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STUDY OF PROPERTY RIGHTS AS A LEGAL MECHANISM OF ECONOMIC REGULATION

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Highlights

- The article explores property rights as a legal mechanism of economic regulation from both legal and economic perspectives.
- A model of the mechanism for implementing property rights is proposed, including laws, institutions, and organizations ensuring legal protection and economic effectiveness.
- The study includes an analysis of the long-term dynamics of the Property Rights Protection Index in Russia (1995–2024), showing a strong correlation between legal stability and the effectiveness of property rights.
- Periods of rising index values coincide with strengthened rule-of-law governance, while declines are associated with politicization and nationalization trends.
- The findings confirm that property rights function as an effective regulatory mechanism only under conditions of institutional stability and legal certainty.

Abstract

***I**ntroduction:* The relationship between economics and law as a science and as subject areas of socio-economic relations is determined by the diversity of economic interests, the need to protect and guarantee their implementation. Different types of socio-economic systems differ from each other in the type and forms of ownership. An element of ownership is the right of ownership, which is a mechanism for achieving economic goals of economic entities. The article examines the law as a mechanism for regulating the economy; studies the economic and legal nature of the right of ownership; examines the right of ownership as a mechanism for realizing economic interests. The work presents the author's model of the mechanism of ownership, its constituent elements and the influence of ownership on incentives and incomes of economic entities. At the end of the article, conclusions are made and directions for further research are presented.

***M**ethods:* The methodological basis was formed by such principles and methods as: interdisciplinary approach, general scientific and private methods of scientific knowledge. It is the interdisciplinary approach that allows for a comprehensive study of property rights as a mechanism for legal regulation of the economy.

***R**esults:* The analysis revealed that law is a legal category, but it is studied comprehensively as a mechanism that facilitates the achievement of a goal that is equally accessible for implementation by all groups of economic interests; law is capable of maintaining order and stability in the socio-economic system, implementing laws in it and maintaining the market. Ownership plays a special role in the legal and socio-economic system. The economic implementation of ownership is aimed at generating income as a result of economic activity, and the legal implementation of ownership is represented by laws and regulations, compliance with which maximizes the benefits of economic entities. The mechanism for implementing ownership is not an arithmetic combination of elements, but a complex phenomenon caused by cultural and social values shared by economic entities. In addition, the empirical analysis of the Property Rights Protection Index for Russia (1995–2024) confirms that the effectiveness of property rights as a legal mechanism directly depends on the institutional environment. Periods of index growth are associated with legal predictability and regulatory transparency, while sharp declines correlate with increasing state control, selective enforcement, and nationalization practices.

***D**iscussion:* As is known, everyone is equal before the law, therefore, from the point of view of the rule of law and the efficiency of the economic system, all interests are equally important and the weight of each of them is determined by the sphere of implementation. For example, if we are talking about the economic sphere and market development, the efficiency of economic interactions and solving short-term problems, then private economic interests will play the main role here. The most effective economic mechanism for implementing economic interests is the market. But the market is not a perfect mechanism for regulating interests and generates "failures" that this mechanism is unable to correct on its own. The state comes to the aid of the market, whose task is to preserve the market, to help it

overcome "failures". But by solving problems that are not characteristic of it, the state itself generates insolvency. Therefore, law becomes an important mechanism.

Keywords

Property, right, property rights, socio-economic development, socio-economic system, economy.

JEL classification: A11, A12, O43.

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Introduction

Property in every society at any stage is an important condition for its development. In science, it is customary to distinguish between the concepts of property and property rights. Property rights reflect the legal aspect of property to a greater extent. While property is a broader concept, the meaning of which is revealed both in economic and legal science. The relevance of the study of property and its role in socio-economic development is determined by the importance of this type of socio-economic relations, which affects the efficiency and competitiveness of the socio-economic system. The purpose of this study is to investigate property rights as a mechanism for the development of a socio-economic system. Research objectives: firstly, to consider law as a mechanism for managing the economy; secondly, to study the economic and legal nature of property rights; thirdly, to study property rights as a mechanism for realizing economic interests.

One of the indicators characterizing the security of property rights is the aggregate Property Rights Protection Index. The index is calculated based on the state of the legal and political environment, the right to physical property, and the right to intellectual property. The dynamics of the index are studied by the International Property Rights Alliance, which compiles a rating of 125 countries by the level of property rights protection. The index value ranges from 0 to 10. The higher the index value, the more reliably the property rights are protected. In 2024, the top three countries where property rights are protected to the greatest extent were:

– Finland - 8.081,
– Singapore - 7.942,
– Denmark - 7.774.

