THE OWNERSHIP SPECIFICATION AS THE BASIS FOR EFFECTIVE INSTITUTIONALIZATION OF PARTNER ECONOMIC RELATIONS

Sabina Khakimova, Irina Vaslavskaya,
Kazan Federal University, Branch KFU in Naberezhnye Chelny, Mira, 68/19, Naberezhnye Chelny, Republic of Tatarstan 423800

Abstract: The sphere of circulation (market exchange) mediates not only a simple bilateral transfer of goods, services or money between economic agent but it is a multi-level system of relationships between participants in market transactions, both through the exchange of material goods, services, financial assets, and through the supply and demand of numerous institutions that can reduce the various forms of transaction costs. The exchange is not just an institutionalization purchase and sale relationship between participants in the market transaction. In practice, formal contract is a form of economic exchange implementation that postulates all the transaction conditions.

Keywords: state - private partnership (SPP), public procurements, efficiency of SPP, transaction expenses, economic contacts.

Introduction. As noted above, the standard contract is necessarily based on the laws combination issued by the government (formal institutions), on the one hand, and on the other the customs and traditions accumulated over the centuries (informal institutions). J. Hodgson poses a fundamental theoretical problem: "What factors contribute the fact that the system (market exchange) remains to some extent integrated?" Rules, or most of them, are created in the interests of private welfare rather than public. At the same time, political rules form economic rules, in particular property rights, although there is an inverse relationship. Society is the source of. Then they go down to the level of property rights, and then to the level of individual contracts. Thus, the exchange is also the level of participants’ relations in transactions that determine the transfer of ownership [8].

Data and Methods. The research methods applied in this article are: the analysis and synthesis of literature, poll, observation method, analogy and comparison.

Results and discussions. So, a priority level is identified in the multi-level system of market exchange participants’ interrelations that determines all other relationships in the process of implementing transactions. It is a transfer of legal relations of property in the process of exchange. Being central the concept of property rights is complex. Firstly, this concept integrates the powers both about material objects, and about the individual’s rights (his rights to vote, to print, etc.). In this case, the term "good" means everything that brings a person usefulness or satisfaction. The prevailing society in the system of property rights in this case is a multilayered complex of economic and social relations over rare resources, in which individual members of society oppose each other [3]. Secondly, property relations should be treated as relations between people, not people with things: «... the term rights property describes the relationship between people about the use of rare things, and not the relationship between people and things». Third, property relations are viewed as sanctioned by society, but not necessarily by the state. Consequently, they can be fixed and protected not only in the form of laws and judicial decisions (formal institutions), but also in the form of unwritten rules, traditions, customs, moral norms (informal institutions).

Fourthly, property rights contain a behavioral aspect, as they encourage certain modes of behavior and suppress others. Fifth, unauthorized (prohibited by institutions) individuals behavior is understood economically, because institutions do not eliminate it in principle, therefore, they can play the role of negative incentives, causing an increase in the costs associated with it (in the form of possible punishment). Then the observance or violation of the sanctioned behavioral norms becomes a manifestation of a rational economic choice [7]. Property rights are associated with authorized relations between people, which predetermine their behavior in connection with the existence of goods and affect the use of their participants. It is about the behavior norms of economic agents in goods relation that must be respected in their interactions with other individuals or bear costs due to non-compliance with agreed rules.

The theory of property rights proceeds from the basic idea that any act of exchange is essentially the exchange of power beams: «There are two bundles of property rights are exchanged when a transaction is concluded on the market. A bundle of rights is usually attached to a particular physical good or service, but it is the value of rights that determines the value of goods exchanged: some questions relating to the formation and structure of the components of the bundle of rights precede questions that economists usually occupy. Some economists usually take a bunch of rights as given and seek an explanation, that determines the price and the quantity of the goods to be exchanged, to which these rights refer» [5]. It is no coincidence that all contracts that mediate market transactions are based on the realization of property rights, predetermined not only (and maybe not so much) formal, but (perhaps more so) informal institutions. On this basis, central institutions are singled out in the institutional system of society, which determine the realization of property rights of partners in market exchange.

