Correlation of “Finance” and “Financial System” Notions in Economic and Legal Science in Russia

Vladimir Vladimirovich Glukhov¹ & Oksana Vissarionovna Mizina¹

¹Far Eastern Federal University, Vladivostok, 8 Suhanova Street, Russian Federation

Correspondence: Vladimir Vladimirovich Glukhov, Far Eastern Federal University, 690950, Vladivostok, 8 Suhanova Street, Russian Federation. E-mail: gvv61@fromru.com, gvv61@bk.ru

Received: July 23, 2014   Accepted: August 21, 2014   Online Published: November 27, 2014

Abstract

The correlation of scientific knowledge in economic and legal science must take into account real processes taking place in the Russian society, because each scientific area is specialized and is formed individually without taking into account self-influence. As a whole it affects social and economic development of the state. The interrelation of economy and law is demonstrated in the fact that economic relations are expressed through legal standards that legalize them, and new means of the economy development are sanctioned by the law because the law regulates economic processes directly. In their researches lawyers rest on the works of economists who in their turn do not decisively define such scientific notions as “finances and financial system” for they use various approaches that result in plural wide interpretation of the subject matter of financial law.

Keywords: economic and legal science, financial law, finances, financial system, globalization

1. Introduction

Social and economic development of each country has its own differential principles and peculiarities, and is reflected in the explanation of scientific approaches to theoretic researches of the level of the state influence on the society formation.

Economic system cannot exist and function separately from another areas of the social life and state and political institutes. With any market model, the issue of the state role in economy, reasons and limits of the state admissible interference in it arises. Success and efficiency of market reforms essentially depend on the policy implemented by the state (Ruchkina, 2011, p. 35).

At the present time using traditional approaches to studying the theory of economic and legal science, more and more often researchers face difficulties while using unified scientific terminology provided in course and methodical books.

Many definitions and scientific notions used in Russian economic and legal science do not have strong theoretical basis or their content and meaning do not coincide with the meanings used traditionally, i.e. there is freedom of speech and as a result multiplicity of the offered terms.

To some extent it can be explained by the specificity of financial and legal regulation of economic relations, a part of which comes out of the subject matter of the financial law, another one acquires new features.

It is related to the fact that processes occurring in political, economic and social life of the Russian state are worth more attention of theorist scholars, as well as possible re-thinking of some basic theoretical provisions of economic and legal science.

2. Topicality of Research

2.1 Terminological Aspects in Defining Scientific Categories in Economic Science

Over the last few years numerous researchers’ publications connected to the research of content, structure, functions, essence of finances and financial system in relation to economy and law appeared in scientific literature.

However, the researchers studying theoretic basis of these scientific categories do not have single opinion as for the determination of their content and meaning, and moreover, textbooks and study guides often contradict to
one another while interpreting these terms. 

Herewith, financial relations started including practically all monetary relations both of public and legal, and private sectors of economy, economic entities, households, individuals, and generally all related to the money movement.

In addition, “the finances” term is used in various word-combinations: corporate, banking, manufacturing, local, business, home, private, personal, and behavioral, etc.

Due to borrowings from foreign literature, the notion “finances” is spread to a wide area of economic relations that have nothing to do with finances, at least, as far as it concerns the relations being always called financial in the national science.

In its turn, the Western economic science interprets the term “finances” as financial, credit, currency and other relations and transactions that arise in public (state) and private sectors of economy as well as in the process of their interrelations.

The Western literature and practice initially interpret finances as public (state) because the state needs to form institutes for implementing the policy it implements, i.e. as soon as the state appears, the society gets an objective necessity to form the system of reallocation relations that take a monetary (financial) form (Bodie & Merton, 1998; Brigham, Gapenski, & Daves, 1999; Gitman, 1989; Gapenski, 2012; May, 2002; Merton, 2000; Zaharchenkov, 2011; and others).

The difference in defining finances in national and western science includes the choice of different approaches to the research and analysis of the same phenomena being the movement and turnover of monetary funds.

Some national researchers interpret finances not merely as money, public or individual prosperity but also as the combination of relations, above all, of the reallocation character being due through the profits and expenses of the state, economic entities and population.

