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## Articles

Adam Smith Has Not Only Realized the Greatness of the Market but Its Weaknesses Too  
Prof. Velcho Stoyanov, D.Sc.

Adam Smith is the generally accepted "father"/patron of liberalism. However, he has not only realized the greatness of the market but its weaknesses too. In other words, he glorifies the market but does not think of it as the absolute, as some of his modern adepts and followers do. In this case we consider in particular Ayn Rand who pleads for "pure" (market) capitalism, where human relationships ("both material and spiritual") will be constructed and governed only on market basis and individualism-selfishness will be a higher value.

An unconditioned market approach is completely in the spirit of stoicism, according to which the "right" human behavior in the Polis is expressed in compliance with the requirements of the laws of the Cosmos (Nature) or with the principles of "natural right". However, in this case a certain paradox is formed, in the sense that the market is a product or phenomenon of the mind, i.e. it is an artifact but it is not consistent with the spiritual but it is first of all adequate to the natural essence of man. In other words the market acts anti-spiritually and pro-naturally. Extrapolating its anti-spiritual and natural essence and operation, S. N. Bulgakov came to the shocking conclusion that "intellect has occurred over time and therefore it could come a time when it will not be present, i.e. life could remain blind and therefore instinctive"<sup>1</sup>. The French author M. Kueva also allows the

so called "post-human" to cease to be representative of humankind.

Of course the forecasts and predictions of Bulgakov and Kueva may be contested, but there is a reason to think on them, especially in view of what is said by Arn.Toybe that "the history of culture takes no schemes and everything is possible at any time". One thing is however indisputable and namely that the future of man and humankind is determined mainly by the outcome of its conflict with Mother-nature, where the market plays significant role.

**Key words:** market, market economy, liberalism, Neoliberalism, Keynesianism, Neokeynesianism, synarchy, natural right, intellectual crisis, anti-culture, global financial and economic crisis.

**JEL:** A13.

Financial Intermediation and the Concept of Money Endogeneity  
Assoc. Prof. Venelina Trifonova, Ph.D.

The subjects of the current research are the issues concerning the financial intermediation that characterizes the indirect financing in the financial system. The main purpose of the analysis is the interrelation between the financial intermediation and the concept for endogeneity and exogeneity of money in the macroeconomic theory. With this regard an analysis of the structure, functions and the contemporary theories of financial intermediation is made in the paper. The focus is put on the concepts for information asymmetries, transaction costs and banking system regulation. The key importance in the paper is attached on the debate

<sup>1</sup> Bulgakov, S. N., Philosophy of economy, issue "Thought", Moscow, 1990, p. 21.

for the endogenous and exogenous nature of money in the monetary theory. The endogenous money hypothesis, elaborated by the neo-Keynesian and neo-orthodox theory postulate that the borrowing by banks is the reason for the banking lending, i.e. the deposits create loans in the domestic economy. With this regard, the banks which are the main financial intermediaries have a leading role in the endogenous (bank) money creation process. On this basis a profound analysis of the theoretical and methodological foundations as well as the contemporary approaches for the endogenous money concept is made in the paper. Moreover, the endogeneity of the stock of narrow money as well as the stock of broad money (the overall money supply) in the economy is analyzed.

**Key words:** financial intermediation, exogenous money, endogenous money, banks, financial institutions, asymmetric information.

**JEL:** E0, E12, E51, E52, G10, G21.

## Long Term Contracting under Condition of Behavior Uncertainty

Assoc. Prof. Yuli Radev, Ph.D.

In spite of different conceptions for dynamic development of markets none of them gives acceptable decision for revealing of extrinsic or behavior uncertainty. This problem focuses attention of researches over the process of contracting, but over opportunity for signing long term contracts, with its hazards and imperfections, and not over adjustment of prices on spot markets. Being an instrument for insurance of behavior uncertainty the long term contracts were found the missing component that supplement the dynamic structure of economic system and form the entire vision of trading on the non-equilibrium markets.

