

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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**ANALYSIS OF MOTIVATION FOR
DEREGULATION OF ENTREPRENEURIAL
ACTIVITY AS THE MAIN WAY TO REDUCE
ADMINISTRATIVE BARRIERS IN THE
ECONOMY**

**АНАЛІЗ МОТИВАЦІЇ ДЕРЕГУЛЮВАННЯ
ПІДПРИЄМНИЦЬКОЇ ДІЯЛЬНОСТІ ЯК
ОСНОВНОГО НАПРЯМКУ ЗНИЖЕННЯ
АДМІНІСТРАТИВНИХ БАР'ЄРІВ В
ЕКОНОМІЦІ**

Urgency of the research. The ultimate goal of state regulation of the economy is to achieve a compromise between efficiency and social justice. But in a modern market environment, such goal is unachievable, and therefore it is necessary to determine how to even partially complete this goal, which can be helped by deregulation.

Target setting. The authors set the hypothesis of this article as motivation for reducing the administrative barriers which consist of the justification and calculation of this matter among groups involved.

Actual scientific researches and issues analysis. The theoretical and methodological basis of the institutional and neoinstitutional concept of entrepreneurship were presented in the works of Coase R., North D., McGuire M., Olson M., Williamson O., Hodgson J. Among Ukrainian economists, institutional studies of the economic environment were carried out by Zaburanna L., Malik M., Shpykuliak O., and others.

Uninvestigated parts of general matters defining. Motivation to reduce administrative barriers for entrepreneurs requires additional reasoning for adequate methodological and applied institutional tools.

The research objective. The aim of this work is to use methods of game theory in order to analyze the motivation to deregulate entrepreneurial activities.

The statement of basic materials. The authors in this article considered two situations describing the creation and overcoming of the administrative barriers to enter the commodity market with the help of bribes from entrepreneurs to responsible officials. In the first situation interaction is performed between the official and the entrepreneur, in the second - between equal entrepreneurs for access to the administrative resource. Thus, as follows from the considered model, the situation of creating administrative barriers and receiving rent from their existence by officials due to the bribes (in the most spacious case) shows its stability under certain rules of the game, which in the economy corresponds to the institutional structure of a particular market or industry management.

Conclusions. The nature of the transaction costs arising as a result of the influence of administrative barriers on the economic activities of entrepreneurs was discussed in the article. As the result of theoretical conclusion and calculations based on the matrix play, the unproductiveness of the cost redistribution has been revealed which is exceeding the positive impact of the coordinating and restrictive functions of the administrative barriers.

Keywords: motivation; deregulation; entrepreneurial activity; administrative barriers; strategic interaction.

Актуальність теми дослідження. Кінцевою метою державного регулювання економіки є досягнення компромісу між ефективністю і соціальною справедливістю. Але в умовах сучасної ринкової економіки ця мета є недосяжною, внаслідок чого необхідно визначити способи здійснення адекватного досягнення хоча б частини цієї мети.

Постановка проблеми. Робоча гіпотеза полягає в обґрунтуванні і прорахунку мотивації зниження адміністративних бар'єрів у зацікавлених груп.

Аналіз останніх досліджень і публікацій. Теоретико-методологічні основи інституційної та неоінституційної концепції підприємництва представлені в роботах Коуза Р., Норта Д., Олсона М., Ходжсона Дж. Серед вітчизняних економістів інституційні дослідження економічного середовища здійснені Забуранною Л. В., Маліком М. Й., Шпикуняком О. Г. та ін.

Виділення недосліджених частин загальної проблеми. Мотивація зниження адміністративних бар'єрів у підприємств вимагає додаткового обґрунтування адекватного інституційного методичного та прикладного інструментарію.

Постановка завдання. Мета роботи полягає в тому, щоб на основі теорії ігор провести аналіз мотивації до дерегулювання підприємницької діяльності.

Викладення основного матеріалу. В роботі розглянуті дві ситуації, що описують створення і подолання адміністративного бар'єру входу на товарний ринок за допомогою хабарів. У першій здійснюється взаємодія між чиновником і підприємцем, у другій - між підприємцями за доступ до адміністративного ресурсу. Таким чином, як впливає з розглянутої моделі, ситуація створення адміністративних бар'єрів і отримання ренти від їх існування чиновниками за рахунок хабарів показує свою стійкість при дотриманні певних правил гри, що в економіці відповідає інституційній структурі того чи іншого ринку чи галузі господарювання.

Висновки. Описана природа транзакційних витрат, що виникають в результаті впливу адміністративних бар'єрів на господарську діяльність суб'єктів підприємництва, як непродуктивних витрат перерозподілу вартості, що перевищують позитивний вплив координуючої і обмежувальної функцій держави.

Ключові слова: мотивація; дерегулювання; підприємницька діяльність; адміністративні бар'єри; стратегічна взаємодія.

