
IJMMIR

International Journal of Management and Marketing Research

VOLUME 14

NUMBER 1

2021

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ISSN : 1933-3153 (print) and ISSN: 2157-0205 (online)



THE INFLUENCE OF PUBLIC RELATIONS AND COMMUNICATION FUNCTIONS ON PERCEPTIONS OF ORGANIZATIONAL SUCCESS, INNOVATION AND REPUTATION

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ABSTRACT

Drawing on survey data gathered from senior public relations officers within Canadian organizations, this paper explores the extent to which the integration of the public relations function in strategic decision-making impacts the achievement of positive organizational outcomes. Three measures of organizational performance were used to investigate these relationships: practitioners' perceptions of organizational success, innovativeness, and external reputation. This research reveals that a strategic public relations / communications management focus by senior organizational management has a positive influence on an organization's innovativeness.

JEL: L20, M19, M31

KEYWORDS: Public Relations, Strategic Decision-Making, Organization Success, Organizational Innovation, Reputation Management

INTRODUCTION

This research focuses on the integration of public relations/communications in the upper level strategic management of Canadian organizations. The emphasis of this research is on two aspects of the public relations/communications relationship within organizational management: the extent to which it factors into high level strategic decision making and the degree to which it is integrated and coordinated with other functional areas of strategic management. This research also addresses the extent to which public relations/communications contributes to perceptions of organization success, innovation and external reputation. Extant literature in this area has not adequately addressed the nature of this relationship, leaving gaps in our understanding of the value of strategic public relations within organizational decision-making. This investigation of practitioner access to organizational decision-making and the corresponding influence on organizational innovativeness contributes to a growing literature addressing the role of public relations in terms of the organizational bottom line. This paper makes an important contribution to the public relations literature as it offers an empirical investigation of the relationship between public relations practice and organizational outcomes. This paper begins by situating the current research within the literature by way of a literature review. This study employed a multi-stage research methodology building on findings from a global study of the practice of public relations. This is presented in the next section that describes data and methodology and that lists the hypotheses tested in this quantitative research. The results of the research are organized and reported by methods used to analyze the data. The first part of the results describes the public relations field in Canada as well as the integration of public relations/communications into the executive suites in Canadian organizations. The next section reports results of a factor analysis and three logistic regressions that were used to test the hypotheses. The paper concludes with closing comments and recommendations for future research.

LITERATURE REVIEW

Since the introduction of findings from the landmark Excellence Study (Grunig, 1992), the importance of access to the organization's dominant coalition, or key decision-making unit, is a consistent theme in the public relations literature (i.e. Berger, 2005; Bowen, 2009; Bowen, 2015; Grunig, L. 1992; Plowman, 1998). Without a strategic focus within organizational decision-making, public relations practitioners are relegated to the role of fire-fighters or promoters, with no long-term impact on stakeholder relationships and strategic communication planning. As Larissa Grunig points out, "The power-control perspective says that organizations do what they do because the people with the most power in the organization – the dominant coalition- decide to do it that way... Public Relations has a better chance of being excellent, it follows, if the senior communication manager is a member of that coalition (1992, p. 483)."

More recently, scholars such as Holtshausen and Voto (2002) and Berger (2005) have been critical of this call for increased access to the dominant coalition, suggesting that public relations practitioners require some distance from organizational decision-making so that they can serve as activist voices and better represent minority publics. Critical public relations scholars further argue that more in-depth work on the conceptualization of power in this field is required. For example, Edwards (2006, 2009) calls for stronger theoretical understandings of power as a form of social capital, and greater reflection on the social power, which public relations practitioners employ with regard to organizational interests.

However, the 'excellence' perspective is still maintained within the profession as the gold-standard of practice. Excellence theory explicitly states among its generic principles of excellent public relations practice that: a) public relations must be involved in the organization at a level of strategic management and b) public relations must be empowered in the dominant coalition or through a direct reporting relationship, to senior management (Grunig, 1992). Grunig (2006) himself has responded to these criticisms as reflecting an "incorrect interpretation of the excellence theory and of the concept of a dominant coalition" (p.164). The public relations and communication (PR/COMM) function in organizations typically includes internal communication, external communication, media relations, reputation management and stakeholder relationships. Nevertheless, the complexity of organizational functions outside of the PR/COMM department were noted by Moss et al (2000) as reasons why the PR/COMM function may be excluded from upper level decision-making in some organizations (Moss, Warnaby & Newman, 2000, p.298). Executives outside of the PR/COMM function may believe that PR/COMM practitioners are not familiar with other functional areas and may leave them out of the decision-making process.

Moss et al (2000) noted that the participation of PR/COMM practitioners in strategic management processes in UK firms was heavily influenced by how highly they were regarded by their Chief Executive Officers (CEOs) and other top ranked executives. In addition, highly trusted and regarded PR/COMM practitioners were often very familiar with the other aspects of the organizational functions outside of the communications area (p.19). The growth of stakeholder involvement in many organizations has both legitimized the role of PR/COMM in managing organizations and has had an impact on the extent to which the practitioners are consulted for high level strategic decisions (p.23). Despite this level of involvement, operational and financial issues still provide barriers that function to limit PR/COMM access to strategic decisions in United Kingdom (UK) firms (p.299). Moss et al (2000) noted that "strategy making was often a strongly financially orientated process" (p.298). Having a direct reporting relationship to the top-ranking executive does not necessarily mean that PR/COMM practitioners are involved in the actual decision-making process. PR/COMM was not always considered a "strategic function" which limited the actual degree of input into top-level management decisions (Moss et al, 2000, p.300). Being at the table during the decision-making process does not guarantee actual input into the decision or that the information provided by the party is considered to be strategic or important:

“Public relations is seen as a service to the business, it has a strategic value, but only to support what the business wants to do. It isn’t seen as a strategic function in its own right.” (p.300) Smith and Place (2013) viewed the integration of public relations into the strategic management process as a function of power, which may be impacted by the value of unique skill sets that PR/COMM practitioners bring to the table. This reflects what Moss et al (2000) concluded: PR/COMM practitioners are primarily involved in tactical decisions relating to public relations activities that can directly impact a firm’s performance (p.300). However, the unique competencies held by many PR/COMM practitioners are directly linked to their primary areas of responsibility and may not easily translate into other functional areas of the business, or they may be perceived by others in the executive (C-suite) as not relevant to non-communications functions in the organization. Smith and Place (2013) noted that “power in public relations is considered a function of one’s capacity for influence” (p.169). They asserted that specialist knowledge, such as that related to digital media, may increase the value of the PR/COMM practitioner’s strategic role, and ultimately result in greater power (influence) (p.171). This knowledge-based expertise provided a base from which PR/COMM practitioners could lead in an integrated organization (p.176). Smith and Place (2013) claimed that PR/COMM practitioners can gain power through “value creation”, which happens when tactical contributions of practitioners result in noticeable gains in terms of financial results or the achievement of measurable goals relating to marketing strategies or media plans (p.177).

To some extent PR/COMM practitioners have been given control over the PR/COMM process to enable them to create such value (p.178). The power-control perspective asserts that those who hold power within the organization, those known as the dominant coalition, control what it does simply because they hold the power to do so. Therefore, to rise to that level of influence would require that PR/COMM practitioners become part of that dominant coalition (Grunig, 1992). It remains unclear as to how highly ranking PR/COMM practitioners can become part of the dominant coalition because it is not at all clear how they may increase their capacity for influence. The public relations scholarship regarding possible links between the PR/COMM function and innovation in an organization offers some insight into the connection between the successful implementation of organizational innovations and communication. Friedmann & Maurer (2003) point out that, for the most part, the implementation of innovations has been ineffective. Zerfass & Huck (2007) further explain that a major reason for this is the lack of professional communication within the innovation process (p. 108). Foundational work in the area of innovation communication has emerged in Spain, Finland, Sweden and the United States (Mast, Huck, & Zerfass, 2006; Huck, 2006; Mast & Zerfass, 2005; Zerfass, Sandhu, & Huck, 2004; Meseguer, 2004; Kauhanen, 2005; Nordfors, 2004). Further research in this area is required to provide a more complete understanding of the relationship between communication and innovation. Much of the research regarding innovation in PR/COMM relates to innovative practices in the application of the PR/COMM function, relating to media management, crisis management, enhanced communication, and social media (Taylor & Kent, 2010; Wright & Hinson, 2013). It is possible that by adding innovative ideas and approaches PR/COMM practitioners may enhance their influence enough to become part of the dominant coalition.

Research has shown that practitioners who use innovative PR/COMM tools (for example some applications of digital media platforms) may enjoy more power and influence in their organizations, resulting in a greater responsibility for decision-making at the organizational level (Diga & Kelleher, 2009; Sallot, Porter, & Acosta-Alzuru, 2004). An emergent and growing area of research has focused on digital innovation within organizations (see Nambisan et al, 2017). Digital innovation provides a more nuanced literature on the specific organization of innovation within a context of digital communication. This includes an expanded discussion about the boundaries in which innovation may occur. Extant literature linking PR/COMM perceptions of organizational success tends to link specific PR/COMM functions to reputation management or stakeholder involvement (Doorley & Garcia, 2015). The underlying premise in most research is that best practices in PR/COMM should result in stakeholder involvement which is seen as important to create a strong positive reputation, which should then result financial success for the firm (Yungwook, 2001). This view, reflecting the goal attainment perspective, is based on the assumption that: “...a public relations goal

does not equal its contribution to the bottom line, but public relations can contribute to the bottom line by achieving its goals.” (p.5). It is possible that the goal attainment perspective has focused PR/COMM practitioners on their craft, apart from their role in the organization as a whole. Also, it is possible that this perspective has influenced non-PR/COMM managers and executives into adopting the view that public relations is a contributing function, but not necessarily a key component of C-suite strategic decision-making. Further work on the role of PR/COMM within organizations in relation to dynamic and contested communication environments highlights the value of the communication function in ambiguity (Scandellus & Cohen, 2016; Jarzabkowski, Sillince & Shaw, 2010). This perspective suggests that the PR/COMM function is useful to the organization as it navigates “strategic ambiguity” (Eisenberg, 2007). In these situations, PR/COMM managers are rarely able to directly address role and goal expectations, as this would lead to polarization of outcomes among stakeholders (Ihlen, 2018). Instead, they rely on indirect forms of influence or ‘context control’ which leads to indirect interventions which are most promising “for favorable results to develop by themselves, in accordance with their own self-dynamics” (Nothhaft, 2010, p.136).

Although this work on strategic ambiguity has not linked the PR/COMM function to the organizational bottom line, we can refer again to the work of Yungwook (2001) which further identifies a relationship between public relations’ contribution to the organization and outcomes such as innovation in organizational culture and reputation management. Both of these elements are identified as contributors to the broader category of organizational success. Likewise, there is little scholarship on the relationship between the PR/COMM function per se and financial rewards as indicators of organizational success, as perceived by the PR/COMM practitioner. However, there has been some research which attempts to quantify the financial worth of the PR/COMM function by focusing on a cost/benefit analysis, or return on investment (Grunig, 2006). Is the function worthwhile given its cost to the firm? Yungwook (2001) again demonstrated that the amount spent on public relations expenses was positively related to a firm’s reputation, its market share, and revenues among Fortune 500 companies. When looking at public relations from a purely financial model it proved to be a good investment. However, such research continues to regard public relations as a service function and not as a critical input to the strategic management process.

DATA AND METHODOLOGY

The goal of this paper is to explore the extent to which senior involvement of PR/COMM functions characterize Canadian organizations that have desirable characteristics. This study examined the role of C-suite engagement of PR/COMM, the integration of the function in strategic management of the organization, and the achievement of positive organizational outcomes. Positive outcomes include the organization’s level of innovation and success and establishing a positive external reputation. If the involvement of the PR/COMM function in upper level strategic management is beneficial for the organization, it should show strong measures of performance. Three measures of organizational performance were used to measure these relationships. These performance measures were organizational success, innovativeness, and external reputation, as rated by top-ranking PR/COMM practitioners. Based on the literature six hypotheses were created that addressed the integration and coordination of PR/COMM into the functional areas or organizational management and the extent to which PR/COMM was integrated into senior strategic organizational management. The hypotheses appear in Table 1.

Table 1: Research Hypotheses

H1: Integrating the PR/COMM function into senior strategic decision-making will have a positive influence on an organization's success.
H2: Integrating the PR/COMM function into senior strategic decision-making will have a positive influence on organizational innovativeness.
H3: Integrating the PR/COMM function into senior strategic decision-making will result in a good external reputation.
H4: Coordinated and integrated PR/COMM processes will have a positive influence on an organization's success.
H5: Coordinated and integrated PR/COMM processes will have a positive influence on organizational innovativeness.
H6: Coordinated and integrated PR/COMM processes will result in a good external reputation

This table lists the research hypotheses to be tested.

The data used in this research was obtained as part of the eighth iteration of a larger study called the Generally Accepted Practices in Public Relations (GAPVIII) (Canada) Study conducted during the winter of 2013/14. The GAPVIII study is part of a large international research project designed to track the growth of the public relations/communications industry, focusing on best practices (Thurlow, Kushniryk, Blotnicky, & Yue, 2014). The GAP study is conducted biannually in the United States by the University of Southern California Annenberg. The survey is conducted simultaneously in Brazil, Australia, New Zealand, South Africa, and the United States. The GAP VIII study was the first one to collect Canadian data in partnerships with the Canadian Public Relations Foundation. Data were collected using an online survey and are available to members of the research team (including these authors) for further analysis. This paper focuses specifically on the Canadian arm of the study.

Key respondents were sampled through two leading professional organizations in Canada: The Canadian Public Relations Society (CPRS) and the International Association of Business Communicators (IABC). This resulted in 197 survey responses and 122 useable responses made up the complete survey sample. This sample was used to complete the first phase of the analysis for this research, consisting of a Factor Analysis. To reduce the variability for the second phase of this research, which consisted of a regression analysis, the sample was reduced to include only for-profit firms and government organizations that were responsible for planning and implementing public relations and communications plans for their own organizational use. Private companies publicly held companies, and government agencies were included in the second phase analysis, resulting in 62 firms for inclusion in the study. Over half of the 62 firms were either publicly traded (24.2%) or privately held (32.3%). The remaining 43.5% of the sample consisted of government departments or agencies (43.5%). Over 90% of the organizations were headquartered in Canada. Organizations that did public relations or communications plans for other organizations (such as public relations agencies), non-profit organizations, and associations, were not included in the final analysis.

The PR/COMM practitioners in the final sample for this paper consisted of 62 individuals who were the highest-ranking public relations/communications professionals in their organizations, some of whom had considerable managerial responsibility. Fifty-three percent were the most senior communications professionals in their organizations and 18% reported to the most senior communications professional. The remaining responders either reported to a senior communications executive or were the most senior internal communications professional in their organization. Most of the respondents were female (70%) and 70% of the sample ranged in age from 20 to 50 years. Over 95% had university level education and more than one-third had completed postgraduate or graduate level education. Educational backgrounds included degrees in communications (13%), business administration (8%), or journalism (16%), and over half had taken formal executive-level training in public relations, communications, business administration or a related field. Each of these respondents was considered a key informant for the analysis of the PR/COMM function in their respective organizations.

The GAPVIII global survey used a seven-point semantic differential scale to measure PR/COMM professionals' perceptions of their organization. These measures captured respondents' perceptions of innovativeness, success, and external reputation. The survey also used eight Likert-scaled measures to capture professionals' perceptions of the PR/COMM function in the organization. These measures, rated on a seven-point Likert scale ranging from 1) Strongly disagree to 7) Strongly agree, are listed in Table 2.

Table 2: PR/COMM Practitioners' Perceptions of Innovativeness, Success and External Reputation in Their Own Organizations

Survey Measures
Appropriateness of the reporting line for the PR/COMM function
Level of seriousness with which PR/COMM recommendations were treated by senior management (CEO, chairperson, Chief Operations Officer (COO))
Degree of active participation of PR/COMM in long-term organization-wide strategic planning
Degree to which senior management believed that PR/COMM contributed to fair stock value
Degree to which senior management believed that PR/COMM contributed to the organization's financial success
Level of coordination and integration of PR/COMM functions (eg: media relations, corporate communications, etc.)
Level of coordination and integration of PR/COMM department with others (eg: finance, law, operations, etc.)
Level of coordination and integration between PR/COMM and marketing functions

This table lists measures used to capture the perceptions of PR/COMM professionals in evaluating their own workplaces based on organizational innovativeness, organizational success, and organizational external reputation in the GAPVIII global survey. (Thurlow et al.,2014)

In the first stage of data analysis the eight statements shown in Table 2 were subjected to an exploratory factor analysis, thereby reducing the number of variables to manage a sample size limitation. The full sample of PR/COMM practitioners (n=122) was used for the factor analysis. The Factor Analysis was conducted using principal components extraction with a varimax rotation. The analysis resulted in uncorrelated factors, thereby eliminating multicollinearity among the independent variables, which could confound the logistic regression. Factors were extracted until a cut-off of Eigenvalue = 1. The cut-off for factor loadings was limited to .50 to provide sample power of .80 with $\alpha = .05$ for the sample size of 122 (Hair et al, 2008). Correlation analysis, the Kaiser/Meyer/Olsen Measure of Sampling Efficiency, and Bartlett's Test of Sphericity were used to confirm that the data was suitable for factor analysis. In the second stage of this research direct entry binary logistic regression was used to test the hypotheses. Logistic regression does not require multivariate normality and was a better choice of technique given the resulting distribution of the data. Factor scores from the exploratory factor analysis conducted in the first stage of the analysis were regressed against PR/COMM practitioners' perceptions of organizational success. The sample size for the regression analysis was reduced to 62 organizations that managed their own in-house PR/COMM. McFadden's R^2 , a pseudo R^2 measure for use with logistic regression, was used to determine the strength of the regressions and odds ratios and probability measures were used to interpret statistically significant regression associations.

RESULTS

Overall, Canadian public relations practitioners in this study indicated increased access to their organizations' dominant coalitions, and more consistent access to this group, than reported by American and European practitioners (i.e. Swerling, 2014). Canadian practitioners further indicated that they retained responsibility within their organizations over core responsibilities for key areas of communication including social media and media relations. Further, study results suggest that decision-making for key communication responsibilities differed depending upon the sector in which respondents were employed. For example, those working for private companies had authority for planning and budgeting. Those

employed by government had core decision-making authority over creating and implementing crisis response strategies.

PR Practitioners' Perspectives of Organizational Performance

Key respondents were asked to rate their organization's performance. Three measures of performance were analyzed including respondents' perceptions of the organization's success, innovativeness, and external reputation. These measures were rated on a seven-point Semantic Differential scale ranging from 1 to 7, where the 1-rating referred to the most desirable trait and the 7-rating referred to the least desirable trait. The semantics for each scale were: 1) Innovative to 7) Conservative; 1) Successful to 7) Unsuccessful, 1) Good external reputation to 7) Poor external reputation. The analysis revealed that PR/COMM practitioners' scale ratings generally leaned towards being successful ($M=2.42$) and having a good reputation ($M=2.47$), rather than being innovative ($M=3.55$). The innovation rating was more in the middle of the differential scale, indicating greater indecision on the part of the raters. These results are shown in Table 2.

Table 2: Semantic Differential Ratings for Organizational Reputation, Success, and Innovativeness

Organizational Trait	Rating Scale	Average	Standard Deviation	Number
Innovative	1) Innovative to 7) Conservative	3.55	1.7	62
Successful	1) Successful to 7) Unsuccessful	2.42	1.2	62
Good External Reputation	1) Good External Reputation to 7) Poor External Reputation	2.47	1.3	62

This table shows the number of observations for each measure of organizational performance. The column labeled ORGANIZATIONAL TRAIT lists the three aspects of organizational performance that were rated by the key respondents in the study. The column labeled RATING SCALE shows the Semantic Differential scale used to rate each of the traits. The column labeled AVERAGE shows the mean rating scale score for the trait measured. The column labeled STANDARD DEVIATION shows the standard deviation of the scale rating for the trait measured. The last column, labeled NUMBER, shows the number of key respondents who rated the trait.

The average ratings on for each of the organizational traits provided an interesting glimpse into the perceptions of PR/COMM practitioners. While they were inclined to see their organizations as being reasonably successful and well regarded, this differed to some extent from their perceptions of organizational innovativeness. For further analysis using logistic regression these three measures were recoded to capture only ratings that were primarily positive. The Innovative Semantic Differential scale ratings of only 1 or 2 (Innovative ratings) were captured for measures of Innovativeness, while scale ratings of 3 or more were treated as being non-innovative. This variable was then dummy coded as 0) Not Innovative and 1) Innovative. The same procedure was used to capture the highest desirable ratings for Success and Reputation. These results revealed that most firms did not meet the criterion for being rated as innovative (67.7%). Just over half of the firms were rated as being successful (54.8%) or having a good external reputation (58.1%). The dichotomous results for Innovativeness, Success, and Reputation measures are shown in Table 3.

Table 3: Dichotomous Ratings for Organizational Reputation, Success, and Innovativeness

Organizational Trait	Applies	Does Not Apply	Number
Innovative	20 (32.3%)	42 (67.7%)	62
Successful	34 (54.8%)	28 (45.2%)	62
Good External Reputation	36 (58.1%)	26 (41.9%)	62

This table shows relative percent of the sample of key respondents who rated three organizational traits as applying, or not applying to their organizations. The first column, labeled Organizational Trait, lists the trait of the organization that was rated by key respondents. The column labeled APPLIES shows the number of respondents who believed that the trait applied to their organization with the percent of respondents in brackets. The column labeled DOES NOT APPLY shows the number and percent of key respondents who believed that the trait did not apply to their organization. The last column, labeled NUMBER, shows the number of key respondents who rated the trait.

The dichotomies created for each of the organizational traits provided a clear view of the extent to which PR/COMM practitioners viewed each in a favourable light. This was done by minimizing the impact of the middle of the Semantic Differential scale, essentially taking those in the mid-range “fence-sitting” position and shifting them towards the “does not apply” group. This shift in coding clarified the positive ratings for each criterion.

Organizational Integration of the PR/COMM Function

Respondents described their organization’s treatment of the PR/COMM function by rating it on eight criteria using a seven-point Likert Scale ranging from 1) Strongly disagree to 7) Strongly agree. Agreement with each criterion was determined by examining the average scale ratings and the percent of respondents rating each as 6 or 7 on the Likert Scale. The average scale rating demonstrated that 64% of PR professionals believed that the reporting lines in their organizations were appropriate (M=5.31, SD=2.1) and that 59% agreed that PR/COMM actively participated in long-term organization-wide strategic planning (M=5.3, SD=1.9). Sixty-one percent of practitioners also indicated that the recommendations made by PR/COMM were taken seriously by senior level management (M=5.47, SD=1.8).

There was less agreement among the perceptions of PR practitioners regarding how top-level executives felt about the contribution of the PR/COMM function to the betterment of the organization. Only 35.8% agreed that their CEO/COO believed that the PR/COMM function made a positive financial contribution to the organization (M=4.57, SD=1.9) and only 53.8% felt that top-ranking executives believed it contributed to the fair valuation of the firm/organization (M=5.18, SD=1.8). Most (61.3%) believed that there was integration across PR/COMM functions, such as media relations and corporation communications (M=5.39, SD=1.7), but there was less agreement regarding the integration of the PR/COMM function with other operational departments, such as finance, legal, operations or marketing. However, only 44% agreed that there was operational integration (M=5, SD=1.6) and 47.4% agreed that there was integration between PR/COMM and marketing functions (M=5.15, SD=1.7). This lack of integration could be a limiting factor for organizational success. These results are summarized in Table 4.

