

Review Template

Recommended length: six to seven pages for each Candidate

REVIEW

By: **Prof. Dr. of Ec. Sciences Atanas Leonidov Georgiev**
Economic Institute of the Bulgarian Academy of Sciences

Regarding: The application of the following candidates for habilitation as **ASSOCIATE PROFESSOR OF ECONOMICS** according to the Bulgarian legislation at the American University in Bulgaria in Area of Higher Education in Professional Field 3.8 Economics. The procedure has been announced in the State Gazette issue dated September 9, 2014, issue 75.

Candidate 1: **Tamara Peneva Todorova**
Assistant Professor of Economics
Department of Economics, American University in Bulgaria

I present the evaluation below in my capacity of a member of the Habilitation Jury appointed for the above mentioned procedure by a letter of the AUBG President dated November 6, 2014 and according to a Decision of AUBG dated June 6, 2014. My evaluation is based on the *Development of Academic Staff in the Republic of Bulgaria Act*, the Rules for its implementation, the internal AUBG rules, regulations, and policies, including the *Habilitation Procedure* and the habilitation procedure advertisement on the AUBG website.

Evaluation of the Applicants

*The evaluation is carried out according to the **Primary Indicators** and **Additional Indicators** included in the document **Guidelines for the Habilitation Jury**.*

Review of
Assistant Professor Tamara Todorova's teaching and research
toward the habilitation to the rank "Associate Professor"
in the economics program of the AUBG

Dear members of the Habilitation Jury,

1. All procedural requirements are met. Tamara Todorova is the only applicant for the position announced.
2. Tamara Todorova was born in 1971. In 1995 she finished the International Economic Relations major at Varna University of Economics. As a regular PhD student in 2001 she defended the thesis "Transaction Cost Model of the Multinational Corporation: Testing in the Conditions of the Bulgarian Market" before the Specialized Academic Council in Economic Theory and Macroeconomics of the Higher Attestation Commission. She was granted the PhD degree with a full consensus and became a "Doctor" in the field of global economy and international economic relations.

3. Teaching

In 1996 she received a masters of business administration from Columbus State University. At Varna University of Economics Tamara Todorova was a PhD student and an adjunct assistant professor (1997-2000). She worked for the Department of International Economic Relations and taught international economics, Bulgaria's foreign trade relations, international marketing and public relations to students of all majors.

Since 2000 she has been a full-time assistant professor at the American University in Bulgaria. She has taught a variety of courses including Microeconomics, Quantitative Methods in Economics, etc. She also teaches general education courses such as Principles of Microeconomics and Principles of Macroeconomics taken by students of Business Administration, Political Science, European Studies, etc. In the last years her courses include Principles of Microeconomics, Quantitative Methods in Economics, Dynamic Optimization, International Trade, Economics of Reform and Transition as well as Industrial Organization. A full list of courses is provided at the end of her cover letter.

In the area of teaching the candidate has dedicated her efforts in the last years to applying new approaches in educating students and their perfection in view of maximizing efficiency in the process of teaching. Tamara Todorova applies specific and innovative courses and approaches in her teaching of various courses. As to textbooks and teaching materials, she mostly prides herself with her Problems Book to Accompany Mathematics for Economists published by Wiley-Blackwell in May 2010 as her greatest achievement in the pedagogical work of teaching quantitative methods in economics.

In her description of teaching she mentions using diverse techniques, for instance, in her 200- and 400-level courses. In 2008 in the International Trade course ECO214 she introduced country reports which students had to prepare. In Industrial Organization ECO401 all of her lectures were accompanied by sophisticated graphs and equations in PPT and she used the PPT presentations to complement her class lectures. This took quite a lot of time but students appreciated her efforts especially at the time of exams. In the EMBA Managerial Economics course she introduced short presentations by student teams aimed at solving short case studies related to some specific economic problem. This made the course a bit more practically oriented in view of the business experience the students have.

The limited space of the review does not allow addressing all methods and techniques used in delivering lectures. These methods and techniques reflect the peculiarities of each course and contribute to student comprehending the material better. Tamara Todorova's teaching requires a high evaluation given she uses a specific approach adjusted to the different learning contexts. Her being an erudite and her excellent knowledge of microeconomic and macroeconomic theory are important factors in her successful work with students.