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Urgency of the research. The ultimate goal of state regulation of the economy is to achieve a compromise between efficiency and social justice. In case of regulating what should be the number and degree of administrative barriers, the highest efficiency of the economy will be achieved at zero level of such barriers. But in a modern market environment, such situation is impossible, and therefore it is necessary to determine the ways to implement deregulation, which is primarily not the abolition of norms or procedures, but one of the ways that secures economic stability and financial stability through a change in the form of control.

Target setting. The working hypothesis is considered as reasoning the assumption that administrative barriers as formal and informal norms restricting the behavior of entrepreneurs is manifestation of imperfection of institutional space functioning, created by the state and the way to solve this problem is to support the motivation to reduce administrative barriers among groups of interest.

Actual scientific researches and issues analysis. The theoretical and methodological basis of the institutional and neoinstitutional concept of entrepreneurship were presented in the works of Coase R., North D., McGuire M., Olson M., Williamson O., Hodgson J. Among domestic economists, institutional studies of the economic environment were carried out by Ziburanna L., Malik M., Shpykuliak O., and others.

Uninvestigated parts of general matters defining. Stating the existence of a significant number of works devoted to certain aspects of this problem, and a number of theoretical and methodological and applied economic and statistical studies on the impact of administrative barriers on the functioning of business entities, it should be emphasized that the motivation for reducing administrative barriers for entrepreneurs requires additional reasoning for adequate institutional methodological and applied tools, which determined the choice of the research topic, the formulation of its goal and tasks.

The research objective. The aim of this work is to use methods of game theory in order to analyze the motivation to deregulate entrepreneurial activities.

The statement of basic materials. The solution of the practical task of eliminating existing administrative barriers and creating conditions that hamper the emergence of new ones obviously requires not only a theoretical description of this type of formal rules, but also the development of feasible analytical procedures that allow to identify an administrative barrier with a sufficiently high degree of reliability.

The general logic of such procedures is completely clear: calculations and assessments should provide an opportunity to establish whether the formal economic rule in question corresponds to the definition and possesses the characteristics of administrative barrier [6].

There are two ways to destroy the administrative barriers: *de jure* and *de facto*. The mechanism for the destruction of administrative barriers *de jure* is realized as a result of the repeal of the normative act, as a result of the implementation of a local institutional anti-project. An institutional entrepreneur who implements an anti-project uses judicial or administrative procedures to obtain a decision on the cancellation of the rule - the barrier. When considering the mechanism for eliminating administrative barriers by implementing an anti-project, it is revealed that it is more likely that a low barrier will be not touched by such actions, because the cost of overcoming it is not high, and the "payers" of it are numerous, heterogeneous and poorly organized group. In this case, collective actions to implement a local anti-project are difficult and costly.

However, the practice shows that the barriers which are settled to a limited range of transactions and, in many cases, to a limited group of payers, are the most sustainable and really impeding the entrepreneurial activity. This is a consequence of the fact that the destruction of administrative barriers could be done by competition of economic agents offering alternative ways to overcome them rather than through the implementation of local anti-projects.

An important parameter of the evolution of administrative barriers is the change in its profitability for the collective author of administrative barriers. In the system of administrative barriers, the share of fixed costs associated with the development and lobbying of the adoption of relevant regulations is high. Variable costs associated with maintaining the functioning of the system are usually very small in relation to the revenue stream. Accordingly, the existing high profit in the "market of administrative bar-

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riers" causes an influx of competitors offering ways to overcome them with lower costs for entrepreneurs than in the case of direct passage. Alternative ways of passing administrative barriers can be both legal and semi-legal, and completely illegal. There is a kind of monopolistic competition, when consumers (in this case entrepreneurs who need to overcome the barrier) are offered "substitute services" that allow entrepreneurs to save money and alternative costs of barrier passing. Examples: registration of the enterprise "all included", trade of the fake certificates, "gray customs clearance", bribes to officials instead of paying fines, expropriation of part of the rent by direct executors of administrative barriers, etc.

Administrative barriers have a negative impact on the functioning of small business, since small entrepreneurs have limited social and economic resources to overcome them. At the same time, small business has great potential in the economic development of local communities and, at the same time, in solving social problems. The functions of small business include not only economic but also social tasks: being the tax base of the local communities, where the trend of increasing the share of small business in taxes is obvious; ensuring the reduction of unemployment and job creation; provision of necessary services to the residents, sponsorship of social programs and charitable assistance to socially unprotected citizens. Representatives of small business as an emerging middle class can be regarded as a pillar of sustainable development and a source of personnel replenishment of municipal power. Thus, proceeding from the real long-term interests of business, citizens and municipal authorities, the development of effective mechanisms for their interaction comes first. Here, the practical steps of state power: streamlining licensing activities, changing the taxation order, the work of state and public structures, etc. are the basis for reducing administrative barriers. Based on the general characteristic of administrative barriers as a formal rule that prevents the creation of value and its characteristics as a rule for which the private costs of entrepreneurs necessary for its implementation exceed the private benefits obtained, followed by the introduction of various types of administrative barriers to characterize the ratio of social rules generated by this rule costs and benefits, we can present the following typology of rules (Fig. 1).