Herewith, Russian scientists, both economists and lawyers, have no the unity of opinions when defining the notion of finances; some part of authors identify them with relations (monetary, social, allocation, commodity-money, financial, economic, etc.); some researchers propose the creation of target funds of monetary means, etc. as a basic specific peculiarity of finances (Arzumanova, 2011; Ashmarina, 2011; Romanovsky & Vrublevskaya, 2013; Gryaznova, Markina, & Sedova, 2012; Himicheva, 2008; Kovalev, 2011; Kozyrin, 2009; Krokhina, 2008; Yandiev, 2013; Zapol'skii, 2011; and others).

Consequently, the same term is understood as completely different categories that differ from one another both according to the content and the performed functions.

Herewith, it is acceptable that finances become an integral part of monetary relations but are not made equivalent. The latter are considerably wider than financial relations because it goes from the functions and forms of money. It is related to the fact that money as a specific financial tool is a basic motif of making various economic decisions on all three levels - the state, economic entities and households.

From these perspectives, especially under conditions of globalization and internationalization of economic relations the sense and development of finances is regarded as an individual element of the world economy in the form of virtual, global, world and geofinances, etc.

In order to describe the state of processes taking place in the system of world economic relations, national and foreign researchers also use different terminology and put different content and sense in their interpretation.

The interpenetration and interdependence of national economies became the reason of creating the mobile market of international capital because the economy of separate states cannot be isolated from global financial flows. A new financial system and financial architecture must correspond to this process both on national and global levels (Camdessus, 1998).

2.2 Discussion about the Russian Financial System Structure

The content and composition of the state financial system are also a subject matter of lively discussions and considerations related to the determination of the boundaries of financial relations arising among the state, legal entities and natural persons.

As there is no unity in understanding the sense of “finances”, there are various opinions about the structure of the “financial system” and its elements.

The publications of scientists both economists and lawyers trace various interpretations of the content of public
(centralized, federal, state (municipal), general state, finances of government agencies, etc.) and private (decentralized, housekeeping, finances of house economics, finances of self-regulatory subjects of economic area, finances of legal entities and natural persons, etc.) finances being at the basis of the financial system of the state.

On the basis of the conducted analysis, taking into account opinions of authors who belong to various scientific schools, the Russian financial system can be presented in the form of two blocks: public (centralized) and private (decentralized) finances:

a) Public (centralized) finances:
1) State and municipal finances consisting of federal finances, finances of the Federation subjects, municipal (local) finances;
2) State budget consisting of federal budget, budgets of the Federation subjects, local (municipal) budgets, budgets of cities and villages;
3) State and municipal credit;
4) Non-budgetary funds.

b) Private (decentralized) finances:
1) Finances of economic entities consisting of finances of commercial and non-commercial enterprises;
2) Finances of population consisting of finances of house economics, family finances, and personal finances.

The necessity to regulate economic relations of public and legal and private sectors of economy by the state is related to their plurality, multidimensionality and multitasking, high dynamics of changes.

These relations being regulated by standards of financial law acquire the form of financial legal relations (Ivleva, 2004, pp. 22-23).

Differentiation of financial system to public and private finances is related to differences in goals and methods of forming and using centralized and decentralized funds of monetary means depending on the role they play in manufacturing the national product: whether they are indirect participants or perform state regulation.

Each area includes its own components, and financial relations inside each group are formed depending on the character of the economic entity’s activity that determines the influence on the content and purpose of target monetary funds.

The structure and elements of financial relations are interrelated and all together make up a single financial system.

3. Discussion
3.1 Correlation of the Notions in Economic and Legal Science

According to Ashmarina E., while solving the issue about the priority of economy and law, economy is the basis, and law and policy are topside elements, and consequently, economic processes are the basic factors causing allocation and regrouping of law standards in the state (Ashmarina, 2011, p. 101).

The Russian legal science singles out new branches of law that are necessary for describing processes of market transformations that occur in our country being bank, budget, taxation, entrepreneurial, financial, economic and other law.

All preceding contemporary history of the development of public branches of law and relevant scientific formations was related to the tendency to expand the level of influence of private legal sources on relevant groups of social relations and deformation of public and legal methods of legal regulation cause by this.

At the same time, the area of financial and legal regulation of financial markets is dictated by legal (narrow) understanding of finances as relations related to the formation, allocation and use of state and municipal monetary funds (Koshel, 2010).

From a perspective of the economic science theory it is necessary to note a definite activation of the scientific thought in areas of contemporary reconsideration of the sense of finances and financial system.

