisdiction. Therefore, there seems to be issues with crime prevention and deterrence in the home jurisdiction, and not in the offshore one. Most of the times, we come to know hidden things by their effects, and therefore we should take action on the cause rather than on the effects. Banning the offshore business (the effects) will not combat fraud (the cause). Instead, it will rather prevent us from using this tool to see the underworld of crime. Furthermore, shutting down one exit point will only push crime to find other ways out, and not necessarily those where justice could be easily enforced;

(2) What it is deemed legal or illegal changes from time to time and from jurisdiction to jurisdiction. Therefore, it is not the offshore regulation which should filter and only allow lawful activities in different territories or across time, but the home regulations should install adequate controls to fight crime within their legal reach;

(3) The real threat, though, when using shell companies is that the ultimate beneficial owner may not be transparent, since the offshore regulations do not require detailed disclosure of business activities. The reason for non-disclosure may be related to global market pressure and competitiveness: If not for obvious advantages lacking at home, why would anyone bother registering companies and doing business in remote locations? However, regardless of the stiff competition, nothing should justify crime.

An interim conclusion is that tax havens are not intrinsically bad. There are known regions even within prominent countries (including the US—Nevada, Delaware etc., and China—Special Economic Zones) which enjoy tax or other benefits in order to support local development. The same logic of supporting local communities was applied when small and remote locations (mostly tiny islands) started to offer impressive tax and non-disclosure benefits to foreign investors. However, those facilities may be misused for crime and although money laundering is the tip of the iceberg for deeper illegal activities, still the most important threat of the offshore benefit misappropriation would be concealing of the true identity of the real owners of the capital managed by the shell companies.

Therefore, many experts believe that the current legal system needs improvements. Shruti Shah, Vice President of the Transparency International-USA, remarked:

(...) it is absolutely legal in many parts of the world to form a company without disclosing who the true beneficial owner is, including right here in the United States. In every state in the U.S., you can form a company without having to disclose who the person is that really controls the company or derives economic benefit from it. And also here, you know, people, gatekeepers such as real estate agents and others, don't have to do any due diligence on buyers' identities or the sources of their funds. So, what he has pointed out is really the crux of the problem. The structure needs reform. (PBS NewsHour, 2016)

In Europe, the five largest economies in the European Union have agreed to share information on secret owners of businesses and trusts (BBC News, 2016a).

Consequently, according to the above cited source, information on the ultimate beneficial owners will be automatically exchanged among authorities in the UK, France, Spain, Italy, and Germany. Those countries will push the rest of G20 members to follow suit—which means data exchange on previously secret tax information among countries such as the US, Saudi Arabia, and China.

Those European actions are not entirely new, but follow a trend set by the European Union Directives, such as the Directive 849/215, or better known as “The Fourth Anti-Money Laundering Directive” (EUR-Lex, 2015).

One of the novelties introduced by the above mentioned directive is the implementation of a centralized and common registry where the information of the ultimate beneficial owners of the companies registered within the European Union is transparent and publicly available. There are also voices which support the idea that the UK should enforce similar actions on the crowns' dependencies (CCH Daily, 2016).

Those efforts on increased transparency are definitely a good step forward. However, the author of this paper would like to point out that:

Fighting a large spectrum of crime in one shot is good, but not good enough. Right now, we are told that offshore regimes could harbor money laundering related to different underlying offenses like tax evasion, corruption, human trafficking, or illegal drug and weapon trade. This is true but incomplete: The real vulnerability of the offshore is the risk of Identity (ID) Laundering, with very serious consequences like facilitating the financing of terrorism.

Therefore, we need specific measures to prevent, deter, and combat ID Laundering.

ID Laundering

The author believes that ID Laundering is performed by any shell company who disguises the true and real beneficiaries and directors of certain businesses. Any official of a shell company who is acting on behalf of an undisclosed individual is doing ID Laundering. To extend it further, any person in the world who is acting on behalf of someone else, without revealing his being an agent and with keeping the identity of the beneficiary concealed, is doing ID Laundering.

ID Laundering could be a perfectly legal operation if some beneficiaries choose discretion only. However, one might observe the level of the said discretion so that no innocent person should be shy of disclosing full financial data to relevant authorities. Hence, ID Laundering is not a crime, but an alert which should trigger further investigation.

When performing ID Laundering, the true beneficial owner in the shadow could simply be anybody, including the terror organizations. As those terror groups fight a global war with no rules, practically anyone in the world (including children) could become a victim at any given time. This risk is by all means not acceptable and should be more seriously mitigated by controlling the ID Laundering.

The tools to deal with ID Laundering should be adapted from those of combating money laundering, i.e. Customer Due Diligence (or better known as Know Your Customer), which mainly means:

- (1) The verification of customers' identity based on documents released by authorities or other independent and trust worthy institutions;
- (2) The identification of the beneficial owner;
- (3) The assessing (on a risk-based approach) and the understanding of the purpose and intended nature of the business relationship, including, where necessary, the source of funds;
- (4) Then constant monitoring of customer activity and reporting suspicious activity to relevant regulators (Article 13 of the above cited Fourth European Union Anti-Money Laundering Directive).

Mitigating the Risk of ID Laundering

The risk of ID Laundering could be mitigated when all companies perform the following verification of their customers:

- (1) Identify who the ultimate and real beneficial owner is;
- (2) Understand the customer's source of funds.

If the customers are legal entities, then the ID Laundering verification should be attempted on the owners of those companies, most specifically on those whose stakes are 25% or higher. If the stakeholders are in turn legal entities, the process is repeated until the ultimate beneficial owner is a private individual.

If the customers are private individuals, in many cases those are the real beneficial owners. However, there could also be instances when private individuals are mere agents acting on behalf of other undisclosed individuals, and they do not even reveal their being agents. As stated above in this paper, this is considered ID Laundering and although not a crime in itself, any suspicions of ID Laundering should trigger further investigations related to the identity of beneficial owners as well as to their source of funds.

The problem with enforcing the ID Laundering controls on a world-wide scale (in order to become efficient) is that the parent of ID Laundering, i.e. Anti-Money Laundering Regulations, regardless of the issuing

jurisdiction, apply to certain types of organizations only (the obliged entities) and usually include credit and financial institutions, tax advisers, notaries, real estate agents, and providers of gambling activities. All the other businesses are not required to comply, unless they deal with suspicious transactions over certain threshold. Modern day fraudsters and terrorists always find ways to stay below the threshold and avoid being suspicious, and therefore the author of this paper suggests that regulations world-wide should include the ID Laundering controls for all businesses.

Establishing business relationships with shell companies should not be restricted by law—Just the verifications should be performed more thoroughly. If the offshore company officials are hostile in revealing the true identity of the beneficial owners and the source of funds, then a cross-check examination should be performed. Some key leads to follow could be whether the shell company's officials hold similar positions in other offshore companies, if the registered office is shared with other companies, whether the source of funds appears legitimate and proportionate with the business activity, and so on. The results of those checks may become red flags for ID Laundering which could cover deeper illegal activities, and therefore the suspicious activity should be reported to relevant authorities. It is advisable that business relationships should discontinue until further clarifications are reached.

Conclusions and Implications of Installing ID Laundering Controls

There is absolutely no doubt that, by their tax and non-disclosure benefits, the offshore jurisdictions may be misused for money laundering. The underground economy, corruption, and tax evasion prevent communities from proper development and negatively impact their members' welfare, which could become, in some instances, even life threat. However, money laundering and its associated underlying offences affect us indirectly, whereas when a bomb blows up in a crowded location, anytime, anywhere in the world, it is affecting our lives very directly. The risk of terrorism should be mitigated seriously before it metastasizes world-wide. The ID Laundering controls make, by the author of this paper, the right tools for combating terrorist financing.

Yet, there is always a thin line with respect to the legal grounds of investigations: People do not need to prove they are innocent; instead, the prosecutors need to gather evidence and the courts will decide whether anyone is guilty or not. The gathering of evidence may conflict with the privacy rights, with how modern people see freedom and, ultimately with the basic human rights where anyone should be given the benefit of the doubt.

A possible solution would be the wide implementation of the integrated money laundering and ID Laundering controls into everybody's life. People will eventually see it as part of the today's life, preserving the common good and deterring criminal behaviour. Apart from those in the airports which are now simply part of the journey, the increasing security checks in many museums, train stations, and other popular and crowded places will eventually shape the new definitions of privacy and freedom.

References

- Angell, I. (2016). *Is money-laundering a crime?* Retrieved from <http://ianangell.com/talks/is-money-laundering-a-crime>
- Australian Broadcasting Corporation. (2016). *Panama Papers and Mossack Fonseca explained.* Retrieved from <http://www.abc.net.au/news/2016-04-04/explained-what-are-the-leaked-mossack-fonseca-panama-papers/7270690>
- BBC News. (2016a). *Five EU nations launch tax crackdown.* Retrieved from <http://www.bbc.com/news/business-36049817>
- BBC News. (2016b). *Panama Papers Q&A: What is the scandal about?* Retrieved from <http://www.bbc.com/news/world-35954224>

- CCH Daily. (2016). *British crown dependencies and overseas territories to provide beneficial ownership details*. Retrieved from <https://www.cchdaily.co.uk/british-crown-dependencies-and-overseas-territories-provide-beneficial-ownership-details#sthash.C2V0Ztmt.dpuf>
- EUR-Lex. (2015). *Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015*. Retrieved from <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015L0849>
- Harari, M., Meinzer, M., & Murphy, R. (2012). Financial secrecy, banks and the big 4 firms of accountants (PDF). *Tax Justice Network*. Retrieved from http://www.taxjustice.net/cms/upload/pdf/FSI2012_BanksBig4.pdf
- Iceland Monitor. (2016). *Prime Minister has not resigned—Sends press release to international media*. Retrieved from http://icelandmonitor.mbl.is/news/politics_and_society/2016/04/05/prime_minister_has_not_resigned_sends_press_release/
- Leyendecker, H., Obermaier, F., Obermayer, B., & Wormer, V. (2016). Panama Papers: The firm. *Süddeutsche Zeitung*. Retrieved from <http://panamapapers.sueddeutsche.de/articles/56febf8da1bb8d3c3495adec/>
- PBS NewsHour. (2016). *Massive trove of Panama Papers just “a small slice” of offshore banking world*. Retrieved from <http://www.pbs.org/newshour/bb/massive-trove-of-panama-papers-just-a-small-slice-of-offshore-banking-world/>
- Snowden, E. (2016). *The population of Iceland is only 330,000. Largest protest by percentage of population in history?* [Twitter]. Retrieved from <https://twitter.com/snowden/status/717059561572720640>
- The Economist. (2007). *Places in the sun: A special report on offshore finance* (PDF). Retrieved from <http://www.economist.com/sites/default/files/special-reports-pdfs/8695105.pdf>
- The Independent. (2016a). *David Cameron urged to act on Panama Papers as UK named “at heart of super-rich tax-avoidance network”*. Retrieved from <http://www.independent.co.uk/news/uk/politics/panama-papers-david-cameron-uk-tax-avoidance-tax-havens-overseas-territories-a6968791.html>
- The Independent. (2016b). *Everything you need to know about the Panama Papers*. Retrieved from <http://www.independent.co.uk/news/world/politics/panama-papers-what-are-they-who-is-involved-and-why-are-they-important-illegal-legal-tax-avoidance-a6967176.html>
- Wikipedia. (2016a). *Panama Papers*. Retrieved from https://en.wikipedia.org/wiki/Panama_Papers
- Wikipedia. (2016b). *Reactions to the Panama Papers*. Retrieved from https://en.wikipedia.org/wiki/Reactions_to_the_Panama_Papers
- Zoromé, A. (2007). Concept of offshore financial centers: In search of an operational definition (PDF). *IMF Working Papers*. Retrieved from <http://www.imf.org/external/pubs/ft/wp/2007/wp0787.pdf>

Should Public Administration Be Internationalized

Tam T.H Mai

Florida Atlantic University, Florida, USA

This study aims to explain why internationalizing American public administration program is necessary. The internationalization of public administration program means that American public administration programs not only include American students, but also foreign students who come from different countries in the world who still need to meet the common requirements of admission. The challenges and opportunities faced in internationalizing American public administration are outlined in this study. Realism theory explains opportunities created by the internationalization of American public administration and also presents challenges of internationalizing American public administration. Applying the methodology of library research, this study affirms that despite the challenges, internationalization of public administration is necessary to integrate thinking, enhance cognitive flexibility, and meet the increasing and diverse demands of globalization. The study insists that better service for these new foreign students creates mutual benefits, not only for the foreign students but also for American public administration. The internationalization of public administration is a strategy that should be adopted by public administration field of every country in the world.

Keywords: internationalization, public administration, realism, opportunities and challenges

Internationalization of educational programs has become one of the main strategies in recent years. Internationalization of higher education in general (Altbach & Teichler, 2001) and of public administration programs in particular occurs in conjunction with the inevitable trend of globalization. The internationalization of public administration meets the demand of “the global academic marketplace for both students and staff” (Altbach & Teichler, 2001, p. 6). The markets of scholars and researchers become global, in which the US and Western countries do not hesitate to hire foreign talented students, scholars, and researchers. After graduating from public administration program, each foreign student may have different goals. Some may settle down and find a job in the US, while others may use their knowledge and experiences in the US to address their own needs in their contexts in their home country. The influences and impacts of American public administration on these students’ careers are significant for working in their home country or settling down in the US.

