

CLASSICAL AND NEOCLASSICAL INTERPRETATIONS OF INVESTMENT ACTIVITIES IN THE STRUCTURE OF REPRODUCTION

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Abstract: the article is devoted to the role of investments in the system of the reproduction process in the theories of classical and neoclassical schools. Classical political economists have a holistic vision of the construction of a socio-economic system, including the system of social reproduction. Limited by the rigid framework of equivalent exchange, they proceed from the principle of the impossibility of obtaining additional income through speculative operations. Neoclassical theories were less critical of the importance of trade in obtaining profit.

Key words: sphere of production, reproduction, investment, absolute rent, capital.

Classical political economists have a holistic vision of the construction of a socio-economic system, including the system of social reproduction. Limited by the rigid framework of equivalent exchange, they proceed from the principle of the impossibility of obtaining additional income through speculative operations. If one of the sellers gains from the exchange, this simultaneously means that the buyer suffers certain losses, since buyers and sellers easily change roles, then within the framework of the entire society there will be equality in the form of equivalent exchange, which does not allow for the receipt of excess funds in the sphere of circulation. The only source of additional income remains the sphere of production, in which the driving factor is labor¹.

The concentration of both industrial and financial capital by the end of the 19th century led to some contradictions in the studies of the classics of political economy, based on the principle of equivalence of exchange. Thus, K. Marx in the third volume of *Capital*, discussing the nature of rental income, in particular, absolute rent, believes that its origin is connected with the monopoly of private property in land plots.

Absolute rent is interpreted by him as a part of the real value, as a monopoly premium, not connected with the process of industrial production, but being a product of normative-value judgments of participants in market relations. This once again emphasizes that K. Marx goes beyond the framework of the study of competitive economy, which is based on the principle of equivalence of exchange. His study of the false social value of financial capital does not fit into the paradigm of the labor theory of value. Money, performing the traditional role of an intermediary in the exchange of goods, begins to acquire more and more independence, the financial segment is separated from the real sector.

Representatives of neoclassical theory were less critical of the importance of trade in obtaining profit. They believed that it can be mutually beneficial, but not equivalent in the traditional sense of this definition, which allows the parties to the transaction to gain a gain due to a higher subjective assessment of the acquired good compared to the one given. The famous Austrian economist O. Böhm-Bawerk believed that the price formed on the market is the price at which the consumer will be able to purchase this good in the future, but since this future is uncertain,

¹ M.M.Mukhammedov, N.A.Kamilova // Economic theory / textbook. Samarkand 2023 pp. 288-289.

it is necessary to constantly revise the assessment of the good. Changing the assessment of future goods leads to constant fluctuations in the prices of capital goods.

Within the framework of the positive theory of capital, O. Böhm-Bawerk understands the latter as a set of monetary resources, “productively used for roundabout methods of increasing the quantity of goods in the future, which can take such forms as commercial, industrial and loan capital”². It should be noted that Böhm-Bawerk estimates the marginal utility of goods available in the current period much higher than the marginal utility of the future volume of goods. From his point of view, the refusal to consume goods at the present moment must be compensated by a certain reward³.

The investment process described by O. Böhm-Bawerk clearly demonstrates that the ideas of researchers of the late 19th century are based on fundamentally different approaches, according to which the consumption sphere is given a leading role, including in the process of forming investment sources. Authors increasingly argue that capital as a stock category and investments as a flow category should be determined not by the cost method, but by assessing future income, which is most clearly demonstrated in the works of I. Fisher. He is confident that income is the excess of cash flow over the initially available stock. The key form of income is interest, which permeates all economic relations, acting as a link between the present and the future. The main incentive for investment is the difference between the rate of income and the market interest rate. An increase in the rate of income, which contributes to the expansion of investment opportunities, is a consequence of scientific and technological progress.

Fisher, studying the nature of capital and interest, believes that their emergence is connected with the process of price formation, determined by the size of the money supply. Thus, it can be concluded that, according to I. Fisher, investments can also arise in the sphere of circulation.

