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Theoretical Basic Concepts of Interaction of Money and Finances

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Abstract: In the contemporary scientific literature, the interrelation of money and finance is considered as a form of contradiction between market relations and the strengthening influence of the government on the economy, including total negation of the effect of finance in the current economic circumstances. At the same time, when describing money and finance, representatives of different scientific schools use different approaches not only to their determination, but also to their substance. The differences in opinions and formulations concern not only the general concept, but also the rendering of separate categories. Finance, being the result of market relations, determines their form and substance for various economic agents. At that, the whole process of reproduction is connected with transformation of various forms of value. Money, as a means of the value measurement, is the value itself, which is to be used for meeting the needs of individuals according to the laws of its circulation and in the circumstances of globalization and internalization of the economics, money becomes a universal means of circulation, which replaces merchandise.

Key words: Finance · Money · Functions of money and finance · Financial and monetary relations · Government

INTRODUCTION

Since recently, the scientific community has been actively discussing the interaction of money and finance, as the economic science has always paid much attention to their study as the key scientific categories.

The vast scientific heritage related to this subject, which has been accumulated through multiple discussions, is broadly discussed by national and foreign researchers in their scientific works.

However, despite the large quantity of scientific research works, the long history of study of the matter, the essence and the functions of money and finance and the specificity of their interrelation and interdependence, the issues of delineation of borders between monetary and financial relations require new approaches and reconsideration of certain existing concepts and additions to them.

The concept of both the finance and the matter of financial relations was changing as the time passed and up to now, there has been no common point of view with respect to the definition of this category among Russian economists [1, p. 31].

This is connected with the fact that changes in the Russian society could not avoid affecting the development of the Russian economic science, because, first of all, the study object changed and, secondly, old provisions of its theory and methodology have become outdated.

Consequently, understanding of the modern society, which is based on monetary economics, is not possible without complete analysis of the money and finance interrelations.

At that, it is necessary to emphasize that the problem of money and finance interaction is the most important one and that the differences in views and opinions with respect to this issue concern not only the understanding of their interconnection.

Scientists and experts do not have common understanding of the borders of the financial relations sphere. Up to now, the Russian science has not been able to prove and explain comprehensively and undoubtedly where the exact border is, which separates finance from money, i.e. where the influence of finance starts and ends and what the specific principal difference between these two categories in real life is, etc. [2, p. 2].

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Since recently, the interrelation of money and finance has been mostly considered as a form of contradiction between market relations being formed and strengthening influence of the government on the economy including complete negation of the influence of finance in the current economic circumstances.

The starting point in this discussion is the interrelation between the functions of money and finance in consequence of their unification as the commodity-money relations in the circumstances of market economy develop.

It is to be noted that some researchers change the number of functions of these economic categories by uniting, combining or modifying them randomly.

The existence of money is not possible without the development of market economy conditions, for which monetary relations are the natural basis for occurrence, functioning and development of the financial system. This is correct both in terms of history and in terms of modern conditions, as the theory of finance is closely interconnected with the theory of money and depends on it.

In the course of market relations development, the formation of financial institutions and the role of financial markets in the development of national economy took place. At that, the thesis that the theory of finance is interrelated with the theory of money, which is considered in a context that covers more than just financial assets, remains undoubted and it is seen in various scientific interpretations and publications [3, 4, 5, 6].

It is to be also taken into account that the development of both money and finance has not stopped and continues currently. Therefore, the dependence of finance on money and their functions is not something frozen and unchangeable; this dependence is also developing and often appears in new phenomena and in the creation of new tools of monetary and financial policy [7, p. 63].

Finance did not appear at the same time as money and commodity-money relations, though it has relevant economic categories in its basis.

The fundamental nature of finance is determined by their interrelation with commodity-money relations and market relations, which are mostly based on money.

At the same time, when describing money and finance, representatives of different scientific schools use different approaches not only to their determination, but also to their substance. The differences in opinions and formulations concern not only the general concept, but also separate categories.

Of course, we can say that there are as many opinions as many scientists live, but the incompleteness of the scientific discussion affects negatively the application of commonly accepted terms in study and scientific literature and the search of new methods both in theory and in practice.

Finances, being the result of market relations, determine their form and essence for various economic agents. At that, the whole process of reproduction is connected with transformation of various forms of the value.

Money is the means of measuring the value and, at the same time, it is the value itself, which according to the laws of its circulation must be used for meeting the demands of population. Therefore, money in the contemporary society is the main incentive for achievement of set goals and meeting demands and, for this purpose, it encourages the economic activity of the government, economic agents and population.

Different economic categories can be applied for the same reproduction processes staying within the frames of their specific functions. This opportunity exists due to the differences between the role and the functions of economic categories. For example, the process of monetary movement in a society is conditioned by such categories as price, finance, loan and commodity [8, p. 14].

The fundamental importance of money in the market economy, which is based on manufacturing goods, allows changing and treating the role of finance, through uniting its form and content in a different way.

It is an undoubted thesis that finance is a derivative from money, finance and money are different economic categories and financial relations differ from monetary relations.

