

**PROCESSING OF THEORIES OF FINANCE AND AGRICULTURAL CAPITAL IN  
RESEARCH OF OUTSTANDING FINANCIAL SCIENTISTS**

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**Abstract:** *The article deals with the theoretical foundations of finance and the reproduction of agrarian capital from the perspective of different scientific schools of the sixteenth and nineteenth centuries. The economic nature of capital as the main element of social reproduction is substantiated; generalized theoretical principles of the process of capital accumulation, deepened the economic nature of finance; the process of capital reproduction is analyzed with the help of different views of economists and macroeconomic schools. It is indicated that classical political economy became the science, which made a significant contribution to the theory of finance and capital, based on economic laws and covered all spheres of human economic activity. It is proved that the evolution of the development of conditions and foundations of capital formation indicates a constant search for its optimality. It is substantiated that the radical changes in economic science, initiated by the scientific schools of the sixteenth and nineteenth centuries, did not become global; however, it was the eminent scholars-economists of the Macroeconomic School of Mercantilism and Classical Political Economy who changed the direction of economic theory and laid the groundwork for further research on the most complex issues of finance and capital reproduction.*

**Keywords:** *finance, capital, mercantilism; physiocracy; keynesianism, economic and financial thought.*

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### **Introduction**

The study of the essence of capital as an economic category is in the process of capital formation and use at both macro and microeconomic levels. A special place belongs to the multifaceted category of "capital" in the research of economists for several centuries, which laid the foundation of scientific heritage. To date, the development and tenets of economic scholars on the category of "capital" have not lost their relevance in the field of financial science. But at the current stage of transformational shifts, both in the global space and in our country, in particular, it is necessary to deepen the comprehensive study of the assets of the world economic thought, financial theory, medicine and practice on the process of capital reproduction.

### **Analysis of recent researches and publications**

The theoretical basis for understanding the problems of the theory of finance and the reproduction of capital is laid in the works of prominent economists F. Kene (1963), V. Petty (1940), J. Keynes (1936), D. Ricardo (1955), A. Smith (2001) and other researchers.

Various aspects of capital accumulation are revealed in the works of domestic scientists and contemporary foreign researchers: V. Balitskaya (2008), A. Blinder (2015), G. Menkyu (1991), J.

Akerloff (2001) and other scholars. Their research focuses mainly on finance, capital structure of enterprises in various fields of activity. Many previous developments have high efficiency and advisability, but do not adequately highlight issues relating to the evolution of finance and the process of capital reproduction and its true economic nature.

The purpose of the article is to elaborate theoretical approaches to the study of theories of finance and capital as an economic category and the process of its reproduction, analyzing the scientific heritage of economists of the sixteenth and nineteenth centuries.

### **The main body of the academic paper**

After the development of commodity-money relations was the emergence of early capitalism and the filling of the previously abstract category "capital" with real content, the formation of its proportions and types. Mercantilism is considered to be the first systematic economic school, which was associated with the era of trading capital domination, originated on the basis of generalizing the experience of the operation of initial capital and solved the practical issues of accelerating this process. The development of trade and merchant capital in Western Europe during the fifteenth and eighteenth centuries contributed to the separation of the mercantilist scientific trend (Italian "mercante" - merchant). In the early stages it was of a monetary nature, and the object of study was the sphere of circulation, in the later stages it was a manufactory, which studied the penetration of money capital into the sphere of production. Foreign trade was determined by representatives of the said economic trend as determinant of the growth of national wealth, and the tool - the policy of protectionism, state support for exports.

The mercantilists initiated the elements of economic analysis to investigate the economic problems associated with the circulation of capital, and their recommendations were of great practical importance to governments of different countries. Hetman Bohdan Khmelnytsky (1595 - 1657), who contributed to the development of internal and foreign trade of our country, which gave a significant impetus to the initial accumulation of capital and the raising of productive forces, can be considered an adherent of the views of mercantilists in the domestic territories. Developing the views of the mercantilists, William Petty (1623-1687) made a significant contribution to the formation of the theory of agrarian capital, examining the penetration of monetary capital into agriculture, and proving that the existence of rent and rent relations causes different productivity.

The development of productive capital has become the object of study of the school of physiocrats (gr. "Υσσοική - physical," κράτος - state). Its famous representative François Quesnay (1694-1774) developed the theory of the cycle of capital (the social reproduction of wealth as a constant repetition of the process of production and marketing). Exploring the substantial composition of "agricultural capital", he actually divides it into basic - "initial advances" and circulating - "annual advances". Meters of the cycle of capital determine its natural and value indicators, and the use of the latter allows you to evaluate the "capitalization" of production, distinguish the concepts of "capital" and "income." Classics of political economy Adam Smith (Adam Smith) (1723 - 1790) and David Ricardo [David Ricardo ] (1772 - 1823) determined the growth of capital as a basis for increasing the national wealth of the country.

