

THE DOUBLE ASPECTS OF FINANCES, AND THEIR HISTORICAL CHARACTER

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Abstract:

In the present article the authors debate the theoretical aspects of finances, meaning the double aspect of finance: as a social practice and as a scientific discipline. The historical character of finances are treated under the aspects of the historical periode of Romania: the tribal/ primitive village periode, the feudalism periode, capitalism and socialism periode.

Key words: social practice, scientific discipline, development, revenue.

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1. The double aspects of finances

Finances must be addressed under a double aspect: as a **social practice** and as a **scientific discipline**¹.

As **social practice**, finance must be understood as a human activity carried out by specialized personnel and covering the implementation of actions and operations on the process of establishing funds and monetary resources to various destinations sharing those resources for the achievement of rigorously defined objectives.

Addressing to finance as an independent **scientific discipline**, which has an object of study and who has created their own methods and procedures for investigating phenomena and financial processes, is the natural result of development finance over time.

Specifically, the scientific discipline, finances were separated from political economy, making his time, its object of investigation that involves the independent science - the science of finance - once when the old universities in the West will teach a separate field on the formation and management of monetary resources of the state, ie after the mid-nineteenth century.

As the result of a long and complex historical process, in terms of their social practice, **finances** appear at the junction of the disintegration of the primitive and the emergence of the slavery, which is the time when there were manifested in the practical elements of the exchange economy and the intermediar exchange of documents, when there was being used the **money**.

So the emergence of the first elements of finance – on basis to fund growth and development of production factors – required the existence of three cumulative conditions:

- 1.the emergence and development of exchange relations (economic goods);
- 2.the emergence and development of monetary relations (commercial goods – money relations);
3. the State development and implementation of its public employment.

¹ Pamfil Banc - „ General Finances”, The University „ 1 Decembrie 1918” Publusing House, Alba-Iulia, 2007, page 7-11.

The Economy Exchange /of goods /on market is that form of organization of productive activity in the goods and / or services, intended for exchanging results through acts of sale - purchase.

In turn, the economy of exchange is still under the cumulative performance of the three conditions, namely:

1. a certain level of **development of productive forces of society** and above all working tools, allowing to obtain a larger volume of goods from the manufacturer's own needs to submit the market for exchange and obtain, thus, **the revenue**;

2. the emergence and existence of **social division of labor**, that are specialized as manufacturer in obtaining **certain supplies**, leading to a dependence of **linking people on line** trading of goods;

3. the expression of autonomy or independence of producers who can produce what they want and how much each wants, which is possible by the existence of private property.

The **money relations** appear in money exchange documents following the course, sellers of goods obtaining - through the act of selling - **money**, or income, a part of such income in cash, was transferred to the state. When trade goods against goods, can not discuss the existence of elements of finance, this being possible only after the emergence of money. When the **state creates its cash income**, we can talk about **finance for state resources that take the form of cash only**.

The **goods** is considered, **freight of goods**, with quality that it can change anytime, anywhere and with any other commodity. It is basically when two conditions are met:

- There is an exchange of goods;

- The classification of goods became so developed that participants were very difficult to exchange trade partner, losing a lot of time, submitting a large effort to exchange, so that they no longer acting in the spirit of rationality - that is, to get the best effects with minimum effort.

The **State** - as a form of organization of a community - is the organization of political power on a **territory** and within a given human community (people, nation) does not coincide directly with the population². The State, the main part of the superstructure in societies is based on social class, is a historical phenomenon in that it occurred on a certain stage of development of society (with the advent of private ownership of means of production and division of society into classes with different interests / opposing / opposite and disappear into a higher stage of social development that will disappear when social class will disappear too³.

The emergence of the state is characterized **by dividing the subjects after the territory**, which replaced the link that unites tribe thru blood and tribe members, **having held public power development specialized**, equipped with means of coercion (police, army, justice), for defense positions ruling class and social order. The power of the state is supreme and „ unhangt”, giving **the state** the status of official sovereignty. Given that each social order corresponds to a State historical type, state types differ among themselves by the nature of social and economic base that generates them after class or classes of nature whose power they exert. Thus, each social order **corresponds a specific type of state** in history being recorded the **slave state**, the **feudal**, the **bourgeois** / or the **capitalist** state - essentially those with the common that are based on private property and the rule of social classes on the working class and **socialist** state domination expressing working class, tending towards the communist society,

² „ Small enciclopedia of politology”, Scientific and Enciclopedic Publishing House, Bucharest, 1977, page 437-438.

