

Fundamental Principles of the Institutionalization of a Digital Economy in the Contemporary Russian Society

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Abstract. The paper foregrounds the issue of changing a contemporary society towards the way of technological development, which is able to provide a totally different quality of economic development. The authors observe basic principles of economic institutionalization in general and, in particular, the digital economy in a contemporary society. The researchers characterize the fundamental principles of institutionalization of the digital economy operating in the Russian economy. The highlighted issues are covered from the point of view of the development of basically new tech-intensive sectors and market environment, and deep retooling of conventional industries and manufacturing. The scholars define the essential nature, features and forms of institutionalization in a digital economy in contexts of Information Technology Revolution. The article comes into focus the current concepts and features of the Russian approach to establish digital economy institutions in the Russian society. The authors emphasize a range and a variety of tasks in the field of digital transformation. The authors conclude about the necessity and certainty of direct state interests during the economy digitalization, planning and programming digital activities in the economy.

1. Introduction

Over the past three decades there have been significant changes in the development of information and communication technologies (ICT) and economic growth in all countries across the globe. The contemporary digital Russian economy is between the industrial economy and the information (post-industrial) economy. However, according to particular parameters, the distance value seems to be sufficiently substantive and meaningful. It should be pointed out that the state has made a major stride in changing the state-run economy to a market system that can be evaluated as very noticeable and an industrial economy to the digital economy as satisfactory. As for digitalization, the transformation is generally in the starting positions yet. Institutions in the contemporary economics can be defined as structural elements that ensure the interaction among the main actors in the political, legal and economic areas. The indicated elements can be documented both in the Constitution of the Russian Federation and in the unwritten law, i.e. conventional customs and traditions in the society. It should be noted that there are also such types of behavior of economic constituent members that are not recorded in any right. At the same time, performers make their own choice of economic behavior spontaneously, voluntarily, and follow its basic principles. On the one hand, dialectic interaction between the economy, the constitution, and economic development and digitalization, on the other hand, are of

great importance for institutionalization of *the Digital Economy /the Internet Economy/ New Economy/ or Web Economy* [1].

Under the current conditions of Information Age, the Constitution should become the legal foundation for transformation from the analog economic system to the digital system of choice in an economic system, which can contribute to the construction of the entire society as it is [1].

It seems to be necessary to develop a legal and regulatory basis that is able to promote the development of the digital economy and all main structural components. Karl Marx wrote, "A society is not based on the standards on the right. It has a legal aspect. Consequently, law should be based on a society; thereby being an expression of its common needs and ..." Karl Marx comes to the following conclusion, "it is impossible to take old laws as a basis of a new social development" [4]. The major task of the current Constitution of the country, characterizing it as the main document of the state and the market economy as a whole, should become the total adoption of intellectual property protection as the main condition for the development of the digital economy and ideology in a contemporary society.

It seems necessary to specify the scientific issue of upcoming prospects of the Russian digital economy and digitalization of the economy as a whole. Firstly, it is required to conduct a detailed review of its position in scientific environment. Understanding the challenges of upcoming prospects and fundamental principles of institutionalization of the digital economy within a contemporary society is appropriate and relevant in the scientific area.

In present-day conditions, there is a task to do scientific research, make subjective and objective revision of current scientific ideas of public choice concerning the development of the digital economy based on summarizing both well-known and new content introduced in a scientific discourse. The task requires the use of basic intellectual and informational capabilities. It is extremely important to understand the basic sources of creating and developing the main ideas of Public choice theory in a contemporary society during the digital revolution and transformation, when the concept of the digital economy development and introduction of digital technologies is advanced. These ideas are the foundation of establishing and developing economic institutions in a digital format.

