FIFTH SCIENTIFIC CONFERENCE

INSTITUTIONS: THEORY AND PRACTICE

SEPTEMBER, 15–16 2022
TORUŃ, POLAND

ABSTRACT BOOK

EDITED BY
ILONA PIETRYKA
ŁUKASZ TOPOLEWSKI

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On recursive utilities in multigenerational games

ŁUKASZ BALBUS

Uniwersity of Zielona Góra
l.balbus@wmie.uz.zgora.pl
https://orcid.org/0000-0002-3181-5187

KEVIN REFFETT

Arizona State University
kevin.reffett@asu.edu
https://orcid.org/0000-0002-8074-0804

ŁUKASZ WOŹNY

Warsaw School of Economics
lukasz.wozny@sgh.waw.pl
https://orcid.org/0000-0002-4777-0163

ABSTRACT

MOTIVATION: We consider a large class of infinite horizon time varying overlapping generation models (OLG). Each generation derives recursive utility over its life cycle in the spirit of Koopmans, but dynastic preferences are in general not dynamically consistent.

AIM: Within this class of economies, we propose a procedure for finding a Markov perfect solution.

RESULTS: We provide results on the existence of Markov Perfect equilibria, as well as provide numerous applications in the economics literature including models of altruistic growth, behavioral discounting models, and dynamic collective household models.

KEYWORDS: nonpaternalistic altruism; paternalistic altruism; time consistency; Markov equilibrium; approximation

JEL: C61; C73

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Trust and the quality of formal institutions

KATARZYNA BENTKOWSKA

Warsaw School of Economics
kbent@sgh.waw.pl
https://orcid.org/0000-0002-2063-2529

ABSTRACT

MOTIVATION: Trust plays an important role in the functioning of individuals at every level. Generally, it is stressed that trust reduces transaction costs, enables better anticipation and planning of actors' actions, improves encouraging desired individual behaviours and acting according to existing formal constraints. Research confirms the link between trust and economic development. The levels of trust in different countries, even from the same region, vary strongly. Therefore, the question arises here — what are the determinants of such variation? If we are aware of the important role of trust, it would be recommendable to investigate what influences its level and whether it can be controlled. Trust is often used in research to operationalise informal institutions. However, it is sometimes criticized as an imperfect measure, reflecting the quality of formal institutions in addition to deeply rooted attitudes. Thus, a low level of trust in government may be seen as the result of innate trust as well as a poor assessment of government functioning. Therefore, one may wonder to what extent the level of individuals' trust is related to the quality of formal institutions functioning around them. It remains unclear how institutional performance influences trust, there are many doubts in related fields, concerning for example the diversion of this relations. Moreover, it is vital to distinguish between different kinds of trust, most commonly they comprise generalised trust and institutional trust. The evidence on the relationships between generalised trust and institutional trust also persist unclear and the results are mixed. Hence, it is vital to investigate whether trust is to a large extent a deeply rooted attitude, which does not lend itself to intentional shaping or it can be generated by better institutional performance.

AIM: The paper aims to estimate indices for generalised and institutional trust and to investigate their relationship with the quality of formal institutions.

RESULTS: The factor analysis allows for the identification and estimation of indices of generalised and institutional trust based on data from social surveys investigating issues related to different kinds of trust. Cronbach's alpha test confirms the appropriate selection of questions and the internal consistency of each trust category. The quality of formal institutions is accessed with the Worldwide Governance Indicators (WGI). Twenty-two European countries were selected for the study, for which extensive data from several sources were available. For in-depth analysis, the countries were also divided into capitalist and post-socialist. The research confirms the positive relationship between generalised and institutional trust for the total group of countries. Similarly, higher levels of both kinds of trust are related to better institutional performance. However, when the groups of countries are analysed separately, the results differ. The relationships are confirmed for capitalist countries. Post-socialist countries are characterized by a lower level of trust and lower quality of institutions. Nevertheless, for this group, there is no evidence neither for the relationship between generalised and institutional trust, nor for the relationship between institutional trust and institution performance. Such results may seem quite puzzling but they confirm the relevance of questions about the linkage between generalised trust and trust in political institutions. They are also inclined to the conclusions of concepts suggesting that trust is culturally determined and regardless of institutional performance decades or generations are needed to develop trust.

KEYWORDS: generalised trust; institutional trust; informal institutions; formal institutions; institutions' quality

JEL: D02; Z13

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The role of institutions in controlling compliance with the obligation to conclude contracts for the supply of agricultural products

MARYLA BIENIEK-MAJKA

Kazimierz Wielki University in Bydgoszcz
maryla@ukw.edu.pl
https://orcid.org/0000-0003-1448-7406

ABSTRACT

MOTIVATION: In order to protect the interests of farmers (agricultural producers) in 2015 an obligation to conclude contracts for the supply of agricultural products was introduced, and since 2017 has been in force to impose fines on buyers of agricultural products if they purchase without a contract or if the contract is defective. Krajowy Ośrodek Wsparcia Rolnictwa (KOWR) is an institution whose tasks include control of compliance with this law. Observation of transactions in agriculture allows us to believe that the established legal regulations do not solve the problem of abuse of market power by recipients and the institutional solution does not shape economic processes.

AIM: The aim of this article is to present the activity of the Krajowy Ośrodek Wsparcia Rolnictwa (KOWR) as an institution controlling the observance of the obligation to conclude contracts for the supply of agricultural products and its evaluation. Based on the literature, the assumptions of the new institutional economics are presented, with particular emphasis on the theory of information asymmetry and the theory of contract. Based on data obtained from the Krajowy Ośrodek Wsparcia Rolnictwa (KOWR), legal provisions imposing the obligation to conclude agreements (contracts) for the supply of agricultural products were presented, as well as statistics related to their enforcement.

RESULTS: People create the functioning of institutions to reduce the uncertainty of the conditions of concluded transactions, and thus affect the amount of transaction costs that translate into the profitability of the activity. Given the importance of agricultural products to society and the need to protect the interests of their producers, the ‚rules of the game' had to be regulated by law. The legally imposed need to conclude contracts created further obligations for both parties to the transaction, it could contribute to their opportunism in the functioning of the asymmetry of information. Krajowy Ośrodek Wsparcia Rolnictwa (KOWR) is obliged to monitor compliance with the legal system established to strengthen cooperation in the food supply chain and eliminate unfair trade practices. Analysis of the KOWR's reports showed that between February 2017 and March 2022, a total of 465 controls were carried out, resulting in fines of PLN 6 670 428,19 for purchases of agricultural products without a contract or due to a defective contract (about 93% of this amount was imposed on purchasers in 2021). The relatively small number of checks carried out is due to the lack of complete information on the actual purchaser of agricultural products who is obliged to purchase agricultural products under contract. In the analyzed period, inspections were carried out based on notifications of suspected breach of contractual obligations and at market entities designated for inspection (mainly milk purchasers). In conclusion information asymmetries on the market for agricultural products do not only occur in "classical" forms. Incomplete information may be available to both parties, but also from the body responsible for monitoring compliance with the rules governing the conclusion of such transactions.

KEYWORDS: New Institutional Economics; contract; information asymmetry; agriculture

JEL: D82; D86; Q10

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Behavioral law and economics and economic welfare

DOMINIKA BOCHAŃCZYK-KUPKA

University of Economics in Katowice
dominika.bochanczyk-kupka@ue.katowice.pl
https://orcid.org/0000-0003-0428-3434

ABSTRACT

MOTIVATION: Theories from Behavioral Law and Economics are playing increasingly important roles in economic policy analysis and policymaking, where evaluation (welfare analysis) is essential. The standard welfare economics defers to choice, therefore conceptual problems appear because behavioral choices exhibit inconsistencies or reflect cognitive biases. In light of behavioral findings regarding inconsistent individual decision-making, economists have begun to re-conceptualize the notion of welfare, which is crucial to understanding the contemporary world problems and makes modern economics able to describe and overcome them.

AIM: The paper aims to discuss three main doubts concerning behavioral law and economics as a concept ready to influence worldwide welfare. The Behavioral Law and Economics: (1) has no way to identify irrational decisions, (2) cannot reliably identify an individual's "true preferences," (3) is not able to account adequately for the social costs of a proposed intervention. Each of these concerns raises significant doubt both about the presumption that error reduction alone increases welfare and about the potential for behavioral interventions to improve welfare.

RESULTS: Either of these concerns is sufficient to undermine or reject altogether the possibility of behavioral law and economics to create tools able to increase economic welfare. Additionally, the behaviorist considerations of the net increase in societal welfare do not consider the threat to individual liberty posed by government interventions. Therefore nowadays Behavioral Law and Economics is not ready to create a consistent theory ready to describe and solve the economic welfare problems.

