Transfer and Reception of New Institutional Economics: An Example of Two Universities in Serbia

Abstract: The research "Transfer and Reception of New Institutional Economics: An Example of Two Universities in Serbia" was conducted in 2005/2006. In order to achieve the goals of the Serbian team of the DIOSCURI project, the main aim of the case study is analysis of the influence of Western institutions in the light of transfer and reception of new institutional economics in two academic institutions in Serbia: The Faculty of Law (The Department of Law and Economics) of the University of Belgrade, and The Faculty of Management of BK University. The title of the case study illustrates the focus of the entire research: analysis of Western influence, namely transfer and reception of new institutional economics, on the two institutions and possible obstacles caused by old-fashioned stakeholders and informal institutions. Bearing in mind that the Department of Law and Economics is the leader in the reception of the new institutional economics (NIE) in Serbia, the case study will be mostly about it. The Faculty of Management was chosen because of its "greenfield" character and the fact that from its very beginning it followed the experiences of

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1 The study compares a department as a faculty unit belonging to a public university, with a faculty. Although not the same, for the purpose of this study, this is a respective organizational unit of a private university. Both entities offer economic knowledge courses as supplementary and supporting to either the study of law (the Department of Law and Economics of the Faculty of Law) or to the study of management (the Faculty of Management).
North American universities. The research investigates whether and how the transfer and reception of the Western ideas and economic theory, particularly the NIE, is affected by the difference between an institution with a two-hundred-year tradition and a newly established one. The question is how a traditionalist institution like the Faculty of Law communicated Western economic thought and whether endurance in teaching the exclusively Marxian paradigm up until the 1990s, was an obstacle to the reception of Western economic thought, particularly NIE.

**Key words**: institutions, universities, economic theories, NIE, Serbia, West

**Introduction**

New institutional economics (NIE) is an economic theory based on the fact that institutional change (change of the rules of the game) affects incentives (objective function) and transaction costs of economic agents and consequently affects their choices, decision making (decisions on production, investment, employment and similar) and behavior. Thus, the methods of economic organization and economic efficiency are decisively shaped by institutions/institutional structure. The most important concepts of NIE are: institutional evolution, property rights, contractual paradigm, transaction costs and informal social norms. NIE understands institutions as endogenous variables. It means that people make decisions about institutions (choice of political, legal and economic institutions) in the same way they do when they make decisions about products or technology. That is why the NIE attitude that institutions determine incentives and decision making costs could be methodologically integrated in neoclassical concept of maximizing behavior. NIE is a free market and anti-government intervention based theory.

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new institutional economics, on the two institutions and possible obstacles caused by old-fashioned stakeholders and informal institutions. Bearing in mind that the Department of Law and Economics is the leader in NIE reception in Serbia, the case study will be mostly about it. The Faculty of Management was chosen because of its "greenfield" character and the fact that from its very beginning, it followed the experiences of North American universities. The research investigates whether and how the transfer and reception of the Western ideas and economic theory, particularly new institutional economics, is affected by the difference between an institution with a two-hundred-year tradition and a newly established one. The question is how a traditional institution like the Faculty of Law communicated Western economic thought, and whether endurance in teaching the exclusively Marxian paradigm up until the 1990s was an obstacle to the reception of Western economic thought, particularly NIE.

The methodology of the research is based on in-depth interviews with members of the two faculties, as well as on curriculum research analysis and a review of local NIE literature published and NIE foreign literature translated.

The research includes perceptions and opinions about Western economic thought, particularly NIE reception by key stakeholders in the above-mentioned institutions. Moreover, all interviewees presented their opinions about different set of problems, processes and methods, as well as their experiences in different situations.

In order to combine the advantages of broadly defined topics and standardized interview, at the beginning of the research 14 in-depth questions were developed. A questionnaire structured in such way covered the most important aspects of the research and enabled fine-tuning during the interviewing. On the other hand, obtained data are comparable and useful for further aggregation.

Most of the interviews were conducted face-to-face and only one via telephone. A sample consists of eight professors and teaching assistants from the Faculty of Law and six from the Faculty of Management. Of all respondents, eight hold PhD and five hold MA/MSc’s. They are experts in different fields: economics, management, marketing, statistics, business English and German, social psychology and law.

All respondents agreed to have their identities disclosed to the public and presented as such. The tasks of interviewed was to answer the questions and provide their CVs.

Research design

There are differences between the Department of Law and Economics of the Faculty of Law of the University of Belgrade and Faculty of Management
of the BK University that could affect differences in transfer and reception of the new institutional economics. The Faculty of Law has a 200-year-long tradition, it is a public school, it has autonomously developed its curriculum, role and significance of economic courses is to be supporting to dominantly law courses, theoretical disciplines prevail over applied disciplines and it is a school with a massive enrollment of students. The Faculty of Management is an institution established in 1992, it is a private school, its curriculum is receptive of a North American university curriculum, consisting of dominantly economic courses, applied disciplines prevail, and it enrolls a small number of students. Differences could be an advantage or disadvantage (obstacle) in the transfer and reception of new institutional economics.