³ „ Politic Dictionary”, The Politic Publishing House, Bucharest, 1975, page 566-568.

characterized by the disappearance of classes. The **state** secures the historic mission functions. The body of the political power of the class / ruling classes, meet the **general functions** (organization of social life, defending the country against foreign aggressors, international relations, etc..) and **specific functions** (like, protection of private property, education, culture, health, public order and national security, etc..) and **external functions** (national defense, conquest of new territories, ensuring international relations, etc.).

The type of state is considered the organization of state power and in particular the structure and functioning of the supreme bodies of management. It is evident that the **form of government** (republic or monarchy), the **political regime** (democratic or totalitarian / dictatorship) or the **state structure** (single or compound state - federation or confederation). The mechanism of state is composed of all **state bodies** consisting of a single system (**parliament, government, army, justice, etc..**) - and **the material forces of coercion (army, police, prisons, etc.)**.⁴

In fact, the supreme institution of any **country** is taking responsibility while it is invested with the task of border defense and internal order of the territory in which there is a particular human community.

For the state to perform its tasks (mission), he must have at least two categories of elements:

- Of a certain administrative structure and defense, consisting of specialized people who deal exclusively on solving specific practical problems (like administrative staff);
- The material and financial resources required for the performance by each part of the duties incumbent.

Therefore to fulfill its functions and duties, the State must make a series of **charges**, for which he (the national) needs **resources** (like their state income). Initially, this revenue came from **taxes, contributions** and especially **spoils of war**, and later the state will have to procure at least a part of the necessary resources, **income or property of citizens** (who inhabited the territory), this state **sampling being done necessarily permanent, and free of charge**. The existence of state does not imply, however, automatically, and expression of Finance as a phenomenon and process virtually since other conditions must be satisfied of the above:

- The existence and exchange economy / cargo / market;
- The emergence and development of relations cash / commodity relationship - money.

2. The historical character of the development of finances

From the foregoing it follows that the economy of exchange, money and the historical nature, that occur at a time in society, namely, when the conditions and have evolved continuously over time, their development is influenced by several factors, differ from one territory to another, from one population to another, acting with the intensity and in different directions.

The existence of relations / economy of exchange, money and state finances are the conditions that occur. If these three conditions are historical, results that finance, in turn, will be historic.

In **tribal / primitive village**, there were no finances, so financial phenomenon was not present in society, because they were not fulfilled the conditions, namely⁵:

⁴ Idem 2 and 3, page 437-438 and page 566.

⁵ Anton – Florin Boța - „Finance and Contemporary Society”, vol.I „, Highlights of integration: Public Finances”, Parallel 45 Publishing House, Pitești, 2002, page 13-15.

- a) The state appearance was made - as a form of social organization, the sovereign public entity;
- b) The relationship of goods – money had not attained a level appropriate for development.

At this stage of development of society, various public functions were performed by individuals elected by the entire council, chosen people performing different tasks: settling conflicts between nations or within the tribe, respect customs, religious rites, etc., which were not paid / rewarded.

Over time, the social division of labor is increasing, causing:

- a) increase labor productivity;
- b) increased production,
- c) developing the exchange.

Following these factors, in the period of slavery occurs the **private property**, indicating the **increasing inequality of wealth**, which determines the **division of society into social classes**, with different interests, even antagonistic. In these circumstances appears the institution of **state**, with the role of defending private property.

With the appearance of the state is necessary the appearance of **finance** to ensure public employment, ensure that the **state machinery** - specialized people, armed men, etc.. - **materials and accessories** (prisons, objects, etc..) that are necessary to conduct the activity of state bodies - bodies of state power, state administration, justice, standing army, etc..

The State needs to procure the necessary material and financial means to support their own bodies. In this context, it produces - in the sphere of economic relations - separation of the state of community / society, having the **income, expenses and their debts**.

The slave period, the state attorney resources required to perform duties and tasks, through coercion exerted upon members of society.

In the early stages of development of slavery appears the first forms of **private property** and with it, expands **production** and **exchange**. This complex economic phenomena has its fulfillment in **appearance of money**, whose functions are initially met certain commodities (cattle, furs, shells), and with the discovery of metals, metal money appears. The discovery of precious metals (gold, silver, bronze) resulted in making money from these metals.