KEYWORDS: behavioral economics; law and economics; welfare

JEL: D91; D63; D87

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Regulation of demerit goods markets

BOŻENA BORKOWSKA

Wroclaw University of Economics and Business
bozena.borkowska@ue.wroc.pl
https://orcid.org/0000-0002-9216-5042

ABSTRACT

MOTIVATION: Regulatory state, regulatory capitalism, risk society are terms related to modern market economies, emphasizing that regulation has become the basic mechanism of the state's influence on the economy and society, and that the scope of regulation has been significantly extended. In Europe, the beginning of the new regulatory order dates back to the 1980s, which are characterized by several phenomena. First, the spread of the idea of making the activities of public administration market-oriented, known as New Public Management. Secondly, the scope of economic regulation related to the influence of the state (its agencies) aimed at correcting market failures has been expanded. This was mainly related to privatization and the new regulation of public utilities. In many countries, regulation of public utilities has become a substitute for public property. Thirdly, the scope of social regulation, understood as the action of the state aimed at protecting people against various types of risk related to functioning in society, has also been expanded. Traditionally, social regulation was aimed at ensuring safe working conditions, safe products purchased by consumers, protection against unemployment, deprivation, and increasing the consumption of socially desirable goods, such as education or vaccinations for children. The new areas of social regulation include, inter alia: biotechnology, internet, artificial intelligence systems, as well as fertility and human reproduction. Demerit goods markets are among the markets for which the scope of regulation is expanding. Introducing the concepts of merit goods (merit wants) and demerit goods (demerit wants), R. Musgrave proposed that merit goods should include goods whose consumption is too low from the social point of view. Demerit goods, on the other hand, are goods that are consumed in excess. It is worth noting that, according to R. Musgrave, state interference in the markets of merit and demerit goods violates the consumer's sovereignty. Traditionally, demerit goods included: drugs, cigarettes, alcohol, games considered as gambling. Currently, demerit goods also include products that are part of our diet, such as trans fats, fast food, sugar-containing products. The examples given show that demerit goods include goods whose consumption effects can be very different. In general, goods consumed in limited amounts may not have any negative effects. On the other hand, consumed in "excessive" amounts, some of them (drugs, alcohol) can cause clinical addiction, while others, such as gambling and computer games, can lead to behavioral addiction. It is worth noting that, in addition to the different effects that the consumption of demerit goods can have, the markets for these goods are regulated differently in different countries. For example, in some countries the consumption of marijuana is allowed and in others it is forbidden. The situation is similar with games considered to be gambling, in particular, in Poland it is forbidden to play poker, while in Great Britain the markets for card games are legalized and regulated. In turn, in the case of beverages containing sugar, a sugar fee has recently been introduced in Poland, while the Danish government withdrew from such a fee.

AIM: From the perspective of the theory of regulation, a question arises about the rationale behind the regulation of demerit goods markets in general and for the methods/tools of regulation. The aim of this study is to try to answer this question.

RESULTS: The author presents the arguments for the regulation of demerit goods markets, put forward on the grounds of economics and political philosophy, pointing out that the formulated predictions/postulates regarding regulation depend on: (1) assumptions about the nature of managing people, their rationality, tendency to opportunism; (2) ideology, determining the values implemented in the process of social regulation, from the hierarchy of such values as: freedom, public safety/health, efficiency; (3) institutions/procedures that create the "rules of the game" at the stage of creating, operating and enforcing regulations; (4) activity/effectiveness of interest groups lobbying for regulation.

KEYWORDS: regulation; demerit goods; rationality; values
JEL: D02; D04; D63; K23; L51

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The nature of institutions in a process approach

MATEUSZ BORKOWSKI

University of Bialystok
m.borkowski@uwb.edu.pl
https://orcid.org/0000-0003-0644-4764

ABSTRACT

MOTIVATION: The importance of institutions, understood as common social norms (process approach), is undeniable. As they affect all processes occurring in the economy, it seems crucial to gain a thorough knowledge of their nature. Understanding how institutions work, how they function and how they change would allow for a better explanation of many socio-economic processes occurring in production, exchange and consumption.

AIM: The main purpose of this article is to conceptualize institutions in the process approach and to identify the most important features that characterize them. The paper is theoretical and interdisciplinary in nature.

RESULTS: The result of the analysis carried out in this article is the identification of the following characteristics of institutions in the process approach: universality, heterogeneity (originality), endogeneity, variability over time (spontaneous and constituted), dependence on the past (historicity), immateriality and direct non-observability. The study also allowed to identify the following features of the institutional system: internal complexity and internal interdependence, which can take the form of relationships of substitutability, complementarity or mutual exclusion.

KEYWORDS: institutions; features of institutions; institutional economics

JEL: B50; E02; O43

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The role of the institutional framework for the functioning of the Green Economy in Poland

KATARZYNA J. CHOJNACKA

Jan Kochanowski University in Kielce
katarzyna.chojnacka@ujk.edu.pl
https://orcid.org/0000-0002-8135-0867

ABSTRACT

MOTIVATION: The subject of energy system transformation has been widely discussed for many months. Particularly noteworthy is the social aspect — taken up in the discussion — which is based on enabling citizens to take advantage of the opportunities offered by the clean energy transition and helping to cope with the problems. And here the author of the article wants to join the discussion. In his opinion, the integration of the analyzed area is not possible without the support and involvement of the whole society, but above all, without institutional support. Sustainable management of natural resources is also becoming an urgent issue. This is primarily about managing water and air quality, including in the energy production process, which is crucial for the socio-economic stability of the Polish.

AIM: The article will address topics directly and indirectly related to the decarbonization process started as part of the transformation of the energy system, with a strong emphasis on the role of institutions managing and supervising this process. The aim will be to answer the question: can the use of modern renewable energy sources be only effective with the framework of the government's long-term policy aimed at overcoming market and non-market barriers?

RESULTS: The Polish economy is still one of the most energy-intensive economies in the European Union, hence improving energy efficiency and increasing the share of energy from renewable sources may contribute to reducing environmental pollution in our country. At this point, it is worth emphasizing that the level of air pollution by particulate matter in Polish cities is still one of the highest in the European Union. In order to eliminate barriers to the development of the included in the title: green energy, many institutions should be involved in the process to manage, advise or support the process.

KEYWORDS: *green energy; institutions; energy industry*
JEL: *K32; O13; P48; Q48*

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Municipal waste as a common goods in polycentric system

AGNIESZKA CIECHELSKA
Wroclaw University of Economics and Business
agnieszka.ciechelska@ue.wroc.pl
https://orcid.org/0000-0002-3996-3897

MARTA KUSTERKA-JEFMAŃSKA
Wroclaw University of Economics and Business
marta.kusterka-jefmanska@ue.wroc.pl
https://orcid.org/0000-0002-6773-6157

SABINA ZAREMBA-WARNKE
Wroclaw University of Economics and Business
sabina.zaremba-warnke@ue.wroc.pl
https://orcid.org/0000-0002-9005-5763

ABSTRACT

MOTIVATION: Municipal waste can be treated as a common good system in two ways: (1) as a classic common pool resources and (2) as a system in which the environment is the common pool resource, and any action to reduce the amount or impacts of waste is an action to protect the resource. The first aspect of the resource is addressed in the literature, and the case studies described are of developing countries. In these countries, there is no organized waste management system, and the appropriation of resources (raw material waste) is done by poorly formalized picker groups. However, in developed countries, the main burden of waste management and conservation efforts is on the organized (formalized) municipal waste management system, regulated by legislation at the local, national and international levels. At the same time, some fractions are completely or partially excluded from this system (e.g., bulky waste, used clothing, food, green waste, metals). These are, as in developing countries, partially appropriated by informal and formal appropriators, whose spatial scope of operation varies widely-from the local to international. Although at the national level, developed countries, record successes in waste management, at the global level we recycle only a dozen or so percent of waste. In practice, it turns out that neither strongly formalized (as in developed countries) nor informal (as in developing countries) systems of managing common goods (municipal waste) produce satisfactory results on a global scale.

AIM: The goal is to determine what conditions of the common goods management model meet or do not meet the waste management system in developed countries. Consequently, it will be possible to answer the question of what benefits the polycentric system of municipal waste management brings. In further work, it will be possible to develop issues related to the possibility of creating institutions to strengthen the benefits that the polycentric system brings.

RESULTS: The analysis yielded the following conclusions. (1) The polycentric system of waste management in developed countries is dual in nature — part of it is highly formalized and can be analyzed like conservation activities to preserve the environment, and part of it (usually less or unformalized), like classic CPR. (2) Polycentric waste management system is characterized by overlapping decision centers with a certain degree of autonomy — spatially diverse, operating in different jurisdictions and having different scope and scale of operations. (3) The benefit of increased adaptability of the polycentric system and good institutional fit is limited by the following: non-overlap between the powers of decision centers and the boundaries of the problem, limited operation of accountability and conflict resolution mechanisms, and mediation and learning mechanisms, especially in cross-scale linkages. While achieving the above benefits differs in the formal and informal parts of the municipal waste management system.

KEYWORDS: municipal waste management; commons; CPR; polycentric system

JEL: O44; Q530; P480

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Economic populism in institutional perspective

SŁAWOMIR CZECH

University of Economics in Katowice
slawomir.czech@ue.katowice.pl
https://orcid.org/0000-0003-3293-6113

ABSTRACT

MOTIVATION: The origins of the notion of economic populism go back in time to early 1990s, when Dornbush and Edwards made an attempt to assess the then-recent economic policies of Latin American countries. However, recent decades made it clear that populist politicians grew in power in a number of advanced capitalist countries as well as seized the steering wheel in some of them. Yet the outcome of their rule often showed that they moved beyond irresponsible and unsustainable macroeconomic policies. Populist politicians have learned that those lead ultimately to economic failure as well as losing of electoral votes and consequently power. This means that we can trace modern populism more in institutional dimension than in macroeconomic one.

AIM: The aim of the paper is to describe the modern dimension of populism with regard to its institutional features.

