

## THE LEGAL STABILITY AS A FACTOR OF ECONOMIC AND FINANCIAL MARKET GROWTH: RUSSIA, USA AND CHINA

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### ABSTRACT

Global economy, financial markets and technology are on the verge of moving to a new stage of development – information society. Three major world countries the US, Russia and China will play a leading role in this process. However, the specific development path will depend on many factors, including the stability of legal systems, security of computer and financial technologies, the effectiveness of legislation. The focus of this article is to assess the current condition of the economy the major countries, to identify trends and methods of stabilization of legal systems on the basis of balance of rights and obligations of the business, suggest some methods of objective evaluation of the impact factors of the total taxes, fixed costs and the legal system dynamics on financial indicators.

**Keywords:** economic indicators, financial markets, business rights, law, responsibilities of business, legal stability, information security, factors.

### 1. INTRODUCTION

In our opinion, both legal system stability and rights of businessman's and entrepreneurs can be regarded 1) as category of legislation (legal aspect), 2) as category of the law system (theoretical aspect), 3) as category of scientific jurisprudence (doctrinal aspect). In this capacity, as a category, the rights of entrepreneurs and legal stability rate have not yet found sufficient fixation neither in law nor in right nor in science, and it seems one of the

urgent tasks of modern jurisprudence development. Let's consider the problem in more detail on the example of Russia, USA and China.

It should be noted the peculiarities of the modern geopolitical situation. Europe, which for many centuries was the engine of economic growth, democracy, modernization of political and legal systems, to date, passed their position. This is due to the internal problems of certain European countries and instability of the European Union in connection with the depreciation of the Euro, "Brexit", immigration growth, internal political and financial crises. The idea of multiculturalism, openness without limits, gratuitous economic aid were largely untenable. The problem is also a historical difference between legal systems, traditions and culture of Western and Eastern Europe. Eastern European countries, especially former Yugoslavia, Bulgaria, Romania, Hungary, Albania, retain in their laws many of the traditions of the Communist period. Extremely difficult for a united "European State" was to combine two very different legal systems – Common law (UK) and Civil law (almost all of the rest of Europe).

Under these conditions, global political and economic arena have come out with new actors, around which will be formed of agglomeration of the other satellite countries. Today among such of the States centers of attraction, in our opinion, we can call US, Russia and China. It is possible that in the future, there may be other centers, for example, from South America, but it is the future. We should not forget that economic development is subject to objective laws, and passes a number of stages: crisis, depression, revival, boom [7]. Thus, any country that is showing high growth rates, like China today, sooner or later will lose these figures. An example is Japan, which after the appearance of the "Japanese miracle" for many years have not demonstrated high rates of economic development.

## **2. GENERAL TRENDS OF ECONOMIC DEVELOPMENT**

Each of these three countries has its own characteristics that determine its role in the world economy. So nowadays Russia and the USA play in the world's foremost political role, and China is economic. The United States has historically had the most serious economic and technological base, but low growth and difficulties in demand. For China characterized by high rates of growth and production volumes, but not always high quality with mostly borrowed technology. Russia was different then a sharp rise, then a fall in the rate of growth and has huge natural resources and unique technologies in some individual industries. While both China and Russia have an almost inexhaustible market. US consumer markets are largely exhausted now.

Main economic indicators of the USA, Russia and China will be given in the following table [11]. (According to: IMF - International Monetary Fund; WB - World Bank; WTO - World Trade Organization; SIPRI - Stockholm International Peace Research Institute; BP - British Petroleum; FAO - Food and Agriculture Organization of the United Nations; NBS - National Bureau of Statistics of China; USDA - United States Department of Agriculture; UNdata - United Nations Statistics Division, ROSSTAT – Federal Public Statistic Service of Russia, OECD - Organization for Economic Co-operation and Development; OICA - International Organization of Motor Vehicle Manufacturers; CIA - Central Intelligence Agency; CDC - Centers for Disease Control and Prevention, USA).