4. Research

Tamara Todorova provides a total of 32 publications up for review in the current opening for an "Associate Professor" of Economics at the AUBG. These include 16

refereed articles, 3 working papers, 11 non-refereed articles and 2 translations. She has also included her monograph in mathematical methods for economists. By their number and volume the publications exceed the requirements for habilitation to the rank of "Associate Professor". In their substance they address essential issues of economic theory and reality.

Tamara Todorova has oriented herself to the research of issues little known or being of less interest, especially to Bulgarian authors. She conducts two types of research generally: the first she correctly qualifies as new institutional analysis and the second is defined as non-institutional. The first is characterized by its "non-technical and qualitative" nature. The applicant points her key areas of research as: new institutional economics, transaction cost theory, institutional analysis and the problem of market failure. These theoretical concepts are highly abstract in their essence which makes them particularly hard to investigate since they use a specific conceptual framework. Tamara Todorova is fully equipped to use this framework.

By its very nature new institutional economics creates grounds for solving essential practical problems related to the functioning of contemporary economies and their increased efficiency. This new economic school is progressing compared to the development of traditional neoclassical analysis although it does not entirely secede from its theoretical postulates. An important contribution of this new field is bridging economic theory to the needs of practical business.

A leading principle in Todorova's research is her emphasis on the key role which the new institutional economics could have in carrying out economic reforms in Eastern Europe including Bulgaria. Indeed, the new institutional paradigm has a high potential in implementing more efficient policies and results in these countries compared to the neoliberal prescriptions in the spirit of the Washington Consensus. Quite a positive aspect of Todorova's research is her successful combining of the logical method and the method of empirical testing.

In assessing the views of new institutional economics Todorova bases her analysis on its most prominent and notable representatives such as Ronald Coase, Douglass North and Oliver Williamson. She interprets economic theories and concepts using a strictly scientific and objective approach free of value judgments, let alone, political preferences or bias. Her research work (refereed and non-refereed articles as well as working papers) contains a number of valuable contributions and results. Most of them are related mostly, but not only, to her research on the problems of transition in East European countries including Bulgaria. The process of transformation in these countries has been reviewed through the prism of the instruments and apparatus of the new institutional economics by emphasizing the role of transaction costs.

5. Summary of her research findings:

In her publications on transaction costs, market failure, opportunism, externalities, monopoly power as well as the role of institutions, the legal system, courts and the state in the process of transition to market economy:

- a key role in Todorova's research work here play two of her earlier articles, "The Firm in the Context of the Theory of Transaction Costs" and "Before and after Coase: the Role of Transaction Costs" published in the leading Bulgarian academic journals,

Economic Thought and Economic Studies. She emphasizes the idea advanced by Ronald Coase of the fundamental difference between the market as an automatic and anonymous mechanism and the firm as an institution designed to replace this mechanism. These two articles stress the importance of transaction costs in the conditions of transition and the fact that their excessive growth could block the process of creating a truly functioning market economy in Eastern Europe. The argument given is that this process of market reforms is costly, taking time and considerable resources.

- Focusing the analysis on the real world transaction costs in the Coasean model, rather than equating it wrongly with the ideal assumption of zero transaction costs, is another essential contribution as revealed by "The Coase Theorem Revisited: Implications for Economic Transition" in the Atlantic Economic Journal.

- A major achievement is the primary analysis in the article "Quality Aspects of Economic Transition: the Effect of Inferior Quality on the Market" of the reasons for misrepresented quality of the goods and services produced in East European economies. A major reason is seen in opportunism which causes enormous transaction costs in this region of Europe. The author thus concludes that this is the chief reason for market failure and economic underdevelopment in these economies.