RESULTS: The preliminary conclusion is that there is no contradiction between modern economic populism and neoliberal economic policies aiming to ensure market logic and discipline of public finances. It is more about loosening the institutional constraints like checks and balances than unsustainable economic policies.

KEYWORDS: *populism; institutions; post-socialist countries*

JEL: *P26; B52*

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Attitudes toward income taxation in Poland

JOANNA DZIONEK-KOZŁOWSKA
University of Lodz
joanna.dzionek@uni.lodz.pl
https://orcid.org/0000-0003-2146-5491

JAROSŁAW NENEMAN
University of Lodz
jaroslaw.neneman@uni.lodz.pl
https://orcid.org/0000-0003-0865-4706

ABSTRACT

MOTIVATION: The last two decades have witnessed a significant shift in attitudes toward income taxation in Poland. In the public opinion polls, a growing number of respondents pronounce their support for proportional taxation, whereas the share of the progressive taxation supporters declines. The shift is observable even more among the younger generation, half of whom declare their support for the proportional income tax.

AIM: Our study aims to address three research problems. First, we make an attempt to find out which demographics correlate with higher support for the proportional tax and other systems. Second, we investigate whether respondents who reveal their general attitudes and preferences towards particular income taxation systems understand how the declared system works. And finally, drawing from experimental and behavioural economics, we analyse whether the way of posing the questions about attitudes toward taxation matters for the responses.

RESULTS: To answer the research questions, we run a survey and a quasi-experiment (N=1105). We have confirmed the attitudes of young Poles are more favourable toward proportional taxation than the general public. The support for such a system turns out to be even higher among males, people living in larger cities, and students of non-economic programmes. Counterintuitively, we found that the lower level of income positively correlates with the support for proportional taxation. However, our study also reveals that a considerable share of respondents have problems maintaining consistency between their declared general preferences towards income taxation and fully understanding how the declared system works. The problem presents itself, especially when general declarations are juxtaposed with concrete examples. Finally, we also found that one-third of respondents are ready to change their initial preferences after being informed about a hypothetical taxpayer position compared to the others and the taxpayer position in the income distribution in Poland. These findings allow us to conclude that general attitudes towards income taxation declared in the public opinion polls need to be cautiously interpreted and confronted with the results of in-depth empirical studies.

KEYWORDS: *fairness; personal income taxation; quasi-experiment*
JEL: *A13; G53; H24; H31*

INSTITUTIONS
THEORY AND PRACTICE

Fifth Scientific Conference *Institutions: theory and practice*
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Gałecka, M., & Smolny, K. (2022). Cultural institutions in Poland: the specificity of their organization and financing. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 23). Nicolaus Copernicus University Press.

Cultural institutions in Poland: the specificity of their organization and financing

MAŁGORZATA GAŁECKA

Wroclaw University of Economics and Business
malgorzata.galecka@ue.wroc.pl
https://orcid.org/0000-0002-4312-5255

KATARZYNA SMOLNY

Wroclaw University of Economics and Business
katarzyna.smolny@ue.wroc.pl
https://orcid.org/0000-0001-5048-8372

ABSTRACT

MOTIVATION: We are looking for the most optimal model of financing public cultural institutions.

AIM: The aim of the study is to answer the question whether the funds for conducting cultural activity are sufficient, properly and effectively spent by cultural institutions?

RESULTS: Using statistical methods, we obtained the result of the necessity to include in the process of subsidizing theaters cost indicators, including personnel costs, as well as technical and technological indicators.

KEYWORDS: performance art organizations; theatre; productivity; Malmquist index value; total factor productivity

JEL: H2; H7; H18

INSTITUTIONS
THEORY AND PRACTICE

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Godłów-Legiędź, J. (2022). The rule of law as the foundation of social order. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 24). Nicolaus Copernicus University Press.

The rule of law as the foundation of social order

JANINA GODŁÓW-LEGIĘDŹ

University of Lodz
janina.legiedz@uni.lodz.pl
https://orcid.org/0000-0001-6831-8902

ABSTRACT

MOTIVATION: The first stage of the retreat from liberal democracy was the criticism of liberal elites and the electoral successes of parties using populist rhetoric. The second stage was a marked shift in political systems toward electoral democracies and autocracies. Russia's invasion of Ukraine can be seen as the beginning of a new stage. This dangerous direction of change prompts us to consider the merits of the doctrine of the rule of law as the foundation of national and international policies that guarantee the peaceful improvement of the social order. This need is reinforced by the growing disillusionment with the market mechanism and the belief in the need to expand the functions of the state.

AIM: The purpose of this article is to demonstrate the virtues of the doctrine of the rule of law as a basis for domestic and international politics. The history of ideas and the contemporary crisis of liberal democracy are used as the basis of the argumentation.

RESULTS: The differing interpretations and controversies surrounding the rule of law are related to two notions of freedom: negative freedom and positive freedom. The tension between these different conceptions of freedom and the contradictions between the corresponding policies are at the heart of the contemporary crisis of liberal democracy. A second source of criticism of the liberal model of society is the conflicts associated with the transition from a closed to an open society. These two fundamental contradictions lead to the conclusion that the principle of the rule of law is not the domain of legal science, but has a profound economic rationale. Adam Smith already pointed out that the division of labor alters social relations and requires adherence to norms that enable cooperation with strangers. The crisis of liberal democracy shows how serious and enduring are the conflicts over differing conceptions of freedom and the tension between the values of a closed and an open society. The long-standing conflict around the tripartite division of power in Poland confirms this thesis and demonstrates the weakness of the informal entrenchment of the rule of law system in our country.

KEYWORDS: *rule of law; liberal democracy; open society; division of labor; transition*

JEL: *B12; K40; P16*

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THEORY AND PRACTICE

Fifth Scientific Conference *Institutions: theory and practice*
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Gruszewska, E. (2022). Informal institutions in the institutional system: substitutability vs. complementarity. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 25). Nicolaus Copernicus University Press.

Informal institutions in the institutional system: substitutability vs. complementarity

EWA GRUSZEWSKA

University of Bialystok
gruszew@uwb.edu.pl
https://orcid.org/0000-0002-4943-0250

ABSTRACT

MOTIVATION: The institutional system of a society is a multi-level arrangement of institutions that are constantly changing, evolving and affecting the conditions of economic activity. It is pointed out that informal institutions play a special role in changing the whole system of institutions. This is interesting because this group of institutions has a relatively permanent character and its inertia is often emphasised. The process of creating frameworks and entire institutional systems can lead to convergence, but also to the disintegration of institutions and the disruption of institutional equilibrium. The starting point of this research is the complexity of institutional systems and the processes of their change.

AIM: The article aims to identify the role of informal institutions in these processes, especially the emerging relationships of substitutive and complementary nature.

RESULTS: The fundamental role of informal institutions does not mean that they are always complementary to formal ones, although such a relationship would be more desirable from the perspective of institutional balance. The substitutability of informal institutions for other components of the institutional system weakens the power of the whole system to influence the economy. It makes it necessary to search for more costly solutions and a more complicated decision-making process, mainly due to the increase in transaction costs.

KEYWORDS: institutional system; informal institutions; substitutability; complementarity

JEL: E02; O43; P37

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THEORY AND PRACTICE

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Kamykowska, Z. (2022). Auctioning institutions in China: economic and legal aspects. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 26). Nicolaus Copernicus University Press.

Auctioning institutions in China: economic and legal aspects

ZUZANNA KAMYKOWSKA

Cracow University of Economics
zuzanna.kamykowska@phd.uek.krakow.pl
https://orcid.org/0000-0003-4049-4263

ABSTRACT

MOTIVATION: China is now the third largest art market in the world, and thanks to its long history, the country is able to offer a great artistic heritage. Chinese auctioning institutions have become one of the most significant in the world, having a massive global impact on art pricing. By establishing their sales infrastructure in new locales ahead of the traditional mechanisms of primary market commercial galleries, the Chinese auction houses have played a foundational role in the notional construction of new genres of art.

AIM: The main purpose of this article is to present a detailed analysis of Chinese auction houses and other auction institutions, with regards to the economic and legal aspects of their operation. The article is cross-sectional, showing how China has become the fastest growing art market in the world. The analysis provides evidence for the existence of various factors that determine the dynamic development of the Chinese art auctions market and determines the differences in the functioning of Chinese and Western auction houses.

RESULTS: These results illustrate that exceptional economic and political factors made it possible to significantly develop the Chinese auction market in a very short time.

KEYWORDS: *Chinese art market; auction houses; Chinese auction houses*

JEL: *Z1; R1*

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THEORY AND PRACTICE

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Karbownik, Z. (2022). Free economy against populism. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 27). Nicolaus Copernicus University Press.

Free economy against populism

ZBIGNIEW KARBOWNIK

University of Szczecin
zbigniew@karbownik.net
https://orcid.org/0000-0002-5681-9782

ABSTRACT

MOTIVATION: Populism is a phenomenon that significantly jeopardises quality of governing. Its dynamic development in recent years has applied virtually to the whole Europe. Each party includes populist elements in its platform, however some make it a backbone of their program and actions — then it should be considered authoritarian populism.

AIM: Politicians are governed by the rules described in Public Choice Theory. Just as homo oeconomicus in economic field — politicians in their political and social endevours are solely concerned about their own benefits. Behavioral economics makes an excellent tool to accomplish this aim. Thanks to behavioral economics it is widely known how electorate acts, therefore it is possible to effectively manipulate them. Psychological preconceptions and the way in which they are processed persuade certain people to vote for politicians that in reality cause them economic detriment.

