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Impact of legislative direction on inflation

Michał Niewiadomski, Jacek Strojny, Agata Niemczyk, Zofia Gródek-Szostak, Bianka Godlewska-Dzioboń, Marcin Surówka

ABSTRACT

Objective: The article aims to verify the research hypothesis that the impact of the number of government regulations on inflation levels in economies is insignificant.

Research Design & Methods: The conducted analysis was quantitative and concerned the impact of the number of acts on the level of inflation in different countries. We used a case study method and panel data modelling to study the phenomenon. We analysed the number of acts and the level of inflation in 18 countries of the world. We divided the research sample into three periods: 1960-1968, 1986-2006, and 2010-2019. We used a random effects (RE) model for statistical data analysis. It enabled us to examine the relationship between the number of legal acts and inflation, considering the time factor and inter-country variability.

Findings: The empirical results of the study indicated that an increase in the number of pieces of legislation in the analysed countries provoked a reduction in the level of inflation, especially in cases where inflation exceeded 6%. The study showed that the intensification of legislative activity can have a positive effect on stabilising inflation. Moreover, in many cases, after periods of intensified legislative activity, we observed a decline in inflation in subsequent years.

Implications & Recommendations: Legislative activity can play an important role in controlling inflation. Policy makers should pay attention to the number and complexity of legal regulations, as intensifying legislative activity can effectively stabilise inflation, especially in situations where inflation exceeds certain thresholds, such as 6%. The results suggest that properly managed legal policies can promote long-term economic stability.

Contribution & Value Added: The economic literature rarely discusses the impact of legislative activity on inflation in different countries. The article combines panel data analysis with a case study method, offering unique insights into the relationship between the number of pieces of legislation and inflationary stability. Furthermore, the study shows that legislation can be an effective tool for controlling inflation, something that has previously been insufficiently documented in macroeconomic studies.

Article type: research article

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INTRODUCTION

The effects of high inflation levels are relatively extensive. Therefore, researchers constantly seek new determinants which could reduce it to an ideal and specific level for the economy. They rarely mention legislation among the causes that could influence inflation. However, the consequences of political, ideological, or legal actions are often reflected in the state of the economy. Simultaneously, striving to create complete and perfect law could lead to 'legislative inflation,' which, like inflation in economics, causes a number of negative social effects.

The period from the 2000s to the 2020s is the time when modern law was created that was partially ideological (*e.g.*, as a tool promoting tolerance or patriotism). This increased the juridification of social

spheres and led to the appearance of symbolic laws (Šulmane, 2011). Therefore, examining the actual impact of legislation on inflation is complicated. In the 1990s, Barro (1996) noticed that there could be a legal variable correlated with economic growth and inflation. As an example, he pointed to better enforcement of property rights, which can stimulate investment and, consequently, economic growth. Moreover, Barro emphasised the possible impact of rules-based systems on the level of inflation. He and others also noted that the rate of inflation could inversely reflect the rule of law (Barro, 1996; Shevchuk *et al.*, 2020). Other studies reflect this, *e.g.*, by James (James, 2007), who indicated that major legal changes could affect the economy, or that a specific reform affects the level of unemployment or inflation.

The above considerations emphasise that one of the goals of legislators should be to aim for an optimal amount and complexity of regulations. They also assume that lawmaking can affect economic growth and inflation rates in various ways in different countries. Therefore, the main objective of the article is to verify the research hypothesis that the impact of the number of government regulations on inflation levels in economies is insignificant.

LITERATURE REVIEW

The literature analysis on macroeconomics suggests that excessively high inflation adversely affects a country's economic processes. Many researchers have already attempted to confirm the above thesis (Neville *et al.*, 2021; Summers *et al.*, 2018; Cieslak & Plfueger, 2023; Harris *et al.*, 2001; Ahmed & Mortaza, 2005; Ayyoub *et al.*, 2011; Mallik & Chowdhury, 2010; Karki *et al.*, 2004). Andrés and Hernando (1997) found that inflation is not positively correlated with per capita income in the long run. Chen (2022) confirmed the relationship between the inflation rate and economic growth. In his studies, he indicates that high inflation has a positive impact on economic growth only in the short term. However, in the longer term, a high level of inflation causes economic problems for business owners and increases social problems. Moreover, Gregorio (1992) observed that between 1951 and 1985, there was a relationship between inflation and economic growth in Latin American countries (Gregorio, 1992).

On the other hand, Bruno (1995) emphasises that inflation could not lead to a decline in economic growth, but to higher inflation. He indicates that the problematic level of inflation starts from 40% and above (Bruno, 1995). Based on other studies, we may conclude that this threshold could be individualised. For example, when analysing inflation in Malaysia in the years 1970-2005, Datta and Mukhopadhyay (2011) found that the threshold value for which economic growth slows exceeded 3.89%. However, Faria and Calneiro (2019) showed that in Brazil, in years with high inflation, the level of production did not change significantly over a long period of time. Ndoricimpa (2017) reached similar conclusions. He studied inflation in African countries and showed that low levels of inflation do not affect economic growth in low-income countries. Simultaneously, Ndorcimpa pointed out that for middle-income countries (as in Africa), inflation increases economic growth until it reaches a certain threshold, followed by a decline (Ndoricimpa, 2017).

Many studies confirm that high levels of inflation negatively impact the economy. In this respect, Fischer stated that the harmful impact of inflation on production results from its macroeconomic instability (Fischer, 1993). Highly volatile inflation could disrupt the ability of businesses to plan and invest, resulting in companies not engaging in long-term contracts (Neville *et al.*, 2021). Simultaneously, high inflation could have a negative impact on social processes and a positive impact on the state of the natural environment (Setyadharma *et al.*, 2021). At the same time, the literature on the subject contains numerous examples of hyperactive or blocked legislatures, leading to a deterioration of the quality of law and the economic situation (Bar-Siman-Tov, 2015). However, the legal complexity and uncertainty are not equivalent. From a legal point of view, an extensive statute with many references, terms, and regulatory subjects could be difficult to understand for a citizen not interested in the law. However, such a law should be clear to people who use legal language. A similar situation applies to the legal system that regulates technology. Its complexity could constitute a significant obstacle for research centres and high-tech companies. Complex and extensive legislation can inhibit the development of new technologies and lead to the transfer of research activities abroad, which can result in limited economic growth in the country (Kirby, 2009). At the

same time, excessive simplification of laws carries risks. As Blank and Osofsky (2017) emphasise, striving for simple solutions in tax law can complicate matters for taxpayers, who may be misled by insufficient specification of certain points in the legislation (Blank & Osofsky, 2017).

Despite doubts about the impact of lawmaking on the economy, there are indications that an appropriate government response through the creation of new legislation positively affects economic growth. As previously indicated, it is correlated with a relatively low and specific level of inflation. An example is the findings of studies conducted by Ash *et al.* (2020). They found that the economies of U.S. states with more developed and complex legal systems tend to have more efficient, more productive economies. The authors of the study attempted to answer whether the correlations they obtained regarding the specificity of laws and GDP reflect causal relationships (Ash *et al.*, 2022). If the economy is at a more advanced level of development, it is natural to introduce more regulations. Therefore, the law of an economy with more industries is characterised by more extensive and detailed regulations.