Table 4: PR Practitioners’ Perceptions of PR/COMM Integration and Regard in the Organization

Perception	Agreement (6 or 7 Rating)	Scale Average	Standard Deviation	Number
PR/COMM reporting lines are appropriate	64.0%	5.31	2.1	61
PR/COMM recommendations taken seriously by senior management	61.3%	5.47	1.8	62
PR/COMM actively participates in long-term strategic planning	59.0%	5.30	1.9	64
CEO/top executive believes that PR/COMM contributes to fair valuation of firm (stock)	53.8%	5.13	1.8	52
CEO/top executive believes that PR/COMM contributes to organization’s financial success	35.8%	4.57	1.9	52
Functions within PR/COMM department are well coordinated and integrated (media relations, corporate communications, etc)	61.3%	5.39	1.7	62
PR/COMM department is well coordinated with other departments (finance, operations, legal, etc.)	43.6%	5.00	1.6	62
PR/COMM and marketing functions are well coordinated and integrated	47.4%	5.15	1.7	62

This table shows the ratings for eight criteria used to measure practitioners’ perceptions of how PR/COMM are integrated and respected within their organizations. The column labeled PERCEPTION lists the criteria measured. The column labeled AGREEMENT shows the percent of key respondents who rated the scale 6 or 7 on a rating scale ranging from: 1) Strongly disagree to 7) Strongly agree. The column labeled SCALE AVERAGE shows the average rating on the scale for each perception measure. The column labeled STANDARD DEVIATION shows the standard deviation of the perception rating, while the last column, labeled NUMBER, shows the number of PR/COMM practitioners (key respondents) who rated each perception.

These results reveal that while PR practitioners are confident in their firm's willingness to involve PR/COMM in high level strategic planning, it appears that senior level management may not fully embrace, or understand, how PR/COMM can contribute to the overall betterment of the firm, particularly from a financial perspective. It also appears that more integration is possible between PR/COMM and operational departments. As indicated in the work of Rubtcova & Pavenkov (2019) and others (i.e. Blakeman, 2018; Valos., Turner, Scheepers, & Stockdale, 2018). the goal of integrated marketing communications is to build effective communication management, realizing efficiencies and synergies between these two communication-focused functions. The seamless integration of marketing, and other operational departments within the organization, allows for comprehensive strategic planning and optimizes shared communication platforms and messaging. The hypotheses presented in this paper focused on relating key respondents' perceptions about the PR/COMM function and its role in the organization to overall organizational performance. Researchers wanted to know if integrating the PR/COMM function into the firm, or if greater involvement of PR/COMM in strategic management, would lead to enhanced organizational performance on three levels: external reputation, innovativeness, and success.

Factor Analysis of PR/COMM Integration Measures

The eight PR/COMM perception variables were reduced in number by subjecting them to a factor analysis. The factor analysis allowed researchers to discover underlying common themes by which to link the perception measures. Individual variables were not multivariate normal, which can result in low inter-item correlation, confounding a factor analysis. A correlation analysis of the data set revealed strong inter-correlations, minimizing the impact of non-normality (Hair et al, 2008). Other measures of statistical significance, including the Kaiser-Meyer-Olkin (KMO) - Measure of Sampling Adequacy (MSA) statistic, confirmed that the inter-item correlation was acceptable, and the sample was suitable for factor analysis. The factor analysis converged in two iterations and two unique factors were extracted capturing the eight measures of PR/COMM functional integration, and participation in the strategic management process. Collectively, the two factors explained 78.5% of the variance in the eight items factored. The strongest loading for each variable was selected when evaluating the factors. All of the variables loaded in the factor analysis. The factor analysis is shown in Table 5.

The first factor explained 44% of the variance and had an eigenvalue of 4.94. Five variables loaded heavily on this factor including: Our CEO/top executive believes that PR/COMM contributes to our organization's financial success; Our CEO/top executive believes that PR/COMM contributes to the fair valuation of our stock; PR/COMM recommendations are taken seriously by senior management (CEO, CFO, Chairperson) in my organization; PR/COMM actively participates in long-term organization-wide strategic planning; The reporting line for the PR/COMM function in my organization is appropriate. The factor loadings for each item ranged from .71 to .88, which were very strong factor loadings. This factor was labeled Senior Strategic PR/COMM Organization Focus. The second factor explained 34.4% of the variance and had an eigenvalue of 1.3. Three variables loaded heavily on this factor including: Our PR/COMM and Marketing functions are well coordinated and integrated; The functions within my PR/COMM department (media relations, corporate communications, etc.) are well coordinated and integrated with each other; My PR/COMM department is well coordinated and integrated with other departments (eg: Finance, Law, Operations, etc.); The factor loadings ranged from .84 to .90, which were very strong. This factor was labeled Coordinated & Integrated PR/COMM Processes.

Table 5: Results of Factor Analysis of PR/COMM Integration Measures

Perceptions	Factors and Factor Loadings	
	F1: Senior Strategic PR/COMM Organization Focus	F2: Coordinated & Integrated PR/COMM Processes
CEO/top executive believes that PR/COMM contributes to the organization’s financial success.	0.879	
CEO/top executive believes that PR/COMM contributes to the fair valuation of the organization (stock)	0.866	
PR/COMM recommendations are taken seriously by senior management (CEO, Chairperson, COO)	0.817	
PR/COMM actively participates in long-term organization-wide strategic planning	0.792	
The reporting line for the PR/COMM function is appropriate.	0.708	
PR/COMM and marketing functions are well coordinated and integrated		0.903
The functions within the PR/COMM dept. (media relations, corp. com, etc.) are well coordinated and integrated with each other		0.893
PR/COMM dept. is well coordinated and integrated with other departments (finance, legal, operations, etc.).		0.836
Eigenvalue		
Variance Explained	4.941	1.338
KMO=X ² =514.6, df=28, p=.000	44.1%	34.4%
Bartlett=.86		

This table shows the results of two factors that were extracted from the list of perceptions rated by key respondents. The column labeled PERCEPTIONS shows the eight perceptions that were rated by respondents. The second column labeled F1: SENIOR STRATEGIC PR/COMM ORGANIZATION FOCUS shows the factor loadings for perceptions that weighed more heavily on the F1 factor. The third column labeled F2: COORDINATED AND INTEGRATED PR/COMM PROCESSES shows the factor loadings for perceptions that weighed more heavily on the F2 factor. The last two rows of the table show the strength of each of the factors. The row labeled EIGENVALUE show the maximum amount of the variance explained by the factor as a latent root. The row labeled VARIANCE EXPLAINED shows the percent of total variance in the model explained by each of the factors extracted. Sample size = 122. The Kaiser-Meyer-Olkin (KMO) - Measure of Sampling Adequacy (MSA) statistic row shows the statistical significance of the Factor Analysis (p=.000) and row labelled Bartlett give the results of the Bartlett’s Test (.86).

The results of the Factor Analysis provided clean and uncorrelated variables for further analysis. The appeal of using factor scores to reduce variables lies in its ability to differentiate between unique structures underlying the data set while also grouping similar measures into the same factor. The two factors created in this analysis explained sufficient variance in the overall model to provide a suitable set of variables for further analysis.

Regression Analysis of PR/COMM Integration Measures on Organizational Performance

To test the hypotheses the factor scores created through the initial factor analysis were regressed against the three measures of organizational performance used in this study: PR/COMM practitioners’ perceptions of innovativeness, success, and external reputation. Three binary logistic regressions were conducted to determine how the two factors resulting from the Factor Analysis determined perceptions of PR/COMM practitioners’ perceptions of organizational innovativeness. The first factor (F1) captured the extent of PR/COMM organizational focus in the senior strategic management of the organization. The second factor (F2) captured the extent to which the organizations had integrated the PR/COMM function into the strategic management of the organization and the extent to which these activities were coordinated with other managerial functions.

The first logistic regression equation was used to identify determinants of perceptions of Organizational Innovativeness:

$$OI = \alpha + \beta(F1) + \beta(F2)$$

Where: OI = Organizational Innovativeness; a binary measure capturing whether PR/COMM practitioners believed the organization to be innovative or not innovative.

F1= Factor 1 from Factor Analysis: Senior Strategic PR/COMM Organizational Focus
F2= Factor 2 from Factor Analysis: Coordinated & Integrated PR/COMM Processes

The logistic regression was statistically significant ($\chi^2=7.880$, $df=2$, $p=.02$), but only for strategic focus and not for PR/COMM integration and coordination in the C-suite. The resulting regression equation was:

$$OI = -1.299 + 1.239(F1)$$

The regression for organizational innovativeness had a McFadden's R^2 of .14. Organizations that had a Senior Strategic PR/COMM Focus were 3.5 times more likely to be perceived as innovative than firms that did not have a strong PR/COMM strategic influence. The probability of being innovative was .78 for those with a strong PR/COMM strategic focus. Having a coordinated and integrated PR/COMM process was not significantly associated with organization innovativeness. The results are summarized in Table 6.

Table 6: Logistic Regression for Senior Strategic PR Focus and Coordinated and Integrated PR/COMM Processes on Perceived Organizational Innovativeness

Predictors	B	Std. Error.	df	Significance	Odds Ratio
F1: Senior Strategic PR/COMM Organization Focus	1.239	0.543	1	0.023*	3.451
F2: Coordinated & Integrated PR/COMM Processes	0.102	0.068	1	0.795	1.108
Constant	-1.299	0.422	1	0.002*	0.273

This table shows the results of the logistic regression to predict perceptions of organizational innovativeness based on practitioners' perceptions of senior focus of the PR/COM in the C-suite and the extent to which PR/COMM processes were coordinated and integrated with other key strategic management functions. The column labeled PREDICTORS lists the two independent predictor variables. The column labeled B includes the regression coefficient in the regression equation. The column labeled STANDARD ERROR shows the standard error of the regression coefficient. The column labeled DF shows the degrees of freedom of the logistic regression analysis. The column labeled SIGNIFICANCE shows the p-value associated with each of the predictors and the constant in the regression equation. Those with an asterisk () are statistically significant at the $\alpha = .05$ level, and those with two asterisks (**) are statistically significant at the $\alpha = .01$ level or better. The column labeled ODDS RATIO show the extent to which the factors increased the odds of organizational effectiveness being rated positively. Test statistics include: Sample size = 62, $\chi^2=7.880$, $df=2$, $p=.02$. McFadden's $R^2=.14$.*

While the regression was statistically significant, it was also quite weak. Only the constant and one of independent variables met the criteria for statistical significance of $\alpha=.05$. This independent variable, senior strategic PR/COM organizational focus, explained only 14% of the variation in perceptions of organization innovativeness. PR/COMM practitioners' perceptions of the innovativeness of their organizations was statistically independent of whether or not PR/COMM activities were coordinated and integrated with other functional areas in the strategic management of the organization. The second logistic equation was used to identify determinants of perceptions of Organizational Success:

$$OS = \alpha + \beta(F1) + \beta(F2)$$

Where: OS = Organizational Success; a binary measure capturing whether or not PR/COMM practitioners believed the organization to be successful or not successful.

F1= Factor 1 from Factor Analysis: Senior Strategic PR/COMM Organizational Focus
 F2= Factor 2 from Factor Analysis: Coordinated & Integrated PR/COMM Processes

Logistic regression results revealed that that there were no statistically significant associations between the two factors and organizational success ($\chi^2=1.144$, $df=2$, $p>.05$). The regression had a McFadden’s R^2 of .02. Neither factor was a statistically significant predictor of the perceptions of organizational success, nor was the constant statistically significant. This result reveals that organizational success was completely independent of both an organization’s strategic organization focus on PR/COMM and its level of coordination and integration into the functional areas of strategic decision making in the organization. The results are summarized in Table 7.

Table 7: Logistic Regression for Senior Strategic PR Focus and Coordinated and Integrated PR/COMM Processes on Perceived Organization Success

Predictors	B	Std. Error.	df	Significance	Odds Ratio
F1: Senior Strategic PR/COMM Organization Focus	0.268	0.296	1	0.366	0.137
F2: Coordinated & Integrated PR/COMM Processes	-0.049	0.314	1	0.634	0.861
Constant	-0.024	0.290	1	0.933	0.976

This table shows the results of the logistic regression to predict perceptions of organizational success based on practitioners’ perceptions of senior focus of the PR/COM in the C-suite and the extent to which PR/COMM processes were coordinated and integrated with other key strategic management functions. The column labeled PREDICTORS lists the two independent predictor variables. The column labeled B includes the regression coefficient in the regression equation. The column labeled STANDARD ERROR shows the standard error of the regression coefficient. The column labeled DF shows the degrees of freedom of the logistic regression analysis. The column labeled SIGNIFICANCE shows the p-value associated with each of the predictors and the constant in the regression equation. None of the tests were statistically significant. The column labeled ODDS RATIO show the extent to which the factors could increase the odds of organizational effectiveness being rated positively if the test results were statistically significant. Test statistics include: Sample size = 62, $\chi^2=1.144$, $df=2$, $p=.564$. McFadden’s $R^2=.02$.

Table 7 revealed that neither one of the factors measured had a statistically significant influence on PR/COMM practitioners’ perceptions of organizational success. The levels of statistical significance exceed the minimum cut-off of $\alpha=.05$. The McFadden’s pseudo R^2 showed that the strength of the regression was poor with perception factors explaining only two percent of the variation in organizational success. The third logistic regression equation was used to identify determinants of perceptions of External Reputation:

$$ER = \alpha + \beta(F1) + \beta(F2)$$

Where: ER = External Reputation: a binary measure capturing whether or not PR/COMM practitioners believed the organization’s external reputation was considered to be good, or not good.

F1= Factor 1 from Factor Analysis: Senior Strategic PR/COMM Organizational Focus
 F2= Factor 2 from Factor Analysis: Coordinated & Integrated PR/COMM Processes

Logistic regression results revealed that that there were no statistically significant associations between the two factors and good external reputation ($\chi^2=.696$, $df=2$, $p>.05$.) The regression had a McFadden’s R^2 of .01. The external reputation of the firm was not associated with either the coordination and integration of the PR/COMM function within the strategic foci of the organization, nor was it influenced by the senior strategic management having a PR/COMM focus. These results indicate that organizational reputation is independent of the level to which PR/COMM is embraced in the C-suite. The results appear in Table 8.

Table 8: Logistic Regression for Senior Strategic PR Focus and Coordinated and Integrated PR/COMM Processes on Perceptions of External Reputation of the Organization

Predictors	B	Std. Error.	df	Significance	Odds Ratio
F1: Senior Strategic PR/COMM Organization Focus	0.268	0.296	1	0.366	0.137
F2: Coordinated & Integrated PR/COMM Processes	-0.049	0.314	1	0.634	0.861
Constant	-0.024	0.290	1	0.933	0.976

This table shows the results of the logistic regression to predict perceptions of organizational success based on practitioners' perceptions of senior focus of the PR/COM in the C-suite and the extent to which PR/COMM processes were coordinated and integrated with other key strategic management functions. The column labeled PREDICTORS lists the two independent predictor variables. The column labeled B includes the regression coefficient in the regression equation. The column labeled STANDARD ERROR shows the standard error of the regression coefficient. The column labeled DF shows the degrees of freedom of the logistic regression analysis. The column labeled SIGNIFICANCE shows the p-value associated with each of the predictors and the constant in the regression equation. None of the tests were statistically significant. The column labeled ODDS RATIO show the extent to which the factors could increase the odds of organizational effectiveness being rated positively if the test results were statistically significant. Test statistics include: Sample size = 62. $\chi^2=1.144$, $df=2$, $p=.564$. McFadden's $R^2=.02$.

The logistic regression predicting perception of a good external reputation for an organization was weak. The McFadden's R^2 showed that the independent variables (senior strategic PR/COMM focus and coordination/integration of PR/COMM function) explained only one percent of the variation in external reputation for the organization. This is an interesting finding given that a key mandate for PR/COMM outside of the marketing function is to help to create and maintain a desirable image for the organization (Matios & Cardoso, 2019).

Determining the Contribution of PR/COMM to the Performance of Canadian Organizations

In this study, innovation was framed for respondents in a question establishing the degree to which an organization demonstrated a participatory versus authoritarian culture. Organizational innovativeness is most evident in the former (Sriramesh & Vercic, 2009). In a more general sense, “innovation ’is a word that generally conveys positive ideas about newness, uniqueness, value, benefits, improvement, change, development, etc,” (Courtright & Smudde, 2009, p. 246). However, public relations practitioners are perhaps most familiar with this idea of organizational innovativeness as it relates to the pursuit of excellence. That public relations can facilitate the acceptance of new ideas and opportunities in organizational decision-making, or reflect an openness to diverse and varied ideas, is also a key principle in Excellence theory (Grunig, 1992). The principle of requisite variety (Weick, 1979), one of Grunig et al's (1992) pillars of excellent public relations, essentially states that an organization's ability to remain open to new ideas, new stakeholder groups, and new challenges will determine the organization's success within a complex external environment. It is perhaps not surprising to find that openness to the new, or innovativeness within the organization, factor significantly with public relations access to decision-making. This relationship between innovativeness and public relations engagement in decision-making supports earlier work by Zerfass and Huck (2007) which argued that communication should play a new and expanded role in the development of innovation management within organizations.

They define innovation as “something new, something that has not been there and that has a strong influence on everyday life or on the economy” (p.108). Based on the theoretical model and previous work, researchers had expected a stronger relationship between the other two factors, organizational success and external reputation, and public relations access to decision-making. However, these results could be due to differences in samples and methods. This research focused on PR/COMM practitioners' perceptions of the function's contribution to organizational performance: not the views of executives, stakeholders, or others. It is possible that PR/COMM practitioners simply do not believe that senior strategic involvement or integration of the PR/COMM function are relevant to creating and maintaining either an organization's reputation or contributing to its overall success. Possibly, these outcomes are believed to be linked to the

successful application of the PR/COMM function independent of strategic management or other functional areas of the organization. Possibly, this is an application of the goal attainment perspective, which focuses on the belief that PR/COMM adds value to an organization in its own right, not due to its integration with other functions in the organization, or strategic-level managerial input.

CONCLUDING COMMENTS

Building on the literature and what is considered to be best practice in public relations, the goal of this paper was to explore the extent to which the integration and coordination of PR/COMM into the functional management areas of the organization, as well as its integration into senior strategic decision-making impacted key organizational traits. Organizational traits investigated in this research included organizational success, innovativeness, and external reputation as perceived by the top-level PR/COMM professional/practitioner in the organization. The data for this study were collected as part of a larger global initiative that included taking stock of the state of public relations/communications in Canadian organizations. The integration and coordination of public relations/communications within Canadian organizations was also considered, focusing on its involvement in strategic decisions at the highest levels and integrating PR/COMM into C-suite management functions commonly involved in upper level planning.

This research revealed that coordination and integration of the PR/COMM processes in the firm had no statistically significant association with any of those organizational traits. Nor did a PR/COMM focus on senior strategic decision-making significantly impact perceptions of an organization's success or its external reputation. The lack of significance relative to creating a positive external reputation was most interesting given that much of the focus in practice and research has been on the ability of PR/COMM to create and manage a positive reputation, which should then contribute to the firm's overall success. It is possible that future research could examine this finding in greater depth using qualitative research methods.

However, integrating PR/COMM functions in upper-level strategic decision-making did have a positive influence on an organization's perceived innovativeness. As a predictor of perceived organizational success, firms with a PR/COMM focus on upper-level strategic decision-making were 3.5 times more likely to be perceived as innovative. While innovativeness is not always seen as a characteristic that is linked to the practice of PR/COMM, it is possible that forward-facing organizations that take advantage of their public relations capacity have the ability to integrate innovativeness into strategic decision making in more fundamental ways than organizations that do not embrace public relations as fully in their upper level decision-making. There were limitations in this research. First, there was a small sample size of only 62 organizations from across Canada. While small sample sizes are not unusual in public relations research there was some diversity in this sample that may have confounded the results. These organizations reflected primarily private enterprises and government organizations. A larger sample size made up of primarily privately held businesses may yield different results. Also, the focus on PR/COMM practitioners' views, rather than those of coworkers and non-PR executives, could not provide a holistic view of how the PR/COMM functions is perceived by the management forum in Canadian organizations. Future research should address these limitations while also reflecting the views of Canadian firms from across the nation, capturing and comparing possible regional differences in strategic management practices.

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ACKNOWLEDGEMENTS

The authors thank Drs. Alla Kushniryk and Anthony R. Yue of Mount Saint Vincent University for their comments on earlier versions of this work. The authors also acknowledge the support of the Canadian Public Relations Society which provided funding for the original study upon which this analysis is based.

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U.S. HEALTH CARE: TOO MUCH OF A GOOD THING?

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ABSTRACT

This paper provides a critique of the U.S. Health Care system compared to other OECD (Organization for Economic Co-operation and Development) nations and extends the work of previous research in four ways. First, we identify which OECD countries have better longevity outcomes than other OECD nations while devoting a smaller percentage of their GDP (Gross National Product) to generating those results. Second, we examine whether increased levels of government healthcare funding are associated with longer life expectancy. Third, we discuss the question of whether healthcare spending is not being properly measured and the consequences if that is the case. Fourth, we consider the possibility that there might be too much total spending on healthcare in the U.S. and whether such excess spending might be having a negative effect on life expectancy. We conclude that there are many opportunities to successfully improve the U.S. system, lower costs and improve healthcare outcomes.

JEL: J1, I12, I18

KEYWORDS: Health Care Expenditure, Life Expectancy, OECD

INTRODUCTION

The bad news regarding U.S. healthcare, which has been widely reported, is that it is very expensive, and the life expectancy outcomes are low relative to other developed countries. This has long been true, yet it has not yet been addressed. In fact, in April 2021, the Pew Research Center reported that the affordability of healthcare ranked at the top of the list of problems which concerned Americans [Pew (2021)]. Not only are the costs high and relative life expectancy numbers weak, but the situation has also steadily deteriorated for many years. The good news is that there is plenty of opportunity to lower costs and to improve outcomes. This paper analyzes data on U.S. performance compared to other OECD countries. It highlights countries which have the best cost-benefit outcomes, and suggests approaches to address some of the problems in the U.S. The paper examines whether increased healthcare spending or increasing government financing and regulation of healthcare might improve outcomes in the United States. The paper also examines whether health care spending is being properly measured and if not, might that be hampering research to devise more effective policies to improve outcomes while controlling health care costs.

For a variety of reasons, one might expect that the U.S. should have much better life expectancy. It leads the world in acute care medicine, medical equipment technology, and in pharmacology including the newest immunotherapy innovations. In the area of nutritional science and research, the U.S. is also a world leader with volumes of research published in a variety of medical and healthcare journals. In terms of OECD measured “risk factors” the U.S. does well in 3 of the 4 categories. Percentage of population smoking and air pollution levels are quite low relative to the respective OECD averages, while alcohol consumption is somewhat below the average [OECD (2017) p. 24]. The one OECD “risk factor”, which is quite high for the U.S., is percentage of the population which is obese.

Even in the area of costs, there is at least one factor which should constrain expenditures on health care. The U.S. has a lower percentage of people over 65 (15.6% compared to the OECD average 17.2%). As people age, they encounter more health issues, and a higher percentage of their income is allocated for disease treatment. However, this factor is unable to overcome a system that makes the U.S. healthcare system unusually expensive.

