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fixed nominal rate and a continuing inflationary depreciation of the Bulgarian currency will have a significant unfavourable effect upon the export dynamics and on the state of the trade balance and the balance of payments of the country.

At the same time, some of the assumptions on which the forecast are based (e.g. the projected real annual economic growth rate of 3.5 - 4% in this and in the next two years, and the statements that under the currency board the capital outflow will be entirely eliminated) do not seem to be quite realistic.

As too optimistic can probably be estimated the projection for a growth in the country's foreign trade turnover by about 1/4 (24%) over the 1995 - 2000 period, and in particular - the expectation of an almost 10% annual increase in the import's volume.

In this part of the book certain partial differences from the projections developed in the first part in relation to the dynamics of some indicators, such as external debt, balance of payments, foreign exchange reserves, can be observed.

As a conclusion, it should be noted that the book is written at a high professional level and, at the same time, its language is comprehensible for both specialists in this area and the general reading public - something of significance for its expected success.

Vladimir Tsarevski, Senior Research Fellow, Ph. D.

‘ORDO: A YEARBOOK FOR THE ECONOMIC AND THE SOCIAL ORDER’, VOLUME 47

The Yearbook ORDO is one of the most authoritative periodicals in the field of social sciences in the Federal Republic of Germany. It was founded in 1948 by Walter Eucken and Franz Bohm, founders of ordoliberalism - the German form of neo-liberalism. On its pages find reflection the efforts for further development of the modern liberal concepts and the institutional policy (Ordnungspolitik) in the framework of the German social market economy. Unfortunately, the investigations of German scholars remain insufficiently known in Bulgaria, but this can be expected to change.

ORDO examines not only the problems of the economics and politics, but also other social phenomena - law, morals, ethics, and psychology. The Yearbook is an open forum for expression of different views and standpoints of both German scholars and scholars from all parts of the world. Issues of the national, European, and world economy are also analysed in ORDO. In recent years it also presented articles concerned with the process of re-integration of East Germany in the united German economic space, as well as the transition to democracy and market economy in the former Soviet bloc. The new development of the European integration, the formation of the currency and economic union are also subjects of investigation.

In ORDO’s Vol. 47, reviewed by us, a subject of examination is a wide range of topical issues in the field of economic practice and policy, as well as in the field of economic theory and social science. The volume consists of 455 pages, including 17 articles and 11 reviews to newly-issued works, and an index of names and a subject index. The content of the published articles proves the adherence to the already established tradition that the analysis of macro-economic theory issues is accompanied by examination of specific economic problems.

The limited volume of the review does not allow us to examine all articles.

The article of Hans H. Rupp, with which the ORDO Yearbook begins, reveals the causes of the unfavourable tendencies in the development of the research in German universities that have resulted in a loss of positions at the level of 'international academic competition'.

The merging of the economic systems of East Germany and West Germany is a socially painful process with contradictory results. It is analysed by Alfred Schüller 'from the perspective of Ordnungspolitik' which presupposes the formation of certain general framework conditions for the activity of the state and the private sector.

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2 See Vorwort.
According to the author 'Das Hauptziel des wirtschaftlichen Zusammen- wachsens, die 'Lebensbedingungen der Bevölkerung' Ostdeutschlands durch Einführung der Sozialen Marktwirtschaft zu verbessern, ist für die meisten Menschen in hohem Maße erreicht worden' (p. 28). The other goal however has not been realised - improvement of the 'employment conditions' in view of the preservation of high levels of unemployment in the new 'Länder'.

The inclusion of the social union together with the currency and economic ones in the Treaty on uniting the two German states of 18 May 1990, the implementation of an 'overall system of social security' has caused contradictory consequences. On the one hand, the difficulties for the East Germany population at the transition have diminished. The average amount of pensions, which for 45 years of social security before 1990 amounted to maximum 600 DDR-Marks, exceeded DM 1,500. However, that has had negative consequences with regard to the behaviour motivation and the state of employment (p. 23).

It is emphasised that long before the process of integration of the new 'Länder' had started, West Germany had established a policy of incomes and social policy contradicting the challenges of international competition. Namely, the transfer in East Germany of the social market economy in its degenerated form, that existed in West Germany for two decades before the collapse of the communist system, with the excessive social expenditure and bureaucratic regulations created obstacles to the development of the entrepreneurship activity, the implementation of modern innovations and the production of new products.