RESEARCH METHODOLOGY

In the first stage of the research, data on inflation were obtained in all countries of the world. We downloaded this database from the World Bank Open Data. It provided data on changes in consumer price indices for many countries from 1960 to 2023. We filtered the obtained records to exclude data on dependent territories. Noteworthy, not all countries had complete data, but we chose the World Bank Open Data database because of its comprehensiveness. We excluded data from years with major economic crises from the analysis, as they caused significant inflation fluctuations in most countries of the world. We observed the greatest economic and inflation fluctuations from 1969 to 1985, a period during which relatively destructive economic crises were recorded over 16 years. The first was the recession of 1969-1970 (Fabricant, 1972). Another significant event affecting inflation was the energy crisis of the 1970s-1980s (Becker & Seligman, 1981; Zunes, 2009). It impacted oil supply and prices worldwide, with effects observed until the mid-1980s (Arihan, 2021). Furthermore, we excluded from the study data from the 2007-2009 financial crisis and the COVID-19 pandemic from 2020 to 2023. These events significantly impacted the state of economies worldwide.

Filtering the data allowed us to obtain a set where potentially other factors caused inflation fluctuations. We obtained three study periods: I – 1960-1968, II – 1986-2006, and III – 2010-2019. Based on the analysis of inflation targets in individual countries, we assumed an inflation rate above 6% to be undesirable for the economy (CBONDS, 2021; Jahan, 2012). We excluded from the analysis countries with lower inflation levels in the studied periods.

In the next research stage, we obtained data on the number of official journals, the number of pages of enacted laws, the number of laws, the total number of government acts, and legal changes depending on the availability of data in individual countries. Based on a review of official journals available online, we collected data for 18 countries from all continents. The vast majority of the world's countries had malfunctioning electronic official journals, which caused many problems in the correct data retrieval process. The platforms displayed errors when showing large groups of search results. Usually, official journals were outdated, and the presentation of records in them deviated from common data visualisation standards on the Internet in the 21st century. Moreover, in 15 countries, we found significant deficiencies in the digitisation of older documents. This is a significant problem from a citizen's perspective, as it limits access to legislation. In practice, there may be very old laws still in force, but they are inaccessible. In some official online journals, inactive legal acts were not distinctly marked. The operation of many government online platforms from various countries was slow, viewing one page of results could take up to a minute in some cases. At the same time, in official online journals, there was sometimes no division into individual legal acts. All the above-mentioned problems affected both developed, developing, and underdeveloped countries.

The research assumed additional exclusions. For a significant part of the study period, we eliminated data from countries with high inflation. Finally, we created a list of countries without major long-term inflation problems, as well as of those in which obtaining information on historical or current legislation was impossible (Table 1).

Table 1. Exclusions of countries from the study due to data access problems, high inflation, or lack of high inflation problems

Lack of data in legal act databases or lack of inflation data or a non-functioning online official journal.	Bahamas, Bangladesh, Barbados, China, Comoros, Cote d'Ivoire, Cuba, Argentina, Bermuda, Armenia, Belize, Bhutan, Botswana, Burkina Faso, Central African Republic, Chad, Cyprus, Denmark, Egypt, Arab Rep., Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Fiji, Gambia, Grenada, Guinea-Bissau, Guyana, Korea, Dem. People's Rep., Liechtenstein, Marshall Islands, Somalia, Tajikistan, Turkmenistan, Yemen, Iraq, Ireland, Japan, Korea, Kuwait, Lesotho, Liberia, Madagascar, Malawi, Mauritania, Monaco, Myanmar, Namibia, Nauru, New Zealand, Nigeria, Niger, Oman, Pakistan, Peru, Samoa, Senegal, Serbia, Seychelles, Sierra Leone, Spain, Sudan, Timor-Leste, Trinidad and Tobago, Zimbabwe, Ecuador, Jordan, South Sudan, Libia, Tonga, St. Lucia, St. Vincent and the Grenadines, St. Kitts and Nevis
High inflation persisted throughout most years of the study	Angola, Belarus, Burundi, Ghana, Haiti, Turkiye, Venezuela, Indonesia, Iran, Jamaica, Paraguay, Sao Tome and Principe, Solomon Islands, Sri Lanka, Suriname, Tanzania, Uruguay, Uzbekistan, Zambia, Kazakhstan, Syrian Arab Republic, Ukraine, Brazil, Dominican Republic, Nepal
No problems with high inflation*	Antigua and Barbuda, Bahrain, Bosnia and Herzegovina, Brunei Darussalam, San Marino, United Arab Emirates, Kiribati, Micronesia, Palau
No problems with high inflation	Austria, Belgium, Congo, Dem. Rep., France, Germany, Luxembourg, Malta, Montenegro, Netherlands, Panama, Singapore, Switzerland, United States, Malaysia, Saudi Arabia, Canada
The online journal of laws did not function properly, and it was impossible to find accurate data on government legislation	Algeria, Afghanistan, Benin, Chile, Colombia, Congo, Rep., Estonia, Guatemala, India, Israel, Italy, Lao PDR, Mali, Morocco, Mozambique, Nicaragua, Sweden, Togo, Tunisia, Vietnam, Gabon, Georgia, Mexico, Vanuatu
Unreliable data in the journal of laws (not all legal acts are added)	Bulgaria, Cabo Verde, Cambodia, Cameroon, Costa Rica, Djibouti, Dominica, Greece, Guinea, Honduras, Lebanon, Maldives, Mongolia, Philippines, Uganda,
A high level of inflation in the middle of the second period of the study resulting from the political transformation (no problems with inflation in later years)	Czechia, Croatia, Hungary, Lithuania, North Macedonia, Poland, Romania, Russian Federation, Slovak Republic, Slovenia
Limited access to a journal of laws	Iceland, South Africa

Notes: * Inflation data for some years were unavailable.
Source: own study in 2023.

Table 2 summarises the data obtained on inflation and types of legal acts for 18 countries, with particular emphasis on comments regarding the data reliability and completeness.

The first stage involved laying out the time frames and establishing the research methodology and concept. The analysis focused on the economies of countries worldwide that were characterised by high inflation rates and had open, functioning, and clear access to databases of government legal acts. To verify the research hypothesis stated in the Introduction, we used methods such as literature analysis and case studies for selected economies. The formal criteria included the availability of inflation data and the number of government legal acts for the selected countries during the selection process (see 'The database'). The substantive criterion of the research subject was primarily based on assessing the inflationary situation and the availability and quality of legal act databases in individual countries.

We selected the countries for the analysis based on the availability of data on both inflation and the number of legal acts. This allowed for a reliable quantitative data analysis. The included countries came from different regions of the world and represent economies with diverse institutional structures and development levels. This selection enables the identification of various relationships between the legislative process and inflation dynamics. Importantly, the aim of the study was not to fully represent all global economies but to analyse the phenomenon based on countries that met specific data quality criteria.

