

Russian Presidential Academy of National Economy and Public Administration
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**ECONOMIC DETERMINANTS OF THE
RULE-MAKING ACTIVITY IN RUSSIA**

Specialty 08.00.01 – Economic Theory

Abstract of the thesis for the degree of Candidate of Economic Sciences

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Relevance of the research. Federal bodies of state power in Russia develop and adopt thousands of new regulatory acts annually (including decrees of the President of Russia, orders and resolutions of the Government of Russia, federal laws, orders of federal executive bodies). The question of the economic consequences of given rule-making dynamics is open and debatable. On the one hand, the institutional space becomes more stringent and necessary formalization of the regulatory system is achieved. On the other hand, studying regulatory documents, implementing economic rules established in them, as well as interaction with control and supervisory authorities produce costs for the regulated industries (addressees of regulation). According to international studies, unrestricted rule-making activity can lead to a decrease in average annual economic growth rate by about two percentage points¹.

At the beginning of 2019, the Russian Government launched an administrative reform aimed to reduce regulatory burden on the economy by streamlining and systematizing the Russian regulatory framework and abolishing redundant and outdated requirements, which was officially named the “regulatory guillotine”. Various theories of state regulation of the economy, including the theory of public interest, theories of private interest, synthetic theories, assume the existence of consistent patterns of regulatory dynamics. When managing the development of the state's regulatory framework, including solving the problems of "regulatory guillotine", it is advisable to take into account regulatory activity patterns of rule-making initiative subjects, industrial differentiation of regulatory dynamics, objective influence of economic and other factors.

A systematic study of rule-making dynamics patterns in Russia with the identification of rule-making activity economic factors at the level of industries has not yet been carried out, which determines the relevance of this study.

Object of the research. Regulatory acts of federal bodies of state power in Russia.

Subject of the research. Economic factors of the rule-making activity in Russia.

The purpose of the study is to identify the economic factors of rule-making activity in Russia. The purpose of the study determines the formulation of the following key research **objectives**:

¹ Dawson J., Seater J. Federal regulation and aggregate economic growth // Journal of Economic Growth. 2013. Vol. 18. No. 2. Pp. 137-177.

- specify the theoretical foundations of research of economic aspects of public authorities rule-making activity;
- propose an industry-specific form of the rule-making activity theoretical model;
- develop an algorithm for measuring and assessing rule-making activity based on the study of international experience and adapted for the purposes of analyzing the Russian regulatory framework;
- determine the patterns of rule-making activity in Russia at the general economic and sectoral levels;
- on the basis of the proposed variation of the theoretical model, reveal the economic factors of rule-making activity in Russia at the level of industries with the use of methods of economic and mathematical modeling.

The methodological base of the research includes general scientific methods of cognition, methods of statistical and linguistic analysis of regulatory documents, methods of economic and mathematical modeling. General scientific methods of cognition were used to systematize theoretical and empirical approaches to the study of the regulatory activity of government bodies and to identify patterns of rule-making activity in Russia. Methods of statistical and linguistic analysis were used to build the research database. Methods of economic and mathematical modeling were used to develop the author's variation of the rule-making activity theoretical model and assess its empirical specifications in order to identify economic factors of the rule-making activity at the level of industries.

The information base of the study consists of regulatory acts of state authorities of the Russian Federation (decrees of the President of the Russian Federation, federal laws, orders and resolutions of the Government of the Russian Federation, orders of federal executive bodies of the Russian Federation), official statistics of the Federal State Statistics Service, analytical materials of OECD, World Bank, Center for Strategic Research, scientific publications on the topic of research.

Scientific novelty. Following results constitute scientific novelty of the thesis research:

I. Economic factors of the rule-making activity, which correspond to the forecasts of *public interest* and *private interest* theories, and which allow to explain the degree of *detail* and *regulatory rigidity* of laws and regulations at the level of industries of economy, have been identified with the use of industry-specific form of the rule-making activity theoretical model. Economic factors identified include: scale of industry (volume of gross value added produced in industry), output per firm in industry (the amount of gross value added per firm in industry), level of state presence in industry, the factor of industry belonging to the public or private sector of the economy (see Section 1.2)².

II. Based on international experience research it has been developed an algorithm for measuring and assessing rule-making activity with the use of the methods of statistical and linguistic analysis of large corpuses of normative documents, adapted for the Russian normative base. A dictionary of industry lexemes (keywords and phrases) has been compiled, which can be used to classify Russian official documents by economic industries (see section 2.2). For the first time in Russian practice, linguistic metrics have been built to evaluate the level of regulatory framework rigidity at the level of economic industries (see section 2.4). On the basis of the proposed methodological approaches, an original database of rule-making activity in Russia in the period 1991-2020 was formed. (see sections 2.4.1-2.4.2, 3.1).

