



---

<https://doi.org/10.15407/scine18.06.046>

SEREDA, V. (<https://orcid.org/0000-0001-7595-0260>)

Fil. Dr. Jan-U. Sandal Institute,  
31, Kløverveien St., Finstadjordet, Norway,  
+ 47 47 276 61, provost@janusandal.no

## FROM THE RULE OF LAW TO ECONOMIC EFFICIENCY AND INCREASING LEVEL OF LIVING: ECONOMIC AND LEGAL ANALYSIS (THE THEORETICAL ASPECT)

*The key to Ukraine's transformation lies in Ukraine itself.  
It is difficult for us to change external circumstances,  
but it is in our will to change ourselves  
(Andrii Sheptytsky) [1, 3].*

---

**Introduction.** Today, overcoming income inequality and poverty is the basis of sustainable development. Against the background of the actualization of innovations, the scientometric substantiation of the doctrinal role of the rule of law on the interdisciplinary basis of law and the economy of innovations as a rudder of equal access of actors to economic chances is an essential component of the economic and legal platform of effective economic dynamics.

**Problem Statement.** The vector of research is the identification of modern key factors influencing the rule of law on the economic levers of forming an economic and legal platform for effective economic dynamics and for reducing income inequality.

**Purpose.** Economic and legal analysis of the concept of the rule of law, substantiation of its driving force for effective economic dynamics and welfare growth.

**Material and Methods.** The basis of the research methodology is the anthropological axis of the research discourse. Analytical, historical and method of retrospective analysis of scientometric theoretical works, forecasting, economic and legal analysis, empirical method.

**Results.** A vector for the development of an interdisciplinary economic and legal concept of promoting the rule of law for the effectiveness of economic dynamics in the information economy with a view to improving welfare by activating the quality of human capital has been initiated.

**Conclusions.** Scientific and theoretical dynamics of the conceptual basis of the rule of law on a cross-sectoral basis of law and economics as a driver of equal access of actors to economic opportunities, innovation, entrepreneurship is an important component of effective economic and legal platform for the modern domestic development and the overcoming of inequality.

*Keywords:* dynamic economic efficiency, economic analysis of law, human capital, innovative entrepreneurship, overcoming of income inequality, law and digital economy, scientometric content of economic and legal institutions.

---

Citation: Sereda, V. From the Rule of Law to Economic Efficiency and Increasing Level of Living: Economic and Legal Analysis (the Theoretical Aspect). *Sci. innov.*, 18(6), 46–59. <https://doi.org/10.15407/scine18.06.046>

Starting with the deployment of the scientific and technological revolution, the main plane of which was the information (computer) revolution [2, 19], the new economy has been called the economy of knowledge and information. Scientists point out that such an economy is of great importance for economic development in all countries [3]. The potential of the “new economy” creates a qualitatively new way of life and greater economic opportunities. This is a tempting era of creating a successful life, but filled with great revolutionary changes in the world. Characteristic features of such times there is a society of excessive extremes and contradictions. Hidden in its unlit spaces troubled territory of inequality. There is a significant inequality in the world [4, 1–28]. Overcoming income inequality and poverty today is the first goal of sustainable development. Let’s take the following data for example: the two hundred richest people in the world more than doubled personal assets on the eve of 1999 in just four years. Their revenue showed 1 trillion dollars, almost \$5 billion each. In the first seven there are the most successful Americans. Their combined balance was then the combined annual income of the 2.5 billion poorest people in the world [5]. “While “three billion people subsist on less than \$2 a day, and 500 million subsist on less than \$1 a day. This is absolute poverty” [6]. Empirical data show that “the wealth of the nation and accelerated pace of economic dynamics promotes the rule of law” [7]. Hence the importance building an effective national economic policy and state-legal institutions on the basis of optimal interaction between economics and law. According to the President of the Academy of Legal Sciences of Ukraine, Academician Oleksandr Petryshyn, a significant contribution to this process on the way to creating an effective economic mechanism and forming a scientifically sound vector is a clear understanding and use of the interplay of state theory, law theory and economic theory [8, 26]. The rule of law is the measure of quality economic and other constitutional human rights. By virtue of this principle, legal norms

must be clear and non-discriminatory [9, 42–50]. We must look for legal sources for the positive effectiveness of economic dynamics from the standpoint of the rule of law in the legal plane. A significant contribution to the development of the general doctrine of the rule of law was made by well-known domestic scientists: V. Averyanov [10], S. Golovaty [11], M. Kozyubra [12, 6–18, 13, 3–10], O. Petryshyn [14, 324–325; 15], Yu. Shemshuchenko [16], as well as international researchers: T. Bingham [17], A. Dicey [18], J. Cremona [19], F. Hayek [20], W. Wilson [21] and other authors. The economic concept of development and efficiency of the economy, overcoming of income inequality was developed by prominent economists such as S. Kuznets [22, 21–28], A. Lewis [23], L. Melnik [24], T. Piketty [25], J.-U. Sandal [26, 210–215], J. Schumpeter [27], G. Soros [28], J. Stiglitz [29] and other authors. Many researchers emphasize the inviolability of the rule of law and human rights, but little attention is paid to aspects its influence on the efficiency of economic dynamics. The question of creating equal access to economic opportunities through the prism improving the efficiency of the economy on the legal basis of the rule of law also did not receive proper scientific development in research. The purpose of the study is an economic and legal analysis of the conceptual foundations of the rule of law and rationale for its driving force for efficiency design economic dynamics, the activation of the individual and the improvement of well-being. Achieving this goal involves: complex consideration of problems economic development and factors of its effectiveness through the interdisciplinary prism of the rule of law, innovation, creative entrepreneurship and creation of equal access to economic opportunities, as well as a qualitative transformation of the personality in the context of digitalization. The main components of the formula of economic dynamics and the positive transformation of human capital in the social class discourse of the development of democracy are shown.

