

MODERN CHALLENGES IN THE DEVELOPMENT OF PROPERTY RELATIONS

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***Abstract:** This article analyzes the key factors influencing the transformation of property relations in the current context of globalization and economic democratization. It examines examples of countries actively developing sharing and network-based property forms. The need for updating the methodology of property regulation and implementing adaptive management mechanisms for efficient resource allocation and protection of the interests of all economic process participants is highlighted.*

***Keywords:** property relations, democratization of property, sharing economy, sharing enterprises, innovative business models*

INTRODUCTION

Property relations are a fundamental aspect of a society's socio-economic structure. Economic globalization, technological advancement, and geopolitical shifts present new challenges that necessitate transformation in these relations. The new industrial revolution offers unique opportunities to establish new forms of property ownership. The changing nature of work, driven by modern technology, underscores the crucial role of human factors in the emerging "socialized economy." The democratization of property involves an equitable redistribution of rights, engaging a broader population in asset management, which leads to a dispersion of wealth and power and creates a sustainable economy. Democratizing property also fosters favorable conditions for entrepreneurship.

According to Klaus Schwab, the "participatory or shared economy" is a leading factor in the new industrial revolution (Schwab, K. 2017:13). The sharing economy has become essential amid digitalization, as highlighted during the 2019–2021 pandemic. Sharing economy services and platforms transform traditional property regulation by shifting from individual ownership of production means and products to shared ownership and usage. These new forms of property not only enhance ownership but profoundly impact market architecture, expanding opportunities for micro-enterprises, which were previously limited to large organizations. Jeremy Rifkin suggests that the Fourth Industrial Revolution encourages self-governance and self-organization. In developed countries, there is a continuous increase in democratically organized, self-governing institutions, covering both production and non-production spheres, such as healthcare, education, creative groups, and consumer cooperatives (Rifkin, 2014:23).

New property forms improve management efficiency by reducing transaction costs and removing unnecessary bureaucratic layers. It should be noted that post-Soviet countries have prior experience in collective resource utilization. The modern sharing economy differs in several respects:

The sharing object is not scarce (no deficits in material, financial resources, etc.). Today's sharing service users make more conscious purchases, considering ethical and ecological values among various options. IT advancements have made renting and leasing faster and simpler (Nesterova, 2023).

The sharing economy's advantages include cost reductions for users, expanded access to goods and services, and the development of new business models. However, it also has drawbacks, such as unstable income for workers, a lack of social guarantees, and underdeveloped legal frameworks. There are conflicting views in society regarding the sharing economy's growth. Some believe that “the spread of non-market exchanges and institutions will reduce competition, thus decreasing production efficiency” (Ginarte et al., 1997:283–301).

We believe that the development of new information technologies in the modern world is forming an alternative system for coordinating economic activities, where non-market mechanisms compete with market mechanisms, creating a multiplier effect for further economic growth. Notably, the sharing property model has become widespread in the most developed countries. In the United States, Canada, and the United Kingdom, for instance, up to 10% of the workforce is employed by sharing enterprises, with 72 cities worldwide connected through the Shareble platform (The Fourth Industrial Revolution: Realities and Modern Challenges. Xth Anniversary St. Petersburg Sociological Readings: Proceedings of the International Scientific Conference, April 13–14, 2018. - 896 p., p.83). The sharing economy is necessary for transforming traditional economies, which are divided between property owners and non-owners. The sharing economy is characterized by a new property regulation methodology involving all participants—direct owners, managers, and work collectives. This requires the establishment of co-participation in property management and profit distribution.

In developed countries, the socialization of property is becoming recognized. For example, Article 14 of the German Constitution states, “Property entails obligations. Its use should also serve the public good” (<https://worldconstitutions.ru/?p=155.%202017>). This principle was further elaborated in a ruling by the German Constitutional Court, which stated that it implies rejecting a property system where individual interests outweigh societal interests (Maximov, 2018:56–69). Article 42 of the Italian Constitution states, “Private property is recognized and guaranteed by law, which determines its acquisition and usage methods, and its limits - aimed at ensuring its social function and availability to all” (<https://legalns.com/download/books/cons/italy.pdf>). This article emphasizes that, in the public interest, the law reserves the right for the state, public institutions, worker or consumer associations to transfer ownership. Additionally, the law supports small and medium-sized property and may impose size limits to ensure rational land use.