Undoubtedly, public service has been broadened from governmental level to intergovernmental levels, from a national to a global scope (Kettl, 2000). Public administration needs to change to adapt with the new context of globalization. Internationalization strategy of public administration makes an important contribution to improving the bureaucratic system in “customer-driven and service-oriented” direction (Barzelay, 1992, as cited in Shafritz, 2004, p. 534). The internationalization of public administration will transform public administration from an authoritarian position to better serving different citizen groups.

Corresponding author: Tam T.H Mai, Ph.D., School of Public Administration, Florida Atlantic University, USA; research fields: public administration, international relations, human rights, critical theory, branding, human trafficking, and empowering women.

The internationalization of public administration creates numerous opportunities for foreign students to acquire knowledge when they study in the US. When they come back to their home country, they can apply their learned knowledge and make contributions to national development. Additionally, these foreign students play important roles in enhancing the relations between the US and their home country in education in general, and public administration in particular. The American public administration is approached from different perspectives and views by foreign students who come from various cultures and contexts, which increases diversity and enrichment for American public administration.

Theoretical Framework

The strategy of internationalizing public administration is rooted in realism theory. Realism is the opposite of idealism and is based on “a fact or (...) an event without idea, without generalization” (Vereshchagin, 1889, p. 5). After Cold War, the internationalization is “inescapably tough to handle” (Newland, 1997, p. II), which is the unavoidable trend that public administration cannot ignore. According to realism theory, the basis of public administration is constitutional democracy, which forms the central idea behind the internationalizing of public administration.

Realists assume that states are the most important players in the international arena. Non-state actors only hold a secondarily important position. “States are unitary and rational” (Viotti & Kauppi, 1987, p. 35; Brooks & Wohlforth, 2005). States decide to internationalize public administration because they believe that their decisions are rational. States’ decision to internationalize public administration is based on calculation of their interests, in which states speculate that internationalization of public administration brings more benefits for them (Viotti & Kauppi, 1987).

According to realists, the external rather than domestic environment will control the behavior of states. Within the context of globalization, many issues such as climate change, migration, terrorism, and financial instability are transnational problems. They are becoming trans-boundaries that cannot be solved at a unilateral and bilateral level but at a global level. Internationalization of public administration can be approached with moral realism (Carr, 1964) because states can learn from each other, increase cooperation, and help each other to deal with issues that one state alone cannot solve. The internationalization of public administration contributes to dealing with global issues.

States consider their action rationally, which means that states set up various goals and objectives and they will make different choices to maximize utility. States acknowledge the shortcomings of rational actions, for example: lack of information, subjectivity, misleading information. However, they still believe their actions are consistent and expect the high value trade-offs of their action, in other words, being rational. The strategy of internationalizing public administration is considered to be rational by state actors.

Cooperation among states is necessary. In order to achieve success, states sometimes cannot work alone but need the cooperation of other states. However, interdependence does not mean that states are too dependent. In the international system, the interdependence of states indicates that there is a connection among states that contact and communicate to discuss and exchange information from one to another (Keohane, 1984). Realists believe that conflicts are inevitable in international relations. To deal with conflicts and “to establish peace is to eliminate or minimize contact among opponents or potential adversaries” (Viotti & Kauppi, 1987, p. 57). Cooperation helps to reduce conflicts in international relations.

How can states still play with one another and cooperate and act rationally to achieve value-maximum interests in the environment of distrust and doubt? Game theory helps to explain this question. For example, Prisoner's Dilemma (Poundstone, 1992) is the cooperative defect in which states will not cooperate even they can achieve the best interests (If you know what I know, you know I know it. I know you know). The theory stag hunt of Rousseau explains in international relations that states always observe the actions of others because states assume that other states act only to serve the interests of themselves. However, states also believe that cooperation is important to achieve higher interests. In order to achieve greater interests (catching a stag), states must cooperate with one another. Otherwise, one will catch a hare, and the other will not be able to catch a stag without the assistance of the others, which is less beneficial than if they cooperate with one another. Thus, internationalization of public administration contributes to the enhancement of cooperation among state and non-state actors.

Methodology

Library research is the methodology of this study. Sources of information based on key words from both internet and virtual references are databases on the topic of internationalizing public administration. The database basics are divided into three types: author, title, and subject. Internationalization and public administration are key terms. Nevertheless, other similar words of internationalization such as: "globalization", "deterritorialization", and "inter-nationalization" are focused. To broaden the research, the preliminary reading of reference books and journal articles is conducted. The evaluation of the sources is reliant on a variety of criteria, for example: year of publication, the reputation of publisher, title of journal, and books. The abstract, writing style, and the review are paid attention to achieving overall understanding of the content. A clear distinguishment is made between scholarly periodicals and non-scholarly periodicals. For the internet resources, advanced research is used to achieve more information on the sources. The references of the selected books and journal articles are also examined to provide more literature for the topic of internationalizing public administration programs.

Analysis

Internationalization of public administration is beneficial for both the US and home country of foreign students. For example, the internationalization of public administration can be a tactic to increase the influence of the United States not only in international relations, but also in public administration (Viotti & Kauppi, 1993), to increase the position of the US in the world. In return, the states that have students pursuing public administration in the US can learn from the US and apply knowledge in their home country. If they settle down in the US, with the knowledge they achieve, they can make contribution to the national development of the US.

Globalization is closely linked with neoliberalism (market liberalizations) and individualism, in which state regulations and protection tariffs are removed and replaced with the free trade of markets (Steger, 2002). Public administration works for states, and when state regulations and protection tariffs are taken away, public administration territories are narrowed or "shrunk" (Farazmand, 1999). The role of government has decreased in the context of globalization (Farazmand, 1999). Thus, the internationalization of public administration is expected to increase the strength of public administration in particular and of states in general in the competitive field with non-state actors, especially corporations. One important part of realism is the approach of pragmatism, which means that when states are under threat, they make themselves stronger or find friends

(Brooks & Wohlforth, 2005). Public administration is faced with the threat of shrinking territories in the context of increasing privatization (Farazmand, 1999). The internationalization strategy of public administration is pragmatic to help states to ensure survival and promote security (Machiavelli, 2003). The shrinking of public administration territories happens not only in the US but in every country in the world. The internationalization of public administration will increase cooperation among states and cope with this shrinking threat.

The strategy of internationalization is congruent with the important ideas of representative bureaucracy. The theory is to build a bureaucracy as an institution which develops in democratic contexts and is non-discriminatory to anyone, neither black nor white people (Kingsley, 1944). Bureaucracies should serve as a bridge of different agencies which compete with one another to achieve the highest interests (Waldo, 1948). The complex and uneasy relationship between democracy and bureaucracy should be acknowledged, and the coexistence of democracy and bureaucracy is of great significance. The reconciliation between bureaucracy and democracy will help to build a “good society” (without poverty, corruption, and widening gap between the rich and the poor) (Waldo, 1948), in which the knowledge, capability, morality, and accountability of bureaucrats are important. The internationalization of public administration aims to promote a “good society” (Waldo, 1948).

Opportunities of Internationalizing Public Administration

Internationalization of public administration is along the same lines as the strategy of internationalizing colleges of the US (Vest, Boyer, & Moses, 2014). To maintain the strategy of being a leading nation, the US must take the lead in the field of education (Vest et al., 2014). According to former Duke University president, Nannerl Keohane,

If we as a nation are going to become better prepared to deal with an increasingly interdependent world, then the front line has to be in our colleges and universities where we prepare students to become leaders in global enterprises, to serve in the Foreign Service, to be leaders of their communities who are sensitive to international issues. (NAFSA, 2004, p. 29)

Internationalizing public administration is one part of internationalizing colleges of the US. Foreign students who pursue public administration in the US are expected to be in the “front line” of global public administration, which is significant for both the US and their home country.

The world is “smaller” and more open due to the development of information technology. Information technology becomes more developed, which narrows the boundaries, facilitates cooperation, and produces high-speed mobility. Thus, the internationalization of public administration can be achieved more easily within this trend. The world continues to be faced with challenges of the blooming of population, environmental issues such as climate change, global warming, lack of energy and natural resources to meet the development demand, shortage of food, the increasing public debt (O’Leary & Van Slyke, 2010). With the increase in globalization and interdependence among nations, public administration is not only surrounded around the issues of America but will be extended to global world. There are complex governance issues that not only America can deal with but need the larger international institutions and the cooperation of other countries. The traditional barrier breaks up and there will be more cooperation and integration. To deal with those changes, “a broader conceptualization of public service is needed—one that crosses boundaries” (O’Leary & Van Slyke, 2010, p. 57), which stresses on the governance, government institutions to promote the coordination and cooperation. Public policy will cover not only input but also output. The internationalization of public administration creates more opportunities for dealing with global challenges.

States cooperating is because they have fear. The global challenges bring “fear” for states. “Causes of fear” (Thucydides, 2006, as cited in Viotti & Kauppi, 1987, p. 38) are the reasons why states should promote the process of internationalizing public administration and build collective strength and team spirit to cope with challenges. Public administration staff should be smarter, working as professional and skillful public servants who come from different fields and areas in the global world to work out the best solution for the problems. The issues such as: poverty, the security of food and water, and economic development will be handled by the cooperation of different leaders in the world. The internationalization of public administration creates opportunities for increasing cooperation.

Challenges of Internationalizing Public Administration

The strategy of internationalizing public administration is faced with challenges. Firstly, the internationalization of public administration is closely linked with rigid rules, regulations, and “red tape” of bureaucracy (Davies, 1998). Bureaucracy with many demands of paperwork (the files), permission, and acceptance from different agencies can be rigid and may slow down the internationalization process: visa, immigration, and the demanding requirements of paperwork that exemplifies these demands (Weber, 1947; Downs, 1967). The bureaucracy in the home country of foreign students as well as the bureaucracy in the US may slow down the internationalization process, for instance, visa, immigration, and demanding requirement of paperwork.

However, the power of bureaucracy is demonstrated through its representation for citizens (Krislov, 1974). The internationalization of public administration will increase the representation for citizens. With its demographic nature, bureaucracy can represent clients if it can help to increase the interests for clients and vice versa. If the representativeness of bureaucracy increases, people may have more interests. Representative bureaucracy is originated from the issue of struggling against inequality for black people and women in the US. Creating equal opportunities for all people is the goal that is set up in representative bureaucracy. As a diverse country with different races, ethnic identities, and genders, the representative bureaucracy is of great significance for American society. According to Krislov (1974), “The concept of representative bureaucracy was originally developed to argue for a less elite, less class-biased civil service” (Krislov, 1974, p. 354).

Moreover, internationalizing public administration is faced with difficulties. Foreign students studying in the US are not always familiar with American culture. They may experience culture shock for the first time. Helping them to be familiar and harmonize with different cultures is very important. Acculturation rather than assimilation (Farazmand, 2002) should be promoted so foreign students can feel that their own culture is still maintained and promoted, while it is immersed in American culture. If students settle down in the US, the acculturation is a strategy to enhance harmony in a diverse society like the US. Non-Western citizens will not feel that they have lower positions than Western citizens and they can be confident in trying their best to contribute to national development. Acculturation also shows that differences of culture must be respected so the internationalization of public administration can bring about the highest benefits for both foreign students and American public administration.

Another challenge of internationalizing public administration is that foreign students may have different ways of knowing (WOKs) (Van Buuren, 2009). The differences cause controversies, conflicts, and prevent the development of collective action. To deal with this issue, it is necessary to evaluate the origins of WOKs and be able to arrange those WOKs and integrate them into collaborative governance. In other words, the ability to

organize different capacities as the result of different knowledge is important. Different knowledge can come from different facts, methods, interpretations, conditions, and perceptions. In fact, not only foreign students have WOKs, but native speakers themselves also have WOKs. However, coming from different contexts, foreign students may have different interpretations of context. Thus, there should be a strategy to arrange their capacities, so different WOKs do not prevent the cooperation, coordination, and the development of talent and capacity for both organizational and social development.

Additionally, the scale and scope of public administration issues will be broader and more complex, not only limited in one boundary, for example in only the US but across countries, from local to global level. However, the government's ability to timely cope with challenges is still limited and public administration must be changed from inactive to proactive to bring about "positive outcomes for citizens and communities" (O'Leary & Van Slyke, 2010, p. 8), which cannot happen overnight. Affected by the various disciplines, Pollitt (2010) questioned what the destinations of public administration are. Most of scholars were not "pure scholars" (Pollit, 2010, p. 292) of public administration. They just sometimes work in public administration as advisors in both specific areas or for public authorities, or recently worked as consultants so they may not make full contribution to the field.

Discussions and Conclusions

The strategy of internationalizing public administration is rooted in realism theory. The internationalization of public administration is to "act globally and think locally" (Corbett, 2009), which is a pragmatic way to meet the increasing demands of global public administration. The internationalization of public administration is necessary to better deal with challenges such as financial crisis, increasing population, aging society, climate change, food issues, and information technology which continues to affect the scholarly field of public administration. The internationalization of public administration helps public administrators to better fulfill their responsibility and public administration's importance to be more recognized.

Internationalizing public administration does not mean that the US only accepts foreign students coming to the US to study. American students whose major is public administration should be provided opportunities to study public administration abroad and help other developing countries in public administration if it is needed. Through the exchange of foreign students, both foreign public administration and American public administration can help each other with the "shrunk" territories of public administration due to the development of private sectors and corporations (Farazmand, 2002).