In Section 1 of this paper, we review recent studies and reports that examine international health outcomes and costs. In Section 2 we discuss data relating to costs and health outcomes. We then focus on which countries are particularly “efficient” in generating better outcomes than the United States with respect to high life expectancy and relatively low costs. In Section 3 we perform several statistical tests on costs and performance to determine if either more health care spending or more government involvement are correlated to improved life expectancy. We also analyze whether there may be significant errors in the measurement of true healthcare spending that could distort results of healthcare research. The paper concludes with Section 4 where policy changes currently under debate are evaluated in their feasibility to be implemented and likelihood to succeed.

LITERATURE REVIEW

The high costs of the U.S. healthcare system and the relatively poor outcomes compared to other developed countries have generated a plethora of research. In fact, there are many journals and organizations which regularly highlight various aspects of problems that exist. A partial listing of health policy journals includes Health Affairs, Milbank Quarterly, and Journal of Health Economics. In addition, organizations such as the Commonwealth Fund, Brookings Center for Health Policy, The Heritage Foundation and the Cato Institute publish policy reports and books on the topic. While they have different perspectives on causes and solutions, they do agree that there are significant problems with the costs and performance of the U.S. system of healthcare.

There are several recent publications which specifically relate to issues analyzed in our study. Silver and Hyman (2018) focus primarily on the high costs of U.S. medical care, but also address many problems relating to quality. Their analysis and evidence identify intrusion of the political process into health care spending and the overreliance on insurance and other third-party payments as the “two most central” causes. With regard to quality, they criticize Medicare for paying doctors who provide services that are unnecessary and sometimes ineffective and harmful. They cite fraud, abuse, lack of quality control and payment of phony or inflated bills to hospitals and providers as being very common.

Mirror, Mirror, an annual report published by the Commonwealth Fund, documents that the United States spends more on health care than other developed countries. The 2017 report shows that spending has grown continuously over the past three decades, but the U.S. population generally has poorer health than the 10 other countries that they studied. In discussing the causes of those outcome, Schneider et al. (2017) states “Most striking it [the U.S.] is the only high-income country lacking universal health insurance coverage.”

Other studies include that of Papanicolas, Woskie, and Jha (2018). In their examination of costs, they describe how the U.S. pays more for doctors, pharmaceuticals, and health administration than other developed countries. In the 2017 OECD report (48), data and analyses of health outcomes and costs among the 35 OECD nations are provided. In analyzing the performance of the U.S., OECD provides a list of problems. Among their criticisms are the lack of resources for public health and primary care, greater obesity, higher consumption of prescription and illegal drugs, and more homicides and road accidents. Those conclusions, together with higher infant mortality in the U.S. are also cited in a National Research Council and Institute of Medicine report (2013).

The analysis in this paper extends the work of previous research in four ways. First, we identify which OECD countries have better longevity outcomes than other OECD nations while devoting a smaller percentage of their GDP to generating those results. Second, we examine whether increased levels of government healthcare funding are associated with longer life expectancy. Third, we discuss the question of whether healthcare spending is not being properly measured and the consequences if that is the case. Fourth, we consider the possibility that there might be too much total spending on healthcare in the U.S. and whether such excess spending might be having a negative effect on life expectancy.

DATA AND METHODOLOGY

The data - life expectancy, GDP, total health care expenditure, and government health care spending - for this study are obtained from the websites of The World Bank and OECD. The annual data covers 35 OECD countries for the period of 2006 through 2017. At the beginning of the current research, Colombia, Costa Rica, and Lithuania were not member countries. Linear regression is used to estimate the linear relationship between an independent variable and a dependent variable.

In Table 1 we present life expectancy data from OECD which are used in the analysis. All 35 OECD countries are listed spanning the 10-year period from 2006 to 2016. The data show increasing longevity for both the U.S. and other OECD nations over most of the period. However, the U.S. has not only been below the OECD average, but the differential has been steadily increasing. That growing disparity is also highlighted in the studies cited above. Moreover, U.S. longevity has recently stagnated, and it was actually lower in 2016 than in 2011 and it dropped further in 2017. Woolf et. al. (2018) reveal that mortality has not only worsened among white people due to “deaths of despair” from opioids, drug overdoses and suicides, but now that higher mortality has spread to other racial and ethnic groups and the higher death rate also involves failures of the heart, lungs, and other organs.

U.S. life expectancy dropped from 78.9 in 2014 to 78.6 in 2017. While the results in the U.S. are particularly unfavorable, stagnation in life expectancy is not confined to the U.S. The data also show the OECD average has been basically flat since 2014. A recent study by Ho and Hendi (2018) examines this development using data for 18 high income OECD countries. Due to the Covid 19 Pandemic, there was an acceleration of the decline in life expectancy during the first half of 2020 according to data released by the CDC [Reuters (2021)]. However, with the advent of the vaccines, that sharp drop may be reversed as the country emerges from the pandemic.

Another issue related to life expectancy is the comparative health status of generations in the US. A study by Blue Cross Blue Shield compared the health of millennials with those in the Gen X category who preceded them [Blue Cross (2019)]. They found that Millennials are less healthy than those in the Gen X group when they were at the same age. This leading indicator is not a sign of improvement in the US Health Care system.

In Table 2 the cost of healthcare as a percentage of GDP is shown with the U.S. having by far the most expensive system. In 2017 the U.S. spent 17.2% of GDP on healthcare compared to 12.3% for Switzerland which ranked second. The gap between the U.S. and the average for the other OECD nations grew from 6.7% in 2006 [6.7% not shown in Table 2] to 8.3% in 2017.

The data in Table 2 also reveal some facts that appear to contradict some generally accepted perceptions of the U.S. healthcare system. Due to the passage of the Affordable Care Act in 2010, there has been a significant increase in Government and Compulsory Expenditures as a percentage of total health care spending. That measure for the U.S. is 81.8% for the 2016 period and it is above the mean of 73.6% for OECD nations. Given that total healthcare expenditures as a percentage of GDP is 17.2%, it implies that 14.1% of U.S. GDP is spent in just that Government and Compulsory Healthcare category. This percentage

is greater than the total GDP share of all health care spending in Switzerland (12.3%), which is second on the list in Table 2.

Table 1: Life Expectancy

Country Name	2006	2011	2016
Japan	82.32	82.59	83.98
Switzerland	81.49	82.70	82.90
Spain	80.82	82.48	82.83
Italy	81.28	82.19	82.54
Norway	80.34	81.30	82.51
Australia	81.04	81.90	82.50
Iceland	81.16	82.36	82.47
Israel	80.55	81.66	82.41
Canada	80.29	81.45	82.30
Luxembourg	79.29	80.99	82.29
France	80.81	82.11	82.27
Sweden	80.75	81.80	82.20
Korea, Rep.	78.67	80.57	82.02
Finland	79.21	80.47	81.78
New Zealand	80.05	80.90	81.61
Ireland	79.24	80.75	81.61
Netherlands	79.70	81.20	81.51
Portugal	78.42	80.47	81.13
Greece	79.44	80.73	81.04
Belgium	79.38	80.59	80.99
United Kingdom	79.25	80.95	80.96
Austria	79.88	80.98	80.89
Slovenia	78.09	79.97	80.78
Denmark	78.10	79.80	80.70
Germany	79.13	80.44	80.64
Chile	77.93	78.60	79.52
United States	77.69	78.64	78.69
Czech Republic	76.52	77.87	78.33
Estonia	72.69	76.23	77.74
Poland	75.14	76.70	77.45
Mexico	75.51	76.25	77.12
Slovak Republic	74.20	75.96	76.56
Turkey	72.87	74.44	75.76
Hungary	73.10	74.86	75.57
Latvia	70.87	73.58	74.53
OECD Average	78.44	79.84	80.52
U.S. Difference	-0.75	-1.20	-1.83

Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Data source: <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>

Table 2: Healthcare Spending

Country	Current Expenditure on Health as % of GDP (2017)	Government/Compulsory as % of Current Health Expenditure (2016/2017)
United States	17.2	81.8
Switzerland	12.3	62.8
France	11.5	82.9
Germany	11.3	84.6
Sweden	10.9	83.5
Japan	10.7	84.3
Canada	10.4	70.3
Norway	10.4	85.1
Austria	10.3	74.1
Denmark	10.2	84.1
Netherlands	10.1	81.0
Belgium	10.0	78.8
United Kingdom	9.7	79.5
Finland	9.2	73.7
Australia	9.1	68.3
New Zealand	9.0	78.7
Portugal	9.0	66.4
Italy	8.9	74.5
Spain	8.8	71.2
Iceland	8.5	81.5
Greece	8.4	61.3
Slovenia	8.3	72.7
Chile	8.1	60.9
Korea	7.6	59.2
Israel	7.4	62.5
Hungary	7.2	66.2
Czech Republic	7.1	82.0
Ireland	7.1	72.1
Slovak Republic	7.1	80.8
Estonia	6.7	75.7
Poland	6.7	69.8
Latvia	6.3	54.2
Luxembourg	6.1	80.9
Mexico	5.4	52.3
Turkey	4.2	78.4
OECD Average	8.9	73.6

Health spending measure the final consumption of health care goods and services (i.e., current health expenditure) including personal health care (curative care, rehabilitative care, long-term care, ancillary services, and medical goods) and collective services (prevention and public health services as well as health administration) but excluding spending on investments.

Data source and definition: <https://data.oecd.org/healthres/health-spending.htm>

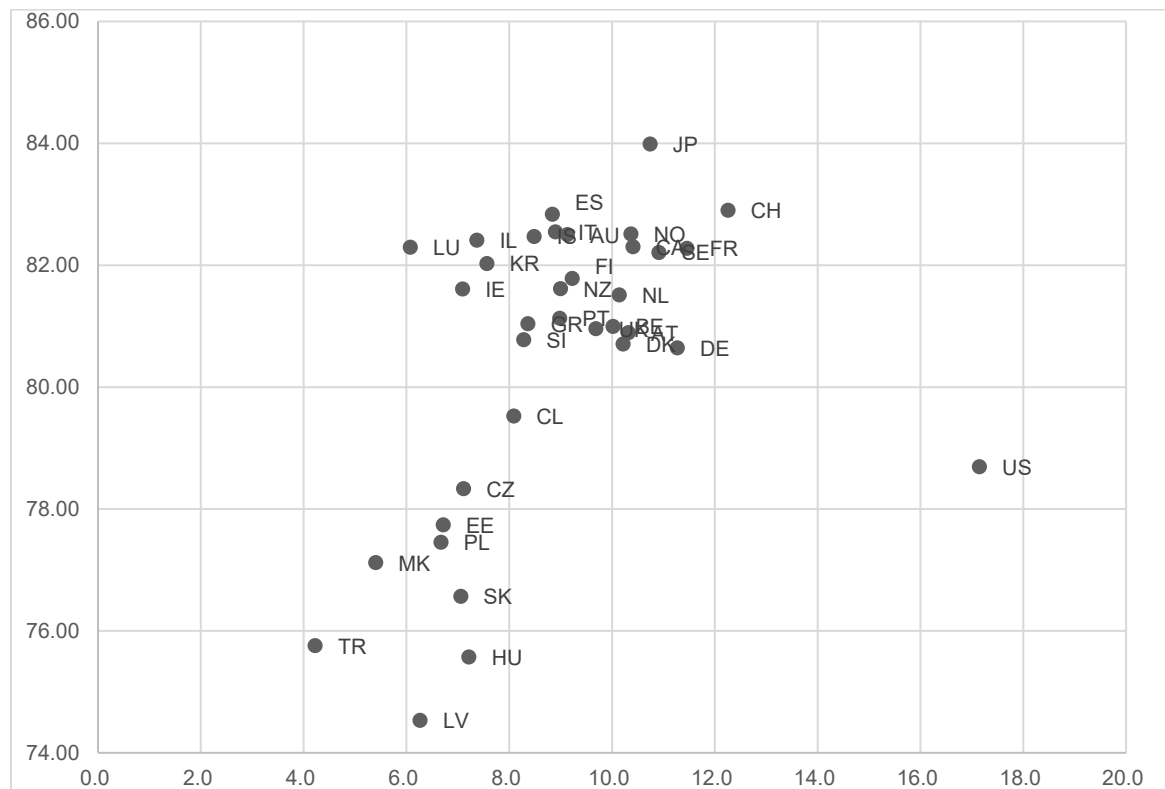
Those statistics might be viewed by some as ironic. The U.S. is identified as the only developed OECD country without Universal Coverage. At the same time, it has a 14.1% ratio of Government and Compulsory care to GDP. That component of spending alone exceeds the ratio of total healthcare spending, government/compulsory plus private, to GDP of every other OECD country.

Another perspective can be observed in column 2 of Table 2. Canada and the United Kingdom, which have single payer systems, have lower government/compulsory ratios than the U.S. (and they also have higher

life expectancy.) The statistics on most of the countries in Tables 1 and 2 suggest that there are a variety of opportunities to improve the U.S. system. It may be possible to increase competition in the health care market, have some type of universal coverage, improve costs and efficiency, improve health outcomes and even possibly reduce current government/compulsory costs.

Figure 1 is based on the data from Tables 1 and 2. It shows the combination of health spending and life expectancy among the 35 OECD countries. The U.S. at the far right is an outlier due to the high level of spending. Figure 1 can be used to address the question of which countries are getting the most life expectancy given the level of expenditures. For example, Japan is on the boundary since it has the highest life expectancy in the OECD. Switzerland is an interior point since it spent more than Japan but had lower life expectancy. Spain is on the boundary since while it had lower life expectancy than Japan, it spent less than the Japanese. In summary the “boundary” countries that maximize life expectancy at lowest cost are Japan, Spain, Iceland, Israel, Luxembourg, Mexico and Turkey. In other words, those nations might be viewed as part of a theoretical envelope showing the highest life expectancy for a given level of health care spending. They are a diverse group which includes Asians, Europeans, Middle Easterners, and Latin Americans. The nations on the theoretical envelope that might be of most interest for the United States (for policy improvements) might be Japan, Spain, and Israel, each of which significantly outperformed the U.S. at far lower cost. [Iceland and Luxembourg, both with small populations (under 1 million) might arguably be less applicable as examples for policy changes.] However, any of the OECD countries with greater longevity than the U.S., including those shown as “interior points,” might be potential models for improvements since each had lower health care costs.

Figure 1: Health Expenditure (as % of GDP) vs. Life Expectancy



Abbreviations: Unites States (US), Switzerland (CH), France (FR), Germany (DE), Sweden (SE), Japan (JP), Canada (CA), Norway (NO), Austria (AT), Denmark (DK), Netherlands (NL), Belgium (BE), United Kingdom (UK), Finland (FI), Australia (AU), New Zealand (NZ), Portugal (PT), Italy (IT), Spain (ES), Iceland (IS), Greece (GR), Slovenia (SI), Chile (CL), Korea (KR), Israel (IL), Hungary (HU), Czech Republic (CZ), Ireland (IE), Slovak Republic (SK), Estonia (EE), Poland (PL), Latvia (LV), Luxembourg (LU), Mexico (MK), Turkey (TR)

RESULTS AND DISCUSSION

In this section a series of statistical tests are discussed that pertain to the performance of the U.S. healthcare system relative to other OECD countries. These tests relate to assertions made in the introductory section and they provide some information on whether specific changes in policy might generate improvements.

In the introduction we stated a smaller percentage of people 65 or older should have the effect of lowering the ratio of healthcare spending to GDP (H/GDP). While the proposition appears to be reasonable, we test whether there is a statistically significant relationship with the data used in our study. The latest data on the older group are from 2016 and H/GDP statistics are from 2017. Since the share over 65 and H/GDP numbers do not vary much from year to year, using data sets of data from consecutive years should be satisfactory. The U.S. was excluded since it is an outlier, and it would likely distort the results.

In Table 3 the dependent variable is H/GDP, and the independent variable is the percentage of the population over 65.

$$H/GDP = \alpha + \beta * (\text{population 65 years old and over measured as \% of total population})$$

Was there a positive correlation between those 2 measures and was the correlation significant? As can be observed, the answer is yes to both questions, and the level of significance was 5% (with an R^2 of 15%). In short, this result would support the notion that the U.S. with a relatively younger population should have relatively lower healthcare costs, other things equal.

Table 3: Effect of Population 65 Years Old and Over (as % of Total Population) on Healthcare Spending

Dependable Variable	
Constant terms	4.75 (2.92)***
H/GDP	0.24 (2.61)**
Adj-R ²	0.15
F-stat	6.80**
Observations	35

*Independent variable is population 65 years old and over measured as % of total population. Dependent variable (H/GDP) is level of current health expenditure is as a percentage of GDP. This table shows the equation estimates of the equation: $H/GDP = \alpha + \beta * (\text{population 65 years old and over measured as \% of total population})$ ***, **, and * indicate significance at the 1, 5, and 10 percent levels respectively. Data source: OECD Stat*

The next set of tests pertains to the issue of government finance of health care. If government controls a larger percentage of national healthcare expenditures, are there any effects on life expectancy. This question is particularly relevant given the continuing political debate on which reforms should be adopted to improve the healthcare system, and what should be the role of government in the process.

In Table 4 the dependent variable is life expectancy (LE), and the independent variables are total healthcare spending to GDP (H/GDP) and the ratio of government/compulsory healthcare spending to total healthcare expenditures (GH/H).

$$\text{Life Expectancy} = \alpha + \beta_1 * (GH/H) + \beta_2 (H/GDP)$$

One regression excludes U.S. data, while the other includes it. In both regressions there is a significant and positive relationship between LE and H/GDP, but the coefficient of GH/H was not significant. However, because the U.S. is an outlier with regard to very high spending and lower LE, its inclusion creates some distortion.

The results in Table 4 show that the size of GH/H had no significant impact on life expectancy. This result occurred with or without U.S. data included. The distortion effect of the U.S. is verified by observing that the R² increased from 16% to 42% with the deletion of the U.S.

Table 4: Life Expectancy vs. Healthcare Spending

Independent Variable	OECD	OECD (Without US)
Constant terms	74.78 (24.36)***	72.45 (27.49)**
GH/H	0.03 (0.60)	0.01 (0.27)
H/GDP	0.42 (2.39)**	0.85 (4.61)***
Adj-R ²	0.16	0.42
F-stat	4.26**	13.03***
Observations	35	34

*Life expectancy at birth, the dependent variable, indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Government/Compulsory spending is measured as % of current health expenditure (GH/H). Level of current health expenditure is expressed as a percentage of GDP (H/GDP). Estimates of current health expenditures include healthcare goods and services consumed during each year. This table shows the equation estimates of the equation: Life Expectancy = $\alpha + \beta_1$ * (GH/H) + β_2 (H/GDP). ***, **, and * indicate significance at the 1, 5, and 10 percent levels respectively. Data source: Life expectancy data are from World Bank, Healthcare spending data from OECD Statistics.*

Table 5: Life Expectancy vs. Healthcare Spending: Subgroup Analysis (US is not Included)

Independent Variable	OECD High Spending Countries	OECD Low Spending Countries
Constant terms	79.69 (32.56)***	68.95 (19.65)***
H/GDP	0.21 (0.89)	1.46 (2.99)***
Adj-R ²	-0.01	0.33
F-stat	0.79	8.92***
Observations	17	17

*Life expectancy at birth, the dependent variable, indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Level of current health expenditure is expressed as a percentage of GDP. Estimates of current health expenditures include healthcare goods and services consumed during each year. This table shows the equation estimates of the equation: Life Expectancy = $\alpha + \beta$ * (H/GDP). ***, **, and * indicate significance at the 1, 5, and 10 percent levels respectively. Data source: The World Bank (<https://data.worldbank.org/indicator/SH.XPD.GHED.CH.ZS>) and OECD Statistics.*

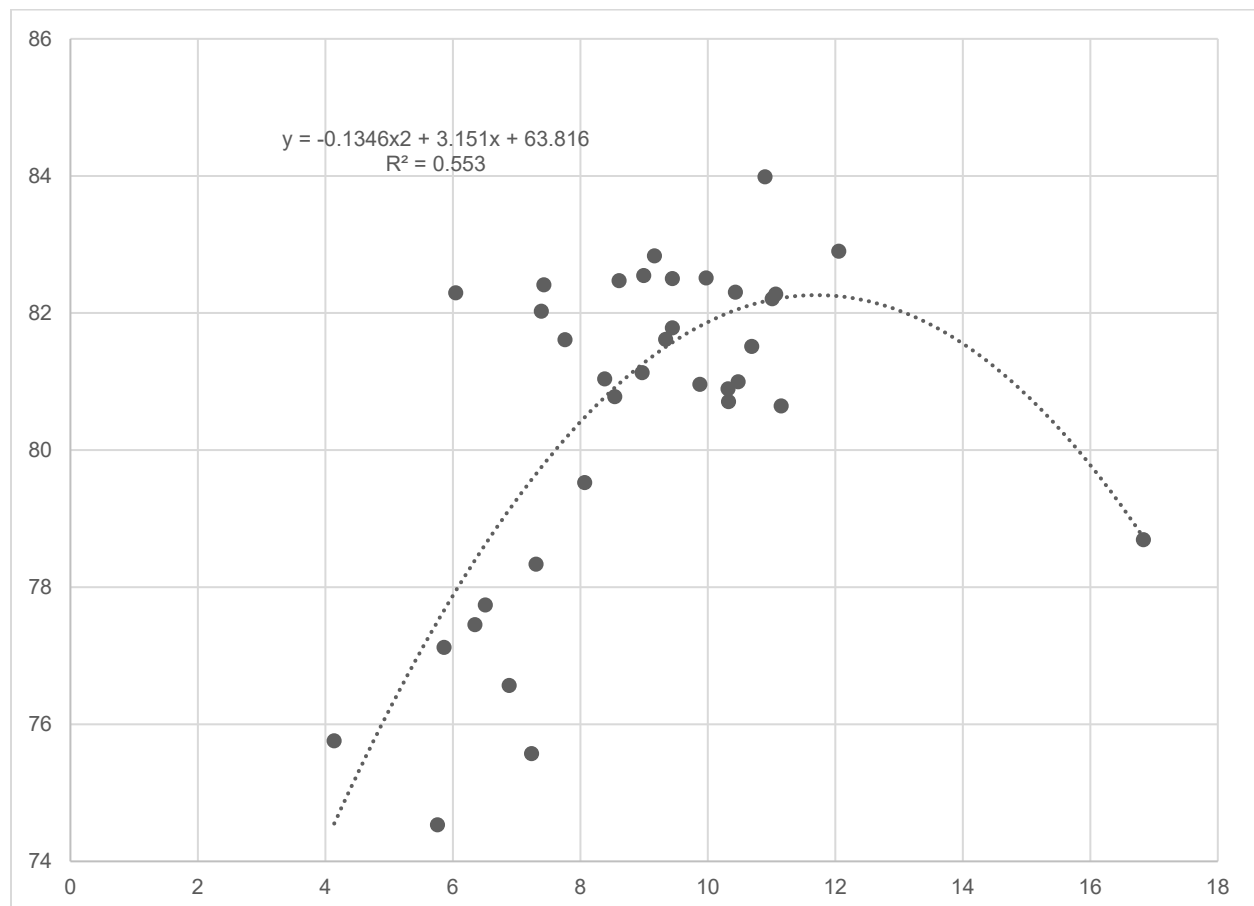
The last set of tests examines the question of whether additional spending on healthcare will have the same effect on countries with higher levels of H/GDP compared to countries with lower H/GDP. Generally, though not consistently, the more developed countries tend to devote a larger percentage of GDP to healthcare. In Table 5 we split that sample into the 17 with the lowest H/GDP and the 17 with the highest H/GDP. The dependent variables are LE and the independent variable is H/GDP.