RESULTS: Politicians can easily interfere in their country's economy. It enables them to make political promises, not necessarily beneficial or legitimate in a long run to the voter, and unfortunately proceed to execute them. With those actions politicians aim to make an impact. An electorial impact. The best method to restraint populism is state, in which the economy is as free from governmental interference as it can be, without negative consequences. Prof. Christian Bjørnskor in a report prepared for the Swedish think tank TIMBRO, introduces an analysis of economic crises since 1993. What stems from it, is a conclusion that countries with greater economic freedom experience crises that are milder and less frequent.

KEYWORDS: populism; quality of governance; free economy; public choice theory; behavioral economics

JEL: E; H

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THEORY AND PRACTICE

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Klimczak, M. (2022). Language as an informal and formal institution. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 28). Nicolaus Copernicus University Press.

Language as an informal and formal institution

MIKOŁAJ KLIMCZAK

Wroclaw University of Economics and Business
mikolaj.klimczak@ue.wroc.pl
https://orcid.org/0000-0003-4761-3421

ABSTRACT

MOTIVATION: According to Oliver Williamson, at the first level of social research, a range of informal institutions emerge spontaneously and take a long time to change. One of the key points is that such institutions are not particularly scientifically interesting and are taken for granted by researchers from institutional economics. It is true that language, being a part of this first level of social analysis, used to represent reality concerning objects, activities or abstract concepts, is the domain of other sciences. However, also in institutional economics, a description of language as a multidimensional phenomenon can be undertaken.

AIM: This article has several consecutive aims. First, to justify that language is indeed an institution. Subsequently, it will draw on other sciences that present different types (categories) of languages and point to different approaches to language already within institutional economics. Then, it will be essential to refer to the division of institutions into informal and formal and point out the different types of languages within these categorisations. The final and most important aim will be to present an institutional theory of language, depending on what, where and how language is used.

RESULTS: The primary outcome will be to shift language analysis to institutional economics and point to its vital role in constructing an inclusive society or community. To this end, the toolbox of institutional economics and related sciences will be used.

KEYWORDS: *language; institution; formal institution; informal institution; transaction costs*
JEL: *A12; D02; D23*

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Koubaa, S. (2022). Corruption, trust, and government's economic performance in MENA region. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 29). Nicolaus Copernicus University Press.

Corruption, trust, and government's economic performance in MENA region

SALAH KOUBAA

University Hassan II of Casablanca
salah.koubaa@univh2c.ma
https://orcid.org/0000-0002-0157-0473

ABSTRACT

MOTIVATION: Countries in the MENA region are perceived as highly corrupt. They are struggling to achieve clear results against corruption. Unfortunately, no country has reached a significant improvement on the Corruption Perceptions Index (CPI) published by Transparency International in 2021. The United Arab Emirates and Qatar are the top performers in the Region. The former was ranked 69 out of 100, the latter 63 out of 100. Libya (17/100), Yemen (16/100), and Syria (13/100) awfully damaged by the war are the worst. The state of the art impacts trust at the national level and the performance of the public institutions as well.

AIM: This paper aims to study the relationship between corruption and trust, and its impact on public economic performance in the MENA region. It is based on the data provided by Arabbarometer, 2018–2019. Our sample includes 8215 individuals located in 12 countries in that region. To test all our hypotheses simultaneously, we have used the structural equation modeling method with SmartPLS software. The latent variable of the research model — corruption, fighting corruption, and economic performance of the government — all of them are used as a reflective measurement. However, trust is included in the model as a formative measurement.

RESULTS: The findings show that trust in public institutions, measured by a formative scale, is negatively impacted by the level of corruption (–0,36). It also depends on the efforts made by the state to fight corruption in public agencies and institutions (0,37). Trust is one of the most important components of social capital. The performance of public policies is highly correlated to the level of trust between public administration and individuals. The government's economic performance depends on the level of that trust (0,341), the efforts made to fight corruption (0,173), and public corruption (–230). All hypotheses are significant at 1%.

KEYWORDS: public corruption; fighting corruption; economic performance; structural model; formative measurement; trust

JEL: H11; D63; H53

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Kuźmar, S. (2022). Is inequality always wrong: the reexamination of the existence of Kuznets curve: evidence from CEE countries. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 30). Nicolaus Copernicus University Press.

Is inequality always wrong: the reexamination of the existence of Kuznets curve: evidence from CEE countries

SŁAWOMIR KUŹMAR

Poznań University of Economics and Business
slawomir.kuzmar@ue.poznan.pl
https://orcid.org/0000-0002-2458-0463

ABSTRACT

MOTIVATION: In the last years, a lot of attention has been paid to economic inequality — a phenomenon that may lead to what some commentators predict the end of capitalism. At the same time, in the contemporary economic analyses, relatively little interest is given to the fact that in market economy as in other areas of life total equality would be impossible and some level of economic inequalities seems to be one of economic growth catalyst. The natural starting point in the discussion concerning the relation between inequality and economic growth is the theory proposed by Simon Kuznets, according to which inequality rises in early phases of economic development but falls eventually as the growth advances, taking the shape of the inverse-U shaped pattern of inequality. The empirical validity of so called "Kuznets curve" has been intensively investigated, but the evidence is ambiguous. In this context seems to be very interesting to re-examine Kuznets theory in the group of CEE countries in which the implied by Kuznets curve structural transformation has occurred over the last 30 years.

AIM: The aim of the study is an attempt to investigate the nature of relation between economic growth and income inequality levels in CEE countries and verify if analyzed relation is taking the shape of inverse-U shaped as indicated by the Kuznets curve.

RESULTS: The results of conducted analysis indicate that the evidence for an inverted-U shaped relation between inequality levels and economic growth in CEE countries is much less robust than what is implied by Kuznets curve theory.

KEYWORDS: income inequalities; Kuznets curve; economic growth
JEL: D63; C23; O15

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THEORY AND PRACTICE

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Lach, B., & Malaga, K. (2022). The impact of institutional changes on economic freedom in the 11 post-socialist countries of Central-Eastern and South-Eastern Europe in 1990–2021. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (pp. 31–32). Nicolaus Copernicus University Press.

The impact of institutional changes on economic freedom in the 11 post-socialist countries of Central-Eastern and South-Eastern Europe in 1990–2021

BARTLOMIEJ LACH
Analyx® sp. z.o.o. sp. k. in Poznań
lach.bartlomiej@gmail.com
https://orcid.org/0000-0002-2023-0378

KRZYSZTOF MALAGA
Poznań University of Economics and Business
krzysztof.malaga@ue.poznan.pl
https://orcid.org/0000-0001-7079-9880

ABSTRACT

MOTIVATION: Since the 1990s, we have witnessed profound institutional changes in most of the post-socialist countries. The success of some of these countries is measured by the advancement of institutional changes, which resulted in their membership in such institutions and organizations as NATO, OECD, the European Union, and in some cases also the euro area. One of the less studied aspects of the institutional changes made is the advancement of economic freedom among the post-socialist countries, which we recognized as leaders of institutional changes in the years 1994–2021.

AIM: The aim of the article is to present the results of the research on σ-convergence and σ-divergence, as well as a multidimensional comparative analysis of changes in the field of economic freedom in 11 countries of Central and Eastern Europe and South-Eastern Europe during the period of institutional transformations in 1994–2021. The following countries are of interest: Bulgaria, Croatia, Czech Republic, Estonia, Lithuania, Latvia, Poland, Slovakia, Slovenia, Romania, and Hungary. In order to conduct comparative analyzes, the economic freedom indexes published by The Heritage Foundation in Washington will be used, which measure 12 quantitative and qualitative factors grouped around the four pillars of economic freedom: 1) Rule of Law — property rights, government integrity, judicial effectivness; 2) Government Size — government spending, tax burden, fiscal health; 3) Regulatory Efficiency — business freedom, labor freedom, monetary freedom; 4) Open Markets — trade freedom, investment freedom, financial freedom. The statistical data will be supplemented with the average index of economic freedom for individual countries.

RESULTS: In empirical research, measures of σ-convergence and σ-divergence are used to determine the degree of homogeneity and heterogeneity of the surveyed countries from the point of view of 12 separate areas and averaged economic freedom in the analyzed time horizon. The culmination of empirical research is the use of selected methods of multidimensional comparative analysis, including cluster analysis based on the hierarchical method. This method assumes that initially all grouped countries are single-ele-

ment clusters, and their grouping takes place in steps based on the previously determined distance matrix between countries. In the next steps of the procedure, the objects are combined into clusters. The order in which countries are joined depends on the adopted measure of similarity. Combining into clusters takes place until one large group is obtained, to which all objects subjected to the study belong. This is called agglomeration procedure. In empirical studies, the group average method is used to connect other countries. Joining countries and clusters in the following steps are represented by link trees, also known as dendrograms. The cluster analysis is performed separately for 12 detailed indicators and the averaged index of economic freedom for all 11 countries. The country similarity matrices determined for this purpose represent the distances between the time series of the economic freedom indices of transformation, the measurement of which is based on the distance measures determined on the basis of the Dynamic Time Warping (DTW) algorithm. The R program and the dtw and dtwclust packages are used for cluster analysis. The issue of the impact of institutional changes on economic freedom requires a comprehensive approach to this problem in terms of σ-convergence, σ-divergence and a multidimensional comparative analysis. Our research is a significant supplement to the knowledge about creating economic freedom in 11 post-socialist countries in the years 1994–2021.