2. Literature review

It is important to emphasize that there is scientific literature on the observed topic but it is written mostly in those years when other technical and economic features of economic affairs took place. So, Oleinik, Erhard reviewed the institutionalization of socio-economic transformations in the context of an economic system in transition mainly [2, 4]. The matters of the main institution principles implementation remained unsolved in the context of digitalization of the economy in a contemporary society. Jarmin, McFarlane, Pradhan et al. [5, 6, 7] observed competing ideas about the development of institutions in a contemporary society in the Digital Age. However, in the authors' opinion, the fundamentals of the economy institutionalization in the development and application of digital technologies have not been studied yet. Veselovsky, Izmailova, Yunusov, Pradhan, Kassen, Colangelo, Eferin [8, 9, 10, 11, 12] studied theoretical and applied aspects of the quality of digital transformation management on the way to the development of the innovative Russian economy. The studies of Mustafa, Ansong, Salido-Andres [13, 14, 16] are also important in the research of the focused issues. The researchers studied methods of survival in the Digital Age in terms of developing business models of digital enterprises in developing economics (DE). It is worth pointing out that the issues that have been identified in institutionalization of a contemporary society using digital tools are not entirely found out to the authors' mind and require further scientific knowledge and study.

3. Purpose of study

The purpose of the study is to determine the basic principles of institutionalization of the digital economy under the conditions of the contemporary Russian society.

4. Methodology of study

The theoretical and methodological basis of the research is the conceptual provisions of fundamental and applied scientific works by top Russian and foreign scientists on the affairs of institutional economics in the context of application of modern digital technologies. This issue is the research question, first of all, studied by institutionalists and scientists working at the interface of several sciences (legal, economic, and social). The most famous scientists are Veselovsky, Izmailova, Yunusov, Eferin, Hohlov, Rossotto [10, 11]. Besides, scientific research of famous Russian scientists and public leaders, such as Oleinik, Gasanov, Sukharev [1, 2, 3] and many others are devoted to these issues.

5. Results and discussion

Based on the analysis and synthesis of present day conditions and problems, it can be concluded that the Russian digital economy is in a permanent search for a public choice and the definition of the legal basis for further development and generation.

The Constitution as the fundamental law of the state establishes the basic principles of a democratic constitutional form of a society such as:

- democracy;
- supremacy of the law in a society;
- relationship of the state and judicial laws;
- firmness of individual rights and freedoms;
- separation of powers;
- national sovereignty;
- federalism;
- political diversity;
- variety of forms and types of economic affairs;
- autonomy of local government.

The remarkable thing is that the ideas of political and civil liberties, separation of powers, sovereignty of the people's rule and popular representation were very clearly translated into the Constitution. Apart from that, the Constitution is a higher mode of economic consensus. The first thing, it determines the long-term economic growth within developing scientific and technological trends.

Moreover, the Constitution is central to the nation's economy. It is important to claim that in a present day society, the Constitution is considered to be a legislative rule. It is the central point of the economy. Therefore, it determines the main types of legal enactments and their correlation.

Nowadays, The current Constitution of the Russian Federation:

- determines the subjects of legislative regulation directly or indirectly;
- guarantees general legal principles;
- serves a criterion for interpretation in regulatory enforcement;
- introduces procedures for jurisprudential contradiction resolution.

Consequently, in the formal sense, the Constitution is a law or a group of laws that have the highest legal force in regard to all other laws.

In this connection, the Constitutional system means the system of social, economic, political and legal relations, which are fixed and reserved by the Constitution and other laws and regulations of the state.

It is useful to state that gradual performance of principles of a constitutional and legal national policy should lead to the establishment of law and order in a society.

Legitimacy is presented as a requirement of severe and implacable statutory compliance (following laws and statutory adopted regulations) by all citizens, public officials, state bodies, nongovernmental organizations, entities and persons. At the same time, this concept is based on the certain principles such as supremacy of statute law, unity of legitimacy within the territory of sovereign state administration, equality of citizens before law, responsibility of citizens, all officials for infringement of a rule of

law. Legitimacy is also a pre-condition for the effective economic development in the digitalization environment.

The review of theoretical concepts and statements allows the authors determining that the legal order is a state of social relations that are based on the legal provisions performed by the members. The legal order is implemented, i.e. a requirement of legitimacy that is put into action. However, legal order is only a part of public order.

The fundamental concept of Public choice is discussed widely in economics. The concept of Public choice is highly summed up in its internal content. At the same time, its theoretical core seems rather questionable in different sections of economics. Definitions, glossary, even more so meaningful component of one or another concept are represented as the fastest growing process but changing and reflecting the subject-matter or nature of economic thought of today.