The stimulus for investment in the German economy were undermined, especially in the new 'Länder'. A natural result of these tendencies was the aggravation of the international competitiveness and the collapse of the East German economy into a deep employment crisis.

Impressive data are presented. The production of the German machine-building industry is 20 to 30% more expensive than that of international competitors. The unit labour costs in this branch in East Germany are 30–40% higher than their level in the west part of the country. For the period 1990-1993 over 400 thousand workplaces in the machine-building industry in East Germany were lost due to lower competitiveness (p. 27).

The author's thesis is persuasive. It describes the role of specific technical and economic factors that led to an increase in unemployment. For example, he states that 'die Innovationsanstrengungen auch in Ostdeutschland - ähnlich wie in Westdeutschland - mehr auf die Einsparung von Arbeitskräften, weniger auf die Entwicklung neuer Produkte konzentrieren' (p. 27). Or: 'Mit der hierdurch verursachten Wirtschaftsrechnung werden kapitalintensive und arbeitsintensive Investitionen - trotz reichlichem Arbeitsangebot - prämiert' (p. 27).

Although it clearly played a role in the decrease of production and the increase in unemployment in the eastern areas of Germany following unification, the applied model of 'shock transition' (with the sharp opening of East Germany) is not discussed.

Scholars are aware of the necessity to create a theory elucidating the general issues of the transformation from an administrative-command system toward a market economy and democracy. They plead for the return of the political economy of Adam Smith which determines a key role of social institutions for the formation of the social system. They emphasise the need to enhance fundamental aspects of the analysis: counterbalancing the clearly expressed mathematization thereby turning economics into a purposeless play of model constructions. This position is shared by Joachim Starbatty. He proposes to reveal the mutual dependency that exists between political and economic systems during the transformation process. From the normative point of view of the ordo-liberal theory, stable can be only those social systems, in which free centralised decision-making by the economic agents in the absence of monopolies and power groupings in the market economy corresponds to a system of political democracy ensuring free expression of the will of electors.

The substance of the transformation is defined as 'eine Form des Machtwechsels... da die Sozialismus dominiere Politiksovereität durch die Konsumentensouveränität abgelöst wird' (p. 49). The realisation of the transformations in the economy has as precondition a change in the political order. 'Mit dem wirtschaftlichen Transformationsprozeß ist daher in aller Regel auch ein Wechsel der politischen Ordnung verbunden - von einem sozialistischen Einparteiensystem zu einem pluralistischen Parteiensystem - oder der Regierungswechsel ist sogar die Voraussetzung für den Transformationsprozeß' (p. 49).

From this methodological position the economic reforms in China and Vietnam are seen as being half-way and inconsistent since political reform is absent. Despite their success vis-à-vis low social costs and impressive rates of growth, the result is an unstable social-political structure. '...wird die jetzt auftretende Konstellation - sozialistisches Einparteiensystem einerseits, Reformen in Richtung Marktwirtschaft andererseits - als instabil aufgefaßt' (p. 50).

According to the author, an intensification of the difficulties in the economies of China and Vietnam can be expected in the course of their opening and as a result of the transfer of technologies and introduction of innovations. Tradition is not a satisfactory explanation to the specificity of the modern industrial development of Asia.

One of the most remarkable phenomena in the evolution of social thought in the USA in the recent decade has been the emergence of a radical form of liberal philosophy that completely denies the role of the state from anarchistic and individualistic positions. An analysis of this new ideological current is devoted the article 'Liberalism and 'Libertarians' by Gerd Habermann. The attention is reasonably directed toward a theoretical examination of the concept of Murray Rothbard, as he is his major representative. 'In Rothbard hat die neuere individual anarchistische Tradition Amerikas einen Höhepunkt erreicht' (pp. 121-122).

One main fact is emphasised: unlike Europe, in the US there is a tendency to coin new words such as 'libertarian' and 'libertarianism'. This tendency is a
response to the ‘usurpation’ of the term ‘liberalism’ by the reformist-statist trend after the Second World War and the subsequent identification of liberalism with ‘conservatism’. ‘Libertarianism’ comprises all new liberal beliefs, but in recent years it is associated namely with the anarcho-capitalist school, which has supporters in Germany, too (Hans-Hermann Hoppe, Gerard Radnitzky, etc.). Supporters of the radical ‘libertarianism’, such as the ‘evolutionary orientated classic liberal’ Friedrich August von Hayek and especially the German ‘ordo-liberals’, that stress the need to determine general framework conditions by the state and maintenance on its part of the competitive order, are qualified as ‘statists’ (p. 122).