MATERIALS AND METHODS

The sharing ownership model applies a heterarchical management system, using horizontal management structures. This model relies on interdependent relationships with broad autonomy of production system elements and a mutual distribution of power. This management style is typical for network economies. In its report, the European Commission defines the network economy as a specific environment where any company or individual, regardless of scale, can connect with minimal costs for business, research, idea exchange, and information (Telework 1997, European Commission Report). H.Kagermann and J.Helbig view

the network economy as a qualitatively new level of organization and management throughout the product lifecycle. This economy is based on a new technical system, ownership relationships, and management (Kagermann, 2013:53). According to R. Drath and A. Horch, Industry 4.0, as the foundation of the network economy, is a triad of physical objects, their virtual representations, and services and applications (Drath, 2014:56–58). They view it as a qualitatively new horizon of business models, services, and customized products.

Table 1. *Methodological Features of Economic Activity Regulation Forms*

Features	Organizational Forms of Economic Activity		
	Command-Administrative	Market-Driven	Network-Based
Property Form	Centralized	Private	Sharing
System Approach Characteristics	Dominance of political objectives	Equality of all economic subjects	Subordination to network structure interests
Productive Forces Allocation	Centralized-command	Based on private economic interests	Based on socio-economic interests
Circulation of Goods and Capital	Based on administrative decisions	Driven by competitive decisions	Oriented toward socio-economic needs
Response to External Environment Changes	Passive, limited response	Active adaptation through pricing	High adaptation and coordination among system participants
Dynamism in Economic Expansion	Unidirectional growth in organizational structure	Market-oriented organizational transformation	High flexibility and modular adaptability within a network structure
Tendency for Global Integration	Capable of only vertical integration	Capable of vertical and limited horizontal integration	Capable of broad horizontal integration in a global context

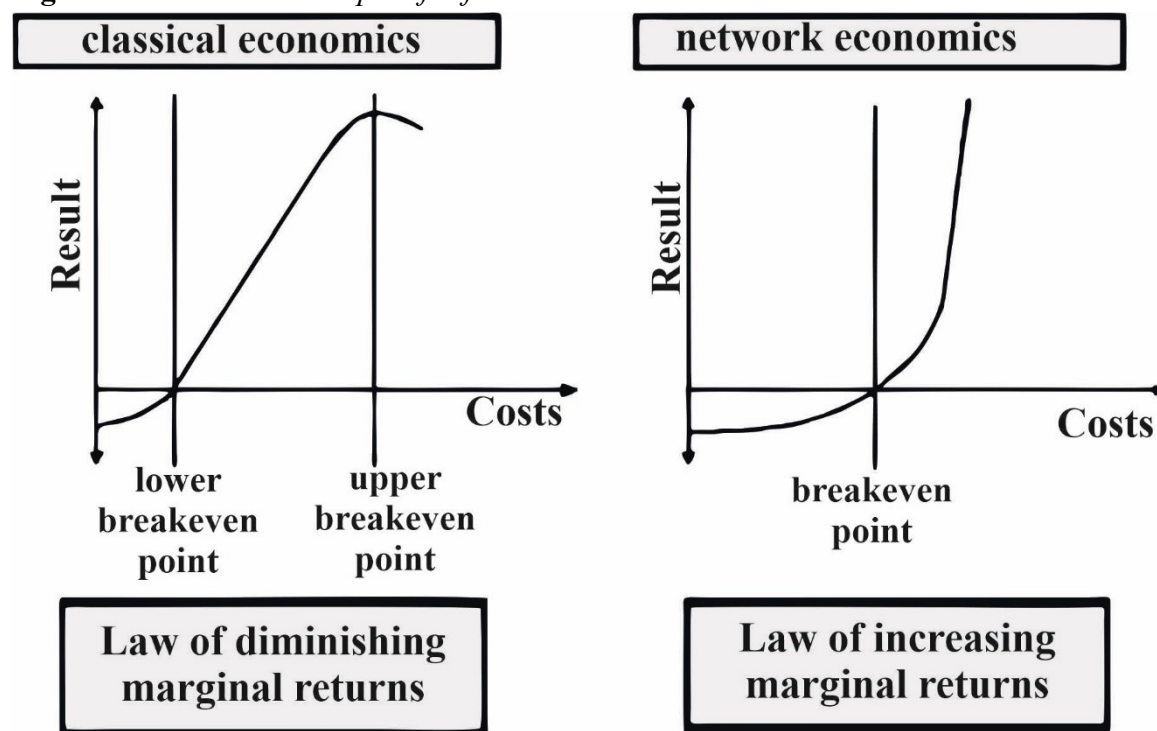
Source: Compiled by the author based on (Vayber, R. 2020).