Economic science actualizes the establishment and development of promising effective forms in modern times such as the development of the digital economy. The foregoing proves the relevance of research of an origin, generation and development of ideas of Public choice of digitization in the Russian economy. They stand for the foundation for building up modern institutions based on the use of information technologies of economic life. In this context, the norms of Public choice and their implementation are important to generate the fundamental principles of a modern high-tech economic development in the Russian society.

So, each stage in implementing Public choice played a significant role in generating and further implementing the main forms of economic action development. There is an urgent need for understanding and studying current ideas of constitutional choice with reference of a certain type of the economic systems in progress. Thus, there are particular democratic processes and reforms that always happen in a society. In addition, struggle for changes and implementation of constitutional arrangements becomes economic and contextually specific. In future it should cause positive effects and actual transformations. The authors think important clear reasoning and understanding how to solve identified tasks to determine the most effective ways of constitutional development of the digital economy. The truth of theoretical concepts depends on socialization level of positive historical experience, perception of its rational, the useful and real component very much.

A gradual change from the industrial economy to the information economy and democratization of a socio-economic system dated back to the late seventies of the twentieth century. These phenomena increased the scientific interest in Public choice theory in a present day society greatly [1]. This issue was at the focus of discussion in economic literature. Public choice theory has proved its urgent need for the meaningful state participation in economic development, new institutional structures in the economy but only at the initial stage. It should be noted that for the first time Public choice theory was proposed by Wicksell. Later, it was developed by Buchanan. It became a frequent practice and gained broader acceptance just thanks to Wicksell's scientific researches [15]. The economist believes that the point of economic constitution is an agreement (involved in any kind of exchange) among people [15].

The authors mean the general principles of developing institutions of a modern society by this agreement. Communication among various processes is done. It also creates 'a level playing field' where the members are free to deliver on their economic favors and grounds of economic action. It should be noted that the market economy is a form of the economic constitution, which implies an agreement on the rules of behavior in the market environment. It allows all the participants of exchange to choose a similar strategy for market behavior independently and consciously. If specify in detail, the basis for realizing economic interests is their conscious limitation at the initial stage of choosing the economic development constitution in market conditions. The choice of qualitative characteristics of coordination structures seems to be a quite conscious process and develops the main prerequisites for further quantitative effectiveness of structures within the established 'constitutional' limits and rules in a modern society as well.

First of all, Hayek took into account conscious participation in this ongoing process when examining the prospects for the effective development and changes from the military economy to the market economy. However, even before the development of Neoclassical theory of ownership / property

rights, the economist pointed out the importance of a “mature legal system”, “a differentiated definition of property in relation to its types”, such institutions as money, market and information channels in order to develop effective competition. Finally, the scientist decided on the need for rational government participation in developing basic market foundations and structures. In conclusion, Hayek proposed the formula of “planning for competition” [17], which provided effective facilities for further improvement and institution development.

In the 1970s – 1980s, the development of Germany was one of the more successful examples of Public choice. Nevertheless, state authorities- supporters of ‘ordoliberalism’ who shared scientific postulates close to the above, ensured the effectiveness of the initial stage of the market economic evolution development and predetermined “organic” evolution [18].

In conditions when Public choice of the economy is determined, and it develops within it, it will be quite difficult for the society to change it in the future because of the ineffectiveness of the choice had been made before. In that respect, the question is about the mechanism of ‘dependence on evolution’, dependence of the subsequent evolution of coordination structures on public choice of economic development.

It is worth reminding that the state became the main character in Public economic choice in the 19th century. For example, the effectiveness of the English system of free competition in the 19th century was fixed by the current parliament. It became really the main actor of the constitutional choice in favor of a competitive market [19]. The state acts as one of the structures that should guarantee coordination in economics in general. It is recorded in an effective Public choice. Upon particular conditions, the state can be the result of a contract between the members, a search for a compromise between their interests. It is important to say that the temperament and nature of state power both reifies the social contract and determines the appropriate choice of ownership systems, social and political order of the state [19].