Table 2. Summary of inflation data and legislation for selected countries

Country	1st study period		2nd study period		3rd study period		Obtained data on legislation
	Data for	Inflation situation	Data for	Inflation situation	Data for	Inflation situation	
	1960-1968	yes/no	1986-2006	yes/no	2010-2019	yes/no	
Albania	L- | I-	-	L+* | I+	yes	L+ | I+	no	Law journals (number)
Australia	L- | I+	no	L+ | I+	yes	L+ | I+	no	Law journals (pages)
Azerbaijan	L- | I-	-	L+* | I+*	yes	L+ | I+	yes	No. of statutes
Bolivia	L- | I+	yes	L+* | I+	yes	L+ | I+	yes	Government legal acts
Salvador	L- | I+	-	L+ | I+	yes	L+ | I+	no	Law journals (number)
Finland	L+ | I+	yes	L+ | I+	yes	L+ | I+	no	Government legal acts
Kenia	L- | I+	yes	L- | I+	yes	L+ | I+	yes	No. of statutes
Kyrgyzstan	L- | I-	-	L- | I+	yes	L+ | I+	yes	No. of statutes
Latvia	L- | I-	-	L+* | I+*	yes	L+ | I+	no	Government legal acts
Mauritius	L- | I+*	yes	L- | I+	yes	L+ | I+	yes	Government legal acts
Moldova	L- | I-	-	L- | I+*	yes	L+ | I+	yes	Law journals (number)
Norway	L- | I+	no	L+ | I+	yes	L+ | I+	no	Government legal acts
Papua New Guinea	L- | I-	-	L+* | I+	yes	L+* | I+	yes	Law journals (number)
Portugal	L+ | I+	yes	L+ | I+	yes	L+ | I+	no	Law journals (number)
Quatar	L+ | I-	-	L+ | I+	yes	L+ | I+	no	Government legal acts
Rwanda	L- | I-*	-	L+ | I-	yes	L+ | I+	yes	Law journals (number)
Thailand	L+ | I+	yes	L+ | I+	yes	L+ | I+	yes	Government legal acts
United Kingdom	L+ | I+	no	L+ | I+	yes	L+ | I+	no	No. of statutes

Note: L+ legislative data were available; L- legislative data were unavailable; I+ inflation data were available; I- inflation data was unavailable; yes/no – assessment of the inflation situation in a given period (were there any overestimated inflation levels – above 6%); – no data; *data incomplete.
Source: own study in 2023.

According to Fidel (1984), a case study is appropriate for studying phenomena when considering a wide variety of factors and relationships (Fidel, 1984). This is characteristic of inflation, which many endogenous and exogenous factors can influence. Simultaneously, economic laws demonstrating the significant impact of lawmaking on inflation processes have not yet been developed, and, more importantly, lawmaking can be directly observed.

In the first stage of the research, we used an 'instrumental case study' (Stake, 1994) to analyse individual countries along with their inflationary and legislative situations. We based the summary of research results on a 'collective case study' (Stake, 1994) within the framework of comparing the phenomenon between countries.

The second stage of the research involved creating an econometric model describing the relationships between the number of legal acts and inflation. Their description in a model form can lead

to multiple interpretations, resulting in difficulties in choosing the most accurate representation of the relationship. This study is based on an econometric analysis, which combines the characteristics of time series data and cross-sectional data. The most comprehensive reflection of the relationships between the level of inflation and the intensity of legislative activity for the subject data set seems to be a panel model with random effects (RE). The RE model assumes the random distribution of individual effects in cross-sectional observations. The effects for individual entities (countries) are included in the regression model using a directional coefficient that represents a general constant parameter. The basis of the RE model is the assumption that the variability between entities is random and uncorrelated with the predictor (Greene, 2002).

The research procedure using the panel model consisted of the following stages:

1. Model specification (formulation of the research problem, determination of the explained and explanatory variables, selection of the analytical form of the model – panel model due to available statistical data – both time series data and cross-sectional data).
2. Estimation of the structural parameters of the model.
3. Substantive assessment of the model estimates.
4. Substantive assessment of the model estimates.
   - Assessment of the degree of model fit to the empirical data.
   - Assessment of the standard errors of the model parameter estimates.
   - Testing the significance of the explanatory variables.
   - Testing the properties of the random component.
5. Drawing conclusions based on the constructed econometric model.

RESULTS AND DISCUSSION

Based on the data obtained, we analysed the legislative and inflationary situation for each of the 18 countries individually. The next stage involved the search for common patterns among the analysed countries. In the data review process, we focused primarily on searching for coexisting values. Based on a review of the literature, we assumed that the introduction of a larger number of legal regulations could positively or negatively impact the inflation rate. Thus, in the tables, we used the green colour to mark years when inflation was above 6% and inflation increases exceeded 2 percentage points, while the increase in legislative forms was positive. On the contrary, we used the red colour to mark years when inflation was above 6% and inflation increases exceeded 2 p.p., but the increase in legislative forms was negative.

We divided the countries into cases based on the type of legislative data obtained. The first group consisted of countries for which we could measure the number of official journals. This group included countries such as Albania, El Salvador, Moldova, Papua New Guinea, Portugal, and Rwanda. Table 4 presents the inflation rates, the number of laws, the increase in single-base inflation, and the relative increase in laws in years in selected countries during periods that guarantee data availability.

Albania faced high inflation rates in the 1990s. The inflation database obtained was incomplete and contained records from 1992 onward. Therefore, it was impossible to analyse the first period (1960-1968) and part of the second period (1986-2006). The database of government legal acts in Albania included records from 2000, and the situation of elevated inflation in this period appeared only once (in 2002, inflation was approximately 7.8%). The third study period (2010 to 2019) was characterised by low inflation rates in Albania. In 2002, compared to 2001, the inflation rate increased by approximately 4.7 p.p., and the number of official journals increased by approximately 53 p.p. We noted that compared to 2002, in 2003, the inflation rate decreased by approximately 7.3 p.p.

We analysed the data for El Salvador for the second part of the study period. The years 1986-1996 were characterised by relatively high inflation rates (over 6%), and this situation normalised only in 1997. In the remaining study periods (first and third), we did not record high inflation in the studied country. We observed that in 1990, compared to 1989, the inflation rate increased by approximately 6.4 p.p., and in 1993, compared to 1992, it was higher by approximately 7.3 pp. At the same time, the

Table 3. Inflation dynamics and the number of journals of laws in selected countries