The development of the theory of law and the theory of the state is inextricably linked with the

dynamics of economic theory. The conclusions of theoretical and economic, as well as legal dogma, serve as a hint for the optimal determination of the limits of state-legal intervention in economic relations. Interdisciplinary vectors of scientific knowledge at the turn of theoretical, legal and economic research have inspired new scientific drivers. Constitutional economics, economics of law (economic analysis of law), and other areas were born [8, 26]. We also see well how economic science closely interacts with jurisprudence. To study the economic efficiency of legal, regulatory and legal institutions, economic theory and directly economic and legal analysis are widely used as a key tool. From this position, the emphasis on the creation of new formats of economic efficiency, filled with ions of economic freedom of entrepreneurship and the rule of law, is a relevant scientific direction, since the established classical criteria for its assessment and constituent factors also need innovation and bringing to these new conditions of digitalization of economic dynamics. Undoubtedly, the first violin in the ensemble of developing the most important sources of creative vectors of economic dynamics and overcoming inequality is played by Independent Science. Concentration on an objective assessment of the scientific and theoretical orientation of the achievements of economists and jurists makes one reread and deeply comprehend the well-known works of J. Keynes [30], J. Schumpeter [31], F. Hayek [32], J. Bentham [33], W. Wilson [21] and other prominent theorists and practitioners that to accumulate and redirect their efforts towards the digital economy. Those need in order to combine their best ideas with the scientific results of modern academic authorities A. Petryshyn [14], Yu. Shemshuchenco [16], T. Piketty [25], J-U. Sandal [26]. That way as give out a synergy of positive efforts towards further improvement of regulatory and legal economic levers, search and development of a holistic strategic concept for increasing economic efficiency and introducing information and digital technologies and innovations into the economic potential. To fill them

with a new meaning of the current realities of digitalization, innovative activity and promotion of the rule of law in the economic sphere. It is in this vein that one should consider the role of law and directly its fundamental principle of the rule of law in an effective development economy. The development economy is the key to the effectiveness of the economic potential and the basis for the democratic transformation of modern society and the construction of a rule of law state in general. Understanding the true meaning and scientific development of the category of economic dynamics is of great importance not only for academic economists, but also arouses the interest of jurists, including inexhaustible interdisciplinary interest in this area. The relevance of academic research on the definition of economic development is also enhanced in the works of jurists due to the practical need for its scientific interpretation in UN policy documents, as well as directly for the practice of international cooperation in the protection of foreign investments based on the ICSID Convention [34]. The ongoing changes in scientific and technical coordinates, the emergence and introduction of new scientific developments and innovations in production processes inevitably entail socio-economic transformations in the balance and forms of productive forces. Such historical parallels radiate the need for deep theoretical understanding and rethinking of stagnant doctrines and concepts of the industrial economy era, sending impetus to the promotion and actualization of positive science of philosophy, economics, jurisprudence and other scientific horizons, including their interaction in the information sphere. The concept of economic efficiency and economic dynamics for improving the living standards of citizens, their active motivation, social transformation and inclusion in the economic potential of innovative entrepreneurship based on the rule of law in the homeland and the steady development of democracy and justice is no exception. In our opinion, these factors are crucial for the promotion of democratic transformations in the domestic economy and the solu-

tion of the problem of overcoming income inequality and poverty due to its legal orientation towards the creation of equal opportunities and the establishment of justice. In addition, the rule of law, as a universal embodiment of the principles of justice and equality before the law, under certain conditions serves as a reliable legal basis for economic efficiency, development and implementation of optimal public policies to reduce inequality. At the same time, one should take into account the multifaceted nature of the links that arise when considering this problem, which is in an interdisciplinary field at the intersection of economics and law, complemented by psychology, sociology and many others. The search for a solution to the answer for the most part lies in this area, taking into account the legal and economic components, including aspects of psychology because psychological factors inevitably come into play, where there is human activity. Apparently, it is necessary to face the truth and state that the measures taken by governments, as well as research and development efforts and solutions, are not effective enough.

New science-based approaches and innovative economic and legal formulas are needed to develop optimal solutions for the current conditions of rapid global transformation and digitalization. The above-mentioned circumstance emphasizes the urgency of the adopted research task of developing approaches to creating an innovative-economic and legal formula of the efficiency of economic dynamics behind to promote of the rule of law as a new way is closely linked to economic development. This connection, in Simon Kuznets opinion, is expressed in the form of a U-shaped curve and is to reduce inequality with increasing efficiency of economic dynamics [22, 21–28]. In this regard, it is important to pay attention to the work of Thomas Picketti [25, 96] who applied historical and statistical approaches, traced changes in inequality in several developed countries over a relatively longer period than Kuznets, and concluded that the second important aspect of growing inequality is a huge increase in wealth

