

NON-GOVERNMENT DEBT AND ECONOMIC ACTIVITY

It is almost a tradition for analytical papers to state that the high extent of corporate indebtedness (intercompany including) might hinder investments and growth. The thorough review of the existing research, however, does not reveal a reliable and definite proof that the gross non-government debt contracted might put economic performance in danger. Assuming new debt as a rule represents an incentive for economic growth but to a varying extent. Given a low level of indebtedness both developments go in parallel – the rates of indebtedness' growth (in the way of credits), on the one hand, and the rates of economic growth on the other. Provided a higher (much higher) speed of indebtedness, linked with the self-induced euphoria for accumulating relatively easy profits, economic development lags behind and the convergence of both curves is broken. The contribution of new lending for intensifying economic operations gradually declines until it reaches a point since which any further increase in lending starts hindering economic growth. The author's position is that non-government indebtedness in Bulgaria has not reached its break-even point, since which it turns into a brake to economic development. Insufficient indebtedness rather is what impedes economic growth. The question is why households and companies refrain from taking on new liabilities which would have stimulated investment and economic development. The investment and consumer restraint of economic players is much more the outcome of an assessment of the conjuncture in the future. The base period presumes a recovery of the economic development, the more so that there is a long way to go to reach the average European level. Despite that investments are slack. There is obviously a need for adopting a much more different style of social and economic management rather than the change in one or another parameter of economic management. It is obligatory to realize the decisive function of macroeconomic institutions. This process of awareness involves a much better quality of education and the growing up of all the population.

JEL: A14; D02; E02

Introduction

Specialist literature considers that liabilities incurred by households and non-financial companies (firms) represent a burden which is potentially set to exceed the normally acceptable limits and it does so quite too often. The term used in such cases is “*over indebtedness*” (Stiglitz, 2012; Gyurov, 2010; Yankov, 2010). It is, however, not clearly defined and looks blurred (Bobeva, 2010). The usual usage of this specialist term is to label

¹ Garabed Minassian is Prof. Dr.Sc.(Econ.) in Economic Research Institute at BAS.

the (un)solvency of the debtor – household or firm. The issue still open is how far the overall indebtedness of households and companies might be determined as something which has exceeded the acceptable limits and now puts in jeopardy the normal performance of the economy and its financial stability. Kaletsky (2010) said in connection with the financial crisis of 2008 that no one had had the least idea where the critical limit of common sense indebtedness was, nor how should the latter be defined.

It is almost a tradition for analytical papers of the EU to state that the high extent of corporate indebtedness (intercompany including) in Bulgaria might hinder investments and growth (Macroeconomic Imbalances Bulgaria 2014). The situation with other newly accessed countries in the EU from Eastern Europe seems analogical (Erbenova, Liu, Saxegaard, 2011). The thorough review of the existing research, however, does not reveal a reliable and definite proof that the gross non-government debt contracted might put economic performance in danger (WEO, 2012).

There is no doubt a certain limit, which once exceeded is like crossing the Rubicon – the moment when financial liabilities turn from an incentive to a brake to growth. How to establish this threshold, however, baffles definition if you use elementary computations. Moreover, it depends on the specificity of the business and especially on the management quality. One can make a successful comparison with Laffer's debt curve suggested by Krugman (1998). There is a certain inflex point (break-even point) in the debt burden when further issues worsen rather than contribute to improving the situation. The practical task is to establish the position of such a type of break-even point.

The study makes part of a more general analysis of the extent and nature of household indebtedness (Gyurov & Minassian, 2014) and companies (Yankov, Minassian & Taseva, 2014) in Bulgaria, carried out by the Economic Research Institute with the Bulgarian Academy of Sciences. The latter covers domestic liabilities of households and companies. External debt is not taken into consideration here. As a matter of fact, the prevailing part of the private external debt in Bulgaria is related to the financial sector or to intercompany liabilities.² The companies set up with direct foreign investment would rather keep financial contacts with their partners abroad.

The author's position is that non-government indebtedness in Bulgaria has not reached its break-even point, since which it turns into a brake to economic development. Insufficient indebtedness rather, according to him, is what impedes economic growth. The question is why households and companies refrain from taking on new liabilities which would have stimulated investment and economic development.

² According to BNB data intercompany lending by the end of 2013 accounted for 47% from the private sector's external debt. Another 18% represented liabilities of financial organisations. The rest from the private sector's external debt represented mainly financial liabilities of companies created with foreign direct investments.

Limits to positive indebtedness

The notion debt is far from always being burdened with a negative shade of meaning. The successful management and the art of management involve using other people's money in your own interest. This is true about not only purely financial operations.

It is curious that if the operation of using other people's money turns successful, then both sides are pleased – the one that has used other people's money in their own interest and the lender, who has offered his own money and resources at the disposal of the debt issuer. The opposite is true too! The debt becomes a problem for the lender and the borrower when difficulties arise in its regular servicing.

Incurring liabilities in real life happens much more often than people realize. Taking on a hired worker for instance is a form of incurring financial liabilities. The workers hired work in advance and get paid when they have finished the work assigned. Usually, the delay in paying for the labor (the debt settlement) is within a month but experience has revealed many instances of a much longer delay. It forms the major element of internal company indebtedness. In accordance with the assessments of the Bulgarian Industrial Association (Zadaljenija ..., 2014) the liabilities within the company (obligations towards the staff) are much smaller in size compared to the intercompany ones (less than 2%), although the overall value of labor expenses is too often comparable to the expenses for intermediate consumption of raw materials. This can be accounted for by the lack of multiple calculations of liabilities within the company.

The Central bank is the institution whose mission and duty is to monitor and adjust the extent of the banking sector's indebtedness with a view to overcoming and preventing the emergence of critical situations. In the case of non-financial companies the state is supposed to fulfill this function by passing the appropriate legislation, strictly adhering to the legal norms and unreservedly sanctioning violations.

The emergence of difficulties in servicing the liabilities issued by households and non-financial companies closely correlates with the economic conjuncture. The households and non-financial companies' debts were not a problem during the years of the economic boom (2002-2008), when the latter grew tenfold faster than the GDP. It is namely in those years, however, that *overheating* of the economy was gradually coming to a head – investment saturation without the necessary respective return (Minassian, 2008). Macroeconomic management should have asked themselves why the high rate of accumulation (of about 35% and more, 2006-2008) had induced such modest rates of economic growth (of 5-6%)? Ex post, the explanation does not seem so complicated: Because investments sank into unproductive activities (without return). And this was possible because the role of the state (macroeconomic management) as a regulator of economic development was neglected.