Albania					Papua New Guinea				
Year	Inflation	Law journals (number)	% inflation increase	% increase in the number of setting logs	Year	Inflation	Law journals (number)	% inflation increase	% increase in the number of setting logs
2000	0.05	53	–	–	2003	14.71	169	2.91	-9.14
2001	3.11	68	3.06	28.30	2004	2.16	149	-12.55	-11.83
2002	7.77	104	4.66	52.94	2005	1.78	192	-0.38	28.86
2003	0.48	115	-7.29	10.58	2006	2.37	237	0.59	23.44
2004	2.28	113	1.80	-1.74					
2005	2.37	116	0.09	2.65	2010	6.01	313	–	–
2006	2.37	156	0.00	34.48	2011	4.44	384	-1.57	22.68
Salvador					2012	4.54	495	0.10	28.91
1986	31.94	442	–	–	2013	4.96	568	0.42	14.75
1987	24.86	550	-7.07	24.43	2014	5.22	632	0.26	11.27
1988	19.76	524	-5.10	-4.73	2015	6.00	737	0.77	16.61
1989	17.63	352	-2.13	-32.82	2016	6.67	1012	0.68	37.31
1990	24.00	511	6.37	45.17	2017	5.42	926	-1.25	-8.50
1991	14.40	372	-9.60	-27.20	2018	4.37	852	-1.05	-7.99
1992	11.21	344	-3.19	-7.53	Portugal				
1993	18.51	706	7.29	105.23	1960	3.05	614	–	–
1994	10.59	916	-7.92	29.75	1961	1.55	610	-1.50	-0.65
1995	10.03	707	-0.56	-22.82	1962	2.66	622	1.11	1.97
1996	9.79	243	-0.24	-65.63	1963	2.02	620	-0.64	-0.32
1997	4.49	239	-5.30	-1.65	1964	3.44	617	1.42	-0.48
1998	2.55	235	-1.94	-1.67	1965	3.42	608	-0.02	-1.46
1999	0.51	238	-2.03	1.28	1966	5.04	615	1.61	1.15
Moldova					1967	5.53	621	0.49	0.98
2010	7.48	269	–	–	1968	6.08	633	0.55	1.93
2011	7.69	242	0.20	-10.04					
2012	4.55	280	-3.14	15.70	1986	12.33	1640	–	–
2013	4.60	321	0.05	14.64	1987	9.63	1842	-2.70	12.32
2014	5.09	133	0.49	-58.57	1988	10.10	1899	0.47	3.09
2015	9.68	391	4.59	193.98	1989	12.69	1967	2.58	3.58
2016	6.36	490	-3.32	25.32	1990	13.63	1763	0.94	-10.37
2017	6.57	472	0.21	-3.67	1991	11.85	2105	-1.78	19.40
2018	3.05	526	-3.53	11.44	1992	9.56	2227	-2.29	5.80
2019	4.84	406	1.79	-22.81	1993	6.78	2069	-2.78	-7.09
Papua New Guinea					1994	5.42	2178	-1.36	5.27
1988	5.45	82	–	–	1995	4.22	2205	-1.20	1.24
1989	4.48	74	-0.96	-9.76	1996	3.07	2438	-1.15	10.57
1990	6.95	84	2.47	13.51	1997	2.34	2437	-0.73	-0.04
1991	6.97	105	0.01	25.00	1998	2.57	2327	0.24	-4.51
1992	4.31	110	-2.66	4.76	Rwanda				
1993	4.97	106	0.66	-3.64	2010	-0.25	74	–	–
1994	2.85	107	-2.12	0.94	2011	3.08	77	3.33	4.05
1995	17.28	117	14.43	9.35	2012	10.27	79	7.19	2.60
1996	11.62	111	-5.66	-5.13	2013	5.92	79	-4.35	0.00
1997	3.96	117	-7.66	5.41	2014	2.35	82	-3.57	3.80
1998	13.57	161	9.61	37.61	2015	2.53	86	0.17	4.88
1999	14.93	193	1.36	19.88	2016	7.17	76	4.65	-11.63
2000	15.60	167	0.66	-13.47	2017	8.28	72	1.11	-5.26
2001	9.30	168	-6.30	0.60	2018	-0.31	102	-8.59	41.67
2002	11.80	186	2.50	10.71	2019	3.35	80	3.66	-21.57

Source: own study in 2023.

percentage increase in the number of official journals in 1990 compared to 1989 was approximately 45 p.p., and in 1993, compared to 1992, it was approximately 38 p.p. In both cases, the years following increases in the inflation rate and the number of official journals (1990 and 1993) saw decreases in the inflation rate; in 1991, the inflation increase was -9.6 p.p., and in 1994, compared to 1993, the inflation rate decreased by nearly 8 p.p.

The availability of data on the number of official journals for Moldova was limited. The complete database spanned from 2004 to 2004, allowing for the analysis of only two records in the second study period. Information on inflation levels for Moldova's economy in individual years was available from 1992, which led to a review of data for the third period (2010 to 2019). Studying inflation-legislation changes revealed that in 2015, compared to 2014, the inflation rate increased by nearly 4.6 pp. Simultaneously (2015), the number of official journals increased by approximately 194 p.p. However, in 2016, the inflation rate decreased from approximately 9.7% to just under 6.4%.

Papua New Guinea declared independence only in 1975, so the inflation and legislation databases were partially available for the second and fully available for the third study period. From 1986 to 2019, the economy of Papua New Guinea recorded high inflation rates. Data analysis revealed that in 1995, compared to 1994, the inflation rate increased by approximately 14.4%. However, the number of official journals in 1995 compared to 1994 increased by approximately 9.3%. A similar situation occurred in 1998. It was observed that in 1998, compared to 1997, the inflation rate increased by approximately 9.6 pp, and the increase in the number of official journals was approximately 38% compared to 1997. We also observed positive increases in Papua New Guinea's economy with respect to legislation and inflation in 1990 and 2002. In 1990, inflation rose by nearly 2%, and the increase in official journals was approximately 13.5 p.p. In 1991, inflation remained at almost the same level as in 1990. The inflation rate dropped in 1996, falling from approximately 17.3% to approximately 11.6%. In 1999, compared to 1998, inflation slightly increased (by approximately 1.36 p.p.). However, in 2003, inflation rose from approximately 12% to nearly 15%, and the number of official journals was approximately 9 p.p. lower than in 2002.

The database of official journals for Portugal was complete for all three study periods. The same situation applied to inflation data; they were available for all years analysed. Portugal's economy recorded high inflation levels (above 6%) in both study periods, but the dynamics of these changes in the first period (1960-1968) were relatively low. In 1987, compared to 1986, the inflation rate increased by approximately 2.6 p.p. At the same time, the increase in the number of official journals was relatively low, approximately 3.6 p.p. However, in 1990, Portugal's inflation rate increased from approximately 12.7% to approximately 13.6%.

Rwanda had a limited database of official journals; data on their number were available from 2004 onward. This meant that we could conduct the study only for the third period (2010–2019). Inflation data for the years 2010-2019 were fully available. We observed the inflation rate in Rwanda's economy in 2012 to be approximately 7% higher than in 2011. This increase was accompanied by a slight increase in the number of official journals. After a period of slightly higher legislative activity, the inflation rate in 2013 decreased by approximately 4.3 p.p. Upon examining Rwanda's economy, a 2016 record showed that the inflation rate increased, while the number of official journals was lower than in the previous year. In 2016, Rwanda experienced a significant increase in the inflation rate. Its value reached approximately 7.2%.

The second case involved countries for which we obtained information on the total number of legal acts implemented by governments over the years. This group included countries such as Bolivia, Finland, Latvia, Mauritius, Norway, Qatar, and Thailand. Table 4 presents inflation rates, the number of government legal acts, the increase in single-base inflation, and the relative increase in government legal acts in the years in selected countries during the periods chosen for the study.