The development of the alternative approaches to long term contracting changes many impor-

tant characteristics of perfect economic models, such as: (1) Transaction costs are zero. This means that the costs of obtaining information and of negotiating, constructing and enforcing contracts are negligible; (2) Resources are privately held and fully allocated; (3) Owners allocate resources in response to pecuniary incentives.

Furthermore, complementing the theory of temporary equilibrium and theory of rational behavior, the long term contracting adds value to explanation of such important for economic science problems as the role of motivation, internal organization of the firm, the boundaries of the firm, and the difference between different organizational and institutional arrangements.

**Key words:** complete and incomplete contract, contract law, relational contract asymmetrical information, property rights, transaction costs.

**JEL:** K12, L24.

## The "Free Time" Concept: Socio-Psychological Aspects

Assoc. Prof. Luchiyana Milkova, Ph.D.

The article focuses on the specifics and the characteristics of the phenomenon 'free time'. It explores the role of 'free time' in the life of young people who are growing up and students in general. The phenomenon relates to the social environment where the personality realises its own ideas of how to utilise free time. A connection is sought between freedom, free choice and the substance of the concept 'free time'.

**Key words:** personality, free time, free choice, social environment, values, socialization, education, learning.

**JEL:** A1, A12, A13.

### Social Insurance - Organizational and Financial Aspects

Assoc. Prof. Svetlinka Hristova, Ph.D.

The article discusses the basic issues related to organizational and financial aspects of social insurance. It is characterized the nature and development of social insurance.

The study is related to the stock speciality feature of the social insurance funds. It is stressed on questions related to purpose, formation and features by functioning of various insurance funds.

It is revealed the major problems in financing of social insurance. The paper analyzes the sources of incomes and expanses in the consolidated budget of state social insurance. On this basis are carried out the major trends in spending the funds for social insurance. It is given reasons for necessity of taking detailed measures to achieve a stability of social insurance system.

**Key words:** social insurance, social insurance funds, state insurance budget, insurance payment, insurance income.

**JEL:** H55.

### Theoretical Dimensions of Business Ethics in Small Business

Assoc. Prof. Krassimira Benkova, Ph.D.

Assoc. Prof. Bozhidar Gyoshev, Ph.D.

The text of the article is situated in the field of theoretical analysis. The basic thesis which is defended here is that business ethics (as a phenomenon and an object) is related to the study of business situations, activities and decisions in their relation to the notion of right and wrong. The factors defining the importance of the topic and the models in which it is realised are identified. The methodology of the analysis is con-

nected to the notions of "ethics and morals" and "morals and business". The leading concepts of the doctrine are presented.

The problem of moral standards in business is examined in the context of the selected approach and starting methodology. The criteria of selection of the ethical solution in business practice are explored in two alternatives: the first one is connected to the basic norms defining the actions of business partners, and the second one is related to the principles guiding behaviour and decisions of business partakers. The study pays special attention to the issue of "ethics management" and the responsibility of the business community. It is surveyed in the context of the generally accepted need for improving the ethical climate and raising the awareness of social problems of business communities (the object of the attention of those engaged in the management of small businesses). In connection with this, the opportunities of controlling the so called "moral health" by means of methods such as ethical codes and ethical structures are looked at.

**Key words:** morals, ethics, business, business ethics, moral standards, principles of business ethics

**JEL:** L26, M14.

### Misuse of European Development Funds and their Penal Protection under the Bulgarian Penal Code

Assist. Stoyan Stoykov

Within the present article the problem of misuse of European Union funds and misuse of funds provided by the European Union to the Republic of Bulgaria is be considered.

The purpose of the article is to present clearly and precisely all possible perpetrators, to discuss and clarify problems, regarding the object and the subject of violations, as well as the place of the respective penal provisions under the Penal Code

concerning protection and sanctions, applicable in the event of misuse of European Union funds.

The necessity of a scientific research in the field of penal protection of European Union funds and funds, provided by the European Union to the Republic of Bulgaria, is a result of the integration processes following the accession of the Republic of Bulgaria to the European Community as a member-state.

The unlawful use of European Union funds is a material problem, provided for under the national legislations of all member states.

There is a two side approach towards the problem of misuse of European Union funds and misuse of funds, provided by the European Union to the Republic of Bulgaria.

