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THE 16TH SCIENTIFIC MEETING: INSTITUTIONAL CHANGES AS A DETERMINANT OF THE REPUBLIC OF SERBIA'S ECONOMIC DEVELOPMENT

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Vlastimir Lekovic*

Institutions, by creating a business environment that facilitates the activities of economic agents and making the decisions on how to use limited resources, determine the performance of all economic actors and the level of economic development. Their role has been confirmed by specific examples of the functioning of different national economies, as well as by a number of economic studies which established that the quality of institutions, their consistency, reliability and efficiency determine the quality of economic growth and sustainable development and prosperity of the society in the material, spiritual, cultural and other respects. Therefore, it is reasonable to expect that any country which establishes economic institutions by means of its political system, will also seek to establish such an institutional environment that will be conducive to economic activity, and thus generate more dynamic rates of economic growth and support sustainable development.

However, despite their relevant and indisputable contribution, different countries have different understanding of institutions, therefore, many economies operate in conditions of underdeveloped and inefficient institutions. The reality shows that the institutions, by their nature, differ considerably from one country to another, which is precisely why the countries differ in the level of economic and social development. Hence, both empirical economic research and theory produce extensive evidence on the characteristics and performance of the different institutional arrangements by especially pointing to the existence, properties and effects of the inclusive and extractive institutions.

The key criterion for evaluating the performance and efficiency of the institutions is the manner in which these institutions are accepted as the undisputed guarantor of the realization and protection of the needs and preferences of the society as a whole. The main indicator of quality, efficiency and reliability of the institutions is the rule of law, which implies that all people and all economic entities are subject to law that is fairly enforced, thus preventing any group of people or any individual to implement

* Correspondence to: V. Lekovic, Faculty of Economics, University of Kragujevac, D. Pucara 3, 34000 Kragujevac, The Republic of Serbia; e-mail: lekovic@kg.ac.rs

the law in a manner that violates the rights of others. Only such an institutional framework is able to establish and develop a dynamic economy and limit the possibilities of obtaining economic benefits through the usurpation of political power and other dominant positions by influential groups or individuals. It is in the highest interest of the society and the economy that all activities should take place in conditions of inclusive political and economic institutions; therefore, it is vital that such institutions are established and that the institutional infrastructure is subjected to regular critical reviews, since this represents the single correct approach to continuous improvement of institutions.

Bearing in mind that the role of the national economic doctrine, based on the appropriate theoretical, methodological and empirical research, is to inform the creators of political and economic institutions on the key aspects of establishing and developing adequate, reliable and efficient institutions in the Republic of Serbia (RS), the Faculty of Economics, University of Kragujevac, in cooperation with the Serbian Association of Economists, organized the 16th National Conference Institutional Changes as a Determinant of the Economic Development of Serbia on 6 April 2017. The Conference was opened with four keynote lectures, while by the end of the Conference, another twenty-one scientific papers were presented by thirty-seven Conference participants.

The keynote lectures, given by E. Jakopin, M. Labus, V. Vuckovic and V. Lekovic, discussed some of the most important issues of economic growth and sustainable development in the RS. The mentioned discussions indicated that in order to improve the current state of the economy, it is essential to develop a new model of economic growth and sustainable development, which would intensify production activities and increase competitiveness in the domestic and foreign markets. In this respect, the need to increase investment in the manufacturing industry as the driver of economic growth and development was emphasized, given the fact that

it produces sophisticated products which are more competitive on the market. Furthermore, bearing in mind that fiscal consolidation is an important factor of sustainable economic stability, the necessity of improving the fiscal institutional framework was also stressed.

In particular, the emphasis was given to the necessity of significantly improving the existing institutions, as well as the attitudes of all political and economic actors towards them, in accordance with the principle of the rule of law. In addition, the underdevelopment of the institutional environment within which economic activity takes place, was identified as one of the key causes of the economic lagging of the RS compared to other transition economies. Thus far, implemented institutional changes substantially lagged behind other transitional changes in every aspect (their timing, structure, quality, quantity and function), and therefore failed to support, stimulate and guarantee economic transition. The strategic importance of institutional changes and their crucial role in terms of economic policy were disregarded (especially in terms of the largely implemented neoliberal economic policy). Based on the key performance indicators of the institutions and the economy, it was noted that the institutions of the RS are extractive, i.e., they are created and managed in accordance with the interests of the ruling political and economic elite and the foreign capital. In this way, economic reality has confirmed the view that inadequate institutions and policies lead to insufficient and unsatisfactory economic growth.

The papers presented by the Conference participants discussed the relevant issues of structural changes in the economy of the RS, as one of the priority goals of the economic reformation. Namely, sustainable economic development involves solving the issues related to structural changes, as one of the most complex questions of every economy. This segment of economic activity, which is of strategic importance for the long-term growth and sustainable development of the country, cannot be efficiently generated by market alone. It is therefore

the responsibility of the government to intervene in sectors that are crucial for the development of the country, which implies the necessity of developing a new model of economic growth based on reindustrialization, thus making it possible to realize significant benefits in the form of economies of scale, synergy between economic activities and new knowledge which generates innovation and technological change. This is important because the success of the implementation of structural changes and reindustrialization of the country determine the opportunities for initiating a more dynamic economic growth and sustainable development.

In addition to the aforementioned institutional aspects of the economy, the participants of the Conference also discussed other topics, including: economic populism, roles of voters and institutions in terms of the contemporary socio-economic trends, economic and social effects of the cartelization and importance of a competition protection policy as a driver of economic growth and development.

Several papers discussed relevant issues related to the functioning and development of the financial system, whose market actually represents a segment of the integral market and is an essential factor which determines the extent and the conditions for the efficient investment of free funds, as well as the allocation of risks to the entities that are able to handle them in the most effective manner. The authors also pointed to the need to define

and implement appropriate regulations in order to minimize the impact of shocks in the financial system and facilitate creation of such institutional conditions that would provide long-term financial, and thus, overall economic stability in the country, which is crucial for the successful functioning of the real economy and the sustainability growth and development.

The lectures and papers presented at the Conference, as well as the related discussions, provide relevant scientific and practical guidelines for the future institutional arrangements in the RS. Through critical examination of the complex issues of the institutionalization of the economy and society, whose successful resolution is a prerequisite for improving the current economic and social situation and creating the favorable conditions for dynamic economic growth and development, the Conference *Institutional Changes as a Determinant of Economic Development of Serbia* confirmed its significance and relevance. Continuous improvement of political and economic institutions is of crucial importance for the economy and the society; thus, this represents the indisputable reason that the Conference should be organized in the future. The papers presented at the Conference will be published in the Conference Proceedings and made available to the scientific and professional public, as well as the creators of institutions and economic policies in the Republic of Serbia.

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Vlastimir Lekovic is a Professor at the Faculty of Economics, University of Kragujevac, Kragujevac, The Republic of Serbia. He received his PhD in Economics from the Faculty of Economics in Kragujevac. The key areas of his scientific research interests are economic systems, the economic policy and institutional economics