Here we will also note the top three countries with the lowest property rights protection index:

– Haiti - 2.568,
– Yemen - 2.382,

– Venezuela - 1.927.

In Finland, the Index of Property Rights Protection is 4.19 times higher than in Venezuela. This indicator has increased by 1.67 times compared to 2011. Only the state can correct such a difference. Countries with a high value of the Index of Property Rights Protection (Finland, Singapore, Denmark) are characterized by a high standard and quality of life of the population. At the same time, the main role is played by the institution of property, which creates the stability of these national economies [1].

Literature Review

Scientists from different methodological schools and approaches have contributed to the study of the economic significance of property. We will note only a few of them. The legal regulation of the economy was studied by the economist R. Coase, in his work "Firm, Market and Law" [2]. But it should be noted that R. Coase's study was conducted within the framework of the study of the Anglo-Saxon legal system, where the main role of law is played by court decisions. It is appeals to the courts that stimulate the growth of transaction costs for economic entities, as necessary expenses incurred to maintain their position in the market. But since legal systems are different, this approach is not always applicable. Let us note the significance of the work from the point of view of a unique approach to the analysis of the role of law in the functioning of the socio-economic system as a whole and for solving the problems of development of an individual in particular.

R.I. Kapelyushnikov made a huge contribution to the study of property rights and the role of property rights specification. The scientist considers property rights as one of the fundamental concepts of economic theory, which can be considered both at the micro- and macroeconomic levels [3]. M.I. Skarzhinsky worked on the modern theory of private property and institutional mechanisms for its protection. The scientist believed that the guarantee of economic and social stability is the legitimacy of the institution of private property [4].

A.D. Radygin considered not only the role of property, but also the entire complexity of the development of this institution. The scientist made a great contribution to the study of property reform in Russia [5]. We will separately note the studies devoted to the analysis of the specification of property rights. Thus, the scientist N.V. Kireev in his study of property rights dwells in detail on the discussion of this issue [6]. The author notes the main role of the state in the specification of legal property rights, giving property rights the property of exclusivity. In addition, the scientist identified the processes in which the specification of property rights is manifested, but I would like to add that the specification of property rights as a whole determines the efficiency of the market.

Methodological Basis

The theoretical potential of the study is based on the analysis of the achievements of economic and legal sciences. The methodological basis was formed by such principles and methods as: an interdisciplinary approach, general scientific and private methods of scientific knowledge. It is the interdisciplinary approach that allows for a comprehensive study of the application of the potential of private and public law as mechanisms for legal regulation of the economy.

The algorithm of the study includes a study of law as a mechanism for regulating the economy, the functioning of which is aimed at preserving the market, allowing its participants to realize their economic interests. Since participants have interests with different time radii, legal instruments are needed that can take this difference into account and help realize interests in the most effective way.

Results and Discussion

Law is classified as a non-economic mechanism for regulating socio-economic relations. There are many mechanisms known that influence the development of the socio-economic system. Such mechanisms are: market, corporation, state and law. Law is a depersonalized mechanism for regulating socio-economic relations in a state governed by the rule of law. A state governed by the rule of law is based on the supremacy of human rights and freedoms. In such a state, all people without exception act according to the law, within the framework of permitted norms and rules. At the same time, the law guarantees the reproduction of conditions, effective functioning of the market, private property, and free competition. The law limits interference in the economy and arbitrariness on the part of those who possess administrative and power resources. A state governed by the rule of law does not interfere, but only supports the reproduction of effective market institutions. In a state governed by the rule of law, citizens voluntarily delegate their rights and they have no doubt that the state will solve socio-economic problems more effectively than if citizens carried out their activities independently.