The Department of Law and Economics, which is in the focus of the research at the Faculty of Law, has 13 staff members\(^4\) - 7 professors and 6 teaching assistants. Seven of them hold PhDs\(^5\), three an MA or MSc, and three BA’s. The sample consists of seven members\(^6\) from the Department of Law and Economics and one interviewee\(^7\) from the Department of Public Law. In order to obtain higher quality results of the research, the sample favored respondents holding PhD and MA and having a lot of experience in different working and culture environments in various institutions. Teachers included in the sample, listed in alphabetical order are: Begović Boris, Ph.D., Ilić Popov Gordana, Ph.D., Jovanović Aleksandra, Ph.D., Labus Miroljub, Ph.D., Marinković Tanasije, MA., Popović Dejan, Ph.D., Radulović Branko, M.A. and Vukadin Emilija, Ph.D. Their respective academic and professional biographies are available at the Faculty of Law web site.

The Faculty of Management employs 82 persons: 67 professors and teaching assistants, and 15 employees in support services. The governing body of the Faculty of Management consists of a Dean, two Vice-Deans and the Faculty Council. An Executive manager is responsible for the day-to-day\(^4\) In 2006 the Faculty of Law employed 104 teachers organized in seven departments and Foreign Language Seminar. Currently it employs 112 teachers. The governing bodies of the Faculty are the Dean, three Vice-Deans and the Faculty Council. Employees in supporting services are organized in Library unit, Students’ Affairs unit, IT unit, Finance unit, Publication Center and General Affairs unit.

\(^5\) In 2010 nine members of the Department held PhDs.

\(^6\) The research took into consideration respondents’ activities and positions up to 2006. All members of the Department since 2006 teach new courses in compliance with the new Faculty of Law Curriculum.

\(^7\) Control interviewee demonstrated experience of cultural encounter with the Western ideas related to non-economic area (French legal thought). The communication went the same way as communication that the members of the Department of Law and Economics had experienced in transfer and reception of economic thought.
functioning of faculty and the PR manager is responsible for public image of Faculty. The Faculty also has organizational units for information technologies, bookkeeping, cash, finance, student affairs and technical issues.

The Faculty consists of four departments, although most employees work in more than one: BA studies, MA studies, Studies in English and Studies for employed persons (weekend blocks).

For the purpose of identifying the sources of competitive advantage of the Faculty in terms of its students’ employability and starting salaries, the sample has been stratified and it includes following: foreign language lecturers, financial market specialist, marketing expert, statistician and social psychologist. The sample consists of six employees\(^8\) of whom three hold PhD and three MA. Respondents included in the sample, and listed in alphabetical order are: Belokapić Vera, M.A., Cajka Zoran, Ph.D., Jolović Ana, M.A., Marić Alisa, Ph.D., Mudrenović Svetlana, M.A. and Rakić Vojin, Ph.D. Their respective academic and professional biographies are available at the web site.

The Department of Law and Economics of the University of Belgrade Faculty of Law

The Department of Law and Economics is currently a strong local source of the supply of microeconomic and macroeconomic knowledge and law and economics (economic analysis of law) knowledge in this country. It adopted a high profile and had/has a significant role in influencing policy measures (some members of the department are at the same time members of influential NGOs, some are/were advisers to politicians and some are/were ministers, deputy ministers and assistant ministers) due to the specific influence of individuals who are members of Department. Thus, a high profile is not a consequence of a deliberately contrived plan; it is a result of spontaneous and individual endeavor of each member of the Department. This profile is a consequence of the employment policy of the Department, but we should not neglect the intellectual leadership and authority of the most influential teachers. Individual members have an impact on public policy through various channels – in their political capacity and/or in their expert capacity – publications, consulting, participating in drafting laws, etc.

Professors foster the 200-year-old tradition, keep good collegiate relations among themselves, with retired professors, and with younger colleagues-members of the Department, also tryin to transmit a tolerant and liberal atmosphere, working ethics and collegiate relations that are anecdotally

\(^8\) The research took into consideration respondents’ activities and positions up to 2006.
related to this particular Department. In addition, not only do the younger Department members and the older ones have good understanding and mutual respect, but there is no generational gap regarding the modernity of economic knowledge.

This is important for integrating members within the Department and this spirit of integration is seen in the process of decision-making and support for each other. This support could be seen during the 1998-2000 when political and ideological intervention was carried out through dismissals and suspensions of teachers who were anti-regime oriented. The dismissals and suspensions were not directly related to differences in conceptual issues but had to do with free-minded attitudes. Two of the protesting teachers were members of the Department of Law and Economics, and others Faculty members were those with strong intellectual connections with the West.

**Theoretical framework**

The Department is not unanimous regarding the individual choice of theoretical and conceptual framework, and professors as a rule do not declare their stand explicitly. It does not have a unique economic philosophy. Freedom of individual preferences determines the choice of the theoretical paradigm.