Public administration is strongly advised to think and act "strategically" to increase information-sharing, cooperation, and collaboration of all governments in the world (O'Leary & Van Slyke, 2010). The internationalization of public administration means to think and act strategically. For example, public administration is not only limited to work within the government but must be expanded outside the government and join the broader network of governance. The internationalization process helps public administration to be more practical, specifically, "relevant, and applicable, practitioner friendly, action oriented, context sensitive, done collaboratively and in an interdisciplinary fashion" (O'Leary & Van Slyke, 2010, p. 8). Regarding teaching, renovations will be made so that both American and foreign public administration students are encouraged to be more active, more engagement into practice, are provided knowledge and skill in dealing with the new challenges of public policy. Public administration is characterized with the culture of interdisciplinary not only at local but more importantly at global level, in which theory and practice are closely linked to each

other. Stakeholders of public administration will be more diverse, the issues of civil society and free enterprise will be focused in the area of public administration.

Public administration approach will be more practical in future and needs a governance orientation to link scholarship with the realities of practice (Gulick as cited in Meier, 2010, p. 282). The internationalization of public administration is a practical strategy, in which public administration is not only focused on administration but also governance, in which public administration will be given more power. Public administrators give advice to political field, suggest changes for political ideas, and bring about better governance. Thus, internationalizing public administration increases the position of public administration field, in which the combination of both politics and administration in governance is evident.

To make better achievements in the strategy of internationalizing public administration, there should be changes for the structures of public administration organization, in which democratic control is more protected. The top-down structures are created in a biased manner because they are built to serve the advantages of a group of clientele. Moreover, bias also emerges in structures because of “the relationship between bureaucracy and its democratic sovereigns” (Meier, 2010, p. 286). A top-down or hierarchical structure makes organizations “rigid and static”. Thus, democratic organizations will create opportunities for the community to participate and make decisions; people working in the organization can enjoy equal chances to join and help the organization to achieve higher efficiency than totalitarian organizations.

Nevertheless, there is no best way to internationalize public administration. The method of internationalizing public administration varies and depends on the specific context of each university and college where public administration programs are provided. However, undoubtedly, the policy of internationalizing public administration should be advocated because it truly brings more benefits, even though challenges still exist. Foreign students who come to the US to study public administration, or American students who engage in public administration studies in foreign countries will definitely have “increased competitiveness, diversity, global networking, enhanced career and academic choices, better foreign language and intercultural skills, and personal growth and development” (Vest et al., 2014, p. 181). All of these qualifications are necessary for the future public administration arena.

The nature of public administration is an interdisciplinary and multidisciplinary field. Public administration theory borrows from different disciplines, brings different angles, dimensions of problems and interaction collaboration, for example, from the theory of law and political studies, then the theory of economics, sociology, and psychology. Public administration covers various aspects of life from different people to different areas and content because public administration ideas come from different disciplines and it reaches different ends, which results in the disorder in “its models, technique, and methods” (Pollit, 2010, p. 293). The strategy of internationalizing public administration also originates from the nature of public administration field. Thus, the strategy of internationalizing public administration should be adopted and promoted by all countries in the world, from academic to professional areas and from universities to governments. More research needs to be conducted on every issue of public administration, from micro level like the process of production to macro level like the governance issues (Gulick as cited in Meier, 2010). Both foreign and American students of public administration should be provided with knowledge and experiences to engage in the future internationalization process of public administration.

References

- Altbach, P., & Teichler, U. (2001). Internationalization and exchanges in a globalized university. *Journal of Studies in International Education*, 5(1), 5-25.
- Barzelay, M., & Armajani, B. (1992). *Breaking through bureaucracy: A new vision for managing in government*. California: University of California Press.
- Brooks, S., & Wohlforth, W. (2005). International relations theory and the case against unilateralism. *Perspectives on Politics*, 3(3), 509-524.
- Carr, E. (1964). *The twenty years' crisis, 1919-1939: An introduction to the study of international relations*. New York: Harper & Row.
- Corbett, J. (2009). Internationalizing public administration: Acting globally, thinking locally. Proceedings from *the 2009 Annual Meeting of the Pacific Northwest Political Science Association*. October, Victoria, British Columbia, Canada.
- Davies, J. (1998). Issues in the development of universities' strategies for internationalization. *Millenium*, 3(11), 68-80.
- Downs, A. (1967). *Inside bureaucracy*. Boston, MA: Little, Brown.
- Farazmand, A. (1999). Globalization and public administration. *Public Administration Review*, 59(6), 509-522.
- Farazmand, A. (2002). *Modern organizations: Theory and practice*. Westport, CT: Praeger.
- Keohane, R. (1984). *After hegemony: Cooperation and discord in the world political economy*. Princeton, NJ: Princeton University Press.
- Kettl, D. (2000). *The global public management revolution: A report on the transformation of governance*. Washington, D.C.: Brookings Institution.
- Kingsley, D. (1944). *Representative bureaucracy: An interpretation of the British civil service*. Yellow Springs, OH: The Antioch Press.
- Krislov, S. (1974). *Representative bureaucracy*. Englewood Cliffs, NJ: Prentice-Hall.
- Machiavelli, N. (2003). *The prince*. Wellesley, MA: Dante University Press.
- Meier, K. (2010). Governance, structure, and democracy: Luther Gulick and the future of public administration. *Public Administration Review*, 70(S1), 284-291.
- Newland, C. (1997). Realism and public administration. *Public Administration Review*, 57(2), II.
- O'Leary, R., & Van Slyke, D. (2010). Introduction to the symposium on the future of public administration in 2010. *Public Administration Review*, 70(S1), 5-11.
- Pollitt, C. (2010). Envisioning public administration as a scholarly field in 2020. *Public Administration Review*, 70(S1), 292-294.
- Poundstone, W. (1992). *Prisoner's dilemma*. New York: Doubleday.
- Shafritz, J., Hyde, A., & Parkes, S. (Eds.). (2004). *Classics of public administration*. Belmont, CA: Wadsworth/Thomson Learning.
- Steger, M. (2002). The roots of globalism. In M. Steger (Ed.), *Globalism: The new market ideology* (pp. 1-15). New York, Rowman & Littlefield Publishers, Inc.
- Thucydides. (2006). *The history of the Peloponnesian War*. New York, NY: Barnes & Noble Classics.
- Van Buuren, A. (2009). Knowledge for governance, governance of knowledge: Inclusive knowledge management in collaborative governance processes. *International Public Management Journal*, 12(2), 208-235.
- Vereshchagin, V. (1889). *Realism*. Philadelphia, PA: The Pennsylvania Academy of the Fine Arts.
- Vest, D., Boyer, L., & Moses, C. (2014). Internationalizing U.S. colleges and universities while decreasing the trade deficit: The positive double whammy. *International Journal of Education Research (IJER)*, 9(1), 177-185.
- Viotti, P., & Kauppi, M. (1987). *International relations theory: Realism, pluralism, globalism*. New York: Macmillan.
- Waldo, D. (1948). *The administrative state: A study of the political theory of American public administration*. New York, Ronald Press Co.
- Weber, M. (1947). *The theory of social and economic organization*. New York: Oxford University Press.

The Tragedy of Holocaust and Possibilities for Reconciliation in the Society of Lithuania

Robertas Pukenis

Vytautas Magnus University, Kaunas, Lithuania

Holocaust is an eternal topic not only of Jews but of all people of good will. In Lithuania, over 200,000 Jews have been murdered. First, the paper analyses the concept of Holocaust and it proves to be the greatest form of genocide. The development of war and massacre is overviewed. Having been settled since the 13th century, Jews happily lived here, in Lithuania they had “second Jerusalem”. They were in good contacts with neighbours but have been sent to death by Nazi occupants. It is a pity that Germans used to find assistants among Lithuanians. Much historical information is presented. Problematic topic penetrates: a rebellion against Nazis on June 23, 1941 and the pogroms (about 50 Jews have been killed in the garage of “Lietūkis” in Kaunas). The Congress of the USA has been investigating that Provisional Government did not manage the situation at that time, the authorities were in the hands of Gestapo. The author tried to perceive the circumstances of that time in an objective and sincere way. Those who raised the hand or took part in execution in an indirect way cannot be approved. With great dignity, the exiles to Siberia are remembered. About 6,000 Jews were among the exiled ones. Much attention is given to analyze how peace process between Jews and Lithuanians takes place. The most important thing is that psychological disagreement would not appear. Jews were, are, and will be the best people of Lithuania.

Keywords: Jewish people, Holocaust, anti-Semitism, Nazism, Israel, reconciliation

Holocaust is a constantly discussed topic in Europe. It discloses the tragedy of Jewish nation—the death of six million Jews. It forces us to look back and to see the reasons of that.

The object of the study is Holocaust: its cruelty, killing of civilian people of Jewish origin and the forms of nowadays anti-Semitism; the aim—the discloser of the reasons inspiring all this, is to try to understand why the world was so deaf to the echo of people being murdered. The method is historical but it is not essential to analyse the facts which have been described by the historians. Truly, as rather often not well known sources will be used, thus in quoting, the author will provide longer quotations with the wish that the readers could have an objective opinion (the author leaves the right to the Editorial Board to make it shorter). More attention will be given to the historical context where Holocaust had been executed. The problems will come up in the attempt to reconcile. Is it possible to eliminate the antithesis appearing between the Jews and the part of the society where they live today? The practice of segregation of Jews into ghettos dates back to the 1st century when the Romans, after having suppressed the Jewish rebellion, started to practice the segregation of Jews and to confine them to ghettos. The word “ghetto” was first used in the Venetian dialect in the 12th century. *Ghèto*

Corresponding author: Robertas Pukenis, doctor of law, docent, Department of Public Administration, Faculty of Political Science, Vytautas Magnus University, Kaunas, Lithuania; research fields: international law and post-Soviet space, diplomacy and Roman law.

meant a place where scrap metal was stored. The original meaning of the “ghetto” designated a site of ironworks, a place where forcefully segregated Jews resided¹. The focus of the current study has emerged as an attempt to invoke insights on possibilities of reconciliation of opposition that occurs between Jews and societies in which they reside. The discussion on the religious dialogue reflects on the role of the Catholic Church in promoting reconciliation. The subsequent discussion, after having provided the historical context of the Holocaust, analyses processes of reconciliation in a post-Holocaust society with reference to the case of Lithuania.

The Concept of Holocaust

The destroy of one nation, tribe, or ethnic group is genocide which has no limitation. It is the most horrible crime which could be executed during war and peace time. On December 9, 1948, The General Assembly of the UN (United Nations) approved the Convention about Genocide by determining “the full responsibility not only for state institutions but also private persons for executing genocide”². The conception of Holocaust covers a systematic physical destroy of Jews. It has been executed by Nazi and their collaborators³. Holocaust is a loss of six million Jews. It is one of the most dramatic and painful histories which also means European tragedy, the crisis of Christianity. Nazi has established around 149 camps and 814 semi-imprisonment camps⁴. Distribution and transportation points, ghettos are also included. Some concentration camps differed in better conditions and have been supposed for work. Germans needed labour force. The other ones have been simply supposed for murdering of people. In all camps, at first work has been given to stronger people, while weak and ill ones have been eliminated every day. Most of concentration camps have been located in Germany and Poland. Imprisonment camps, including bigger and smaller, have been secretly settled in 17 states: Norway, Italy, Belgium, the Netherlands, Croatia, Lithuania, Latvia, Estonia, France, Ukraine, Byelorussia, Austria, Czech Republic, the Island of Alderney, and Lager Sylt islands. What a wide system of murder and torture⁵! It took place in three stages. As the historian Linas Venslauskas notices:

Jews cannot change the place of living... not accidentally, in the beginning of 1942, the control of Jewish living mobility was made rather strict—as on January 20, 1942, Wannsee meeting took place where “the final decision” has been taken ... the control of Jewish migration is made stronger in preparing for the third stage—for the catching and deportation to the East...⁶.

Having occupied the other country, Hitler suddenly used to join his Gestapo and administration for the management of that state in order to bring more food products to the army and to joint as much as possible youth to the front. Hitler’s tactics was simple: to eliminate political opponents for not to have resistance to the

¹ For the meaning of the word “ghetto”, see Focus. (2014). *Qual è l'origine della parola ghetto (What is the origin of the word ghetto)?* Retrieved from <http://www.focus.it/cultura/storia/qual-e-l-origine-della-parola-ghetto> (accessed 2015, October 12).

² Moresca, A. (1991). *Dizionario giuridico diplomatico (Diplomatic juridical dictionary)* (p. 227). Milano: Giuffrè Editore.

³ Yad Vashem. (2016). *The Holocaust: Definition and preliminary discussion*. “The Holocaust is part of a broader aggregate of acts of oppression and murder of various ethnic and political groups in Europe by the Nazis. Nevertheless, it has special significance due to the exceptional attitude which its perpetrators—the Nazis—regarded their Jewish victims...” Retrieved from http://www.yadvashem.org/yv/en/holocaust/resource_center/the_holocaust.asp.

⁴ Martin Gilbert provides the location of concentration camps in the book *Atlas of the Holocaust*—May, 1993.

⁵ The author describes only the panoramic part where death camps had been located. It is impossible to describe exactly how many people had been murdered in each, when the camps started functioning, and when they had been stopped.