Scientists involved in researching theoretic aspects of finances in sciences allied to economy for example in financial and taxation law also point at this.

Properly formulated definition allows to reveal the sense of the defined notion, and separate it from allied legal phenomena and vice versa, it is difficult (and sometimes impossible) to adequately determine the sense and content of regulative and protective standards without definition standards, and, consequently, it is difficult to
apply them in practice (Demin, 2011, p. 48).

The interpretation of a scientific notion formulated correctly and properly allows to correctly revealing its sense, separate from other categories for it is impossible to determine the sense and content of the notion under consideration and its further use in theory and practice without the determined and agreed definitions.

Incorrect terminology and formulation of scientific definitions lead to differences in interpreting the notions under research, and violate the accepted unity in understanding and implementation if their theoretic basis.

However, the interpretation of categories provided by economic literature does not always coincide with theoretic aspects of other allied sciences. Financial and legal theory borrows much from economic and financial science. The overwhelming part of the financial law categories has economic origin (state profits and expenses, finances, financial system, etc.).

These economic categories often do not have legal ground and do not combine with the established legal notions and constructions (Tsyrenzhapov, 2004, p. 36).

The existing variety of the determination of such notions as “finances and financial system” causes the variety of applying legal standards, deforms legal basis of the state as a result of their broad interpretation.

On the basis that in practice the notion “finances” is used in legal science as the subject matter of financial law, we think it is necessary to combine scientific approaches of economy and law.

3.2 Correlation of Theory and Practice of Financial Law

Until now there is an idea that financial law in inclusively engaged in public relations that arise due to and in connection with money but does not study money itself. However, this idea does not always correspond to the realities.

It is necessary to note that financial and legal science does not merely researches money basing on the provisions borrowed from economic science; it has its own original approach to their study that differs from the views that prevail in other legal sciences (Arzumanova, 2011, p. 27).

It is necessary to note that the standards of financial law regulates not all financial relations covered by the financial scheme but only those that are related to the formation, allocation and use of state and municipal funds of monetary funds.

The efficiency of the financial system activity and the implementation of social and economic projects both on the level of the state and territory subjects entering it, depends on the quality of legal standards and the law-enforcement activity in this area (Himicheva, 2008).

Consequently, sometimes the definition and terminology used in economic science do not correlate with the relevant categories of various areas of law.

As a conclusion there is a regular occurrence of discrepancies in the interrelation of the theory and practice of economy and practice.

In their works researches of the legal scientific school rest on the results of economists who do not define the term “finances” expressly as they use different approaches that results in diversified wide interpretation of the subject matter of the financial law.

Consequently, there is the increase in the efficiency of using the law as a powerful tool influencing economic development of the country.

Close link between law and economy is displayed in the fact that economic relations are expressed through legal standards that legalize them, and new means of the economy development (for example, securitization) is sanctioned by the law; the state directly regulates economic life (Poltoradneva & Baryn’kina, 2011, pp. 264-266).

However, thus characteristics are not sufficient as the sense of finances as an economic mechanism is discovered not through their qualitative estimate (although it is also important) but through the content, peculiarities that arise at its functioning, performing functions peculiar of it.

From a perspective of the financial law, consideration and analysis of process of creation, accumulation, allocation and use of monetary funds are very important since they provide with distinct understanding of what objects of financial control and inspection is.

Information about the size of any monetary fund in absolute (material) expression (without additional legal and other information) cannot arouse the lawyer’s interest for it cannot serve as the object of the financial control.
because the law is violated in the process of creating, allocating and using of monetary funds (Pokachalova, 2013, p. 143).

According to Fatianova A., the majority of authors of works where the attempt to define the subject matter of the financial law is made, consider that financial law regulates the relations in the area of formation and allocation of state and municipal monetary funds, or state that financial law regulates financial relations (Fatyanov, 2013).

### 3.3 Boundaries of Using Financial Law Standards

In spite of transformations in political and social areas of the Russian society, basically economic and legal sciences consider the activity of financial and legal institutes and the scientific terminology used at this only from the point view of the state, government agencies.

To some extent it is correct and logical because the state is a consolidating and combining unity aiming to provide the livelihoods of the whole society.

State and legal regulation of economic relations is dictated from a perspective of the legal science, primarily, by “narrow” understanding of finances as relations related to the formation, allocation and use of public funds of monetary means. Due to this, financial law primarily regulates economic relations related to the budget formation.

