

THE CASH ABSTRACTION: MANAGEMENT FROM LIABILITY TO ASSET

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Abstract— The effective organization and management of the money circulation system in the economy is considered one of the fundamental studies of the sphere. However, this issue is not considered as an object in the scientific research of domestic scientists and economists. In the conditions of transformation into a modern economy (digital economy), the attention of economists is attracted by the significance, relevance and scientificness of the abstractions advanced in the theory of monetary circulation. This article is devoted to a review of scientific abstractions of the theory of monetary circulation in history and modern conditions. The proposed abstractions contribute to ensuring the effectiveness of the decisions made and adopted on the development of this sphere by the responsible authorized bodies (monetary and tax authorities).

Index Terms— money circulation, asset and liability, financing, digital economy.

1 INTRODUCTION

THE fundamental scientific abstractions put forward at the historical stages of the development of the theory of monetary circulation reflects the following questions: are the needs and offers of money formed in relation to the labor market or the money market? Does the money supply change based on irrational approaches to using the income of employees or under the influence of the speed of money circulation? How do banks, based on the value of preliminary and final lending (financing), in the conditions of limitation of activities, carry out lending (financing)?

The main problems and relevance of this article determine the questions whether these scientific abstractions in modern times have scientific foundations or whether there is a need to improve them, whether they can be used in the conditions of transformation into the digital economy, or they have lost their significance, on which scientific abstractions devoted to the theory of monetary circulation, in the conditions of Uzbekistan, authorized state bodies (referring to monetary and tax budgetary bodies), paying attention, develop and implement their policies.

2 LITERATURE REVIEW

Fundamental research on the theory of money circulation has been carried out by a number of Western economists, such as: David Hume (1752) [1], Knut Wicksell (1898) [2], Irving Fisher (1911) [3], Joseph Schumpeter (1911.1934) [4], John Maynard Keynes (1930) [6], Hans Neisser (1931) [7], Friedrich Hayek (1933) [8], Howard Ellis (1934) [9], Arthur Marget (1938) [10], Milton Friedman (1987) [11], Michael Woodford (2003) [12], Andre Vonoli (2005) [13], Paul De Grauwe (2005) and others.

One of the first scientific studies of the theoretical foundations of money circulation in the economy belongs to the Scottish economist David Hume (1752) [1]. The economist in his theory "On Money" expresses the following thoughts on the concept of "money", that is, money, in the full sense of the word, is not one of the subjects of solid commerce (trade), it is a tool (tool) used to exchange one product (service) to another product (service). Money, also, is not the wheels of trade, it is a means that lubricates and helps their gentle rotation. If we look at each state as the only one, we will understand whether there will be a lot of money or little, it will not be an important influence.

The value of each product is related by the proportion between money and the product, its change is associated with the influence of this factor. The cost of each product is related to the ratio between the product and the money. Based on these views, the author put forward the idea of unlimited money supply in the economy, moreover, economists of the 20th century (T. Mayr, M. Perlman and others) [14], opposing this idea, emphasized that this position is considered one of the main factors contributing to the occurrence of inflation. This idea of Hume was not absolutely opposed to the policy of inflation, on the contrary, when the author talks about the unlimited supply of money, given that production forces are in continuous development, emphasizes the need for a constant increase in money supply in the economy.

In turn, A. Schwartz and M. Friedman, considered the great monetarists of the last century, in their practical studies on the theory of money, were faced with conclusions substantiating this idea. [17]

In particular, M. Friedman, in his work Quantitative Theory of Money (1956), as well as in a fundamental study co-authored by A. Schwartz, The Monetary History of the United States in 1867-1960 (1963), concluded that it was necessary not to reduce monetary supply in the economy, but rather, constantly increase it. The main reason for the authors' conclusions was the confirmation of the "great crisis" in the world economy of 1929-1939. According to the results of the analysis, the authors proved that the main reason for the economic cri-

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sis was the lack of money supply necessary for the economy. [17]

In a word, economists of the past period and modern time acknowledge that D. Hume made a worthy contribution to the positive solution of a number of economic and financial issues not only of his time, but also of modern times.

In particular, the author put forward scientific ideas on topical, fundamental issues, such as: implementing free market relations in the economy, pursuing an open foreign economic policy, supporting the private sector and sharply limiting interference in the state's economy, conducting an active monetary policy - all this was reflected in practice, developed and developing states of the XXI century.