The results show that there is a positive significant relationship for the set of low H/GDP nations. In addition, if we look at just the high H/GDP nations there is no significant relationship even if we exclude the U.S. due it being an outlier with regard to spending and LE.

An observation of Figure 2 and the results in Table 5 suggest that a “production function” interpretation may be applicable. Healthcare spending is an input in the production of life expectancy, and we are observing diminishing marginal returns. Beyond a certain point the marginal returns may become insignificant. Extending this reasoning, it is possible that there might be too much health care spending, and the marginal returns might become negative. Perhaps the analogy of medicine dosages might be applicable. In the case of taking a medicine, there is an optimal dosage and a safe range. If one goes beyond the safe range, the impact on health would likely be negative.

Carroll (2017), Szabo (2018), *The Wall Street Journal* (2013), and Kaiser Health News (2017) suggest that the possible existence of excess spending on medical care has come from many in the healthcare community. The concern is not only that resources are being wasted, but excessive testing and treatments may be harming the recipients. Some of this excess spending may be due to the practice of “defensive medicine”. The fear of malpractice lawsuits has been cited as one of the incentives for physicians to order more medical tests than necessary. If one accepts the premise that beyond a certain point there may be too much medical spending, and if one believes that the U.S. has entered that region, perhaps the U.S. is not deviating from a life expectancy production function. It may be on the curve but in a region where the slope has become negative.

Figure 2: Health Expenditure (as % of GDP) vs. Life Expectancy



There are insufficient statistics to test the above hypotheses since there are no OECD countries between Switzerland and the U.S., the two with the highest H/GDP (12.3% and 17.2% respectively). One could fit a curve through the existing data as in Figure 2, but with the large gap between Switzerland and the United States, we cannot verify any validity for the curve that is shown.

The analysis at the end of section 3 may be used to examine the healthcare issue in a somewhat different perspective. In this study we follow the conventional approach used in published papers regarding measurement of healthcare costs. However, there may be measurement problems that are masking the relationship between healthcare spending and the health of the population. Included in measures of healthcare costs are expenditures for control of symptoms that do not actually “cure” the disease. Such “healthcare” expenditures may involve inappropriate use of drugs with very harmful side effects such as opioids. In other situations, use of antibiotics for conditions where they are not warranted would be classified as healthcare, but such use might do damage, both to the patient and the environment. Some cosmetic procedures might be classified as healthcare spending, but other cosmetic procedures might not be included. Yet, the purpose and effect in both cases might be to make the individual feel better about their appearance and not to treat a disease. In addition, there may be situations where people are both very elderly and sick, and the tabulated “healthcare costs” of certain medical procedures may have no relationship to restoration of health.

At the same time, it is generally agreed that good diet, proper exercise, stress management, adequate sleep, and good social relationships are contributors to both good health and longer life expectancy. Additional expenditures to improve shortcomings in those areas would be healthcare spending. For example, the OECD ranks the U.S. as having the highest level of obesity which is regarded as a major risk factor in health. If a sufficient number of individuals take action to improve diet, exercise and increase other healthful activities, the incidence of obesity could drop, and the health of the nation would improve. If this occurred, measured healthcare spending could show a decrease due to the improved health of the population even though true healthcare spending might have increased.

There is some anecdotal evidence that the factors cited above are important contributors to longevity and good health. Hispanic-Americans have a life expectancy of 81.8 years compared to 78.6 for total Americans, 78.8 for Whites and 75.3 for Blacks (National Center for Health Statistics, 2019). This better outcome for Hispanic-Americans of health exists despite the fact that they have lower household income and income per capita than both the White Americans and total Americans categories. Among the reasons that have been proposed for the better health of Hispanic Americans are less smoking, a better diet, and strong social structure. Seventh Day Adventists have been presented as another example of a group within the United States who maintain good health and have long life expectancies (Buettner, 2012). A healthful diet and good social relationships have been cited as a central part of their lifestyle.

A second example of spending not included as healthcare relates to pollution control. Since air and water pollution are detrimental to health, expenditures to control harmful levels of pollution should have a positive effect on health. If such spending occurred and was effective, health would improve while reported healthcare costs would show no increase.

To summarize the above, some components measured as health care costs may confer no health benefits and possibly be harmful. If so, that would result in an overstatement of true healthcare spending. Conversely, some legitimate expenditures for health care are not part of the measured spending but theoretically belong in the statistics. To the extent that such errors exist, true relationships on spending and outcomes could be significantly distorted. In turn, policy recommendations based on analyses of the reported statistics may not provide the intended benefits of improved health.

An examination of health care statistics shows that until the 1980s the health spending in the United States was remarkably similar to that of other OECD countries. This highlights the fact that high health costs should not be thought of as inevitable but rather a function of market conditions and policy choices (Breunig and Busemeyer, 2012; Ruben et al., 2016). There is recent evidence that this rise in health care expenditures can be linked with the underfunding of important social services which ultimately is responsible for the United States' relatively poor health outcomes (Butler and Cabello, 2018). According to a 2016 research study, "rising proportionate US health spending relative to social spending is in stark contrast to other OECD countries' spending patterns. In contrast to the health expenditure trajectory, the United States has consistently spent much less on social programs than the majority of its high-income counterparts, meaning that the gap between health and social expenditure in the United States has widened over time." (Rubin et al., 2016). Moreover, research has documented the association between social spending, such as housing allowances and retirement benefits, and better health (Rubin et al., 2016). Additionally, we also recognize that population's health status impacts overall health care utilization and costs thus the healthier the population the less need for health care services and dollars (Bradley et al., 2011; Bradley and Taylor, 2013). Thus, it is not a surprise that the United States outspends its OECD counterparts with respect to health care expenditures but gets little in return in terms of health outcomes.

At the same time advocates of free market solutions to healthcare costs such as the Cato Institute, American Enterprise Institute, Heritage Foundation are skeptical about the value of many social programs and would argue that their positive impact is overstated. As noted previously, they support measures on price transparency, removal of excessive regulations that impede competition in the healthcare market and advocate reform in malpractice laws.

It is also important to note that much of the variation in health spending between OECD countries can be explained by wealth (wealthier countries expectedly spend more on health care). Frakt (2010), Reinhardt et al. (2004) and a McKinsey & Company study (2007) all other wealthy OECD countries have maintained a much lower ratio of health care spending to GDP with better outcomes than the U.S.

One could reasonably assert that the "excess money" the United States is spending compared to other OECD is waste. A recent JAMA study estimated the cost of waste in the US health care system ranged from \$760 billion to \$935 billion which accounts for almost 25% of total health care spending. The source of waste comes from many areas within the health care system thus making policy remedies difficult but not impossible. As highlighted in the JAMA study, administrative complexity (\$265 billion) was the largest source of waste, but overtreatment and low-value services (\$75 billion to \$101 billion) and pricing failures (\$230 billion) were large contributors to waste as well (Shrank et al., 2019). Optimistic estimates on value-based payment models, which reward value over volume of services, indicate they have the potential to eliminate up to 50% of waste in pricing failures, low-value services, and uncoordinated care delivered to patients (Shrank et al., 2019). Value-based health care delivery models were one of the cornerstones of the Affordable Care Act in which providers are paid based on patient health outcomes and rewarded for patient outcomes while sharing in cost savings with the payers.

According to Antonisse et al., (2018), the ACA, and specifically Medicaid expansion, has been quite successful in terms of improving health outcomes – i.e., all-cause mortality, maternal mortality, end-stage renal disease one-year mortality rates, opioid mortality, substance use disorder mortality and other primary care services and screening improvement. (See also Rudowitz and Antonisse, 2018) Additionally, the ACA has been associated with improved hospital performance and significant reductions in the probability of hospital closure (especially in rural areas). (Antonisse et al., 2018; Lindrooth et al., 2018)

Silver and Hyman (2018) agree that there are problems in high and opaque prices, poor quality controls, and insurance company practices. However, unlike those who favor increased government intervention, they cite failures of government policies as contributors to problems with the United States health care

system. Moreover, they are critical of the Affordable Care Act and argue that it has not been effective in controlling healthcare costs and has not improved outcomes in several important areas. Siver and Hyman specifically cite excessive use of antibiotics and excessive invasive testing that has harmful side effects that have plagued the U.S. health care system for decades. (One could also point to poor life expectancy outcomes for the country as a whole, high levels of obesity and diseases linked to that condition). They emphasize insurance and other third-party payment as sources of inefficiency. Medical savings accounts and empowerment of consumers would, in their view, serve to select and monitor the quality and value of healthcare services available in the market.

It appears that the most important factor for the high level of health care spending in the United States compared to other OECD countries is the prices for health care services and pharmaceuticals. The United States has the highest health care prices in the world as documented in a recent Health Care Cost Institute report (2019). The report compared the prices paid for medical services by private insurance in the United States to prices in other countries (Hargraves and Bloschichak, 2019). The United States outspends other OECD countries for most medical services and prescription drugs. For example, in the United States, a CT scan costs \$1100 and in Holland it costs \$140. A normal delivery for childbirth in Holland costs \$3,640 – 33% of the US price (\$11,170) In Switzerland, a cardiac catheterization is 22% of the US price (\$1,550: \$7,090) (Hargraves and Bloschichak, 2019). The price differentials in prescription drugs follow the same trend of higher prices in the United States. It is clear that the lack of price regulation in the US is a leading culprit of why the health care costs in the US are so high.

CONCLUDING COMMENTS AND POLICY IMPLICATIONS

The paper examines whether increased healthcare spending or increasing government financing and regulation of healthcare might improve outcomes in the United States. The paper also examines whether health care spending is being properly measured and if not, might that be hampering research to devise more effective policies to improve outcomes while controlling health care costs. We find that health care expenditure is positively related to levels of elderly population. Life expectancy is positively related to amount of health care expenditure. However, increasing government health care spending does not seem to affect life expectancy. Life expectancy did not improve with increasing health care spending among the high-spending (rich) countries.

There is widespread agreement on several aspects of the U.S. healthcare system, and this consensus includes those on the left and the right of the political and economic spectrum. (1) The performance of the system is substandard in terms of life expectancy and other measures of health and (2) the costs of healthcare are excessive given the substandard performance. Based on polling and recent elections, there appears to be a consensus that something should be done to improve the system.

While the advocates of market-based solutions make some good points, based on recent trends, it appears that alternative policies supported by organizations such as the Commonwealth Fund and OECD have been gaining public support. The majority of Americans appear to like Medicare, support the idea that pre-existing conditions should not result in high premiums and seem to want more and not less insurance. In other countries of the developed world, universal coverage seems to be popular as “settled law” and accepted policy.

Granted, some reforms such as medical savings accounts might be expanded. However, continued movement toward more universal coverage seems to be a good bet for the United States. As to whether such a move would lower H/GDP to levels in other OECD nations is unclear. It would depend on whether the American people would be willing to accept necessary cost controls and other restrictions that might be imposed.

There are also management and marketing issues relevant to companies serving the health care market. The incentives for new laws and regulations are very strong and companies would be advised to anticipate the changes and be proactive. Large health insurance companies that have an interest in reducing health care costs may want to look at measures in advanced countries that have demonstrated lower costs and better outcomes. Lobbying efforts for new laws that lower medical costs and encourage healthier behavior may benefit such companies. If insurance companies and other health care providers do not offer good alternatives, they may be losers when reforms are enacted. In the realm of marketing, companies that offer wellness products have expanding opportunities. Many firms have already profited by offering new, healthier products and services that improve health. In some cases, there may be opportunities to form alliances with health insurance companies if those products can reduce health care costs.

In summary, there is strong pressure for reforms in the U.S. health care system. If the U.S. adopts financing arrangements similar to other developed countries, it would likely involve more government regulation related to pricing. In addition, one might expect reduced availability of public funds for very expensive medical products and services. At the same time, many developed nations have options for citizens to purchase additional healthcare insurance and additional medical care that goes beyond that provided by government plans. In any case, given the better record of so many other countries, there are many opportunities to successfully improve the U.S. system, lower costs and improving healthcare outcomes.

APPENDIX

Appendix 1: Table of Summary Statistics

	LE (2006)	LE (2011)	LE (2016)	H/GDP (2017)	GH/H (2016/2017)
Mean	78.44	79.84	80.52	8.89	73.60
Standard Error	0.48	0.43	0.41	0.40	1.56
Median	79.25	80.73	81.13	8.90	74.46
Standard Deviation	2.86	2.53	2.42	2.35	9.23
Range	11.46	9.12	9.46	12.92	32.80
Minimum	70.87	73.58	74.53	4.23	52.33
Maximum	82.32	82.70	83.98	17.15	85.13
Count	35	35	35	35	35

Table of summary statistics for the data. LE: life expectancy. H/GDP: Level of current health expenditure is expressed as a percentage of GDP. GH/H: Government/Compulsory spending is measured as % of current health expenditure (GH/H).

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ACKNOWLEDGEMENT

We would like to thank Dr. Terrance Jalbert, Editor-in-Chief and two anonymous referees for their insightful comments and suggestions. Any errors are our own.

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THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN UNION AND BULGARIA: CRITIQUING THE NEW YORK TIMES 2019 EXPOSÉ OF CORRUPTION IN THE COMMON AGRICULTURAL POLICY

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ABSTRACT

This paper critiques the portrayal of the utilization of CAP funds as forms of corruption in eastern Europe. This study analyzes the CAP from the perspective of its role in supporting European integration as a strategy for peace promotion focusing on post-Communist Europe. This New York Times investigative report illustrates certain biases regarding US politically prevailing normative assumptions regarding political economy. Despite the Trump phenomenon, they underestimate the significance of intense and increasingly salient post-Communist political polarization in Bulgaria and Eastern Europe in general. EU regional and sectoral economic cohesion policies including the CAP are vehicles to incentivize political elite network creation and cooptation to undercut potentials for militant nationalism. The rise of conservative populist nationalism in Europe and globally illustrates the intensified political challenges to peaceful integration and globalization. A consequence includes greater cultural diversification regarding the definition of private versus public interest, i.e., the nature of the state. Analysis of the challenge of corruption in Bulgaria from the CAP point of view provides an opportunity to explore deeply the conceptualization of the state as a control system. The concept of the rule of law and what it means in Bulgaria will be explored from this EU CAP perspective.

JEL: D73, F02, F36, F52, F53, F54, H83, M16, O19

KEYWORDS: Bulgaria, Common Agricultural Policy, European Union, Nomenklatura, Policy Network, Post-communism

*“Well, I’m not so sure that Putin put a stop to that corruption as so much nationalized, effectively, the corruption and put it under the control of himself and figures from his inner circle, creating a new oligarchy, not so much disrupting or dismantling the oligarchy of the ’90s, but creating a new, alternative oligarchy that was loyal to him and benefited from their proximity to him and owed their wealth to him” (Joshua Yaffa, Moscow correspondent for *The New Yorker*, in an interview podcast on *Democracy Now!*, 2021, para. 13).*

INTRODUCTION

Malang and Holzinger (2020, 745) note that the European Economic Community formally launched the Common Agricultural Policy (CAP) in 1962 as a result of intergovernmental bargaining among the six original member states. The founders of the future common market in the 1957 Treaty of Rome included agriculture which comprised occupational employment for a large segment of their populations: “Moravcsik (1998: 89) reports that in 1956 agricultural employment was 41% in Italy, 25% in France and 15% in Germany; and agricultural GDP amounted to 25% in Italy, 15% in

France and 11% in Germany” [sic]. On the eve of Brexit, agriculture accounted “for only 1.6% of GDP and some 5% of employment” among all 28 EU member states. The EU’s EUR-Lex portal states that “the CAP aims to: increase agricultural productivity by promoting technical progress and ensuring the optimum use of the factors of production, in particular labour; ensure a fair standard of living for farmers; stabilise markets; assure the availability of supplies; ensure reasonable prices for consumers.”

The CAP’s two component programs are the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development. The former “funds direct payments to farmers and measures to regulate agricultural markets.” The latter “finances EU countries’ rural development programmes” [sic]. The CAP’s “share of the EU budget has steadily fallen in the last 30 years from 73 % in 1985 to 37.8 % for the period 2014-2020” (EUR-Lex, 2021). The EU CAP allocated 57.98 billion euros for dispersal to the EU member state governments for dispersal to their respective agricultural sectors in 2019 (European Commission, 2021). The front page of the *New York Times* November 3, 2019 edition reported on east European authorities channeling European Union Common Agricultural Policy funds for their political and material benefit. This investigative report noted that “[e]very year, the 28-country bloc pays out \$65 billion in farm subsidies intended to support farmers around the Continent and keep rural communities alive. But across Hungary and much of Central and Eastern Europe, the bulk goes to a connected and powerful few. The prime minister of the Czech Republic collected tens of millions of dollars in subsidies just last year. Subsidies have underwritten Mafia-style land grabs in Slovakia and Bulgaria” (Gebrekidan, Apuzzo and Novak, 2019, para. 4).

The report begins

“Under Communism, farmers labored in the fields that stretch for miles around this town west of Budapest, reaping wheat and corn for a government that had stolen their land.”

“Today, their children toil for new overlords, a group of oligarchs and political patrons who have annexed the land through opaque deals with the Hungarian government. They have created a modern twist on a feudal system, giving jobs and aid to the compliant, and punishing the mutinous.”

“These land barons, as it turns out, are financed and emboldened by the European Union” (Gebrekidan, Apuzzo and Novak, 2019, para. 1-3).

This investigative report illustrates some of the foundational laissez-faire elements of American prevailing assumptional views regarding the appropriate relationship of the state to the economy (Lipset, 1997). It also spotlights the trends in state evolution in post-Communist societies undergoing revolutionary change. The attitudinal milieu is one of national institutional disarray and normative dissensus, which observers tend to label corruption in comparison to relatively institutionalized west European polities.

A dilemma emerges in the application of scholarly research findings from the Western experience to post-Communist societies and elsewhere emerging out of authoritarianism. In the latter, a relative lack of societal institutionalized normative attitudinal consensus has existed on what constitutes the “public” versus the “private.” Yet corruption has been defined as “an abuse of public roles or resources for private benefit” (Dvořáková, 2019, 104, quoting Johnston, 2005, 12). In post-Cold War, Washington consensus discourse, neoliberalism has emphasized the privatization of state functions. Private military and security contracting companies are increasingly employed, while international efforts continue to ensure state responsibility for their behavior (Davitti, 2020). Intensifying Western domestic political contestation has made the Weberian ideal-type portrayal of the state as a unified actor monopolizing the articulation of the public interest less relevant. State agencies and power networks politically enable and coordinate societal power centers (Al-Kassimi, 2019). The state as a site of contestation has been evident in post-Communist societies undergoing

revolutionary normative change amidst polarizing confusion and normative, affective dissensus and dissonance.

The Orban government in Hungary was a particular focus of the November 2019 *New York Times* report but the investigative journalists also noted allegations of questionable use of CAP funds in Bulgaria. About 100 “entities” constituting Bulgaria’s “farming elite” received 75 percent of allocated main CAP funds while one of the largest flour producers has been charged with fraud regarding the subsidies (Gebrekidan, Apuzzo and Novak, 2019, para. 21). The same 4000+ word report noted that EU investigators concluded that throughout post-Communist Europe, “politically connected landowners” utilized their influence to annex small farms. In Bulgaria, “land brokers” backed legislation enabling these acreage acquisitions described earlier as “Mafia-style land grabs” (Gebrekidan, Apuzzo and Novak, 2019, para. 61-62, 4). The *New York Times* repeated its condemnations two days later in a paper editorial (*New York Times*, 2019). A former US ambassador to Bulgaria, James Pardew (2020), called for the EU to pressure the extended Borissov government to end alleged malfeasance contributing to anti-liberal political inertia. Yet Zankina and Gurov (2018) note that the opposition Bulgarian Socialist Party controls the presidency, playing a significant counterbalancing role to the policy thrusts of the Borissov government.

This paper analyzes the state institutional trend dynamics in Bulgaria in comparative perspective regarding the political legacy of Soviet Communist imperialism. The lustration debate has been one explicit response to this legacy. Some research shows that national lustration statutes, i.e., purging targeted Communist-era personnel from selected professional fields, reduce corruption (Rozic and Nisnevich, 2016). In Bulgaria lustration policies have been comparatively limited. “Unlike the Baltic states and some Central European countries, where anticommunism fitted easily into the new national narrative of Soviet oppression, Bulgaria has no consensual narrative of what communism was, and how society ought to come out of it now that it is no longer there” (Koleva, 2016, 363).

Another theme of this analysis is the building of alternative policy networks for economic profit and political influence to supersede the former nomenklatura. The latter were the national Communist party-vetted professional personnel under state socialism. After its Soviet imperial imposition, the Communist era party personnel elite and its generational descendants have benefitted materially and politically to a disproportionate extent under post-Communism. As a cohort, they have maintained their elite societal positions. They have done so utilizing the social, material and political resources available to them under late-Communism to prepare for and exploit the post-Communist phase and its opportunities. Nationalistic backlash against their continued elite status should be part of the analysis of the role of the CAP and other EU policies. They functionally contribute to constructing and fortifying alternative elite factional blocs in these young national liberal democracies.

Despite standing in opposition to Weberian bureaucratic rational ideals, patronage politics is partly a response to this backlash polarization and arguably serves as a functional political safety valve. Freeland (2017, 127-28) argues that “viewing patronage as a failure of governance rather than a competing form of governance leads to mischaracterizing incentives and may provoke violent backlash.” The “authority” of patron-client based state control systems “derives from a system of patronage which allows them to secure order through loyalty-based distribution of resources.” European integration progressively increases EU member state internal political exposure to multilevel political actor critique. These actors tactically maneuver at multiple EU levels of governance politics to achieve their respective goals. A consequence is greater political exposure of EU member state domestic social relations to critical comparative evaluation.

LITERATURE REVIEW

The Pluralization of the European Nation State

Bickerton (2020) argues that emphasizing the legal definition of national sovereignty underrates the significance of EU membership in forming and reproducing state power today in Europe. Joining the EU distinctively reconfigures the state. A state's legitimacy, power and identity assume distinctive features of Europeanization resulting from membership in the EU's transnational networks of governance. The ability of the state administration in the form of the government apparatus to express the goals and aspirations of the nation determines partly whether the public grants legitimacy to the authorities. A member state of the EU gains its legitimacy and authority additionally to some degree from belonging to a wider community of nation states. It gains this legitimacy and authority by acting not alone and independently as a typical sovereign nation state, but rather by acting alongside other governments, collectively. This assertion implies that politically influential constituencies within EU member states have vested themselves in the assertion and development of pan-European material and organizational interests. The development of these pro-integration interests affects the diplomatic bargaining leverage in the form of policy option range broadly and the decisional political latitude of policy makers specifically, to make policy (Cottam and Gallucci, 1978).

This international European regional societal analysis, highlighted in the English school, contrasts modernity with pre-modern regime Europe (Lees, 2016). In the latter, national political awareness and participation was limited to a very small section of the adult population. With modernity, the rise of mass political participation brought with it nationalistic political values that challenged this trans-European aristocratic ruling elite class (Cottam and Cottam, 2001). Nationalism added to the political drives that required evolving regime accommodation to satisfy the public's legitimation demands that Bickerton highlights. In the latter half of the twentieth century, globalization of trade, finance and communication increased opportunities for social mobility and creativity amidst continuing value change. This collective value development included the rise of post-material values. Self-identification with broader imagined transnational communities for those able to exploit these opportunities came to challenge the nature of the positivist nation state. Globalizing interdependency witnessed the local and national lobbying activity of these transnational community members located in different national constituencies.