The idea that investments are a function of the interest rate, and that it is of a decreasing nature, is also reflected in the works of A. Marshall. The founder of neoclassicism, the core of which is J. B. Say's position on the equality of supply and demand⁴, considers the principle of equilibrium through the categories of investments and savings. Accumulation in A. Marshall's views is the source of the birth of savings⁵, which are formed as a certain excess of income received from the sale of various factors of production. In his opinion, one can save from wages, rent, profit. In the short term, savings lead to an imbalance between production and consumption. But thanks to the financial market, the size of planned investments can be aligned with the volume of savings. The interest rate is a balancing mechanism for savings and investments, regulating their size. Thus, according to A. Marshall, investments can exist only in the long term. Due to the use of economies of scale, firms will receive a positive quasi-rent, creating conditions that stimulate the investment process. Only equality between past and current investment costs, on the one hand, and the discounted value of future income, on the

² Böhm-Bawerk, O. Selected works on value, interest and capital / -M.: OOO Izd-vo EKSMO, 2009. P. 76-78.

³O. Böhm-Bawerk relies in his theory of positive capital on the concept of abstinence proposed by W.N. Senior, who also defines interest as a compensatory income for the capitalist's refusal of current consumption of goods.

⁴Say's law, named so by J. M. Keynes, states that the supply of a product always creates demand for it, and, therefore, production is equal to consumption, income is equal to expenses, prices are equal to costs. This model is built by Say for a barter economy, money exists, but its functionality is very limited, money acts only as a measure of value and a means of circulation. The neoclassical school tries to apply Say's law to a monetary economy, using the interest rate mechanism.

⁵ “As the opportunities for investing capital expand, there is a constant increase in the surplus of production over the necessary means of subsistence, which generates the ability to save” (Marshall A. Principles of Economic Science / Moscow: Progress, 1993. (p. 302).

other, will ensure a stationary equilibrium in the long term. It is clear that this is an ideal model that is not feasible in practice.

Another representative of the neoclassical direction, A. Pigou, more closely links the investment activity of economic entities with the amount of money in circulation. If, according to I. Fisher, equality in the economy is ensured by the supply of money, then A. Pigou discusses the demand for money as an equilibrium factor, which makes his theory more realistically reflect the motivation of economic entities in the process of accumulating savings and investments. The coefficient of liquidity preference, introduced into the exchange equation of I. Fisher, clearly illustrates the degree of influence of accumulation on the investment activity of actors .

Neoclassical theories are characterized by a synthetic approach to the study of the investment process; they study not only the objective factors of the formation of real investments, but also the subjective, often irrational motives for the implementation of investment activities by macroeconomic agents, while using the methodology of equilibrium analysis.

Conclusion: The active role of money in the system of economic relations necessitates its study as a source of investment, but from completely different positions, reflecting the formation of the industrial mode of production. The closest to understanding this problem were the marginalists , and, subsequently, the neoclassicists, who formulated individual provisions of the microeconomic theory of investment analysis. Dealing with the problems of pricing various goods and benefits, representatives of marginalism conclude that prices affect the process of capital accumulation and its investment. Having developed an algorithm for assessing the cost of present and future benefits of the capital owner (investor), they show the mechanism for the emergence of marginal capital efficiency. Applying a completely different research methodology, namely, the tools of marginal value analysis, marginalists formulate the key principles of constructing microeconomic investment models.

It should be noted that within the framework of the neoclassical approach, questions of the formation of macroeconomic investment models are beginning to be raised (the theory of general equilibrium by L. Walras, the social optimum by V. Pareto, the theory of cash balances by A. Pigou , etc.), but they are based on microeconomic analysis. The authors, using the method of analogy, transfer the ordinal functions of utility and productivity to the macroeconomic level, completely depriving it of specific patterns ⁶.

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⁶Thus, according to J. B. Clark, the natural distribution of income inherent to economic entities at the micro level can also be used to substantiate conclusions of a social nature. Clark introduces two categories: "social capital" and "social labor", which are the total functions of the marginal productivity of these factors of each economic entity. A set of such functions on a plane form an "indifference zone", which characterizes the state of equilibrium in the economy (Clark J. B. Distribution of wealth / M.: Helios ARV, 2000. pp. 345-380.), which is similar to the reasoning of F. Edgeworth when describing a transaction between economic actors at the micro level.



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