Another leading economist who has made a worthy contribution to the further improvement of the theory of monetary circulation is the representative of the Stockholm school Knut Wicksell (1898). The author in his work "Interest and Value", having comprehensively studied the influence of the interest rate policy on money circulation, for the first time divided interest rates into two types: nominal and real interest rates.

Speaking about nominal interest rates, the author had in mind loan rates allocated by commercial banks to business entities, and real interest rates are income from returning capital.

According to the author, the real interest rate is considered an important factor determining price stability. It is emphasized that if the nominal interest rate cannot be equal to the real interest rate, then inflation will appear and, conversely, if the nominal interest rate is higher than the real interest rate, then this will be deflation. The equilibrium of nominal and real interest rates balances commodity markets and can provide price stability against this background. The German economist Lidwig Von Mises (1912), when revealing the idea of the theory of money circulation, expresses an idea based on the useful properties of money. [15]

In particular, the author comments on the properties of the utility of money not by the utility of purchasing a certain product (work or service), but by the utility of directly owning it.

In other words, it emphasizes the importance in money circulation not of the property of the cost of money, but of the property of profitability.

The author also recognizes the need to look at the need for money in households not as a need for a certain product (work, service), but as a tendency to accumulate it, that is, as a need for real money.

English economist Augusto Graziani (1989) in his work "Theory of money circulation" commented on the processes of money circulation in the economy by the following factors: 1) money supply, being an endogenous factor, arises from the need for loans mainly from business entities; 2) the volume of production and employment in the economy are related to the expected level of gross demand; 3) income distribution is associated with activities based on the market principles of macro-economic entities, especially with decisions on determining the value of goods and services of business entities. [16]

When revealing the content and significance of the eco-

nomical relations of these processes, the author relies on the following assumptions and views. In the first case, commercial banks provide loans to business entities (subsequently - enterprises) for the organization of production. If we imagine business entities as a society, then they pay for labor only with hired labor.

This payment, in turn, is formulated in accordance with the proposals and needs of the labor market, as well as the decisions made by the enterprise, their amount should be equal to the amount of loan received from the bank.

All other relationships among them are in the form of mutually-internal transactions. Entities purchase other capital goods only for the purpose of ensuring the continuity of the production process. However, there is a second side to the issue: credit relations between a bank and an enterprise are associated not only with the needs and offers of the labor market, but also with the needs and offers of the money market. Money market offers and needs are related to interest rates of attracted resources. In turn, the attracted resources are associated with the income of enterprises and labor. It is here that the relationship between the proposals and the needs of money needed by enterprises appears, which urge economists to observe. So, questions arise: the supply and need of money is formed depending on the labor market or the money market? Is there a solution to this abstraction in Uzbekistan?

The second position (the volume of production and employment in the economy is related to the level of expected gross demand), arising in relations between the enterprise and the hired labor force, reflects individual movements among them. That is, enterprises themselves make independent decisions on issues such as: how much labor to hire, volume, type and composition of production (consumer or capital goods), as well as its structural structure (including the organization of branches). Wage labor independently makes a decision on the cost of income received in the form of wages (in consumption, investment, accumulation).

If we assume that there is no interference in this process by the state or the external sector, then the release of securities into the financial market and their implementation will be carried out only at the enterprise level. And hired employees choose where to invest their income (wages): in securities or for saving in bank deposits. If employees do not spend their income, then the entire amount of money will be equal to the amount of wages. If the entire amount of money will be considered as the debt of enterprises to the banking sector, then the salary paid to employees by enterprises is considered the debt of the banking sector (lending) to the enterprise. Since hired workers spend their income on consumption and investments (securities), which are returned to enterprises, enterprises cover their debts to banks.

Thus, money circulation reaches its end, and this process can be repeated for a new production cycle. The question may arise: when will the money circulation in this process break off? There can be two reasons for this. First, wage earners do not spend their income and keep their house without movement. The second, if part of the income is spent, and the second part is stored in a bank deposit. In such situations, there is a breakdown in the payment of debts of enterprises to

the bank. As a result, if banks additionally finance (lend) enterprises for that interrupted amount of money, then this, in turn, will affect the increase in the money supply. In such conditions, the rationing of the money supply, that is, the end of the money circulation cycle, will become related to the interest rate. So, in this situation, the following two abstractions arise: 1) a change in the money supply arises as a result of costs over a certain period of time (long) income of employees (irrational approach); 2) the effect on the money supply through the control of the velocity of money circulation. So, what is the solution to the irrational approaches of employees and the unlimited speed of money circulation in the conditions of Uzbekistan?