The Department has broken ties with its Marxian past due to retirements during the 1990s, with the last one occurring in 2001. In 2006 there were seven members of the Department between 40 and 58 and six younger then thirty. Those older then forty invested in modern economic knowledge. Two of them are Serbian path-breakers in the new institutional economics and due to this they enjoy authority among younger members of the Department, and outside the Faculty they are publicly renowned. The Department has been a prestigious institution for many years and an incubator for recruiting public policy decision-makers or their advisors. Therefore, the Department is harmonious regarding the modernity of economic knowledge, but not regarding homogeneity of theoretical paradigms. One can notice two libertarians among teachers, different among themselves – one with an advantage of good econometric education and the other one with qualitative insights but according to self-evaluation, modest knowledge in quantitative techniques. The denoted differences have created variations in their fields of interest and methods of research.

Mainstream economics at the Department is neoclassical economics because almost all of the employed, although educated in Serbia, had fellowships abroad and spent certain periods at Western universities. Only one teacher, retired in 2001, was an old-fashioned Marxian economist. Clear theoretical framework

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cannot be attributable only to one professor whose theoretical framework could be depicted as a hybrid of different ideas and concepts.

**Definition of new institutional economics**

New institutional economics is the economic theory based on the fact that institutional change (change of the rules of the game - legal, political, economic) affects incentives (objective function) and transaction costs of economic agents and consequently affects their choices, decision making and behavior (Furubotn and Richter 2004). NIE understands institutions as endogeneous variables. This means that institutions evolve spontaneously on the market for institutions where their efficiency is tested. The role of government is to protect the spontaneously created rules of the game. NIE is a free market and anti-interventionist based theory.

There are different patterns of new institutional economics that are not mutually exclusive – property rights paradigm, contract paradigm, transaction cost paradigm, social norms approach (Jovanović 2008). The first three are often employed in research of neo-institutionalists in Serbia.

New institutional economics emphasizes structural and qualitative issues but does not exclude quantitative methods. So, application of quantitative methods is welcome and economists with good knowledge of quantitative methods could make a great contribution by modeling in the neo-institutional theoretical framework. It is true that to some extent this theory could be appealing because at least some research could be done without rigorous mathematical analysis. Recent developments prove that new institutional economics uses rigorous analysis, but that should not mean that qualitative insights should be lost.

New institutional economics is a discipline overlapping with a segment of Economic Analysis of Law (the one analyzing body of economic law) if EAL is based on NIE methodology. On the other hand, Economic Analysis of Law is broader because it uses economic tools to analyze legal institutions that are not only pertinent to the body of economic law, but to other fields – constitutional law, administrative law, criminal law, family law.

**Differences from the Marxian paradigm**

The neo-institutional property rights paradigm is different from the Marxian property rights paradigm, with serious economic consequences. The Marxian paradigm understands property rights as an exogenous concept. The consequence is that rational planner could violently change the property rights assignments on the pretext of the public interest and thus engage in redistribution of wealth. Contrary to Marxian paradigm, new institutional
economics understands property rights as endogenous concept. As a consequence NIE is methodologically based on the evolutionary development of property rights and individual freedom.

**New institutional economics and neoclassical economics**

The differences between new institutional economics and neoclassical economics could be reconciled (Jovanović 1998, 24-29). New institutional economics understands institutions as endogenous variables. People make decisions about institutions in the same way as they do about products or technology. That is why neoclassical concept of maximizing behavior can be incorporated into neo-institutional position that institutions shape incentives and determine decision-making costs. Therefore, for example, the incorporation of property rights into the analysis of firm behavior is methodologically possible by redefining neoclassical production function (Jensen and Meckling 1979) or by redefining neoclassical objective function (Furubotn and Pejovich 1970).

**Channels of intellectual influence**

There were no sharp surprises or shocks in the intellectual contacts with the West because Western literature gradually provided members of the Department with insights about what the mainstream economics in the West was. On the other hand, visits to universities abroad and personal contacts were not intellectual surprises because contacts were not interrupted even during the UN sanctions. During the 1990s international cooperation was not dominantly in a form of institutional cooperation, but cooperation mostly based on personal networking. Due to the Western colleagues, scientific and expert communication has been preserved – attending conferences, seminars, getting fellowships, subscription to periodicals, etc.

**Channels of communicating the neo-institutional concepts**

The first encounter with new institutional economics, as one of the teachers said, was through literature while preparing articles, MSc. and Ph.D. dissertations on the impact of property rights structure on economic behavior of the firm. After becoming familiar with ideas of the most prominent representatives of new institutional economics, intellectual encounters have taken place at foreign universities, conferences, seminars through personal

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10 For example Douglas North (North 1990) and Oliver Williamson (Williamson 1985).
contacts with distinguished proponents of new institutional economics like Steve Pejovich, Armen Alchian, Harold Demsetz, Enrico Colombatto, as well as with classical liberals in other disciplines, such as law, political science, philosophy, etc.