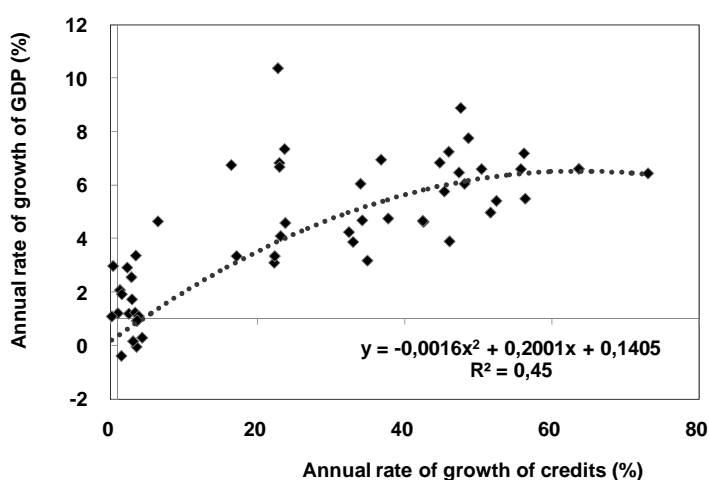
After 2008, the speed of indebtedness collapsed abruptly. It obviously correlated with the insignificant (symbolic) rates of growth in GDP. Investment and economic dynamics plunged with all ensuing negative consequences.

It is worth noting that raising indebtedness is a prerequisite for attaining an acceptable economic development but it is not enough. Analogically, North (1990) established that

„...stability may be a necessary condition for complex human interactions; it is certainly not a sufficient condition for efficiency”. Keynes (1973, ch. 12) drew attention to the fact that a bustling economy needed a recovery of what he called „the state of credit”, i.e. of lending activities and the readiness of investors to take on investment risks. „For whilst the weakening of credit is sufficient to bring about a collapse, its strengthening, though a necessary condition of recovery, is not a sufficient condition”.

Figure 1

Credits and economic performance (quarterly data, 2000-2014)



Assuming new debt as a rule represents an incentive for economic growth but to a varying extent (Figure 1). Given a low level of indebtedness both developments go in parallel – the rates of indebtedness’ growth (in the way of credits), on the one hand, and the rates of economic growth on the other. Provided a higher (much higher) speed of indebtedness, linked with the self-induced euphoria for accumulating relatively easy profits, economic development lags behind and the convergence of both curves is broken. The contribution of new lending for intensifying economic operations gradually declines until it reaches a point since which any further increase in lending starts hindering economic growth. Macroeconomic imbalances arise, whose disrupting power increases in parallel with the growing disproportions.

The data from Figure 1 showed that this break-even point for the Bulgarian economy in the 15-year period studied was about 50% annual rate of granting lending. The time row, on which the assessments in Figure 1 were made, was long enough (59 points observed till the third quarter of 2014), covering two substantially different sub-periods (of boom and recession) and still, the correlation coefficient was at quite a high level (67%!) for such a type of dependences.

Specialist literature accepts the existence of a similar threshold. Cecchetti, Mohanty & Zampolli (2011) considered that the threshold of indebtedness of households and the corporate sector appeared at an indebtedness level of over 80% of GDP – exceeding significantly the current situation with the Bulgarian economy. Goretti & Souto (2013) established empirically that the relatively low corporate debt burden stimulated investment behavior of companies in the periphery of the EU and confirmed the existence of such a threshold, which was breaking influences.

The dotted line on Figure 1 is the straightest in the point of intersection with the ordinate (Y-axis) – there the tangent to the dotted line forms the highest angle to the absciss. Therefore one can draw the non-trivial conclusion that the increased lending has the greatest impact on economic growth at low rates (close to zero). Economic development is highly influenced by the degree of indebtedness of households and non-financial institutions; indebtedness respectively is an efficient incentive (stop) of economic growth when there is a recession.

High economic development given suppressed rates of growth in indebtedness is impossible. Or from another angle: frozen or falling indebtedness acts as a brake to economic growth.

As often in economic interactions the cause and effect relationships are not clearly and definitely outlined. Friedman (1953) expressly stated that the really observed parallels in the dynamics of macroeconomic indicators never proved a given hypothesis. Statistical findings can only reject a hypothesis, i.e. negative statements in the economy based on statistical research are much stronger than the positive ones. Still economic logic, together with the statistical dependences outlined in Figure 1, support much more dependence of economic growth on indebtedness rather than the opposite. Economic development is not attained within some autonomy; it has to be realized as the outcome of the performance of some factors and prerequisites. Economic growth presumes active investment and revived consumer demand. This is impossible without the issue of new debt, i.e. of new indebtedness.

In the 35-50% limit of the rates of indebtedness the marginal efficiency decreases, which raises the question of how practically acceptable and admissible it is. The unilateral assessment of the influence of non-government indebtedness is ill-suited. Projecting intensive indebtedness in the mid-term leads to a significant increase in risk. The combination of formal and informal assessment considerations is obligatory for macroeconomic government as far as one can only talk about a given form of moderate determinism in social-economic forecasting, not for strictly formulated causal relationships. It is in this context that Boudon used the term „*tiles determinism*” (quoted from Vallet (2013)).

Indebtedness should be assessed from the point of view of reaching the final result (goal), not simply from the positions of the indebted subjects (or in the process of indebtedness). There do not exist absolute criteria for assessing the degree of indebtedness – high or low it does not correspond to some abstractedly formulated levels but it is such according to its contribution for attaining some final positive results. These results are comparable to the rates of growth in investment and economic activities, respectively to the

rates of growth of GDP, as well as to the admission of some acceptable risk configuration in the future. The problem comes to applying a regulatory policy adequate to the conditions, based on formal and informal considerations.

In accordance with the existing standards the indebtedness of Bulgarian households is not high. It is less than a quarter of GDP, whereas the average level for the developed countries is about three times higher (Cecchetti, Mohanty, Zampolli, 2011). The situation with the company indebtedness is analogical. Corporate indebtedness in the euro area for instance exceeds the respective GDP and goes on rising (Corporate Indebtedness in the Euro Area, 2012). There is obviously a long way to go in this respect towards a closer integration of lending institutions and debt providers, towards a higher degree of banking intermediation respectively.

In the five years after the start of the financial and economic crisis indebtedness both of household and companies seems to have become slack (Stoyancheva, 2014). The banking system has its own problems to solve but this analysis is focused on debt providers. They are not prone to more actively issuing new debt which is supposed to push consumer demand and the production of goods and services. This particularity is especially visible in households' behavior, centered most of all on the deflationary trend given a positive growth in income. And the households' behavior communicates with the producers' behavior (the level of supply).

The cost of new indebtedness is not low but it cannot account for the passivity of consumers and producers.

