**The Role of Institutions in Transition Economics: a Deeper Look on the Relationship between Privatization and Economic Growth in Bosnia and Herzegovina**

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*Abstract: The field of Institutional Economics is about the theoretical and empirical findings that have a major role in today’s understanding of institutions. The relationship between the institutions and Economic growth is confirmed by the literature. This paper begins with the principles and explanations of the theoretical aspects of old and new institutional economics, and its role in transition economics like in Bosnia and Herzegovina. Descriptive statistic is analyzed according to the sets of variables. The author expects a positive relationship between Institutions and Economic Growth.*

*Keywords: institutional economic, economic growth, new economy, new institutions, privatization, transition economics, Bosnia and Herzegovina.*