The emphasis is on two essential characteristics of capital: value - related to the profit from the use of hired labor, natural (it is the stock of fixed and current assets that provide the production process). Sources of capital growth are thrift, or abstinence from current consumption. Labor theory of value determines the "eternal" nature of capital, and the determining factor for its functioning is the process of production. Developing the views of his predecessors, scientists, James Mill (1773-1836) distinguishes labor and capital as separate factors of production that create value and profit. In his view, money and capital perform different functions, and the relationship between them is the monetary assessment of real capital, which is previously accumulated materialized product. Factors of change in the value of capital are the value of the product created and the propensity to save. Therefore, with appropriate investments, the growth of capital in industry is unlimited, in agriculture there is a natural and economic boundary of capital related to the productivity of land, living organisms and plants, the existence of rent and so on.

The pioneering work of Thomas Robert Malthus (1766 - 1834) is to substantiate the immanence of cyclical development; he was one of the first to attempt to determine the optimum ratio of savings and investment capital. Also, the scientist paid considerable attention to the problem of capital efficiency in agriculture. In the writings of Jean Baptiste Say (1767 - 1832), the theory of three factors of production (labor, capital and land) and the corresponding income (wages, profits, rent) was introduced. Emphasizing on the close relationship between the factors highlighted, the scientist takes the leading role in capital as a determinant of economic growth, which revolves around the personality of an entrepreneur with innovative abilities. Thus, representatives of the School of Classical Political Economy recognized the source of capital as a source of accumulation, production and circulation, they assigned it the role of the main factor of economic growth and laid a solid foundation for further study of the problems of capital functioning, its multivariance and diversity [1, 3].

The eminent economist-scientist John Maynard Keynes made a huge impact on the world economic science, developing a fundamentally new theory of finance. The novelty of this theory was to direct the levers and instruments of financial policy to regulate the economy under conditions of state-monopoly capitalism. Keynes defined financial capital as a balanced set of cash flows. Establishing causal relationships, dependencies and proportions between the main financial and economic indicators, JM Keynes questioned the effect of the economic mechanism on the capital market, goods, labor (according to which the process of production of goods generates income that is exactly equal to value manufactured goods) and proved the impossibility of existence in the conditions of monopolistic capitalism free movement of prices in the direction of decline [1, 2].

The undisputed scientific work of a prominent scientist, who has an exclusive role in the theory of finance, is the theory of marginal efficiency of capital. JM Keynes defined the marginal efficiency of capital as a value equal to the discount rate that would equate the present value of a number of annual returns expected from the use of capital assets during his term of service to the price of his offer; In doing so, the marginal efficiency of individual types of capital assets will be obtained, and the greatest of these marginal efficiencies can be considered as the marginal efficiency of capital as a whole [1, 5].

Forming a new system of views, establishing a strong line of economic theory and theory of finance, JM Keynes proved that the tendency to decrease marginal efficiency of capital develops as the market is saturated with capital goods. Distinguished scientist explained this by suggesting that the marginal efficiency of capital in accordance with the theory of marginal productivity and rising cost is inversely dependent on the volume of investment, and the decrease in marginal efficiency of investment is associated with a relative reduction in propensity to consume, that is, when the growth decreases consumption costs and reduced profits, entrepreneurs find it inappropriate to increase investment [1, 6].

Multy-term world practice of state macroeconomic regulation confirmed the relevance of Keynes's scientific recommendations, and on the basis of his scientific ideas formed one of the most authoritative areas of modern economic research - Keynesianism. Over time, new Keynesian theories and economic cycle models emerged. It is worth noting such scientists - developers of the latest models of the economic cycle, such as A. Blinder, G. Menckyu, J. Akerloff. Remaining on the core positions of Keynesianism, these scholars have focused their attention on further developing the macroeconomic foundations of Keynesianism. These include the problems of price inertia and wages in the markets of monopolistic competition, unemployment, poverty, etc. The trying to investigate the impact of non-economic factors on the behavior of economic entities and economic development in general remains unchanged. Scientist J. Akerloff shows that the problem of information asymmetry is characteristic of the economy as a whole. Within the framework of this field of economic research, the principles of such economic science are formulated, within which the preferences of people and their decisions depend on the social context, their affiliation with some institutionalized group [7, 8].

Because New Keynesianism is a school of thought that is engaged in the development of macroeconomic theory, its representatives do not always adhere to one view of economic policy. Contrary to the theories of the new classics, the new Keynesianism suggests that recessions reveal inefficient functioning of markets. Elements of New Keynesian theory, such as menu spending, asynchronous pricing, poor coordination, and effective wages, are a significant departure from the

assumptions of a classical school that provides the intellectual basis for traditional economic justification. In the new Keynesian theories, recessions are caused by any market failure that affects the entire economy. Thus, the New Keynesian theory provides a rational justification for state intervention in the economy, such as countercyclical monetary or fiscal policy [9].

However, securing sustainable economic growth in the long term is the main goal of state regulation of the economy and financial policy, which reflects the realization of the socio-economic function of the state [10].

Summarizing the foregoing, it should be noted that thorough scientific calculations of scientists have had a huge impact on the formation of world economic thought, economic policy, and the system of categories and relationships of different schools is still used today in the development of specific instruments for regulating public financial policy [4].