Also in this period, several public officials were not paid as honorific. It also required all local goods, such as setting up military fortifications, access routes, the baths (public baths), the temples, maintaining the army, court, organizing shows, redemption of prisoners, etc., is obtained by way of **benefits jobs and taxes** in kind to which all community members were forced, often at the expense of **tributes** and the **spoils of war**, in which defeated peoples were bound.

In a first phase, state revenues are provided by:

- Employment benefits;
- Taxes in kind;
- Tribute and spoils of war.

Subsequently, the **expansion causes** the slave trade to use more and more **money** as a means of ensuring own resources. From now on we can talk about **the emergence of the first elements of finance**.

In medieval times (feudalism) the commodity-money relations, although very much aware of development, are still in force. A number of state functions such as maintenance of the army, the government, the royal court (or royal), guard borders, carry out joint infrastructure-roads, fortifications, castles, etc. - were provided mainly

through contributions in kind and benefits, in employment and in a lesser extent by **contributions and money**, these forms of insurance to state resources, coexist in time.

In feudal times, to secure necessary resources, they are still widely used in **employment benefits**, but income areas (the areas of **revenue monarch**) and **rights given from the king**.

The **rights given by the king** are designated to privilege monarch and then the **state treasury**, to collect some revenue. The form and manner of understanding, these rights are a form of transition from income areas, what we call today, **taxes**.

In their contribution to the formation of sovereign revenues (like the public treasury), the rights given by the king were divided into three groups:

- **Group I** includes the right to the property found, cargo boats saved from drowning, estates without heirs and foreign assets after their death.

- **Group II** includes rights forestry, hunting, fishing, mining right of subsoil use right windmills;

- **Group III** includes the right to coin money - a symbol of power for each feudal lord - and the right to trial - which led to the imposition of fines and court fees.

The characteristic of this period is that the state treasury to be confused with practical and princely fortune was powered by: taxes in money, gifts, loans, tributes, etc. The revenues in cash still had a relatively low share in costs feudal state.

In capitalism, the state has two basic functions:

a) an **Internal Function** - Main – for the maintenance of internal public order and ensuring the functioning of specific institutions of state;

b) an **External Function**, for homeland defense, independence and sovereignty and the expansion of territory by aggressive military action.

The development of capitalist society determines that the increased burden it has to be done, in terms of maintaining internal order and defend territory - and therefore they require the development of military technology, stimulating the development of certain sectors, expansion of international relations, etc. Logically speaking, the increasing burden of state will require more money and resources.

In socialism, the state continues to mobilize a relevant part of the **national income**⁶, forming the resources required to perform such functions and tasks. The formation and distribution of funds in the economy and in this case is done through money.

3. Conclusion

The emergence of the state - as the organizational form of the company / of certain human communities - requires completion / fulfillment of at least two conditions:

⁶ National Income (N.I.) is a macroeconomic indicator of results, which can be calculated in different ways. Thus, N.I. is calculated at market prices based on the relationship: $N.I. = GDP - \text{consumption of fixed capital} + / - \text{balance revenues with the rest of the world}$, (where GDP = gross domestic product, is the main macroeconomic aggregate - pointer - the system of national costs, expressing the gross added value of goods and services reached the final stage of economic circuit, which were produced within a country by local and foreign operators in a certain period, usually one year, consumption of fixed capital depreciation annual volume, balance revenues with the rest of the world = input-output net from / to abroad), in the prices of factors, N.I. is calculated as follows: $N.I. = \text{Compensation of employees, residents} + \text{net income} + \text{property income businesses}$. (where net income expressed property of the enterprise net results obtained by exploiting the subject property and is calculated by adding earnings from interest, taxes on land and on intangible assets, dividends and other income. Of this amount less the same kind paid income works of other units and obtain the net income from property).

Also N.I. may be calculated as the aggregate amount of net value added (at prices of production factors) obtained branches of national economy that creates national income (see Dictionary of Economics, Second edition, Economic Publishing House Bucharest, 2001, page 461.)

1. The society / community has a certain territory in which it manifests;
 2. The members of the community have the ability to obtain large enough income that they can waive some of them to make them available to the state.
- With the constant development of capitalist society is the need to increase cash resources of the state to fulfill its functions.

Finances have an **historical** character. They **appear** independent of human will and consciousness, on a certain stage of development of human society, **evolve** and **disappear** on another stage, when there will be no conditions which have led. The emergence of finance is possible and necessary with the advent of **state** and **money**.

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