Scientists who are engaged in studying the interaction of money and finance can be divided into three main groups for the purposes of discussion:

- Those who admit the funding nature of finance and who separates finance from money (most Soviet and Russian economists).

B.M. Sabanti pointed at the fact that the society (and any of its member) cannot survive if it does not save a part of what it has created. Aristotle was the first to have noticed this fact. The accumulated assets are stored in the form of insurance funds, corporate and government reserves and as bank deposits [8, p. 12].

N.V. Fadeeva stated that an essential condition for the financial system functioning is the presence of relatively isolated spheres and chain links of financial relations, which have intrinsic nature and which describe monetary relations in the formation and utilization of financial resources [9, p. 14].

In her turn, I.V. Chernyaeva believed that the mission of finance is in “blocking” the typical of money alternative nature of movement in the scope required for ensuring the permanence of reproduction processes, which determines the nature of the finance itself. However, this does not state either their imperativeness, or their regulatory nature. Finance is a special "traffic" rule on the way of money flows, which provides for stability of reproduction processes [10, p. 41].

T.Sh. Tinikashvili believes that financial flows are the movement of financial resources in the process of formation and utilization of government monetary funds. A financial flow is distinguished from a money flow by some peculiar features. The latter is the act of exchanging equivalents in the form of commodities (for the seller) and money (for the purchaser) where the first one has no equivalents in the system of formation and utilization of monetary funds [11, p. 32].

- Those who consider finance from the perspective of financial management, its practical utilization, as, in the circumstances of market economics, the borders between monetary and financial relations are faded out and money is equal to finance in the current circumstances of economic management and vice versa [12, 13, 14, 15, 16, 17].

S.V. Barulin and E.V. Barulina highlighted that science cannot explain what the principal difference between money and finance is in the circumstances of contemporary economics. The finance theory often contradicts the financial practice, which adds complexity to the process of finance management, treating the latter as a category that is far from the reality and impossible even for experts to understand it.

Contemporary money plays the role and fulfills the functions of money not because these role and functions are typical of it, but because these functions have been assigned to it by the government and the population of the country has accepted it as a means of value measurement, circulation, payment and accumulation [18, p. 55].

E.A. Ermakova also emphasized that in the circumstances of market economy, the funding nature of finance is ceasing to exist in its function as the common distinctive feature (especially when it refers to private finance), because the market normally denies securitization of finance (except for particular cases of reserve and insurance funds) [19, p. 33].

- Those who equal finance to money, but admit the existence of special money for implementation of particular definite expenses, when specific qualities, independent from its quantity, are assigned to different types of it [20, 21, 22, 23].

If we apply to the history of economics, we must give credit to I. Kaufmann who distinguished three categories of money: "consumer reserve"; money spent for "business and entrepreneurial needs" and "idle wealth" [24, p.54].

V.N. Gorelik believed that special money is neither an abstraction, nor a theoretical construction. Special money has a definite practical embodying.

Salary and savings generate "money for food", "money for utilities", "money for leisure", etc. Similar processes take place at an enterprise, when money from the "common bag", including sales revenues, profit, etc., are allocated to specific "purses": for paying salaries and wages, for paying taxes, for purchasing raw materials, etc. [25, p. 8].

Finance of any level is based on the budget, but most individuals, households, self-employed entrepreneurs do not hold budget, whether it is personal, family, or a budget of an economic agent, in its conventional form; they try to calculate their income and expenses and determine their personal capability for paying for their needs.

Many Russian textbooks and guides describe finance as relations (reproduction, monetary, reallocation, economic and other relations), connected with the formation of monetary funds (money incomes).

But the majority of economic agents do not create special monetary funds and spend money in the form of current payments for goods and services from the total amount of financial resources available for the owner.

This is explained by the fact that financial resources of the government, economic agents and population are impersonalized and start being special whenever there is a necessity, depending on the priorities and ranking of demands.

Here, we again face the issue of correct understanding of basic scientific categories, which cannot be undoubtedly solved so far both by the economics theory and practice, which is determined as "what is the principal difference between financial resources and monetary resources?"

From the owner's point of view, there is no difference in how to call what is on his bank account, in his purse or a bankcard, whether it is money or finance, monetary or financial resources; the main point is that he has it and can spend it.

Therefore, in the circumstances of transformed society, finance does not stay unchanged and keep improving along with the increase of their importance and they are a form of interaction of economic agents, which is supported by money.

In its turn, money as the means that supports financial flows becomes a universal means of circulation, which replaces various merchandise.

Thus, financial relations, various in their essence and form, which take place in the process of interaction between the government, economic agents and population, are the consequence of monetary relations arising between the elements of the financial system.

Based on the above, we can conclude that in the current circumstances of development of commodity-money relations, money and finance become more uniform concepts, penetrating into each other and liquidating distinctive features between them.

Due to this unification, both the quantity of monetary units in circulation and the geography of application of cash equivalents reduce and the correlating to them monetary and financial relations become even more universal and interchangeable by converting into each other.

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