*Table 1. Basic economic and social indicatates of Russia, China and USA.*

Indicator	Russia		China		USA	
	1990	2015	1990	2015	1990	2015
Area, million square km	17,1	17,1	9,6	9,6	9,8	9,8
Gross domestic product, bln. dollars, current prices	1102	1326	390	11182	5980	18037
Gross domestic product, purchasing power parity, share of world interest	4,9 (1992)	3,3	4,1	17,3	22,3	15,8
Gross domestic product per capita, current prices, USD.	...	9243	348,4	8141	23914	56084
Gross Fixed Capital Formation, bln. dollars, current	...	290	92,3	4848	1269	3523

prices						
Foreign investment, net inflows, bln. dollars, current prices	...	6,5	3,5	249,9	48,5	379,4
Consumer price index, % , 1990 – 2015	100	--	100	~284	100	~178
Consumer price index at year end, % , 1990 – 2015	x	112,9	x	101,6	x	100,7
Refinancing rate year-end,%.	0,5 - 1	11	...	4,35	7	0,5
The average monthly salary USD	...	558	...	830	2231	4892
International reserves at the end of the year, including gold, bln. dollars	...	368	34,5	3405	173,1	384
Total external debt at year-end, billion USD	...	518,5	55,3	960	3233	17710
Defense spending, billion USD, current prices	7,8 (1993)	66,4	10,1	214,8	306,2	596
Defense spending, % of GDP	4,6 (1993)	5,4	2,5	1,9	5,3	3,3
Exports of goods billion USD. current prices	...	340,3	62,1	2275	393,6	1504,9
Exports of goods share of world exports, %	...	2,1	1,8	13,8	11,2	9,1
Exports of fuel and energy resources as a percentage of total exports of goods	...	63	8,3	1,2	3,2	8,3
Food imports , bln dollars.	...	25,3	4,6	102,8	30	134,8
Oil production, million tonnes	516	541	138	215	417	567
Oil consumption, million tonnes	251,7	143	112,9	559,7	772,5	851,6
Natural gas production, billion cubic meters	590	573,3	15,8	138	504,3	767,3
Gas consumption, billion cubic meters	407,6	391,5	15,8	197,3	542,9	778
The production of electricity, billion kW.h	1082	1063	621	5811	3185	4303
The installed capacity of the power plants, million kW	213	262	138	1508	734	1069*
Industry value added, billion dollars, current prices	...	387,2	147	4404	1493	3471*
Steel production, million tons	89,6	70	70	803,8	99	78,9
Manufacture of vehicles (cars, trucks, buses), million	1,8	1,37	0,5	24,5	9,8	12,1
Production of mineral fertilizers, million tonnes	16	19,9	18	74,3	23	22,2*
Cement production, million tonnes	83	62,1	209,7	2360	75,5	83,4
Floor Space Completed, million square meters	...	139,4	195,5	4208	...	...
Agriculture, value added, billion dollars, current prices	93	55*	106	977	110	224
Cereal production, million tonnes	117	104,3	404	572,3	312	443*
The population at the end of the year, million people.	148,3	146,5	1143	1374,6	253	322,8
Population density, people/sq.	9	8,8	120,9	146	27,3	35,1
The fertility rate (number of births per 1000 population)	13,4	13,3	21,1	12,7	16,7	12,5*
The mortality rate (number of deaths per 1000 population)	11,2	13	6,7	7,1	8,6	8,2*
The average life expectancy at birth	69,2	71,4	68,8	76,3	75,2	78,9*

Under evaluation of these indicators we should take into account the significant impact of short-term economic fluctuations in an unstable economy. For example, the capacity of Russia to produce cars at present are loaded only by 40%, and the markets are not fully satisfied.

Given the extremely significant differences in history, political systems, natural conditions, direct comparison of such countries as Russia, USA and China in some respects even meaningless, it becomes methodologically incorrect. Among the main indicators characterizing the level of development of the state and its economy, in our opinion, should be considered as indicators of personal welfare of citizens, the volume of public goods per capita, and life expectancy and health of people.