The state financial policy of capital reproduction in the agricultural sector of the economy is now also considered in the categories of synergy effects (from Greek *συνεργία* - together; one, who acts) as a system and emergence as a subsystem [11]. The synergistic effect is that the joint efforts of public authorities and agrarian entities in the development and implementation of intensive financial reproduction policy measures, in aggregate, have a greater effect than their separate, autonomous functioning.

Obtaining a synergistic effect is due to the predominant effect of endogenous (internal) factors, based on the theory of organization and involves unidirectional action of the parties to financial relations in the agrarian sphere of the economy, one of which exerts regulatory influence and the other adequately perceives it. The theoretical basis for assessing the systemic effects of public financial policy in the agrarian sector of the economy at the level of the agrosphere and bioeconomy are the works of O. Popova, M. Talavir, and O. Talavir. The effects of emergence are determined by the exogenous (external) influence of public financial policy on capital reproduction in the agrarian sector of the economy as a system, on higher order systems - the agrosphere, the bioeconomy, and so on. The concept of "agrosphere", related to the biological term "biosphere", has actively entered into scientific circulation [11].

Its content is broader than that of agriculture, and reflects the multifunctional role of agriculture in society, its close link to sustainable development - social, economic, environmental. The triune (socioeconomic and environmental) basis of the agrosphere gives grounds to consider it as a qualitatively new system - the agrarian socio-economic-ecological system with a human-centric orientation of development. In the EU, the terms "agri-environment schemes, measures" are widely used. In most dictionaries the term "agrosphere" is interpreted as part of the biosphere involved in agricultural use (ie occupied by agro-eco-systems).

The concept of "bioeconomy" is based on the paradigm of production, which is related to biological processes, uses natural resources from the environment, requires minimal energy consumption and does not pollute the environment, since inputs are used repeatedly and completely transformed in the ecosystem [11].

At the present stage, developments in the technological framework of the fourth generation of bioeconomics, including information, nanotechnology and biotechnology, are progressive. In the current triad of power-business society, the bioeconomy is a balancing element in the relationship between producers, consumers and the state. Modern political and economic transformations in our country are possible provided that the main levers of regulation are shifted from macro to micro levels, to enhance economic sustainability, to enhance economic sustainability on the basis of strengthening the main economic base of creation and development of enterprises - capital.

Each new, higher level of economic development of the country requires not only a corresponding quantitative growth of the total capital, but also its qualitative changes, that is, an increase in the level of its profitability and efficiency of its functioning. The place of agricultural enterprises in this process is of exceptional importance, since the agricultural sector provides food security of the country and is the raw material base of processing, light, food and other sectors of the economy. Acceptance of urgent changes at the macro level, identification and ensuring their appropriate adaptation at the micro level encourages measures to be taken to increase the efficiency of functioning of the capital of agricultural enterprises. In this regard, it is especially important to

determine the directions of ensuring the profitability, the appropriate level of profitability of the total capital (and its structural elements) of agricultural enterprises as a criterion for successful management, qualitative evaluation of efficiency. formation of its assets; the main purpose of functioning of the capital of the enterprise is to meet the needs for the acquisition of the necessary assets and optimize its structure in terms of providing conditions for its profitable use. Belarusian scientist O.Tsalko believes that capital, as a systemic economic category, has two main functions: to generate income for owners and to recover themselves [11, 12].

Among the main characteristics that form the economic essence of capital, the author identifies the following: the object of economic management; object of ownership and disposal; object of sale; source of income; factor of production; accumulated value; the carrier of the liquidity and risk factor; investment resource. Generally, the essence of economic category "enterprise capital" can be formulated as follows: enterprise capital is a source of formation of its property, which characterizes the aggregate value of the enterprise's assets in tangible and intangible form, the use of which will bring economic benefits and strengthen the enterprise's potential. Thus, the agrarian sector of the economy has a certain specificity of the functioning of capital, namely: the main object of capital investment in agriculture, the factor of production and the main means of production is land, and the economic process of reproduction in agriculture is always closely intertwined with the natural; agricultural producers operate in very specific conditions, which are characterized by a seasonal gap between investment and working capital inflows, and the continuity of biological reproduction of resources, and therefore credit resources, especially long-term ones, play a crucial role in the development of agricultural enterprises [11, 13].

### **Conclusions**

The evolution of the conditions and fundamentals of capital formation and the theory of finance testifies to the constant search for its optimality. In the last third of the nineteenth century there is a transition of the economy into a monopolistic stage of development, which leads to the formation of new realities of development of capitalism, namely, more complex forms of management and relations between producer and consumer, increase of intensity of process of expansion of the market beyond national borders, and also qualitative changes in character and structure of processes of capital formation. Important contributions in this historical aspect to the further development of theoretical approaches to the formation of a new paradigm to substantiate the nature and basic characteristics of finance and capital have been made by the representatives of Keynesianism and the neoclassical school of economics, etc.

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