

Meaning and Essence of Finance in Context of Internationalization of Economic Science in Russia

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Abstract: Internationalization of economic science in Russia has been especially dynamic in recent decades which is conditioned by transfer of this country to market environment that dictates need to study, develop and implement corresponding conceptual framework and analytical tools. Nowadays there is a necessity for scientific rationale how to interpret basic definitions of economic theory that would meet the requirements of market conditions and globalization of economic relations caused by variation in structure and components of national financial systems and internationalization of cash flows.

Key words: Theoretical economics • Finance • Money • State • Internationalization • Globalization

INTRODUCTION

Processes, taking place in the end of the 20th century, exerted an influence on conditions of the world financial architecture and caused internationalization of economic science in Russia that for a long time has stood apart and been isolated from the world scientific community for existing ideological reasons. This resulted in convergence and enrichment of foreign and domestic economic theory, without which the Russian research was formerly of fragmentary and miscellaneous nature.

With implementation of market reforms in the Russian society, the current system of interconnections among basic elements of financial system was modified when exposed to relationships historically formed in developed countries as well as the economic theory and methodology accompanying them. This led to the situation when on the initial stage of the transformation of political, social and economic fundamentals of the Russian society, destruction of the system of relations, correlating with the former stage of development, took place, and at the same time there appeared new conditions for economic activity, which never existed before, along with financial and other institutes corresponding to them.

The vacuum that occurred in the economic theory in Russia with that started to rapidly get filled in with borrowed terminology, and it scarcely ever took into consideration specifics of the processes going on in the

Russian society. To some extent, it can be explained by the process of globalization and internationalization of economic and other relations, “openness of boundaries” for scientific research, availability of access to foreign sources of information, growing academic mobility and so on.

In this respect, we’d like academic community to pay heed to a peculiar feature of recent years when in the course of internationalization of the Russian science some well-established scientific concepts have begun to “wash out” from general use, which leads to changes in conceptual framework and more active usage of foreign terms and loans [1].

At the same time not always reasonable but active transfer from conceptual framework, well-established in the Russian economic science, to foreign terminology works out distorted idea of true meaning of the research subject, and sometimes it simply copies foreign borrowings that are not adapted to Russian-language thesaurus.

Moreover, Russian economic science is rather unimaginative in terms of creation and updating its conceptual framework, and suffers from too broad interpretation and treatment of many terms and definitions without regard to the existing realia.

The statement that money underlies economic relationship is beyond any doubt. Without money there’s no finance, and consequently no economic relations in customary monetary form. Money is the fundamental

element of any financial system, and function as a universal equivalent that calculates labour costs of producers.

Appearance and essence of money, its part in life support of society, arising at that relationship with the state, interconnection with finance as well as mutual influence of monetary and fiscal policy are analyzed in detail in the works by F. Hayek, M. Friedman [2; 3] and other scientists who share their point of view.

In the opinion of Kevin D. Hoover, money is, then, practically necessary to any developed financial system: first, because there must be some ultimate good (or goods) of conversion for all financial assets. Second, the lack of necessary connection between the amount of outstanding claims to goods of conversion and the amount of those goods available enhances the importance of some possible goods of conversion over others [4].

Peculiarity of the nature of money and its functions directly reflects interpretation of finance as its derivative and makes the basis and foundation for other scientific categories of economics, origin of which is connected with relations occurring among main elements of financial system.

Study of interdependence of money and finance by both Russian and foreign authors complements and extends the scope of economic science, the thing being actual in globalizing economy and results in emergency of new financial systems and financial instruments.

Interpenetration and interconnection of national economies were the reasons to create mobile market of international capital as economies of separate states can not be isolated from global cash flows. This process should be accompanied by new financial architecture on both national and global levels [5].

In our previous publications we pointed at the fact that in conditions of globalizing economic relations there has been a replacement in order of concepts “money” and “finance”, and their new forms and kinds, previously unused due to lack of necessity and absence of corresponding conditions, appeared.

For a man in the street, who is far from scientific knowledge, it's rather permissible to unconsciously identify money and finance, but in scientific discourse it's necessary to discriminate between their meaning, essence and significance in the social and economic life of modern society [1; 6; 7].