For the nationalistically parochial segments of the public, globalization and its neo-functional spillover policy effects has posed a threat to their own perceived intra-community institutional social status. It can produce a powerful political backlash among national publics that have a stronger allegiance to their national identity as represented by their national state government, e.g., Brexit. British Euroscepticism was strongest among the EU major powers because of the greater prevalence of nationalistic values in the British polity. Nationalistic values in the German, French and Italian politics have been collectively less intense and salient in part because their twentieth century history has been starkly less triumphalist and more tragic (DeDominicis, 2020).

Bickerton (2020, 29) continues that these integrative tendencies tend to make the EU itself essentially important for the member states in terms of the formation of their respective so-called national interests. Their respective national aims are formed through their officials and governments repeatedly interacting at the European level. Their respective national goals are not formed before they involve themselves in EU negotiations, but in the midst of this interaction. State-civil society and inter-state EU member interactions together display a "pluralist conception of interest formation." An EU member state's national aims acquire definition within a broader international environment of pooled, i.e., disaggregated, national sovereignty. Reaching consensus among the member states in negotiations with each other is easier, facilitating EU policy making.

The complexity of the EU policy making process is a functional consequence of the EU being a governance system. The invested cosmopolitan material and non-material group interests view the EU member state actors adopting decisions that complement a meaningful, substantive European identity. This substance includes concrete real benefits, e.g., European economic profit, as well as European security and status benefits. For example, one American academic called to postpone coordinatively American national holiday gathering for 6 months to control the Covid-19 pandemic. Wolfers (2020) highlights the benefits to the American national community of the coordination of its subnational group actors, e.g., families, to agree to postpone the Thanksgiving national tradition. These benefits would serve the American national welfare and the component subnational groups within it. “In economics, this is called a coordination game, one in which you want to make choices that complement those of others” [*sic*] (Wolfers, 2020, para. 23). Insofar as the European Union is not viewed as a veil for particularistic neocolonial nationalistic interests of particular EU great powers, the EU is a successful coordination game. The so-called EU democratic deficit derives from the perceived complexity of the EU policy making process. More positively, it also means that the EU is not perceived as a cover vehicle for Berlin’s acquisition of German economic power-based regional hegemony (DeDominicis, 2020).

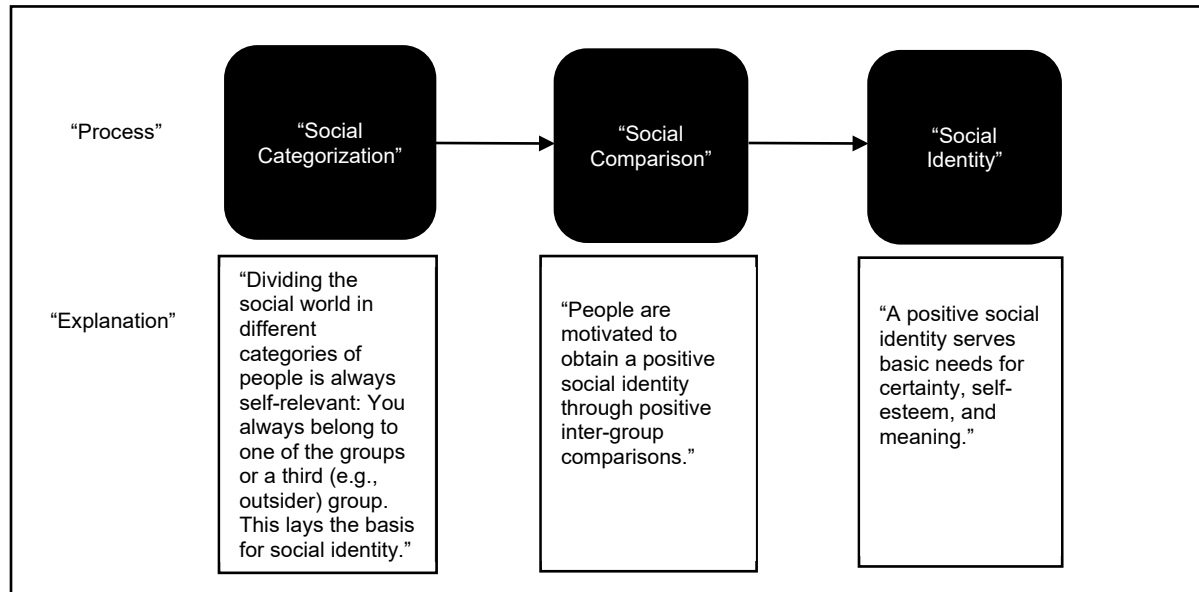
Bickerton’s description applies to all states in the global polity; all national polities decide their national interest, if their respective leaders declare it, within a dynamic global context. Reinterpreting Bickerton’s description regarding Europe would involve highlighting the legal requirements for incorporating trans-EU consultation also as a moral and ethical obligation. Nationalism as an ideological doctrine may be more likely to be disdained. It facilitates institutionalization of a transnational European self-identity community, but it risks populist reactionary nationalist social movements. Bickerton (2020, 30) notes that simultaneously, this tendency tends to evoke “problems” regarding legitimacy and accountability. An analysis of the requirements for the public granting legitimacy to the authorities is inadequate if it does not account for nationalism (Cottam and Cottam, 2001). Factors contributing to European national political polarization include conservative populist reactions to increasingly influential cosmopolitan constituencies.

For the post-Communist east European states, European cosmopolitanism can inadvertently serve functionally to appear to legitimate the failure to provide reparations to the victims of Communism. This tendency may intensify to the extent that the descendants of the nomenklatura continue to bequeath their competitive advantages in resources, networks and education to their offspring. They consequently may appear to benefit disproportionately from this Europeanization process. The emotional response is likely to be hostile envy (Cottam and Cottam, 2001). A counteractive policy regarding these trends may involve the distribution of EU allocated Common Agricultural Policy funds within the national agricultural sector and other EU resources. Their allocation as patronage by nationalist populist governments may build alternative social and policy networks. Within these networks will emerge power elites, to use C. Wright Mills’ terms (1956). These EU subsidy policies like the CAP incentivize co-optation of these so-called oligarchs. They are creating patron-client networks utilizing patronage. These EU subsidy policies contribute to pluralizing the establishment elite in which the former nomenklatura generations have been disproportionately represented.

European Post-Communist Reform and Social Identity Evolution

Cottam and Cottam (2001) apply social identity theory from social psychology to analyze the political psychology driving nationalistic behavior. They note that individuals seek to maintain a positive self-image while engaging in social comparison while concurrently forming self-identity ingroups. Figure 1 below outlines the process of social categorization that sets the stage for individual mobility and collective action as identity management strategies outlined in Figure 2. This paper’s additional argument is that polarization of national polities is a form of social categorization and comparison. Its strength reflects the intensity and salience of conflicting proprietary claims to the substantive policy significance and meaning of national sovereignty within the international community.

Figure 1: “Social Identity Definition”

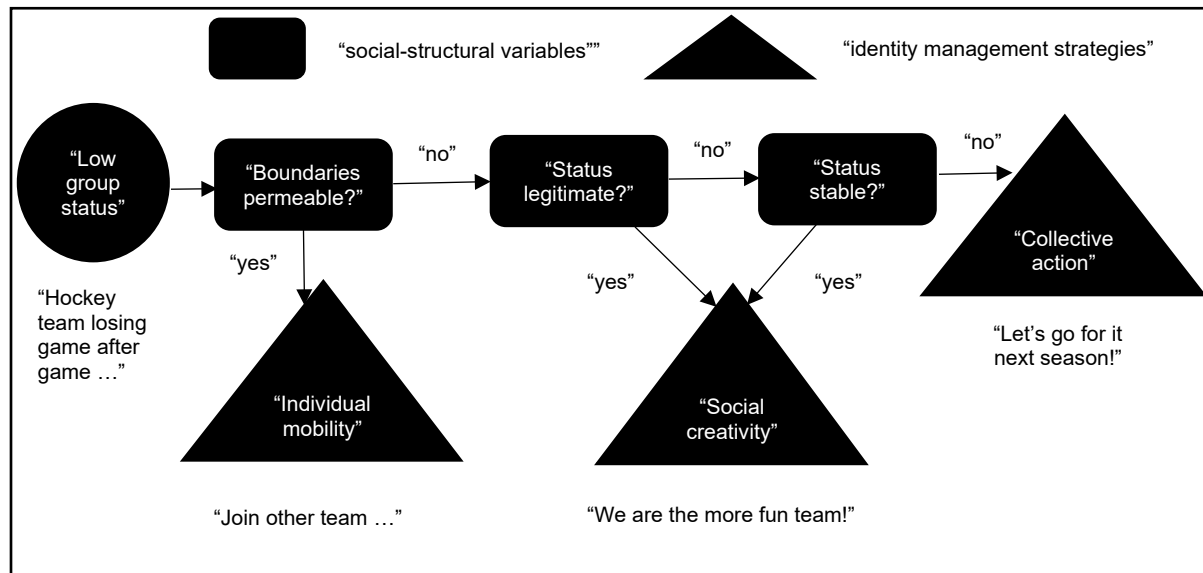


Social identity theory’s foundational motivational principles are that 1) an innate drive of the individual is to maintain a positive self-image, 2) individuals form ingroups versus outgroups, 3) individuals comparatively evaluate the social status of their ingroups with salient outgroups, 4) individuals tend to equate the comparative status of their ingroup with their self-image. If and when individuals comparatively evaluate themselves negatively within their societal contexts, then they will respond psychologically and socially, individually and collectively (see figure 2). Individuals have varying intensities of self-identification with a multitude of ingroups, but self-identification with a national ingroup is prevalent among homo sapiens and social competition can lead to violence (Fig. 1 from Scheepers and Ellemers, 2019, 8).

Upon comparing one’s ingroup with another and perceiving one’s own status as inferior and therefore one’s self-image as negative, the perceiver can respond with three psycho-behavioral strategies. One strategy is social mobility, i.e., attempt individually to join the perceived superior status group. A second strategy is social creativity, i.e., the perceiver compensates by changing the evaluation criteria, selecting those on which the perceiver views their ingroup as superior over the outgroup. A third strategy is open intergroup conflict, i.e., social competition, in which the ingroup perceiver views the relationship with the outgroup as zero-sum. Any gain by the outgroup is perceived as coming at the cost to the ingroup. National self-determination movements by definition seek to break the relationship through secession to form their own sovereign community (Cottam and Cottam, 2001). Figure 2 (below) schematically summarizes a presentation of social identity theory precepts.

This study elaborates on the identity management strategy of collective action as a form of political integration. In addition to collective action being employed in social competition, the collective action may be in the form of additional social creativity. Collective action may seek to supersede the relationship evaluation criteria upon which the zero-sum evaluation is based by fortifying new evaluation criteria. This new evaluation criteria may supplant the status quo institutional context by exploiting dynamic political opportunities. European integration strategy functionally aims to institutionalize, elaborate and fortify new substantive, supranational comparative evaluation norms. It operatively aims to supersede zero-sum international competition by developing pan-European institutions on the basis of new attitudinal orientations. These orientations may include global sustainable development imperatives as guided by international environmental protection conventions and the nascent institutions that have developed around them. These monitoring bodies have permanent secretariats and other institutional embodiments around which global civil society NGOs as well as for-profit sector organizations can coalesce and institutionalize.

Figure 2: “Social-structural Variables and Identity Management Strategies”



Upon perceiving an ingroup negative social status self-evaluation, an individual member may choose three different response strategies. Individual social mobility seeks to join the superior status group if the boundaries are permeable, e.g., “in the United States, [...] classes are permeable but races, in most cases, are not” (Cottam and Cottam, 2001, 92). Social creativity involves compensatory reconfiguration of the comparison criteria to reconstitute the individual perceiver’s positive self-identity ingroup evaluation. If dynamic interactive contexts destabilize social-structural features of intergroup status relations, then social competition, i.e., collective action by the ingroup to supersede the outgroup along the same status evaluation criteria, may be the social strategy response (Fig. 2 from Scheepers and Ellemers, 2019, 12).

The Europeanization of EU member states may be understood in these terms. It involves the inculcation through law and practice of actors into supraordinate, ‘European’ cosmopolitan ethical and legal criteria and imperatives. These imperatives ultimately apply in terms of policy requirements in the relationship of the national authorities including their obligations in their treatment of their respective citizenries. Heretofore marginalized groups, e.g., women, gain concrete benefits from this creation of supraordinate communities and the superordinate institutional obligations that embody them. Their existence creates both additional social creativity opportunities for these marginalized groups as well as individual social mobility opportunities for their members. These groups are marginalized if their members in effective view themselves as such. They may include conservative populist nationalists who view themselves as being status subservient to co-national cosmopolitans. They may see the latter as previously exploiting the utilitarian social mobility and class social creativity opportunities available under Communism. They then allegedly converted these relative utilitarian and social status advantages into advantages under the new post-Communist regimes. In sum, the stability of Europe requires the co-optation and integration of these conservative populist nationalist movements. The EU must accommodate them politically albeit through compromise and negotiation over the meaning of national sovereignty.

European integration may create opportunities for social mobility and social creativity for discontented constituencies in post-Communist societies. These dissatisfied groups otherwise may orient their attitudes in a zero-sum attitude towards the authorities, i.e., engaging in social competition social psychological strategic approaches. A dilemma is that the former nomenklatura as the most successful business elite in post-Communist states enjoy exceptional social mobility and social creativity options stemming from EU integration. They are prone to do so due to their greater economic wealth and more developed social networks whose foundations were laid under Communism by their forebears. EU integration may inadvertently intensify these societal conflicts as the former nomenklatura are perceived to benefit even further from Europeanization. Those nationalists perceiving themselves as not benefiting proportionately from Europeanization are prone to intensify their affective envy towards them. “In the case of envy, the

unequal comparison [in perceived comparative social status] between oneself and another is seen as unfair. Feeling envious of others can alleviate feelings of guilt, since one's own actions, which may have been considered wrong, can be reinterpreted as having been justifiable given the unfair behavior of the other party" (Cottam and Cottam, 2001, 103). Europeanization has the potential to intensify polarization, including support for militant nationalists.

The EU confronts trends in the Polish polity under the Law and Justice Party to remove legal obstacles to purging society of the legacy influence of collaborationists with Soviet Communist imperialism (Santora, 2017). The perceived perpetuation of nomenklatura-era social networks continues into the post-Communist, Europeanization era. Core supporters for lustration perceive these intergenerational networks to exist. One policy adviser to the conservative populist Polish government supporting judicial reforms opposed by the EU derides the claim that post-Communist Poland has an independent judiciary. "When someone tells me we are destroying the judiciary, I [Igor Janke, adviser] say, 'What judiciary?' [...] In the 1990s, he [Janke] contends, many of those guilty of committing crimes against the Polish people escaped justice. He calls them *"the red spiders."* *Red spiders breed more red spiders*, and even though only two of the 80-odd justices on the Supreme Court have ties dating to the Soviet era, their influence is still felt, he [Janke] said, echoing the [Law and Justice] party line" [*sic*] [emphasis added] (Santora, 2017, para. 16-19).

To counter this trend, the EU acquiesces to the construction of counter-elite factional networks around former dissidents, e.g., Viktor Orban in Hungary and the Kaczynski twins in Poland (one, Polish President Lech Kaczynski, was killed in the Smolensk 2010 flight disaster). Their hostility to the media and the judiciary and their demands to reform them reflects in part the collective perception that these informal networks continue to benefit the old nomenklatura generational networks. While the Polish and Hungarian regimes stop from relying upon physical coercion against their opponents, the EU is likely to concede to this process of construction of counter-elite networks. The EU may even encourage it through the Common Agricultural Policy as these figures distribute domestically the CAP subsidies allocated to them from the EU budget as de facto patronage. The continuing reform of the agricultural sector through privatization of Communist-legacy state-owned agricultural land provides extensive opportunities for patronage network construction. In contrast, in Italy, "privatizations notably reduced the perimeter of the economic public sector. The remaining state-owned companies were restructured to facilitate their integration into global markets and respect the prescriptions of EU law. Patronage at the lower levels has fallen drastically, as it is incompatible with constraints on public finances, made more stringent by the process of European integration" (Di Mascio, 2012, 388).

States with stronger nationalist resistance social movements under Communism against Soviet imperialism are more prone than Bulgaria to demonstrate these polarizations. Bulgaria did not display a mass social movement resistance to Communism and consequently the co-optation of aspiring elites into nomenklatura legacy-based ruling networks is more pronounced. Bulgaria's anti-Communist elite opposition advocating reforms "failed to win the first post-communist elections" (Zankina, 2020, 111). Societal constituencies pressing for civil service reform were comparatively weak. Zankina notes that top-down pressure from the EU instead became the main driver for these reforms as Bulgaria sought to join NATO and the EU.

Constructing a cosmopolitan pro-Europeanization political coalition has to include a tactical focus on providing social mobility and social creativity opportunities. These openings should be readily available to post-Communist elites viewing themselves as the descendants of the nationalist opposition to Communism. It already has coopted the Communist nomenklatura generational descendants. The post-Communist, Bulgarian Socialist Party Prime Minister, Sergei Stanishev, while leader of the Party of European Socialists in the European Parliament, charged Bulgarian protestors as being "hirelings of shadowy oligarchic interests" (Krastev, 2014, 8). This coalition should target for integration Communist-era dissident generational descendants as well traditionally marginalized constituencies. The latter would include gender identity minorities, and women's rights. "Within the European Union, it [Italy] is joined by Poland, the

Czech Republic and Bulgaria in not responding to European Parliament appeals for member states to prosecute hate crimes and hate speech motivated by homophobia and transphobia” (Bubola, 2020, para. 8). Integration targets include ethno-racial minorities, e.g., Roma, Armenians, Jews and others. These integration foci would also include vulnerable national minorities that perceive themselves as having a national patron state, typically bordering their citizenship state. Europeanization would ideally be viewed as protecting their human rights.

The prerequisites for EU accession were first vaguely laid out in the Copenhagen criteria of 1993:

“Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union” [emphasis added] (“Presidency Conclusions: Copenhagen European Council – 21-22 June 1993,” sec. iii, para. 2).

These accession standards functionally addressed nationalism by highlighting that economic reforms would be necessary so that national economic firms could compete against other EU competitor firms. The pressures of the single market would otherwise risk eliminating locally controlled capitalist enterprises within the new member state upon joining the single market. Nationalist hostility and polarization trends due to perceived neo-colonialism would be undercut in the general, vague requirement that the acceding state would be able to participate in the single market. It should ideally also be able to adopt and implement the *acquis communautaire*, i.e., the state must be relatively strong, meaning not overwhelmed by patronage and clientelism. To rephrase, the new member state institutions should be relatively effective in transposing and implementing the large body of EU policies. It is a daunting task; the *acquis* includes all policies adopted since the 1951 Treaty of Paris establishing the European Coal and Steel Community.

Others argue that the Copenhagen criteria were not effective because the conditionality formally required was not enforced. Schönfelder and Wagner (2016, 476-77, citing Kochenov, 2008) note the claim that the accession conditionality instruments constituting that the Copenhagen criteria had minimal impact “in the areas of democracy and rule of law.” While the European Commission evaluated each candidate member’s status in meeting the criteria, the EU ultimately did not link this status to accession.

A prevailing public perception and attitude of partisan neutrality and legitimacy towards state authority requires factional elite collaboration and consensus to transfer power peacefully (Bari, 2018, Nielson, Hyde and Kelly, 2019). It can necessitate legal limitations on national governing power that populists portray as “undue constraints on the sovereignty of the people” in these globalizing-Europeanizing, i.e., polarizing, societies (Rupnik, 2016, 80). These assumptions have been problematic not only in Eastern Europe but in the US. The Trump led American populist reactionary social movement has been a threat to the rule of law and promotes polarization and hostility and suspicion towards state institutions (González and Ramírez, 2019). It is partly a reaction to the increasing political influence of traditionally marginalized and despised ethno-racial and gender-minorities and the accommodation of this influence by state institutions (Konrad, 2018). Parallel trends in polarization, hostility and suspicion have emerged in Europe, West and East, particularly following the 2015 refugee crisis. The EU may respond by providing social mobility and creativity opportunities for national actors--individual, group and corporate--that exploit the EU coronavirus economic recovery package opportunities. For example,

“The neighborhood [of Madrid, Cañada Real, with “a large Roma community”] has been a political football for decades, with several layers of government and different municipalities sharing responsibility for the vast stretch of land. Amid the political foot-dragging, about 15 nongovernmental organizations have stepped in to help the most vulnerable in Cañada Real. The number of Spanish aid workers has also risen

since the [Covid-19] pandemic began, because travel restrictions have stopped them from working outside Spain” (Minder, 2021, para. 4, 6).

Agency utilizing path dependencies and neo-functional policy feedback build upon growing vested interests in integration. It can incrementally and progressively contribute to the integration of national sovereignties (Spandler, 2015). Cottam and Cottam (2001) note that populist resistance episodically may arise in various national polities, depending upon the idiosyncratic histories and beliefs prevailing in those polities. The UK was always among the most Eurosceptic of the EU member states. This attitude derives significantly from prevailing perceptions of its successful imperial history, contributing to public opinion susceptibility to pro-Brexit appeals. The substantive content of Brexit as a new trade treaty relationship with the rest of the EU is continually under negotiation. This diplomacy persists within the context of the awareness that nearly half of the UK’s trade and commerce remain with continental Europe. London has already accepted the principle that Northern Ireland will remain part of the EU’s single market. Scotland may insist on a new independence referendum. Copelovitch and Pevehouse (2019, 183-84) that much of the rest of the international community continues to move forward in promoting “international cooperation and integration.” For example, the remaining eleven members of the original Trans-Pacific Partnership moved forward with the initiative after the new Trump administration withdrew from it.

Supraordinate European community identities translate through legal mechanisms into superordinate political and legal institutions that take legal precedence over EU member state laws and legislation. These institutions should provide the increasingly attractive targets by which the ambitious and career-oriented seek individual social mobility into the supraordinate European community. It should also provide concrete benefits to produce increasingly attractive opportunities for substantive social creativity for those national identity communities. They would otherwise focus on zero-sum social competition with traditional perceived rivals and adversaries.

“[I]t is possible for hierarchy to co-exist with a certain kind of ontological egalitarianism. While in some cases hierarchical sociality presupposes basic ontological difference—that is, the people who inhabit different ranks in the system are considered to be fundamentally different types of beings, as in the caste system as Dumont describes it—in other cases people are regarded as ontologically equivalent, and the various ranks of the system are theoretically and often actually open to anyone. In such instances, ‘egalitarian hierarchy’ is not a contradiction in terms, but rather an important analytical descriptor” (Haynes and Hickel, 2016, 5).

Relationships perceived as zero-sum equate functionally with polarization. Perceiving substantive individual social mobility and ingroup social creativity opportunities equates functionally with cooperation, collaboration and coordination of behavior including policy. Legally formalizing the latter is a significant part of the behavioral substance of integration.

European Integration and Social Identity

The European Union strategy for incorporating interdependency into social identity evolution is a comprehensive model. Bulmer and Lequesne (2020, 6) note the dynamic ways in which the EU and its member states interact as the member states formulate political tactics to generate effective inputs at the supranational EU level in pursuing their respective goals. The member states concurrently must each devise policies for incorporating EU policies at the national level. A result is a changing political opportunity structure within a member state for all actors, i.e., governmental and institutional actors, as well as for political parties and interest groups, along with less formal civil society actors. The EU milieu provides “new tactical and strategic opportunities for ‘projection’ for all these types of actors.” This so-called projection applies in terms of influence and interests. The creation and utilization of this EU setting

generates additional socio-political potentials for a broad array of actors to satisfy their social mobility and social creativity drives.