Bolivia's economy experienced high inflation rates in the three study periods. However, data on the number of government legal acts for Bolivia were available from 1999. Inflation rates from 1999 to 2006 were below 6%. Therefore, we reviewed inflation-legislation data for the third study period. In 2011, compared to 2010, Bolivia's economy observed a sharp increase in inflation by approximately 7.4 p.p. This increase was accompanied by a significant increase in the number of legal acts, which increased by approximately 34 p.p. compared to 2011. In 2012, compared to 2011, the inflation

Table 4. Inflation dynamics and the number of government legal acts in selected countries

Bolivia					Mauritius				
Year	Inflation	Government legal acts (no.)	% inflation increase	% increase in the number of government legal acts	Year	Inflation	Government legal acts (no.)	% inflation increase	% increase in the number of government legal acts
2010	2.50	385	–	–	2016	0.98	72	-0.31	9.09
2011	9.88	516	7.38	34.03	2017	3.67	47	2.69	-34.72
2012	4.52	457	-5.37	-11.43	2018	3.22	52	-0.45	10.64
2013	5.74	562	1.22	22.98	2019	0.41	56	-2.81	7.69
2014	5.77	525	0.03	-6.58	Norway				
2015	4.06	593	-1.71	12.95	1986	7.18	782	–	–
2016	3.62	575	-0.44	-3.04	1987	8.72	1149	1.54	47
2017	2.82	555	-0.80	-3.48	1988	6.68	1342	-2.04	17
2018	2.27	487	-0.55	-12.25	1989	4.55	1551	-2.13	16
2019	1.84	542	-0.43	11.29	1990	4.13	1278	-0.42	-18
Finland					1991	3.44	1136	-0.69	-11
1960	3.42	558	–	–	1992	2.33	1344	-1.11	18
1961	1.69	621	-1.73	11.29	1993	2.29	1523	-0.04	13
1962	4.38	703	2.69	13.20	1994	1.38	1385	-0.91	-9
1963	5.00	670	0.61	-4.69	Quatar				
1964	10.28	712	5.28	6.27	1999	2.18	114	–	–
1965	4.94	715	-5.34	0.42	2000	1.65	122	-0.53	7.02
1966	3.87	787	-1.07	10.07	2001	1.47	194	-0.18	59.02
1967	5.38	677	1.50	-13.98	2002	0.24	167	-1.23	-13.92
1968	9.19	831	3.81	22.75	2003	2.26	248	2.02	48.50
					2004	6.80	291	4.53	17.34
1986	2.93	1074	–	–	2005	8.81	314	2.02	7.90
1987	4.11	1340	1.18	24.77	2006	11.84	267	3.02	-14.97
1988	5.09	1384	0.97	3.28	Thailand				
1989	6.59	1381	1.51	-0.22	1960	-0.77	243	–	–
1990	6.15	1398	-0.44	1.23	1961	7.39	295	8.15	21.40
1991	4.31	1744	-1.84	24.75	1962	3.70	335	-3.69	13.56
1992	2.92	1715	-1.39	-1.66	1963	0.00	303	-3.70	-9.55
1993	2.19	1709	-0.73	-0.35	1964	-0.79	267	-0.79	-11.88
1994	1.09	1599	-1.10	-6.44	1965	0.17	335	0.96	25.47
1995	0.79	1809	-0.30	13.13	1966	4.04	333	3.87	-0.60
1996	0.63	1377	-0.16	-23.88	1967	4.31	338	0.27	1.50
1997	1.19	1421	0.56	3.20	1968	1.79	413	-2.52	22.19
1998	1.40	1229	0.21	-13.51					
1999	1.16	1366	-0.24	11.15	1986	1.84	643	–	–
Latvia					1987	2.47	544	0.62	-15.40
1998	4.64	2844	-	-	1988	3.86	598	1.40	9.93
1999	2.36	2976	-2.28	4.64	1989	5.36	600	1.49	0.33
2000	2.65	2978	0.29	0.07	1990	5.86	562	0.51	-6.33
2001	2.49	3258	-0.17	9.40	1991	5.71	885	-0.15	57.47
2002	1.94	3688	-0.55	13.20	1992	4.14	1414	-1.57	59.77
2003	2.94	4349	1.00	17.92	1993	3.31	1879	-0.83	32.89
2004	6.19	4908	3.25	12.85	1994	5.05	2468	1.74	31.35
2005	6.75	4758	0.56	-3.06	1995	5.82	1683	0.77	-31.81
2006	6.54	4505	-0.21	-5.32	1996	5.81	3181	-0.01	89.01
Mauritius					1997	5.63	2510	-0.18	-21.09
2010	2.93	31	–	–	1998	7.99	2947	2.37	17.41
2011	6.52	75	3.59	141.94	1999	0.28	2991	-7.71	1.49

2012	3.85	62	-2.67	-17.33	2000	1.59	2048	1.31	-31.53
2013	3.54	40	-0.31	-35.48	2001	1.63	2075	0.03	1.32
2014	3.22	15	-0.33	-62.50	2002	0.70	2229	-0.93	7.42
2015	1.29	66	-1.93	340.00	2003	1.80	2297	1.11	3.05

Source: own study in 2023.

rate in Bolivia decreased by nearly 5.4 p.p.

In the Finnish economy, higher inflation rates (above 6%) were present in two study periods (I and II). At the same time, data on the number of government legal acts in the country were available in all study periods. Finland's economy experienced significant inflation fluctuations in the years 1960-1968. We found that in 1968, compared to 1967, the inflation rate increased by nearly 4 pp and the number of government legal acts increased by approximately 23%. Analysing data for Finland, we drew attention to 1964 characterised by a higher inflation rate and a larger number of government legal acts compared to 1963. In 1965, compared to 1964, the inflation rate decreased by approximately 5.3 p.p.

Inflation data for Latvia's economy were available from 1992, and the number of government legal acts from 1998. This allowed for an inflation-legislation analysis for part of the second study period. We observed that in 2004, compared to 2003, Latvia's inflation rate increased by approximately 3 pp. This increase was accompanied by an increase in the number of laws by nearly 13 p.p. After a period of introducing a larger number of government legal acts in Latvia (2004), the inflation rate in 2005 compared to 2004 showed a slight increase- by approximately 0.5 p.p. Latvia's economy had high inflation rates in the 1990s and early 2000s, while in the third study period, no high inflation fluctuations were recorded for the studied country.

For Mauritius, the availability of inflation data goes back to the mid-1960s. The legal act database provided access to government legal acts from 2002, allowing for an analysis of inflation and legislation dynamics for the third study period. In Mauritius's economy, we observed a significant increase in inflation in 2011 compared to 2010 – it rose by approximately 3.6 p.p. The number of government legal acts also increased in this period, increasing by approximately 142 p.p. We observed that after 2011, a year with a large number of legal acts introduced, the inflation rate in 2012 decreased by nearly 2.7 p.p.

Analysing the three defined study periods, we noted that Norway's economy experienced high inflation rates in the years 1986-1988 (second study period). The database of Norwegian legal acts was complete, but we did not observe any sharp increases in inflation (above 2 p.p.) in this country during the study period.

Inflation data for Qatar's economy were available for the second and third study periods. Qatar's government legal acts database was clear and extensive, dating back to the 1960s. We noted that the problem of high inflation in the studied country appeared in the years 2004-2006. In 2004, compared to 2003, Qatar's inflation rate was higher by approximately 4.5 p.p. This increase was accompanied by an increase in the number of government legal acts, which was approximately 17 p.p. After periods of increased legislative activity in Qatar (2004 and 2005), we observed that in 2006, the inflation rate continued to increase, reaching almost 12%. Simultaneously, in 2006, compared to 2005, the number of government legal acts was lower by approximately 15 p.p.

The inflation rate in Thailand's economy exceeded 6% in 1961 and 1998. The availability of inflation data and the number of government legal acts in the country studied was high. We observed that in 1961, compared to 1960, Thailand's inflation rate increased by approximately 8 p.p., and the increase in legal acts was approximately 21 p.p. An inflation increase of approximately 2.4 pp was also observed in 1998 compared to 1997. At the same time (1998), the number of government legal acts increased by approximately 17%. After years characterised by increases in the number of government legal acts and inflation above 2 p.p., we observed declines in the inflation rate. In 1962, the rate dropped from approximately 7.4% to approximately 3.7%. In 1999, compared to 1998, inflation decreased by approximately 7.7 p.p.