Economic publications by Pejovich paid particular attention to Yugoslav institutional arrangements (Pejovich 1973). He had made the international scientific community familiar with our institutional structure long before transition began in Serbia. Namely, the Furubotn-Pejovich effect very soon became well known in local and international circles of economists (Furubotn and Pejovich 1970). By emphasizing the character of our property rights, the effect served a group of local economists to blame social ownership for the inefficiency of the Yugoslav economy based on property rights paradigm (Labus 1988, Madžar 1995). The history of economic thought in Serbia (Yugoslavia) has to take into account Pejovich’s role and impact on the choice of topics and methodology. Long before the 1990s, his work was a communicating channel of Serbian economic science with the Western Economic thought, particularly with NIE scientific contribution. Under the influence of Steve Pejovich, neo-institutional economics began to develop more extensively in Serbia (Yugoslavia).

A smaller number of publications consistently followed the property rights paradigm. On the other hand, we cannot resist the impression that Pejovich had an impact even on those economists who were not consistently neo-institutionalists (because they were not free-market) but made occasional excursions to new institutional economics. At least, part of his work pertinent to social ownership became unavoidable literature and reference for those who did serious research about the Serbian (Yugoslav) economic system and Serbian transition.

The respect for new institutional economics is demonstrated by the Department’s decision to initiate the procedure for awarding an honorary PhD of the University of Belgrade to Steve Pejovich, as he is one of the most important representatives of new institutional economics. Steve Pejovich received the recognition of the world economics’ profession when his name was included among those of the thousand most important economists between 1700 and 1996 (Blaug and Vane 1998).

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14 Pejovich’s research on transition was not limited to the Serbian transition only. See: Pejovich 2004.
Contributions to the new institutional economics

Project opportunities of different kinds and theoretical frameworks are mostly open to the members of the Department. Research and the number, quality and conceptual framework of publications depend on individual choice and efforts. Scientific publications in foreign periodicals, particularly in periodicals with an impact factor are the exception rather then the rule. The influence of domestic neo-institutional texts is rather locally than internationally based. It is, nevertheless, a significant contribution to the development of Neo-institutional economics in Serbia and wider where Serbian, Croatian, or Bosnian languages are/is spoken.

There are English translations of some studies15 (analyzing comprehensive institutional reforms or particular problems and aspects of Serbian transition), thus making them available to the wider public.

The property rights paradigm of the Texas School became the dominant theoretical framework (new institutional economics approach) in analyzing property rights structure of the Yugoslav economy (Jovanović 1993). Besides the property rights paradigm, a transaction cost paradigm was employed in analyzing economic reforms in Serbia, particularly in analyzing the economic effects of law and regulation. Slow institutional development, weak property rights protection, and the general lack of the rule of law are the weakest points of the reforms.

Perhaps the most far-reaching contribution of the Department in disseminating NIE is introducing the Economic Analysis of Law (overlapping discipline with new institutional economics) as a graduate course in 2002 and subsequently, according to the 2006 law studies curriculum, Economic Analysis of Law was approved as a course for undergraduate studies. This course is of enormous significance for opening students’ views of theoretical concepts of new institutional economics that they are not familiar with and to prepare them for the practical implementation of NIE concepts. In order to modernize law studies, the introduction of the course Economic Analysis of Law (Law and Economics) was necessary to fill the gap in the Faculty curriculum. A multidisciplinary approach to law education has been the characteristic of law studies at the Faculty of Law. In spite of the fact that the faculty (mostly law teachers with negative attitudes toward economic courses) decided to reduce the number of non-law courses, Economic Analysis of Law was approved to be a part of the new law studies curriculum.16

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16 Economic Analysis of Law as a course was developed due to the International Freedom Project that was awarded to the Faculty of Law for the course "Freedom and Development". The International Freedom Project was administered by Atlas.

**Participation in international projects**

Since 2000, the Faculty of Law has (re)established international cooperation with numerous foreign universities and institutes. The Faculty of Law as an institution and some of the professors and assistants from the Department have participated in several international research projects such as "Policy and Legal Advice Center". The Faculty has co-organized educational projects like "Freedom and Development" and "Studies in European Law". These projects brought a number of foreign scholars to the Faculty of Law. The Faculty also won the TEMPUS grant for Postgraduate Studies in European Integration.

**Contributing to the reform process**

The Department is not formally involved in reforming the economy or in the EU integration processes – namely in the transition industry. Nevertheless, it seems to have a strong impact because four professors were/are key decision makers or advisors to key decision makers in the Serbian Government and/or the Federal Government. Also, teachers are heavily involved in the activities of NGOs and institutes that are market oriented and have public influence in criticizing and proposing economic, as well as legal reforms. This form of their work is publicized in the so-called "transition reports" – multidisciplinary and comprehensive studies that assess institutional, economic, legal, political and other specific aspects of reforms. One can notice slight differences in their assessments, but the differences could be due to different focuses that are put on analysis. Market and economic freedom is the common ground of these studies.