Bulmer and Lequesne (2020, 6) note that these “new opportunities” for projection do not come without costs. All of these actors become subject to new political constraints that emanate from the EU level in terms of policy commitments and legal obligations. Utilizing law and policy, EU integration incentivizes the emergence of a supranational moral and ethical community on these national member state foundations. The agglomeration of these moral and ethical norms and the affect that associates with them constitutes a set of beliefs regarding what is right/appropriate and wrong/inappropriate behavior, i.e., a culture. Belief in this cultural community as the largest with which its members typically have a primary intensity self-identification affective orientation constitutes a national self-identity community. It has this intensive affective tendency because it is believed to be a community of ultimate fate for its members, i.e., what happens to it, happens to its members. National self-determination in the form of a sovereign state is assumed to be necessary for its members to achieve full self-expression. Nationalism in the form of nationalistic behavior is a deep, primary intensity behavioral preoccupation with self-determination for the nation. It can be a polity drive that associates with a predisposition to stereotype the Other perceived as challenger to this national sovereignty (Cottam and Cottam, 2001).

The EU is far from having constituted a new EU national community, but it arguably is in the process of attempting to build one. A paradox lies in attempting to construct a new EU national community on the basis of existing national communities with their own states: nation states. Bulmer and Lequesne (2020, 6) highlight that the questions of “logics” emerge as a result of the interaction between the EU and the member states. Specifically, they pose the dilemma as to whether the so-called logic of political action in Brussels be paramount or should the logic of political action with a member state prevail. These logics are political systemic factors and constraints that interact. The functional aim of the EU is to impact on nationalistic drives so that they associate national self-expression with economic and political liberal values (Cottam and Cottam, 2001).

EU integration to increase, e.g., French, influence internationally through so-called pooling of sovereignty is an articulation of the rhetorical-ethical justification for subsuming French sovereignty. According to traditional conservative ethical principles, the national sovereignty is a paramount ethical imperative. Greater French influence in the international setting through in effect formally institutionalizing interdependency with Berlin and other EU member states is on one level paradoxical. It is plausible to many French polity constituencies in a world system with Washington and Beijing as predominant political poles. It is evidently comparatively less persuasive to the general British polity. It collectively perceives legacies of the British Empire that provide London with diplomatic bargaining leverage sufficient to maintain British sovereignty. British Brexiters evidently assume that this diplomatic leverage estimation is sufficient for the UK to maintain British sovereignty, relative political status and economic well-being. Nationalists comparatively are more prone towards overestimation of their nation’s relative power capabilities (Cottam and Cottam, 2001).

The longer-term consequence is to change prevailing views and also changing attitudes and beliefs and ultimately motivations away from nationalism. Institutionalizing interdependency can alter the composition and constellation of national political polity constituencies in a direction of transnationalism. Different constituencies emphasize and act as carriers of different motivations/values/drives (Cottam, 1977). The so-called respective logics of the respective policy making processes of each member state interact. A functional EU political strategic goal is to influence the member states at the more immediate level of incentivizing nationalism to exploit and thereby align with interdependency. A belief in inexorable interdependency may be expressed as cosmopolitanism, i.e., awareness of individual well-being ineluctably dependent upon transnational communities. Cosmopolitan values equate with universalistic, individual self-determination, i.e., human rights values.

In attempting to shape the EU policy making process, member states bring their own national collective institutional attitudes and beliefs. They interact, utilizing diplomatic bargaining amidst the formal and informal EU institutional environment (Cottam and Gallucci, 1978). The complexity of the EU policy making process with its diversity of constituent actors at subnational, national and supranational levels transforms these national initiatives. It diffuses them institutionally throughout the EU via bargaining negotiations among an array of institutional actors within the EU policy making process. Senior ministerial representatives meet to decide from a list of policy choice alternatives on a pre-planned agenda, including in the Council of the EU and the European Council. They are less prone to suspect that the policy process represents the obscured hegemonic aims of any particular member state, particularly Germany. Even the most recent Covid-19 pandemic aid program negotiated in July had to be approved by the European Parliament (Erlanger and Stevis-Gridneff, 2020). Creating and maintaining this perceptual milieu is necessary for the neo-functional spillover processes to occur via actors pursuing their social mobility and social creativity strategies.

Subverting susceptibilities to national zero-sum social competition in an EU founded by nation states is a necessary precondition for encouraging social mobility and creativity strategies among Europeans. Incrementalism is necessary to allow for the elaboration and evolution of international regime-based, transnational institutions. They provide these pro-EU ethical identity communities opportunities for individual social mobility and collective social creativity. Neo-corporatism is a tactical behavior pattern by which to achieve this institutional elaboration while still building upon the EU foundations amidst the nation state members. Different types of actors project their interests and influence in this systemically interdependent multilevel institutional milieu. It is legally based on treaty law between formally sovereign member states, to create supranational EU institutions. Bulmer and Lequesne (2020, 6) describe them to include of course national governments as their officials and ministers represent them, as well as “para-public agencies,” i.e., regulatory bodies such as national competition agencies. They also include national parliaments, sub-national governments, political parties, interest groups and “civil society actors”; national courts “and, in a more diffuse sense, public opinion and conceptions of identity.”

From the decision makers’ perspective, public opinion may refer to a range of constraints focusing on electoral politics, e.g., public opinion surveys leading up to the electoral results themselves. Conceptions of identity impact on electoral politics but may be subsumed among constituencies insofar as latent but intense concern for national sovereignty becomes salient. It then becomes a motivation for collective national behavior, e.g., Brexit. Promoting European identity on an individual and ingroup level paradoxically builds upon national sovereignty to create something supraordinate that is more than the sum of its parts. It may ultimately perhaps supersede those components in a future sovereign superordinate EU. As noted on an individual level it promotes social mobility into a European community with real material benefits while also constructing this European polity community. The European polity emerges through social creativity strategies of national communities vesting themselves into the European self-identity ingroup. Opportunities for building this European community emerges in a global polity context, i.e., vis-à-vis Russia or China or the global climate crisis or the US. The EU’s national component communities engage in social creativity strategies with each other within an EU supranational institutional context (DeDominicis, 2020).

From this perspective, Brexit is substantive because it means that the UK will not be participating formally in the legal policy making institutions of the EU. Bulmer and Lequesne (2020, 6) ask two rhetorical questions: 1) have national governments made EU institutions their agents? or 2) are the EU’s institutions transforming the national government institutions into administrative arms of the EU as components of what one analyst, Morten Egeberg (2006) describes as a “European administrative space?”. EU institutions falling under the perception of being agents of one or an alliance of some of the member states at the expense of the interests of the other member states is a perilous condition. If all the EU member states view the EU institutions as the agents of all the member states, then it indicates success in building an EU ingroup

self-identity community founded in EU/European principles. Nationalist political entrepreneurs and their constituency followers may not agree and may disrupt this process.

National legal systems have incorporated transnational social movement aims in part via international law. They apply *jus cogens* from international law, i.e., universal norms such as the ban on racism (Cassese, 2005). The EU is often portrayed as an elite-driven project. Bulmer and Lequesne (2020, 6) pose parallel questions regarding the EU's "transnational political parties" and "transnational interest groups." These EU-level parties and EU-level interest group lobbies evolve to serve supranational European community interests as agents of the national constituent member organizations. The EU provides social creativity options that provide concrete benefits include self-identity affirmation by official and unofficial national representatives within the global community. LGBTQ non-discrimination rulings by the US Supreme Court, e.g., are rhetorical manifestations of the legally binding results of the application of ethical norms with the authority of the state. It may affirm social creativity insofar as it reflects a global transnational social movement; the US would be otherwise out of step with Europe and much of the rest of the world. The state provides roles and institutions in this globalizing context.

The so-called golden rule, i.e., treat others as one would expect to be treated, generates social creativity if it affirms self-identity in the myriad social contexts in which it may be applied. As noted in the Internet Encyclopedia of Philosophy entry for it, it emerged in a traditional, small "tribal" society in the late bronze age, i.e., it probably was codified to affirm local ascribed roles and status (Puka, n.d., para. 73). It has expanded since early modernity to encompass consciousness of membership in broader communities. Citizens are aware that communities exist to which they belong and in which they are stakeholders, and we need to consider how to act in order to protect and promote the community. Emotion is important here. Generating social creativity as a national domestic regime control strategy may focus on uniting vis-à-vis an external national Other. It implies ingroup members are all allies against the enemy Other, and its members stereotype each other as friends bound together against the enemy, i.e., the enemy of my enemy is my friend. A theme in the encyclopedia entry is that the golden rule is a facet of shared community recognition as a factor shaping individual decisions about how to behave. Protecting the sovereignty of both the national and European community is part of this dynamic norm system of European governance.

Bulmer and Lequesne (2020, 10) highlight the analytical importance of "institutionalism," i.e., historical, sociological and rational choice institutionalism. They focus on the character of EU member state policies and how these policies are formulated domestically. Institutionalism also highlights EU-member state relations. Institutionalism has a longer tradition, federalism, as an important strategy for developing European integration. For those observers who wish to see the abandonment of the nation-state, it highlights the dialectical relationship between territorial member state interest interaction with a "de-territorialized political project" in producing EU policies and politics (Ibid., 12). The development of federal political systems witnesses their original dualist forms evolve into ever increasing overlap between the levels of government, i.e., "cooperative federalism" (Ibid.). It is important for understanding the continuing imperative to achieve consensus between the different member states institutions at one level, and the EU institutions at another level. The emphasis on exercise of democracy in political systems by utilizing cooperative federalism promotes executive authority at the expense of control by parliaments and societies. It generates social mobility and creativity opportunities to avoid social competition strategies among nations and constituencies. It helps create the political conditions for constituting the content of achieving consensus in Europe.

DATA AND METHODOLOGY

This study centers on survey of the scholarly literature and news media reports of record. With the enlargement of the EU into Eastern Europe in 2004 and 2007, "the majority of the European agricultural households were located in the new member states" (Lovec and Erjavec, 2013, 126). The pace of change

in the comparatively “underdeveloped productions structures” [sic] indicates the structural stresses rapidly transforming rural socio-economic institutions. During 2003-2011, “the number of agricultural households in the new member states has declined by 46.6 percent in Estonia, 44.2 per cent in Bulgaria, 34.4 per cent in Latvia and 30.7 per cent in Poland” (Lovec and Erjavic, 2013, 133 fn. 18, referencing Eurostat, 2011). Islamoglu (2016, 501-02, fn. 2) characterized the EU Common Agricultural Policy as functionally aiming to accelerate the building of “infrastructure” in these agricultural regions. The increasing Europeanization of the sector thereby makes it more amenable to foreign direct investment. It supplants small scale farmers with “mechanized agribusiness relying on migrant (transient) labor or reducing those producers to contract farmers subjected to the terms of transnational distribution networks.”

Bulgaria lags within the European Union regarding public policy to train, educate, consult and inform agricultural sector workers regarding innovations and policy requirements. 13 years after Bulgaria’s EU accession, “almost 93% of all agricultural managers are still with only practical experience and no agricultural training” [sic] (Bachev, 2020, 96). “Stimulating and sharing knowledge, innovation, digitalization and promoting their greater use is set again as one of the strategic (a “horizontal”) objective in the new programming period 2021-2027 for implementation of the European Union (EU) Common Agricultural Policy (CAP)” [sic] [Bachev, 2020, 62, referencing the European Commission, 2018].

Network analysis is a prominent focus in EU policy making process studies (Kenealy, Peterson and Corbett, 2018). Henning describes the political science field conceptualizing “policy network analysis” in two forms. One is a “quantitative sociological branch” diagrammatically mapping social relations. The other describes particular patterns of “state guidance” to negotiate a “collective decision in a common problem area” among “a plurality of state and private organizational actors” (Henning 2009, 153, referencing Héritier, 1996 [sic] and Mayntz, 1993, 39). Henning imposes a policy network analysis overview to integrate pluralist and corporatist paradigmatic perspectives on interest mediation:

“If policy networks are segmented, i.e. access to the government is biased in favour of a specific type of interest group like farmers, Henning and Wald (2000) call such a system clientelism or clientelistic pluralism, in contrast to pluralism which is characterized by many interest groups with more or less equal access to the government. Finally, if policy networks include interrelations among different interest groups, one can speak of cooperative rather than competitive lobbying systems. For the CAP, this creates four types of ideal-type lobbying systems: cooperative or competitive pluralism and cooperative or competitive clientelism” [sic] (Henning, 2009, 157).

The utilization of CAP resources to build clientelistic networks within the post-Communist member states is not surprising. Agricultural production networks are comparatively weak and underdeveloped in Bulgaria. “The main reason for the limited distribution of networks within the Bulgarian agribusiness and rural areas, according to the experts is the lack of trust between farmers, processors and traders [...]. This is largely predetermined by the specific development of agribusiness in Bulgaria over the last 25 years of broken links between production, processing and marketing, as well as the broken tradition of private farming” (Doitchinova, Terziyska and Zaimova, 2017, 444).

Labelling these behavior patterns as mafia-like implies that it is grossly illegitimate from a Western developed nation state perspective. In the post-Communist context, in which the emergence of effective nation-wide state institutions is an attitudinal belief that has yet to become prevailing, this break down into corruption is inevitable. The *Times* report characterizes the utilization of the CAP funds to create “a modern feudalism” while focusing on Hungary under the longtime Fidesz government of Viktor Orban (Gebrekidan, Apuzzo and Novak, 2019, para. 64). Privatization of large amounts of state-owned agricultural land focused on distribution to Orban political allies. Their larger land holdings would allocate greater proportional EU CAP subsidies to them. The outcome would incentivize the countryside to ally with Fidesz: “It is a type of modern feudalism, where small farmers live in the shadows of huge, politically

powerful interests – and European Union subsidies help finance it” (Gebrekidan, Apuzzo and Novak, 2019, para. 71).

According to Zankina and Gurov (2018, 5-6), Bulgarian national March 2017 parliamentary elections operated under representative selection regulations adopted immediately before the vote. They became “the second parliamentary elections utilizing a preferential voting system.” They indicate a shift towards “regionalization” and “corporate voting” as well as “controlled” voting, i.e., employers/patrons influencing voting behavior of employees/clients. Zankina and Gurov (2018, 9) note that Bulgarian patron-client political economic behavior includes authorities awarding no-bid “advertising budgets of EU operational programs” to favored media outlets.

Use of the label, corruption, is as much a political act as it is an analytical one. Parochialism in power relations characterizes weak states. European Union standards, set by its two most powerful, foundational members, France and Germany, to a significant extent fix the criteria for modernity and development for the rest of Europe. The effort to eliminate corruption, i.e., to establish the so-called rule of law, involves creating a prevailing belief that most members of society are bound to and in fact tend to follow the law. It means creating this social psychological environment in which the modal citizen comes to believe it to be actual and true. It requires creating feedback that confirms and reinforces this institutionalization and the belief in it. It necessitates substantive, concrete social mobility and social creativity opportunities to be created and exploited. It entails agreement as to the national legitimacy of those forms of right and wrong, i.e., ethical versus unethical, behavior. Consensual agreement on these norms, or at least on their idealization, does not yet exist. European Parliament intervention in Hungarian and Polish internal political trends that contradict its understanding of rule of law has provoked a nationalist backlash by the targeted authorities (Stevis-Gridneff and Novak, 2020).

RESULTS AND DISCUSSION

Feudalism is a label for a pattern of parochial institutionalization of power relationships in an environment of contingency and insecurity. As a Weberian ideal-type model, it consists of a system of bottomless triangles from the more powerful at the top of the pyramid and the lord’s vassals at the two base points. They in turn are lords to their own vassals below them. In feudalism at its most developed, the king was at the highest point with bottomless pyramid relationships continuing downward with the lowest class, e.g., serfs, at the very bottom. In return for obedience, the vassal receives security from external threats and dangers through this parochial, personalistic, clientelistic relationship. *In modern state patronage-based control systems,*

“The patron–client relationship is a complex one. While clients must remain loyal to their patrons to secure future transfers, even the top patron—the national leader—generally has at least a tacit obligation to secure privileges for the regime’s full clientele (Schatzberg 2001; Smith 2007). In this way, the state maintains order through a hierarchy of patrons that generates some legitimacy within society, even alongside the resentment that the corruption imperative often creates. What outsiders take as a failure of governance, and what analysts have termed ‘quasi-statehood’ at best, represents an alternative, often capable mode of governance” (Freeland, 2017, 132).

The prevalence of these structures in post-Communist eastern Europe is not surprising given the pervasive contingency within these societies undergoing revolutionary transformations from Stalinism. The daunting, state-building tasks these societies face far exceeds the challenges confronting, e.g., the defeated and occupied former axis powers. Fascist Germany, Italy and Japan still relied on a capitalist political economy whose institutions provided the foundations for their respective postwar economic miracles. Capitalist institutions in post-Communist eastern Europe to varying degrees had to be constructed from comparatively much more primitive conditions. This writer during his field research in 1989 Poland encountered anecdotal

accounts of Communist-era banking officials inquiring to their Western interlocutors as to how a bank checking account functions. The difficulties in acting ethically in post-Communist societies were most obviously illustrated in the immediate post-1989 phase. Communist-era laws were inappropriate for creating a capitalist economy. Successful businesspeople could not act according to the laws to be successful. Hence, businesspeople could be effectively labelled illegitimate in their behavior only if they engaged in the threat and use of physical force against their competitors and targets.

Post-Communism, Nationalism and Cosmopolitanism

Historically, domestic status achievement had become anchored in national ideals/standards/stereotypes. Nation states formed in relation to perceived, often zero-sum competition of the nation with other nations. Nationalists are more prone to view these relations in zero sum terms. Non-nationalists and cosmopolitans are more prone to perceive and exploit social mobility and creativity opportunities from globalization if they are available. An EU peacebuilding functional aim is to create a regional, if not global, international environment that mitigates perceived national insecurity and threat. This benign environment incentivizes the marginalization of the nationalists within their respective national policy making processes. Particularly business interests will seek to exploit these European social mobility opportunities and social creativity opportunities insofar as they promote corporate profitability.

National patronage and clientelism can be legitimated as Europeanization if they are used to facilitate European integration of the nation state. Militant supporters of Viktor Orban and the Kaczynski twins believe they are seeking to displace the elite exploiting their advantages derived from their communist nomenclatura progenitors. They are more likely to be mitigated in their militancy to the extent that their policies are legitimated as part of Europeanization. The post-Communist elite is less likely to be effectively stereotyped as the unfairly disproportionate beneficiaries of Europeanization in rhetorical discourse.

The commitment of national European polities to cosmopolitan values should not be overstated. “President Macron of France was honest enough to confess [...] early in 2018 that it was possible a [EU exit] referendum in France could even have yielded the same result as in Britain” (Bogdanor, 2020, para. 3). The election of Trump and Brexit illustrate that the modal citizenry is not cosmopolitan but are ethnic core group nationalists. Satisfying these militant populists is often largely symbolic, particularly if there is an immediate significant systemic economic dislocation in fulfilling their demands. The Trump administration declared its rejection of the North American Free Trade Agreement. “Many Americans who longed for a strongman will vote for Mr. Trump again. They revere him for tearing up NAFTA (even if the new version looks an awful lot like the old one) and slapping tariffs on Chinese imports and Korean washing machines (even if his unpredictable trade war forced the deepest contraction in the manufacturing sector in a decade)” (Stockman, 2020, para. 25).

The European Union can be conceptualized as an attitude, when expressed in the form of a belief, focusing on appropriate norms for conflict resolution among competitive and competing entities. Threat and use of coercion are not acceptable, chiefly since the EU is not sovereign. The EU begins as a system of governance, not government. It will become a system of government when it becomes sovereign, i.e., it can enforce its will with threat and use of coercion, ultimately, if necessary. It cannot now do so. These conflicts include national identity value tensions, but resolution requires allegiance to limits on utilization of means to resolve them to include abstention from threat and use of coercion. These limits indicate the beginning of the emergence of sovereignty which develops through law. Community consensus on these norms of ultimate authority to resolve conflicts perceived as laying in particular institutions indicates sovereignty. Perceived intentions of the competing institutional actors claiming de jure or de facto sovereignty shapes these perceptions.

A Reporters Without Borders research analysis of Bulgaria's political economy has characterized political regime relationships as a new form of feudalism:

“Bulgaria has evolved from a strong communist regime to a modern feudalism, but without any real change of actors. The former oligarchy invested massively in the privatisation of the Bulgarian economy at the start of the 1990s and took control of all the key sectors such as energy, construction, natural resource management, transport, telecommunications and real estate.”

“The situation in the media is similar, and according to the report it is not uncommon to find former high-level party and security officials or former intelligence officers managing media outlets” (Price, 2015, 28 citing Basille, 2009),

This same analysis of the Bulgarian media political economy places it within the context of the broader transformation of the old Communist elite into the political economic elite of the new regime. It notes comparatively that “the richest Polish businessmen today had extensive contacts with the security services prior to 1989” (Price 2015, 24, citing Horne, 2009). Price also references Ibroscheva (2012) whose research found that “controversial figures that had collaborated with the Communist regime own some of the most influential media outlets. The former spies’ unique position in the media, for example, gave them unprecedented access to media resources like printing and broadcasting facilities, as well as access to substantial capital that was out of the reach of ordinary citizens” (Price, 2015, 24, citing Ibroscheva, 2012).

Price highlights research that shows the intergenerational focus of transfer of national political economic authority and status between the established and upcoming Communist party nomenklatura:

“[T]he revolutions of 1989 were, in effect, a change of actors, in which the younger generation of the nomenklatura simply ousted its older rivals. The change also involved a redistribution of political power to a group of more economically savvy and pragmatic nomenklatura members, many becoming prominent politicians, oligarchs and media owners through Eastern Europe. Where the transitions were peaceful, the formal rulers easily converted their political capital into economic assets and social status” (Price, 2015, 22-23, citing Kryshstanovskaya and White, 1996 and Steen and Ruus, 2002).

This transfer began before Communism's collapse with liberalization reforms which younger, lower level nomenklatura exploited most expeditiously given their familial authority positions. Entrepreneurial activity included joint ventures with Western companies along with earliest access to newly available credits and privatized state resources as the Communist elite prepared for liberalization (Kryshstanovskaya and White, 1996). Price (2015, citing Andreev, 2009) highlights the comparatively exceptional role that the former secret service personnel have played in shaping the post-Communist political party composition in Bulgaria and Romania. Their influence dominated privatization of state-owned assets in favor of powerful local actors while foreign investors were blocked. Price notes the increasing resentment and envy characterizing the orientation of public constituencies throughout eastern Europe. Their focus is on the appearance of informal agreements between current and former economic elites to maintain their positions while income disparities increase after EU accession. “80% of Romanians polled thinking that corruption levels grew or stagnated even after joining EU [in 2007]” [*sic*] (Price, 2015, 25, quoting Horne, 2009, 363).

Price (2015, 25) highlights the importance of research on the “postcommunist media landscape ... especially in relation to the origin of the funds with which private media outlets were launched or purchased. The majority of those who own media in Bulgaria ... consider it more important to own a media outlet as such rather than make a profit as this kind of media ownership is not profit-oriented but supports other political or corporate ambitions.” The US is also increasingly reflecting globalization trends. Most recent US news reports highlight the emergence of for-profit local media public relations outlets masquerading as local news outlets. They work with political campaigns to plant political campaign propaganda

masquerading as local news reports on allegedly local digital news sites (Davey and Nicas, 2020). It reflects in part the increasing polarization of US politics and the consequent reflexive pluralization of the US digital news media's output (DeDominicis, 2019).