The third case involved countries for which we obtained information on the number of laws implemented by governments over the years. This group included countries such as Azerbaijan, Kenya, Kyrgyzstan, and the United Kingdom. Table 5 presents inflation rates, the number of laws, the increase

in single-base inflation, and the relative increase in the number of laws in years in selected countries during the study periods.

Table 5. Inflation dynamics and the number of government legal acts in selected countries

Azerbaijan					Kyrgyzstan				
Year	Inflation	Legal acts (no.)	% inflation increase	% increase in the number of legal acts	Year	Inflation	Legal acts (no.)	% inflation increase	% increase in the number of legal acts
2010	5.73	184	–	–	2011	16.64	1963	8.67	19.26
2011	7.86	220	2.13	19.57	2012	2.77	2591	-13.87	31.99
2012	1.07	232	-6.79	5.45	2013	6.61	1860	3.85	-28.21
2013	2.42	292	1.35	25.86	2014	7.53	1704	0.92	-8.39
2014	1.37	260	-1.04	-10.96	2015	6.50	1740	-1.03	2.11
2015	4.03	300	2.65	15.38	2016	0.39	1526	-6.11	-12.30
2016	12.44	485	8.42	61.67	2017	3.18	1441	2.79	-5.57
2017	12.94	439	0.49	-9.48	2018	1.54	1277	-1.63	-11.38
2018	2.27	444	-10.67	1.14	2019	1.13	1599	-0.41	25.22
2019	2.61	245	0.34	-44.82	United Kingdom				
Kenia					1986	3.43	1268	–	–
2010	3.96	29	–	–	1987	4.15	1446	0.72	14.04
2011	14.02	65	10.06	124.14	1988	4.16	1533	0.01	6.02
2012	9.38	97	-4.64	49.23	1989	5.76	1514	1.60	-1.24
2013	5.72	41	-3.66	-57.73	1990	8.06	1630	2.30	7.66
2014	6.88	38	1.16	-7.32	1991	7.46	1740	-0.60	6.75
2015	6.58	62	-0.30	63.16	1992	4.59	1903	-2.87	9.37
2016	6.30	38	-0.29	-38.71	1993	2.56	1833	-2.03	-3.68
2017	8.01	45	1.71	18.42	1994	2.22	1849	-0.34	0.87
2018	4.69	21	-3.32	-53.33	1995	2.70	2047	0.48	10.71
2019	5.24	63	0.55	200.00	1996	2.85	1818	0.15	-11.19
2010	3.96	29	–	–	1997	2.20	1804	-0.65	-0.77
Kyrgyzstan									
2010	7.97	1646	–	–					

Source: own study in 2023.

Regarding the database of Azerbaijan legal acts, it was limited. Legislative data reached back to 2003, and inflation data to 1992. This allowed for analysis during the third study period (2010-2019). In 2011, compared to 2010, the inflation rate increased by just over 2 p.p. This increase was accompanied by a nearly 20 percentage point increase in the number of laws. In 2012, the inflation rate dropped from just under 8% to approximately 1%. Inflation in Azerbaijan rose sharply in 2016 from around 4% to approximately 12.4%. At the same time, the number of laws in 2016 compared to 2015 increased by almost 62%. However, in 2017, data records only a slight increase in the inflation rate of approximately 0.5 p.p.

Inflation data for Kenya's economy were available for the entire study period, and data on the number of laws extended back to 2010. Therefore, we conducted an inflation-legislation analysis for the third period (2010-2019). Kenya's economy during this time was characterised by relatively high inflation rates. In 2011, compared to 2010, one could observe inflation increase sharply from just under 4% to approximately 14%. This increase was accompanied by a rise in the number of laws. Their quantity increased in 2011 compared to 2010 by approximately 124 p.p. In 2012, inflation was close to 9.3%, but this was lower than in 2011 (approximately 14%).

Kyrgyzstan's economy had high inflation rates in the second and third study periods. Despite the availability of inflation data, we could conduct the analysis only for the years 2010-2019. This was due to the incompleteness of the database of legal acts; the number of laws was available from 2010. In 2011, there was a significant positive increase in Kyrgyzstan's inflation rate. Its value increased from just under 8% in 2010 to nearly 17% in 2011. At the same time, in 2011, compared to 2010, the number of laws increased by just over 19 p.p. In 2012, compared to 2011, Kyrgyzstan was characterised by a

decrease in inflation, which dropped by approximately 14 p.p. However, in 2013, compared to 2012, the inflation rate increased by nearly 4 pp and the number of laws decreased by just over 28 p.p.

During the three study periods, the United Kingdom experienced a situation of increased inflation above 6% (in 1990 and 1991) only once. Inflation and legislation data for the UK were available for all study years. In 1990, compared to 1989, the inflation rate in the studied country increased by approximately 2.3 pp. Simultaneously, in 1990, compared to 1989, the number of laws increased by nearly 7.7 pp. The inflation rate in 1991 decreased; its value dropped from approximately 8% to nearly 7.5%.

The analysis of the fourth case included only one country, Australia. In this country, during the three study periods in the years 1986-2006, we detected instances of increased inflation levels. Table 6 presents the inflation rates, the number of law pages, the increase in single base inflation, and the relative increase in the number of law pages in Australia during the third study period.

Table 6. Inflation dynamics and the number of pages in government laws in Australia

Australia				
Year	**Inflation**	**Legal acts (no. of pages)**	**% inflation increase**	**% increase in the number of pages in government laws**
1986	9.05	5969	–	–
1987	8.53	1942	-0.52	-67.47%
1988	7.22	3454	-1.32	77.86%
1989	7.53	2958	0.32	-14.36%
1990	7.33	3454	-0.20	16.77%
1991	3.18	3453	-4.16	-0.03%
1992	1.01	3624	-2.16	4.95%
1993	1.75	3617	0.74	-0.19%
1994	1.97	3660	0.22	1.19%
1995	4.63	4712	2.66	28.74%
1996	2.62	3817	-2.01	-18.99%
1997	0.22	3730	-2.39	-2.28%
1998	0.86	4027	0.64	7.96%

Source: own study in 2023.

The legislative database in Australia was up-to-date, easily accessible, and clear, covering data for all study periods. The years 1986-1998 were characterised by low increases in the inflation rate, with no increase causing inflation to rise above 6%. However, we observed that in 1995, compared to 1994, inflation increased by nearly 2.7 p.p. This increase was accompanied by a rise in the number of law pages by approximately 29 p.p. In 1996, compared to 1995, the inflation rate decreased from approximately 4.6% to approximately 2.6%.

The case study analysis for the first group showed that in the year following a year characterised by an inflation increase of more than 2 p.p. and an inflation level of 6% along with an increase in the number of official journals, the inflation level decreased in countries such as Albania (2003), El Salvador (1992 and 1994), Moldova (2015), Papua New Guinea (1995), and Rwanda (2012).

Moreover, the study of the first case revealed records in individual countries where the inflation rate increase was greater than 2 p.p. and the inflation was greater than 6%. In these years, the number of official journals increased compared to the previous year, while the inflation rate in the following year increased only slightly (by a maximum of 1.5 p.p). We observed this phenomenon in Papua New Guinea in 1990 and 1998, and in Portugal in 1989. Moreover, there were two cases where inflation increased by more than 2 p.p. and was higher than 6%, while the number of official journals decreased compared to the previous year. These changes included Papua New Guinea in 2003 and Rwanda in 2016. In the years following these changes, we observed positive increases in the inflation rate.