KEYWORDS: *institutional changes; economic freedom; σ-convergence and σ-divergence analysis; multidimensional comparative analysis; clusters; dendrograms*

JEL: *O57; P20; P29; P52*

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THEORY AND PRACTICE

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Legiędź, T. (2022). Green Keynesianism: an institutional perspective. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 33). Nicolaus Copernicus University Press.

Green Keynesianism: an institutional perspective

TOMASZ LEGIĘDŹ

University of Lodz
tomasz.legiedz@uni.lodz.pl
https://orcid.org/0000-0001-9396-0729

ABSTRACT

MOTIVATION: To keep the Earth's temperature rise below 1.5°C, global emissions must be cut to zero by 2050. This requires radical changes to the current global economic model and the adoption of ambitious economic policies. Decarbonizing industry will require significant investments, so the question is how to finance them? One of the proposals for the new approach is "green Keynesianism" — combining Keynesian fiscal policies with environmental goals.

AIM: The aim of the article is to assess the chances of applying the green Keynesianism approach from the perspective of institutional economics. The paper explores basic characteristics of green Keynesianism and discusses theoretical arguments related to this concept. Moreover, the article deals with the criticism of various aspects of this approach, especially the radical post-Keynesian version: modern monetary theory.

RESULTS: Green Keynesianism can be a way to finance green investments and decarbonization of the economy. However, the article will point out some important issues that are related to the use of such an economic policy. First, due to the low level of development of financial systems in many countries of the Global South, it may not be feasible to apply the green Keynesianism there. Second, as pointed out by some representatives of ecological economics, the Keynesian policy is to stimulate economic growth, while in order to effectively counteract further warming of the climate, more radical actions are needed, which assume degrowth. Also, there may be numerous obstacles of an institutional nature that may prevent the implementation of such a policy.

KEYWORDS: *green Keynesianism; degrowth; decarbonization; post-Keynesian economics; institutional economics*

JEL: *B52; E02; E12; Q2; Q5*

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THEORY AND PRACTICE

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Megger, D. (2022). Scientific explanation and social institutions: an Austrian perspective. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 34). Nicolaus Copernicus University Press.

Scientific explanation and social institutions: an Austrian perspective

DAWID MEGGER

Nicolaus Copernicus University in Toruń
dawid.megger95@gmail.com
https://orcid.org/0000-0002-2827-4607

ABSTRACT

MOTIVATION: Although social institutions play a fundamental role in economic analysis, economists are more likely to focus on explaining their impact on the economy than on explaining them (as social phenomena) themselves. One of the economic traditions interested in institutional phenomena is the Austrian School. However, the representatives of this current, in spite of the developed methodology, have not yet answered in a systematic way the question of what — known from the philosophy of science — theories of scientific explanation correspond to institutional phenomena.

AIM: The aim of the research is to examine what theories of scientific explanation are applicable in the case of institutional phenomena (on the grounds of the Austrian methodology).

RESULTS: According to the research, it should be stated that in the perspective of the Austrian methodology, social institutions are subject to functional/teleological explanations (with regard to the purposes they serve), unificationist explanations (with regard to their logical structure) and causal-genetic explanations (with regard to their emergence or formation). The above types of scientific explanation are closely related to the Austrian methodological principles: subjectivism, individualism, and singularism. The concept of spontaneous order, developed by Carl Menger and Friedrich von Hayek, also plays an important role in the explanation of institutional phenomena.

KEYWORDS: *scientific explanation; Austrian School of Economics; social institutions*

JEL: *B41; B53; D02*

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Miłobędzki, P. (2022). Intraday trading patterns in Bitcoin: does the war in Ukraine matter? In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 35). Nicolaus Copernicus University Press.

Intraday trading patterns in Bitcoin: does the war in Ukraine matter?

PAWEŁ MIŁOBĘDZKI

University of Gdańsk
pawel.milobedzki@ug.edu.pl
https://orcid.org/0000-0002-5756-4128

ABSTRACT

MOTIVATION: So far, nothing has been known about the impact of the war in Ukraine on the dynamics of cryptocurrency markets, in particular — about the intraday trading patterns in Bitcoin, nowadays the largest market capitalization and trading volume cryptocurrency.

AIM: Use the data from the period January–April 2022 exhibiting over 1.5 million trades at Bitstamp, one out of four largest in trading volume Bitcoin markets, to identify and compare the day of the week and the hour of the day effects in the rates of return, spreads and volumes at times preceding and following the war outbreak.

RESULTS: The analysis based on the regression including dummy variables showed that the spreads and volumes exhibited both the day of the week and the hour of the day effects. The same applied to the rates of return — but only incidentally The effects differed in the magnitude across the peace and war periods being mostly smaller in the latter one due to increased risk faced by market participants which, as reflected in the number of trades and traded volumes, lowered their activities. Since Bitcoin at Bitstamp is traded 24 hours a day and incoming information is continuously impounded into its prices, the intraday trading patterns are different from those at the mature and emerging stock markets. The wider spreads and larger traded volumes were found present close to open of the main stock markets (NYSE, London, Frankfurt, Tokyo).

KEYWORDS: *cryptocurrency; Bitcoin; Bitstamp; intraday patterns*
JEL: *C22; C58; G14; G15*

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THEORY AND PRACTICE

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Moszyński, M. (2022). Global economic order and its enemies. In I. Pietryka, & Ł. Topolewski (Eds.), ***Fifth Scientific Conference 'Institutions: theory and practice'*** (p. 36). Nicolaus Copernicus University Press.

Global economic order and its enemies

MICHAŁ MOSZYŃSKI

Nicolaus Copernicus University in Toruń
moszyn@umk.pl
https://orcid.org/0000-0003-1197-8744

ABSTRACT

MOTIVATION: As Henry Kissinger noted in 2014, "our age is insistently, at times almost desperately, in pursuit of a concept of world order." The closest to this idea are the principles of the Peace of Westphalia, ending the Thirty Years' War in 1648, on which the cooperation of modern sovereign states was based. The main principle of respecting the integrity of states was violated by Russian aggression against Ukraine, which means a return to the rule of the law of the stronger. The war, and before that Brexit, pandemic and financial crisis showed the low resilience of the global economy to shocks. A series of crisis experiences had a real impact on the economic policies of countries and initiated a discussion about the possible end of globalization, understood as the unrestrained growth of mutual trade and business ties on a global scale. The emerging tendencies to shorten supply chains, block trade and calls for an active and strategic trade policy are contributing to the disintegration of the liberal global order that was built after World War II. The conflict between the Western model of liberal democracy and autocratic regimes and the potential disintegration of the world economy into antagonized blocs should be considered particularly dangerous. It resembles defenses of Western liberal values in the post-World War II era taken by Karl Popper in *The Open Society and Its Enemies* in 1945.

AIM: The aim of the study is an attempt to define and interpret the concept of world order in the economic dimension, which — as assumed in the study — can be identified with a necessary minimum of implemented rules and institutions of market economy and relatively unfettered international exchange as well as the international organizations that support them. In addition, it intends to address two related questions. The first is about the causes of the decay of the global economic order. The second concerns the universality of capitalism and the possibility of its coexistence with different political systems.

RESULTS: The arising disintegrative tendencies in the global economy and the anarchization of international economic relations constitute a negative-sum game. Globalization has allowed most countries in the world, including the major players in the geopolitical arena, to achieve significant gains in wealth. The benefits it provides to consumers are too great to be consciously abandoned in favor of an autarkic economic model. Capitalism also seems to be able to operate under very different political regimes, hence with all the differences between political models at national levels, it creates a relatively effective platform for cooperation on the global stage. Nevertheless, the end of the "peace dividend" indicates that effectively blocking the danger of armed conflict by means of economic and military deterrence will be an important element of the future world order. The more convincing this deterrence is, the sooner mutual coexistence can be grounded on rules and the isolation of economic systems avoided.

KEYWORDS: *global order; institutions; globalization; economic integration; capitalism*

JEL: *B52; F02; P10; P48*

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Osińska, M., Kowalewska, A., & Szczepaniak, M. (2022). Institutional determinants of economic development in the Sub-Saharan African countries. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (pp. 37–38). Nicolaus Copernicus University Press.

Institutional determinants of economic development in the Sub-Saharan African countries

MAGDALENA OSIŃSKA

Nicolaus Copernicus University in Toruń
emo@umk.pl
https://orcid.org/0000-0002-9796-2892

ARLETA KOWALEWSKA

Nicolaus Copernicus University in Toruń
arleta.kowalewska@onet.pl
https://orcid.org/0000-0002-0891-3803

MAŁGORZATA SZCZEPANIAK

Nicolaus Copernicus University in Toruń
m.szczepaniak@umk.pl
https://orcid.org/0000-0001-6007-8430

ABSTRACT

MOTIVATION: Institutional determinants play a significant role in development processes, in particular contributing to understanding the economic backwardness of the Sub-Saharan African countries. However, there is no consensus in the literature on both the direction of institutional influence for individual countries and the set of institutions that significantly influence development processes in the whole group. Most often, studies emphasize the role of selected institutional determinants in economic development, such as the quality of economic policy, the quality of governance, the low level of private property protection or the presence of high transaction costs.