**Techniques of research**

The prevailing theoretical paradigm determines the techniques of research. Property rights and transaction cost approach are introduced but mostly as qualitative, not quantitative method. A number of the Department members apply mathematics and econometric techniques.

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Methods of teaching

The development of teaching methods is, as well as research and generally the work of faculty, is driven by personal motivation and efforts with strong support of the institution. The infrastructure for research and modern teaching methods is provided.

Electing and reelecting the Faculty

The professional and research achievements played a formal role in electing and reelecting (appointing and reappointing) professors. The explanation can be found in a classic neo-institutionalist text on costs of tenure at state/public universities (Alchian 1977). According to practice, until 2005 nobody assessed the quality of what and how professors taught. As the new Law on Higher Education (2005) requires evaluation of the quality of teaching and has established procedures for accreditation and evaluation of institutions, the evaluation of teaching has become standard practice at the Faculty of Law.

The Department has not experienced as a great problem the employment of teachers who invested only in knowledge of Marxian political economy. A number of them retired during the 1990s, the last one in 2001. Other teachers, although not educated in mainstream economics, invested in knowledge of mainstream economics while preparing their MA and PhD. dissertations in the West and/or while residing in the West as exchange scholars and as participants of various doctoral and postdoctoral study programs.

Second job

Almost all members of the Department have a "second job" either in the Government, the Government administration, NGOs, the business sector, or other universities. Engagement in international or foreign organizations (WB, EAR and others) were an opportunity to encounter the Western work-style and ethics. Members of the Department have wide opportunities for job-sharing and they practice this very often. While appreciated by members of the Department, job-sharing was criticized by a number of traditionalists - members of the Faculty of Law. It seems that traditionalists see teaching as a profession completely separated from practice. By adopting a new law studies curriculum in December 2005, a new tendency of promoting practical knowledge and skills has been created, so more understanding for professors’ job-sharing and engaging in different projects out of school could be expected.

18 Zakon o visokom obrazovanju (Law on Higher Education), Službeni glasnik, No. 76/05.
Law courses vs. economic courses

Within the Faculty comprised of mostly law teachers, there is misunderstanding about the role of economics and economic courses in legal education. Different estimations from the Faculty of Law teachers could be heard about the representation of economic courses in the curricula of law studies. Mostly, the opinion is that economic courses are overrepresented and that the number of economic courses should be reduced. The Department, on the other hand stresses that lawyers must have knowledge in economics, political science, history, and in some other social sciences.

Foreign visiting professors

The Department is in fact free to organize lectures by foreign professors, as well as to organize courses and summer schools with other foreign institutions. For example, in 2001, the Department organized Freedom and Development as a multidisciplinary course, deeply rooted in classical liberalism and new institutional economics. The guest teachers were among the most renowned neo-institutionalists in the West (scholars at Texas A&M University, Atlas Research Economic Foundation, George Mason University and others). As classical liberals, they spread the ideas of classical liberalism and thus they did not teach standard courses.

Textbooks

The Department of Law and Economics has been for years the stronghold of dissemination of new ideas and critique of the regime. Institutional economics was always nurtured in teaching economics at the Faculty of Law because the nature of law study curricula demanded particular economic knowledge for lawyers, i.e. institutional economics. That was the truth even during the Marxian phase in teaching Political Economy. One can notice that the exclusivity of the Marxian Political Economy was abandoned relatively early at the Faculty of Law, even earlier than at the Faculty of Economics. The first non-Marxian textbook in political economy at the Faculty of Law was Savremena politička ekonomija (Contemporary Political Economy), introduced in 1992 by Miroljub Labus, and Osnovi ekonomije: savremene teorije i primena (Foundation of Economics: Contemporary Theories and Application) by the same author three years later (Labus, 1995). For an example of modern economic methodology see also: Popović 1997.

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20 At the Faculty of Economics, one of the earliest non-Marxian textbooks was Teorija cena (Price Theory), written by Stojan Babić and Milić Milovanović (Babić i Milovanović 1997).
Thus, from 1992 to 2001 the students had a choice of studying Political Economy from two different textbooks – one textbook was Marxian and the other one was a mixture of a neoclassical approach with some segments of institutional economics. Several years later, the neo-institutional approach of externalities and social ownership was introduced. This course was mostly focused on microeconomics. The curriculum and consequently the status of economic courses is not the decision of the Department, but of the Faculty. The consequence is that the course in Macroeconomics, according to the new law study curriculum, has not retained the same position it had before. At the Faculty there is a trend to depreciate the significance of economic courses. Nevertheless, teaching of modern institutional economics and neo-institutional economics in Serbia did in fact begin at the Faculty of Law.

As far other textbooks are concerned, most of them are modern, written by teachers, corroborated by local experience that make them more comprehensive for students.

