Research proposal
for the NBER Productivity, Innovation and Entrepreneurship Program

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Research topic: "The effect of legal uncertainty on economic activity"

Abstract

The **main hypothesis** of the research is that in developing countries legal uncertainty caused by contradiction between antitrust policy and intellectual property rights protection policy decreases economic activity including innovation activity. The **main method** of the research is empirical analysis. To identify the effect of legal uncertainty on economic activity, the effect of *changes in the legislation* guiding antitrust and intellectual property rights protection policies on *fixed capital investments* will be estimated. The **possible policy implication** if the effect is negative and significant could be to sacrifice positive effects of one of the policies and to prioritize one policy over the other for different industries depending on the situation in each of them.

Motivation

Russia is developing country that is trying to embark on the path of innovative development increasing innovation activity of the companies. Market economy in Russia has emerged relatively recently, after the collapse of the Soviet Union; its competition policy is still a young, developing institution. The intellectual property law is also new, the part of the Civil code on the regulation of the exchange of objects under the property right protection has been enforced since 2008. In the current version of the law on protection of competition, which has been enforced since 2006, the exceptions of its enforcement for the intellectual property were introduced in the article on the abuse of dominant position. The exceptions of its enforcement for the intellectual property in the article on agreements and concerted actions that restrict competition were introduced in 2012. This led to a number of cases where companies suspected in the abuse of dominant position or in agreements or concerted actions that restrict competition were trying to use these exceptions. However the decisions of the antitrust authority of Russia and the Court of Arbitrage, where companies appealed decisions of the former, were contradictory due to inconsistent interpretations of these exceptions. As a result companies do not know exactly when they will be accused in the violation of the law on protection of competition. This ambiguity can be also used for unfair competition. In general, these exceptions and the way they are enforced

create legal uncertainty that may have negative effect on economic activity in Russia.

Research method and database

To estimate the effect of the changes in the legislation on economic activity the intervention analysis can be employed. First, it can be tested if there is any significant change in economic activity due to the enforcement of the current version of the law on protection of competition with exceptions in 2006, the introduction of new exceptions in 2012 or the appearance of the part in the Civil code on the regulation of the exchange of objects under the property right protection in 2008. Then it can be tested if the intervention can be modeled as a pure jump function (the effect of changes in the legislation remains in place) or as a prolonged impulse function (there is a decay of the effect) or as a gradually changing function (the effect was not immediate but came into force in some periods).

For the empirical analysis the annual data on fixed capital investments of 160 industries since 1995 (after the privatization process) can be used (is available). The research can be also enriched by the analysis of the antitrust cases where the exceptions of the enforcement of the law on protection of competition for the intellectual property have been used (the official records on published decisions by the Supreme Court of Arbitration are also available).

Literature review

Antitrust and innovation is a topic of a significant number of papers. Antitrust policy and intellectual property rights protection policy can be complementary, but the main discourse is on the contradictory character of their relationship. The main idea is that the later protects the result of investments of a firm in innovation activity that can lead to monopolization of the market, while the former protects competition on the market. In the references some articles on this issue that I find interesting are represented.

The relationship between antitrust policy and intellectual property rights protection policy is also discussed in the Russian economic literature. In the references the main Russian papers on this topic are represented. The main specificity of the Russian case can be formulated as the combination of poor institutions of the property rights protection in general and intellectual property rights in particular on the one hand, and one of the biggest antitrust authority in the world and one of the highest amount of cases per year on the other hand.

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17. Takedayand, Y., Uchida, I. (2015). Innovation and Legal Enforcement for Competition Policy: Theory and Evidence from Overseas Subsidiaries of the JapaneseAuto-Parts Suppliers. Research Institute of Economy, Trade and Industry (working paper).
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Russian references

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2. Kurdin A. Shastitko A. E. (2012). Antitrust Policy and Intellectual Property Rights Protection in Emerging Markets. *Voprosy Ekonomiki*, 1, 84–95.
3. Shastitko A.E. (2013). Is It worth to Protect Competition Policy from Intellectual Property Rights? *Voprosy Ekonomiki,* 8, 60-82.