The second case study included countries for which we obtained data on the total number of government legal acts. The data analysis showed that the inflation rate decreased in the years following a year with an inflation increase of at least 2 p.p. and a positive increase in the number of government legal acts. We observed this in countries such as:

Bolivia (2011), Finland (1964), Mauritius (2011), and Thailand (1961 and 1998).

In the second case study, we observed that in Latvia in 2005, the inflation rate increased slightly (by approximately 0.5 p.p). This phenomenon occurred after 2004, when inflation increased by over 2 pp (to more than 6%), and the number of government legal acts showed a positive increase. We observed a similar pattern in Qatar, but the inflation increase in 2005 after 2004 was greater, amounting to approximately 2 p.p. In 2006, Qatar experienced another increase in inflation and a decrease in the number of government legal acts.

The third case study showed that after a year with an inflation increase of more than 2 p.p. (to above 6%) and an increase in the number of laws, the inflation rate decreased in four cases. Inflation decreased in Azerbaijan (2012), Kenya (2012), Kyrgyzstan (2012), and the United Kingdom (1990).

In Azerbaijan's economy in 2016, an inflation increase of more than 2 p.p. was recorded, rising to approximately 12.4%. At the same time, we observed an increase in the number of laws in 2016. However, in 2017, inflation increased slightly (by approximately 0.5 p.p). The exploration of the third case showed that in 2013, the inflation increase in Kyrgyzstan of more than 2 p.p. did not coincide with a positive increase in the number of laws.

The fourth case involved only one country, Australia. Throughout the study period, there were no instances of an inflation increase that caused it to rise above 6%. However, we noted that in Australia in 1995, the inflation rate approached a value of just over 4.6% (an increase from 1994 by approximately 2.7 p.p.). This increase was accompanied by a positive increase in the number of law pages. Subsequently, in 1996, the inflation rate decreased by approximately 2 p.p.

Research Results: The random Effects Panel Model

Information regarding the relationships between inflation levels and legislative activity in individual countries possesses the characteristics of both cross-sectional and time-series data, creating a cross-sectional time-series sample. Combining cross-sectional data and time series data by increasing the number of observations facilitates the determination and assessment of existing relationships between the studied variables (Baltagi & Baltagi, 2008). The increase in the degrees of freedom of the model facilitates the distinction between individual effects and effects caused by external factors.

Due to the nature of the data regarding the relationships between the creation of legal acts by the state and the impact of legislation on inflation levels, a panel model was applied for the analysis of this information. Using panel data allows for the inclusion of temporal effects, as well as controlling for the heterogeneity of individual countries, which is accounted for by the random-effects components of the specified model. We collected the data for 17 countries for the following periods: Bolivia (2010-2019); Finland (1960-1968; 1986-1999); Latvia (1998-2006); Mauritius (2010-2019); Norway (1986-1994); Qatar (1999-2006); Thailand (1960-1968; 1986-2003); Azerbaijan (2010-2019); Kenya (2010-2019); Kyrgyzstan (2010-2019); United Kingdom (1986-1997); Albania (2000-2006); Moldova (2010-2019); Papua New Guinea (1998-2006; 2010-2018); Portugal (1960-1998); Rwanda (2010-2019); El Salvador (1986-1999).

The source information included three variables: type of legislation (legal act, law, official journal), inflation level (%), and number of legal acts (N) (Table 7). To model the processes studied, we transformed the source data into natural units by determining the first differences in the variables and their standardisation for individual countries (not within the entire dataset).

The dependent variable (std_I_inf) in this model was the standardised inflation level. The dependent variable was a stochastic process describing changes in the inflation level over time. Meanwhile, the regressor was the number of legal acts. The type of legal act (ActType) was not statistically significant (model 2), suggesting that the type of legal act does not influence the inflation level. The inflation level can be described using the first lags of the standard deviations of the dependent variable (std_I_inf_1) and based on the standard deviations of the number of legal acts (std_d_N_act) and the first and second lags of this variable (model 1) (Table 8).

Table 7. Variables included in the panel model

Names of variables	Measure
Inflation (I_inf)	%
Number of government legal acts (N_act)	N
Standard deviation I_inf (std_I_inf)*	%
Standard deviation N_act (std_N_act)*	N
First increments of I_inf (d_inf)	%
First N_act increments (d_N_act)	N
Standard deviation d_inf (std_d_inf)*	%
Standard deviation d_N_act (std_d_N_act)*	N
Type of legal act (ActType)	legal act

Notes*:* *Due to the diversity of the initial indicators, to compare the effects examined, standardisation was performed separately for individual countries.
Source: own study in 2024.

Table 8. Matching characteristics: The random effects model for panel data showing the quantitative impact of legislation on the level of inflation

variable	**Model 1**				**Model 2**			
	Coef. value	*Std.Err.*	*z*	*p value*	*Coef. value*	*Std.Err.*	*z*	*p value*
const	-0.056	0.040	-1.394	0.163	-0.035	0.099	-0.358	0.721
std_d_N_act	0.170	0.067	2.551	0.011**	0.171	0.067	2.556	0.011**
std_d_N_act_1	0.114	0.060	1.911	0.056*	0.114	0.059	1.920	0.055*
std_d_N_act_2	0.214	0.065	3.298	0.001***	0.213	0.065	3.289	0.001***
std_I_inf_1	0.477	0.083	5.730	<0.0001***	0.478	0.084	5.694	<0.0001***
ActType	–	–	–	–	-0.010	0.044	-0.234	0.815
Statistics for model 1					**Statistics for model 2**			
Hausman test	Chi-square(4) = 9.02 with p-value = 0.060				Chi-square(4) = 8.77 with p-value = 0.067			

Note: ***p < 0.01, **p < 0.05, *p < 0.1; We included seventeen cross-sectional data units; Dependent variable: std_I_inf; Robust standard errors (robust HAC).
Source: own study in 2024.

CONCLUSIONS

This study has several important limitations that one should consider when interpreting the results. We based the analysis on available data on inflation and legal acts, meaning that countries with limited digitalisation of legislative databases or incomplete data were excluded. This may lead to certain limitations in the representativeness of the sample.

Explaining high levels of inflation usually relies on fundamental economic laws, analyses of fluctuations in economies, and the examination of external factors. It is undeniable that economic laws function correctly – in this context, without the influence of external factors, some phenomena causing high inflation levels were under the control of decision-makers (Cukierman & Gerlach, 2003; Salma & Khan, 2023). Therefore, legal regulations become the primary instrument for inflation monitoring.

The conducted studies showed that in 16 instances, after a year with an inflation increase of more than 2 p.p. (to a value above 6%) and an increase in legislation, the inflation level decreased. We found that in four instances, after a year characterised by an inflation increase (of more than 2 p.p.) to 6% and an increase in legislation, inflation increased slightly. Only in four cases did the inflation rate increase in the year following an inflation increase (of more than 2 p.p.) to above 6% and an increase in legislation.