Students

Students, according to the level of their grades have different opinions about the necessity and usefulness of economic courses for law studies. The best and average grade students are very much interested in economic courses and demand for more economic knowledge. For them, economic knowledge enables them to comprehend legal problems not only in the field of economic law, but in other fields of law as well. Their job profile – domestic and foreign companies, banking, government, public administration – suggests that they need at least basic economics education. Judges need economics education, as well, particularly for rulings regarding monopoly practice, bankruptcy etc. It hasn’t been noted that judges in Serbia use economic arguments in court rulings. Students do not recognize a difference between mainstream economics and neo-institutional economics. They are just caught by surprise when for the first time they hear that someone questions government economic intervention.

Dissemination of new institutional economics and its use in economic research

New institutional economics is far from being employed extensively in economics research and publications, except that it was at least sometimes

Milovanović 1990). Before the 1990s there was no place for standard economic theory in Serbia’s academic institutions except in rare cases (such as in Madžar 1972).
inevitable in the 1990s to invoke its framework and theoretical concepts when criticizing social ownership.

Promotion of the NIE paradigm can be seen in sporadic research, in translation of articles and books, in introducing NIE directly or indirectly (through courses that cover some aspects of the NIE like economic analysis of law) in academic curricula of the law and economics schools. Titles of M.Sc. and Ph.D. dissertations, although rarely, suggest that candidates are familiar with modern economics theory, particular with NIE.

One can notice that institutionalism (favouring government intervention) in Serbia blend with neo-institutional concepts that are based on self-correcting power of market (free-market concepts). Hybridization of concepts or eclecticism of theoretical paradigms seems to be the consequence of inability to divorce from local interventionist/socialist heritage in spite of the ability to abandon the Marxian paradigm.

**Translations**

The articles of Coase, Becker, Buchanan, and Pejovich have been translated in Serbia. The periodical *Ekonomski anali* (eng. *Economic Annals*), published by Faculty of Economics, has published issues about the scientific contribution of economists who are Nobel prize winners and among them there are neo-institutionalists presented by A. Jovanović (Jovanović 2004), B. Begović (Begović 2004) and M. Prokopijević (Prokopijević 2004).

**Application of neo-institutional concepts**

The intellectual strength of new institutional economics is particularly relevant in situations when institutional change is emerging (in the economy or internal rules within firms). The methodology of NIE could be traced in research of Serbia’s transition, which resulted in several transition reports, but even long before in the 1980s when institutions of self-management and social ownership were analyzed.

Politicians interested in keeping their power while reforming the country make a trade off between their power and the system based on economic freedom and market institutions. Thus, regarding practical application, free market concepts of the neo-institutionalists are barely applied in institutional

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21 As an example, see: Žarkovic 2006.
22 Translations in Montenegro were more numerous (e.g. Williamson and Winter 2000).
23 Methodology of NIE, particularly Property Rights Paradigm was implemented in the analysis of social ownership and self-management.
reforms, economic policy and law making. On the other hand, new institutional economics explains the emergence and level of costs incurred due to, comparatively looking, different incentives and transaction costs generated by respective institutional arrangements. NIE explains why economies do not reach blackboard models or other more efficient comparative models.

The idea of a free market is not welcome in Serbia. This applies to academics in accepting NIE methodology, as well to politicians in applying NIE concepts in economic policy making and legislative activity.

Associations of neoinstitutional economists

The new institutional economics has not been institutionalized although there were proposals from the Economist Association of Serbia to form a branch of new institutional economics within the Economist Association.

Faculty of Management of the BK University

The Faculty of Management (in 2009 transformed into the Faculty of Economics and Political Science) was founded in 1992 as the first privately owned institution of higher education in the South-East European market and the first faculty within the BK University. Contrary to the Department of Law and Economics of the Faculty of Law, the Faculty of Management never had any ties with Marxian ideology and consequently no transition process happened there. The Faculty of Management was a "greenfield" education provider with a clear emphasis on establishing a curriculum that will enhance the employability of graduate students. The Faculty of Management has always been a place of applied sciences, namely management, finance and marketing rather than economics. However, basics of economics taught at the Faculty are related to modern economics where mainstream neoclassical approach prevails. In addition, members of the Faculty of Management are active in public life and some have had a role as consultant to some of the key political decision makers in the transition processes in Serbia. Nevertheless, comparison between two institutions clearly shows greater influence of the Department of Law and Economics in the promotion of NIE in Serbia.

The Faculty was created as a "small" independent Faculty that would help students to acquire high quality knowledge. Therefore, the BK Faculty of Management, by means of its curricula, has been adapting to and looking for answers to modern challenges in order to enable undergraduate and graduate students to reach the level of knowledge and skillfulness needed in running a business in both domestic and foreign economies.
Lectures are organized in small groups, while mentors’ work and regular consultations with professors and lecturers give each student an opportunity to express and develop his/her individuality. In order to continually keep pace with world trends and tendencies, students are acquainted with modern literature in the field of management, as well as computer training courses using the Internet in a well-equipped PC laboratory.