CURRICULUM VITAE

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Education

Current The New School for Social Research, NYC, USA

- PhD, Economics

2012-2013 Université PARIS1-Pantheon-Sorbonne, Paris, France

and

Paris School of Economics (Ecole d' économie de Paris), Paris, France

- The second year of MA, Research Master in Theoretical and Empirical Economics (taught in English)

2011-2012 Université PARIS1-Pantheon-Sorbonne, Paris, France

- The first year of MA, Pantheon-Sorbonne Master in Economics (taught in English)

2008- 2011 University of London, London, UK
London School of Economics and Political Science, External Program

- Bachelor of Science, Economics and Finance

and

State University – Higher School of Economics, Moscow, Russia
International College of Economics and Finance

- Bachelor Degree, Economics (taught in English)

2007-2008 State University – Higher School of Economics, Moscow, Russia
International College of Economics and Finance

- The first year of BA in State University – Higher School of Economics and preparation for BA in University of London

1997-2007 Gymnasium 1579 (high school equivalent)

Research experience

Current A research fellow of the Russian Presidential Academy of National Economy and Public Administration (RANEPA), Moscow, Russia (telecommute)

- Research project: "Antitrust policy implications of the behavioral economic theory: behavioral antitrust" (Responsible for the whole project)
- Research project: "Antitrust cases on related markets" (General analysis based on actual antitrust cases)

2015 Lomonosov Moscow State University

- Expert analysis for antitrust cases (Theoretical and empirical modeling)

2014 RANEPA, Moscow, Russia

- Research project: “The structural alternatives of the trade organization of joined products with negative externalities“ (Responsible for the whole project including theoretical modeling, analysis of Russian markets of chlorine and caustic soda, policy implications and literature review)

2013 RANEPA, Moscow, Russia

- Research project: “Intellectual property and social development: time for pragmatism“ (Analysis of past researches)

2013 RANEPA, Moscow, Russia

- Research project: “The role of economic analysis in competition law enforcement: empirical analysis and development perspectives“ (Theoretical and technical analysis)

2011 State University – Higher School of Economics, Moscow, Russia

- Research project: “Theoretical and methodological approaches to analysis of main processes in the World Economy“ (Analysis of past researches)

2011 State University – Higher School of Economics, Moscow, Russia
Institution of analysis of companies and markets

- Research project: “Active and protective methods of competition policy: connection and complementariness“ (Data collection and processing)

2010 Youth innovative community “Futurussia“, Russia

- Participation in planning of the high-tech business area Skolkovo

2010 Bureau of Economic Analysis, Moscow, Russia

- Research project: "Application of economic analysis in antitrust" (Data collection and processing)

2009 "Progressor" Group, Russia

- Sociological survey of the participants of the innovative session of "Seliger 2009"

Publications

- Shastitko, A. (2016) Empirical assessment of the role of economic analysis in the Russian antitrust: why is economic analysis used? *European Journal of Law and Economics,* Vol 41, No 2, DOI 10.1007/s10657-016-9537-0
- Shastitko, A. (2014). Behavioral antitrust. *Economic policy,* No 6, Moscow
- Shastitko, A. (2014). Empirical assessment of the role of economic analysis in Russian antitrust. *Vestnik MSU,* No 2, Moscow
- Shastitko, A.A., Shastitko, A.E. (2015). Markets of joint products: a theoretical model and policy implications. *Economic issues,* No 2, Moscow
- Shastitko, A.A, Shastitko, A.E., Meleshkina, A. (2015). Cost allocation, regulation and incentives under goods joint production. *Vestnik MSU,* No 1, Moscow
- Shastitko, A. Kurdin, A. (2013). Application of economic analysis in antitrust litigations: empirical investigation. *Economic Policy*, No 4, Moscow

Conferences

- 31th International Business Research Conference, Toronto, Canada (2015)
- 10th International Conference on Competition and Regulation, Rethymnon, Greece (2015)
- International conference of the Moscow Lomonossov State University, Moscow, Russia (2014 and 2015)
- 9th International Conference on Competition and Regulation, Corfu, Greece (2014)
- 5th annual conference of the Spanish Association of Law and Economics, Málaga, Spain (2014)
- 18th annual conference on the International Society for New Institutional Economics, Durham, USA (2014)
- International conference, St-Petersburg, Russia (2013 and 2014);
- 9th annual conference of the Italian Society of Law and Economics (ISLE), Lugano, Switzerland (2013)
- 11th annual conference of the German Law and Economics Association, Bozen, Italy (2013)

Skills

- **Languages**: Russian - native speaker; English - fluent, business; French - intermediate
- **Computer skills**: Microsoft Office, EViews, Stata, Matlab, PC/MAC OS