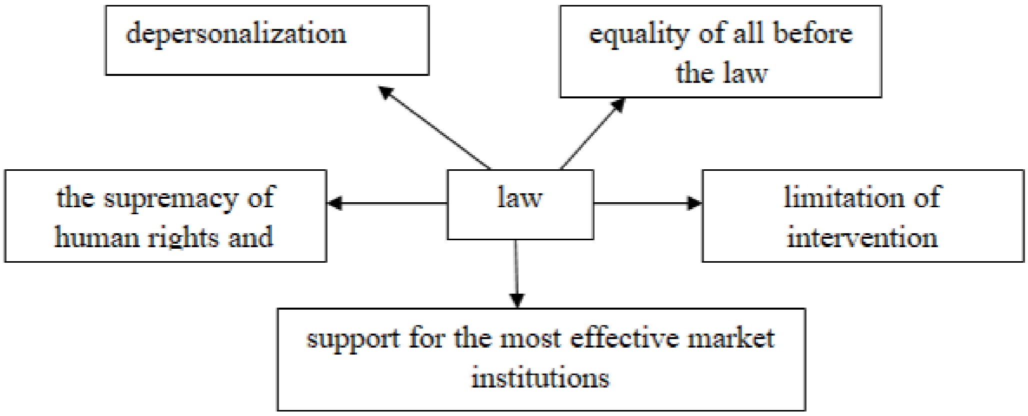

Fig. 1. Features of the legal mechanism for regulating socio-economic relations

Source: Compiled by the researchers

Let us consider the economic and legal nature of property rights. On the one hand, property rights are natural rights, i.e. they are an inalienable right that a person has at birth. On the other hand, property rights are positive, since the state protects property rights and guarantees protection to every citizen in accordance with Article 35 of the Constitution of the Russian Federation [7].

The economic basis of property rights is the economic interest of the property owner, which can be realized through the stages of social reproduction: production, distribution, exchange and consumption. The property owner faces transaction costs in the process of realizing property rights at any stage of social reproduction, since transaction costs accompany the economic activity of people: in order to carry out economic activity, a license is needed, i.e. the right to a certain type of activity; to sell goods and services, it is necessary to study the market, potential buyers, competitors, which is also an expense. Ultimately, the economic interest in realizing property rights is associated with receiving income from the property. All costs incurred by the property owner must be recouped and generate income.

The legal meaning of property rights is to establish legal norms that ensure the economic implementation of property. In legal science, which studies law in the continental tradition, three property rights are designated: possession, use and disposal [8]. Moreover, in contrast to the ideas of economists about property relations as inseparable from property objects, lawyers study rights separately, as objects of transactions.

Property rights determine the possibilities and limitations of an individual's behavior in society as a whole and in the economy in particular. Property rights form the rules of behavior and interaction of economic entities. Therefore, the rules should stimulate some models and patterns of behavior and limit, exclude the emergence of threats and losses of economic entities.

In the process of selecting rules that promote efficiency and those that hinder it, civil society institutions and the state as the guarantor of property play a major role.

The condition for the effective functioning of the socio-economic system is the implementation of property rights.

G.V. Ulyanov classifies property mechanisms as a set of structures and methods by which economic entities receive income [9]. Let us consider the components of property rights as a mechanism for regulating the economy.

Property rights set such a framework for the behavior of an economic entity that helps maximize the benefits from the objects in ownership. The legal prerequisite for maximizing benefits is the exclusion of property objects from other potential users who want to receive benefits from the object. Let us explain that the mechanism of exclusion is laws that guarantee the inviolability of property rights. In order to ensure laws, institutions and organizations are needed that are closely interconnected with each other, as shown in Figure 2.

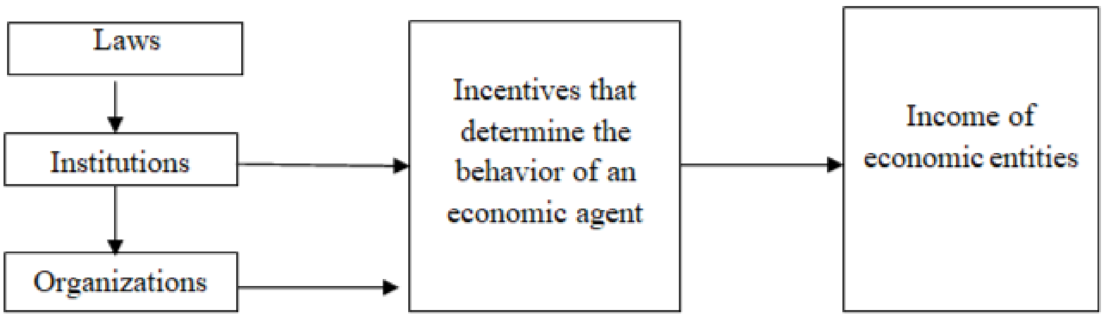

Fig. 2. Model of implementation of the mechanism of property rights

Source: Compiled by the researchers

The content of the model is presented in Table 1. For the effective implementation of property rights, it is necessary that the entire system of implementation of property rights be implemented on such principles as the rule of law and political stability.