The feeling for teamwork at the Faculty of Management can easily be developed through work in groups as well as through the students’ associations at the Faculty. The ALUMNI Association of Management Graduates, MA’s and holders of PhD titles allow students to make contact and exchange experiences with their fellow students from all over the world.

The Faculty of Management differs from other similar faculties in its approach towards the necessity of teaching practical knowledge, an approach accepted by all its professors and lecturers. Faculty members are chosen not only based on the quality of their professional background but also on their practical knowledge in their respective fields of research.

Besides lectures in Serbian, the Faculty introduced lectures in English for the purposes of establishing stronger cooperation with foreign universities and to improve its quality in teaching, scientific, research and non-teaching programs.

The establishment of the Faculty of Management was related to great expansion of the knowledge industry in transition economies. As the first privately owned faculty in the country, it is based on the belief that it has found a special role and position. The Faculty, as much as possible, contributes to the development of the finance area in which it has specialized. Bearing in mind its potential, it is capable of providing constant and intensive education as well as a broad network of interaction primarily with the students.

The international cooperation of BK University with similar universities in foreign countries has been carried out in four ways: Students’ exchange and internship in foreign countries; Scholar exchange; publications exchange; joint graduate studies, advising, scientific projects, etc.

Regarding student exchange, cooperation has been carried out at undergraduate and graduate levels and includes the completion of one semester or one academic year respectively at a foreign university. Students of the Faculty of Management perform internships in foreign companies through mediation of an appropriate university whose professors are in charge of supervising students’ activities.

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24 Neoinstitutional free market approach could be, for example, seen in: Jolović, Savanović, and Stevanović 2006.
Mutual advisory activities on current topics and issues of interest are organized at either the Faculty of Management or a foreign partner university when the need for such activities arises. Cooperation contracts also include the implementation of international projects.

The Faculty of Management is not unanimous regarding the individual choice of theoretical and conceptual framework. However, it must be in accordance with general orientation of the Faculty of Management to provide up-to-date knowledge. In two economics courses – microeconomics and macroeconomics – the neoclassical approach with elements of NIE is dominant. From the very beginning, Marxian or other left wing schools were not acceptable as dominant in the courses and experiences of North American universities have been built into the curriculum of the Faculty.

Most professors had contacts with the West during the UN sanctions. Moreover, most employees are relatively young, selection of junior members has been conducted carefully, and the faculty does not suffer from cultural shock. The Faculty of Management had institutionally developed international cooperation as early as the 1990s. The Faculty of Management has always encouraged individual contribution to international cooperation but there is no clear devotion toward receiving NIE. It has happened rather sporadically along with continual development of research and improvement of the curriculum at the Faculty.

Members of the faculty have been recognized many times as prominent members of the Serbian academic community, receiving awards, fellowships, scholarships and participating in post-doctoral programs, research and teaching method improvement programs. However, the scope of influence of faculty members is more local than international.

Former and current faculty members have been engaged in transition processes. Some professors and teaching assistants are/were amongst the most outstanding experts in finance economics. Most of them actively advised key decision makers in Serbia. In addition, some professors and teaching assistants are amongst the best independent economist consultants in Serbia.

It is almost impossible to find members of the Faculty of Management without a second job. Some of them are active in public life, at the other faculties, and especially in companies and commercial banks.

The Faculty of Management curriculum insists on quantitative methods, especially on econometrics, case studies and scenarios development. In some courses, students use original textbooks from the United States.

According to preliminary data from the last ten years, students at the Faculty have high employability in Serbia and a higher first salary compared to students from all other similar faculties. Students’ major interest is to acquire practical skills. They realize the difference between their courses and economics courses at other faculties, especially those that suffer from a lack
of willingness to abandon the Marxian approach. On the other hand, they are not able to make a clear distinction between NIE which is free market oriented and mainstream economics in Serbia which is associated with ideas of the government economic intervention.

Conclusion

This paper offered two cases of faculties in Serbia – one public university with a two-hundred-year tradition and the other privately owned and founded in the transition period. Although the NIE research paradigm has not been accepted enthusiastically in either of them, the situation is better than in other academic institutions in Serbia. The Marxist legacy has been completely abandoned at the Department of Law and Economics at the Faculty of Law. Due to the introduction of some NIE concepts into the syllabus of Basics of Economics course and syllabus of the Economic Analysis of Law course, neo-institutional economics has become one of the relevant schools that are studied and taught, although neo-classical economics is dominant. On the other hand, there is no formal acceptance of NIE at the Faculty of Management but due to the usage of original textbooks from North American universities, NIE has some influence on economics courses and the relevance of institutions is presented within some other courses as well.

The research demonstrates that channels of communicating Western economic theory were similar in two very different institutions. On the other hand, the outcome of the reception of NIE in two institutions differs. It is even more interesting that the Department of Law and Economics of the Faculty of Law is the leader in NIE reception in Serbia. It seems that personal preferences, quality and working endeavor of the teachers has bridged over the possible obstacles one could expect in a traditional institution like the Faculty of Law of the University of Belgrade.