and influences of rich individuals. He believes that they can focus their resources on the illegal change of political and economic institutions in their favor. This ultimately poses a serious threat to democratic foundations. Some others support the same hypothesis authors [35, 7–28]. On this parcel, the researcher is faced with the task of finding and suggesting possible ways to overcome income inequality, preserve, and develop democratic transformations on the other hand, to present ideas for development and discussion of this issue through the prism of the now digital economy. First, it should be emphasized that, despite some differences of opinion, overcoming inequality by most authors is primarily related to the effectiveness of economic dynamics. That is, in other words, increasing the efficiency of economic potential and creating sustainable positive economic dynamics and is one of the possible and important ways to solve this problem. It is no coincidence that we call the economics of development effective, because we invest in this concept of scientometrics developments and conclusions of Joseph Schumpeter, stemming from his famous work *Theory of Economic Development*. It is he who is given the upper hand in understanding the terminological difference between the seemingly well-known economic categories of economic growth and development economics. J. Schumpeter uncompromisingly identified the innovative energy of entrepreneurship as the leading potential for stimulating effective economic dynamics, provided that the economy is not static, structurally immobilized and not subject to corruption [27, 47]. The economic dynamics (development) that interests us in Schumpeter's understanding is nothing but the emergence of something new, previously unknown to man. Examples include a printing press and a steam engine, a train and a car. Schumpeter attaches a completely different distinctive terminological meaning to economic growth, highlighting it as a characteristic indicator of the increase in the production of certain goods and services in the time period. Moreover, this difference can be seen in his simple example

in the form of conditionally building a whole caravan of horse-drawn carriages to create the effect of a train. In other words, the main distinguishing indicator of economic dynamics is the emergence of innovation. Correct terminological clarification of the category of economic dynamics is one of the system-forming components of the construction of economic education, and taking into account the position of economics and law, it should include legal component. As the analysis of legal developments on this topic shows, only some jurists pay attention to this aspect, which negatively affects the depth and results of research. Insufficient cooperation between jurists and economists in the development of the issues of efficiency of economic dynamics, rule of law, income inequality and capital strengthening of some oligarchic groups against this background, did not allow developing effective concepts and strategies for practical implementation. We consider the goal of filling in some of these gaps to give new impetus to the idea and to contribute to the debate on law and development from the standpoint of the rule of law's contribution to the efficiency of economic dynamics to the democracy growth and fighting an inequality. The main rhetoric of the current understanding of efficient economic dynamics on the basis of the rule of law is briefly expressed in the fact that it exists only when economic actors are firm know that the income from their investment of resources in the economy and their own efforts will not be subject to expropriation by high-ranking figures (masters) of politics. That is, wealth creation and positive economic dynamics are largely predetermined by some political component [36, 7]. Institutions that permit and promote the inclusion of broad masses of individuals in economic activity, while creating "... a level playing field that gives them the potential to do so", are certainly those that promote development [37, 74, 76]. A level playing field for entrepreneurial initiative and the "impartiality" of the government to business as the main attributes of a constitutional economy and the rule of law based on free

competition is an important activator for the inclusion of more actors in economic activity and development platform. We are talking about such competition, the basis for which is the market demand for entrepreneurial products and services, and not the paradigm of political preferences or corrupt fees and bribes [36, 9]. Recent empirical developments by scientists in the European region provide credible evidence that open-minded and corruption-free governments create a successful platform for entrepreneurship in the powers. On average, a much larger number of small and medium-sized producers are recorded in those powers where the population sees governments as impartial and not subject to corruption schemes [38]. The presence of injustice in the economic sphere of social relations can cause not only indignation, but also lead to mass strikes of workers, as well as speeches by entrepreneurs, a stop in the production cycle and even an uprising. All these negative factors undermine social stability and the unity of the society, do not contribute to the improvement of economic indicators, and even hinder the development of the country's economy. The rule of law is directly related to the role characteristic of law in general, including the sphere of economic relations. The reign of the rule of law in the work of all state institutions, government officials, organizations and entrepreneurs without exception is a reliable legal basis for the modern development of a fair democratic society and an effective constitutional economy [39, 205–234]. The rule of law permeates the entire spectrum of social relations with its restrictive force of justice and legitimate expectations and, first of all, restrains the bureaucratic system from arbitrariness and corruption. At the same time, we can single out economic relations in a separate plane of projection of this supreme principle only conditionally relatively, abstracting from other areas of public relations of its constitutional and legal impact for scientific purposes, in order to concentrate research efforts on the subject of this development. The rule of law exudes the laconism of healthy and fair principles



and sends drivers of effective economic dynamics on the foundation of economic freedom of activity, entrepreneurial initiative and innovation by building equal conditions for the functioning of all economic actors. By virtue of the established tradition, both in economic and legal dogmatism, the prevailing scientific and theoretical concept of the relationship between the rule of law and the efficiency of economic dynamics embraces the institution of property rights as well as institutions for their provision as its axis. These are the independence and impartiality of the judiciary, inspection inspections and others. In this vein, special attention should be paid to the role of the government in the legal regulation of economic activity and the promotion of economic policy based on the principles of the rule of law, the impact of its leverage on the efficiency of economic dynamics, as well as the overcoming of existing inequalities. The question is what should governments do and how can they promote the potential for economic efficiency? What is the optimal form of state-legal intervention in the economy and what are the respective areas of its responsibility in the digital economy [40, 62–71]? What decisions and actions of the government can be illegitimate or even pose some threat to business and entrepreneurs? These questions are far from new. Their sound is even more amplified in a period of economic instability and the impoverishment of the masses. A lot of effort and work has been spent on answering these questions, maybe even more than on any other development problem. This topic is also constantly heard in the discussions, and operates in the documents of the World Bank. Scientific publications highlight the Hypothesis that the main threat to entrepreneurship and development does not come from the government but from political agents. Because governments regulate economic activity, but politicians lead and direct them [41, 227–252; 42, 5–26; 43]. Often, in the absence of checks, political elites will use their power to advance “morally dangerous interests with disastrous results for business”. “The more likely that the sovereign