The evidence from the world practice shows that changes in a political constitution in favor of a social contract predetermine the following:

- Democratic structures development in a modern society;
- Effective national economics as a whole.

The discussed Public choice theory makes it possible to define the function of the beginning stages in norm-setting the digital economy more clearly. This is the most effective period, the achievements of which predetermine all future development and the degree of implementation of public interests in the following stages. The considered theory puts chiefly the political choice, development of fundamental structures of democracy in a present-day society first in the sequence of constitutional choices. There are very important fundamental legal principles of the course of an agreement-based paradigm and development of the future economic constitution of the nation.

There are good reasons to note that the above suggests mechanisms for providing political democracy itself and developing social contract mechanisms in the state policy.

The Constitution of the Russian Federation and the whole complex of laws and regulations define the legal framework of the digital economy development in real life [20].

At the official level, there is a necessity for driving to a scientific and technical level of development, and supporting the enterprise rights. Also, there is a demand to move towards arranging the digital economy and constructing a regulatory framework for its future development [20]. In this respect, a program for the development of the digital economy and a combined set of legislative instruments aimed at the implementation of this program were established [21].

A legislative framework of socio-economic affairs for the state economic institution development makes great practical and theoretical sense. It is found out that the regulatory and legislative support for the digital economy will continue [21]. Both the basic rates of information (postindustrial) development and a digital socio-economic leaning of a present day society, its level of democracy, and what is the most important, in the authors’ opinion, the welfare quality of the whole society depend on the way this issue will be solved. The problem matters nowadays as well. The state when resorting to eco-

economic numerous practice and transformations (IT development, a change to IT-based management and other economic reforms in 1993-2017) relied, first of all, on the regulatory and legislative framework.

The task is to develop a functioning intellectual property protection system and provide necessary conditions for adoption of the digital economy in the country. The scholars believe that the fast growth of the digital economy is still necessary. Moreover, it is an obligatory condition for the further development of institutions of the whole state. Digital interests and goals should have a huge advantage over general business interests.

In modern conditions, an evolvement, development of an economic system using digital technologies and a balance of fundamental economic and institutional phenomena should be carried out according to the scheme that the authors developed and presented in Figure 1.

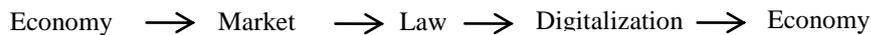


Figure 1. Establishment, Development of an economic system using digital technologies and correlation of fundamental economic and institutional phenomena.

Let's stress that Law is the central part of this scheme. Through the mechanism of state regulation, law actualizes relations between individuals regarding production, exchange, distribution and consumption of digital services and goods. It excludes any economic disadvantages and, as a result, economic conflicts in digitalization area of the economy in a present-day society.

The country has an urgent demand to ensure priority of legal and political principles on the economy. Those principles involve the needs of digital goods and service market.

The introduction and development of the digital economy, as well as general IT-based development of the entire socio-economic system in the country from the early 1980s to 2019 (IT development) were closely related to the development of information structure of the society development and, consequently, the implementation of public choice of information economy in a contemporary society.

The declaration of fundamental principles of constitutional choice, in particular, the guarantee of all citizens' rights and freedoms are treated as norms of international legislation. They provide equal opportunities for all members, enterprises and public interest organizations to take part in the state and social management.

So, summarizing the above, the authors can conclude and decide on the need for the following statements:

- turning down the supremacy of one of the ownership forms and establishment of a variety of forms of property in economics;
- reducing state involvement and privatization of state enterprises and institutions, declaration of economic pluralism;
 - preserving various forms of property and providing equal protection by the state;
 - democratization of national economics;
 - judicial procedure changes, introduction of information and innovation law;
 - enacting a market economy change, a multiplicity of parties, economic pluralism and proclaiming a democratic national policy.

In such logical assertions, the existence of institutions becomes the main reason for the digital economy implementation. In conceptualizing approaches to the economic development, the main place is occupied by institutional factors. In the neoclassical version of the economic theory of development (Solow, Barro, Lucas) such factors of the long-term growth as capital accumulation, change in savings rate, population growth, human capital accumulation and technical progress are considered to be prevailing [1].

