

INTERCOOPERATION BETWEEN CONSTITUTIONALISM AND STATE PERFORMANCE

Comprehensive identification of the particular organization of society, the state and its typical symptoms can be carried out within the interdisciplinary range of study completing by legal, political, economic sections.

More complicated are the studies aimed at evaluating the extent of the country performance that are also multifaceted. A generalized analysis based on the country performance indicators allows us to claim that there is a functional link between these indicators and the indicator defining characteristic level of constitutionality¹.

Economists are aware how the managers at different times, in different countries, with what methods and tools are managed to create conditions to meet the needs of individuals in the various layers of society, and how, in this case, have operated the limitations created by the human, or otherwise the institutions "dictating the rules of the game".

It is known that these rules and norms are enshrined in the constitution and the basic laws of the countries. But just are fixed, but not fully realized in life.

One of the criteria that defines the state's performance at the professional literature is defense capacity, the rule of law, sustainable development, and in another case, military force, the viability of political institutions, and administrative capacity are combined. We will not be mistaken considering the integrated assessment of the country performance predetermined via this and many other criteria through the country's welfare indicator.

How the indicator that incorporates many criteria defines the indicator describing the level of constitutionalism, the country's welfare is presented in detail through the methodology [1] (189-206 pages).

Using a variety of information sources², diagnosis of the constitutionalism level through the above-mentioned methods have been tested for the former Soviet Union and

¹ See: G.Harutyunyan, H. Sargsyan, R. Gevorgyan Constitutionalism: perception of institutions and welfare of countries, 2018.p.208.

² World Development Indicators of World Bank, Nations in Transit of Freedom House for Transition Economies, Regulatory Quality of World Governance Indicators, Corruption Perception Index of Transparency International, UNO Development Programs Human Development Index and other databases.

29 transitional countries of Central and Eastern Europe, and the clustering of these countries was carried out.

The lowest level of importance has the social and economic indicators: the poverty level and the Gini coefficient.

Cluster analysis allows exploring the relative level of constitutionality for a particular country and making conclusions on what factors in the cluster are indicators that should be particularly important for policymakers responsible for constitutional regulation.

In the cluster of countries with an average level of constitution, where Armenia is "fit in", it has a fairly low index for the democratization indicator than the average of the given cluster.

Let's remind that these estimates refer to 2014, in which is not included April-May of 2018: the period of revolt of civil society in Armenia.

Compared to the average of the cluster of higher level of constitutionalism, there are significant institutional developments and political stability in terms of indicators.

These are the very precise indicators identified by comparative cluster analysis to which should be given special attention during development of the policy priorities.

Cluster analysis allowed defining the most important factors determining the constitutionality level.

The fact that the indicators of democratic transition and institutional development in the transitional countries surveyed show that the major differences between transitional countries at this stage of development are not conditioned by socio-economic developments. Almost similar conclusions have been made by us in another study, where another set of explanatory variables has been used. This proves the reliability of the results obtained in the case of changing the group of explanatory variables.

The targeting and implementation of the improvement of social and economic indicators is limited by insufficient development of institutions and democratic processes.

This conclusion is one of the most important results of the survey, from the point of view of suggesting a policy of improving the constitutional level in the country.

As a hypothesis it can be assumed, that the further growth of the economy in transitional countries, which is no longer "renewable," should be largely predetermined by democratic and institutional improvements.

The welfare of the countries is conditioned by many factors, such as geographical location, climate, natural and human resources, religion, historically-formed relationships with neighboring countries, historically determined political paths, etc. Acemoglu and Robinson³ have proved that the level of welfare of the countries is not always explained by these factors. They have shown that the prosperity and decline of countries are conditioned by the quality and capability of formal political and economic institutions.

The empirical analysis carried out by us has shown the reliability of that claim. It has also been shown that people's behavioral prerequisites, institutions' perceptions, constitutional traditions and constitutional stability can be of great importance. Proxy variables have been used by the author group to measure constitutional stability and constitutional traditions. The constitutional stability was assessed by the number of amendments to the country's basic law, starting from 1991, and constitutional traditions with the help of "number of years since the adoption of the constitution" variable. We have come up with the assumption that any change in the constitution is conditioned by certain political, economic or social events. The change itself in the future can bring stability to the life of the society. At the same time, any amendment to the basic law implies profound changes in the activities of public administration institutions and the adaptation of public relations to those changes. This can be explained by the reverse dependence found on the empirical model between the "number of changes in the constitution" variable and the "human development index" variable. At the same time, our research shows how important the accurate measurement possibility of concepts such as constitutional values, constitutional stability, etc. in empirical studies of institutional economics.