will change property rights in his favor the less effective the return on investment and, in turn, the less incentive to invest” [44, 803]. Woodrow Wilson makes important arguments. Exploring the nature of government he set a clear twofold task. He considered it necessary to find out, firstly, that “... the government is able to do the right thing and successfully, and, secondly, how it is able to do these right things with the greatest possible efficiency and with the least possible expenditure of money or energy”. He believed that “... the main field of disagreement against this background was that large field of theory, where the oligarchy would erect strongholds of benefits for itself, and tyranny would look for potentials to justify its claims to subjugate all competitors ... and the idea of the state is the conscience of the administration” [21, 3]. In this discourse, the priority is a certain “containment” of the government and its bureaucracy, the so-called “predation” of which in some cases is the main obstacle to the effectiveness of economic dynamics. This leads to the conclusion that this factor is of decisive importance precisely through the projection of the rule of law principle to create economically significant results [45, 673–685]. If the principle of the rule of law works, then its strength projects real impartiality and neutrality of competition to all actors of the economic potential, on the part of both the government and the state-legal regulator and antimonopoly authorities. The efficiency of competitive markets when they operate has a strong theoretical basis and a growing body of empirical evidence has been accumulating of such efficiency recently [46; 47]. Pricing, market competition, and free trade are to economists like mother’s breast milk is to a newborn baby. Everyone recognizes these factors, but one “invisible hand of the market” is more valuable than others, and “the magic of the market” at certain times and in some places looks more obvious than in others. Thus, in the path of developing a free enterprise economy, innovation and innovation in the context of digitalization, effective public and legal policy is simply to “get out of the way”. The

free economy of private enterprise behaves well and corrects itself. No matter what he does, no matter how he behaves, everything is probably for the best. The government is often part of the problem because it is often simply incompetent; it is often driven by false ideas about the world, often it is driven by some ulterior motive. However, there is no general theoretical truth that can point you in the right direction. Numerous country case studies show that the actual public-legal role of governments is changing as their own and the private sector's capacities develop. As Sir Arthur Lewis, the great development economist, so aptly put it, "Governments can fail either because they do too little or because they do too much." [23, 149]. In general, a retrospective analysis of the factors that contribute to economic development highlights the importance of applying proven tools for the modern digital economy. Namely, first of all, it is necessary to ensure a stable growth in the level of investment by creating a high credibility and a favorable investment climate, as well as an optimal level of legal regulation for foreign and domestic investors in order to be able to direct a large investment resource into industry. Therefore, Efficient Economic Dynamics also results when governments "incentivize the inclusion of large masses of individuals in the economic potential that makes the best use of their talents and skills", giving them a field of activity with "a level playing field that makes them likely to do so" [37, 74, 76]. A striking example of the rapid growth of the economy and the creation of positive effective economic dynamics based on the establishment of the rule of law in the state and in the field of economic relations, the development of free enterprise, healthy competition and the widespread attraction of foreign capital to the economy is a successful country – Ireland. Since the mid-1980s, the Irish Parliament and government have significantly reduced the role of the state in the economy and changed the institutional environment in which entrepreneurs operate. The government has committed itself not to inflate or create a large budget deficit.

Along with this, after the launch of the initial reforms, tax rates continued to decline. The positive result of the measures taken was confirmed over time, showing effective economic dynamics and a significant increase in the standard of living of citizens [48]. The rational grain in this regard contains, proposed by Dr. Jan-Urban Sandal [26] new system of social classes in the modern world. Which absorbed the best ideas of Max Weber, Joseph Schumpeter and other researchers. His vision is that the basis of all positive modern social changes is the widespread promotion of entrepreneurship, giving preference to the social entrepreneur. Only a true entrepreneur can innovate and implement innovations that produce "creative destruction" of the old way of life and create a positive impetus for the development of the economy and society as a whole [26, 212]. If we look at the problem of income inequality through the prism of the new system of social classes put forward by him, then based on the interaction of economic, legal, cultural and other social instruments, some recommendations can be developed for the gradual solution of this problem. First of all, we must briefly recall the basic essence of this new system of social classes. It is the change in social behavior at the present stage, as well as the emergence of a larger number of social entrepreneurs-transformers in the business environment, that makes us take a fresh look at the class nature of society. Including from the standpoint of a positive impact on the elimination of income inequality, as well as other areas of human capabilities. According to Jan-Urban Sandal, three distinct social classes can be distinguished for scientific purposes in today's world community: the hungry class, the desperate class, and the elite class. The author takes the production function and the relations of individuals with earnings and profits. Each socio-economic paradigm includes its own social category, reflecting the relatively strict characteristics of its constituent individuals. This scientific method is partly based on the purposeful, motivated development of social techno. One of the main tools for determining class gradation on

this platform is innovation. It is necessary to distinguish between those who drive innovation and those who benefit from it. The introduction of innovation benefits both the hungry and the desperate classes. The elite class and its contingent are the engine of innovation as an accumulator of the economic efficiency of the digital economy. They drive product development and development through innovation [26, 214].