- We see as an essential contribution in her publication "The State as an Instrument of Transaction Cost Economies" her view of the state as influencing the economic system indirectly through the legal system, the definition and enforcement of property rights which is the traditional western view of the state. Opposite to those, Todorova underlines the role of the state in allocating resources in a centralized, administrative and direct way. She stresses this aspect of the state as a transaction-cost economizing agent in East European economies where the volume of transaction costs is sizable and so the process of transition has strongly been hampered in the last 20 years. In this sense, it is worth quoting the following:

"Faced with staggeringly high transaction costs, the former socialist economies reveal that, opposite to the well established clichés, the market does not always take care of itself."

Thus Todorova opposes the prevailing neoclassical dogma but concludes instead that the state is not always a bad owner and could play a more direct role in the economy. Then she concludes that "there are sectors and societies where the state is a more appropriate instrument of resource allocation than the market."

- That transaction cost analysis takes a focal point in Todorova's research becomes apparent from her last article "The Transaction-cost Roots of Market Failure." She makes an interesting attempt to prove the original theoretical idea that "the origin of the different types of market failure lies in transaction costs." We ought to mention her fundamental and original idea that "economic systems facing sizable transaction costs are more likely to be subject to market failures and that such systems invite alternative modes of resource allocation." It is noted that all types of market failure are relevant to Eastern Europe: externalities, market power, opportunism, asymmetric information and public goods. To achieve its goal the paper covers the views of Kenneth Arrow, Toulmin and Williamson in tracing the relationship between

transaction costs and the different forms of market failure. A conclusion drawn is that contemporary economic theory is lacking a general explanation for the reasons of market failure.

- The article "Adverse Effects of Transaction Costs in East European Economies" uses more specific methods such as graphical analysis and optimization techniques. These tools reveal that transitional economies "hampered by significant transaction costs" achieve a much lower net aggregate production function and, in other words, have a much lower productive capacity for economic growth compared to developed countries.
- Finally, in "Vertical Integration Trends in High-Transaction Cost Sectors: The Case of the Bulgarian Pharmaceutical Industry" Todorova studies empirically the high level of transaction costs in the pharmaceutical sector. This research has a more general application to the extent that the conceptual framework of the new institutional economics is used on a microeconomic level in order to study firm behavior from the perspective of transaction cost theory, vertical integration and mergers.
- Tamara Todorova also has research which utilizes specific mathematical tools. These in particular relate to solving optimal timing problems, rental rate and the market price of physical capital, etc. We do not emphasize these a whole lot but they undoubtedly attest to her broad research interests and abilities.
- Lastly, I would like to mention some positive aspects of her articles "World Demand as a Determinant of Immiserizing Growth" and "Banks and the Crisis." The first work, by use of graphical analysis, proves that growth would have an immiserizing effect only for the products whose demand in the world is inelastic and thus causing a serious deterioration of the terms of trade. Examples of such goods provided are foodstuffs as well as natural resources such as oil. As to the second publication, I find positive her approach to analyzing the global financial crisis as a complex phenomenon and not just the result of a single cause. The call for greater control by governments over banks and the financial sector so that to avoid such future catastrophic and cyclical crises is well grounded.

6. International Activity

Tamara Todorova participates actively in various initiatives: paper presentations at international forums, conferences and seminars. Many of her publications are in prestigious journals. She has been part of several international research projects as well as educational ventures. In 2006 she was a Fulbright Visiting Scholar at the University of California, Berkeley where her faculty sponsor was Oliver Williamson who later received the Nobel Prize in Economics.

7. Citations

She has a total of 11 citations of her works by other authors including me. I have cited her article "The Firm in the Context of the Theory of Transaction Costs" in my work "Endogenous Growth Theory and the Major Economic Schools" in *Economic Thought*, Issue 2, 2006.

8. Todorova speaks English and Russian freely (both written and orally) and French (written).

American University in Bulgaria

9. Personal impressions

My first impressions of her are from the time I was appointed reviewer for her dissertation. It was on a very high research level. I was a reference for her at the time of her AUBG promotion. I also provided a recommendation for her in her application as a Visiting Scholar with the Fulbright Commission to UC, Berkeley. We exchanged a lot of research ideas and information. I consider Tamara Todorova a complete and very mature researcher having her own style in research and teaching. She is highly productive. She is quite ethical in her interaction with colleagues. I have no joint research with her but I have been her mentor through the years.