Table 1

Balance of Payments Financial Account (mln. EUR)

	2009	2010	2011	2012	2013
Financial Account	1163	-673	-886	1255	-1476
Financial Account, Assets	-1187	-748	-873	-1284	-2770
Direct investment abroad	68	-174	-118	-270	-181
Portfolio investment	-623	-548	-47	-1449	-643
Other investment	-632	-26	-708	435	-1946

Source: Bulgarian National Bank. Data by the end of 2014.

Bulgarian resident capital is leaving the country in mass (Table 1, financial account, assets). It is normal for Bulgarian capitalists to make direct investments abroad and these will very likely increase in the future. They do not represent the major part of the capital leaving the country. The total amount of resident capital that has left for these five years is EUR 6.7 billion (15% of the indicator „Gross Capital Formation” from the statistics of GDP) and foreign direct investments abroad have accounted for about a tenth of it only. Besides one should take into account that a great part of these investments were used to buy homes and real estate abroad, i.e. they were not used for production.

The major part of the resident capital exported was invested in securities, mainly government bonds of other countries (European primarily). A dominant element of „Other investment” in Table 1 is the export of currency and deposits by residents. All this

Bulgarian capital leaves the country, does not contribute to the development of the Bulgarian economy and is invested abroad, most often at a minimum of return, even at a significantly lower return than it would have got in Bulgaria. Its use would have no doubt changed the financial-lending landscape of the country.

How economic players use the money available is a form of voting by means of the Bulgarian currency – the levs (BGN). There are different forms of expressing attitude to the present management (macroeconomic including) of the country. When the management and the conjuncture are assessed positively, economic agents (households and companies) tend to take on higher risk, consume and invest, which pushes forward economic growth and vice versa.

A comparison with the situation of the mid-1990s in Bulgaria seems necessary (although skin-deep mostly). Then, the uncertainty pushed economic agents towards a massive flight from the Bulgarian lev in the search for hard currency (USD). Nearly two decades later the currency board and the available international foreign reserves of the country have helped maintain the lev stable and made the attitude of economic agents different. The preferences now tend to be towards accumulating and freezing the money reserves available and their investment (flight) abroad. So, in terms of the social and economic plan the situation is comparable and even similar.

The uncertain future makes households and economic agents too cautious and reserved today in the hope to be ready to face economic hardships tomorrow. This leads too to a kind of self-realization of the negative prophecy. Households restrict their expenses, which is linked to lower consumer demand and keeping price dynamics at deflationary levels. Specialist literature calls this the Paradox of Thrift (Paradox of Saving or Saving Paradox), initially formulated by Keynes, who discussed in detail too the term attributed to Bentham „*forced savings*”. According to it the higher savings of the population of a poor economy worsen economic development (Sander, 2009). The solution to the case (in the words of Keynes (1973, ch. 24) lies with the state, because the latter is the one that „...*will have to exercise a guiding influence on the propensity to consume*”.

Social-psychological dimensions of economic motivation

Both households and companies feel reluctant and tend to refrain from taking on new issues of debt. In both cases what it comes to is purely social and psychological motives and arguments. In both cases the uncertainty of the present situation, the uncertainty and unpredictability of the near future hamper and paralyze investment, economic and consumer operations. Akerlof & Shiller (2009) spoke even about the existence of a kind of multiplier of social and economic mistrust, uncertainty and economic chaos which is interpreted as a multiplier of consumption. A quite telling example is the universal attitude of investors on a global scale in cases of expected uncertainty and economic chaos if there are problems with macroeconomic management. Foreign capital leaves the endangered areas in great numbers and suddenly. Similar cases are quite well-known in global experience and carefully analyzed in theory.

Positive economic development involves the active participation of households and economic players in taking on risk. Conard (2013) ranked the risks faced by households (individuals) and which they have to decide to assume. The least risky one is to accumulate income as deposits in a relatively stable banking system and provided there is a government guarantee of deposits. A riskier one is active consumption which reduces the possibilities to deal with the eventual unfavorable drop in income in the near future. The riskiest is investment behavior which necessitates much higher belief in the future development of processes. What prevails in the period after 2008 in Bulgaria is obviously the choice of the least risky behavior, which contains the possibilities for positive economic development.

Economic activities presume a general positive assessment available of the specific social and economic conjuncture. Then, it is not the specific calculations and complicated accounts that dominate but the spirit of economic magnetism in the atmosphere. Keynes (1973) called it „*animal spirits*”, but it is probably better to call it ‘*the hunter’s feeling for a close prey*’. Akerlof & Shiller (2009) made an extensive study of the manifestations of *animal spirits* in the social and economic context. The consumer looks for security and fears risk and indetermination. The typical investor does not like excessive risk and tries to avoid it (to reduce it).

Let us imagine ‘fair’ play where the possibility for equal profit or loss is equal, i.e. the possibility to win or lose a sum is 50:50. The typical investor would not accept such a game. He would only get involved if he felt that the possibility for profit exceeded (even significantly) the possibility for a loss, for example 75:25 or even more.

Taking risk into account and its assessment is often based on observations, external information which cannot be quantified, economic intuition.

It is more interesting to notice that the observations of human (investment) behavior have revealed an unexpected upturn in the cases when the options for a loss are treated rather than those for a profit.

At the end of the 1970s the Israeli-American psychologists A. Tversky and D. Kahneman carried out systematic observations of the psychology of investors and laid the foundations of a new branch of economics known as behavioral economics. Their theory is based on the assumption that investment decisions are not always rational, that people tend to accept irrational decisions too (The Economics Book, 2012).

Let us see two possible profitable options:

- (1) To win 1000 for sure.
- (2) To win 2500 of 50% probability (50% probability for zero profit respectively).

Experience teaches that the investor tends to choose the sure option of profit of 1000, despite that the mathematical expectation (average profit) in the second option is 1250, i.e. higher than the guaranteed profit of 1000.

Let’s see, however, two options of a loss:

- (1) A sure loss of 1000

(2) 50% probability of a loss of 2500 (50% probability for zero loss).

In the above variant a great part of people (investors) are prone to choose the second option in spite of the mathematical expectation (the average value) of the expected loss in the second option to be 1250, i.e. higher certain loss of 1000.

The abovementioned research reveals why people give up with difficulty an investment decision already taken, are not ready for restructuring in spite that the prospects for loss increase. The chances for economic prosperity decrease in parallel too. It is hard for a given investor to wind up on time a business that starts looking like a failure and start doing something else instead. The structural changes in company production necessitate the respective managerial psychological mindset, supported by much higher belief in the future enterprise. In such cases the loss of time leads to growing material losses.

Investors, however, tend much more to give up their initial investment intentions (green investment) when the expectations for the future get problematic.

Economic analysis cannot be capsulated in the field of economic interactions only. A similar approach cements the technocratic attitude to economic relationships. Economics gets treated as mechanics which is unacceptable in a field where purely human relationships are dominant, quite often difficult to explain and forecast.