A PATH FORWARD

During the latter stages of the US-Soviet Cold War era, economic interdependency was a vehicle for generating intensifying perception of threat from other states. Cottam (1994) notes that the 1973 global oil shock generated an intensely hostile response in the US, with threats of US military action against critical US Cold War containment allies, the Saudi royal family and the Shah of Iran. Saudi Arabia and Iran had been perceived as essential clients in US efforts to contain Soviet expansion in the Middle East. Media reports noted scenarios employing violence against the oil-producing states by the consuming states. Nervousness emerged regarding developments as to how this new source of international conflict would intersect with the Cold War and whether and how to achieve a new political system equilibrium. The economic upheaval generated a serious political crisis, but of relatively short duration with a steep decrease in the intensity of perceived challenge. This case illustrated the capacity of economic concerns to generate a very intense value conflict at the interstate level. The potential for a very dangerous conflict is evident.

The Covid-19 pandemic accelerated the disruption of social norms in the US which “has reinforced nationalist instincts” (Sanger, 2020, para. 7). President Biden competed with Trump in demagogically stereotyping China, labeling China's chief executive a “thug” during his 2020 election campaign (Gladstone, 2020, para. 10). These accelerated nationalism-based trends are a collective attitudinal response to this accelerated change across the gamut of domestic traditional norms. These constitutive societal institutions, ranging from personal identities to global systems, are rules and roles and the affective orientations and symbolic collective idealizations that associate with them. Societal actors react to disruption and its insecurity, accelerating change trends via dynamic intensifying social identity management responses. One academic observer underlined the socio-political effects of the pervasive societal fear and anxiety amidst the pandemic. He portrayed it as a forewarning of the implications of the imminent cascading, chaos-inducing crises inherent in unaddressed intensifying anthropogenic global climate change:

“But along with the fear [of the Covid-19 pandemic], I remembered a lesson I'd learned in Iraq. I'd been a soldier in Baghdad in 2003-2004, where I saw what happens when the texture of the everyday is ripped apart. I realized that what we call social life was like a vast and complex game, with imaginary rules we all agreed to follow, fictions we turned into fact through institutions, stories, and daily repetition. Some of the rules were old, deeply ingrained and resilient. Some were so tenuous they'd barely survive a hard wind” [sic] (Scranton, 2021, para. 13).

Prior to the pandemic, international trends included domestic polarization tendencies already associated with globalization with the rise of populist nationalism, impacting national government foreign policy (Beichelt and Bulmer, 2020). Government responses to the Covid-19 pandemic accelerated these trends. Politically, scapegoating of a foreign actor mobilizes support while perilously risking contribution to an intensifying conflict spiral to crisis levels between Beijing and Washington.

In responding to a perceived economy-based threat from a foreign state competitor, “[a] strategy for addressing this conflict would have to be an elaborate one involving elements of both containment and détente. A combination of elements from both strategies would be necessary in order to deny certain strategic options and to reduce misperception as an exacerbating factor in the conflict. The collective political capacity to be successful is questionable as the extended cold war conflict illustrated” [sic] (Cottam, 1994, 167). The EU may develop its capacities to develop and apply a sophisticated strategy incorporating elements of both containment and détente towards the US, Russia and China. Such a strategy

would focus on polity constituencies within the target, politically strengthening cooperative elements while contextually weakening militant polity components.

Scapegoating China is politically convenient, addictive in the short term but dangerously short sighted. As Cottam and Cottam (2001) note, nationalistic actors which perceive intense threat may engage in social creativity via alliances with heretofore conflictual groups. These alliance members are self-servingly stereotyped positively for sharing the same perceived threat from a third actor. As noted above, the individual relationship analogue for this psycho-social dynamic is captured in the adage, the enemy of my enemy is my friend. Each actor has a function in the domestic and international alliance that is different but necessary. The functional promotion of postwar European integration utilized and exploited to varying degrees shared perception of threat from the USSR. A political psychological tendency is to solidify domestic core nationalist constituency political support by focusing on a perceived, shared common threat. The functional political systemic predisposition to embody the challenges to social cohesion in the form of an identifiable foreign challenge is significant.

The political impulse is to blame domestic socio-economic dislocation on a perceived aggressive, imperialist threat from foreign actor's political economic national development strategies (Perlez, Mozur and Ansfield, 2017). The Trump administration "identified" Beijing's "Made in China 2025" strategic development plan "as a long-term threat to big American industries like aircraft manufacturing, semiconductors and pharmaceuticals" (Bradsher, 2018, para. 5). The scapegoating includes concurrent selective, domestically polarizing targeting of stereotyped internal constituencies as channeling this threat, necessitating state corporatist intervention to counter it. According to Trump administration US trade representative Robert E. Lighthizer,

[...] *"A lemming-like desire for "efficiency" had caused many of them [US businesses] to move manufacturing over the past two decades to China, Vietnam and Indonesia, among other places."*

"They did so to save on labor costs or to avoid environmental standards, but that wasn't the whole story. Offshoring was a trend that morphed into a craze. Egged on by Wall Street analysts and management consultants, or simply swept up by the herd mentality of their peers, businesses came to see offshoring as something they were expected to do to serve the interests of shareholders. Many failed to weigh independently the long-term costs or meaningfully consider alternatives."

"For business, this strategy paid off in the short term. Cheap labor meant higher profits. But for America, the effects were traumatic. The United States lost five million manufacturing jobs. That, in turn, devastated towns and contributed to the breakdown of families, an opioid epidemic and despair" (Lighthizer, 2020, para. 3-5).

Countering these tendencies requires state strategic neo-corporatist intervention for the ultimately inseparably interlocked, interdependent pursuit of domestic and global social justice. Greater public support for education and training opportunities can be provided. Integration of sustainable development, i.e., Green New Deal-type programs to transform national infrastructure can also appeal to the working class. Supporting unionization efforts can be politically efficacious while at the same time promoting automation and technological change. These policies serve to counteract vulnerability to conservative populist demagogic appeals. The latter promotes perceptual and attitudinal trends viewing the target as an intense challenge in social competition, zero-sum relationship terms. Social justice promotion policies encourage abilities to recognize and exploit growing social mobility and creativity opportunities that emerge from globalization.

Herrmann (2019, 6) references Hans J. Morgenthau (1973, 252) in noting this tendency of state actors to engage in "nationalistic universalism." That is, national leaders advocate international support for their

state's foreign policies, claiming they serve superior, universal ethical goals. To rephrase, state leaders tend to cloak the output of their foreign policy making process in broadly appealing ideological or religious symbols. To the extent that international audiences are persuaded, the state's influence to achieve its aims increases. To the extent that motivated reasoning drives foreign public opinions to accept these nationalistic universal claims of the initiator, the initiator generates influence over their thinking and behavior. Power is defined here as the "exercise of influence over the minds and actions of others" (Cottam and Gallucci, 1978, 4). These nationalistic universal claims combine with other power capabilities of the initiator. It provides a psychological route by which to acquiesce to or support the expansion of the national influence of the initiator. History is littered with failures to persuade targets to accept this hegemony often because of the nationalism of the target community being evoked by the perceived imperial threat from the initiator.

The EU may serve a useful function in dispersing European influence generation power sources so that Europe's influence is less likely to be viewed as a cloak for neo-colonialism emanating from Berlin (DeDominicis, 2020). The target makes this subjective assessment, other observers may differ, partly depending upon their own motivations and need for allies and assistance. A Ukrainian nationalist may view EU influence expansion into Ukraine quite benignly, particular insofar as it is seen as a counterforce to Russian imperialist intervention. Accommodating EU influence in Ukraine requires not appearing to aim in effect to replace Russian imperialism with German. Moscow's prevailing view is one in which the EU is perceived as the civilian soft power velvet glove for NATO hard power based, US efforts at neo-colonial hegemonic expansion. For the EU to be a more effective peace strategy governance system in Europe and the world, it needs to convincingly differentiate itself from the US/NATO.

Development of an effective capability for EU "strategic autonomy" is therefore recommended (Erlanger, 9/2020, para. 5). EU "containment" of the US was considered to become an imperative if Trump had remained in office (Cohen 2020, para. 6). As the editorial director of *Le Monde* Sylvie Kauffmann noted, that German Chancellor Angela Merkel declared "we, Europeans, must take our fate into our own hands" (Kauffmann, 2020, para. 17). Her call came after a contentious NATO meeting with US President Trump, but little resulted until "[a]gainst all odds, the coronavirus crisis has made Europeans more aware of the need to take charge of their own future. "European sovereignty" is now the order of the day in Paris and Berlin" (Kauffmann, 2020, para. 17-18). With Biden's election, the political imperative to allocate the political and material resources to encourage this so-called EU strategic autonomy capability will recede. Return to the pre-Trump status quo is unlikely (Erlanger, 11/2020).

CONCLUDING COMMENTS

The goal of this paper has been to critique the role of the EU's Common Agricultural Policy (CAP) as an instrument contributing to political integration among European nation states. The paper utilized data and information available in the public record while applying a political psychology-based theoretical conceptualization of nationalism. It triangulates with selected scholarly literature to provide this analysis of the Common Agricultural Policy as an east European national regime stabilization vehicle. The EU CAP subsidy programs functionally support co-optive patronage network political construction amidst ongoing transformational reform of the agricultural sector. It mitigates the salience of latent, intense nationalistic political polarization potential in these societies undergoing transformational change after two generations of foreign Communist imperial domination. The study applies a social identity theory-based conceptualization of the political psychology of nationalism. It finds that the CAP is in effect utilized to promote cooperative social identity management strategies.

These strategies functionally aim to alleviate the vulnerability to intensification of societal polarization around social competition, i.e., the perception of social relations as zero-sum. These alternative social identity management strategies include, first, social mobility, i.e., individual cooptation and assimilation. Second, social creativity, i.e., re-evaluating the perceiver's own ingroup identity positively via opportunistic

alternative substantive criteria, emphasizes Europeanization including via the CAP. Alternative political patronage networks via the support of EU policies such as the CAP emerge to compete successfully with the patronage beneficiaries of the old Communist elite. The latter have readily adapted to European integration. This peacebuilding imperative applies to these national societies with recent histories of intense political polarization exacerbated by recent foreign Communist imperial domination. The dynamics of social identity evolution via social competition, social mobility and social creativity in a globalizing context drives Europeanization in Bulgaria and elsewhere. European Union institutionalization involves norm attitude evolution reflecting actors' behavioral/psychological orientation to exploit broadening opportunities for integration and cooptation. This orientation has a formal legal institutional formulation basis around which to orient and direct this strategy in the form of EU treaties and institutions.

The Brexit referendum underscores for managers and public administrators the imperative to disincentivize through institutional reform the political exploitation of nationalist populism. Demagogic exploitation of intense but variably salient collective political cleavages around divisive nationalism remains a useful short term political strategy even in western Europe. Europeanization's acceleration of societal change exposes intensifying dissensus in post-Communist polities, heightening their vulnerability to internal polarization and nationalist conflict. Formal EU institutional change has subsequently avoided formal intergovernmental conferences and EU treaty amendment national referendums that demonstrably intensify internal political polarization (Bickerton, 2020).

The limitations of the paper lie in the conceptualization of the causal linkages between integration via encouraging substantive national group social creativity strategies with individual social mobility. Directions for future research include social psychological analysis of the evolution of the systemic, structural processes by which parochial identity evolves into national and transnational identity. European economic integration is also a process of pan-European culture building, embracing the level of the very parochial and personal while simultaneously national and transnational.

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ACKNOWLEDGMENT

This article was written with the support of the 2020 Catholic University of Korea Research Fund. The author would like to thank two anonymous reviewers for their insightful critiques and suggestions as well as the journal editor for editorial oversight. Any mistakes and omissions are solely the responsibility of the author.

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UNDERGRADUATE STUDENT ASSESSMENT OF THEIR INSTITUTION'S SMES BUSINESS ADMINISTRATION AND MANAGEMENT PROGRAM

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ABSTRACT

This paper evaluates the progress of the Administration and Management of Small and Medium Enterprises (SMEs) undergraduate program (ADPymes) at Benemérita Universidad Autónoma de Puebla. We survey a sample of undergraduate students who are halfway into this academic program. The goal is to determine the level of critical factors for success (CFS), Independence and Formation, that students have acquired when they are half-way into their academic program. We also seek to evaluate their perception regarding becoming entrepreneur, and their ability to develop strategies to create a path forward focused and oriented to local needs. Through a qualitative and quantitative analysis, we determine students' interest, challenges and critical factors for success (CFS). We offer strategies to support students in acquiring skills and knowledge in the ADPymes program.

JEL: M13, J23, I21

KEYWORDS: Higher Education, Undergraduate Students, Assessment Program, SMEs

INTRODUCTION

The program of Administration and Management of SMEs (ADPymes) of the Benemérita Universidad Autónoma de Puebla (BUAP), states an objective that “undergraduate students’ performance will be in the private sector, where students should be able to create and /or manage a small or medium enterprises that require the application of innovative processes in the primary, industrial and service sectors, optimizing their resources to generate the greatest economic and/or integral social value (BUAP, 2020)”. To achieve this program objective, two key critical success factors (CFS) are required, Independence and Formation (education/training). Both criteria are critical in the ADPymes program. Formation is critical while pursuing an undergraduate degree which aims at developing skills need to start a company. Independence is considered an at-home learning process.

To carry out an analysis of students’ CFS level, we designed and applied a questionnaire to undergraduate students who are halfway into the academic program. The goal is to determine student CFS levels and to identify opportunities to improve students’ knowledge and skill acquisition.

Although the entrepreneurial phenomenon is complex, we seek to define CFSs, and apply different learning strategies conducive to strengthen student competences and skills. The faculty wishes to encourage students to believe that entrepreneurship is a viable undertaking. It is crucial for a local economy to have young entrepreneurs who can create productive projects that impact society. This is important not only to meet

the objectives of the Administration and Management SMEs program, but also because of the economic and social impact of the COVID pandemic that undermined levels and quality of employment.

The remainder of the paper is organized as follows: In the next section we discuss the existing literature. Next, we present the methodology which included pilot survey and a questionnaire. A questionnaire was designed to determine the scope of the Independence and Formation CFS. The survey was applied to 51 of 527 students (9.6 percent) enrolled in the Administration and Management SMEs (ADPymes) (BUAP Yearbook, 2020). This sample represents fifty percent of students who are halfway through their ADPymes program. We present results which show that students believe they are acquiring Independence and Formation in the program. The paper closes with concluding comments.

LITERARY REVIEW

In recent decades, entrepreneurship has become of paramount importance in education, given the need to overcome growing economic problems. Particularly, during 2020, the pandemic plunged the economies of Latin America into an economic crisis that nullified achievements realized over a decade (Economic Commission for Latin America (ECLAC), (Filgueira, Galindo, Giambruno, Blofield, 2020). The pandemic also severely impacted employment and poverty. The pandemic caused an ever greater and urgent need for employment. Thus, economic strategies must be applied for all important aspects job creation and economic recovery. The worsening employment crisis and lack of opportunities is a delicate situation. The ADPymes program emerged some years ago, and it has become relevant due to the currently declining Mexican economy. Benemérita Universidad Autónoma de Puebla (BUAP) was among the first institutions to envision the need to create programs aimed at the creation of SMEs.

Currently, academic literature and political authorities champion the importance of small businesses due to their specific weight in the economy, their flexibility to adapt to changing environmental conditions, their ability to introduce new ideas into the market, their dynamism in job creation, and their potential to contribute to the endogenous development of the regions (Junquera and Fernández, 2001, p. 1).

A social entrepreneurship ecosystem needs training centers to support their actions and efforts in the market and to help create a "culture" of entrepreneurship. The culture advances knowledge of the profession, designs learning tools, develops organizations of the entrepreneurship sector and contributes to its institutional strength. Management of the entrepreneurship sector, its efficiency and effectiveness and its capacity for innovation are what will allow the sector to advance (Domènech and Navarro, 2011).

Critical Success Factors (CFS) for Creating a Business

Junquera and Fernández (2001) argue that key CFSs to form companies include Social Position, Personal Security, Independence and Formation. In this study, we concentrate on Independence and Formation. According to Junquera and Fernández (2001), Independence is the willingness to act, the desire for freedom that favors the creation of companies, which is related to self-realization. That is, individuals' tendency to be what he/she longs for, thereby using and taking advantage of their capacity. Junquera and Fernández (2001) also argue that self-realization is one of the greatest motivations for being an entrepreneur. Self-realization includes responsibility for decision-making, the formulation of objectives and their achievement through effort (Junquera and Fernández, 2001). However, the search for independence does not always result in positive outcomes for the entrepreneur. Independence relates to the individual's need to project achievement/success. Independence embodies the desire to achieve something that allows an individual to lead a group of people and have the freedom to make decisions in their professional life (Junquera and Fernández, 2001).

Formation is based in the premise that entrepreneurs are made and are not necessarily born. Thus, it is important to consider formation/education and value in an individual when creating a company. High levels of training are associated with a high ability to process information. Individuals with higher levels of training are more likely to have a greater chance of receiving and generating innovations in the market. In addition, some authors argue there is a positive relationship between the level of training/formation and survival of companies (Junquera and Fernández, 2001).

It is important to consider a Neo-Schumpeterian approach which suggests notable differences between types of entrepreneurs (Marlerba and McKelvey, 2020). Marlerba and McKelvey (2020) present a compelling case for distinguishing the entrepreneurial ecosystem between businesspeople and entrepreneurs. Businesspeople refers to the industrial organization that replicates, within a perfect competition environment, or expands a business into integrated activities of simple replication and routine productive activities. On occasions, they demonstrate an inability to accumulate physical capital over time. Their income elasticity of demand is practically zero, and so in general they invest in projects that tend to fail due to a stagnation of their productivity and reduction of benefits. However, an entrepreneur constantly seeks innovation through new learning organizations. They use and transform existing knowledge and use learning and problem-solving processes. Entrepreneurs seek to benefit from (1) the identification, creation and exploitation of opportunities (2) conditioned by connections and networks, (3) do not present a structure of competition derived from easy and obvious replication and (4) increases in its sales volumes.

Entrepreneurship in Higher Education

A university is a foundation for individuals' not only for professional and personal development, but also social development. Given the lack of job opportunities, a series of higher educational models have been designed to promote these skills in higher educational programs. However, in practice, the results of generating new productive projects have not been well documented (Duran, Fuenmayor, Cárdenas, and Hernández, 2016). In addition, Duran, Fuenmayor, Cárdenas, and Hernández, (2016) argue that in almost all business schools, generations of individuals have been educated to be employees and not entrepreneurs (Duran, Fuenmayor, Cárdenas, and Hernández, 2016).

Graduating Student Profile

The undergraduate degree on Administration and Management of SMEs (ADPymes) concentrates on entrepreneurship. ADPymes students receive a strong foundation to "be professional, highly competitive and critical. To display leadership, ethics, entrepreneurial spirit and human sense, who will focus their efforts on making decisions that generate a high added value to SMEs in their creation and development (BUAP, 2020, p. 2)." With one of the most ambitious fields of work, ADPymes program indicates "Private: the student will be able to create and/or direct small and medium enterprises that require the application of innovative processes, both in the primary, industrial and service sectors, optimizing their resources to generate the greatest integral economic and/or social value (BUAP, 2020, p 3)". The graduate must show a strategic plan for financing to demonstrate he/she is ready to try to start a business. The institution works under the premise that small businesses are better incubators than large businesses. The University plays an import role during the period in which a student pursues his or her undergraduate degree.

Role of the University in Today's Society

Currently, the labor market demands skills and abilities that were not previously considered including precision, teamwork, creativity and ability to function in multicultural environments (Santiesteban, 2020). In this regard, BUAP has had a partnership scheme within its own academic offering to meet these new employment requirements: "Generate new higher level educational programs with modular schemes by competences, through one or more academic units in mixed modalities (BUAP, 2017)", for which this

program is offered in face-to-face and distance (online) modalities. Within society, there is a little less interest in degrees and more interest in acquiring skills, "Development of skills for employability (BUAP, 2017)". Within the BUAP, is a key program to strengthen acquired skills and make productive projects a reality in the SME scheme "Promote incubation programs, acceleration of companies and sustainable projects, through the participation of teachers, researchers and students." BUAP works with two faculties, and with the focus on self-employment to promote creation of SMEs. BUAP also seeks to maximize the use of the school and faculties infrastructure.

According to Santiesteban (2020) "... Knowledge ceased being a source of power. Today, it is more important to know what to do with it, how to look for it (Santiesteban, 2021). Therefore, for BUAP is essential the implementing of its institutional model. It is not a question of approving the subject matter, answering questionnaires and passing exams, but rather asking questions considered essential and useful for acquiring knowledge (Hernández, 2014). A university has experience in implementing this model due to regionalization and departmentalization that provides a clear way to inflict greater impact with fewer resources (Santiesteban, 2020). Professors have classes with students from various programs, and regional center laboratories for the entire school program which favors interdisciplinary interaction with the students.

METHODOLOGY

We first completed an extensive review of relevant literature based on books, scientific articles and specialized journals on Independence and Formation, CFS keys, entrepreneurship, and creation of a small business. Then, we followed an exploratory, descriptive, and cross-sectional study format to access students' progress when they are half-way through their ADPymes program. We evaluate if their assessment meets the program graduation profile.

We developed a questionnaire and ran a pilot test with the participation of 31 ADPymes undergraduate students. We applied the 21-item questionnaire to a non-probability sample of 51 ADPymes undergraduate students in March and April of 2021 (spring period). These students were in the fifth and sixth semester (mid-way into their program). Table 1 shows the variables and items used in the questionnaire.

As noted earlier, we concentrated on two critical CFS, Independence and Formation (see Table 1 for our definition of Independence and Formation). We grouped items as they related to our variables, Independence and Formation (see Table 1). From the 21 items, six items are related to Independence, eight are related to Formation, four questions to reflection, and one open question about challenges and difficulties faced by entrepreneurs. We also gather information related to the source of funding for future ventures and the industries or sectors in which students want to participate in with a new business. Results are presented in three tables and two figures. We offer recommendations with the sole purpose of improving performance in the ADPymes program.