Note that neo-Keynesian Dynamic Economic theories draw their attention to the maximum propensity to save, the amount of national outlay, the value of maximum capital efficiency in relation to the interest rate. A personality of a businessman- reinventor is in the focus of study according to the

theory of economic development by Schumpeter who is a father of current combinations of production factors, new products, new markets, new information technologies [1].

In the context of the information technology revolution, institutional factors are the main driving force behind the development of the digital economy as a whole. The institutional multiplier determines scientific rangeability and vanguard technology. They are fully reflected in modern institutional forms in digital economic affairs of the constituent members.

Technology-related revolutions in science, inventions, and fundamental scientific discoveries make high-powered incentives for institutional changes. They take one of the main parts in developing the digital national economy on the whole. However, it should be pointed out that new institutional structures are being developed and formed. They provide the coordination of producers' work and consumers' practice in the digital economy in a contemporary society.

Rapidly changing conditions and institutions influence the interaction of participants within the digital economy and make it more rational and efficient. Which is quite explicable in such a situation, more time and efforts of economic and social actors are usually spend on the search for options concerning institutional structures and institutional innovations in the digital area of economics.

Nevertheless, the authors stress that the introduction and development of the digital economy is accompanied by generating rules, norms and principles of institutions. They contribute to the detailed development of new modern areas of activity in the new society. It is important to mention that digital technologies and organizational forms break existing barriers between economic, social, cultural and legal fields of the nation. They visualize their interdependence, interdetermination and coordination in a modern digital society.

The institutional factors of the digital economy development [22, 23] are the following:

- digital strategy;
- developed infrastructure of the digital goods and service market;
- institutions providing scientific and technological progress;
- intellectual property institutions;
- investment and innovation institutions in the digital area of a contemporary society;
- development of small and medium digital business;
- modern, effective legislative and regulatory basis that stimulates and supports the development of the digital economy in the context of developing institutions of a present-day society.

Note that digital transformation of the economic system is not only the introduction of new digital technologies in all sectors of economics. It is also an opportunity to expand the activities of market institutions and possibilities of digitalization of production sectors of the economy as a whole. In the digital economy, new business opportunities and citizens' self-employment are rapidly expanding. The foregoing represents the objective prerequisites for economic growth, new job formation, introduction of new types of services for population and business, etc. Effective and permanent development of institutions in terms of introducing and applying digital technologies, overcoming the line of low-intensity development that does not correspond to the pace of development of a present-day society, requires active government regulation and participation in digitalization of the economic system in planning and forecasting digital activities in the state economy. It is advisable that state participation itself should be a powerful stimulus for the development of digitalization of the economic life of a society. In this aspect, it seems important to develop effective institutions of the digital economy ensuring the permanence of its further development.

6. Conclusion

It needs direct operational government interest and participation in the process of developing prevalent institutions in order to activate economic development and overcome the rigidity line while establishing and developing institutions of a contemporary society in the context of digitalization of economics. The authors primarily mean the main structural elements that provide an interaction among the main actors in political and economic areas in a contemporary society, economy digitalization, planning and programming economic affairs of the state.

Digital transformation should become a nationwide idea. The application of it in each national company and the entire Russian economy will help to move quickly to the correct and effective way of sustainable development and reestablish technological leadership in the global world economic territory.

Government participation should serve the main and most powerful stimulus for the digital economy development. A state innovation policy should have a promoting effect on the faster growth of fundamentally new tech-intensive sectors and economy institutions, carrying out profound retooling of working industries and manufacture branches in the whole society. Quality management of digital transformation of business structures and sectors of the economic system should be considered as a reasonable necessity in the context of large-scale and deep technical integration of a present day society. The most important factor now is establishing effective institutions of the digital economy. They will promote the consistency and efficiency of its development. Institutions make digital development a continuous process in the economic field. They also serve the basic foundation for the effective development of the contemporary Russian society. Therefore, the solution of the tasks outlined in the paper takes a central stage for developing the future institutional zone in terms of digitalization of the economic activity of the state as a whole.

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