The economic system is part and element of the more general system of management of society. At some moment the analysis should be raised higher, over the economic system, which depends on the condition of the political, executive, juridical, educational, demographic and social systems.

It is an illusion to think that the economy is a kind of independent, isolated field of human relationships, which exists outside and independently of the social climate in the country. Investment and economic operations of people are influenced by fields of action which lie outside the economics.

Marx introduced the notions „base” and „superstructure”. To his mind the so called industrial relations and more generally economics set up the base. It is determining and determinant. The superstructure is subordinated to the base and services the base. Later Engels added as a clarification that there are elements of the reverse type of influences, from the superstructure to the base but they were mentioned rather incidentally and were of a short-lived nature than the systematic ones (Fotev, 2002, part IV, ch. I, 2). Yet, Engels did not hesitate to describe the statement that „*the economic moment is the only determining one*” as „*words of no meaning*”. According to him the economic system is the primary one, i.e. it is not on an equal footing with the political system but experiences the reverse effect of the political system, the influence of the government power. The other elements of the so called superstructure remain in the background (Kanev, 2013).

The further development of the sociological and economic thought has many times returned to the issue of the base and superstructure, where there still remain not a few unclear and controversial moments. The more so that the development of society forms and creates newer and newer manifestations of social and economic phenomena and interactions which do not manage to fit into the existing and established schemes of thinking. Weber (1924)

used the definition „*naive historical materialism*” about the notion that certain managerial ideas manifest themselves as a „*reflection*” or “*superstructure*” of economic situations, whereas Kanev (2013) speaks about an „*excessive economic materialism*”.

The development of the economy is impossible outside and irrespective of the development of the state and political organization. Already Smith proved that, at least due to the particularities of human nature, market economy could not function successfully without the „*perfectly acting jurisdiction and efficiently acting law-enforcing authorities*”. He consistently built what can be termed *threefold paradigm of society* – ethical, economic and institutional (Kanev, 2013). Keynes (1973, ch. 12) stressed that „*economic prosperity is excessively dependent on the political and social atmosphere*”. The latter is called to maintain „*the delicate balance of spontaneous optimism*”, whose infringement leads to „*the disastrous, cumulative and far-reaching repercussions of its being open to him, when thus assailed by doubts, to spend his income neither on the one nor on the other*”. The process goes by stages of differentiating the functions and subsequent integration. As Elias (1999) put it successfully: „... *the development of the economy without the respective development of the state and political organization is so little possible as the reverse*”. The political system may contribute to and may impede economic progress. Society develops through the functioning of its individual structures in an organic holistic whole. Such an understanding is in accordance with the main sociological direction “*structural functionalism*” (Vallet, 2011).

The economy is an element and fits into the more general social system which forms the outlines and framework of its development. The so called *superstructure* is not simply an appendage to the economic system (not in the way of an eyeshade or even a roof). It predetermines the nature of its operation and of the various types of interactions. The social system is a more general coordinate system, which covers the economic sub-system, reacts to the phenomena that take place in it (as for instance the various types of technological and ideological innovations), but is far from whatever subordination. For this reason Marx’ *superstructure* is better called *supraeconomics*, meaning that whatever happens in it (in the *supraeconomics*) acts as a factor and prerequisite for economic development. Finally, as Kanev (2013) put it in endorsing, confirming market economic interactions it, „... *makes new, constitutional demands in front of the institutions in order to attain and keep social harmony*”.

In managing social and economic interaction one can distinguish, *first* parametric (instrumental) management and *second*, institutional (framework) management.

The parametric (instrumental) management involves management (regulation, monitoring) of individual parameters, which predetermine the character and quality of some interactions. Such are for instance tax rates, options of labor pay, time terms set for given duties, various kinds of administrative constraints and regulations etc.

The institutional (framework) management presumes setting the outlines within which a given activity can take place. Economic theory accepted the term „*institutional economics*”, as an expression of management through the institutions (Suharev, 2008).

In practice, there is more often emphasis on the parametric management rather than on the institutional one. The question comes to how to appropriately determine a set balance of management influences and make the macro management elite accept respective

accountability. Life has shown that the compensatory approach does not lead to good results. The poor quality of institutional management cannot be compensated for by measures in the field of parametric management. This is what the efforts of the political elite are aimed at when they look for changes that will not disturb the convenient political-economic status quo.

According to North (1990) institutions represent a set of formal rules, informal constraints and mechanisms for enforcing compliance with them. The formal rules are subject to assessment and change (development) from society by means of representatives delegated by them, while the informal procedures and value norms are the outcome of a continuous process of social maturing. North added too that the formal rules might be complemented to raise the efficiency of the informal constraints or in the opposite case – to capulate and make them stiff.

Institutions are called for to diminish uncertainty, to create and guarantee security and increase predictability of social and economic processes. In a purely economic plan they have to contribute to reducing risks and thus encourage investment activities, economic growth respectively.

There are three major groups of social and economic institutions: (1) Legislative; (2) Executive; and (3) Judicial. One can see some overlapping of institutions and of the various kinds of power on the other hand. Each authority exercises the rights attributed to it by the constitution through its institutions and by amending and creating new legislation especially, by enforcing the application of the present legal norms and by sanctioning for breaking them.

Vallet (2011) described as naïve empiricism, methodological naivety respectively, the approach based on the understanding that economic growth might be achieved only by changing some figure parameters, not by means of change in behavior, in management style. It is far from reality to belittle investors and look at them only in terms of the primitive notion of an abstract homo oeconomicus, since „... *man is above all a social being who acts according to affective, emotional, not reflex motivations*”. North pointed out that the motivation for an economic action (or inaction) is much more complex than the simplistic model of expected and calculated benefit in the form of a specific financial measure. This understanding explains the queer circumstance apparently that Bulgaria offers the lowest corporate tax among the EU countries and despite that investors do not wish to invest here. They prefer countries of double or even triple higher taxation (in Western Europe and North America) but enjoying much higher security and predictability. In more general terms the methodological individualism, described as a paradigm already by Smith (as Boudon put it (2010)) „... *does not presume at all that human being is an atom hanging in a social vacuum. On the contrary, it belongs to the social, political and cultural environment where s/he/develops*”.

North (1990) proved that the political rules in operation lead to the working out of economic rules no matter that the connection is two-way. He even said that the level of the interest rates is „... *perhaps the most evident quantitative dimension of the efficiency of the institutional framework*”. Hayek came to the conclusion that „... *social phenomena are to a great extent unintended consequences of intentional actions*” (quoted under Boudon

(2010)). If there is a muscle show in the NA and the rostrum is used as a boxing ring to impress the ordinary voters, if the legislation voted is of poor quality, then one of the unintended consequences is the paralysis of economic growth. Boudon called such an effect a „*perverse consequence*”.