The category of people – entrepreneurs – stands out in this process. These people are powerful people. As a rule, they act independently, without uniting in groups of people. They do not imitate each other and do not set common goals. They also do not form social groups such as landlords, workers or capitalists. They only position themselves alone. Their characteristic feature is that they are not a product of political activity and do not depend on it. They have no privileges and political influence. They are neither appointed nor elected. They only represent themselves. Schumpeter was not only an economist, but also a sociologist interested in the prospects for the development of capitalism. It should be recalled that according to Schumpeter, the driving force behind development is the entrepreneur and innovator. When we talk about entrepreneurs as drivers of development, we openly state that they do not belong to any particular social class [27]. Therefore, it is no coincidence that Schumpeter saw the basis for the existence of capitalism in a private enterprise system of the classical type, based on small and medium-sized property, as well as the triumph of economic freedom of activity. Since, as wealth accumulates, its institutionalization and the emergence of corporations, innovation activity becomes depersonalized, the culture and nature of thinking is changing [50]. Other authors also highlight economic freedom among the components of creating an efficient economy. Harper emphasizes that the more freedom entrepreneurs have, the more confident they are that everything depends on them. In addition, on this basis, they will work even more actively, see, find and use new opportunities for profit and

innovation. It is this increased energy that develops and elevates entrepreneurship to new heights [51, 241–275], effectively contributing to the efficiency of economic dynamics. In general, both positions of the above authors Holcombe [52, 45–62] and Harper [51, 241–275] theoretically confirm the hypothesis that through the triumph of economic freedom, an appropriate institutional environment is cultivated that promotes the development of entrepreneurship and innovation, which, under certain conditions, project effective economic dynamics. In turn, the development of innovative entrepreneurship is an important driving force for economic progress. Their arguments are also supported by empirical research on the relationship between economic freedom and growth. There are many academic papers that directly link growth and wealth with economic freedom [53, 652–662].

Recognition of the complexity of influencing investment through market incentives and conventional policy instruments has led to an increase in the importance attributed to total factor productivity. Therefore, the priority path of economic efficiency and development now has the so-called “spirituality” as its vector. After all, each person is a creator, because he creates something from various innate factors and possibilities [54, 28]. From this point of view, there is an ingrained view among researchers that total factor productivity is important over a long cycle, which grows as a result of technological progress, innovation and modernization of fixed capital through the improvement of human capital. Research findings not only confirm the non-linear effect of human capital in the presence of the Foreign Direct Investment (FDI) inflows, but also suggest that FDI inflows contribute to growth in middle-income countries [55, 329–346]. At the same time, different ways of implementing and legally supporting this task of qualitatively improving human capital are possible, which we can conditionally divide into passive and active. For example, in Ukraine, with the declaration of independence and the choice of a vector for the liberalization of



social relations, a certain optimization of the institution of social support took off. However, for a long period it was mostly paternalistic. The dichotomy of declaring freedom of labor and workload, along with the issuance by the state of many types of social assistance “regardless of the needs of beneficiaries”, on a targeted basis, in the absence of active mechanisms to facilitate the withdrawal of beneficiaries from critical circumstances through their own efforts, has created a certain social layer of passive individuals who expect public support without even trying to find a way out of poverty [56, 57–68]. Based on this, it is important to not only identify ways to overcome or eliminate income inequality and overcome poverty. Today it is extremely important to find an opportunity and legal ways to force or, more correctly, to interest each person in changing their financial situation and personal well-being in general for the better. This message is considered as inequalities in the digital economy, taking into account the wide opportunities that are opening up in the information sphere. First, it is necessary to establish the principle of the rule of law in the state mechanism and directly in the economy, which acts as a legal foundation for the effectiveness of economic dynamics. The direction of the state-legal regulation of the economy to the protection of property rights, the elimination of large monopolies and corruption, the promotion of free competition based on market demands for the product of the entrepreneur’s activity and its service, and the creation of equal access to economic resources and opportunities are the components of the economic and legal platform for success economic reforms aiming at increasing national welfare and overcoming poverty. In parallel, on this legal basis, there is a gradual creation and development of the potential for economic efficiency through the promotion of entrepreneurial initiative and activity, the search for and implementation of innovations in production and the provision of services, combined with Schumpeter’s “creative destruction” of outdated institutions and industrial relations,

as well as attracting the necessary volume foreign investment and state-legal policy of active inclusion of the individual in the economic mechanism. Through this lens, the true sources of well-being and improvement in the standard of living of the individual are seen by many on the basis of the promotion of free enterprise and the training of its skills, proper professional training, the ability to apply the latest achievements of science and technology and in conditions of freedom of economic activity and the rule of law. In addition, this is absolutely fair. Constant criticism and attacks on the judiciary, universities and the media are actually undermining the very institutions that have long been the basis of the economic strength of many states and their democracies. Despite the fact that many feel helpless today, in reality, this is not the case. In order to promote successful reforms in the economy and improve efficiency, everyone should start from themselves. Although this is the most difficult task for each individual and the most difficult decision, but changing oneself to achieve success and sufficient motivation bring positive results for the whole society. Decisions in the economic sphere are, for the most part, fairly clear and understandable. To do this, it is necessary, as a matter of course, to use the advantages of markets in conditions of free competition, taking control of their surplus, making sure that markets work for the citizens of their country, and not vice versa [57]. In other words, the essence of changing the plight of the social class as a whole and of each sane person individually, as well as overcoming income inequality, beggary and poverty, is to develop the individual ability of the individual to transform to a higher level of social gradation [26, 210]. As practice shows, such an ability can manifest itself in a person by itself in a very small number of cases. Only a few people are able to rise to a higher rung of the social hierarchy. The rest of the hungry class will continue to need social support from the state. This transformation of the individual can be facilitated by an appropriate government policy to protect the rights to economic freedom of activity