For example, the number of cars per thousand people in Russia since the early 1990s to 2015 grew from 70-75 to 300-320. In the US the level of cars availability is traditionally high. During the period 1990-2015 it has changed little and remains at the level of 600-800 cars per thousand people. The world's highest cars availability is in Monaco (900 per thousand people) [12]. In China per 1,000 inhabitants there are only 80-100 cars [17]. Data from different sources in respect of car ownership in the world vary greatly, but according to most experts, the trend of motorization corresponds to the trend of GDP per capita.

The index of the education level the US ranks 8th, Russia – 32th place, and China is only the 112th place out of 188 [14]. On literacy leading position in Russia: – 99.5 literate per 100 persons (15th place). The United States ranked 44th place (99 literate per 100 inhabitants). China – only 80th (93,3 literate per 100 people) [6].

From the global positions, we can conclude that the main driving force of China's development is huge population, ensuring low labour costs. For US

the main source of development are equally human resources (USA is a world immigration center) as well as natural resources and high technology. The basis for the development of Russia are the world's largest natural resources and human potential.

If to estimate the industrial potential of the three countries by the 1990's, it can be concluded that overall it was almost comparable to the level! In the US the overall level of industrial development were slightly higher, and the level of consumption is much higher. Main indicators of Russia and China were similar because of the development of heavy and defense industry in the "Communist period" 1922-1990. In 1990, Russia and China were in the same starting position, but Russia changed the political and economic system going to the democratic and market models. This resulted in the vast development of financial markets and investment to the detriment of the real economy sector. China almost has not changed the ideology and have relied on the development of light industry and borrowing of foreign technologies. Thanks to a special state policy to promote private business, along with the restriction of political freedoms, and thanks to the inexhaustible resources of cheap labor, China was able to achieve today's success. Russia has not fully met its potential. The United States has experienced a decline in the economic growth and a number of serious financial crises. The impact of such crises has experienced and Russia, but not China.

### **3. THE DEVELOPMENT OF ECONOMIC AND LEGAL SYSTEM OF RUSSIA**

#### **3.1. The correlation of rights and obligations of the business entities**

Let us consider the development of economic and legal system of Russia from 1990 to the present time. In the early 1990's, the rights of entrepreneurs as the definition used in the theoretical and practical values were included in

the texts of some laws. Business development and business law became the main task of the moment in the early 1990's. In that period of time the rights of business rightly considered as one of the main factors of economic development that was required to secure them in legislation and development in Russian law system.

It was the period of primitive accumulation of capital, when the development priority belonged not real, but the financial investments. This led to the most active development of financial institutes (stock exchanges, brokerage companies, banks, other financial intermediaries) to the detriment of real production of goods and services. But it had its positive side. So there was a whole set of laws and a fundamentally new system of legal regulation and control of economic relations was formed. To test such radically new legal and management systems was much simpler in the sphere of just financial instruments, because the consequences of wrongs in the regulation of basic economic sectors (industry, transport, communications, etc.) could be much more serious.

However, later the laws of the first stage of market economy development have been cancelled, for example, the Act on Enterprises and Entrepreneurial Activity of 1991. They were replaced by the Civil Code, Tax Code and other laws that systematically govern the complex economic and financial relationships in Russia, but were not designed to regulate private enterprise as it is. Over time, this trend is manifested in an increase in the number of norms aimed at protecting the interests of the state, of certain segments of the society, of the consumers, but not businesses.

Of course the separate norms of the Civil Code and the Tax Code of Russian Federation are the guarantees of a business activity. In particular, the Civil Code of Russian Federation establishes the principle of freedom not only business, but any other not prohibited by law activities. The Tax Code of

Russian Federation stipulates the basic tax rates that are significantly lower than in major countries of the world. Also the special laws were adopted. For example, the Act on the Protection of Companies and Self-Sellers Rights Under State Control of 2008.