AIM: The article aims to answer the research question of whether institutional determinants significantly contribute to the development processes of the Sub-Saharan African countries and to identify the differences of this impact in the selected sub-groups. Considering the high diversity in the level of development of countries in the region and the differences in their institutional systems, thirty-two countries in Sub-Saharan Africa were grouped using hierarchical cluster analysis (Ward's method, dendrogram). The region's countries were divided into four groups based on six institutional indicators. The following institutional indicators (from 2004 to 2019) were taken for the study: economic freedom (EF), government effectiveness (GE), political stability (PS), number of procedures involved in setting up a business (LP SB), number of days needed to set up a business (LD SB), number of days involved in dispute resolution- enforcement of contracts (LD WU). In addition, a synthetic variables characterizing institutional conditions were calculated.

RESULTS: The collected data were used to build the panel models, where the explanatory variable was GDP per capita. The study was conducted for all countries in Sub-Saharan Africa, and sub-groups of countries – distinguished based on institutional conditions. The preliminary results showed that government effectiveness and political stability were the most important institutional determinants of the region's development processes. Differences were also identified in the significance of institutional determinants for development processes among subgroups of sub-Saharan African countries. The results of the conducted analysis allowed us to formulate recommendations toward an institutional policy that should be different for the groups of countries characterized by varying levels of the institutional framework.

KEYWORDS: institutions; economic development; Sub-Saharan African countries; dynamic panel model

JEL: B52; O11

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Osińska, M., Szczepaniak, M., Szulc-Obłoza, A., & Śliwicki, D. (2022). Young adults' job satisfaction in Poland and the Czech Republic: comparative analysis. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (pp. 39–40). Nicolaus Copernicus University Press.

Young adults' job satisfaction in Poland and the Czech Republic: comparative analysis

MAGDALENA OSIŃSKA

Nicolaus Copernicus University in Toruń
emo@umk.pl
https://orcid.org/0000-0002-9796-2892

MAŁGORZATA SZCZEPANIAK

Nicolaus Copernicus University in Toruń
m.szczepaniak@umk.pl
https://orcid.org/0000-0001-6007-8430

AGNIESZKA SZULC-OBŁOZA

Nicolaus Copernicus University in Toruń
aszulc@umk.pl
https://orcid.org/0000-0002-7281-6813

DOMINIK ŚLIWICKI

Nicolaus Copernicus University in Toruń
dominik.sliwicki@umk.pl
https://orcid.org/0000-0002-2217-5122

ABSTRACT

MOTIVATION: Job satisfaction is defined as an attitude that reflects an evaluation judgment of the various aspects of a job. Job satisfaction may affect the well-being of individuals. On the other hand, it influences the motivation of employees in the organisations. The knowledge of factors increasing opportunities to get higher job satisfaction is helpful for people planning and implementing human resources processes in organisations (for example, recruitment, motivation, and development) as well as for policymakers who create the environment for activity in the labour market. Additionally, the knowledge about determinants of job satisfaction may be useful particularly for young people taking individual career decisions.

AIM: The research aims to identify and analyse essential determinants of job satisfaction in Poland and the Czech Republic. The identification is based on the two separate ordered logit model estimated in the group of young adults ages 18–29. The model was estimated using data collected in 2021 in a survey using the CAWI technique on a sample of 304 respondents in Poland and 259 in the Czech Republic.

RESULTS: Initial results of the logit model estimation indicate that job satisfaction in Poland and the Czech Republic is determined by various sets of factors. In Poland, job satisfaction is influenced by such factors as: the level and type of education, total household income and per capita household income, willingness to control expenses and wage satisfaction. In the Czech Republic satisfaction is created by factors such as: assessment of income from the point of view of saving opportunities, imposing disciplinary rules on expenses, wage satisfaction. However the greatest influence on job satisfaction in both countries had wage satisfaction.

KEYWORDS: *job satisfaction; employee relations/aspects of job; logit model*

JEL: *J28; I31; J81*

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Ostoj, I. (2022). Institutions for labour platforms: results of a study conducted in Poland. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 41). Nicolaus Copernicus University Press.

Institutions for labour platforms: results of a study conducted in Poland

IZABELA OSTOJ

University of Economics in Katowice
izabela.ostoj@ue.katowice.pl
https://orcid.org/0000-0003-2997-280X

ABSTRACT

MOTIVATION: The development of labour platforms is one of the manifestations of the platformization of the economy. Their growing popularity has revealed institutional vulnerabilities, particularly with regard to the weak position of platform workers, related to their ambiguous status, controversial regulations of labor platforms, the rate and method of payment for services rendered, access to orders, platforms performing algorithmic control of tasks performed, insufficient knowledge on how platforms operate. They are all the subject of intense discussion, also at the EU level.

AIM: The identification of desired directions of changes in the institutional environment of labour platforms in Poland — as expected by the society — against the background of the ongoing discussion on this subject in other countries and at the EU level.

RESULTS: A diagnostic survey conducted on a large sample of Polish citizens aged 18–70 revealed that the most expected changes that would improve the quality of the institutional environment of labour platforms are: the introduction of training and information materials on how labour platforms work, the introduction of general rules regulating their operations, the introduction of the independent worker status, as well as the introduction of a minimum wage for labour services. Poles attach less importance to the need to allow platform workers to establish trade unions.

KEYWORDS: *platform work; gig economy; regulations; Poland*

JEL: *J21; K31; O33*

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Owczarczuk, M. (2022). Ethical and regulatory challenges in the face of the development of artificial intelligence: an overview of the issue. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 42). Nicolaus Copernicus University Press.

Ethical and regulatory challenges in the face of the development of artificial intelligence: an overview of the issue

MAGDALENA OWCZARCZUK

University of Bialystok
m.owczarczuk@uwb.edu.pl
https://orcid.org/0000-0002-9337-1657

ABSTRACT

MOTIVATION: The Fourth Industrial Revolution brings with it numerous challenges for society, business and government. Its nature and pace is dictated by the increasing use of artificial intelligence (AI) technologies. The acquisition, collection, analysis, processing and informed use of data, as well as the continued development of artificial intelligence algorithms, are becoming the basis for the development of modern economies. However, its implementation is associated with a number of opportunities as well as threats. Particular attention is paid to the impact of AI technologies on the labor market, the education system, or on human freedoms and rights. The way and extent to which artificial intelligence-based technologies are used requires constant attention, the basis of which is an appropriate regulatory system.

AIM: The aim of the article is to identify the main specify that guide (or should guide) the regulation of artificial intelligence in selected regions or countries of the world. Their extraction will be preceded by the identification of opportunities and risks associated with the development of artificial intelligence technology and an analysis of examples of implemented regulations on artificial intelligence.

RESULTS: The development of artificial intelligence has introduced a kind of regulatory competition both between regions of the world and individual countries. The European Union has developed regulations on artificial intelligence with respect for freedom and human rights. This is a different approach from other regions of the world, including regulations established in the US or China.

KEYWORDS: *AI regulations; fourth industrial revolution; European legal acts*

JEL: *O14; O38; K20; L50*

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Piątek, D. (2022). Illiberal model of state capitalism in Poland. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 43). Nicolaus Copernicus University Press.

Illiberal model of state capitalism in Poland

DAWID PIĄTEK

Poznań University of Economics and Business
dawid.piatek@ue.poznan.pl
https://orcid.org/0000-0001-9877-372X

ABSTRACT

MOTIVATION: There is a growing awareness that a new model of capitalism is emerging. The 2008–2009 Global Financial Crisis was a catalyst for redefining the role of the state in the economy and as a result state involvement in the economy has been on the rise since then. We can also observe changes in political situation: democracy has been backsliding globally, authoritarian and populist tendencies are growing. In some countries those two tendencies are present and as a result the illiberal model of state capitalism emerged. In recent years in Poland the state involvement in the economy was growing and authoritarian tendencies were visible. In this context it is worth to ask if there is an illiberal model of state capitalism in Poland?

AIM: The aim of presented paper is to evaluate political and economic situation in Poland and check whether there are changes which could be interpreted as building illiberal state capitalism.

RESULTS: Preliminary results indicates that in Poland many illiberal statist tendencies could be identified.

KEYWORDS: *state capitalism; populism; autocracy; democracy*

JEL: *P10; P16*

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Pietrucha, J. (2022). Demand for cash and uncertainty. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 44). Nicolaus Copernicus University Press.

Demand for cash and uncertainty

JACEK PIETRUCHA

University of Economics in Katowice
jacek.pietrucha@ue.katowice.pl
https://orcid.org/0000-0001-5777-9666

ABSTRACT

MOTIVATION: Recent developments in use of cash and electronic payments are difficult to explain. On the one side the share of e-payments in retail transactions is steadily increasing. At the same time, however, cash still remains a significant means of payment. What is more, in recent years a new phenomenon has emerged, i.e. an upward trend in the volume of cash in circulation or at least the cash share remained unchanged. This trend is visible especially when analyzing the share of cash in GDP.

AIM: The paper discusses the determinants of the share of cash in circulation in GDP; primarily considering uncertainty and institutions.

RESULTS: The study broadens the discussion on the determinants of the demand for cash, especially in conditions of uncertainty. Earlier studies (that use data from a study involving Polish consumers) proved the role of the precautionary demand for cash. The current study extends the arguments to a cross-sectional study on aggregated data. The most important conclusions include: the share of cash in GDP is primarily dependent on its lagged values (payment habits) and the ultra-loose monetary policy of central banks. There is no evidence of the importance of uncertainty over the medium and long term, however, in times of crisis, uncertainty may trigger an increased demand for cash.