Table 1. Basic elements of the property rights mechanism

	Elements of the mechanism of property rights
Laws	Constitution of the Russian Federation
	Civil Code of the Russian Federation
	Tax Code of the Russian Federation
	Criminal Code of the Russian Federation
	Code of the Russian Federation on Criminal Offenses
Institutions	registration of property rights
	copyright protection
	patent protection
Organizations	Law enforcement organizations
	independent courts

Source: Compiled by the researchers

The development of the socio-economic system, the stability of the market economy are based on such laws that allow the implementation of property rights as the Constitution of the Russian Federation, the Civil Code of the Russian Federation, the Tax Code of the Russian Federation, the Criminal Code of the Russian Federation, the Code of the Russian Federation on Administrative Offenses.

As for the organizations that support the implementation of property rights, they include: law enforcement agencies and independent courts.

Institutions play a special role in the implementation of property rights as a factor in the development of socio-economic development. For the growth of the efficiency of the socio-economic system, such institutions as registration of property rights, copyright protection and patent protection are necessary.

The presence of these principles, institutions and organizations, on the one hand, support interest in property rights, on the other hand, property rights are not free, as they generate transaction costs of protection for economic entities. The amount of these costs also affects the attractiveness of property rights, and ultimately affects the incentives, behavior and income of the economic agent. For example, by acquiring assets in the financial market, an economic agent will receive dividends, by selling real estate - rent, by leasing production assets - interest. From an economic point of view, the study of economic interest by A.A. Markovsky [10]. The scientist in his work focused on the development of the causes of economic interest in general and personal economic interest in particular. It is impossible not to take into account the interests of the author in the sense that taking into account the structure of personal interests affects the development of human capital and production relations. In the modern economy, this thesis remains relevant in the formation of economic security [11].

Thus, the effectiveness of property rights implementation is determined not only by the internal structure of economic interests and the level of transaction costs, but also by the broader institutional conditions within which legal mechanisms operate. However, the stability of the institution of property in modern Russia faces significant challenges stemming from changes in state policy toward private assets. In this context, analyzing the practice of nationalization becomes particularly relevant, as it affects trust in legal guarantees and the predictability of economic decision-making.

Contemporary Russian practice indicates a growing trend toward expanding state control over private assets, manifested in a wave of nationalizations that gained momentum beginning in 2022. According to official data, dozens of major private companies have been returned to state ownership over the past three years. These include strategic assets such as the transport group FESCO, the company "Makfa," metallurgical and chemical enterprises, agricultural holdings, and infrastructure facilities, including Domodedovo Airport [12]. The formal grounds for asset seizure have often included allegations of violations of anti-corruption legislation, connections with "unfriendly" jurisdictions, or unlawful privatization during the 1990s.

The quantitative indicator that reflects the institutional robustness of property rights is the International Property Rights Protection Index. In the case of the Russian Federation, the dynamics of this index over the past eight years demonstrate a marked downward trend, which correlates with the intensification of state-led nationalization policies and tightening control over private property. As the data show, from 2017 to 2020, the index exhibited a moderate positive trajectory, reaching a peak of 57 points in 2020, which corresponded with relative legal stability and moderate institutional reforms (Fig. 3). However, beginning in 2021, and especially from 2022 onward, there has been a dramatic and sustained decline in the index value, dropping to 21 points by 2024 – a decrease of over 63% in just four years. This sharp decline can be directly linked to the wave of nationalizations initiated by the Russian government starting in 2022.