At the same time the rights of entrepreneurs began to lose its significance as a reference point in legislation and enforcement. In sphere of the taxes the key rates at a low level while saved, but some individual taxes, for example, the State fee, has increased. The new "quasi taxes" began to appear. That is mandatory fees and charges not directly specified in the tax legislation which cannot be avoided (for example, tolls on roads, parking lots, insurance payments etc.). Of course, such costs are typical for any country in the world, however, in Russian conditions, their growth was repeated.

In the early 21st century more and more clearly has emerged the problem of corporate raid, that is the illegal taking someone's business by not legal instruments. There were a number of publications about hostile takeovers in mass-media. In Moscow and some Russian regions the special state agencies for the protection of the corporate raid victims were established. However, the phenomenon of raiding has not been deeply investigated in a science. The problem was quite well known in the United States and therefore well-studied [4], but for Russian conditions such studies was not enough. Development of legal and economic theories of a counteraction to acquisitions remains a topical task for Russia. It can be noted that for China, the problem of corporate raid is likely not typical at all.

Also last 10 years the penalties for administrative violations in the field of economics have increased. At the same time, there are a number of such violations kinds in law. A businessman in its normal activity bears the risk to violate some law and to pay fine even without intent to commit an offence. It's



extremely difficult for small businesses to analyze and to comply a huge number of constantly changing legal acts.

The last several years the Russian legal practice indicates on trends of priority protection of the interests of consumers, tax control bodies, as well as major energy, service and financial companies and banks. In such circumstances, the businessman legal rights fade back, gradually giving way to legal obligations: strictly on time to pay taxes and other payments, to pay utility costs, fines and penalties. It should be pointed out that the category of businessman legal rights we mean as the legal interests of companies and sole proprietors, which not contradicting the law. In its turn, the legal obligations of business are provided by the power of state, and does not require special protective measures in relation to a particular entrepreneur. What about the category of business rights, it requires the special state protection, otherwise the category is no longer valid, and are declarative in nature.

### **3.2. General provisions on rights and obligations of the business**

The right freely to get profit, do business admits as a one of main right in all civilized world. However to avoid control and regulation at all it is impossible. Otherwise the freedom of enterprise often will contradict freedom of other citizens (the hired personnel, public servants, the unemployed, pensioners, etc.) To our mind, in modern world the legislation should maintain the balance between a freedom of business and public interests. It true for the Russia also. Such balance is reached by following:

1) Restrictions on types of business. For example, in Russia the state has monopoly on: production of weapon, precious metals, production of some minerals, production of bank notes. But in Russia of such types of economic activity it is a little.

2) Methods of restriction and control of some kinds of activity by businessmen and companies. Main methods: licensing, self-regulation, personnel certification, special reporting, other restrictions.

3) Taxes. Traditionally taxes are considered as a public duty, a method of financing of the public expenditures. But at the same time taxes is a form of economy management because the business companies pay the greatest part of taxes to the budget.

4) Legislation testament as a whole and punishments for violations. Many special government bodies do it. The main bodies: police, prosecutor's office, the Central Bank of Russia, the Ministry of Finance, Federal Tax Service (enters into the Ministry of Finance), the State sanitary and consumer inspection, the State technical inspection, Transport inspection. But in reality it is much more of control bodies. If the businessman conducts activity in any special branch, in it there is the control body (medicine, restaurants, transportation, securities market, banks, insurance, pharmacy, education, the industrial production, separate types of service).

5) Administrative and judicial protection is applied to the solution of disputes and problems between businessmen and state. The businessman or the company can anyway appeal to court.

### **3.3. Basic rights of business in Russia**

#### **3.3.1. Some of history**

The history of business and the economic legislation development in Russia wasn't simple. It is possible to tell that serious development began after reforms of the Russian tsars Peter I and Catherine II in the 18th century. At the same time the first basic laws were adopted about business. After Revolution of 1917 before Gorbachev's reforms in 1990 the freedom of trade, the business in Russia (then in the Soviet Union) was completely excluded. All economy both big and small was state, but non-efficient.