Debating points of this kind appear when in reality there come forth situations that are inadequate to understanding of money and finance and their functions in actual life of contemporary society.

In conditions of openness and blurring distinctions for interaction of national economies, there originated a need to apply financial and other instruments corresponding to them. Geoeconomics, geofinance, virtual and electronic money and finance, etc. came into being and, as a result, created a need to develop and use adequate conceptual framework and scientific methodology.

This led to the fact that nowadays there is a necessity for scientific rationale how to interpret basic definitions of economic theory that would meet the requirements of market conditions and globalization of economic relations caused by variation in structure and components of national financial systems and internationalization of cash flows.

Today any researcher has an access to various sources of information in which the term “finance” is used in different collocations: corporate, bank, industrial, public, private, local, business, household, family, personal, etc..

Works of foreign scientists in many branches of economic science, previously difficult of access to domestic researchers, have been translated into Russian, and that made the basis for emergence of new scientific achievements.

Besides we would like to stress that in post-Soviet scientific literature, courseware and educational materials there hasn't been universally accepted understanding and interpretation of the scientific category “finance” meeting the realia of national economy, though market and non-market behaviour of economic agents and households as main elements of financial system has been constantly analyzed to diagnose its meaning and essence.

In modern Russian economic science, finance is basically identified with relations (reproductive, monetary, distributional, value-based, economic, etc.), viewed as category (fundamental, scientific, economic, value-based, etc.), and what is stressed is the elaboration of its theoretical value.

The majority of modern economists in this country study finance in enough detail and at different angles, from positions of linguistics, politology, sociology, law, philosophy, economics, etymology, etc. Then they classify finance according to specific feature, taking in consideration imperativeness, creation of different funds,

functions, relations of various kinds, belonging to public (centralized) or private (decentralized) sectors of economy and so on, that is revealing its meaning rather formally and stereotypically.

Nevertheless, there's certain difference in theoretical approaches and concepts of Russian and foreign researchers in terms of understanding the meaning and significance of public and private finance (sectors) and their role and functions in conditions of market economy.

W. Hettich and S.L. Winer think that the analysis of public finance in modern democratic societies usually begins with a discussion of what markets can and cannot do. This approach is a natural consequence of work based on the first theorem of welfare economics which links competitive private markets with efficiency in resource allocation. The public sector is treated as an adjunct to the private economy and as an aid to the efficient performance of competitive markets, which may fail when externalities or public goods are present [8].

Therefore, there arises a reasonable question how to correctly use the scientific concept "finance" and if interpretation of it by foreign and Russian scientists always coincides, and if it doesn't to what extent it should.

Following L. Lykova, today in foreign economic literature (primarily in English-speaking sources) the term "finance" can be met in its common everyday meaning to denote "funds of any origin assigned to implement any spending", or to signify a branch of economics dealing with financial theory [9].

An alternative approach to interpretation of the scientific concept "finance" was suggested by western scholars and some domestic authors, who share their view, predominantly treating finance from the position of practical application-arranging financial management, eliminating financial risks, making portfolio investments and the like.

Finance is the most successful branch of economics in terms of theory and empirical work, the interplay between the two, and the penetration of financial research into other areas of economics and real-world applications... [10].

Definition of basics in economics can be in any author's interpretation, but it should correlate with existing scientific schools and approaches, be within their framework or refute them.

It's obvious that the purpose of research should be not only to give a new universal interpretation of a scientific term or subject to criticism the current viewpoint

of a representative of some scientific school, but to define the meaning and essence of the concept under study correctly.

Paying respects to standpoints of Russian scientific schools and individual authors, it should be noted, that today is such a moment when the necessity for comprehensive critical re-thinking of how to use the term "finance" in theory and practice of the Russian science has brewed up, it's important to appreciate the degree of understanding and perception of it in the form which is suggested by foreign research workers.

Maybe in some cases instead of word-for-word translation it's suitable to use scientific definitions and terms in the meaning they render in the corresponding foreign language, if they were never used in Russian science.

The fact is highlighted by many scholars. V. Kovalev fairly argues that in case of translation of a term from one language into another one adequacy of essence of the term in the source language and in the target language can not be always achieved [11].