In spite of encouragement that the Faculty of Management gave to individual contribution to international cooperation, there is no clear devotedness toward receiving NIE. It has happened rather sporadically along with the continual development of research and curriculum of the Faculty. Again, it seems that individual preferences and working endeavor of teachers were decisive in NIE reception in Serbia. In fact, acceptance of NIE in Serbia and its influence reflects the respective status of NIE compared to status of mainstream economics in the West.

25 Law studies as studies about legal institutions make teachers in law schools interested in all ramifications of Institutionalism, not only in NIE.

26 Also, the status and influence of any free market paradigm in Serbia reflects its respective status compared to status of mainstream economics in the West.
One can notice that institutionalism (the one favouring government intervention) in Serbia blends with neo-institutional concepts based on the self-correcting power of the market (free-market concepts). Hybridization of concepts or eclecticism of theoretical paradigms seems to be the consequence of an inability to divorce from local interventionist/socialist heritage in spite of the ability to abandon the Marxian paradigm.

Finally, Serbian policy makers are still far away from accepting NIE. Although NIE explanatory power has obtained significance and NIE influence has been strengthened in the analysis of institutional changes in transition countries, the transition process in Serbia is slow, and obviously, the influence of NIE is sporadic on political market. Voters’ assessments of Post-Milosevic Serbian governments are different. One part sees them as neo-liberal, while the other sees them as classical socialist. Thus, the future of NIE implementation is more discouraging than promising.

Serbia is able to offer more bright examples of the acceptance of NIE. Two libertarian think tanks in Serbia, namely the Center for Liberal Democratic Studies and the Free Market Center, have no problem in understanding, accepting and promoting NIE. It comes as no surprise that some members of the Department of Law and Economics of the Faculty of Law and some members of the Faculty of Management are founders and members of these two libertarian think tanks.

**Literature**


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27 There are a number of individuals in other faculties and institutes that develop NIE but they cannot influence mainstream research and teaching paradigm of these institutions.

28 A separate study in this volume is devoted to the Center for Liberal Democratic Studies, for that see: Vujović, 2011.


Етноантрополошки проблеми н.с. год. б. св. 1 (2011)
Александра Јовановић и Александар Стевановић

Преношење и прихватање нове институционалне економије: пример два универзитета у Србији

Истраживање за студију "Преношење и прихватање нове институционалне економије: пример два универзитета у Србији" одвијало се током 2005/2006. године. Ова студија случаја анализира преношење и пријем западне економске мисли у једној традиционалној националној институцији и у једној новооснованој институцији која је заснована на северноамеричком моделу, и то у светлу преношења и прихватања нове институционалне економије као тржишне економске парадигме. Упоређује се Катедра за право-економске науке Правног факултета Универзитета у Београду и Факултет за менаџмент Универзитета Браћа Карић. У питању су конститутивни делови државног и приватног универзитета који се, нако нису организационо подударне јединице, могу поредити имајући у виду да обе нуде економска знања као допуну и подршку студијама права, односно менаџмента. Преношење нове институционалне економије у оквиру две институције посебно је занимљиво са становишта начина на који су усвајана западна економска знања, као и са становишта формалних и неформалних препрека које су на том путу стајале. Истраживање прати да ли и у којој мери су разлике између институција условиле исход преношења ове западне економске теорије.

Кључне речи: институције, универзитети, економске теорије, Нова институционална економија, Србија, Запад

Aleksandra Jovanović et Aleksandar Stevanović

Transfert et réception de la nouvelle économie institutionnelle: l’exemple de deux universités en Serbie

La recherche effectuée pour l’étude "Transfert et réception de la nouvelle économie institutionnelle: l’exemple de deux universités en Serbie" s’est déroulée au cours des années 2005/2006. Cette analyse de cas étudie le transfert et la réception de la pensée économique occidentale par une institution nationale traditionnelle et par une institution basée sur le modèle nord-américain, et cela à la lumière du transfert et de la réception de la nouvelle économie institutionnelle comme d’un paradigme économique de marché. La Chaire des sciences juridico-économiques de la Faculté de droit de
l’Université de Belgrade et la Faculté de management de l’Université Braća Karić sont ici comparées. Il s’agit de parties constitutives d’une université d’état d’une part et d’une université privée de l’autre qui, bien qu’elles ne soient pas des unités analogues du point de vue organisationnel, peuvent être comparées parce que les deux offrent des connaissances économiques comme un complément et un support aux études de droit ou de management. Le transfert de la nouvelle économie institutionnelle au sein de deux institutions est particulièrement intéressant du point de vue de la manière dont ont été adoptés les connaissances économiques occidentales, ainsi que du point de vue des obstacles formels et non-formels rencontrés. L’étude suit si oui et dans quelle mesure les différences entre les institutions ont conditionné le résultat du transfert de cette théorie économique occidentale.

*Mots clés:* institutions, théorie économique, nouvelle économie institutionnelle, Serbie, Occident

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