10. Critical notes and recommendations

I have two critical remarks regarding her non-refereed article "Banks and the Crisis." The first refers to the fact that, stemming from the principal-agent problem, the author puts the whole blame for the global financial crisis on bank managers but bank owners are equally responsible. She does not pay attention to the instruments bank owners have for controlling bank activities but which they, in effect, did not use. My other criticism is more fundamental and relevant to the role of ideology in the late neoliberalism supported by the Chicago School representatives on the ability of markets, including financial markets, to take care of themselves without any intervention from the Federal Reserve of the USA. The zenith of this absurd idea was the so called Efficient Market Hypothesis which was adopted by the Federal Reserve Chairman Allan Greenspan and Ben Bernanke later on. This led to the result that no intervention measures were taken although the financial crisis was unraveling steadily. The famous American economist Nouriel Roubini focuses on the harm of this fundamentalist dogma in his book "Economics of Crises" in 2010.

I also have a recommendation. I believe it is possible to unite all publications on new institutional economics and transaction costs in a separate monograph without much additional work by just removing some few redundancies.

My last critical remark is of a principle character and concerns the fact that the candidate ignores that the international division of labor could expand the size of transaction costs which is the price of economic growth. However my criticisms concern individual aspects of Todorova's research and do not in any way undermine our general assessment of her high research findings and results.

11. Conclusion

I firmly recommend to the respected members of the Habilitation Jury to habilitate Tamara Todorova to the rank of "Associate Professor." My rationale for that is that she fully satisfies all necessary requirements with regards to her research findings, teaching, her vast international activity with diverse participations - lectures, projects, etc, the citations of her research works, her command of English, Russian and French, etc.



Signature and date: Prof. Atanas Leonidov Georgiev

January 14, 2015

By signing here I also declare that writing this review does not represent conflict of interest.

Eligibility Checklist

Name of the Candidate: **Tamara Todorova**

Applying for habilitation as: **Associate Professor at the American University in Bulgaria according to announcement in State Gazette, issue № 75, dated 9 September 2014**

In Professional Field: **3.8 Economics**

Check below what applies. Sign and submit together with your review

- ☐ The Candidate has Ph.D; **Yes**
- ☐ The Candidate has served five years as (Senior) Assistant Professor (for applicants for Associate Professor) or six years as Associate Professor (for applicants to Full Professor) at a recognized academic institution; **Yes**
- ☐ The Candidate has published a monograph or publications of equal standing in specialized journals. These should not repeat publications based on which Ph. D., or Doctor of Science degree, or Associate Professor Rank was granted;
- ☐ The Candidate has experience from recognized academic liberal arts institution(s); **Yes**
- ☐ The Candidate has experience in student-centered teaching approach; **Yes**
- ☐ The Candidate has undergone at least one successful evaluation in teaching, research and service at a recognized academic liberal arts institution, including positive student evaluations of teaching. **Yes**
- ☐ The Candidate has experience in teaching in English at a higher education institution with instruction in English language. **Yes**
- ☐ AUBG can ensure teaching and research load according to its internal rules and regulations. **Yes**

Date: January 14, 2015



Additional Requirements

For Associate Professor Academic Position in Professional Field 3.8 Economics

Additional specifications: new institutional economics, economics in transition, mathematical economics, microeconomics, and international trade

Name of the Candidate: **Tamara Todorova**

Check below what applies. Sign and submit together with your review or opinion.

Research

The Candidate has conducted research in the following areas:

- ☐ New institutional economics; **Yes**
- ☐ Economics of reform and transition; **Yes**
- ☐ Mathematical economics; **Yes**
- ☐ Microeconomics; **Yes**
- ☐ International trade. **Yes**

Teaching

The Candidate has teaching experience in the following areas:

- ☐ New institutional economics; **Yes**
- ☐ mathematical economics; **Yes**
- ☐ microeconomics; **Yes**
- ☐ managerial economics; **Yes**
- ☐ economics of reform and transition; **Yes**
- ☐ international trade; **Yes**
- ☐ industrial organization. **Yes**

Signature and date:


Prof. Atanas Leonidov

14 January, 2015