	PC > PB	SC < SB
SC > SB	1.1.	1.2.
SC < SB	2.1.	2.2.

Fig. 1. Variants of correlation of private and social costs and benefits arising in connection with the existence of a formal rule

where PC - private costs, PB - private benefits, SC - social costs, SB - social benefits.

In order to analyze the strategic behavior of groups involved, namely officials who have the power to make decisions on reducing or, on the contrary, increasing administrative barriers and entrepreneurs whose enterprises function in markets with high administrative barriers, we used the game theory which is a science that studies the mathematical behavior of participants in probabilistic situations associated with making decisions. An example of theory of games is a payment matrix - a two-sided table formed by a set of squares, each of which represents the outcome of the decision of one of the two sellers (players). The authors in the article considered two situations describing the creation and overcoming of the administrative barrier to enter the commodity market with the help of bribes of entrepreneurs to responsible officials [5].

The problem of reducing administrative or institutional barriers cannot be resolved without a comprehensive study of the motivation of the groups involved. The presence of administrative barriers, first of all, is beneficial to those officials who carry out the functions of licensing, quoting and controlling regulated markets. In the current economic conditions, in the overwhelming majority of cases, they are rent-seeking [8].

Moreover, as proved by M. McGuire and M. Olson [10], when the group has a overall sufficient (super-capturing) interest, the satisfaction of this interest in the best way will be, paradoxically, by the way that does not redistribute and satisfying the interest of the minority or other group which is controlled as good as themselves.

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To analyze the strategic behavior of officials who have the power to make decisions about reducing or, conversely, increasing administrative barriers, on the one hand, and on the other hand, entrepreneurs whose enterprises function in markets with high administrative barriers, we used the game theory which is the science investigating the mathematical behavior of participants in probabilistic situations associated with the decision-making [9].

Consider two situations that describe the creation and overcoming of the administrative barrier to enter the commodity market with the help of bribes of entrepreneurs to responsible officials. In the first situation, there is interaction between the official and the entrepreneur, in the second - between the entrepreneurs for access to the administrative resource. Therefore, we use the simplest version of a two-way payment matrix with two players having two strategies.

First, let us consider the first situation of strategic interaction between an entrepreneur and an official. Suppose that administrative barriers are the barriers to entry the commodity market. Therefore, if an entrepreneur does not enter into economic relations with an official (in this case he gives or does not give a bribe), he cannot carry out economic activities in this regulated market.

Table 1

Strategic interaction between entrepreneur and official

		Official	
		Take a bribe	Do not take a bribe
Entrepreneur	Give a bribe (gain access to the market)	A 10 10 = (20-10)	B 0 0
	Do not give bribe	C 0 -5	D 0 -5

As can be seen from Tab. 1, the Nash equilibrium solution will be achieved in square A. Thus, neither the official nor the entrepreneur will have the incentive to change the "give / take bribe" strategy one-sidedly. This means that the official will seek to possess economic power, giving the opportunity to receive a bribe, knowing that the best option for the entrepreneurs is to give a bribe. This situation is in general terms consistent with numerous examples from economic practice. Thus, the resolution of this vicious circle "the creation of barriers (state regulation) - the receipt (giving) of bribes - the loss of welfare - state regulation" lies in the sphere of changing the rules of the game.

Consider the second example, when two entrepreneurs have two strategies. The first is to pay (give a bribe) for access to the market and, therefore, to receive an economic profit of 5 units (10 is the value of half of the monopolist's profit, if the actions of the businessmen are agreed, they will act as a cartel and have a profit minus costs for the bribes), the second - not to pay and leave the market, thereby losing 5 units at fixed costs.

Table 2

Strategic interaction between the two entrepreneurs

The second entrepreneur		The first entrepreneur	
		Pay	Do not pay
The second entrepreneur	To pay (for access to the market)	A 5 = (10-5) 5 = (10-5)	B -5 10 = (20-10) ,
	Do not pay	C 10 = (20-10) -5	D -5 -5

As can be seen from Tab. 2, Nash equilibrium will also be achieved in square A. This means that it will be advantageous for entrepreneurs to conduct a cooperative game, that is, to conspire and pay bribes if the strategy of the other entrepreneur (player) remains unchanged.

Thus, as follows from the model examined, the situation of creating administrative barriers and receiving rents from their existence by officials due to bribes (in the simplest case) shows its stability under certain rules of the game, which in the economy corresponds to the institutional structure of a particular market or industry management.

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Conclusions. The nature of the transaction costs arising as a result of the influence of administrative barriers on the economic activities of business entities as unproductive costs of cost redistribution exceeding the positive impact of the coordinating and restrictive functions of the rules has been revealed in the article. This allowed the authors of the article to estimate the cost of overcoming administrative barriers in the Ukrainian economy at a level of at least 10% of the final price of goods and to justify their multifactor character, determined by the number, size and content of administrative barriers.

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