A methodology⁴ for measuring constitutional stability was suggested, by applying G. Harutyunyan's proposed indicators⁵, can be solved this problem.

We intend to continue the studies in this direction. The survey also found that there is a positive dependence between the number of years since the adoption of the new constitution and the welfare of the countries. It turns out that there is a certain threshold

³ See: *Acemoglu, Daron and James A Robinson, Why Nations Fail: The Origins of Power, Prosperity and Poverty.* 1st ed. New York, 2012.

⁴ See: Harutyunyan G.G., Sargsyan H.L., Gevorgyan R.A., Assessment of the Level of Constitutionalism in Transition Economies, *Journal of Advanced Research in Law and Economics (JARLE)*, Volume VIII, Issue 4(26), Summer 2017, pp. 1126-1135.

⁵ See: Harutyunyan G.G., Main components of systematic constitutional monitoring, *Constitution Justice*, Number 4(74), 2016, pp 7-35.

that may vary for different countries, after which the positive impact of the time passed after the adoption of the Constitution is practically neutralized. It should be noted that the reasons for the adoption of a new constitution may vary.

The influence we speak about is likely to be conditioned by the fact that the adoption of the constitution is a consequence of certain events that have led to the complete or partial collapse of state institutions.

The adoption of new constitution, as a result of which the continuity of state power bodies is maintained, in our study and our goals is mainly related to the notion "amendments in the basic law." Speaking about such concepts as "constitutional stability" and "constitutional traditions", it should be noted that they are applicable for countries with transition economies. These countries are in a situation when constitutional amendments are necessary and they are the basis of transitional processes. In these countries, the formation and transformation of new institutions depends on the changing situation, it is a vital necessity.

Therefore, the formation of constitutional culture in these countries requires some time. However, this study showed that the formation of a stable constitutional system is a necessary condition for the development of countries, including transition ones. The transition countries, which will be able to form a more stable constitutional system, will have greater opportunities for long-term economic development.

The next important aspect of our study is the impact of the perception of behavioral prerequisites and institutions on the well-being of the countries. In this case, an important issue is the possibility of accurately measuring these concepts.

We used the WVS database⁶ to "measure" them, and received that the variables of behavioral prerequisites and the perceptions of institutions are statistically significant.

It turned out that, there are some stereotypes in perceived behavioral and institutional perceptions of countries that are decisive factors for explaining the welfare of the countries.

The tendency to "tactics of small violations" and low perception of institutes negatively affects the human development index.

⁶ World Values Survey /<http://www.worldvaluessurvey.org/>

Along with the importance of these variables in explaining the well-being of the countries, the study also raised the issue of measuring these concepts. In the new institutional economy, there is a concept of opportunistic behavior⁷, where agents pursue personal gains, even reaching to apostasy (self interest seeking with guile).

The "tactic of minor violations" described in the work is one of the manifestations of opportunistic behavior. Another possible manifestation of that behavior can be "the selective or relative enforcement of laws" when a person is convinced that, depending on the current situation, he or she may decide to fulfill or not the law. An example of such a situation is to run a red light at a completely empty crossroads. Investigating the impact of such tactics on the welfare of countries is not possible due to the lack of a specialized database of data. For example, in the WVS database we did not find variables that we could use to describe these and other behavioral preferences.

An important prerequisite for the development of empirical studies in the field of constitutional and institutional theories is the creation of a specialized database of data. Thus, the basic hypothesis formulated has been completely confirmed, namely, constitutional culture and behavioral aspects, along with institutional development, are the main factors of welfare of the countries.

Now let's refer to the complex of strategic issues that will be developed for the coming years, which will be aimed at raising the constitutional level.

A brief reference to recent decades tells us that more than two-thirds of the current Armenian population lived in the former USSR, where people's perceptions and behavioral well-being of ideas, knowledge of regulations and customs were different.

Everything is being changed in the newly independent Armenia and still will be changed. The changes will also affect **the management of the economy. The first in priorities of the changes is the transition from the adopted economic system to the real liberal economy.**

What are the expectations in that area?

First of all, our perceptions about real liberal economic relations should be completely changed.

⁷ See: Oliver E. Williamson, "Opportunism and its critics", in: *Managerial and decision economics*, Vol. 14, 1993, p. 97.

Today there are all the vicious restrictions that have been voiced for more than two decades (including in our own written and verbal publications on the structural changes, the export potential execution, the effective use of the scientific and educational system, and other issues that still remain as an imperative), but the initiatives aimed at rectifying these were bearing more cosmetic, selective nature.