The genesis and ideological roots of radical ‘libertarianism’ are also revealed. The author criticises its conceptual preconditions, especially the treatment of absolute freedom of individuals as a natural fact. The common features and differences of classic liberalism with regard to the attitude towards state and democracy are shown. However, the aspects concerned with the social determination of anarcho-capitalism are not examined.

The major argument presented by G. Habermann as a critique of the individual-anarchist school is that while its representatives absolutise the role of the individual, the market and the competition, overestimate economic stimuli, they at the same time ignore the importance of the values of the communities based on relations of solidarity whose significance is emphasised by the so-called communitarians. Thus ‘libertarians’ go to the other extreme – instead of hypertrophying the role of the state, admitted by reformists, they render it a cause of all social evils, ‘demolising’ it. According to the author, such an approach is also a form of ‘constructivist’ thinking which, instead of starting from analysis of facts, is expressed in the artificial creation of unreal projects.

Another illustration of the tendency towards radicalisation of modern liberal concepts is found in the article written by Gerard Radnitzky. He takes a critical look at the most important classical liberal doctrines pertaining to freedom and justice and attempts to provide a proper explanation of them (p. 149). The lack of clarity in his theory has led to the misuse by all western political parties of the above-mentioned concepts for introduction of socialist goals.

The main conclusion from the analysis is that ‘freedom’ and ‘justice’ are defined very differently by classic liberalists and by reformists. For example, freedom as equality before law is opposite to the concept of ‘positive freedom’ meaning power of command (Verfügungswille). Furthermore, justice and ‘distributive justice’, or ‘social justice’ are two completely different concepts. According to the author, ‘In beiden Fällen handelt es um ein Paar von distinkten Begriffen, im zweiten Fall um ein Paar von Begriffen, die sich gegenseitig ausschließen’ (p. 164).

The term ‘liberalism’ is used by G. Radnitzky in its classic, and not reformist sense. This has resulted in a practice that has established itself in North America and is used also by the Social Democrats in Europe. Liberalism has begun to be identified with a policy of social reforms carried out by a ‘big government’. ‘Die klassische Liberalismus wurde durch einen ‘schwammigen’ oder ‘verwirrten’ Liberalismus (soft liberalism) ersetzt’ (p. 150).

The author is opposed to the granting of ‘new social rights’ since he admits that such a practice erodes the foundation of a free society, its institutions and moral values (freedom, competition, responsibility, entrepreneurship, risk-taking). His attitude towards the European Social Charter is also negative. He purports that, ‘Die sogenannte Soziale Charta steht im Dienste des Euro-Sozialismus’ (p. 162).

The ideas asserted by Radnitzky are a reasoning of a policy, fitting neither the practice of the ‘welfare state’, nor the ‘social market economy’. With regard to the opportunities for their concrete realisation he is optimistic, but in the long run, not in the near future.

Since the mid-80s there has been a revival of the theory of growth that had strongly decreased in the end of the 60s. The revival was inspired by the American economists Robert Lucas and Paul Romer in their pioneer researches and followed by the working up of numerous models. As a result, a new theory of growth was developed. On the one hand, the continuity with the traditional neoclassic growth theory created by Robert Solow is preserved as the apparatus of the aggregate production functions is used in the analyses. On the other hand, a new point is present expressed in the rejection of the postulate of the exogeneity of technical progress characteristic of the ‘old’ theory, respectively in the introduction of the assumption for its endogenizing.

The new tendencies in the theory of growth that are also significant to the economic policies of developed countries, are subject to detailed examination and consideration by Rainer Klump from the point of view of orthodox liberalism whose concepts are not integrated within the system of the orthodox Anglo-Saxon economics. He is one of the prominent researchers in the Federal Republic of Germany in the field of the issues of growth in different aspects. The title of the article indicates that the accent is on the interrelation between growth and economic changes, and the author emphasises the need to cultivate the growth theory as a theory of economic development. Such a concept is not alien to R. Lucas and P. Romer or to the other researchers.