based on the rule of law. Policies providing extensive training for the new look changes, primarily through their own efforts and the manifestation of personal activity in this direction. Returning to the class characteristics of modern society, it should be said that the hungry class is at the very bottom of the class hierarchy. Moreover, people of this class do not eat up and starve. They spend almost all of their energy and resources in search of food and livelihood, leaving no energy in search of an opportunity to rise to the level of a more well-to-do class. It is very difficult for them to change their current situation on their own [26, 212]. Therefore, it is no coincidence that many believe that the social and legal policy of the state should primarily be aiming at supporting this particular starving class. It is noteworthy that the social investment platform as an active way to improve human capital was recently launched by the European Commission (SIP) [58, 181–204] pursuing the goal of reducing social spending in the future, the project aims to enhance investment in social sphere. This financial resource is focused on improving the human capital and personal potential of individuals, promoting their active involvement in the life of society and the labor market. The main drivers of such investments are the inclusion of “active attraction” programs, the forcing of social support algorithms, lifelong investment, etc. [56, 59]. The ultimate goal of all this activity is to create a positive momentum and desire to help the hungry class overcome existing inequalities and provide a positive incentive for active change. First of all, due to personal efforts. We must give the poor and starving not a fish but a fishing rod, and teach them how to fish on their own. Such a conditional fishing rod today is a tool of entrepreneurship. It was the widespread promotion and training of entrepreneurial skills in the 30s of the last century in the United States that helped Americans get out of their global depression. It is clear that we will not be able immediately to achieve a huge positive result in this activity. There must be such a long and purposeful work. Nevertheless, if we

motivate and train at least 1% or more of the hungry class in this way, we can expect a gradual increase in their number. Of course, there must be all legal grounds for this. Close attention should also be paid to the promotion of national culture to educate highly moral people who are able to benefit society and become active innovators in economic development and the formation of a democratic society. After all, even the most convenient geographical location and the most perfect laws cannot guarantee the positive legal force of the Basic Law (Constitution) and its strict observance in society, contrary to the prevailing morality in society. Moreover, thanks to the established high social morality, even the most unfavorable geographical position and the worst laws can be profited. It is morality that reflects the fundamental role in the development of a high level of legal consciousness [59]. The scope of this study is outlined only by some aspects of the problems of economic and legal regulation and promotion of the improvement of human capital as one of the important sources of increasing the efficiency of economic dynamics in the constitutional economy. During the consideration of which the issues of economic freedom and its legal foundations and guarantees for promoting entrepreneurial initiative and innovative transformations of the entire format of social legal relations in the context of the digital revolution are partially touched. This multidisciplinary plane of research topics in the legal and economic spheres of the digital age is a priority for the scientific search for economic efficiency on the platform of the rule of law, freedom of economic activity, creative entrepreneurship and innovation. Such current guidelines of independent science in the further research and development of problematic issues of the category of economic freedom, in close relationship with the rule of law and justice. Consequently, the goal of this work, set at the beginning of the study, has been achieved, and the task has been fully implemented.

The scientific and theoretical development of the doctrine of the rule of law on the intersectoral

foundation of law and innovative economics as a key driver for creating equal access for all actors to economic opportunities and natural resources in modern conditions is one of the important components of the economic and legal platform for positive effective economic dynamics and for the overcoming of inequality in the sphere of economic relations. The most important part of the economic potential of today is the innovative digital economy as an increasingly important springboard for projecting the effectiveness of economic growth and positive innovative economic dynamics. The digitalization of the economy significantly modifies the established economic and legal institutions and their scientometric content, socio-economic and economic-legal relations, gradually giving rise to an individual of a higher order, characteristic of the new digital space. Legal and economic incentives by the government to include the broad masses of individuals in the economic potential in the format of equal rules of activity for all with the best use of their talents and abilities is a key component of the formula for creating a stream of effective economic dynamics. Institutions are able to feed the mechanism of positive economic dynamics by promoting the active inclusion of the broad masses of individuals in the national economic mechanism on an equal basis of activity of all economic actors and firm rules of the game for entrepreneurial initiative and innovation promotion. Qualitative improvement of the human capital of the digital economy, raising the level of the general and legal culture of the individual, along with motivation

and professional training for the active involvement of everyone in economic activity, encouraging entrepreneurial initiative and developing innovations, are the components of economic success and increase in national welfare. One of the promising areas of state-legal and social policy is the creation of conditions for enhancing investment in the social sphere through the creation of an effective social investment platform aiming at improving human capital and personal potential individuals, promoting their active involvement in the life of society and the labor market. Modern legal science develops in close interaction with economics and the violin of primacy in the orchestra of its methodology quite rightly gives the anthropological orientation of research discourse. The priority interdisciplinary areas of subsequent scientific research in the field of law and economics in the context of the digitalization economy are the vector for the further development and creation of new formats of economic efficiency on the platform of the rule of law and freedom of economic activity. From this angle of scientific view, further consideration and development of the category of economic freedom and its relationship with the rule of law should be carried out.

*Research funding.* V. Sereda (PhD) holds a four years affiliated Honorary Research Fellow scholarship at Fil. Dr. JanU. Sandal Institute.

*Acknowledgment.* The author expresses his sincere gratitude to Professor Dr. JanUrban Sandal for his help and scientific guidance in writing the article.

## REFERENCES

1. Sheptytsky, A. (2014). *How to build a home?* Ivano-Frankivsk: Discourses, 3.
2. Melnikov, A. G., Semenyuk, E. (2014). The information revolution and the modern printing industry. *Scientific and Technical Information Processing*, 41(1), 19.
3. Baker, D., Jayadev, A., Stiglitz, J. Innovation, intellectual property, and development: A better set of approaches for the 21<sup>st</sup> century. URL: <http://cepr.net/images/stories/reports/baker-jayadev-stiglitz-innovation-ip-development2017-07.pdf>. (Last accessed: 23.04.2022).
4. Chen, S., Ravallion, M. (2013). More relatively-poor people in a less absolutely-poor world. *Review of Income and Wealth*, 59(1), 1–28.
5. Gates, J. (2000). *Democracy at Risk: Rescuing Main Street from Wall Street*. Cambridge: erseus Publishing.