III. A number of rule-making activity regularities in Russia have been identified on the basis of constructed database:

- it has been found a close positive relationship between the *degree of detailing* and *regulatory rigidity* of the normative legal base (see section 2.2);
- it has been identified an accelerated detailing of regulatory framework in "transaction" sectors of economy (trade, financial intermediation), which constitute basic elements of market mechanism infrastructure (see section 2.4.1);

² On the basis of an empirical test of the proposed industry-specific form of the rule-making activity theoretical model (see Section 3.3), for the first time in Russian practice, it has been shown that the rule-making activity of state authorities will be higher in relation to the public sector industries, as well as to larger industries of the economy (development of the regulatory framework and prevention of economic disputes in larger industries leads to relatively greater savings in transaction costs), which correlates with the provisions of theories of *public interest*. In turn, the rule-making activity in relation to the private sector industries, as well as industries with higher output per firm, will be lower, which correlates with the provisions of the theory of *private interests*. The influence of the state presence in the industry on the rule-making activity is non-linear. With a high level of state presence, the rule-making activity in the industry may decrease due to displacement of the normative legal regulation mechanism by other management mechanisms, including direct state control of production assets.

– *path dependence* effect in rulemaking has been verified on the basis of a general set of federal regulations in contrast to previous works, where *path dependence* effect was examined on the basis of only federal laws (see section 2.4.3).

The theoretical and practical significance of the research. The approbation of methodology of statistical and linguistic analysis of regulatory acts of the top Russian public authorities has provided important theoretical and practical results.

The theoretical significance of the research is determined by identifying objective patterns and tendencies of rule-making activity in Russia, obtaining a periodization of the regulatory framework evolution stages in Russia, developing an authors' variation of the rule-making activity theoretical model and identifying on its basis the economic factors of rule-making activity at the level of industries of national economy in Russia.

The practical significance of the research is determined by the development of a database of rule-making activity in Russia, which according to international experience can be used as an information base for studying the influence of institutional environment parameters (such as the degree of detailing and level of regulatory framework rigidity) on various indicators of socio-economic dynamics. The constructed database can be used to provide information and analytical support for the "regulatory guillotine" reform. The empirical estimates of the rule-making activity theoretical model proposed in the work can be used to predict regulatory dynamics at the level of sectors of the Russian economy under various scenarios of privatization of state property, as well as other scenarios of structural changes in the Russian economy.

The structure and volume of the thesis. The structure of the thesis corresponds to the purpose and objectives of the research, consists of an introduction, three chapters, a conclusion, a list of abbreviations and notational conventions and a bibliography (148 sources listed in 10 pages). Volume of the thesis: 138 pages, 21 tables, 22 figures.

Publications. The main results of the thesis have been presented in 6 articles published in peer-reviewed scientific journals, including:

Articles in Scopus indexed journals:

Pavlov P.N. (2019). Economic Determinants of the Rule-Making Activity in Russia. *Public Administration Issues*, no. 2, pp. 39–70.

Pavlov P.N. (2020). Impact of regulatory framework rigidity on poverty in the regions of Russia. *Voprosy Ekonomiki*, no. 12, pp. 62-79.

Drobyshevsky S.M., Idrisov G.I., Kaukin A.S., Pavlov P.N., Sinelnikov-Murylev S.G. (2018). Decomposition of Russian GDP growth rates in 2007–2017 and forecast for 2018–2020. *Voprosy Ekonomiki*, no. 9, pp. 5-31.

Articles in journals of Higher Attestation Commission list:

Pavlov P. (2019). Economic and Political-Economic Factors of Regulatory Activity in Russia: Analysis in the Context of the Rule-Making Initiative Subjects. *Obshchestvennye nauki i sovremennost'*, no. 6, pp. 74–90.

Pavlov P.N. (2010). Method of Research for the Rule-making Activity of Public Authorities *Economic Sciences*, no. 7 (68), pp. 42-45.

Articles in other peer-reviewed scientific journals:

Drobyshevsky S., Idrisov G., Kaukin A., Pavlov P., Sinelnikov-Murylev S. (2018). Decomposition of growth rates for the Russian economy. *Russian Journal of Economics*, no. 4, pp. 305–327.



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