In 1990's were adopted the first laws on freedom of enterprise in new democratic Russia. It were the Bases of Civil Legislation (1991), the Civil Code (1994), the Privatization Act (1991), the Enterprises and Entrepreneurial Activity Act (1990), the Investment Activity Act (1991), the Competition and Antitrust Act (1991). Laws for the first time established the principle of freedom of business activity and the main forms of a business. It was allowed to be engaged in business as the different companies (private or state), and to citizens.

That is, to this day, when we speak "businessman" we mean:

- a) the individual registered as the businessman (the self-seller),
- b) the company in the form of joint-stock company, limited liability company, the state corporation, etc.

The where established first basic rights of the businessman: to begin and fulfill business activity, to attract and use financial means, to form the business program independently, to conduct foreign economic activity, to operate business, to employ and dismiss the personnel, to dispose of profit, to use the state social insurance, to enter into alliances, associations, to protect the rights in a court.

The old laws are now cancelled or changed, but it should be pointed out that these basic legal rights serves as economic basic and now.

### **3.3.2. Basic laws about business in Russia**

The Constitution of the Russian Federation in article 34 defines that: Everyone has the right for free use of the abilities and property for enterprise and other economic activity not forbidden by the law [3]. Thus, the right on business activity is reflected in the Main law of Russia.

The Civil Code of Russia [1] defines bases of business activity. Article 1 of the Civil Code: citizens are free in establishment of the rights and duties on the basis of the contract. Article 2 of the Civil Code define a business activity:

it is independent, on the risk, activities for systematic receiving profit on using property, sales of goods, rendering services. The enterprise subject (the citizen or the company) has to be registered in the special order by the law. Article 18 of the Civil Code specially establishes the right of the citizen of a business activity. Article 23 of the Civil Code defines a particular order of such rights realization. The right to conduct business activity it is provided even to non-profit organizations if it corresponds their main purpose and the charter. The Civil Code also defines the main forms of business firms (joint-stock company, limited liability, cooperative, others).

The company or the citizen wishing to perform business activity is obliged to be registered in local tax inspection. The order of registration is defined by the State Registration of Legal Entities and Self-sellers Act [8]. The order is quite simple. It is necessary to provide the charter or article of association, the decision and the contract on creation in tax office, to pay the state duty about 50 dollars. Registration term is 5 days. The minimum authorized capital of the company is very small - 10 000 rubles or about 200 dollars. If business activity is conducted illegally, without registration, for it criminal liability Art. 171 of the Criminal Code of Russian Federation is provided [5].

Some types of economic activity demand special state control. For such activity it is necessary to obtain the license according to the special Licensing Act and laws on different kinds of activity (banks, insurance, investment companies and funds, the medical centers, the enterprises for production of the weapon, the military and prospecting equipment, nuclear energy, the air transport). The list of the licensing activities constantly reduced.

The state seeks to provide the maximum freedom to business. But it is impossible to conduct economic activity completely without control and randomly. Therefore self-regulation became alternative to licenses. Here

experience of Europe and America was used and in 2007 in Russia the Self-Regulating Organizations Act was adopted [9]. Such organizations are created in certain fields of activity. For instance: construction, design, realty, estimated activity, auditor activity, financial market. In other branches the self-regulating organizations can be created at the will of their members. SRO main functions:

- approval of obligatory standards for all members,
- quality control of services and observance of standards,
- punishments for violations to members,
- creation of insurance funds for compensation of the damage caused by the member,
- consultation, support and the help of the members, collective protection of their interests before government bodies, suggestions for legislation improvement.

SRO exists at the expense of membership contribution. In one branch some SRO can be created. Any businessman has the right to enter SRO. But in some case at the law, the businessman is obliged to be the member of one SRO. In 2015 the particular Self-Regulating Organizations On Financial Markets Act was adopted.