KEYWORDS: precautionary demand for cash; electronic payments; perceived uncertainty

JEL: E41; E51; G41

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Ratajczak, M. (2022). The role of the state in the period of "the return of history". In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 45). Nicolaus Copernicus University Press.

The role of the state in the period of "the return of history"

MAREK RATAJCZAK

Poznań University of Economics and Business
marek.ratajczak@ue.poznan.pl
https://orcid.org/0000-0003-3671-4227

ABSTRACT

MOTIVATION: The study refers to the idea of "returning history", which is becoming more and more popular in the context of changes taking place not only in the economic sphere, but also in the social and political sphere. The concept of "the return to history" stands in opposition to the idea of "the end of history" popularized by Francis Fukuyama.

AIM: The aim of the study is an attempt to answer the question whether "the return of history" means the necessity of a significant verification of the perception of the role of the state, especially in the economic sphere.

RESULTS: The general conclusion boils down to the statement that neither the earlier "end of history" nor the present "return of history" imply the necessity of fundamental changes in the sphere of looking at the role of the state in the economy, nor do they contribute to the resolution of disputes between supporters of fundamentally different visions of the functioning of the market economy. This does not mean, of course, that certain new or relatively new phenomena, such as finalization or everything that make up the fourth industrial revolution, do not require changes at the level of discussions about tools used within the framework of state policy or specific areas of regulation.

KEYWORDS: state; market; evolution
JEL: A19; B52; E02

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Ratowska-Dziobiak, E. (2022). Protection of the consumer rights on the Polish insurance market. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 46). Nicolaus Copernicus University Press.

Protection of the consumer rights on the Polish insurance market

ELEONORA RATOWSKA-DZIOBIAK

University of Lodz
eleonora.ratowska@uni.lodz.pl
https://orcid.org/0000-0002-1391-873X

ABSTRACT

MOTIVATION: The insurance market in Poland has undergone intensive changes resulting from the development of the market economy model. Poland's membership in the EU imposes adaptation of the domestic legal order to legislation introduced at the level of the European Community. Consequent on this insurance companies function in the constantly changing legal and economic conditions. Apart from the strive to become more competitive, to increase the demand for the insurance services, insurers must care for the correct relationships with their clients and respect their rights resulting from the signed contract.

AIM: The objective of the article is to analyze the factors determining changes in the protection of consumer rights on the Polish insurance market. For a long time, this issue was a secondary subject of regulatory standards, practices and business initiatives introduced in Poland. Along with the progressive modification of the supervisory system and the introduction of new global solutions, the issue of protection of consumer rights has become particularly important.

RESULTS: The conducted research indicates that the emergence of new threats and challenges faced by the insurance sector significantly affected the scope of protection, range of insurance products, their distribution channels and way in which the consumer rights are respected. The development of cross-sectoral cooperation, the creation of international capital groups, the spread of the bancassurance phenomenon, have tightened the system of supervision over the financial market. It has become necessary to implement new law regulations that will ensure the availability and high quality of insurance services and the safety of using them.

KEYWORDS: protection; consumer; customer's best interest; insurance market

JEL: F65; G22; K12; M14; O31

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Rogowska, B. (2022). Institutions in relations to M. Thatcher`s economic policy: public choice perspective. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 47). Nicolaus Copernicus University Press.

Institutions in relations to M. Thatcher`s economic policy: public choice perspective

BEATA ROGOWSKA

Jan Kochanowski University in Kielce
beata.rogowska@ujk.edu.pl
https://orcid.org/0000-0003-1173-1215

ABSTRACT

MOTIVATION: The relationship between the economy and politics is the basis of many discussions and polemics. Despite being criticized the Public Choice theory has brought many new approaches to the world of politics and economy, especially in relation to the theory of political business cycle, the analysis of which was started by the Polish economist M. Kalecki. Today, there is still considerable interest in the liberal-conservative style of economic policy of the British Prime Minister, the famous — Iron Lady — M. Thatcher. A complex of literature has developed about the theoretical basis of this model. It is worth pointing to inspirations from the theory of Hayek, monetarism and economics of supply. This article present a look at Thatcher`s economic policy from the perspective of the Public Choice theory, with particular emphasis on the theory of political business cycle by B. S. Frey, which indirectly through the influence of the government on fiscal and monetary policy assumes the need to ensure the policy`s attractiveness to society

AIM: Assuming that institutions can be viewed as moral and cultural norms and legal rules that influence the behavior of individuals in this paper they will constitute the factors of social acceptance of Thatcher's liberal-conservative reforms, enabling her to win political three times and create the indicated policy. The phenomenon is that liberal economic policy is usually negatively perceived by the society and treated as a loss of for example acquired social rights. Hence, the liberal model of governance is difficult to implement in practice. Therefore, it is necessary to define what instruments of economic policy Thatcher used as part of her activities in the sphere of the economy. On the other hand, which of the analyzed institutions contributed to the re-election of her cabinet in 1983 and 1987.

RESULTS: To determine the results in the form of defining the British specific economics model built on the basis of moral and cultural norms and legal rules the desk research method was used, data analysis based on sources such as Cambridge Center for Public Opinion Research, Office of National Statistics, Bank of England, IPSOS.

KEYWORDS: *economic policy; institutions; Public Choice theory*
JEL: *E52; E62; N00*

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Roman, M. (2022). Transaction costs of the bottom-up reprivatization process. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 48). Nicolaus Copernicus University Press.

Transaction costs of the bottom-up reprivatization process

MARIUSZ ROMAN

Kancelaria Prawno-Podatkowa Grant sp. z o.o. in Bydgoszcz
mariusz.roman@poczta.fm
https://orcid.org/0000-0003-2971-9206

ABSTRACT

MOTIVATION: The exact scale of reprivatisation claims is very difficult to determine unambiguously, among other things, because of the passage of several dozen years from the commencement of the nationalisation process and, consequently, changes in the purpose of nationalised assets, the outlays made and, frequently, their physical liquidation. Consequently, the only measure that can be used is a rough estimate made by the Polish legislator in the justifications to the reprivatisation bills, specifying the amount of reprivatisation claims at about PLN 100 billion. Assuming such a scale, it can be concluded that assets of such value bear legal risk in case they are included in the privatization plan. Lack of legal regulations that standardize the reprivatization process in general does not definitively rule out chances of former owners. In quite a few cases, as a result of haste, disregard for legal norms, and arbitrariness on the part of the authorities, the nationalization acts did not meet even the minimum requirements of the regulations of the time. This situation opens up the possibility of challenging defective decisions through civil and administrative proceedings. In the absence of a law comprehensively regulating the effects of nationalisation, the entire burden of the reprivatisation process was shifted to former owners and the bodies applying the law, which are forced to interpret provisions that are wholly unsuited to the reprivatisation process in such a way as to enable a reasonable and relatively fair outcome. An important issue is also the amount of costs that are incurred as a result of legislative omission, which opens a field of research for the new institutional economics, in particular the theory of transaction costs.

AIM: Analyzing transaction costs of the reprivatization process from below, they were identified and quantified by taking as a starting point the different stages of the judicial process

RESULTS: The path of judicial reprivatization proceedings that existed after 1989, in the absence of a comprehensive reprivatization law, generates transaction costs that are not taken into account in the economic analyses that form the basis for estimating the costs of implementing reprivatization claims.

KEYWORDS: bottom-up reprivatization; reprivatization claims; transaction cost quantification

JEL: K11; K25

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Rudolf, S. (2022). The impact of the institution of employee participation on the activities of enterprises in EU countries. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 49). Nicolaus Copernicus University Press.

The impact of the institution of employee participation on the activities of enterprises in EU countries

STANISŁAW RUDOLF

WSB University in Gdańsk
srudolf@wsb.gda.pl
https://orcid.org/0000-0002-3292-3243

ABSTRACT

MOTIVATION: A significant scope of employee participation in company management has been recorded since the 1970s, when previous German experiences were popularized in many other countries. Since then, there has been a discussion about the impact of this participation on the company's operations, its economic results, the value of the enterprise, etc. The research conducted on this subject does not give an unambiguous answer to this topic. In this context, the subject of considerations are mainly the so-called forms of indirect participation (BLER, works councils), while the so-called forms of direct participation are treated as beneficial solutions for both employees and companies.

AIM: The aim of the article is to define the influence of the institution of employee participation on the activity of the enterprise. We will focus here on the latest findings in this area, based on the results of empirical research. There will also be a presentation of new areas of the company's activity, which may be significantly influenced by such participation.

RESULTS: The article shows that the impact of employee participation on the company's operations is a complex issue. The controversy surrounding such an influence is not diminishing. However, the latest research provides new findings on this issue. It was found that BLER solutions are more often beneficial to the economic results of the company than works councils, whose impact on such results is usually negative. The research conducted in recent years also shows that the institutions of employee participation have a positive impact on the value of an enterprise. Research also shows that they counteract tax avoidance by enterprises.

KEYWORDS: *employee participation; corporate governance; works councils; tax avoidance*

JEL: *G34; M54*

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Ryczkowski, M. (2022). How restrictive a monetary policy should be in terms of economic growth: the perspective of war, pandemic, and historical relationships. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 50). Nicolaus Copernicus University Press.

How restrictive a monetary policy should be in terms of economic growth: the perspective of war, pandemic, and historical relationships

MACIEJ RYCZKOWSKI

Nicolaus Copernicus Univeristy in Toruń
m_ryczkowski@umk.pl
https://orcid.org/0000-0003-2156-6823

ABSTRACT

MOTIVATION: The responses of central banks to inflation have profound consequences for inflation and economic growth.