Based on this, we can assume that the phenomenon of elevated inflation (above 6%) is generally accompanied by an increase in government legislation aimed at reducing inflation levels. This is reflected in the decreasing inflation rates recorded for the years following those with increased inflation and government legislation. Therefore, we rejected the research hypothesis that the amount of government legal regulations has an insignificant impact on inflation levels in economies.

As Barro (1996) emphasises, legal transformations can occur in response to inflation. He points out that the direction of this interaction is unclear, and differences in legal regulations between countries affect the independence of central banks. Therefore, Barro proposes including the rule-of-law index in studies, which, according to the authors of this article, is justified in examining the inflation-legislative situation in a small number of countries. However, the analyses in this article covered a large group of countries over various periods, making the rule-of-law index unavailable for each record. In addition, the conducted studies showed that in most examined countries, the direction of the interaction of government lawmaking was clear: the increase in government legislation caused a decrease in the inflation rate in subsequent years.

The review of the obtained legislative data can lead to the conclusion that the studied countries experience a phenomenon of hyperlexis, which is simply defined as an attempt to create a utopian legal system that regulates almost every sphere of human life (Schwidetzky, 1996). The analysis of legislative data indeed indicates that more laws have been created over the twentieth and twenty-first centuries. This was not an attempt to create an ideal legal system, but rather a necessity to regulate new spheres of life and rapidly developing economies. This is confirmed by research conducted by Ash, Morelli, and Vannoni (2022), who emphasise that the increase in the number of legal conditional clauses, *i.e.*, the increase in legislative details, is positive for economic growth, and the need for additional regulation increases, especially in situations of higher economic uncertainty (there is a need to implement emergency solutions) (Ash *et al.*, 2022).

High sustained inflation results in high economic uncertainty. This may prompt decision-makers to introduce legal regulations to counteract high inflation. The expansion and increased detail of the legislation are beneficial for economic growth, which negatively correlates with the inflation rate. Therefore, from the perspective of economic theory, this process can lead to a reduction in the inflation level in the economy and is significant for understanding the factors influencing it.

From the perspective of economic practice, the study's findings may be relevant for the financial sector, businesses, and investors who analyse the impact of regulatory changes on economic stability. Identifying a pattern where increased legislation precedes periods of inflationary changes may be useful for forecasting market risk and adjusting investment strategies to a changing legal and economic environment.

This study adds new value to the literature by empirically examining the relationship between legislative activity and inflation dynamics using a panel data model with random effects. Unlike previous studies, which primarily focus on macroeconomic determinants of inflation, we incorporated legal factors, emphasising the role of government legislative activity in economic stabilisation. We based the research on a unique dataset covering multiple countries and periods while systematically excluding cases with unreliable legislative data. The findings indicate that an increase in legislative activity often precedes a decline in inflation, challenging traditional approaches and suggesting a significant role of legal regulations in economic adjustment mechanisms.

The relationship between legislative activity and inflation is complex and may depend on various additional factors, such as monetary policy, macroeconomic conditions, and institutional stability. The results indicate the co-occurrence of certain patterns. Further research in this area may contribute to a better understanding of this relationship. Despite these limitations, the presented analysis provides new insights into the potential role of legal regulations in shaping inflation dynamics and may serve as a starting point for further studies in this field.

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Authors

The contribution share of authors is equal: MN, JS – conceptualisation, ZG-Sz, AN, MS, BG-D – literature writing, MN, JS – methodology, MN, JS – calculations, ZG-Sz, AN, MS, BG-D – discussion.

Michał Niewiadomski

Assistant Professor at University of Agriculture in Krakow. His research interests include the analytical aspect is the study of economic and social structures of peripheral regions. He is also passionate about other fields of economic science, as well as computer programming and web application development.

Correspondence to: Michał Niewiadomski, PhD, University of Agriculture in Krakow, al. Adama Mickiewicza 21, 31-120 Krakow, e-mail: michal.niewiadomski@urk.edu.pl

ORCID https://orcid.org/0000-0002-3129-3331

Jacek Strojny

Associate Professor of University of Agriculture in Krakow. His research interests include the application of quantitative methods in economic sciences. These interests can be divided into two streams, i.e. econometric modelling of economic processes and applications of statistical methods for qualitative data describing economic phenomena.

Correspondence to: Dr hab. Jacek Strojny, Associate Professor, University of Agriculture in Krakow, al. Adama Mickiewicza 21, 31-120 Krakow, e-mail: jacek.strojny@urk.edu.pl

ORCID https://orcid.org/0000-0002-0577-377X

Agata Niemczyk

Associate Professor (Prof. UEK) of the Krakow University of Economics (Poland). A member of a body of experts researching Krakow's meetings industry; a member of the Krakow Tourism Expert Team researching the impact of tourism and the meetings industry on the economy of Krakow; a member of an expert researching Cracow's tourist industry during COVID-19. A member of the Regional Studies Association (RSA). Her research interests include consumer behaviour, cultural and business tourism, tourism marketing, territorial marketing, silver economy, green entrepreneurship, and sustainable development.

Correspondence to: Prof UEK, dr hab. Agata Niemczyk, Krakow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: niemczya@uek.krakow.pl

ORCID https://orcid.org/0000-0002-5594-6296

Zofia Gródek-Szostak (corresponding author)

Assistant Professor at the Krakow University of Economics in the Department of Economics and Organisation of Enterprises. She is the author and co-author of more than 200 publications. Her research interests include innovation management, management of the technology transfer process, commercialisation of innovations, cooperation of the SME sector with business environment institutions, technological cooperation of enterprises, state aid, development of innovative rural entrepreneurship, and sustainable development. Member of the Regional Studies Association(RSA) and the Polish Economic Society (PTE).

Correspondence to: Zofia Gródek-Szostak, Ph.D., Krakow University of Economics, Institute of Management, Department of Economics and Organisation of Enterprises, Institute of Computer Science, Accounting and Controlling, College of Management and Quality Sciences, Krakow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: grodekz@uek.krakow.pl

ORCID https://orcid.org/0000-0001-6283-6952

Bianka Godlewska-Dzioboń

Assistant Professor at the Krakow University of Economics in the Department of Public Administration in the College of Economics and Public Administration. Member of organisational and scientific committees of conferences organised, among others, by the Institute of Economic Sciences of the Polish Academy of Sciences. She has experience as an expert and trainer in national research and implementation projects on the promotion of academic entrepreneurship. Her research interests include the labour market, economic structures, public policy, and human capital development, with particular emphasis on professional competences.

Correspondence to: Bianka Godlewska-Dzioboń, Ph.D., Krakow University of Economics, Department of Public Administration, Krakow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: godlewsb@uek.krakow.pl

ORCID https://orcid.org/0000-0001-9668-458X

Marcin Surówka

Assistant Professor at the Krakow University of Economics in the Department of Corporate Finance. He is the author or co-author of numerous scientific publications, including articles and chapters in monographs. He has been awarded many times by the Rector of the Krakow University of Economics and the Rector of the Podhale State Vocational University in Nowy Targ for individual and group achievements in organisational and didactic fields. Awarded the Medal of the National Education Commission and the Medal for Long Service. His research interests include corporate finance and financial analysis as well as real estate market issues and state housing policy.

Correspondence to: Marcin Surówka, Ph.D., Krakow University of Economics, Department of Corporate Finance, Krakow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: surowkam@uek.krakow.pl
ORCID https://orcid.org/0000-0001-5852-7567

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Use of Artificial Intelligence

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