The poorly and ineffectively functioning institutions distort economic interactions and relationships. In financial and economic terms they increase the transaction costs and make company's production unpredictable and unexpectedly more expensive. Coase (1988) thought that transaction costs are the basis of company's existence. According to the well-known *Coase theorem* in a world of zero transaction costs efficient solutions will be dominant which would lead to the highest investment and economic activities. The value of the transaction costs predetermines the degree of investments. North spoke even about an *institutional return* and stressed that human notions and estimates of the institutional provision of fairness and justice in social and economic relationships decreased the costs of doing business, as well as (and particularly so) the reverse.

Legislation is worked out and passed in the NA and the procedures there induce heterogeneous signals of negative economic impact.

Error! Not a valid bookmark self-reference. shows data till the end of 2013 about amendments to laws in force.³ Almost all laws that play a determining role in forming the business environment and business relationships are presented.

Above all, laws are amended too often and obviously rashly. When you trace the frequency of changes, you can see that amendments and supplements to important economic laws in force have been made every hundred days once on average. There are drastic cases at that.

Thus for instance, the Water Act was amended eight times in 2009! Seven times a year were changed the Taxes on Personal Income Act (2009), the Judiciary Act (2011 and 2013), the Value Added Tax Act (2013), the Corporate Income Tax Act (2013), the Road Traffic Act (2006), the Commerce Act (1999 and 2005), and the Road Act (2009).

What's more, amendments to one and the same law were published within two or even three consecutive issues of State Gazette. This is the case of the Public Procurement Act, when issues No 97, 98 and 99 of State Gazette of 2010 г. made public its amendments and supplements.

Two successive issues of State Gazette published amendments and supplements to: the Road Transport Act (2005); the Excise Duties and Tax Warehouses Act (2007); the Law on the safe use of nuclear energy (2010); the Water Act (twice in 2006); the Road Traffic Act (2005, 2009 and 2012); the State Property Act (2013); the Energy and Energy Efficiency Act (2009); the Customs Act (2010); the Law on Investment Promotion (2013); the Municipal Property Act (2013); the Law for Public Offering of Securities (2006 and 2009); the Road Traffic Act (2009); the Judiciary Act (2009, 2011 and 2013); the Labor Code (2008 and 2010); the Criminal Procedure Code (2013).

³ The amendments were taken from the introductory paragraphs in the texts of the laws where the respective issues of State Gazette were mentioned as well as when they were published.

Table 2

Amendments to Laws and Codes by 31/12/2013

Law	Published	Last amendment before 31/12/2013	Number of amendments till 31/12/2013	Shortest validity of amendment (days)	Average days of validity	Maximum amendments per year
Taxes on Personal Income Act	24.11.2006	20.12.2013	31	14	83	7 (2009)
Judiciary Act	07.08.2007	13.08.2013	26	3	85	7 (2011, 2013)
Value Added Tax Act	04.08.2006	20.12.2013	30	7	90	7 (2013)
Law on Privatization	19.03.2002	02.08.2013	43	6	97	6 (2005)
Corporate Income Tax Act	22.12.2006	20.12.2013	25	2	102	7 (2013)
Road Traffic Act	05.03.1999	02.08.2013	51	3	103	7 (2006)
Excise Duties and Tax Warehouses Act	15.11.2005	20.12.2013	28	1	106	6 (2006)
Consumer Protection Act	09.12.2005	26.03.2013	25	7	107	6 (2006)
Water Act	27.07.1999	29.11.2013	48	4	109	8 (2009)
Criminal Procedure Code	28.10.2005	13.08.2013	26	4	109	5 (2011)
Forestry Act	08.03.2011	20.12.2013	9	28	113	4 (2012,2013)
Concessions Act	02.05.2006	26.07.2013	23	14	115	4 (2006)
Local Taxes and Fees Act	10.12.1997	22.11.2013	50	4	116	5 (2004, 2005, 2011)
Public Procurement Act	06.04.2004	15.02.2013	28	3	116	5 (2010)
Energy and Energy Efficiency Act	09.12.2003	26.07.2013	30	3	117	5 (2009,2013)
Law on the safe use of nuclear energy	29.12.2005	02.08.2013	23	4	121	4 (2010)
Law for Public Offering of Securities	30.12.1999	20.12.2013	42	4	122	8 (2006)
Labor Code	01.04.1986	03.12.2013	83	4	122	8 (2006)
Commerce Act	18.06.1991	28.02.2013	64	7	124	7 (1999,2005)
Law for the Civil Servant	27.07.1999	02.08.2013	36	17	132	6 (2010)
Roads Act	29.03.2000	26.07.2013	38	3	136	7 (2009)
Law on Internal Audit in Public Sector	31.03.2006	15.02.2013	18	7	140	6 (2009)
State Property Act	21.05.1996	20.12.2013	46	3	140	5 (2006, 2009)
Financial Supervision Commission Act	28.01.2003	20.12.2013	28	6	142	5 (2012)
Law on Protection of Classified Information	30.04.2002	09.08.2013	29	7	142	4 (2007, 2008, 2009)
Higher Education Act	27.12.1995	22.11.2013	42	3	155	5 (2010)
Customs Act	06.02.1998	26.07.2013	36	4	157	5 (2009)
Roar Transport Act	17.09.1999	20.12.2013	30	3	174	6 (2005)
Municipal Property Act	21.05.1996	20.12.2013	37	3	174	6 (1999)
Biodiversity Act	09.08.2002	26.07.2013	23	14	174	3 (2006, 2007, 2009, 2012,2013)
Markets in Financial Instruments Act	29.06.2007	20.12.2013	13	7	182	3 (2009, 2012)
Criminal Code	02.04.1968	27.09.2013	89	6	187	8 (2009)
Genetically Modified Organisms Act	29.03.2005	02.08.2013	14	7	192	3 (2005, 2008,2009)
Law on the Black Sea Coast	15.06.2007	06.12.2013	12	35	197	4 (2013)
Accountancy Act	16.10.2001	19.11.2013	22	7	199	4 (2006)
Administration Act	05.11.1998	21.02.2013	25	3	221	4 (2006)
Attorneys Act	25.06.2004	07.12.2012	11	101	316	3 (2006)
Currency Law	21.09.1999	06.12.2011	11	17	382	3 (2006, 2011)

Such frequent, even chaotic amendments to the active legislation for the core of laws linked to the management of the economy are counter-indicative for running a stable business. The company management has to constantly adapt itself to the whims of legislators rather than adjust to market fluctuations. This, as a matter of fact, brings about swelling transaction costs, what Cease and North had in mind. The management is busy to predict pending and future legislative changes instead of assessing possible market changes.