⁶ Venclauskas, L. (2003). *The riddles of stereotypes. Anti-Semitism in Lithuanian and French Press in 1941-1942. Lithuanian Jews* (p. 128). Kaunas: Vytauto Didžiojo Universitetas.

new regime; to “clean” the country from Jews and to do this by the hands of those who betrayed⁷. Jews and political opponents have mostly been taken to death camps or destroyed in special places prepared in the country⁸. During the war, concentration camps have been functioning fully. Thousands of war prisoners, Gypsies, leaders of resistance of every nation have been taken there and most often they could not survive bad conditions. When the end of the war was approaching, Hitler even intensified the orders to murder and to hide evidences, e.g., the front is coming up to the city, then Nazi rushed to shoot and to burn the evidence, the live witnesses. There were cases when war prisoners had to be taken to the other camp. It was a great worry for them that the prisoners could have run away (Those who were stepping behind or could not walk had been eliminated)⁹. Then, the free world was despicably deaf, at least it was helpless. This is based on the witness of a German SS officer K. Gerstein, even progressive and good people could not understand what happens in the heart of Christian Europe¹⁰. A terrible elimination of people took place¹¹. It was huge and in all Europe¹². The same officer was surprised that the allies have not done anything to stop. None of liberation operations from concentration camps prepared by the allies have not been obvious, e.g. to bomb the tracks of railway leading to

⁷ Gilbert, M. (1993). *Atlas of the Holocaust. Hardcover* (p. 42). William Morrow Company. “On October 18, 1938, by the order of Hitler 15,000 Germans originating from Poland were announced as the ones without a citizenship and sent away—taken by the border of Poland by train... Soon after ‘the Crystal Night’ 20,000 of Jews have been arrested and imprisoned...”

⁸ Gilbert, M. (1987). *The Holocaust: The Jewish tragedy*. Retrieved from <http://thehealingproject.net.au/wp-content/uploads/2010/04/Martin-GILBERT-The-Holocaust-The-Jewish-Tragedy.pdf>. “By August 1942, the genocidal machinery was fully operational. During that month alone, over 400,000 Jews were murdered, mainly by gassing, in German-occupied Europe. By the end of 1942, most of Poland’s pre-war Jewish communities had been gassed and burned in the concentration camps at Chelmno, Belzec and Sobibor. In the early months of 1944, the process had reached such a pitch that in the Birkenau camp alone, 12,000 Jews were gassed every 24 hours”.

⁹ One of similar episodes: “In January of 1945, the concentration camp of Stutthof is being evacuated as Russian army had been approaching. Germans drove away 823 prisoners to Puck by pushing and beating. Those who could not walk had been shot at once, those stepping behind had been hounded by dogs. The priest Alfonsas Lipniūnas together with other three prisoners had been walking closely for his colleagues could not be shot or hounded by dogs. A heavy pack has been bending the priest to the ground but the priest could not leave it as there were ... the summaries of sermons, things for Holy Masses. The remaining of food has been divided long ago, even the colleagues scolded him as they had to give bread to him now... The remaining prisoners have not been eliminated—in March, in Puck Russians have been already” (The witness of an engineer Pilypas Narutis about the life in Stutthof concentration camp. 1980. These data are used in the Canonisation Case of the priest A. Lipniūnas).

¹⁰ DELFI. (2015b). *Tamsiasias nacių paslaptis atskleidęs vyras: Aš viską mačiau (The man who has disclosed the dark secrets of Nazi: I saw everything)!* Retrieved from <http://www.delfi.lt/news/daily/world/tamsiasias-nacių-paslaptis-atskleides-vyras-as-viskamaciau.d?id=67890162#ixzz3zrcnzkn>. “K. Gerstein also encouraged the participants of Dutch underground movement to broadcast his information on the radio to Great Britain... nothing happened. Nobody wanted to believe in his thrilling stories about massive massacre and rejected it as propaganda. All his efforts to inform Church, the allies and foreign society have been empty. His assumption that after making these facts public the elimination of Jews will be stopped was a mistake”.

¹¹ DELFI. (2015b). *Tamsiasias nacių paslaptis atskleidęs vyras: Aš viską mačiau (The man who has disclosed the dark secrets of Nazi: I saw everything)!* Retrieved from <http://www.delfi.lt/news/daily/world/tamsiasias-nacių-paslaptis-atskleides-vyras-as-viskamaciau.d?id=67890162#ixzz3zrcnzkn>. K. Gerstein provides the following picture: “Then, one plump SS man with a loud voice suitable for a priest explained that nothing wrong happens to them (in a gas camera). All you have to do is to breathe deeply. It strengthens the lungs. Inhalations are needed for the prevention of respiratory diseases. It is a perfect method of disinfection. For those listening with fear the mentioned SS man used to reply: men will construct roads and build houses, women will do household works and help in a kitchen. When the doors have closed, diesel engine pumping deathly carbon monoxide gas into the camera was out of order. Till the masters have been repairing the diesel engine, Jews had to wait for their death, all packed like herrings in a tin. Having checked the situation through the glass peephole, SS officer Wilhelm Pfannenstiel announced that Jews are crying like ‘they do in a synagogue’”.

¹² DELFI. (2015b). *Tamsiasias nacių paslaptis atskleidęs vyras: Aš viską mačiau (The man who has disclosed the dark secrets of Nazi: I saw everything)!* Retrieved from <http://www.delfi.lt/news/daily/world/tamsiasias-nacių-paslaptis-atskleides-vyras-as-viskamaciau.d?id=67890162#ixzz3zrcnzkn>. “In 28 minutes only some people were alive. At last, after 32 minutes all were dead. They looked like basalt columns, still standing as there was no place for their bodies to fall. This happened on August 17, 1942... We have three institutions: 1. Belzec by the suburb road and the railway ‘Lublin—Lemberg’, by demarcation line with Russia. The maximum capacity is 15,000 people per day; 2. Treblinka, 120 km to North from Warsaw. The maximum capacity—25,000 people per day; 3. Sobibor, also in Poland. No exact information, maximum capacity—20,000 people”.

a concentration camp. Torture, horror, starvation, work, and elimination of the corpses of prisoners by the hands of prisoners themselves, sneer has been executed by fierce SS officers.

Abundant memories of the survived prisoners witness it. The concentration camp of Auschwitz has been functioning since 1940 to 1945. There were 1.3 million of prisoners. One point one million of them died from starvation, illness, in gas cameras, or have been shot. Only 200,000 “of the lucky ones” survived. People of various nationality but most of all Jews suffered and died. Three hundred thousand Hungarian Jews have been murdered in Auschwitz camp. This year, the world commemorated the 70th anniversary of liberation of Auschwitz. Only several witnesses remained who at that time had been children prisoners. Whatever pile of memories you take, everyone presents the most cruel, inhuman picture of suffering. Nazi even used to implement medical experiments with their victims¹³. Historians have to specify the number of citizens, despite of nationality, attitudes, who have passed or have not returned from the factories of death. In each state, the historians should make a bibliography of memorial articles, books of all those who had suffered from Nazism and had been the prisoners. Public actors would take care about historical films on this topic, especially dedicated to youth. Such official information should be provided on Internet¹⁴.



Figure 1. A monument to victims in the place of massacre “Lietūko garažai”¹⁵.

Holocaust in Lithuania

In 1941, when Lithuania had been occupied by Nazi Germany, in several months, a great part of Lithuanian Jewish community was destroyed¹⁶. Soviet invasion has been coming closer in speedy steps: On

¹³ DELFI. (2015a). *Nacių siaubus išgyvenęs vyras: Gyvybę man išgelbėjo melas (The man who suffered Nazi horror: A lie helped me to survive)*. Retrieved from <http://www.delfi.lt/news/daily/world/naciu-siaubus-isgyvenes-vyras-gyvybe-man-isgelbejo-melas.d?id=67845168>.

¹⁴ In writing, the author used some sources about the *Atlas of the Holocaust* where the death camps have been located. Still, he is not sure that the same information fully corresponds to historical truth investigated by scientists. If the author could have a sign “official”, he would not have any doubts.

¹⁵ *Lietūko garažo žudynės (Lietūkis garažai massacre)*. (n.d.). Retrieved from https://lt.wikipedia.org/wiki/Liet%C5%ABkio_gara%C5%BEO_%C5%BEudyn%C4%97s.

¹⁶ Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>. “Many Jews suffered when already German army has been marching (...) Nazi expressed all their hatred to Jews as soon as civil Nazi authorities has established in Lithuania. At present, they started applying already experienced in their own surroundings and in formerly occupied countries murderous methods of elimination to Jews. They have really been horrible”.

June 15, 1940, Lithuanian government approved Stalin's ultimatum after a long meeting. Since July 1 until July 13, Lithuanian Parliament (Seimas) has been dismissed. When Soviets occupied Lithuania, the work of Lithuanian government has soon been stopped, the institutions of security have been eliminated. On June 14, 1941, the first exiles to Siberia started and continued till June 18. "In one year almost 500 Jews have been arrested, in total 2,600 have been repressed. There were 13.5 percent of Jews among the ones exiled in June, it made almost 7 percent of all the inhabitants of the country"¹⁷. The situation of all Lithuanians became hopeless. When Germans were attacking the Soviet Union, a rebellion started¹⁸. Unfortunately, Hitler did not support the idea of Lithuanian independence and placed the Ambassador of Lithuania, the Colonel Kazys Škirpa for home arrest for the latter who could not come to Kaunas and lead the government. After the rebellion of June, 1941, the Temporary Government could not do anything—Its powers are described like this by the participant of the events of that time¹⁹. There were lots of disputes and even resentment about the activities of Temporary Government in stating that patriots were proud about this struggle during which also some Jews had been murdered. Nevertheless, even the Congress of the USA discussed this question and the activity of Lithuanian Temporary Government was justified. "The Committee of the USA Congress discussed, if the Head of Lithuanian Temporary Government J. Ambrazevičius-Brazaitis is not responsible for Jewish Holocaust in Lithuania. Accusation has later been denied"²⁰. At that time, the Government did not control the situation²¹. The same is proved by the famous historian professor Saulius Siužiedėlis: "The activities of Temporary

¹⁷ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 105). Kaunas: Vytaytas Magnus University.

¹⁸ On June 23, 1941, at 9:28 a.m., Kaunas Radio renewed its broadcasting. On behalf of the Main Headquarters of the Front of Activists (LAF), Leonas Prapuolenis was the first to talk. He read the proclamation on behalf of LAF and announced the regaining of independence of Lithuania. Then, the members of Lithuanian Temporary Government have been presented: the Prime Minister—Colonel Kazys Škirpa, the Minister of National Defence—General Stasys Raštikis, the Minister of Foreign Affairs—Rapolas Skipitis, the Minister of Interior—Vladas Nasevičius, the Minister of Education—Prof. Juozas Ambrazevičius, the Minister of Agriculture—Prof. Balys Vitkus, the Minister of Finance—Jonas Matulionis, the Minister of Industry—Dr. Engineer Adolfas Damušis, the Minister of Trade—Vytautas Statkus, the Minister of Labour and Social Protection—Dr. Juozas Pajaujė, the Minister of National Economy—Engineer Vytautas Landsbergis-Žemkalnis, the Minister of Transport—Jonas Masiliūnas, State Controller—Jonas Vainauskas. Having come up to the microphone, A. Damušis repeated the announcement in German and Z. Ivinskis did it in French. After the speeches, Lithuanian anthem and a song "Saulėlė raudona" by Kipras Petrauskas had been performed. That was an arranged sign to struggle. A rebellion required 2,000 of victims. [Brazaitis, J. (2003). *J. Ambrazevičiaus-Brazaitis politinių veiksmų vertinimas Lietuvos Laikinojoje vyriausybėje (Evaluation of political actions of J. Ambrazevičius-Brazaitis in the temporary government of Lithuania)*. Retrieved from <http://mokslai.lt/referatai/istorija/j-ambrazeviciaus-brazaicio-politiniu-veiksmu-vertinimas-lietuvos-laikinojoje-vyriausybeje.html>].

¹⁹ Due to the importance of historical text, the author includes a long extract from the memories of the prelate M. Krupavičius. "The Temporary Government (established on June 25th, 1941) the mouthpiece of the nation under rebellion, well understood that the nation has risen against red slavery not for the sake of Nazi. Thus, by no means, it did not agree to betray the independence which had been committed to the Government. The Nazi had no other way out only to dismiss the Temporary Government. This was done on July 25th, 1941. On that day, Ostaland with Lohse, Lentzen, Renteln, Kramer and the other brown ones in front have been born officially. Nevertheless, until August 5th the Temporary Government continued its activities and during the last meeting it was forced to announce that after the officials of the Reich have taken over the civil authorities of Lithuania, it has to stop its activities". [Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

²⁰ Lukšas, A. (2009). *J. Ambrazevičius-Brazaitis—Vienų vienas (J. Ambrazevičius-Brazaitis—Purely alone)*. Retrieved from <http://www.tv3.lt/m/naujiena/323698/juozas-ambrazevicius-brazaitis-vienu-vienas>.

²¹ From the memories of the prelate M. Krupavičius. "For nobody could interfere, in the very beginning of occupation, Germans have taken Lithuanian security into their hands, despite of the protest of Temporary Government. Due to this, all arrests and other actions connected with security have been exceptionally the matter of them. People appointed by Germans have been standing in front of the security system". [Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

Government have been restricted. Thus, having none of its tools, it could not influence any excesses in a positive way, e.g. executions taking place in Kaunas and in province”²². For science objectiveness, let the author include a horrible episode from these tragic events, just to perceive how self-will, in a war situation, can transform into a tragedy also for innocent people.