Table 1 presents the advantages of network structures in terms of both their technical and technological foundations, the content of transactional processes, and the characteristics of resource allocation. The development of the network economy accelerates the process of global economic integration and fosters the emergence of new forms of ownership.

The advancement of technologies, particularly with the advent of 5G as one of the cornerstones of the network economy, also leads to time savings. This results in the acceleration of operations on stock exchanges and the processes of property distribution. In this context, the improvement of property distribution methodologies, the removal of property from monopolistic ownership, legal formalization, and the development of the stock market gain particular importance.

The concentration of ownership in the hands of oligarchic groups, as is well known, turns a country into a raw material appendage of the developed world. Countries that support the democratization of ownership boldly integrate into the global economy by creating attractive conditions for foreign investments. For example, China, which was considered one of the least developed countries until the end of the 20th century, is now among the leaders of countries with developed economies. Saudi Arabia is transitioning to a new level of post-industrial development, moving from specialization in energy raw material production to the production of high-tech products.

Figure 1. *Dominant Principle of Influence in Classical and Network Economies.*



Source: Vayber, 2020

A characteristic feature of sharing enterprises in the network economy is the high initial costs for development and production. For this reason, companies in this sector begin their activities by launching a large volume of products on the market at relatively high prices. An increase in sales volume leads to a reduction in fixed costs and an increase in profits. Figure 1 shows that as production volume grows, marginal revenue increases in the network economy and decreases in the industrial economy. As seen, the network economy is characterized by an increase in fixed costs and a decrease in marginal costs. Therefore, producers in the network economy are interested in the quickest possible realization of the maximum possible volume of products.

Modern challenges to the development of property relations concern both new technologies and global economic processes, as well as social justice and economic sustainability. Adapting property rights to new conditions, developing effective management mechanisms, and protecting the interests of all participants in economic activities have become key tasks for contemporary society. Property relations continue to evolve, including through

the development of the sharing economy, digitalization, and globalization. In order for these changes not to become sources of new inequalities, legal, economic, and social reforms are necessary to ensure a more equitable distribution of resources and opportunities among all members of society.

DISCUSSION AND RESULTS

The findings underscore the significant advantages of the sharing ownership model in enhancing flexibility, efficiency, and responsiveness within network economies. This model aligns with a heterarchical management structure that promotes horizontal integration and interdependent relations, which is essential for the dynamic nature of network-based economic activities. Unlike the command-administrative and market-driven models (Table 1), the network economy relies on a collaborative approach to ownership, enabling companies to adapt quickly to external changes and pursue economic expansion through global integration. For instance, recent studies report that network-based firms grow approximately 30% faster in their initial years compared to traditionally managed firms due to their capacity for rapid information exchange and product scaling (Deloitte, 2021). An essential feature of the network economy is the reliance on advanced digital infrastructures such as 5G, IoT, and cloud computing, which collectively enhance communication, streamline financial transactions, and optimize operational efficiency. According to estimates from the World Economic Forum, digital transformation in network economies is projected to create an additional \$100 trillion in global value by 2030. These technologies contribute to lowering transaction costs and increasing responsiveness, providing network-based firms with a significant competitive advantage. Figure 1 illustrates that network economies, characterized by high fixed costs at the outset, achieve notable reductions in marginal costs as production volumes increase. This reduction in marginal costs underpins a profit-maximizing model that incentivizes enterprises to rapidly scale production, allowing for swift cost amortization and increased profitability.