### **3.4. Fundamental obligations of businessman**

One of the law principle is the rights don't exist without duties. In other words, it is impossible to have and realize the rights if any obligations thus aren't executed. Among fundamental obligations of business subjects in Russia we call:

- a) Duty to pass the state registration in the order established by the law. Only after registration business activity can be begun.
- b) Duty to insure all types of the accounting of the income and expenses in economic activity. In Russia the accounting, tax, statistical accounting is

kept. The basic law is the Accounting Act. The small business has significant benefits for the payment of taxes (lower rates) and accounting (simplified procedure).

c) On the basis of the account different kinds of reports should be formed. It is the accounting, statistical and tax reports which the company or self-seller must provide periodically to a control bodies. Usually the term of the reporting is 3 months (quarter), and for small business – 1 year. But it is necessary to report to pension and social insurance funds quarterly.

d) In business it is necessary to observe all requirements of laws and other regulatory acts and also to fulfill requirements of control bodies. For example, the government control body can forbid for a while activity if it is dangerous to consumers.

i) Business company or self-seller must pay taxes from the business.

Usually taxes are the very important point for business anywhere. Some more information about taxes in Russian Federation. It is considered that taxes in Russia are quite small, but Russian tax system is quiet difficult. The main and only law of Russia on taxes is the Tax Code of Russian Federation [16]. It very volume. Taxes in Russia may be: a) the federal, b) the regional, c) the local. The main types of taxes are following.

1) Value added tax (VAT). It is paid by almost all large companies or the businessmen conducting high-profitable activity (the financial market, oil, alcohol, etc.), a tax Rate – usually 18%.

2) Excises (different rates). It paid at sale of certain goods: oil products, alcohol and alcoholic beverages, tobacco, cars and motorcycles.

3) Tax on the personal income. If the citizen is registered by the businessman he pays a tax of 13 % on the income. But it should be note that same tax is paid also by other citizens who doesn't conduct business activity, for example, from a salary. It is interesting that a tax on business and the

simple income of the person in Russia identical and quite low, non-progressive.

4) Profit tax of the companies. This tax higher and averages 20 % on profit. The profit is defined as a difference of the general income and expenses.

Apparently, taxes for businessman in Russia are lower than in the majority of the countries of Europe and America, while by separate types of business the total tax burden can be considerable. For small and medium business there are advantages under financial statements presentation.

### **3.5. Protection of business rights**

Sometimes the rights of businessman can be violated. And it is characteristic not only for Russia. Therefore matter not only the rights, but ways of their protection. The businessman in Russia can protect the rights in various ways. The main:

1) Non-judicial way. This appeal to authorized government bodies: prosecutor's office, departmental bodies. Any claim has to be considered in essence. If the rights of the businessman are violated, the violator can be made responsible. But also businessman bear administrative responsibility for violations according to the Code on Administrative Offences of Russian Federation [2]. There is a lot of such types of violations. The main punishments are fines and deprivations of the right to conduct activity.

2) Judicial way. At violation of the rights from other person the businessman can appeal to court. Violations of the state or of another company are considered in the special court for economic disputes, which is Arbitration (Economic) Court. One Arbitration Court exist in every of 85 Russian regions (states) and under authority of Supreme Court of RF. Judicial protection of the rights of business is most effective and is applied most often.

## **4. THE MAIN APPROACHES TO THE**

## ASSESSMENT OF IMPACT FACTORS

It can be argued that over the last 50-100 years, the world has passed several stages: before 1980-1990 took place the industrial development, and later post-industrial development, and at the moment we are seeing the information stage of development. At this stage of particular importance for the efficiency of the economy and for business security are becoming electronic products and systems, including bit-coin and block chain. However, with the development of Informatization, and especially in financial markets, increases the risk of financial loss as a result of criminal acts or computer errors [10]. Global economic leadership will depend largely on which countries (USA, China, Russia or another) will come out on top in a global electronic financial system.