6. The World Bank Institute. (2000). "The Global Divide in Health, Education and Technology". Special Report. Washington: World Bank Institute.
7. Posner, R. A. (1998). Creating a Legal Framework for Economic Development. 13 *The World Bank Research Observer* 1 at 3.
8. Petrishin, O. V. (2015). *Theory of State and Law*. Kharkiv: Pravo.
9. Shutak, I. D., Onyshchuk, I. I. (2021). Comprehensive approach to perception of lawin context of doctrinal views. *Journal of the National Academy of Legal Sciences of Ukraine*, 28(4), 42–50. [https://doi.org/10.37635/jnalsu.28\(4\).2021.42-50](https://doi.org/10.37635/jnalsu.28(4).2021.42-50)
10. Averyanov, V. B. (2008). *The principle of the rule of law: problems of theory and practice*: monograph: in 2 books. Kiev: NAS of Ukraine, Institute of State and Law.
11. Holovaty, S. (2006). *The rule of law*: monograph: In 3 books. Kyiv: Phoenix Publishing House.
12. Koziubra, M. I. (2010). Rule of Law: Ukrainian Realities and Prospects. *Law of Ukraine*, 3, 6–18.
13. Kozyubra, M. I. (2010, December). Conceptual foundations of the rule of law: history, theory, practice. *Paper presented at the international scientific-practical conference "Rule of law: history, theory, practice", (22 December 2010, Kyiv)*. Kyiv, 3–10.
14. Petryshyn, O. V. (2010). Rule of law in the system of legal regulation of public relations. *Law of Ukraine*, 3, 24–35.
15. Tsvik, M. V., Petryshyn, O. V. (2009). *General theory of state and law*. Kharkiv: Pravo.
16. Shemshuchenko, Yu. S. (2008). *Principle of the rule of law in the activities of the state and inadiministrative law*. National Academy of Sciences of Ukraine, Institute of State and Law. V. M. Koretsky. Kyiv: Conus-Yu.
17. Bingham, T. (2010). *The Rule of Law*. Allen Lane: Penguin Press.
18. Dicey, A., Loucaides, L. (1979/1885). *Introduction to the Study of the Law of the Constitution*. London: Palgrave Macmillan UK.
19. Cremona, J. (1999). The Rule of Law as a Fundamental Principle of the European Convention of Human Rights. *A Council for all Seasons: 50 Anniversary of the Council of Europe*. Valetta: Ministry of Foreign Affairs (Malta).
20. Hayek, F. A. (1960). *The Constitution of Liberty*. Chicago: The University of Chicago Press.
21. Wilson, W. (1887). The Study of Administration. *Political Science Quarterly*, 2(2), 197–222.
22. Kuznets, S. (1955). Economic growth and income inequality. *American Economic Review*, 45(1), 1–28.
23. Lewis, A. (1955). *The Theory of Economic Growth*. London: George Allen & Unwin.
24. Melnyk, L. (2016). The fourth industrial revolution: Preconditions and contents. *Actual problems of economics*, 9(183), 26–30.
25. Piketty, T. (2014). *Capital in the 21<sup>st</sup> century*. Cambridge, MA: Harvard University Press.
26. Sandal, J-U. (2016). The New Social Class System. Role of Higher Education Institutions in Society: Challenges, Tendencies and Perspectives. *ALYTUS COLLEGE*, 1(5), 210–215.
27. Schumpeter, J. (1934). *Theory of Economic Development*. New Brunswick: Transaction Publishers.
28. Soros, G. (1998). *The Crisis of Global Capitalism: Open Society Endangered*. New York: Little, Brown and Company.
29. Stiglitz, J. (2000). "Introduction". In *The World Bank: Structure and Policies*, ed. Christopher L. Gilbert and David Vines, 1–9. Cambridge, U.K.: Cambridge University Press.
30. Keynes, J. M. (1936). *The General Theory of Employment*. London.
31. Schumpeter, J. A. (1952). *Ten Great Economists: From Marx to Keynes*. London: Allen & Unwin.
32. Hayek, F. A. (1972 /1944). *The Road to Serfdom*. Chicago: University of Chicago Press.
33. Bentham, J. (1781/2000). *An Introduction to the Principles of Morals and Legislation*. Kitchener: Batoche Books.
34. Convention on the Settlement of Investment Disputes between States and Citizens of Other States International Center for the Settlement of Investment Disputes. Washington. (1965, March). URL: <https://icsid.worldbank.org/sites/default/files/ICSID%20Convention%20English.pdf> (Last accessed: 23.04.2022).
35. Saez, E. (2017). Income and Wealth Inequality: Evidence and Policy Implications. *Contemporary Economic Policy*, 35(1), 7–28.
36. Nistotskaya, M., Cingolani, L. V. (2014). Bureaucratic Structure, Regulatory Quality and Entrepreneurship in a Comparative Perspective. Cross-Sectional and Panel Data Evidence Qo G. *Journal of Public Administration Research and Theory*, 26(3), 79.
37. Acemoglu, D., Robinson, J. (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Business.
38. Nistotskaya, M., Charron, N., Lapuente, V. (2015). The wealth of regions: quality of government and SMEs in 172 European regions. *Environment and Planning C: Government and Policy*, 33(5), 1125–1155. <https://doi.org/10.1177/0263774X15610058>.