Table 1: Key CFS Independence and Formation Used in the Survey

Key Critical Success Factors CFS	Definition	Associated items	Measurement
Independence	The willingness to act, the desire for freedom that favors the creation of a business project (Cimadevilla and Sánchez, 2001). Economic independence is main motivating factor to start your own business, (Sastre, 2013). It relates to self-realization. It is the tendency to be what you want to be, using your resources and skills, It is the motivations to be an entrepreneur, including the responsibility for decision making, the formulation of objectives, achievement through continuous effort (Cimadevilla and Sánchez, 2001)	I like to work as a team and coordinate . When working in a group I prefer to be the leader. I think it is necessary to take risks to progress. I have intervned once in the implementation of group projects or association. I have seriously considered starting my own business after graduating. I always look for the positive side in a bad situation.	At least 77% of students want to coordinate teamwork. They want to be a leader and have participated in projects. They have considered being their own boss and stay positive in the face of adversity (see Table 3). With 95% confidence level, we determined that between 88.54% and 65.45% of the surveyed students responded favorably to the questions related to the CFS Independence, considering that they are willing to coordinate a team, to lead, have participated in starting a project, etc.
Formation	Formation or education (schooling) has not been considered a very important factor in the creation of companies (Cimadevilla and Sánchez, 2001). Although, they don't perceive academic training (formation) as a relevant obstacle to entrepreneurship. Lack preparation, lack of business plan and lack of planning are culprit for the startup or venture failure (Sastre, 2013).	I have access to supporting information to start and undertaking projects. I get to do things imaginatively and differently than other people. I see new use in common objects. When plans change unexpectedly, I can improvise without difficulty. In each of the classes I have learned relevant information for my venture. I analyze my mistakes to learn from them. In each of the classes I have learned about entrepreneurship and how to application the subject matter to start project. Extracurricular academic days have guided me in the entrepreneurship process (for example, the March 1 law and the faculty symposium, etc.).	At least 82.5%of the students consider that they have obtained information during their undergraduate education program to proceed to create a project (Table 4 shows the results). With 95% confidence level, we determined that between 92.92% and 72.07% of surveyed students have positive characteristics related to the CFS Formation. They consider useful the extracurricular academic events such as the symposium, day seminars related to law, finance, administration and mathematics, taxation, accounting and business plan which are offered by the University.

Table 1 includes the CFS Independence and Formation, their definition and items associated to each CFS. For calculations we used the formula

$$p \pm z \sqrt{\frac{p(1-p)}{n}}$$

RESULTS

In the Table 2, Table 3 and Table 4, we present the result of items related to Independence and Formation. Figure 1 and Figure 2 present the result related to source of funding for future ventures and sector or industry that the students are interest in.

Table 2: Program Offering vs. Students' Perception

Knowledge Offered in the Program is as follows:	Comments Related to the Open Questions
<p>From economic-administrative theories, obtain knowledge that allows the application of administrative processes that promote efficiency and quality in SMEs while considering the economic, social, cultural and legal dimension of their environment through ethical decision-making, committed to sustainable development (BUAP, 2020).</p>	<p>In each venture it is necessary to present a business plan to investors who request financial data.</p> <p>To successfully run a business, an internal control system is required by any business no matter how small. Internal control aims to safeguard assets, promote efficiency in the operations of a business or a company, as well as increase the degree of confidence in financial information.</p> <p>There are many ways to organize a business, from a "natural person" which is taxed under a Small Taxpayers Regime, to creating a "Sociedad" with a single person or owner called "Sociedad por Acciones Simplificada (SAS)", to establishing "corporations" with variable capital. When it comes to fiscal part, many students do not know how a business is managed and formalized.</p>
<p>Law, to base the legal framework of SMEs at the regional, local and international level.</p>	<p>There is no clarity on what accounting is used for in a business, the complexity of this task, and finances. The costs of hiring staff to perform these tasks is high for starting SMEs.</p> <p>Managers may need an expert to easily explain the financial statements, to help them get credits and to analyze if the business or company is achieving its goals and objectives.</p> <p>Tax regulation requires businesses to keep accounting records, but often small businesses perform their tax obligations within the page of the Tax Administration System (Sistema de Administration Tributaria, SAT).</p>
<p>Fiscal, which facilitates interpretation and application, in environments of tax laws of small and medium-sized enterprises at the regional and national level. Entrepreneurship that will generate disruptive ideas and innovative companies that will offer greater value to the market in which they are operated.</p>	<p>When it comes to administrative audit, there is apparently lack of internal control that starts from the organization form adopted by businesses. There is also lack extensive knowledge on how to start an organization manual, what form of organization an entrepreneur should adopt to start a business.</p> <p>Some companies are already in operation, but these are family businesses. This presents challenges like giving orders to a family member or adapting to the organizational system.</p> <p>Regarding taxes, startup companies know the tax agency requires them to pay taxes on their income or profits, but many don't know how much they have to pay, how to pay and the taxes and costs sociated with opening a business. Also, hiring personnel implies paying social benefits and local contributions.</p> <p>When it comes to a small business, many businesses don't know or calculate the tax burden that must be incorporated into the business plans and projections.</p>
<p>Accounting to establish internal control standards and procedures that classify and record operations for the preparation of financial information, with the use of IT, for decision making (BUAP, 2020).</p>	<p>Entrepreneur programs show that that people who can support your venture financially request financial information, such as: profit margins, costs of your product or service, general operating expenses and the initial amount of capital required to start a business.</p> <p>To request financing for a venture, entrepreneurs do not always have data such as the number potential customer (people or customers), initial inventory to start the business, the minimum number of people to start a business, the break-even point, etc.</p>

A group of 51 undergraduate students participate in the 21-item survey. This table provides information regarding the program offering or areas covered and students' perception. Source: own elaboration with data from the survey.

Table 2 reveals it is necessary to reinforce important area such as those related to finance and fiscal/taxation. We identified deficiencies in important steps and procedures such as trademark registration, necessary licenses such as the Federal Commission for the Protection against Sanitary Risks (Cofepris), the Ministry of Health (Secretaria de Salud, SS), and the constitution as a natural or legal person.

As per the CFS Independence, Table 3 includes the results related to the student's perception. Students were asked six questions, and their answers were framed in five possible answers ranging from total agreement to total disagreement.

Table 3: Questions Related to CFS Independence

Items	Total Agreement	in Agreement	Undecided	Disagree	Total Disagreement
I like to work as a team and coordinate	23%	55%	12%	6%	4%
When working in a group I prefer to be the leader.	16%	51%	19%	14%	0%
I think it is necessary to take risks to progress.	53%	31%	6%	8%	2%
I have participated once in the implementation of group projects or association.	27%	35%	12%	18%	8%
I have seriously considered starting my own business after graduating.	72%	10%	14%	4%	0%
I always look for the positive side in a bad situation.	51%	37%	8%	4%	0%
Average	40%	37%	12%	9%	2%

Table 3 shows the results of six items with answers ranging from total agreement to total disagreement. Source: own elaboration with data from the surveys.

77 percent of undergraduate ADPymes students stated that they want to achieve independence by being their own boss, leading a project, or through some other leadership contribution. A low percentage of students responded disagree, and total disagree.

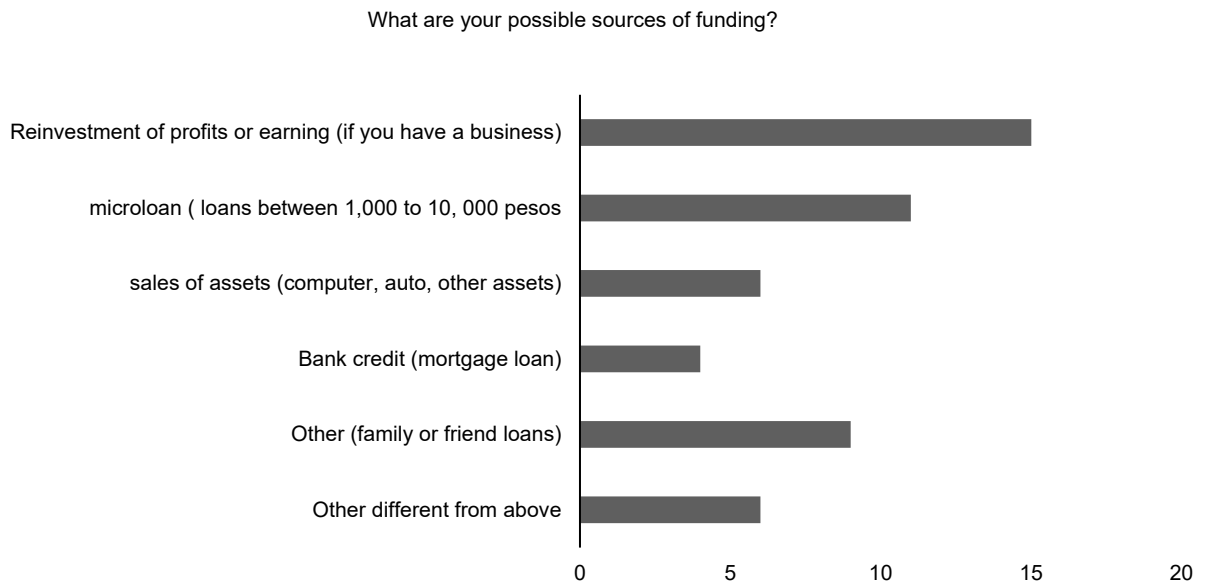
In Table 4, we report the findings related to students' assessment or perception of program Formation. We used eight questions with possible answers ranging from total agreement to total disagreement. Table 4 presents results in percentages for each question associated with each Formation CFS. We find that académicas extracurriculares events score the highest level of positive response. These events are offered by the BUAP and include symposiums, law instruction, finance, and additional training. Most items show relatively high marks in "agreement." Figure 1 reports the funding options.

Table 4: Questions Related to CFS Formation

Items	Total Agreement	In agreement	Undecided	Disagree	Total Disagreement
I have access to supporting information to start and undertaking projects.	25%	63%	10%	2%	0%
I get to do things imaginatively and differently than other people do.	33%	51%	8%	8%	0%
I see new use in common objects.	19%	55%	24%	2%	0%
When plans change unexpectedly, I can improvise without difficulty.	24%	58%	16%	0%	2%
I analyze my mistakes to learn from them.	53%	41%	6%	0%	0%
In each of the classes I have learned relevant information for my venture	47%	29%	16%	6%	2%
In each of the classes I have learned about entrepreneurship and how to apply the subject matter to start project	35%	43%	12%	8%	2%
Extracurricular academic days have guided me through the entrepreneurship process (for example, the March 1, law and the faculty symposium, etc.).	35%	49%	12%	4%	0%
Average percentage	33.87%	48.63%	13%	3.75%	0.75%

Table 4 shows the results of eight items with answers ranging from total agreement to total disagreement. Source: own elaboration with data from the surveys.

Figure 1: Funding or Financing Sources

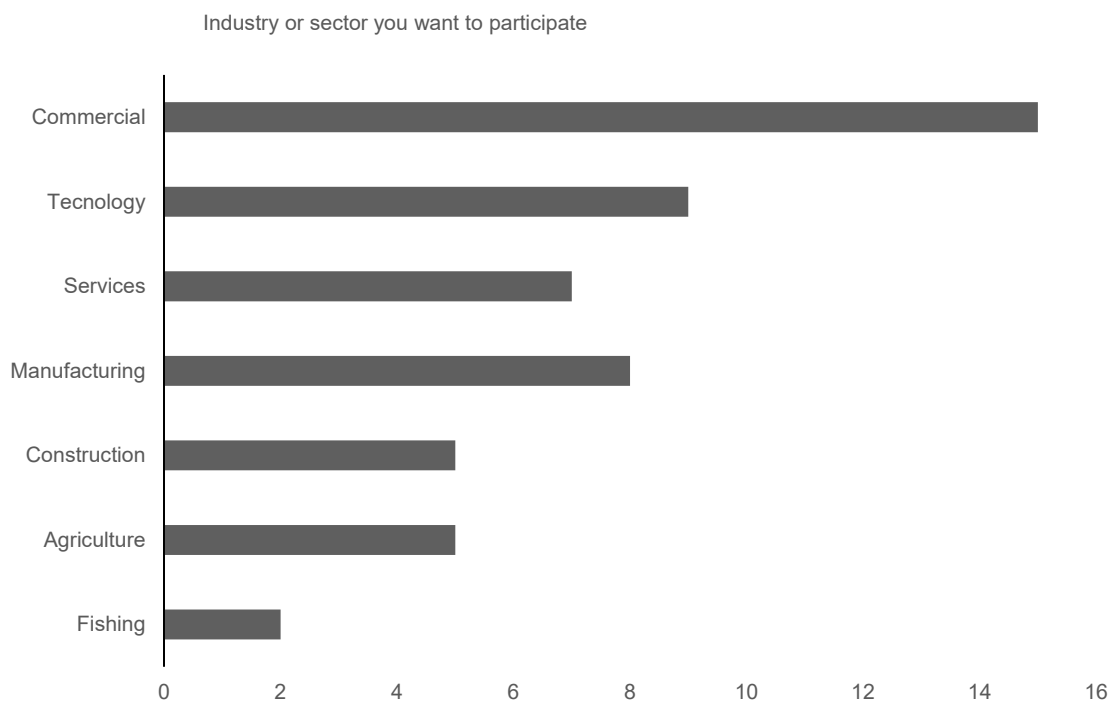


When asked about possible sources of funding, over 50 percent of the students indicated that they would rely on microloans and reinvestment of earnings. Source: own elaboration with the data obtained.

When we asked students about possible sources of funding, 51 percent of the students opted for the reinvestment of profits, and microloans. However, reinvestment corresponds to the existence of a previous company. Therefore, we posit that some students are part of a family business and register for the ADPymes program to bring professional administration to their business or to obtain future continuity of the business. Even though, this hypothesis is not tested in this paper, we had informal talks with students which confirmed our hypothesis. The second option is microcredits. However, as it is shown in Table 2, legal, accounting, tax aspects of a company are relevant to obtaining loans. Finally, in the "other" option they included alternatives such as *crowdfunding*.

Figure 2 shows that most students have an interest in the commercial. The second most popular area of interest is technology. They state this, even though the commercial sector does not have much added value. However, it is an interesting sector to leave an impression. In the field of services and technology, there is the need to work in interdisciplinary teams with students from other University programs.

Figure 2: Economic Sectors of Interest



This table shows industries that students wish to participate in. Approximately 29 percent of the students indicated that they want to participate in the commercial sector, followed by technology and manufacturing. Source: own elaboration with the data obtained.

Table 5 shows results to reflection questions. These questions allowed students to reflect on issues such as compensation, profit margin and tax related issues. We structure four questions with a dichotomous format.

Table 5: Responses Related to Reflection

Question	Yes	No
When I have the idea of starting a business, I ask myself: I can pay myself a salary or what type of compensation I need to carry out my activities and if I must incorporate compensation (salary) as an operating expense of the business	80%	20%
Do your business project ideas create an increase in sales proportional to the increase in the average salary for the project?	88%	12%
Have I considered: profit margins, costs of your product or service, general operating expenses, as well as the initial amount of capital required to start a business, internal control of the company, etc.?	88%	12%
I understand the tax aspects of my venture: I know how to keep accounting records, the type of tax I must pay, the organization form to consider, etc.	71%	26%

Source: own elaboration with the results of the survey.

Although, 80 percent of the students answered that they should have a salary as part of the project and have discipline in terms of finances, and profits, we find that students need reinforcement in accounting and finance classes to be able to carry out practical applications and develop skills in the students.

Table 6 presents the results of the open questions about challenges and difficulties that students believe they must overcome to create a project.

Table 6: Open Question Results About Entrepreneurship Challenges and Difficulties

Open Questions Answers related to Entrepreneurship
The lack of economic support and some tools."
In my opinion the first barrier is psychological with the fear of failure and social pressure. The second would be economic issues since some financial product would have to be used and interest rates can be high depending on the institution and the product. Mainly the fear of being able to undertake, I consider it one of the biggest difficulties since you do not know if the business will succeed or not.
Personally, I think that apart from the difficulties that may arise in economic issues or bureaucratic procedures, insecurity is the main problem, especially being from a place like Acapulco, where consumer and business safety are key.
The biggest challenge is usually to have the capital to start, set up and develop the business. Banks are hesitant or reluctant to grant loans with collateral, so venture capital seeker try to raise money in other ways, usually through private investors.
The main challenge that I faced as entrepreneur is time, I live in a constant movement. I work, study, support institutions and I dedicate time to my relationships so entrepreneurship for me is to design/plan and not quickly adventure yourself. There must always be balance where you can plan and take action, otherwise the project will have several bumps along the way...
My biggest difficulty is the fear of failure or losing, but I know very well that it is a process I have to go through. I may fail, but I may also succeed in whatever I do.
Having enough courage to use my money to invest in a business and to know, I may win or lose.
Also the lack of knowledge, I would like someone else with experience to help me in the first steps to undertake.
The challenges I have faced to undertake a venture is to know capital, establish the idea and have a business plan. To Have a work team who shares the same ideas and to have the necessary planning to carry project out.
The capital, and the place or location for my venture to be positioned.
I have always liked to do projects with other people because I think that two minds think better than one, but sometimes there can be problems, the interest payment, to pay Edelmira loan. Mainly, it would only be the economic challenges for me.
I have difficulty starting my business perhaps due to lack of initiative, time and money. Also, because I'm not quite sure if I really want to start a business or just work for a good company. I guess over time I will get to know that part more and know if I really want to undertake a venture at the end of my career or not.

Table 6: Open Question Results About Entrepreneurship Challenges and Difficulties (Continued)

Open Questions Answers related to Entrepreneurship
Currently it is difficult to start a business due to the pandemic but that does not mean that it is not possible, it is necessary to start making a business plan, be inform of the necessary procedures to formally constitute a company and look for a new market. I see challenges in getting government procedures done. My parents process application and paperwork with the government, this process is very slow now because government does not have all personal working onsite.
Lack of money and lack of time because of college
For me, one of the challenges to undertake a new project is always to have a clear vision, always seek to be better in the market and not stay stagnant
Mainly, at this moment the time, I feel, according to my experience, that undertaking a new business takes time and dedication the first year. I would very much like to be able to undertake a new business but as everything you have to grow and know that not every month is good and that sometimes, there are ups and downs and consider this as well. A couple of years ago I started a business that did not turn out as I wanted to and asked for a loan. It is something that I would not do again only if it is for growth, having already something established. From my point of view before undertaking a new business, we must have a "cushion" so that we can sustain the company or business.
I consider that the main challenges when undertaking a new business project is the lack of time to do everything that needs to be done in a day. Also, sometimes lack of resources. In general, I think it is only a matter of moving forward day by day. You will see results as the days go by and keep us focused on our projects without wasting time on activities that are not productive.
Mainly, at this time, in my case is time to have a formal plan and to have the intention of putting it into action is what stops me. External aspects such as the Pandemic and finding a good team to start with.
The difficulties or challenges are simply because we lack desire, we have the fear factor that makes us not want to undertake. Also banks or lending organization do not authorize credit to undertake a new venture today because of pandemic.
To be able to get a loan, banks ask me to have at least one year in the market and to be paying taxes, but if I am going to start a business is difficult to comply with these requirements.
The main difficulty is the ignorance of the area to which I want to reach with my venture, not knowing it, and not having the necessary experience to be able to carry out all the processes that are necessary for the operation of the SME, as well as not having enough capital to be able to carry out my idea, and the great competition that currently exists specifically in type my venture.
The problem of entrepreneurship is to find something that is truly meaningful both for me and for other people. Because, we know that what we do well doing something we know how to do and something we truly love doing. That is why, I had hard time undertaking a new venture or business. I do not see the purpose on some ideas although they could be good. I like to be involved in every step, be in contact with people and I want my venture to be an experience for the client. I know that I will find something that gives me 100%.
Currently I have financial problems so I have a job and much of my money goes to cover my expenses. So I still do not think about undertaking entrepreneurship because I need a secure income.
One of the biggest challenges I have personally is to lose the fear of failure, that my project does not go as I expected. Also, a challenge to start my venture is to count or get enough capital to acquire everything I need.
The pandemic has badly participated undertaking projects. I have the challenge of joining the new normal and finding solutions.
Lack of experience
I really lack time to be able to structure my project.
The main challenge to entrepreneurship would be to get capital. Since you have to check which are the best options. Another challenge would be to find your breakeven point to determine if your venture is progressing positively or not. It is also necessary to consider the people who you will work with, since many times, it is difficult to trust people.
The difficulties, even as a student, according to the personal business idea, is about the knowledge I must obtain about products and processes required for the sale and provision of services set to an automotive paint shop. On the other hand, it is the financing since the initial capital must be slightly higher to the consideration of other businesses in other sectors.
I consider that the difficulties to be able to undertake personally is the inexperience that I have in work and professional life, in addition to lack of capital.
Some challenges when undertaking a new venture or project is to leave your comfort zone and open up to new areas of opportunity
It is not easy to run a business since it involves advance tax related knowledge.
Today, one of the challenges faced by entrepreneurs is the of support for small entrepreneurs and achieving market positioning specially giving the country economic crisis.
The main one is financing for my business, the capital to acquire equipment and reinvest in my business is very little.

Table 6: Open Question Results About Entrepreneurship Challenges and Difficulties (Continued)

Open Questions Answers related to Entrepreneurship

The lack of time has been a determining factor to be able to start a business, since I consider that a lot of attention is needed to create a company.

I consider that the greatest difficulty I could face would be not having enough capital to undertake my project. Since I would need more than a million to do so, considering that not only the capital is needed for the opening of the SME, but also “cushion” times when the SME does not have solvency capacity. In reality, the investment would be a lot even if I did all the work within the business, so capital would be the biggest difficulty. I do not work and I do not have that ability to save. Another difficulty would be the little knowledge in legal areas of starting a business. I have general knowledge about undertake a business. However, I am aware that it is not enough to have the general knowledge, you need to know much more. These issues would be difficult for me.

Legal aspects such as partnerships with companies or collaborations with other companies, in the area of agreements, I do not understand how to carry out those actions.

The difficulties I have is capital, I have to conduct a market study.

Lack of information towards specific things; since the vast majority of courses are general and advance course are few and very expensive.

Lack of financing, as well as resources to be able to maintain a business once it has started.

The fear of the unknown and the fear of failure.

At first, reaching the target audience.

Tax and accounting issues are very difficult for me because in my business I had not faced these situations yet.

The main difficulty, at the moment, is the new modality.

To carry out a venture, I require the basis of the project such as the amount I want to invest, profits, etc.; business type, staff, advertising and marketing... there are really many elements for a venture.

Money

Challenge, time, I have family and I am studying. Financial factors also make it difficult due the pandemic and economic imbalance

Table 6 shows student assessments of what they perceive as challenges and difficulties in becoming an entrepreneur. Source: own elaboration with the results of the survey. Time, funding, and fear of failure are mentioned often by the students.

CONCLUSIONS AND LIMITATIONS

Most students have an idea of what they are going to develop in their project to create an SME. Most students start a business because of the lack of employment. Results demonstrate that over 50 percent of students are developing the skills related to entrepreneurship as it relates to two key critical success factors (CFS) to create SME projects, Independence and Training.

Students show a positive perception about Formation. They believe they have acquired the necessary knowledge. However, in the open questions, they show substantial areas of need. They show little interest in financial and accounting aspects of starting a business or in financing that will lead to long-term business success. The biggest concerns are a lack of time and resources to start an SME, fear and distrust of the unknown and uncertainty about their own abilities. Our sample was based on undergraduate students who are in the middle of their program. There are opportunities to address these areas before they graduate. CFSs correspond to an element that must occur to achieve a goal (Urrea and Sequeira, 2005). Therefore, we propose holding events that allow students to present their plans to financial institutions and experience financial institutions feedback and changes they must make to their own approach. They must learn that a good idea is not enough. Creating a project requires the use of everything they have learned.

We propose specialized workshops during the program to apply technical knowledge to implementation the plan. These workshops go beyond the classes they receive. Finally, we propose that graduates must present a strategic business plan based on financial and accounting aspect to graduate. Although many students complete their program and graduate based on their class score, it is essential to ensure that they have the training, the skills and competence to create their own project and their own employment. Creation

of self-employment should not be a fiction, nor a cliché; but a reality. Currently few students take advantage of the educational model that is offered. Many students continue to think only of high academic performance. Implementation of our proposals face limitations including current government policies regarding entrepreneurs, as well as the role of the local government in encouraging the creation of companies by business students. Also, we don't consider sustainable development in our analysis, which will be addressed in future research.

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