Very interesting question is the comparison of financial markets indicators of different countries, for example, USA, China and Russia. Such indicators can be the capitalization of the securities market, trading volumes on the stock exchanges, the percentage of GDP etc. However, such a comparison does not make sense because of the qualitative differences in the structure of the economy of each country and the comparability factors in the development of financial markets. In addition, it should be remembered that the main advantage and distinctive feature of China is a population number which incomparable with other countries. In some measure, can be useful information on the size of the public debt, reflecting the financial stability of the state as a whole, regardless of other factors. So the US national debt at the beginning of 2017 is about 20 trillion dollars (the largest in the world). Russia's debt is around 520 billion dollars, which is almost 40 times less. The external debt of China is 1.5 trillion dollars, i.e. 13 times less than in the US. The debt of China is growing rapidly, the US debt has increased several times over the past few years, Russia's debt is reducing.



One of the major problems of legal protection of business is a huge number of laws and their growth from year to year. It is an objective trait of a developing economy is characterized, in particular, for Russia and China. But there is reason to believe that the high dynamics of the legal system are always inversely proportional to the degree of legal system stability. Consequently, for increasing economies it is crucial the stabilization of the legal system, the termination of the new acts adoption, and possibly a reduction in the overall number of legal norms. According to the electronic system of the Russian legislation, in Russia now there are more than 170,000 different regulations [15]. In the USA the number of Federal laws much less, however, for each state a large role can play the laws of this state. Also the mapping of different countries on the basis of the legislation volume is difficult. Thus in the United States the predominating source of law are judicial cases, while in Russia and China a legal practice may be important to a specific case, but is not binding.

Will put forward the thesis that to assess the efficacy and safety of the national economic system are important factors:

- a) Total costs of doing business (total taxes plus average fixed costs);
- b) Volume and dynamics (variability) of business regulating legal acts.

In connection with the foregoing, will offer two indicators:

1. *The Coefficient of total taxes and average constant expenses* ( $K_{ttae}$ ). It allows to estimate the decrease in profitability, taking into account the total amount of taxes ( $\sum tt$ ) and average constant expenses ( $\sum ae$ ) for a particular type of business in a particular region under specific conditions.

$$K_{ttae} = 100 / (\sum tt + \sum ae) \quad (i)$$

The practical use of the *Coefficient of total taxes and average constant expenses* allows to predict the real expected income from the business ( $R_r$ ) based on the total expected income ( $R_{ex}$ ):

$$R_r = K_{ttae} \times (R_{ex}) \quad (ii)$$

The *Coefficient* is applicable for individual businesses.

2. *The Coefficient of legislation dynamics* ( $K_{legdin}$ ). It allows to assess the impact of the volume and frequency of changes in the laws governing business on the efficiency of the economy.

$$K_{legdin} = \sum_{i=0}^n (L_{1i} / L_{0i}) \times 100, \quad (iii)$$

$n$  - the number of periods, for example years,

$L_{1i}$  - the total number of laws in this period,

$L_{0i}$  - the total number of laws in the previous period

Practical use of the *The Coefficient of legislation dynamics* (conditional example):

Year	2000	2005	2010	2015	2020	2025
$K_{legdin}$	$K_{legdin-1}$	$K_{legdin-2}$	$K_{legdin-3}$	$K_{legdin-4}$	$K_{legdin-5}$	$K_{legdin-6}$
Numerical economic indicator	X-1	X-2	X-3	X-4	X-5	X-6
Trend	.....	.....	.....	.....	.....	.....

The *Coefficient* is applicable for individual industries or the country's economy as a whole.

## 5. CONCLUSION

Taking into account the aforesaid there is reason to believe that economic development and economic and financial security are directly dependent on the volume of business rights and their legal fixing and protection and also dependent on legal stability.

The world's economic leader, perhaps the United States, China, Russia or another country, should be determined in the next few years. Leadership will depend on many factors, including state policy in the field of economics, finance, external debt, as well as on the balance of rights and obligations of business entities, the balance in the protection of public and private economic interests, the dynamics of legislation and its stability.

Today, the United States is the leader in many economic indicators, Russia is the leader in the pace of development of the financial market and corporations, China has advantages in a huge and inexpensive labor force and the volume of commodity production. Such categories as: the rights and obligations of business, the stability of the legal system, the factorial impact of total business costs, the degree of information security, the volume and dynamics of legislation on the economic and financial system should be further developed in science.

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