The ‘new’ growth theory presents a more differentiated explanation to the mechanisms of economic growth in comparison with the previous analyses. The ‘new’ growth theory takes into account the role of more factors, and above-all of the institutions and the elements of the ‘culture of development’ - entrepreneurial

2 Klump, R. Wachstum und Wandel: Die ‘neue’ Wachstumstheorie wissenschaftlicher Entwicklung.
and innovative one. The author indicates: 'Drei Schwerpunkte zeichnen sich ab, in denen die 'neue' Wachstumstheorie Elemente einer Theorie wirtschaftlicher Entwicklung ansieht; bei der Wachstum und Wandel unverkennbar verbunden sind: die Behandlung der unternehmerischen Kreativität und ihrer Verbreitung, die Analyse des Zusammenwirkens von Entwicklungsschwellen und Institutionen sowie die Diskussion um Zusammenhänge zwischen wirtschaftlicher und politischer Entwicklung' (p. 120-121).

R. Klump estimates that modern analyses is as: '...haben nun aber die Voraussetzungen für eine Synthese bisher unverbindlich erscheinender Positionen verbessert' (p. 101), i.e. between the neo-classical growth theory and the unconventional approaches of the institutional direction. According to Klump, such a synthesis is possible and should lead to the creation of a modern concept explaining the long-term economic development in which the innovation process plays a central role. He supports the opinion that the new in the 'new' growth theory actually consists of the elements in it, revealing the mechanisms of this development, and not in the endogenization of the technical progress through model constructions, nor in the increasing economies of scale and in the imperfect competition (pp. 102-103).

The increasing realism in the 'new' growth theory is connected with its ability to absorb elements of previous theories of economic growth, and mainly the concept of the dynamic process of 'creative destruction' of Joseph A. Schumpeter. 'Wichtige Elemente von Schumpeters Theorie der wirtschaftlichen Entwicklung können damit in den Rahmen neoklassisch orientierter Wachstums-Theorie integriert werden' (p. 105).

The idea of synthesis which is also asserted by R. Klump, is fruitful not only with regard to theory, but also with a view of the needs of the economic practice, of the trends of the growth policy. However, it is not clear how this synthesis can be achieved - as a combination of theories or parts of them and whether mere absorption of the elements of these theories of economic development is sufficient, as it is suggested. No explicit answer is provided to the important question about what elements of the analytical structure of the unconventional neo-classical growth theory, elaborated by R. Lucas, P. Romer and other researchers will be used as creative material at the synthesis. This question is not devoid of sense also with a view to the fact that basic components of the same theory (the postulate of the exogeneity of technical progress, the preconditions for the increasing economies of scale and on the imperfect nature of competition), as we have seen, are not considered to be of major importance.

6 In the German literature this idea in the area of the growth theory is also asserted by Gernot Gutmann. As a very important factor for achieving progress in its evolution he points its basing on a dynamic concept accounting for the real nature of market competition that is reflected in the concepts of J. A. Schumpeter and F. A. von Hayek. See Gutmann, G. Weltbewerbstheorie und Wachstumstheorie: Chance für eine Synthese?; ORDO: Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft, Band 46, 1995, 145-163.

"ORDO: A Yearbook for the Economic and the Social Order"

Karlhans Sauerheine strives to answer the question whether the increasing competition from the new industrial states contributes significantly to the aggravation of employment in the developed countries. The conclusion is that the unfavourable tendencies on the labour market are caused mainly by technical progress, the labour supply, and by market imperfections - a factor especially important in Europe.

In his article Fritz Sauerheine addresses the problems associated with an unconventional approach of the 'new' growth theory that favors embracing environmental policy standards while ignoring taxes.

The article of Andreas Freytag and Bernd Jäger is also devoted to an interesting issue. It examines the consequences of the new Law on Telecommunications in the Federal Republic of Germany. The law abolished the existing monopoly in this sector and since 1998 has assured access to the market for national and foreign operators and service suppliers. The adopted law contains principles regulating the market power of 'Deutsche Telekom' A.S. The authors, however, stress that a number of obstacles to the unfolding of dynamic competition remain.