The function of the primary institutions providing property rights is related to their specification. Specifying property rights means the following:

- establish the object of this or that property right (asset);
- establish the content of the specific right (power) of the property;
- identify the subject of this particular right;
- determine the degree of exclusivity of the relevant law.
Each of these procedures is a fairly complex set of actions [2]. Only explicitly specified and reliably protected property rights create incentives for efficient use of resources, increase in output and productivity. Thus, in order to create effective incentives for property owners to use their assets effectively, the institutions should perform the following functions [10]:

- to implement a clear specification of property rights;
- to ensure reliable protection of ownership of the assets of the owner;
- to ensure reliable protection of property rights when they are legally transferred to another owner;
- to ensure effective restoration of violated property rights.

**Summary.** A social entity which is called the guarantor of property rights deals with specification, protection and restoration of property rights deals, as noted above. The most diverse individuals, their associations, organizations and sets of organizations can act in the function of the guarantor. Specification of this or that property right can be both formal and informal. The formal specification is carried out by the state, bodies of its executive or judicial power. In this case, the state represented by law enforcement agencies is the guarantor of the specified law. Informal specification is implemented by members of a particular group - the family, the neighborhood community, etc., usually [6]. To protect an owner's ownership right for an asset means to prevent the use of the asset by other entities (potential violators of the relevant law) not authorized by the owner: individuals, legal entities, the state - its separate departments and agencies, individual government employees. Protection of the property right from each of the listed types of potential violators can be carried out through various means and technologies [9]. The protection of property rights from unauthorized use by individuals can be carried out by means of certain technical means (locks, fences, security systems), using their own physical strength or employing watchmen, accessing private security or state law enforcement organizations. In a significant number of cases, the use of technical means is effective enough to prevent the violation of property rights on the part of individual individuals [1].

When protecting the right of ownership from unauthorized use by legal entities that may attempt to violate the law in question with the involvement of private or state power organizations, technical means alone are not enough - here it is required to resort to the protective services of private security or state law enforcement organizations.

Protection of property rights from the state not authorized by its owner is the most difficult. To protect property rights when they are legally transferred to another owner means to ensure the conditions under which the relevant contract in the event of its unilateral break does not lead to loss of the transferred right without contractual compensation. In other words, the protection of property rights in the course of their transfer is nothing more than the protection of contractual rights [7].

The dilution is the process opposite to the specification of property rights. Blurring the right of ownership is understood as the conscious introduction of elements of uncertainty and indistinctness in those or other components of the specified property right. The subject of the erosion of ownership is the same entity that fulfills the function of the specification of law, i.e. guarantee. In this case, the erosion of ownership is different from its violation: the violator of rights is usually a certain third party, different from the subject of law, and from its guarantor. The blurring of property rights, profitable in the short term, creates difficulties in filling the treasury in the long-term period (D. North 1998). Indeed, the weakening of the exclusivity of property rights reduces the degree of certainty of the future for economic agents, increases risks, thereby reducing incentives for investment activity [4].

**Conclusion.** So, transaction costs are the central category that allows to understand the processes of organizing various forms of economic agents partnership in the field of market transactions. In this context, any exchange can be presented not only as a sale of material goods, services, tangible and intangible assets, but also as a market for institutions that reduce a variety of transaction costs, and as a transfer of ownership. At the same time, any social institutions are means of saving on transaction costs, the configuration of which is constantly expanding and mutating. It is the relative differences in the levels and structure of transaction costs, according to the theorists of property rights, that explain all the diverse forms of economic and social life in general and partnership in the sphere of circulation, in particular. Alternative economic institutions have comparative advantages in saving on different categories of transaction costs and their coexistence is due precisely to this [11]. Interaction between economic and legal systems is always realized in the individual behavior of economic agents. As a result, the logic of reasoning realizes the following sequence: property rights determine what costs and rewards agents can expect for their actions; restructuring of property rights leads to shifts in the system of economic incentives; the reaction to these shifts will be the changed behavior of economic agents. This is the logic of the institutionalization of various forms of economic partnership in the sphere of exchange: from the structure of property rights through a system of incentives to the behavioral consequences of participants in market transactions.

**Acknowledgments.** The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

**References**