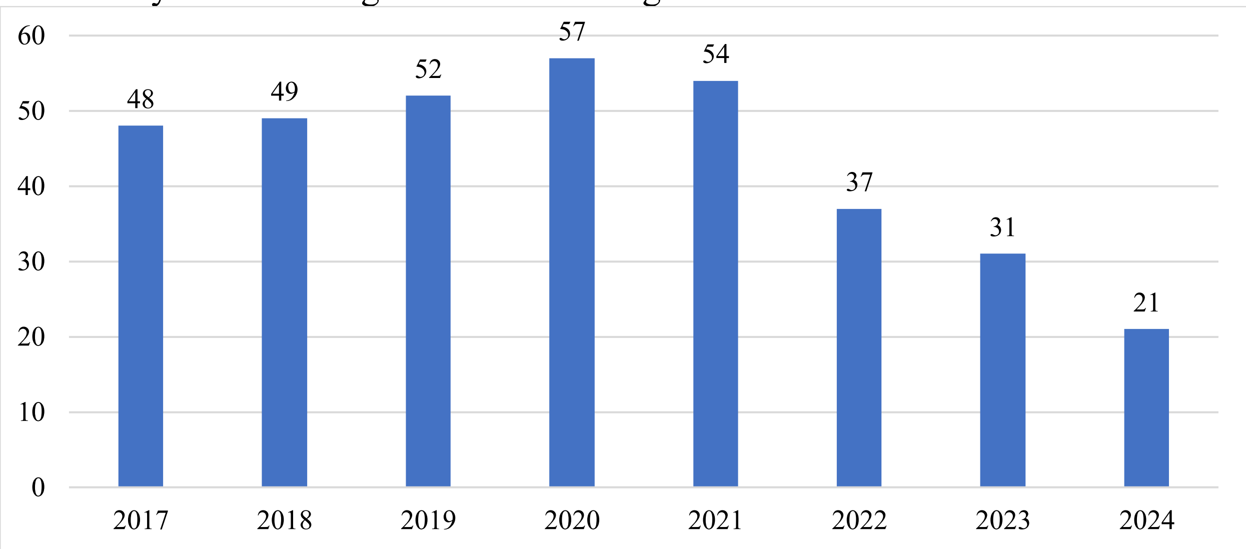

Fig. 3. Property Rights Protection Index in Russia

Source: The Heritage Foundation

The growing perception of legal unpredictability, selective enforcement, and erosion of private sector protections has negatively impacted Russia's reputation in global markets and reduced the incentive for domestic and foreign investment. The erosion of the index reflects not only the formal weakening of institutional guarantees but also a broader climate of uncertainty, in which property ownership is perceived as vulnerable to administrative or political reinterpretation.

Despite their potential short-term effectiveness in terms of strategic security or budget deficit compensation, such measures create significant institutional risks. First, nationalization increases legal uncertainty, undermining the stability of one of the core institutions of a market economy – property rights. There is a threat of retroactive law enforcement, where previously recognized legal transactions are reviewed, often without compelling or publicly verifiable legal grounds. Second, trust in legal guarantees for property protection erodes among both domestic and foreign investors. This leads to increased transaction costs, capital flight, and a decline in investment activity in the economy [13].

Moreover, nationalization carried out in the context of weak judicial independence and a high concentration of administrative power in the hands of the state sets a negative precedent. Under such conditions, property rights become conditional and dependent on political circumstances, which contradicts the rule of law and undermines the foundation for entrepreneurial initiative. Therefore, the current practice of nationalization demonstrates the weakening of the institutional stability of property rights in Russia. This not only reduces the motivation of economic agents for long-term investment and innovation, but also calls into question the legal model of market economy reproduction, in which property rights are expected to be guaranteed and protected. Looking ahead, this situation requires a reconsideration of approaches to securing property rights as a key mechanism of economic regulation, with a focus on predictability, legal stability, and institutional independence.

An analysis of the long-term dynamics of the Property Rights Protection Index in Russia reveals a consistent correlation: periods of growth in the index coincide with stages of strengthening the legal nature of regulation, while its decline is usually associated with the increasing politicization of the institution of property (Fig. 4). Thus, the period from 1995 to the early 2000s was characterized by formal stability amid institutional weakness. At this stage, property rights existed primarily as a legal declaration and did not yet function as a real mechanism of economic regulation.

In 2001–2013, against the backdrop of the increasing role of the state in the economy and isolated cases of selective application of the law, a gradual decline in the index was observed. The mechanism of legal regulation began to give way to administrative instruments, which weakened the coordinating function of property. In 2014–2020, the index showed growth, which was associated with rhetoric about legal predictability, the digitization of state procedures, and investment incentives. During this period, property rights began to partially fulfill a regulatory function, especially in the small business and financial assets segments.

From 2021 to the present, the index has been declining again, reaching a historic low in 2024. This coincides with a wave of nationalization and increased state participation in the redistribution of private assets. In such conditions, property rights lose their characteristics as a universal and independent legal mechanism.