Thomas Apelle proposes a model of political build up of the EU through the establishment of federal structures. He illustrates the trends of the institutional reform on the continent which will result in the formation of a constitution of the 'European union state'. The proposed project is based on the double federalism model typical of the US until the 30s. It is estimated that this system will ensure a high degree of decentralisation regarding decisions made at the federal level, competition and efficiency. The orientation toward a 'double federalism' is examined as a way of preventing a significant political concentration in the EU. The phenomenon occurred in the USA after the 30s.

The Yearbook ORDO finishes with the article of Indira Gurdaxani. Presented here are the specific tendencies that characterise the evolution of the industrial policy of the USA and an estimation of the theoretical concepts of its supporters and opponents. The desired implementation of coordinated measures by the state for improvement of the industrial structure of the country were motivated with the real process of decline in productivity of the manufacturing industry that had began as early as in the end of the 60s. These aspirations were very compelling in the next two decades. The debate on the 'deindustrialisation' of the American economy constituted a starting point in their support. The more moderate opponents of industrial policy accepted 'deindustrialisation' as an existing problem, but they saw the solution in the improvement of macro-economic policy instruments. Conversely, its radical opponents estimated that 'deindustrialisation' was a phenomenon devoid of any real sense, rather a 'phantom'.

In the article it is pointed out that the Clinton administration industrial policy has become a 'new political phenomenon'. Lester Thurow launched the idea that the USA has been practising ad hoc measures of such a policy for a long time, and that these policies are inefficient.
The Yearbook ORDO publishes also articles concerning other topical issues referring to the following:

- Autonomous private law and border-crossing transactions (Manfred E. Streit and Antje Mangels);
- Political economy of eco-taxes (Klaus W. Zimmermann);
- Privatisation of public saving banks in Germany (Frank Finzel and Peter Thuy);
- Consumer insolvency and the exonation from residual debts (Franz J. Scholz);
- The subsidiarity principle in the European Union (Thomas Doering);
- The role of agreements on vertical distribution for encouraging of the economic integration (Bernhard Duijn).

Volume 47 of the Yearbook ORDO also contains reviews about newly-published books treating different issues. Deserving special attention is the review of J. Starbatty of the collective work 'The grandchildren of Perikles - liberal positions on the social state and society'. Its content is indicative of the radicalist views of authors: Roland Baader (editor), Erich Hoppmann, G. Radnitzky, Hans-Hermann Hoppe, etc. In ideological terms, with the exception of scholars such as Ludwig von Mises, F. A. von Hayek and Wilhelm Roepke, they are based mainly on M. Rothbard. In the very foreword of the collection, democracy, the welfare state, bureaucracy and social market economy are deemed dangerous to freedom. R. Baader 'hält das Adjektive 'sozial' für verlogen und 'Soziale Marktwirtschaft und alle vergleichbaren Formeln für eine Perversion der Erhardischen Marktwirtschaft...' (pp. 380-381). G. Radnitzky criticises the distinction made long ago by W. Roepke, in the area of economic policy between market non-conforming and market conforming measures. J. Starbatty argues the soundness of the conformity principle.

Vol. 47 of the Yearbook ORDO contains valuable articles and reviews concerning important theoretical and practical issues of the modern economics and social science. They are of interest to the Bulgarian reader, too.

Atanas Leonidov, Professor, Dr. Ec. Scs.

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**THE INSTITUTE OF ECONOMICS** at the Bulgarian Academy of Sciences is an autonomous scientific unit for theoretical and applied scientific research as well as for training of post-graduate students in the field of economy has been created in 1949.

The main institute's themes have been determined by the keen demand to develop the theoretical base of the transition to a market economy in the specific Bulgarian conditions, to help the social practice in the solving of the economic problems and to be prepared highly qualified scientists. The most important scientific theoretical achievements in the institute's research are connected with: determining the possible strategies for Bulgaria's economic development in the beginning of the 21st century; estimating the structure of the Bulgarian economy and the possibilities for its changing; substantiating of variants for the economic reforms in the view of developing a model of a market economy which would provide competitive and stable growth; revealing the specific features and deformations of the enterprise adapting to the shocks, accompanying the macroeconomic reform in the conditions of undeveloped market; assessing the consequences for the Bulgarian economy from its association to the European Union; estimating the development and extent of balancing of the labour market and outlining the most necessary and expected changes which will take place in a short- and medium-term perspective; substantiating the changes in the principles and mechanisms of carrying out the policy for insurance against unemployment and stimulating the employment.

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