On June 25, 1941, German army stepped into Kaunas and on the same day the Head of SS A Operational Group Franz Walter Stahlecker came. He encouraged Lithuanian rebels to start pogroms. Inspired by him, Algirdas Klimaitis was the initiator of Vilijampolė pogrom during which about 800 Jews from Kaunas have been murdered by Lithuanians. The other massacre took place on June 27, 1941 in a small garage of “Lietūkis” by Žalgiris Street and Vytautas Avenue, in front of Kaunas cemetery. The Headquarters of German 16th Army was approximately 200 metres behind. The versions of tragic massacre are still being investigated. Some say that there were cars by the help of which Soviets wanted to take away the technical equipment and prisoners. Others say that the activists who were against Communism found the representatives of Jews collaborating with the Soviet officers. Despite of the first spark of hatred, the motives of massacre cannot be justified. It is rather sad that about 60 people of Catholic nations had been standing aside and watching... (and later, as heroes, 90 of people testified the investigators and the police). Laimonas Noreika and Vytautas Petkevičius witnessed about the massacre. At that time, they were 11 years old. They had to protect elder people, ask for the help. That damned indifference was in the presence of evil. According to the witnesses, the observers of massacre were mainly the members of German 562nd “bread makers’ group”. They have not taken any violence but used mockery. About 50 Jews have been killed: among them, the former Director of Industry and Trade Department by the Ministry of Finance of Lithuania—Jurgis Štromas [the son of whom Aleksandras Štromas (1931-1999) survived and became a famous lawyer and an expert of political science in Lithuania], a worker from soap factory Jizchakas Grinas—Simcha Zisl Mankevic, a musician—Šlomas Goldšteinas, a water supplier—I. Kurliančikas, traders—B. Komašas and C. Cukermanas, pupils—Pessachas and Goldbergas, Mošė Štromas (Figure 1: Today, at this place, there is a monument constructed by Kaunas City Municipality and which reminds innocent people of Lithuania-Jews. Historians just have to clarify the surnames and to carve all of them on the memorial plaque by the monument). It is thought that the victims of massacre in the garage of “Lietūkis” had been buried in free space of the Jewish cemetery in Žaliakalnis. Most of the killers had just left Lithuanian prisons... Some say that the guiltiest one was SS officer Joachim Hamann. Others think that it was the Gestapo officer Algirdas Antanas Pavalkis. Arvydas Anušauskas states that it could also be Juozas Surmas, who later spoke that the massacres had been organised together with the driver Franz Walter Stahlecker, Lithuanian German Richard Schweizer. Juozas Surmas and Richard Schweizer both come from Kybartai. Juozas Surmas had organised a group of prisoners, liberated from Kaunas prison.

Lithuanian Temporary Government has analysed the question of the massacre on the same day. The Minister of National Economy—Vytautas Landsbergis-Žemkalnis has announced in the meeting about especially cruel massacre of Jewish in the garage of “Lietūkis”. It was decided: The Cabinet agreed that the above mentioned actions are done by people who have nothing in common neither with the Headquarters of the Liberation Activists, nor the Temporary Government. The doctor Balys Matulionis and the priest Simonas Morkūnas have heard from some acquaintances about this crime. They told about it to the Archbishop Juozapas

²² Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 99). Kaunas: Vytaytas Magnus University.

Jonas Skvireckas and asked him to intermediate in negotiating with Germans. The investigators of International Commission on the Crimes of Nazi and Soviet Occupational Regime in Lithuania—Saulius Sužiedėlis and Christoph Dieckmann assure that there are no documents proving that the massacre had been the act of vengeance against security officers. The massacre had been photographed by the Germans Karl Roder and the photographer of Photo Department of the 16th Army Headquarters of German Air Forces—Wilhelm Gunsilius²³. From the point of view of the Temporary Government, Jews were equal citizens of Lithuania. They have preserved a traditional Lithuanian position toward Jews²⁴. Attention should be drawn to the lines of memories of a famous Lithuanian public actor, the Minister of Agriculture, the prelate M. Krupavičius—The situation was really tragic and the Temporary Government could not change it²⁵. Jewish pogroms and

²³ See: In analysing these few sources, it is clear that the whole image of execution could hardly be revived. Bargmanas, C. (2009). *Nauja apie žudynes "Lietūkio" garaže (New information about the murder at "Lietūkis" garage)*. Retrieved from <http://www.genocid.lt/centras/lt/899/a/>.

A seminar took place at Kaunas Vytautas Magnus University where the events connected with the Jewish massacre in the garage of "Lietūkis" in June of 1941 had been discussed...

DELFI. (2007). *"Lietūkio" garažas—Klastočių pinklėse ("Lietūkis" garage in the trap of forgeries)?* Retrieved from <http://www.delfi.lt/news/daily/lithuania/lietukio-garazas-klastociu-pinklese.d?id=12723652>.

DELFI. (2012). *Kaune paminėtos žydu žudynių "Lietūkio" garažų kieme metinės (Commemoration of Jewish massacre in the garage of "Lietūkis")*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kaune-paminetos-zydu-zudyniu-lietukio-garazu-kieme-metines.d?id=59040435>.

Dieckmann C., & Sužiedėlis, S. (2015). *Pirmosios žydu žudynės (The first massacre of Jewish)*. Retrieved from http://www.saltiniai.info/files/istorija/II00/Pirmosios_zydu_zudynes.II0901.pdf.

Mustafinaitė, L. (n.d.). *Buvęs partizanų rėmėjas J. Abraitis: Tų jaunuolių gyvenimas buvo siaubingas (Former guerrilla supporter J. Abraitis: The young life was terrific)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/buves-partizanu-remejas-j-abraitis-tu-jaunuoliu-gyvenimas-buvo-siaubingas.d?id=67396210>.

²⁴ The Memories of M. Krupavičius. "All sparse bodies of the Temporary Government strongly supported the position in respect to Jews. Kaunas Superintendent the Colonel Bobelis taking his own risk and responsibility, without asking German, went to the IXth Fort on July 18 and liberated all Jewish women and their children, also the men who served Lithuanian army. Besides, he saved also the lawyer Cimkauskas, who at present is in Germany, the trader Misurskis, the engineer Benjaminovičius and others. As much as possible he tried to make the situation of Jews smoother and used to give the notes of protection. Many Jews of Kaunas have received such notes of protection. The members and officials of Jewish Committee should be mentioned here. There were about 50 of them. In some days, the Colonel Bobelis has been dismissed from the duties of the Superintendent. It has to be known that the Colonel Bobelis, as other Lithuanian Superintendents, used to be the Superintendent of the Temporary Government, appointed to the position he fulfilled in the Republic of Independent Lithuania. Thus, not for the duties of the police. He was not a German officer, though Germans required a lot from him, e.g. they required from him and the Mayor of Kaunas Palčiauskas to pen a ghetto for Jews in Vilijampolė. Bobelis and Palčiauskas refused to sign this order. This is not the only example of Kaunas Superintendent with Jews. In all counties, senior Lithuanian officials kept this line". [Krupavičius, M. (1986). *Lietuvių ir žydu santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

²⁵ The Memories of M. Krupavičius. "In the very beginning of Nazi occupation, the Prime Minister of the Temporary Government Prof. J. Ambrazevičius invited the broad meeting on Jewish matters. Almost all ministers took part in it, also the former President Kazys Grinius, the Bishop Vincentas Brizgys and a great number of different political and public actors. The meeting did not last long as all those gathered had the same opinion about the Jewish questions. The behaviour of Nazi had been condemned there and it was decided to help Jews as Lithuanian citizens by all necessary means. If some of them are guilty for Lithuania or Lithuanian nation, to give them to the regained Lithuanian courts and decide on their cases. Unfortunately, already at that time, the participants of the meeting were sure that Jews can be helped a little as in the very beginning of Nazi occupation it was declared that Jews and Poles are taken from the competence of Lithuanian institutions. German Military Superintendents and the established SD institutions took over that competence. SD acting for Lithuanians was not unusual. It was an institution equal to Bolshevik NKVD in its competence and methods of acting. SD institutions did everything on its own; it has not discussed its plans neither with the Lithuanian Government, nor the German Military Superintendents. The new lords openly declared that they are not satisfied when somebody else, except them, is interested in Jewish matters, moreover, when somebody has intentions to plead them or help them". [Krupavičius, M. (1986). *Lietuvių ir žydu santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

massacres started on the first days of German-Soviet Union War. In Lithuania, hundreds of Jewish inhabitants died due to the implemented Jewish elimination policy in comparison to other European countries as Germans attacking was rapid and Jews did not manage to leave. Part of Lithuanian Jews has been taken to the ghettos established in cities as labour force. In Lithuania, the principle of three stages is applied for the question of Jewish mobility and freedom. Most of the ghettos have been liquidated by Nazi after several months. The remaining ones in Vilnius, Kaunas, and Šiauliai had functioned for 2-3 years. Vilnius Ghetto was eliminated on September 23, 1943. The majority of ghetto inhabitants have been shot in Paneriai, the others have been sent to concentration camps. Having analysed this topic, the historian Dr. A. Bubnys states that almost 2,000 Lithuanian women and children suffered in Auschwitz²⁶. Panevėžys Ghetto was eliminated on August 15, 1941. Over 13,500 Jews have been shot. There are over 200 places of massive massacre in the country and the same number of old Jewish cemetery. According to the investigation data of International Historical Justice Commission, 200,000 Jews have been murdered in Lithuania during the war, that is 92-94 percent of the former Jewish community residing in Lithuania. Statistical data quoted by the historian V. J. Čiplytė are also checked:

Before tragic events of 1941, there were 155,124 Jews, that is 7.6 percent of all inhabitants in Lithuania. Together with approximately 85,000 Jews of Vilnius and its surroundings, with 15,000 of Jewish refugees from Poland, the number of Lithuanian Jews reached almost one fourth of a million, that is 10 percent of all Lithuanian inhabitants²⁷.

It has to be cleared up that 15,000 Jews are from the total number of those who on June 23, 1941 left for Russia. About 13,000 Jews have been taken to Estonia by Germans. In 1940, 7,000 Jews were deported to Russia and 6,000 Jews managed to emigrate abroad in 1939-1940. Some sources state that there could be from 24,000 to 28,000 Jews who left Lithuania and survived. Forty-five educated Lithuanians have been taken to Stutthof concentration camp²⁸. Lithuanian nation resisted against Nazi Germany occupation and its entire ideology. In Lithuania, Nazi did not make any military group neither for the front, nor the SS institutions²⁹.

In implementing Holocaust during the years of occupation, executioners have brutally damaged Lithuanian Jewish community which is historic, unique in its language and culture. It helped the state of Lithuania to develop economically. Jewish tragedy is the most painful because a Lithuanian neighbour raised

²⁶ Bubnys, A. (2015). *Aušvice kentė beveik du tūkstančiai Lietuvos moterų ir vaikų (Aušvice plagued almost two thousand Lithuanian women and children)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/a-bubnys-ausvice-kente-beveik-dukstanciai-lietuvos-moteru-ir-vaiku.d?id=67013474>.

²⁷ Čiplytė, J. V. (2001). *Amžna knygos tauta. Lietuvos žydų gyvenimo puslapiai (The eternal nation of the book. The pages of the life of Lithuanian Jews)* (p. 55). Vilnius: Homo liber.

²⁸ Among them was the professor priest Alfonsas Lipniūnas. His Canonisation Case is being analysed and can be announced the Saint. The priest Stasys Yla managed to survive, when he left the camp, he wrote memories, worked in cultural field in the town of Putman in the USA.

²⁹ At present in Lithuania, there is the only witness of Stutthof concentration camp—Vladislovas Telksnys, born on January 6, 1915, in Runioniai village, Alanta District. When Soviets occupied Lithuania, V. Telksnys together with a group of underground activists have published anti-Soviet newspaper. He was arrested and imprisoned. Only on June 22, 1941 when the war started, he was liberated. Nevertheless, he continued the fight against the new occupant by printing underground press. Secret Nazi German Police arrested the administrator of “Žaibas” Printing House—V. Telksnys and 15 educated public actors from Kaunas on April 27, 1943. On April 29, 1943, the so called Press Group was closed at Stutthof concentration camp. They have changed surname and having become Vladas Lankaitis with a family used to live in Saločiai for three decades until Soviet Secret Services disclosed it. The President Valdas Adamkus has awarded old Vladislovas Telksnys this fighter for freedom with the Fifth Level Order of Vytautas Cross and the City of Kaunas—the First Level Sign of Honour of Santaka. See 15min. (2013). *98-year-old Vladislovas Telksnys, the only living survivor of Stutthof concentration camp: “I went through hell”*. Retrieved from <http://www.15min.lt/en/article/culture-society/98-year-old-vladislovas-telksnys-the-only-living-survivor-of-stutthof-concentration-camp-i-went-through-hell-528-333701>.

the hand in front of the other neighbour in trouble³⁰. Fortunately, there were considerably more who sympathised with Jews, understood their tragedy and some managed to save them.