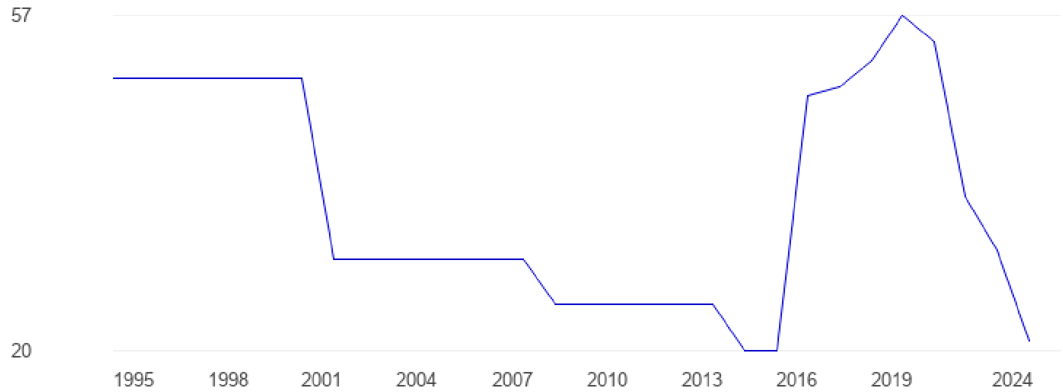

Fig. 4. Property Rights Protection Index in Russia (long term)

Source: The Heritage Foundation

Thus, property rights as a legal mechanism of economic regulation can only fulfill their function in the presence of institutional stability and equal legal access. A retrospective analysis of the index confirms that property rights are not just a formal legal category, but a key institutional element necessary for the effective functioning of the socio-economic system. Long-term dynamics of the Property Rights Protection Index show that property rights are sensitive to changes in institutional quality and political stability.

Based on the study of the mechanism of property rights, the following conclusion can be made: law as a mechanism for regulating the economy complements economic mechanisms, maintains stability and predictability of the functioning of the socio-economic system. Property rights are implemented as a mechanism that includes laws, organizations and institutions. This is a legal system that includes a set of rights, institutions, organizations and incentives that allow an economic entity to receive income from property objects.

Conclusion

In conclusion of the work, we will draw conclusions.

Firstly, the law is a legal category, but it is studied comprehensively, as a mechanism that promotes the achievement of the goal equally accessible for the implementation of all groups of economic interests: private, public and state. And, therefore, unlike other mechanisms that are characterized by personalization, the law is able to maintain order and stability of the socio-economic system, the implementation of laws in it and the maintenance of the market.

Secondly, the right of ownership plays a special role in the legal and socio-economic system. The economic implementation of the right of ownership is aimed at obtaining income as a result of economic activity, and the legal implementation of the right of ownership is represented by laws, norms, adherence to which maximizes the benefits of economic entities

Thirdly, the mechanism for implementing the right of ownership is not an arithmetic combination of elements shown in Figure 2. This is a complex phenomenon due to cultural and social values shared by economic entities.

Fourthly, the analysis of recent cases of large-scale nationalization in Russia demonstrates that state interference in the structure of property rights can significantly undermine institutional trust. Even in cases formally justified by considerations of national security or anti-corruption policy, frequent and non-transparent expropriations of private assets generate legal uncertainty, increase transaction costs, and weaken incentives for long-term investment. This highlights the necessity to ensure a balance between the protective function of the state and the need to preserve legal stability and the integrity of the property rights system.

Fifth, thus, the property rights protection index retrospectively confirms the key hypothesis of this study: property rights are not merely a legal category, but an institutional mechanism necessary for the effective functioning of the socio-economic system. Its weakening leads to systemic failures in regulation, the replacement of market incentives with directive measures, and increased economic uncertainty.

Recommendations

We will also note the directions for further research of property rights.

1. Study of the methodology of research of property rights. Despite the distinction between the economic and legal approaches, property rights are not limited to these interpretations. The study can be supplemented by sociological, institutional, cultural and other approaches, which will allow finding new mechanisms for increasing the effectiveness of property rights. Second.

2. Property rights as a mechanism for the development of a socio-economic system make sense only in the market environment, the effective regulation of which is carried out by law. Therefore, it is promising to study the legislative framework that allows maintaining stability and reproduction of the market.

3. The principle of proportionality and legal certainty should be further integrated into regulatory practice related to property rights. Strengthening the independence of courts and improving institutional mechanisms for dispute resolution will increase the credibility of the rule of law and reduce arbitrariness in the property regime.

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