The network economy's success also highlights the importance of democratizing ownership, which plays a key role in achieving socio-economic stability. For example, China's integration into the global economy, bolstered by policies encouraging joint ventures and shared ownership models, has transformed it into a technology and manufacturing leader. Between 2000 and 2020, China's GDP grew from \$1.2 trillion to over \$14 trillion, a 1,000% increase, largely due to reforms that supported shared ownership and foreign investments (World Bank). Similarly, Saudi Arabia's Vision 2030 agenda includes a transition from a resource-dependent economy to a diversified, network-based economy focused on high-tech production, projecting an annual GDP growth rate of approximately 4.2% over the coming decade. These cases exemplify how network economies can attract foreign investment, stimulate innovation, and reduce economic disparities by broadening access to ownership and production resources.

From a property rights and legal framework perspective, network economies require adaptive regulatory mechanisms that prevent monopolistic practices and promote equitable participation. The European Union's Digital Markets Act and Digital Services Act, for example, aim to regulate large tech firms' behavior, ensuring that the network economy remains inclusive and competitive. These frameworks create safeguards for smaller enterprises within network economies, allowing them to compete on a level playing field by ensuring fair access

to digital platforms. Reports indicate that the implementation of these regulations could lead to a 15% increase in market access for small- and medium-sized enterprises within the EU network economy over the next five years (European Commission, 2023).

The initial cost of adopting a network-based model is substantial, with estimates showing that implementing the necessary technological infrastructure can cost companies between \$500,000 to \$2 million. Despite these high upfront expenses, companies in the network economy achieve considerable economies of scale, with operating cost reductions of up to 40% as production volume scales. This efficiency is especially crucial for sectors like renewable energy, where decentralized network-based systems reduce dependency on traditional, centralized power sources. A study by McKinsey & Company found that companies in the network economy, particularly in high-tech and green energy sectors, experienced average annual revenue growth of 25% within the first five years of network model adoption.

In summary, the sharing ownership model and network economy principles enable economies to pursue sustainable, equitable growth. By integrating advanced technologies and implementing regulatory safeguards, network economies can offer inclusive access to ownership while achieving high levels of flexibility and adaptability. The cases of China, Saudi Arabia, and the European Union demonstrate the potential of network economies to attract foreign investment, foster innovation, and promote fair competition. With digital transformation projected to add trillions to the global economy, network economies represent a promising foundation for addressing contemporary challenges in property rights, economic sustainability, and social equity.

CONCLUSIONS

The network-based economic model marks a transformative shift from traditional command-administrative and market-driven systems by emphasizing shared ownership, adaptability, and high interconnectivity. This structure enables a dynamic, globally integrated approach that aligns economic activities with socio-economic needs, fostering flexibility and rapid response to external changes. Unlike previous models, the network economy's reliance on digital technologies and decentralized ownership streamlines production and reduces marginal costs as output increases, positioning it as an ideal model for today's fast-paced, innovation-driven environment. Moreover, the capacity for extensive horizontal integration encourages global partnerships, fueling rapid technological advancement and economic diversification. Countries adopting this model often become attractive hubs for foreign investment, underscoring the model's potential to enhance competitiveness on a global scale. However, challenges remain—particularly the risks of ownership concentration among powerful entities, which can lead to social disparities if left unchecked. This reality calls for policies that ensure inclusivity and equitable benefit distribution.

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