One can outline the following reasons for the frequent changes in the laws:

First, the effect of the so called lobbyist interests. A people's representative (or a group of representatives) defends the interests of a certain group of producers. This activity remains unregulated and confidential. The respective people's representative is interested (in the broadest sense) in changing the legislation in a given direction and does his best to achieve it. If he fails once, he tries to persuade some colleagues of his and then tries again in a month or two. This directly correlates with various corruption practices.

Some time ago it became publicly known that the president of the political party Movement for Rights and Freedoms (MRF) A.Dogan had received a large amount of money as remuneration for working for a private company for which he is not a specialist at all. In a market economy, each factor gets paid according to its contribution for the increase in the final performance. A.Dogan had done something for which he had got paid. His work in the last more than two decades had always been in the National Assembly (NA). There he had the power of legislative initiative and voted in passing laws. It is logical to expect that he had helped adopt some legislative amendments in the interest of the respective private company and from which the latter most likely had managed to realize significantly big profits to cover the mint of money paid to A.Dogan.

Another revelation showed that the active member of long-standing of the leadership of MRF Cr.Bisserov owns property that exceeds by far his officially declared income. This was the reason that forced him to resign from the NA and the leadership of the MRF. A situation analogical to that of A.Dogan. Ch.Bisserov did not steal this money; it was paid to him for something done. The only thing he did in the last more than two decades was to initiate legislative changes and take action on the matter according to the procedures. These legislative changes justified the remuneration he had got in an unregulated manner.

Some companies become favored at the expense of some others. One gains at the expense of all others. All interested people get the feeling of dominant social injustice which undermines the foundations of economic prosperity.

Second, a reason for the frequent changes in the legislation might be the fact that the prevailing part of the people's representatives does not have the qualifications required to be members of the NA. In other words they are incompetent⁴, do not grasp what is at issue in the respective laws, are unable to foresee the consequences from the application of one

⁴ Soros did not hesitate to refer directly to "incompetence of the regulators" (quoted under Morris (2009)), and in Stiglitz's mind (2014) "... regulators did not understand completely..." how important new processes arose.

or another amendment and this imposes the need for their frequent amendment. And as it often happens in such cases – little knowledge correlates with high self-confidence.⁵

The experience in the NA abounds with examples of oversight and incompetence in the elaboration of the laws (or amendments and supplements) of significantly serious consequences about the government budget. By April 2014 for instance, it was established that the organizers of lottery games and bingo-type games had been totally freed from fees for organizing gambling due to a legislative “oversight” in voting the amendments in the law on gambling four months ago! According to the estimates the treasury used to get two million leva annually from this type of gambling and this income was going to be absent from the budget respectively.⁶

It is worth noting that almost all national representatives in the last two decades had the diplomas required (not only one at that) for completed university studies and master’s programs. However, the demonstration of professional ignorance is shocking. This correlates with the unsatisfactory quality of the education and the practiced unregulated procedures for obtaining diplomas.

Third, No doubt, parts of the national representatives are real professionals in their fields. However, they are obviously not very seriously committed to their immediate tasks for various reasons. They might be practicing lobbying or simply think that it is not worth wasting time, energy or fret much and finally ,give up hopelessly when the changes are launched and supported by some leading factors.

The final outcome is a legislation of poor quality which impedes the growth of company activities and economic development.

Second element, typical of the social and economic management at a macro level and which tastes like a bitter pill, is the wide practice of what is called *political party appointment*. Party appointments may be the cabinets called for carrying out the policy that the governing party (coalition) won the elections with. Henceforward, however, efficiency requires the posts in the lower level of management to be taken by outstanding specialists. The practice in reality is quite different. Parties act as company formations whose goal is to reach power in favor of their own and group enrichment. After the formal victory at the elections there starts a process of large-scale rewarding of the people who contributed (organizationally) to take up the power. Thanking somebody is by appointing this person at a highly-paid government job for which the privileged one usually does not have the required knowledge and skills. The party appointed person is well aware of his own “merits”, strictly follows

⁵ D. Podvarzachov (1881-1937) – a poet, writer of feuilletons, satirist and interpreter is attributed to have said: „The Bulgarian is a fly with the self-confidence of an airplane” (newspaper „Sega”, 26/04/2014).

⁶ Newspaper „Sega”, 28/04/2014.

the party factors' moods and tries to use his position for drawing the maximum benefit for himself.⁷

The outcomes are materialized in wrong decisions of negative impact on the social and economic prosperity.

Third element, which sends negative signals to households and economic agents, is the arrogant behavior of people's representatives. The leaders of both governing parties – the Bulgarian Socialist Party and the MRF – S. Stanishev and L. Mestan assured everybody solemnly from the rostrum of the NA in the indisputable qualities (ethical and professional) of their darling D. Peevski. A few days later, (after a storm of massive protest in the streets) the same leaders with provoking calmness declared that the nomination of D. Peevski for the post of head of a high government institution was actually unsuitable. In other words both leaders had experienced a purgative catharsis within a few days and that's it. What's more, they discuss and defend positions with the same self-assurance on issues (for instance in the financial and economic field) that are obviously outside their competences.

On 14th February 2014 a people's representative (H. Hafazov), never heard of so far, vehemently, angrily and arrogantly reacted against the decision of the NA not to let pre-election propaganda in non-Bulgarian language. *"If you think that by this law you can manage to restrict us, I am telling you now – watch out for every step of mine because I am ready to pay for my freedom. I will follow the path made by O. Kaluch, A. Davihoglu of the village of Iskra, N. Adal and A. Dogan"*.⁸ This deputy has never shown any interest in the laws discussed in the NA, never took the floor on key legislative issues discussed but expressed unrestrained aggressiveness on propaganda matters. His words can be treated as an appeal for non-respect of the country's laws. They give a reflection on the attitude of the population, in forming disrespect and neglect to the active legislation, especially.

The friction in economic interactions is growing. It takes away and destroys some of the economic energy. It is consumed by the political class, abusing of its power in the interest of its own existence and to the detriment of economic progress. Using rhetoric's, varied in nature, is a resource for manipulating voters and is subordinated to the party-formulated goal – provision of receipts for the people involved in the party-company circle. Weber (1964) described this as the development of the policy a *"mode"*. It is a fact that once the power is established a process of almost general replacement of the management staff at the top positions of the management hierarchy begins – this is the reward for those who have contributed to the party-company success. There are no restraints; even amendments to

⁷ Such examples abound in practice. By 2010 for instance, it was found out that the head of *Agriculture Fund*, who manages exceptionally large financial resources (and most of all European funds including) is completely a chance appointment of no qualifications and for whom the nickname of *"lady-bird"* was coined to describe this type of cadres. The former president of the Republic of Bulgaria G. Parvanov gave a number of examples of a similar type of appointments after 2013 (newspaper *"Sega"*, 16/05/2014).