This opinion is shared by Y. Emeljanova, who emphasizes that economic realia can vary in different countries and this fact should be taken into consideration when translating economic terminology. Terms can reflect existing economic realia that can be absent in the other economic system or give a different name to the existing ones.

Nowadays there can be followed an active borrowing of such terms that reflect realia of the country of their origin, and these loans require precise and adequate translation. It can be explained by the fact that each terminological system reflects both similarity of notions and its own intrinsic realia, including specificity of economic development and national mentality [12].

According to S. Zakharchenkov all modern courseware, developed by representatives of the post-Soviet area, keep on reproducing theoretical concepts of the Soviet finance by inertia and extrapolate them on the model of market economy. At the same time the definitions of finance very often repeat the ones of the Soviet period nearly word-for-word except for the words "soviet" and "socialistic" [13].

Why is it important to keep on studies of theoretical aspects of economics? Firstly, they can give us an answer to the question which model of social and economic development of society is required for effective growth of the Russian state. Secondly, in the conditions of globalizing economic relations it's vital to determine the

degree of readiness of the national economy to avert periodic financial crises. Thirdly, it enables to design a complex of preventive measures what would protect national financial market from international speculative capital. Fourthly, it might secure the demand for suggested scientific concepts on the part of real sector of economy, etc.

The processes of globalization are characterized by regular cycles, that is crisis phenomena taking place in one country tend to be projectable to the results of daily living activities of other states, conditions and development of their national economies.

All those things can serve the basis for arranging an effective system of financial management at any level of economic activity and rational allocation of various resources: monetary, material, labour and economic ones.

Want for and importance of such research is reflected by works of many scientists.

L. Sergeev stresses that the nature of finance has not received a comprehensive and reliable scientific generalization, up to now economists have not found unequivocal and universally accepted provisions on the essence of finance, its meaning as an economic category. Forms and mechanisms of financial regulation mirror only that nature and contents of finance cognized by the society. That is, the content of finance is the financial science. So what we have now is discrepancy between science and practice [14].

S. Bolshakov says that it's impossible to obtain fundamental knowledge without mastering an important tool of cognition-theory and methodology of financial science.

Science always takes into account the two sides of economic life, the current generalized ideas and practice. In the history of finance it often happened that the theory of finance put forward the practice, which in its turn corrected and enriched the theory. The occurrence of illusion that real finance is more important than theory stands for contraposition of theory and practice [15].

In his turn Y. Berjozkin emphasizes that for the first time when science encounters the problem of arrangement (disarrangement) of finance is in the course of implementing deep social reforms.

In the situation when financial relations described in different-type theories of finance (irreducible to each other) appear on the territory of one and the same country, the question how to organize or co-organize them effectively has become exceptionally acute [16].

J. Stiglitz is of the same opinion, highlighting that at least part of the problem was an excessive reliance on textbook models of economics. Textbook economics may

be fine for teaching students, but not for advising governments trying to establish from anew a market economy-especially since the typical American style textbook relies so heavily on a particular intellectual tradition, the neoclassical model, leaving out other traditions (such as those put forward by Schumpeter and Hayek) which might have provided more insights into the situations facing the economies in transition [17].

P. Diamond also considers that too many economists take the findings of individual studies literally as a basis for policy thinking, rather than seeking inferences from an individual study to be combined with inferences from other studies that consider other aspects of a policy question, as well as with intuitions about aspects of policy that are not in the models. To me, taking a model literally is not taking the model seriously. It is worth remembering that models are incomplete-indeed that is what it means to be a model [18].

Consequently, it's vital to finalize the theory as it should precede the practice, though there are some cases when vice versa the practice is in advance of the theory forcing the latter to adjust to the ready-made real results.

It should be kept in mind that it's fairly easy to criticize textbooks, courseware and scientific articles published earlier and now from the standpoint of modern economic science as not only founders of scientific schools but their followers have a difficulty in giving an unambiguous formulation and use many a definition and scientific interpretation differing from each other. Preservation of such pluralism of various points of view on the subject and object of research gives evidence to the fact that theoretical ideas and wording of its basic definitions and terms are still undeveloped and new for economic science.

Realia of market economy dictate necessity and urgency to update well-established canons in economic science as under the globalization process all systemically important elements of finance become similar and turn to geofinance embracing both public and private sectors and "erasing" conditional boundaries between countries.

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