The most difficult task for the author is to answer—How many were of those who got stained with the blood of Jews?: by escorting columns, shooting, taking their property. It is hard for historians to tell the names and numbers precisely. We owe the dead the same we owe the living ones—the truth. A famous Lithuanian journalist A. Vinokurovas thinks as follows: Over twenty thousand participated in the Jewish extermination machine one way or another: Several thousands were killing; others were escorting, taking to the pits, informing, robbing, appropriating their assets. Police battalions, volunteer soldiers, and officers took part in it³¹. Secret Services of Israel possesses a list, which has been made public on Internet by Lithuanian Jewish Association in Israel in 2009. Four thousand two hundred and thirty-three surnames of “Jew-shooters” are on the list. Among them, there are even the Leaders of Lithuanian Partisan Resistance—Adolfas Ramanauskas, Jonas Žemaitis, Juozas Lukša, etc. The most important result of publicly announced investigation was that accusation for the mentioned three persons has no grounds³². The experts of the Genocide and Resistance Research Centre of Lithuania who have been working for three years determined that historical material proving the participation of 2,055 persons in Holocaust exists³³.

Thus, it would be rather hard, even being very objective, to determine an exact number of those who had participated in Holocaust crime in one way or another. Having gone deeper into all this and taking into consideration the talks of people, which have no political shadow, the list of Israel Litvaks, should be shortened. “*Our own*”, the book by Ruta Vanagaite that has just appeared, gives facts and witnesses about the Jew-shooters, tells who they were and why a heavier moral and legal responsibility falls upon them, as there was a possibility to decline. Yes, the Nazi wanted to involve in this dirty job as many Lithuanians as possible, but the Jew-shooters themselves have witnessed that in many cases they could have denied the dirty job (Germans would not have killed them for that). Unfortunately, there were different situations, different Nazi officers and some were made to get involved by force. How can we evaluate those who were forced to collaborate in crime?

By the point of view of Christianity, the one who believes cannot collaborate with the executioners or has to protect the victim but never promise something in murdering the victim. In criminal proceedings, no doubt, if a criminal was forced to implement a crime, it is an advantage. Nobody could say out, measure that

³⁰ The Memories of M. Krupavičius. “When I was in Kalvarija, a civilian young man arrived and told that he was the Head of the mentioned Lublin Military Division. He came to talk with me. His story was horrible (...). When the division was against to implement one or the other task, it was circled by gunned Germans and had to do the task by force. Soldiers used to run away from that division, if they can. The head was ready not to return there and to hide... I praised his attitude and said that it would be great if the whole division could follow the example of the Head. Warsaw division also worked and lived under the same condition. By terror and persecution Gestapo officers forced civilians to carry out unhuman violence and criminal works”. [Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

³¹ Vinokuras, A. (2016). *Holokaustas iš didžiosios raidės (Holocaust from the capital letter)*. Retrieved from <http://lietuvosdiena.lrytas.lt/aktualijos/holokaustas-is-didziosios-raides.htm>.

³² Glodenis, D. (2016). *Kas nuvainikuos nepelnytai pagerbtus, prisidėjusius prie Holokausto (Who will dismiss undeservedly honored that contributed to the Holocaust)?* Retrieved from <http://www.delfi.lt/news/ringas/lit/d-glodenis-kas-nuvainikuos-nepelnytai-pagerbtus-prisidejusius-prie-holokausto.d?id=70352118>.

³³ Glodenis, D. (2016). *Kas nuvainikuos nepelnytai pagerbtus, prisidėjusius prie Holokausto (Who will dismiss undeservedly honored that contributed to the Holocaust)?* Retrieved from <http://www.delfi.lt/news/ringas/lit/d-glodenis-kas-nuvainikuos-nepelnytai-pagerbtus-prisidejusius-prie-holokausto.d?id=70352118>.

psychological pain and humiliation when Jews themselves had been forced to be ghetto policemen, to select the victims for death, in collaborating with Nazi criminals. They secretly thought: “This one is young, perhaps, it will survive, and we have to leave”.

Jews relied on Church only or at least, on its certain representatives³⁴. During the run of centuries, Lithuanians became tolerant and peaceful to Jews but German occupants, having enslaved Lithuanians, have involved a small part of them into criminal activities. There cannot be any excuse of those bearing blood of innocent people. “Thus, this horrible change had been influenced not by the relations of Lithuanians and Jews but an external factor that is Soviet-Nazi occupation”³⁵. A very important psychological detail is that after 1938 Lithuanian Jews have already known the future, if Lithuania is occupied by A. Hitler and the Soviet Union, let it be a dictatorship state, but J. Stalin had no intentions to eliminate them physically. Thus, the majority of them being afraid of death have turned the political understanding favourable for the Soviets. The facts do not prove that people of other nationalities took part in Soviet repression structure³⁶. By the end of 1939, in independent Lithuania, there were 1,120 members of Lithuanian Communist Party (LKP), 670 of them were Lithuanians, 346 were Jews, and others were Poles, Russians, and Germans. Two hundred and eighty-seven Communists, out of them 145 Jews were in prison, thus, Jews made approximately 35 percent of all members of LKP. On January 1, 1941, out of 2,500 members of LKP, 67 percent were Lithuanians, 16.4 percent were Russians and 16.6 percent were Jews³⁷. Besides, in accordance to the observation of Lithuanian Security Service, Jewish community was totally different³⁸. Nevertheless, by the end of May of 1940, the Chief Rabbi Office “encouraged the Rabbis of the country to support the authorities of Lithuania and to condemn the Jews leaning by the Communist Party”³⁹. Having analysed a number of documents, Saulius Sužiedėlis had not found the fact that Lithuanian Activist Fund (LAF), having carried out the rebellion on June 22, 1941, would have encouraged to murder Jews, though there were some anti-Semitic expressions and accusations toward

³⁴ The Memories of M. Krupavičius. “Due to this, Jewish Committee comprising of Kalvarija Rabbi, a teacher and one more influential representative of their nation, the surnames of whom I no longer remember, collected jewellery and brought it to me for keeping on the condition if they come back, it has to be returned to them, if not, it has to be used for Church needs. I have not accepted this by explaining that I was not going to live long in Kalvarija. The jewellery has been handed over to serious farmers. Others, perhaps all, sewed part of their jewellery under the laying of their coats. Having shot Jews, the men of Gestapo found all this and used for their needs. Some days before the mentioned Jewish massacre in Marijampolė, the list of 10-15 men has been presented by Germans. They had to come to the indicated institution in Marijampolė on the day of shooting. Almost all of the men have been from the reserve non-commissioned officers of Lithuanian Army. They have been foreseen for Jewish shooting. When they realised the reason, they refused to fulfill the duty of executioners. Then, they have been encircled by gunners and threatened: if the order is not fulfilled, they will be shot with Jews. They all have been so shocked by these events that several had nervous psychiatric disabilities. They walked as if mad. They have not found calmness anywhere”. [Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>].

³⁵ About Jewish tragedy in Lithuania see the presentation of Emanuelis Zingeris at the conference “The Relations of Lithuanians and Jews. Historical, legal and political aspects”. Op. cit.

³⁶ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 105). Kaunas: Vytaytas Magnus University. “In spring of 1941, there were approximately 10.6 percent of Jews among NKGB staff in the Soviet Republic of Lithuania, 5.3 percent of Jews were among top level officials, 8.4 percent of Jews among the leading staff of NKV”.

³⁷ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 83). Kaunas: Vytaytas Magnus University. L. Truska is a great, objective scientist and his statements are truly reliable. Besides, it is proved by other famous historians Saulius Sužiedėlis and A. Litvak working in Israel Dovas Levinas that accusation of Jews for large scale participation in Soviet structures, not proportionate to the number of inhabitants is not fair.

³⁸ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 80). Kaunas: Vytaytas Magnus University.

³⁹ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 80). Kaunas: Vytaytas Magnus University.

Jews in some of the speeches of its members⁴⁰. No doubt, Germans would like to share the feeling of responsibility with other nations but in any case truth, liberating a human being, has to be found⁴¹. Truly, Germany paid for the past and the Germans of nowadays generation cannot be made guilty for the past sins and crimes. German nation, just one third of which belonged or sympathised with the Nazi Party, experienced huge violence of revenge from the Red Army. Historian and the Member of the Parliament—Arvydas Anušauskas states that despite of inconsistent violence of Soviet Red Army comparing to the Nazi one, they had been justified on the level of ideology: with the aim to motivate soldiers that it was a revenge for the violence of Nazi. Hoistorsians count that about two million German women have been raped by the soldiers of the Red Army, Little Lithuania, which belonged to Germany at that time, also suffered. Massive massacre of civil people of Nemirkiemis (Nemmersdorf) carried out by Soviet soldiers in East Prussia has faced international condemn. The Printing House “Briedis” states: “In some villages all women had been raped despite of their age... Many women died due to injuries resulting from constant raping” in the book “*Bloody Lands: Europe between Hitler and Stalin*” [Kruvinos žemės: Europa tarp Hitlerio ir Stalino. (2011). Lithuanian: the Printing House “Tyto alba”]⁴². It was written by the historian Timothy Snyder. In all published front or division newspapers, revenge was stressed. A soldier has to revenge. Finally, the revenge had been transformed into raping⁴³. A. Anušauskas, T. Snyder say that massive raping took place in Poland, Germany, Hungary, even Yugoslavia, which became the ally of the Soviets after the revolution. When the Communist of Yugoslavia reported Stalin about the behaviour of Soviet soldiers, he “presented them with a small lecture about soldiers and their ‘entertainment’”. Besides, the soldiers of the Red Army themselves have been the products of an extremely cruel Soviet system. There were lots of Gulag prisoners in the front⁴⁴. After the lost World War II, Germans understood what disaster has been brought to Germany and the whole Europe by the Nazism of A. Hitler. Today, Germany is a country of high democratic level, the nation of which is human, educated and not repeating the mistakes of the past. It clearly isolated itself from the past ideology. Unfortunately, the leaders of the Kremlin have not done it up till now.

⁴⁰ Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai. (True and fake blaming. Lithuanian Jews)* (p. 99). Kaunas: Vytautas Magnus University.

⁴¹ Vasiliauskas, V. (2008). *Lietuvių ir žydų santykiai: Popierinis teisingumas (The relations of Lithuanians and Jews: Paper justice)*. Retrieved from <http://www.delfi.lt/news/ringas/lit/vvasiliauskas-lietuviu-ir-zydu-santykiai-popierinis-teisingumas.d?id=18487509#ixzz3J7ynnt4X>. “I was surprised how a solid German weekly ‘Die Zeit’ publishes the falsification of KGB colonel: Germans would pleasantly share responsibility on Holocaust with Lithuanians, though anti-Semitism was the essential base of Nazi ideology and the engine of the Third Reich; already in 1939, the top level of Nazi Party approved the decision on ‘the final solution of Jewish problem’”.

⁴² Samoškaitė, E. (2015). *Kodėl Raudonoji armija neatrodo išvadotoja: Elgėsi tarsi žvėrys (Why the Red Army does not look like a liberator: Behaved like wild animals)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kodel-raudonoji-armija-neatrodo-isvadotoja-elgesi-tarsi-zverys.d?id=67800892>. “A great number of inhabitants managed to leave but over than 300,000 of civilians (about 130,000 of them being of Lithuanian origin) have been cruelly murdered”. “Having stepped into this territory in the beginning, they considered them German lands and carried out the same things which had been done later in East Prussia, East Germany or Berlin: raping, massacre and etc. It is clear from the material of NKVD that all women have been raped, unless she had left Klaipėda region”.

⁴³ Samoškaitė, E. (2015). *Kodėl Raudonoji armija neatrodo išvadotoja: Elgėsi tarsi žvėrys (Why the Red Army does not look like a liberator: Behaved like wild animals)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kodel-raudonoji-armija-neatrodo-isvadotoja-elgesi-tarsi-zverys.d?id=67800892>.

⁴⁴ Samoškaitė, E. (2015). *Kodėl Raudonoji armija neatrodo išvadotoja: Elgėsi tarsi žvėrys (Why the Red Army does not look like a liberator: Behaved like wild animals)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kodel-raudonoji-armija-neatrodo-isvadotoja-elgesi-tarsi-zverys.d?id=67800892>.

Reconciliation Between Lithuanians and Jews in a Lithuanian Society

The public relation with tragic war events in the post-Holocaust society of Lithuania is under investigation: There are attempts to make clear why it happened so, historians have to clarify the data of the dead and injured. It is counted how many Lithuanians, who tried to save Jews, have the name of the righteousness among the nations today. It is written in the Embassy of Israel that 831 Lithuanian citizens used to save Jews. Litvaks are proud about their Lithuanian origin; the others still feel the pain of tragedy and would prefer a more special attention from the state of Lithuania. The encyclopaedia of Litvaks could be compiled; some street could be named after a name of a more famous Litvak. Their music, art could be more promoted. In analysing a long list of famous Litvaks, it has to be noted that they also belonged to different ideologies, sometimes appearing even on different sides of barricades. It is so harmful to the existence of Israel state itself.