Material economical, political, legal and social problems occurred in the country during the accession negotiations between the Republic of Bulgaria and the European Union. The changes following reflected on the Constitution of the Republic of Bulgaria, being passed in the year 1991.

Upon signing the European association agreement in year 1993, the Republic of Bulgaria started approximately half – a - century process of integration to the Community. The agreement comes in effect on the 1st of February 1995 and the main purpose of the states that signed it was to increase the economical development of United Europe.

In December, 1994, in Essen, the European Council approved a Strategy on the preparation of the associated states of Central and Eastern Europe for membership in the European Union, where the purpose was to launch a preparation for integration of the states to the European Union.

Thus, the main element of the "Essen strategy" is the White Paper approved, entitled "Preparation of the associated states of Central and

Eastern Europe for integration to the internal market of the European Union".

During the following year 1995, at a session of the European Council in Madrid, the Republic of Bulgaria files in an application for membership in European Union.

In the reply to the application, the European Commission makes a statement, recommending to the Republic of Bulgaria to implement in the country the legislation and the economical parameters of the member states of the European Union.

Thus, a Council Regulation No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests is adopted.

With the membership application and the statement following the Republic of Bulgaria takes a new direction towards economical, political and social parameters of the member-states.

The Bulgarian integration processes are based on cohesion policies which are specified by the European Union as the main and key step with regard to the economical, political and social parameters of the member-states

During the year of 1997 the Commission affirms that the Republic of Bulgaria is on its way to meet the political criteria but in regard to the progress on market economy creation, the capacity if limited by the lack of market economy policy.

The main omission of the Bulgarian government is not implementing in the national legislation the key elements of the law and the practice of the Community and most of all those, regarding the common market.

Moreover, the European Commission considers it necessary the Republic of Bulgaria to make considerable efforts and investments in the field of environment protection, transport, energy



sector, internal affairs, justice and agriculture. Furthermore, the country is required to create administrative structures, necessary for the implementation and the application of the entire legal system of the Community.

In the legal theory and in the material penal law in specific several methods of interpretation of legal provisions are applied. Using these methods, the problems regarding the misuse of European Union funds and misuse of funds, provided by the European Union to the Republic of Bulgaria are to be defined.

**Key words:** penal protection, economical crimes, fraud, forged, wrong or incomplete statements, official, deprivation of rights, criminal responsibility.

**JEL:** K14, K33, K41.

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Where Are We Standing in the European Information Environment?  
Martin Dimov

Current paper describes an alternative attempt to define and locate the place of Bulgarian Internet user in the Global Virtual Universe. It uses a set of mathematical procedures aiming to cluster separate elements e.g. states within European Internet Space, based on aggregate measurement of Internet penetration and usage along with functionalities of main technical means enabling internet access. Physical access as a measure of objective predictors along with users' behavioral and individual values characteristics are both taken into account in the analyses. Summarized EU member states and affiliated countries data gathered from regular representative surveys is used as raw analyses entries. Surveys are implemented on unique methodology elaborated and administrated by EU-ROSTAT as part of EC i2010 initiative.

**Key words:** information and communication technologies (ICT), virtual culture, Internet usage, cluster analyses, Chernov's Faces.

**JEL:** L86, C10.

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Discussion

What is Missing Sometimes to Enable Statistical Methods to Increase Their Cognitive Capacity?  
Assoc. Prof. Nicolay Stoenchev, Ph.D.

The article considers the most common made subjective errors in applying statistical methods for analysis of economic processes and phenomena. Thesis advocates the need for a thorough qualitative analysis before proceeding to the processing of empirical data using specialized statistical software. It's highlighted the importance of knowing the applying method in depth and with aim to obtain accurate results to avoid the mechanical custom approach. It is suggested for the combat with subjective errors team method to be used as a working principle and during the formation of research teams to attract qualified statisticians as participants or consultants. In this aspect, are achieved good practices, but they need to find wider application.

**Key words:** statistical methods, statistical analysis, subjective errors.

**JEL:** C14.

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Contents and Article Summaries

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