One simple example: for the export of educational services except for good educators, it is necessary to solve the students' accommodation issue. Solutions to the improvement of the competitive environment, the prevention of corruption and the promotion of creative work are quite different.

Our people, who demonstrated their will and won the war, have suffered severe deprivations as a result of the socio-economic policy implemented in the past and, in some cases, have undergone torture. The people seized the path of alienation. Fierce privatization (including land and subsurface resources), back growth of the scientific-educational system became a serious impetus for the development of potential opportunities.

The creation of new elite based on mercenaries, ignoring and despising high values was “justified” by the primitive logic that our people had not had statehood for millennia, are adaptable, etc. That was profitable. The consistent poverty was also profitable that opened wide doors for election fraud. Still at the end of last year, when the revolutionary sprouts had not yet been identified, one of my publications titled "There will be a decent standard of living in Armenia if we have good elections and a good National Assembly".

Thus, people's views and perceptions about the real liberal economy should be based on a system of thinking in which case it would be alien to steal from the budget of the country, the phenomenon of corruption. Everyone should be able to see that corruption is the same thing as the inexplicable phenomenon to steal from parents and children.

The next priority for effective economic governance is reorganization of decision-making and implementation of solutions at all levels and areas.

New approaches should be aimed at neutralizing the possibility of corruption. If the change in the thinking system is a long process, it is important to make the right orientation in the first steps that is a precondition for a further successful process. One thing should be clear: short-term effects sometimes turn into long-term losses.

Knowledge based management, first of all, should be directed to the elimination of the various stereotypes of embezzlement of public funds. The most significant of them is the exclusion of the possibility of distortion in the laws.

The mechanisms and procedures built on unauthorized distribution and redistribution of unauthorized permits create fertile soil for the shedding of the waste and the results, which, in turn, leads to inefficient management. As a result, we have a huge deficit of constitutionalism, which is reflected in the level of insufficient liquidity of the norms and provisions set out in the Constitution of the country. The deficit is manifested in almost every aspect of the organization of public life, in the field of democracy, institutional and political developments, in the effective implementation of counterbalances and restraining mechanisms. This deficit, of course, is different in all countries. In our country, the main task of the authorities is to increase the constitutional level or overcome the deficit. This deficit relates to all aspects of the rule of law, particularly to a decent standard of living, and in this sense, the spread of inclusive economic growth on all strata of the society is essential, with substantial mitigation of existing revenues.

The mitigation of the problem, over-polarization may contribute to the introduction of the progressive taxation mechanism of property. But no matter how surprising it may seem, the solution to the last problem is not the redistribution of wealth, but the redistribution of economic opportunities ranging from education to entrepreneurship. Reassessment of existing approaches in the field of social and economic policy and their fixation in development programs relates to ***contractual economics***.

Today it is not difficult to see that the economy is, in the end, a complete network of contracts between economic entities, a large set of contracts. The market, in this case, represents a situation where is agreed. At the same time, they are conditioned both by product creation and distribution, redistribution (taxation), expansion of production and various issues. Economic managers (including those in the macro level) studying those agreements seek to create more favorable conditions for the implementation of those arrangements.

For this reason, there are sufficient economic-legal arrangements between enterprises, employer-employee relationships and so on.

In the context of the proposed problem, it is highlighted the establishment of a judicial-legal institute for contract settlement or dispute, particularly since January 1, 2019

formation of bankruptcy courts. And the problem is superficial. In 2016 the obligations of large and medium-sized commercial organizations of Armenia exceed 3 trillion drams, and as of August 1, 2018 - the number of commercial organizations recognized as bankrupt has reached 4 thousand. It should be noted that in 2017, the number of bankruptcy cases filed by the court is around 10,000, of which 3171 have been declared bankrupt. Another problem that needs to be solved today is ***the digital economy***.

Global development trends indicate that the production of information and telecommunication services is around 7% of the world's GDP.

Digitizing significantly raises competitiveness of companies, helps to optimize costs, increase profitability of assets, and helps them to better estimate consumers' demand.

Our directions oriented reforms do not cover the whole range of structural and institutional changes.

And in general, the possibility to completely change the system, where there is a need, is at the same time risky.

The latter's mitigation risk is the construction of intermediate institutions with a well-known approach in institutional theory. We can give examples.

Institutional reform of the civil society that has been liberated from the interests of external forces and, finally, the use of the whole armaments for economic and legal regulation, aimed at raising the constitutionality level, can be a real coincidence (guarantee) in the creation of a prosperous country.