Today, only about 5,000 members of Jewish community reside in Lithuania⁴⁵. Also nowadays, Lithuania has perfect Jewish politicians, public actors, scientists. A new Chairperson of Lithuanian Jewish Community—F. Kukliansky is active and positive. She sometimes criticizes appearing anti-Semitic forms but does not make the colours very deep⁴⁶. Since 1988, great event took place in the scope of Lithuanian-Jewish relations. They change these relations into fraternal unity. This is the way how it is described by the member of Lithuanian Sajūdis Movement Initiative Group, the present EU (European Union) Parliament member, a Jew Emanuelis Zingeris at the conference devoted to discuss historical, legal, and political aspects of Lithuanian—Jewish relations⁴⁷:

In 1988, there was a declaration of Lithuanian intelligentsia which in essence had been a cornerstone application. It was written by M. Martinaitis and other educated persons. The whole Lithuanian political elites have signed under it. On June 7, 1988, in the museum of M. K. Čiurlionis, in Kaunas (during the opening of the first Jewish exhibition), Nasvytis and other active people of Sajūdis Freedom Movement have read the first declaration. Nobody knows that fact. The first declaration of Sajūdis was announced on June 7, 1988. It served as a cornerstone of regaining of Lithuanian-Jewish relations. In June of 1988, in New York, the Chairman of the World Lithuanian Community A. Bieliauskas together with the Jewish Committee in America, me (Emanuelis Zingeris) and with A. Štromas signed a declaration on the regaining of Lithuanian-Jewish relations. This declaration has not been announced. In 1991, here, just several steps behind, the active people of Lithuanian Jews have raised the Jewish, Israel flag in barricades (in protecting the Parliament of the Republic of Lithuania from Russian Army attacking) (...). On September 23, 1991, in Paneriai, G. Vagnorius excused, in 1993, there was A. Brazauskas visit to Israel. During it he said very strong words... Arranging of cemeteries, which seemed a boring moment but is crucial (...). Here sits Josif Levinson, who has devoted all his life for the arranging of Jewish cemeteries. This happened on the account of Lithuanian Catholic community, the Jews who remained alive and the state of Lithuania... 200 cemeteries in the places of massive massacre had been arranged. At last, it is written that not Soviet citizens but local Jews—from Telšiai, Plungė, who had been murdered by Nazi and local collaborates rest here. (...). V. Landsbergis, the present Chairman of the Parliament, supported (this document has not been announced anywhere) the excuse of A.

⁴⁵ Since 1992 till 2014, Dr. A. Alperavičius was the leader of Lithuanian Jewish Community and on November 16, the Chairperson of Jewish Community became Mrs. F. Kukliansky, her deputies are the former member of European Parliament, a well-known public actor Prof. Leonidas Donskis, Mrs. Maša Grodnikienė, and the Chairman of Ukmergė Jewish Community Artūras Taicas.

⁴⁶ Kukliansky, F. (2015). *Žydai Lietuvoje neturi daug kuo skųstis (Jews do not have much to complain in Lithuania)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/f-kukliansky-zydai-lietuvoje-neturi-daug-kuo-skustis.d?id=65373548#ixzz3JRrVM VLe>.

⁴⁷ Emanuelis Zingeris (born on July 16, 1957, in Kaunas, Lithuania) is a Lithuanian philologist, museum director, politician, signatory of the Act of the Re-Establishment of the State of Lithuania (1990), currently serving as a member of the Seimas (1990-2000 and since 2004), chairman of its foreign affairs committee (since 2010), vice president of the Parliamentary Assembly of the Council of Europe (since 2009) and president of the Parliamentary Forum of the Community of Democracies (since 2010). A Lithuanian Jew, he has been director of the Vilna Gaon Jewish State Museum, honorary chairman of Lithuania's Jewish community, and is chairman of the International Commission for the Evaluation of the Crimes of the Nazi and Soviet Occupation Regimes in Lithuania. He is a founding signatory of the Prague Declaration on European Conscience and Communism, that proposed the establishment of the European Day of Remembrance for Victims of Stalinism and Nazism.

Brazauskas. This happened in June of 1995. I think that the last moment is September 7, 1998, when the President of Lithuania V. Adamkus established an International Commission on the Evaluation of Crimes of Nazi and Soviet Occupational Regimes in Lithuania (...). A financial support has been received from the Government and it started functioning as a separate organisation. Such are the facts⁴⁸.

In 1994, the Parliament of the Republic of Lithuania announced September 23 the State Memorial Day⁴⁹. September 23 is a sad and important memorial day in the history of Lithuania as in 1943, on that day, the Ghetto of Vilnius was liquidated and part of its inhabitants had been shot in Paneriai (in Vilnius), others had been taken away from Lithuania to concentration camps.

During the period of independence of Lithuania, Jewish communities spread invitations for more people to come to commemorate the victims. In Figure 2, it is written: “The community of Lithuanian Jews (Litvaks) invites to remember International Holocaust Day together on 26 January, 2015”.

Having in mind a hard Jewish geopolitical situation, Lithuanian government, supports a diplomatic line of Jerusalem government in a reserved way but also expresses the wish that the nation of Palestinians could create their own state as soon as possible⁵⁰. Radical elements rising against the policy of their government appear in each state. Fortunately, press did not show much attention and it was escaped from irrelevant slander campaign against Israel⁵¹. Sometimes, due to a random disrespectful case, which comes up from the lack of general culture or stupidity, Lithuanians should not be made guilty at once for anti-Semitism⁵².

It was not easy to solve the question of property return to Jews as the war, nationalisation carried out by Soviet regime had either destroyed everything or scattered. Besides, “There are opposing sides among them, sometimes they see angry intentions in their own activities, though this thinking, if not based on facts, cannot be evaluated in advance as illegal activity”, states R. Pilibaitis and adds that “When private auditors determined infringements, the Government leaves the right to stop the payment of compensation”. Totally, 128 million Litas is foreseen to be allocated from Compensation Fund, the allocations have already been transferred: in

⁴⁸ Zingeris, E. (1999). *Lietuvių-žydų santykiai. Istoriniai, teisiniai ir politiniai aspektai (The relations of Lithuanians and Jews. Historical, legal and political aspects)*. Retrieved from <http://genocid.lt/GRTD/Konferencijos/lietuvi.htm>. E. Zingeris is a special personality of Lithuanian Jews, a political actor of international level, thus, it was worthwhile to provide the quotation of half of the page in the work. Explanations are added in the brackets, the text is shortened just by some sentences.

⁴⁹ Memorial Day for Genocide Victims of Lithuanian Jews. Go to <http://www.komisija.lt/lt/body.php?&m=1176281410>. Information about organised events and conferences is available on this website.

⁵⁰ DELFI. (2014). *Izraelis įvertino Lietuvos poziciją (Israel appreciates the position of Lithuania)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/izraelis-ivertino-lietuvos-pozicija.d?id=65804616>. The Minister of Foreign Affairs of Israel Avigdor Lieberman has positively evaluated Lithuania for its smart position, which it had been keeping in the Council of Security of the UN concerning the conflict in the Near East: “I would like to express my appreciation for your country for a well balanced and very responsible position during the recent two months in the Council of Security concerning our war against terror in the Strip of Gaza”.

⁵¹ Klimka, K. (2014). *Ar egzistuoja oficiali Lietuvos pozicija dėl karo Gazoje (Is there an official position of Lithuania concerning the war in Gaza)?* Retrieved from <http://www.delfi.lt/news/ringas/lit/k-klimka-ar-egzistuoja-oficiali-lietuvos-pozicija-del-karo-gazoje.d?id=65474474>. “Are there any palliative circumstances due to which we should restrict from conclusion that complete silence about the tragedy of Palestine is reliable evidence. The Republic of Lithuania wants to please strategic partners and this unsound fear freezes the agenda of the politics (...). Does the Republic of Lithuania have an official position concerning these events?”.

⁵² Povilaitis, N. (2015). *Žudynių vietoje—Gėdingas renginys (In the place of massacre—A shameful event)*. Retrieved from <http://lietuvosdiena.lrytas.lt/aktualijos/zudyniu-vietoje-gedingas-reginys.htm>. In the very heart of Kaunas, in Miškas Street, in the yard of S. Darius and S. Girėnas Gymnasium, there were waste containers by the Monument for Murdered Jews. They have been standing here for several years and the inhabitants of Kaunas have been already used to them. They have not passed through the eyes of the Lithuanian emigrant living in Israel Daniel Lupshitz. He personally applied the authorities of Kaunas City. Being shameful, the latter have rapidly solved the problem. The same impolite behaviour can be applied to the officials of Vilnius Municipality when a toilet has been opened by the Monument for the Murdered Priest Br. Laurinavičius.

2012—three million, in 2013—12.5 million⁵³. The contribution of Lithuanian Jews into the welfare of our national economy and culture is enormous. It is historical and cannot be denied. Lithuanian Jews, especially Litvaks, are an inseparable part of the state inhabitants. Each citizen, especially a Christian one, has to be sensitive and not tolerate anti-Semitic or anti-Racist manifestations (also small ones). All nations are created by God for a common peaceful life. Inter-religious dialogue helps to disperse suspicion, religious fanatics and historical studies help to understand the facts covered by propaganda on purpose. Thus, every patriot of its country has to perceive that during the World War II the only safe place for Jews in East Europe was the Soviet Union. Though, every Israelite also has to understand that an ordinary Lithuanian, being afraid of Siberia and hiding in a wood, has not been a helper for a German. It is a must to check, observe, and analyse the facts as they are not announced up till now. Historical and iconographic material about cultural, social, and economic life of Lithuanian Jews during the period between the wars has to be collected and accumulated. A unique monument has to be erected for Lithuanian Jews murdered during Holocaust and also the one, great for all who fought for Lithuanian freedom.

Therefore, what contents should prevail in the dialogue between Lithuanians and Jews: Holocaust is to be written with the initial capital letter. The Jews were and will be among people creating Lithuania. Thus, the Holocaust is a common tragedy casted by occupation of the Nazis. It is a cruel tragedy: Parents were being killed when their kids were jumping around⁵⁴. It has already been examined and proved on the basis of the sources of true historians, that the percentage of Jews, who participated in crimes of Communism and its creation, was no bigger than that of the other nations. Therefore, they cannot be reproached with the crimes of Communism. The Jewish people have to understand as well our pain, occupations, exiles, and massacres and should not be afraid of the formula: Crimes of Communism and Nazism are equal. Therefore, we cannot automatically suspect those, who fought and died for the freedom of Lithuania, of shooting the Jews. Let the historians do the job here. If the fact of the crime is proven, a juridical part comes into effect: The law on the legal status of the participants of the resistance to occupation in 1940-1990, Article 6, Part 1, Item 1 defines that a volunteer soldier status is not acknowledged for the persons who committed war crimes and crimes against humanity, ordered to kill or killed peaceful citizens or participated in executing these crimes. Thus, to generalise, in the words of the journalist it can be said: There are no grounds to state that Lithuanians, all as a nation, were exterminators of Jews⁵⁵. The wounds of the Jewish nation have to be healed by all together and the first to pronounce it were the heads of the State of Lithuania.

⁵³ About the allocations of Compensation Fund. Please see <http://kauno.diena.lt/naujienos/lietuva/salies-pulsas/zydu-turto-grazinimo-nebekontroliuos-505867#ixzz3FeApwVxH>.

⁵⁴ DELFI. (2016). *Žudiko pasakojimas: Tėvus šaudėme, o vaikai šokinėjo aplinkui (A story of a killer: We were killing the parents while the children were jumping around)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/zudiko-pasakojimas-tevus-saudeme-o-vaikai-sokinejo-aplinkui.d?id=70193286>.

⁵⁵ Vinokuras, A. (2016). *Holokaustas iš didžiosios raidės (Holocaust from the capital letter)*. Retrieved from <http://lietuvosdiena.lrytas.lt/aktualijos/holokaustas-is-didziosios-raides.htm>.



Figure 2. Invitation to the commemoration of the Holocaust victims organised by Lithuanian Jews (Litvaks), programme cover.

Conclusions

All this geopolitical situation of the beginning of the 20th century provided the base that Hitler, having occupied half of Europe, has attacked the Soviet Union. He performed in the way he wanted in the occupied countries. The West was not fully sure that Germany could face the massacre of such scope.

Lithuania has been strictly implementing anti-Nazi policy. It was one of the rare states which already before the World War II judged Nazi for their sabotage activities in Klaipėda region. Lithuania has been implementing anti-Nazi policy strictly.

The Committee of NGO (Non-Governmental Organization) which could react in all possible legal ways toward one-sided, illogical speeches against “Jewish occupants” encouraging anti-Semitism and terroristic moods has to be established. Europeans and Jews should always feel the support of each other and solidarity in fighting for peace, common security, and progress. If the State of Israel collapses, EU security by the southern borders will become worse immensely.

The Government of Israel invites Jews to come back to their historical homeland and they have to strengthen relations with the Jews living abroad that the latter would not lose Jewish identity and would contribute to the development of democracy and progress in each nation, decrease anti-Semitism and protect human rights in the state they live. Earlier anti-Semitism used to evoke from the radicals of the right side and today, it is on the contrary, from the left wing parties.

Holocaust has been the destruction of Jewish nation by Nazi. There is no doubt that Holocaust has been the largest crime against humankind, the strongest and the most vivid form of genocide. From the point of science, Holocaust is larger evil than the deportation of Stalin but the suffering of one person and death, coming from the repressions of dictatorship is evil, obtaining the condemnation from the society. What if this evil has reached millions? This has to be presented at Israel schools as the member of EU Parliament E. Zingeris stated.