⁸ O. Kalach was a spy sentenced to death and exchanged for a Bulgarian spy in Turkey (newspaper *"Sega"*, 15/02/2014).

laws are made in order to replace people on mandate positions.⁹ In these cases the newly appointed people are from the environment of the respective chairman of the governing party. This illustrates the understanding that the appropriate people with the necessary knowledge, skills and experience are only available in the governing party (coalition). Once the power goes into other hands, the procedure is repeated, i.e. the best cadres are now in the new governing guild. This is a perfect copy of the experience of the times of 1944-1989 when the most important (predetermining!) criterion to take on a management position was the membership in the governing Bulgarian Communist Party. In addition, such a practice sends distorted signals to the growing up generation for whom business prosperity seems invariably linked to compulsorily adopting the right party loyalty.

Along with everything else, experience has shown and scientific research summarized (Rabin, 2004), that people are concerned about justice and being able to enjoy equal rights in the process of resource distribution, even when it is not directly connected with the growth in the general welfare. The seeming absence of direct impact of a given biased management act on economic effects leaves the false feeling with politicians that it will not affect negatively the social and economic behavior of people. As a matter of fact, however, there is an effect of accumulation of the negatively assessed policies which finally deform the rational thinking of economic agents. The consequences affect and lead to shrinking investment and economic activities.

This is not a new problem in global experience. In 1919, Weber (1964) analyzed the condition of the political system in the USA by the middle of the XIX century and came to the conclusion that the reward for the victory on the presidential elections was a real trophy in the shape of a lucrative job. The result of this fact was the spoils system, described as a systematic principle by A. Jackson. Weber's judgments seem to literally refer to our own experience: „*That quite unprincipled parties stay against each other, pure place-hunters organizations that make for each campaign their changing programs depending on the chance of votes catch – to an extent alternately, as despite all analogies, it elsewhere is not found*”. As for the British parliamentarians (for Weber) they „*...with the exception of the few members of the Cabinet (and some loner) are usually nothing but well disciplined voting bloc. ... The member of Parliament has only to vote and not to commit treason party ...*” And the leader acts as a „*...plebiscitary dictator who brings the masses by means of the "machine" behind him, and for the parliamentarians are only political Prebendary that are in his entourage*”.

For the assessment of the overall effect of the functioning of institutions one has to refer back to the main rule that was publicly accepted as *Pareto Principle*.¹⁰ It says that in each society 20% of the people produce 80% of the benefits and profits. At the other end of the curve, 20% of the people create 80% of the problems and losses. A fifth of the employed in the society, who are at the other end of the curve, involve the people who manage the country's institutions.

⁹ This was the situation with the replacement of the head of the Financial Supervision Commission in 2010, as well as of the Bulgarian National Audit Office in 2014.

¹⁰ Quoted from an article on the Internet. It is a form of a rule of thumb.

In addition to the specific features described in shaping macroeconomic decisions the other elements of the supraeconomics exercise a major impact on the specificity of the social and economic development. It is not accidental that the main stress in the long-term strategy for development of the EU was laid on *intelligent growth* and the quality of education. Not a few of the weaknesses observed in our social and economic life are due to education, carried out quite formally, at all levels and most of all – at the university level. A great part of the management woes and failures are the outcome of poor preparation and ignorance. Top management personnel are no exception. In all cases there is a relatively high self-confidence without cover which underlies the thoughtless decision-making and later, it proves to be decisive for the failures registered.

Conclusion

The analysis and professional assessment of the economic conjuncture, the specificity of the social and economic management and the impact on the production interactions need tracing down the performance of all the front of indicators. Not a single indicator can give a complete and thorough idea about the condition of processes, the particularities of the social and economic dynamics, the constraints and incentives of economic growth.

Indebtedness of economic agents (households and companies) is the outcome of a multitude of factors. The way all the market and non-market information is concentrated in commodities and services' prices, so a great number of influences and impacts criss-cross in the process of indebtedness – some of them open and direct, while not a few are difficult to discern and be directly presented.

Incurring financial liabilities by households and economic subjects is a normal process. Moreover, it helps encourage economic growth. As with the operation of every economic factor the positive influence lasts up to a given moment and each further over dosage leads to negative outcomes.

It is hard or even impossible to measure precisely the break-even point. A good way for assessment is tracing the correspondence of the rates of growth of indebtedness and the GDP rates of growth on the other hand. This type of approach, however, has to take into consideration informal reasons linked with the possibility for a too high risk in the near term.

The low rates of indebtedness contain GDP growth. In some interval the dynamics of both curves (of indebtedness and of GDP) go in parallel. When indebtedness accelerates, the two curves separate – indebtedness rises while GDP lags behind. This is a signal for mismatch which can bring about negative outcomes in the near or distant future.

Indebtedness can be subjected to macroeconomic regulation. The Central bank's (BNB) duty is to regulate the lending operations of commercial banks, which are an indicator for the degree of indebtedness. The government, on its behalf, can restrict investors' appetite to make easy money at the expense of adopting unjustified risk.

Macroeconomic management did not manage to put the accelerated process of indebtedness in 2000-2008 under control. This disharmony was especially acute in the last two years of the transition. The special thing about this time was that two elections - parliamentary and for Governor of the BNB - were scheduled for 2009. The governing parties (coalitions) are always very sensitive about the election process and try by all means to demonstrate the best possible and acceptable policies. The process of active investment was a good pastime in the given context. On the other hand, the election of the Governor of the BNB was scheduled for mid 2009, i.e. on the border of the eventual change of the guard in the NA. It was not in the interest of the Governor of the BNB to get in conflict with the government. The conjunction of both interests led to too high rates of growth of lending, incompatible in size with the GDP rates of growth.

The picture looked very different after 2008. The blessed and life-giving inflow of foreign direct investments dried out and the lending operations of the commercial banks suddenly shrank. It became clear that the uncontrolled process of unruly crediting induced the undesired fruit of bankruptcy.

The following 2009 was the year of the awareness, followed by four years of aimless wandering. The government chose the easy way to solve its budget problem and quickly turned its back to its liabilities to the companies. The cup spilt over and led to a chain of intercompany indebtedness. Such a process raises risks connected with the growing distrust among economic players which will have both direct and by-side effects, very hard to predict.

As usual the drastic change in a convenient regime of operation arouses uncertainty and vagueness. Macroeconomic management was not prepared for the sharp downturn and did not manage to find the right way to solve the difficult economic problems. The general restructuring of social and economic interactions necessitates a change in the supraeconomics and most of all improved quality of the institutions' performance.

What happens in the NA, in the executive and judicial authorities matters for the efficient functioning of the economy. Not well-thought policies of the institutions at the top managerial level contribute to the paralysis of investment and economic activities. The outcome is fear and reluctance by households and companies to take on new liabilities, which hinders economic progress.