39. Haggard, S., MacIntyre, A., Tiede, L. (2008). The rule of law and economic development. *A short review of political sciences*, 11(1), 205–234.
40. Sereda, V. A. (2021). The Role of Law in Promoting the Efficiency of the Modern Economy (Theoretical approach). *Sci. innov.*, 17, 62–71.
41. Knott, J., Miller, G. (2006). Social welfare, corruption and credibility: Public management's role in economic development. *Public Management Review*, 8, 227–252.
42. Miller, G., Hammond, T. (1994). Why politics is more fundamental than economics: Incentive-compatible mechanisms are not credible. *Journal of Theoretical Politics*, 6, 5–26.
43. North, D. (1981). *Structure and change in economic history*. New York: Norton & Co.
44. North, D., Weingast, B. (1989). Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England. *The Journal of Economic History*, 49(04), 803.
45. Haggard, S., Tiede, L. B. (2011). The rule of law is that economic growth: de mi? *Luminous development*, 39(5), 673–685.
46. European Commission. (2002). Competition policy in Europe: the competition rules for supply and distribution agreements. Directorate-General for Competition: Publications Office.
47. European Commission. (2013). The competition rules for supply and distribution agreements: competition policy in Europe. Directorate-General for Competition: Publications Office.
48. Murphy, A. (2000). *The 'Celtic Tiger' – An Analysis of Ireland's Economic Growth Performance*. San Domenico (FI): Europ. Univ. Inst.
49. Brown, G. (2000). *Lecture by the Chancellor of the Exchequer to the Royal Economic Society*. London.
50. Schumpeter, J. A. (1942). *Capitalism, Socialism and Democracy*. London: Routledge.
51. Harper, D. (1998). Institutional Conditions for Entrepreneurship. *Advances in Austrian Economics*, 5, 241–275.
52. Holcombe, R. (1998). Entrepreneurship and Economic Growth. *Quarterly Journal of Austrian Economics*, 1(2), 45–62.
53. Scully, G. (1988). The Institutional Framework and Economic Development. *Journal of Political Economy*, 96, 652–662.
54. Adler, A. (1997). *Science to live*. Kiev: Port Royal.
55. Durlauf, S., Kourtellos, A., Tan, C. (2008). "Are Any Growth Theories Robust?" *Economic Journal*, 118(527), 329–346.
56. Libanova, E., Makarova, O., Sarioglu, V. (2020). The policy of activation as an investment inhuman capital: theory and practice. *Science innovation*, 16(5), 57–68. URL: <https://doi.org/10.15407/scin16.05.057>. (Last accessed: 23.04.2022).
57. Stiglitz, J. (2019, May). Public options are the key to restoring the middle-class life. URL: <https://www.ft.com/content/42915ad4-6cc3-11e9-9ff9-8c855179f1c4>. (Last accessed: 23.04.2022).
58. Bonoli, G. (2011). Active labour market policy and social investment: A changing relationship. Towards A Social Investment Welfare State? Ideas, Policies and Challenges. Bristol: Policy Press, 181–204.
59. Tokqueville, Alexis de. (2000). *Democracy in America*. Chicago: University of Chicago Press.

Received 29.04.2022

Revised 11.08.2022

Accepted 16.08.2022

V. Sereda (<https://orcid.org/0000-0001-7595-0260>)

Інститут Яна-Урбана Сандала,  
вул. Клевервейен, 31, Фінстадіордет, 1475, Норвегія,  
+ 47 47 276 611, provost@janusandal.no

#### ВІД ВЕРХОВЕНСТВА ПРАВА ДО ЕКОНОМІЧНОЇ ЕФЕКТИВНОСТІ ТА ПІДВИЩЕННЯ РІВНЯ ЖИТТЯ: ЕКОНОМІКО-ПРАВОВИЙ АНАЛІЗ (ТЕОРЕТИЧНИЙ АСПЕКТ)

«Ключ до перетворення України знаходиться в ній самій. Нам важко змінити зовнішні обставини,  
проте в нашій волі змінити себе».

Андрій Шептицький [1, 3].

**Вступ.** Подолання нерівності доходів та бідності на сьогодні є першоосновою сталого розвитку. На фоні актуалізації інновацій наукометричне обґрунтування доктринальної ролі верховенства права на міжгалузевій базі права та економіки інновацій як керма рівного доступу акторів до економічних шансів є суттєвою складовою економіко-правової платформи результативної економічної динаміки, підвищення якості людського капіталу та зменшення нерівності доходів.



**Проблематика.** Вектором дослідження є ідентифікація сучасних ключових чинників впливу верховенства права на економічні важелі формування економіко-правової платформи для результативної економічної динаміки та зменшення нерівності доходів.

**Мета.** Економіко-правовий аналіз концепції верховенства права, обґрунтування його рушійної сили для створення ефективної економічної динаміки й підвищення загального добробуту.

**Матеріали й методи.** Основою методології розробки є антропологічна спрямованість дослідницького дискурсу. Застосовано аналітичний, історичний метод, метод ретроспективного аналізу наукометричних теоретичних наробок, прогнозування, економіко-правовий аналіз, емпіричний метод.

**Результати.** Започатковано векторну розробку міждисциплінарної економіко-правової концепції просування верховенства права задля ефективності економічної динаміки в інформаційній економіці з фокусом на підвищення добробуту та врегулювання нерівності доходів шляхом покращення якості людського капіталу.

**Висновки.** Науково-теоретична динаміка концептуального базису верховенства права на міжгалузевому підґрунті права та економіки як драйвера рівного доступу акторів до економічних можливостей, інновацій, підприємницької активності є актуальною складовою ефективною економіко-правової платформи сучасного вітчизняного розвитку та подолання нерівності доходів та бідності у суспільстві.

*Ключові слова:* динамічна економічна ефективність, економічний аналіз права, людський капітал, інноваційне підприємництво, подолання нерівності доходів, право та цифрова економіка, наукометричний зміст економічних та правових інститутів.