AIM: My goal is to verify the historical relationship between inflation and economic growth. I also discuss the historical impact of wars and pandemics on inflation and economic growth. The analyses lead me to comment on restrictive monetary policy in face of recent inflation increases.

RESULTS: I argue that policymakers should pay attention if inflation determinants are transitory, and that inflation hurts economic growth only when inflation reaches high values.

KEYWORDS: *inflation; economic growth; wars and pandemics; restrictive monetary policy; inflation and real GDP*

JEL: *E31; E52; E58*

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Stachowiak-Kudła, M., & Kudła, J. (2022). An empirical investigation of prestige of administrative courts. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 51). Nicolaus Copernicus University Press.

An empirical investigation of prestige of administrative courts

MONIKA STACHOWIAK-KUDŁA

Warsaw School of Economics
mstachowiak@poczta.fm
https://orcid.org/0000-0001-5718-454X

JANUSZ KUDŁA

University of Warsaw
jkudla@wne.uw.edu.pl
https://orcid.org/0000-0003-2485-6877

ABSTRACT

MOTIVATION: This article examines the citation practice of the provincial administrative courts in Poland on the sample of judgments issued in the years 2009–2016.

AIM: The analysis strives to assess the factors determining the citation of cases from given court and the prestige of provincial courts adjudicate according to doctrine of jurisprudence constante. The method involves logistic regressions on the set of factors relating to: court circuit characteristic, courts performance, features of cases and the efficiency of the authorities in a given province.

RESULTS: The citation of a court depends on the features of the court's circuit, the efficiency of the tax collection agency and some measures of court processing, though it is independent on the characteristics of the case. It has been proven that the impact of citations of a given court diminishes with time. The findings suggest that despite the high dispersion of citations, there are about three provincial administrative courts (out of 16) with higher prestige in Poland.

KEYWORDS: *judicial politics; prestige of the courts; quality of courts; citation analysis; administrative courts; Poland*

JEL: *K34; K41; K49*

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Sukiennik, J. (2022). Protection of the institutional system in Poland. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 52). Nicolaus Copernicus University Press.

Protection of the institutional system in Poland

JAKUB SUKIENNIK

Wroclaw University of Economics and Business
jakub.sukiennik@ue.wroc.pl
https://orcid.org/0000-0002-1289-7009

ABSTRACT

MOTIVATION: Making changes in the area of the institutional system in its formal part, i.e. within the framework of formal institutions, is in Poland a formalized process subject to certain rules. These rules are present at the ex ante stage of the preparation of a draft normative act, which are expressed in some part by, among other things, the procedure for the regulatory impact assessment (OSR or OW) or the so-called principles of legislative technique; and ex post introduction of a normative act, which are also evident in the measure of certain elements of OSR and in the activities of the Constitutional Court (TK). The objectives of these procedures are indirectly related to the attempt to ensure the optimization of the functioning of the institutional system, which affects many entities and elements — including, for example, economic development, but also the entities operating within this system. In addition, the quality of the regulatory environment is one of the basic dimensions of the functioning of the state, and the indicated elements of ex ante and ex post protection are intended to lead to the creation of needed and beneficial regulations.

AIM: The purpose of the article is to point out the possibility of measures (and a preliminary assessment of their effectiveness) at various stages of the existence of a normative act, i.e. from preparation — to its entry into force, involving the elimination or reduction of the costs of functioning of the institutional system in connection with the design and introduction of new formal institutions and possible liquidation/renewal — already at the stage of their operation.

RESULTS: The article identifies actions intended to protect against disturbances in the institutional system in Poland, divided into ex ante and ex post mechanisms. These mechanisms are ineffective. An attempt is also made to identify the reasons for the ineffectiveness of these mechanisms.

KEYWORDS: *regulatory impact assessment; institutional change; institutional system; law & economics*
JEL: *D02; K00*

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Totleben, B. (2022). Institutional convergence across countries. In I. Pietryka, & Ł. Topolewski (Eds.), *Fifth Scientific Conference 'Institutions: theory and practice'* (p. 53). Nicolaus Copernicus University Press.

Institutional convergence across countries

BARTOSZ TOTLEBEN

Poznań University of Economic and Business
bartosz.totleben@ue.poznan.pl
https://orcid.org/0000-0003-3187-2285

ABSTRACT

MOTIVATION: The number of independent states has rapidly started to growth since 1960, mainly due to decolonization of Africa and the Soviet Union dissolve. We recognize many types of both political and economic systems, which can be described using Acemoglu&Robinson terminology as inclusive/extractive political/economic institutions. Thirty years after the publication of Fukuyama's essay "The end of history?" it is worth to ask: do we observe the triumph of liberal democracy and increasing similarities of the states' institutions? There are many articles examining economic convergence but the number of empirical analyses of institutional convergence is still limited.

AIM: The aim of this article is to investigate whether there is alfa and beta institutional convergence between countries in the world.

RESULTS: Preliminary results indicate that there is a process of institutional convergence between countries in the world. The speed of institutional convergence depends on the income per capita and does not keep up with the pace of economic convergence.

KEYWORDS: *economic institutions; political institutions; alfa convergence; beta convergence*

JEL: *E02; O47*

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Expectations vs. reality: are Polish gig workers doomed to experience this discrepancy?

MAGDALENA TUSIŃSKA

University of Economics in Katowice
magdalena.tusinska@ue.katowice.pl
https://orcid.org/0000-0001-9646-9628

ABSTRACT

MOTIVATION: Nowadays in economic literature the increasing popularity of the concept of gig economy can be observed. Nevertheless, this growth is not accompanied by a sufficient amount of empirical research into this new phenomenon, especially referring to the Polish labour market. Therefore, such studies on this issue are fundamental.

AIM: The main goal of the article is to compare the expectations of individuals (living in Poland) with the reality they found while working as gig workers. An attempt is also made to answer the question of what are the motivations of those providing services (offline and online) coordinated by platforms.

RESULTS: Based on the analysis of the current world literature and using the method of the diagnostic survey, it is verified which advantages of platform work were crucial to gig workers in Poland and what circumstances meant that their expectations were not met.

KEYWORDS: *gig economy; work platform*

JEL: *J28; J49; R23*

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Institutional perspective of academic governance

PIOTR URBANEK

University of Lodz
piotr.urbanek@uni.lodz.pl
https://orcid.org/0000-0002-4480-5375

ABSTRACT

MOTIVATION: Managerial reforms in higher education sectors (HES) are changing the system's backbone by which universities are managed and controlled. This raises a key question about the impact of these changes on the stability and effectiveness of the reformed system. Referring to the neo-institutional research perspective, it can be stated that the success of reforms depends on reaching a new institutional equilibrium. This perspective requires defining academic governance as an integrated set of formal and informal institutions that together define the institutional logic that determines the decision-making and management systems of universities, the rules for the allocation of power and authority within universities, the relations between the autonomy of universities and the influence of the state on the shaping of science and education policy, as well as interactions between universities and the external environment. Such an approach was applied to evaluate the implications of reforms for selected HE national systems.

AIM: The paper aims to develop a model of academic governance, which can be used to evaluate the efficiency of national HES from an institutional perspective.

RESULTS: The empirical section of the paper presents a comparative analysis of four national higher education systems (Finland, the Netherland, Australia, and Poland). The study gives rise to the following conclusion. The success (or failure) of national HE systems is determined by the ability to achieve institutional complementarity and coherence. It means that informal institutions composed of traditional academic values should not block new institutional solutions introduced by the state but should strengthen the rules and patterns of behavior imposed by formal norms, giving them academic credibility.

KEYWORDS: *academic governance; institutions; higher education sector reforms*
JEL: *D02; G30; I20; I21; I23*

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Motivation for remote working in the face of organizational and cost considerations

AGNIESZKA ZIOMEK

Poznań University of Economics and Business
agnieszka.ziomek@ue.poznan.pl
https://orcid.org/0000-0001-7052-5855

ABSTRACT

MOTIVATION: Working conditions changed significantly when remote working became widespread in many countries. These changes were triggered by the Pandemic, which resulted in reduced opportunities for face-to-face communication, as well as control and integration of employees. It also created new categories of costs in part incurred by employees, such as installation of better Internet connection, purchase of new hardware and software, implementation of better security of data transfer. These changes have resulted in employee motivation changes against the background of organizational and cost factors.

AIM: Determination of employee motivation factors, which result from organizational and cost factors in remote work, through the analysis performed by means of chi-square coefficient and logistic regression equations, based on a survey (450 people), performed in Poland, Czech Republic and Hungary in 2021.

RESULTS: Motivation in remote work is influenced by both efficient communication and technical assistance provided to the employee remotely. Motivation resulting from self-organization of working time is also important, and is based on the decision to choose the duration of work, hours and intensity of work. Organizational factors are more related to motivation than those resulting from costs. Directly from the survey, it can be seen that among the respondents, only 26.8% incurred more costs for doing remote work during the COVID-19. The respondents also confirmed their willingness to work remotely at their current earnings, but preferred hybrid solution in the future.

KEYWORDS: *motivation; remote working; costs*
JEL: *J31; J53; J83*

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Faculty of Economic Sciences and Management

POZNAŃ UNIVERSITY OF ECONOMICS AND BUSINESS

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