The investment and consumer restraint of economic players is not simply a reaction to the existing problems. It is much more the outcome of an assessment of the conjuncture in the future. The base period presumes a recovery of the economic development, the more so that there is a long way to go to reach the average European level. Despite that investments are slack. There is obviously a need for adopting a much more different style of social and economic management rather than the change in one or another parameter of economic management. It is obligatory to realize the decisive function of macroeconomic institutions. This process of awareness involves a much better quality of education and the growing up of all the population.

References

- Akerlof, G., Shiller, R. (2009). *Animal Spirits*. Princeton University Press.
- Bobeva, D. (2010). Citizens' indebtedness seen by macroeconomic data and the results of sociological research. – In: *Financial crisis and Bulgarian's indebtedness*. Sofia: „Chance” AD.
- Boudon, R. (2010). *La Sociologie comme science*. Paris (Bulgarian translation: *Социологията като наука*. С.: ИК „Изток-Запад”, 2012).
- Bulgarian Chamber of Commerce. (2014). *Indebtedness of companies from the non-financial sector of the economy (by January 1st, 2013)*. Sofia.
- Cecchetti, St., Mohanty, M., Zampolli, F. (2011). *The Real Effects of Debt*. – BIS WP No 352, September 2011.
- Coase, R. (1988). *The Firm, the Market and the Law*. The University of Chicago Press, Chicago and London.
- Conard, E. (2013). *Unintended Consequences*. Portfolio/Penguin, N.Y.
- Corporate. (2012). *Indebtedness in the Euro Area*. – ECB Monthly Bulletin, February 2012.
- Elias, N. (1996). *Was ist soziologie?*. Juventa Verlag GmbH, Weinheim und München (Bulgarian translation: *Що е социология?*. С.: ИК „Лик”, 1999).
- Erbenova, M., Liu, Y., Saxegaard, M. (2011). *Corporate and Household Debt Distress in Latvia: Strengthening the Incentives for a Market-Based Approach to Debt Resolution*. – IMF, WP/11/85.
- European Union. (2014). *Macroeconomic Imbalances Bulgaria 2014*. European Economy, Occasional Papers 173, March 2014.
- Fotev, G. (2002). *History of sociology*. Vol. II. Sofia: Trud Publishing House.
- Friedman, M. (1953). *Essays in Positive Economics*. The University of Chicago Press, Chicago and London.
- Goretti, M., Souto, M. (2013). *Macro-Financial Implications of Corporate (De)Leveraging in the Euro Area Periphery*. – IMF, WP/13/154.
- Gyurov, B. (2010). *Endogenous risk in the system of lending to households in Bulgaria*. – In: *Financial crisis and Bulgarian's indebtedness*. Sofia: „Chance” AD.
- Gyurov, B., Minassian, G. (2014). *Credit indebtedness of households in Bulgaria: Problem areas, condition and dynamics*. Unpublished paper, Sofia: ERI-BAS.
- IMF. (2012). *World Economic Outlook*. April 2012. chapter 3.
- Kaletsky, A. (2010). *Capitalism 4.0: The Birth of a New Economy*. Bloomsbury Publishing Plc, London (Bulgarian translation: *Капитализъм 4.0: раждането на новата икономика след кризата*. ИК „Класика и стил”, 2013).
- Kanev, M. (2013). *The idea about progress beyond economics*. Sofia: “Iztok-Zapad”.
- Keynes, J. (1973). *The General Theory of Employment, Interest and Money*. Macmillan Press (Bulgarian translation: *Обща теория на заетостта, лихвата и парите*. С.: ИК „Христо Ботев”, 1993).
- Krugman, P. (1998). *Currencies and Crises*. Sixth Printing. The MIT Press, Cambridge, Massachusetts, London.
- Minassian, G. (2008). *Is Bulgarian Economy Overheating?*. – *Economic Thought*, p. 21-46.
- Morris, Ch. (2009). *The Sages: W. Buffett, G. Soros, P. Volcker and the Maelstrom of Markets*. Public Affairs, New York (Bulgarian translation: *Мъдреците: W. Buffett, G. Soros, P. Volcker за водовъртежа на финансовите пазари*. С.: ИК „СИЕЛИА”, 2010).
- North, D. (1990) – *Institutions, Institutional Change and Economic Performance*. Cambridge University Press, New York (Bulgarian translation: *Институции, институционална промяна и икономически резултати*. С.: ЕК „Лик”, 2000).

- Rabin, M. (2004) – Behavioral economics. – In: Szenberg, M., Ramrattan, L. (eds). *New Frontiers in Economics*. Cambridge University Press (Bulgarian translation: *Поведенческа икономика*. – В: *Нови хоризонти в икономиката*. С.: ИК „Проф. Марин Христов”, 2008, с. 82-115).
- Sander, P. (2009). *101 Things Everyone Should Know about Economics*. Adams Business PH, Avon, Massachusetts.
- Stiglitz, J. (2012). *The Price of Inequality. How Today’s Divided Society Endangers Our Future*. W. W. Norton & Company, New York – London (Bulgarian translation: *Цената на неравенството. Как днешното разделено общество застрашава бъдещето ни*. С.: ИК „Изток-Запад”, 2014).
- Stoyancheva, D. (2014). *Bank Liquidity, Credit, Interest Rates*. – In: *Parameters of Contemporary Financial and Economic Crisis in Bulgaria. Looking for Sustainability*. LAP, Saarbrücken, (imprint).
- Suharev, O. (2008). *Institutional economics. Theory and policies*. EWEd. Moscow: “Nauka”.
- The Economics Book*. (2012). *Big Ideas Simply Explained*. DK Publishing, New York.
- Vallet, G. (2011). *Petit manuel de sociologie à l’usage des économistes*. Presses universitaires de Grenoble (Bulgarian translation: *Малък наръчник по социология за икономисти*. С.: НБУ, 2013).
- Weber, M. (1924). *Religionssoziologie*. Munchen und Leipzig (Bulgarian translation: *Протестантската етика и духът на капитализма*. С.: ИК „Хермес-7”, 1993).
- Weber, M. (1959). *Wissenschaft als Beruf*. Dunckler & Humblot, Berlin (Bulgarian translation: *Науката като призвание*. – В: с. 105-134).
- Weber, M. (1964). *Politik als Beruf*. Dunckler & Humblot, Berlin (Bulgarian translation: *Политиката като призвание*. – В: *Ученият и политикът*. С.: ИК MicroPrint, 1993, с. 45-104).
- Yankov, I. (2010). *The relationships between banks and customers as a generator of lending indebtedness*. – In: *Financial crisis and the Bulgarian’s indebtedness*. Sofia: „Chance” AD.
- Yankov, I., Minassian, G., Taseva, G. (2014). *Companies’ indebtedness in Bulgaria: origin, condition, problem areas and ability to service debt*. Unpublished paper, Sofia: ERI-BAS.