However, this case does not take into account the relations that arise in the private legal sector of economy that takes place between economic entities and the population being the principle elements of any financial system not only as basic payers of mandatory payments to the budgets of various levels and funds but also as those components of the society which livelihood must be provided by the state.

It is necessary to pay attention to the circumstance that economic activity of the state is regulated by the law standards, and it is economic activity of economic entities and home economics.

The formation of budgets of public government agencies considerably depends on the mandatory payments accumulated in them and coming from legal entities and natural persons, and consequently, it is necessary to expend the boundaries of applying the standards of financial law.

One has to agree with the thesis that the development of market economy is attended by the objective sophistication of economic aspects in the state activity stipulated by the need to create various financial institutes for satisfying and realizing public interests of the society, and consequently the occurrence of law standards corresponding to them.

### 4. Financial and Legal Aspects of the Economy Globalization

The relations globalization related to the formation of the unified world economic space and the integration of national monetary systems, bank sector, insurance services of the fund market, investment mechanisms and other elements connected with it, inevitable leads to the integration of financial and legal institutes and components of the financial law, above all, taxation, currency, bank, insurance law (Zapolsky, 2011, p. 2).

In order to create conditions of free movement of goods and services within separate states, there is complex process of forming a unified market economic space. One of the leading causes of this tendency is the division of labor, and the basic principle of its affirmation is the equivalence of social interrelations.

The law assignment is to provide the equivalence of the market exchange, and with the aid of the institute of property law to protect the belonging of economic activity products to their manufacturers.

Consequently, such attributes of the correlation of economy and law as market space, free exchange of resources, formal equality of economic agents, competition gradually arise in the state (on the macro level). On the micro level labor and ownership become the basic development forces (Alpatov, 2010, p. 5).

It is necessary to take into account the growing influence of international integration and participation of Russia in globalization processes that result in occurrence of new economic entities both on internal and external financial markets. Herewith, it is necessary to pay special attention to the correspondence of the used terminology to international requirements aiming to bind theory and practice.

At the same time the increase in the number of economic entities makes the process of forming legal standards and their use more difficult because precedents that are not reflected in the existing standards of law occur.

Due to this we consider it necessary to increase in the efficiency of applying financial law through changing the approach from subjective to objective, i.e. under the conditions of market economy the notions of money and finances were substituted. In the majority of cases monetary relations started substituting financial that must be regulated by standards of financial law regardless of the subject type.
The analysis made by Petrov A. V. in relation of the researches conducted by the authors who make an attempt to overcome the borders of the economic determinism in the legal science allowed to make the conclusion that the law is the method of implementing economic or political interests as well as economy and policy can be the methods of implementing the law goals (Petrov, 1998).

At the present stage of the development of the Russian society, the use of scientific knowledge in economic and legal science must correlate with the realities because each scientific area is narrowly specialized and continues developing individually without taking into account the mutual interaction that as a whole influences the economic development of the country negatively.

It is possible to increase in the efficiency of the scientific activity in the above areas due to combining approaches of scientific schools of economy and law to the realities of the contemporary life.

The peculiarity of financial and legal aspects of globalization is in the fact that the majority of countries including Russia involved into the world integration and cooperation faced the problem of the correlation of the international legal regulation of the financial activity with the standards of national financial law.

Herewith, contemporary correlation of economic and legal science does not lie in the resistance to the globalization processes, it is in the harmonization of the correlation if the national and international financial legal regulation.

5. Conclusion

At the present stage of the society development there is transformation of theoretic aspects of economic and legal science being expressed in the creation of terminology typical of more active role of the state as the regulator of financial relations arising between public and legal, and private sectors of economy.

The current condition of theoretic aspects of economic and legal science can be changed only in case of development of new scientific methodology that can synthesize various ideas and concepts of numerous scientific schools and areas combining positive historic experience of the past and requirements of realities of the contemporary Russian society that is developed dynamically.

Contemporary financial law as a component of the legal science directly influences the development of financial system and must timely take into account new realities of its structure and dynamics of changes that require scientific understanding.

Consequently, it is necessary to develop the system of financial law through including new sub-branches and institutes reflecting contemporary development of states involved into the globalization processes taking into account changes taking place in the economic science.

References


**Copyrights**

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by/3.0/).