The best representatives of many nations have suffered from Hitler and Stalin. Reliable historical sources prove that it is not right to blame Jews for the participation in Stalin's repression structures. According to the percentage, the number of such people was even less than the one of the other nations. Holocaust has been implemented in Lithuania as well. For about 200,000 Jews have been murdered who had been living here in peace and happiness since the 13th century. Vilnius was even called the third Jerusalem. It is well to notice that Lithuanian Jews themselves connect the essence of tragedy with Nazi occupation where local executioners had been joined. Legal responsibility is applied only to the people who had directly contributed to the crimes of humankind; he (Štromas) applies the validity of moral responsibility to the whole nation⁵⁶. Longer quotations of memories disclose the sorrow of consciousness of people who had been forced to help the occupants to eliminate Jews. Those who did it by their own will cannot wait for any justification, even after their death, and the society has to condemn them legally and morally.

Fortunately, Nazi did not manage to establish any division supporting the fight of them. Many Lithuanians also suffered the supporters of Hitler. The Government of Lithuania excused for the past mistakes and put all the efforts to return Jewish property. At last, there is no space for anti-Semitism to develop in Lithuanian democratic society. Lithuanian government fully understands a complicated geopolitical situation of Jerusalem and the UN supports the position of Israel.

All democratic states of the world commemorate Holocaust victims. In the USA, an annual Day of Holocaust is a national event. The Day of Holocaust is also commemorated in Lithuania. European Jews, among them being a small part of Lithuanian Jews, have to raise their moral and spiritual understanding in taking part in the life of their states without the nightmares of the past. Together with other nations, peaceful, free, and humanistic future of Europe has to be created.

It is not enough to observe political situation, the psychology of nations but prevention has also been taken in time to avoid large scale catastrophe in Near East—nuclear Holocaust. It is believed that the Jews of the world understand international situation and will strongly support their brave Prime Minister Netanyahu protecting the security of Israel. The nation of Israel, the parents and grandparents of which have suffered this terrible massacre, is alert and has the right to observe the manifestations of anti-Semitism in any state in order to eliminate them in time. History is mentioned not for revenge but for understanding it in a proper way and not to repeat it again.

References

- 15min. (2013). *98-year-old Vladislovas Telksnys, the only living survivor of Stutthof concentration camp: "I went through hell"*. Retrieved from <http://www.15min.lt/en/article/culture-society/98-year-old-vladislovas-telksnys-the-only-living-survivor-of-stutthof-concentration-camp-i-went-through-hell-528-333701>
- 2000 m. Kauno Vytauto Didžiojo universitete įvyko seminaras, kuriame buvo nagrinėjami įvykiai, susiję su žydų žudynėmis buvusiam "Lietūkio" garaže 1941 m. birželio mėn (In 2000 a seminar took place at Kaunas Vytautas Magnus University where the events connected with the Jewish massacre in the garage of "Lietūkis" in June of 1941 had been discussed). Retrieved from <http://Nuomonė-Genocid.lt/genocid.lt/centras/lt/899/a/>
- Bargman, C. (2009). *Nauja apie žudynes "Lietūkio" garaže. Kiek garažų buvo (New facts about the massacre in the garage of "Lietūkis". How many garages were there)?* Retrieved from <http://www.genocid.lt/centras/lt/899/a/>

⁵⁶ Donskis, L. (2005). *Tomas Venclova: Etinis universalizmas ir kito atradimas (Tomas Venclova: Ethical universalism and discovery of something else)* (pp. 157-202). Tapatybė ir laisvė. Trys intelektualiniai potretai (Identity and Freedom. Three intellectual portraits). Vilnius: Versus Aureus. Retrieved from http://www.saltiniai.info/files/literatura/LH00/Leonidas_Donskis_Tomas_Venclova.LHR701C.pdf. "To this respect, Venclova has similarities with Karl Jaspers, who has described legal, moral and metaphysical aspects taking into account the question of guilt during after the war period".

- Bargmanas, C. (2009). *Nauja apie žudynes "Lietūkio" garaže (New information about the murder at "Lietūkis" garage)*. Retrieved from <http://www.genocid.lt/centras/lt/899/a/>
- Brazaitis, J. (2003). *J. Ambrazevičiaus-Brazaičio politinių veiksmų vertinimas Lietuvos Laikinojoje vyriausybėje (Evaluation of political actions of J. Ambrazevičius-Brazaitis in the temporary government of Lithuania)*. Retrieved from <http://mokslai.lt/referatai/istorija/j-ambrazeviciaus-brazaicio-politiniu-veiksmu-vertinimas-lietuvos-laikinojoje-vyriausybeje.html>
- Bubnys, A. (2015). *Aušvice kentė beveik du tūkstančiai Lietuvos moterų ir vaikų (Aušvice plagued almost two thousand Lithuanian women and children)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/a-bubnys-ausvice-kente-beveik-du-tukstanciai-lietuvos-moteru-ir-vaiku.d?id=67013474>
- Čiplytė, J. V. (2001). *Amžna knygos tauta. Lietuvos žydų gyvenimo puslapiai (The eternal nation of the book. The pages of the life of Lithuanian Jews)*. Vilnius: Homo liber.
- DELFI. (2007). *"Lietūkio" garažas—Klastočių pinklėse ("Lietūkis" garage in the trap of forgeries)?* Retrieved from <http://www.delfi.lt/news/daily/lithuania/lietukio-garazas-klastociu-pinklėse.d?id=12723652>
- DELFI. (2012). *Kaune paminėtos žydų žudynių "Lietūkio" garažų kieme metinės (Commemoration of Jewish massacre in the garage of "Lietūkis")*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kaune-paminetos-zydu-zudyniu-lietukio-garazu-kieme-metines.d?id=59040435>
- DELFI. (2014). *Izraelis įvertino Lietuvos poziciją (Israel appreciates the position of Lithuania)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/izraelis-ivertino-lietuvos-pozicija.d?id=65804616>
- DELFI. (2015a). *Nacių siaubus išgyvenęs vyras: Gyvybę man išgelbėjo melas (The man who suffered Nazi horror: A lie helped me to survive)*. Retrieved from <http://www.delfi.lt/news/daily/world/naciu-siaubus-isgyvenes-vyras-gyvybe-man-isgelbejo-melas.d?id=67845168>
- DELFI. (2015b). *Tamsiasias nacių paslaptis atskleidęs vyras: Aš viską mačiau (The man who has disclosed the dark secrets of Nazi: I saw everything!)* Retrieved from <http://www.delfi.lt/news/daily/world/tamsiasias-naciu-paslaptis-atskleides-vyras-as-viskamaciau.d?id=67890162#ixzz3zrcnzkn>
- DELFI. (2016). *Žudiko pasakojimas: Tėvus šaudėme, o vaikai šokinėjo aplinkui (A story of a killer: We were killing the parents while the children were jumping around)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/zudiko-pasakojimas-tevus-saudeme-o-vaikai-sokinejo-aplinkui.d?id=70193286>
- Dieckmann, C., & Sužiedėlis, S. (2015). *Pirmosios žydų žudynės (The first massacre of Jewish)*. Retrieved from http://www.saltiniai.info/files/istorija/II00/Pirmosios_žydų_žudynės.II0901.pdf
- Donskis, L. (2005). *Tomas Venclova: Etinis universalizmas ir kito atradimas (Tomas Venclova: Ethical universalism and discovery of something else)* (pp. 157-202). Tapatybė ir laisvė. Trys intelektualiniai potretai (Identity and Freedom. Three intellectual portraits). Vilnius: Versus Aureus. Retrieved from http://www.saltiniai.info/files/literatura/LH00/Leonidas_Donskis_Tomas_Venclova.LHR701C.pdf
- Focus. (2014). *Qual è l'origine della parola ghetto (What is the origin of the word ghetto)?* Retrieved from <http://www.focus.it/cultura/storia/qual-e-l-origine-della-parola-ghetto>
- Gilbert, M. (1987). *The Holocaust: The Jewish tragedy*. Retrieved from <http://thehealingproject.net.au/wp-content/uploads/2010/04/Martin-GILBERT-The-Holocaust-The-Jewish-Tragedy.pdf>
- Gilbert, M. (1993). *Atlas of the Holocaust. Hardcover*. William Morrow Company.
- Gilbert, M. (2001). *Niekada per amžius. Holokausto istorija (Never again. A history of the Holocaust)*. Vilnius: R. Paknio Leidykla.
- Glodenis, D. (2016). *Kas nuvainikuos nepelnytai pagerbtus, prisidėjusius prie Holokausto (Who will dismiss undeservedly honored that contributed to the Holocaust)?* Retrieved from <http://www.delfi.lt/news/ringas/lit/d-glodenis-kas-nuvainikuos-nepelnytai-pagerbtus-prisidejusius-prie-holokausto.d?id=70352118>
- Klimka, K. (2014). *Ar egzistuoja oficiali Lietuvos pozicija dėl karo Gazoje (Is there an official position of Lithuania due to the war in Gaza)?* Retrieved from <http://www.delfi.lt/news/ringas/lit/k-klimka-ar-egzistuoja-oficiali-lietuvos-pozicija-del-karo-gazoje.d?id=65474474>
- Krupavičius, M. (1986). *Lietuvių ir žydų santykiai hitlerio okupacijos metu (The relations of Lithuanians and Jews during the occupation of Hitler. Letters to Lithuanians)*. Retrieved from <http://www.partizanai.org/index.php/bendraminciu-straipsniai/251-lietuviu-ir-zydu-santykiai-hitlerio-okupacijos-metu>
- Kukliansky, F. (2015). *Žydai Lietuvoje neturi daug kuo skųstis (Jews do not have much to complain in Lithuania)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/f-kukliansky-zydai-lietuvoje-neturi-daug-kuo-skustis.d?id=65373548#ixzz3JRrVMV>

- Lietuvos žydų genocido aukų atminimo diena (The commemoration of genocide victims of Lithuanian Jews)*. (n.d.). Retrieved from <http://www.komisija.lt/lt/body.php?&m=1176281410>
- Lukšas, A. (2009). *J. Ambrazevičius-Brazaitis—Vienų vienas (J. Ambrazevičius-Brazaitis—Purely alone)*. Retrieved from <http://www.tv3.lt/m/naujiena/323698/juozas-ambrazevicius-brazaitis-vienu-vienas>
- Moresca, A. (1991). *Dizionario giuridico diplomatico (Diplomatic juridical dictionary)*. Milano: Giuffrè Editore.
- Narutis, P. (1980). Naručio, Pilypo inžinieriaus liudijimas apie gyvenimą Štuthof koncentracijos stovykloje (The witness of an engineer Pilypas Narutis about the life in Stutthof concentration camp). Rankraštis, naudojamas kunigo A Lipniūno kanonizacijos byloje (This data is used in the Canonisation Case of the priest A. Lipniūnas).
- Povilaitis, N. (2015). *Žudynių vietoje—Gėdingas reiginys (In the place of massacre—A shameful event)*. Retrieved from <http://lietuvosdiena.lrytas.lt/aktualijos/zudyniu-vietoje-gedingas-reginys.htm>
- Samoškaitė, E. (2015). *Kodėl Raudonoji armija neatrodo išvaduotoja: Elgėsi tarsi žvėrys (Why the Red Army does not look like a liberator: Behaved like wild animals)*. Retrieved from <http://www.delfi.lt/news/daily/lithuania/kodel-raudonoji-armija-neatrodo-ismvaduotoja-elgesi-tarsi-zverys.d?id=67800892>
- Truska, L. (2003). *Tikros ir primestos kaltės. Lietuvos žydai (True and fake blaming. Lithuanian Jews)*. Kaunas: Vytaytas Magnus University.
- Vasiliauskas, V. (2008). *Lietuvių ir žydų santykiai: Popierinis teisingumas (The relations of Lithuanians and Jews: Paper justice)*. Retrieved from <http://www.delfi.lt/news/ringas/lit/vvasiliauskas-lietuviu-ir-zydu-santykiai-popierinis-teisingumas.d?id=18487509#ixzz3J7ynnt4X>
- Venclauskas, L. (2003). *The riddles of stereotypes. Anti-Semitism in Lithuanian and French Press in 1941-1942. Lithuanian Jews*. Kaunas: Vytauto Didžiojo Universitetas.
- Vinokuras, A. (2016). *Holokaustas iš didžiosios raidės (Holocaust from the capital letter)*. Retrieved from <http://lietuvosdiena.lrytas.lt/aktualijos/holokaustas-is-didziosios-raides.htm>
- Vogelsang, P., & Larsen, B. B. M. (2002). *The Nazi ideology*. Retrieved from <http://www.holocaust-education.dk/baggrund/nazismensideologi.asp>
- Yad Vashem. (2016). *The Holocaust: Definition and preliminary discussion*. Retrieved from http://www.yadvashem.org/yv/en/holocaust/resource_center/the_holocaust.asp
- Zingeris, E. (1999). *Lietuvių-žydų santykiai. Istoriniai, teisiniai ir politiniai aspektai (The relations of Lithuanians and Jews. Historical, legal and political aspects)*. Retrieved from <http://genocid.lt/GRTD/Konferencijos/lietuvi.htm>



Journal of US-China Public Administration
Volume 13, Number 3, March 2016

David Publishing Company
616 Corporate Way, Suite 2-4876, Valley Cottage, NY 10989, USA
Tel: 1-323-984-7526, 323-410-1082; Fax: 1-323-984-7374, 323-908-0457
<http://www.davidpublisher.com>, www.davidpublisher.org
managers@davidpublishing.com