The third provision (the implementation of income distribution based on market principles and the determination of the value of goods and services of business entities) is associated with the requirement to finance enterprises, the creditworthiness of the banking system, revenue generation, the rate of value and profit, and the efficiency of the financial market. The requirements for financing enterprises can be commented on by two types of approaches: preliminary and final financing processes (this situation is important). Pre-financing is used to cover (finance) the costs of current production of enterprises by commercial banks.

This situation, by its nature, being short-term liquidity of financing, is provided through the money market. If we briefly comment on the financing process, then banks cannot use their loan funds to purchase goods of material values, including capital ones. They can acquire these values only at the expense of their profit. The question arises: how do banks, in conditions of limited activity, provide financing?

The financing of the final processes reflects the proceeds from sales of enterprises of their products, including products on the capital market. However, it must be emphasized that in this case there is no need to form the concept that the costs of all produced inventory items are covered by the proceeds from the sale of these inventory items, and all capital investments from the capital market. Financing of investments is manifested in the process of final financing to acquire this capital goods by economic entities at the expense of only their income. In this case, banks can finance investments (capital goods) only at the expense of their income. If the bank purchases these capital goods from its credit resources, then in this case the fundamental rules of any monetary economy will be damaged. In other words, not one entity will not complete the final payment cycle for its debt.

Based on the above theoretical abstractions, if more or less money for those times was considered one of the important factors (meaning gold and silver coins), the factors of their occurrence (demand, offer, interest rate, transfer, storage, transfer of money) in modern times are fundamentally different. One of these properties is the acceleration of transformation into the digital economy of world countries.

The rapid development of digital technologies, the acceleration of information exchange and the intensification of globalization processes in the economy turn into debatable issues scientific views on the theory of money, not only among economists, but also among representatives of other indus-

tries. In particular, in the near future, a sharp decrease in the requirements for the activities of commercial banks based on paper is expected, their place will be occupied by the activities of other digital financial institutions, and even the possibility of the term "commercial banks" disappearing from financial dictionaries.

Speaking of numbers, it is necessary to separately emphasize the words of the ancient great scientist Pythagoras, which he spoke to his students, that in the future numbers will govern the world, who knows the secret of numbers, that will rule the world, and the scientific developments of the great scientist Muhammad al should also be emphasized -Khomeini of the Renaissance of the Middle Ages, our compatriot, dedicated to the mathematical disclosure of the mystery of numbers and the solution of problems through them. It must be recognized that the scientific research of the scientist is considered the basis of the digital economy of our time.

Thus, one of the fundamental issues of economic science is considered to be a thorough study of the influence of the above factors from the point of view not only of modern monetary credit theory, but also from the point of view of monetary theory in the future, a comprehensive analysis of its impact on the community and the economy of world countries.

4. ANALYSIS AND RESULTS

Based on the above analyzes, we want to provide the following overview of opinions on the importance of scientific abstractions of the theory of monetary relations in the past, present and future in the process of transformation into a modern digital economy, which reflects its priorities and shortcomings.

Extended abstractions:

1. Money management in the economy from liability to asset.
2. Unlimited money supply in the economy.
3. The implementation of the money supply in the economy mainly in national currency.
4. Increasing the role of the catalyst for monetary offers in the economy.

The value of the first abstraction can be commented as follows:

1. Money (currency) is considered a means of both active and passive circulation.
2. In the system of national accounts, cash flows are reflected in the balance sheet of the asset and asset and liability.
3. The underdevelopment of the monetary and financial markets is demonstrated by passive management (hidden cash circulation) of cash flows.
4. Passive cash management, in turn, determines the activity of the issue of a sharp increase or not increase in money supply in the economy.

Based on this first abstraction, money supply to the economy can be considered using the following conditional example:

Conditional project: for a special fund "Catalyst" a 10-year bond is issued in the amount of 10 trillion. sum This amount can be directed to the operation of production facilities in distant regions - 3 trillion. sum, construction of a multi-storey building - 3 trillion. UZS, on the infrastructure of the city (underground metro) - 4 trillion. sum (Fig. 1).

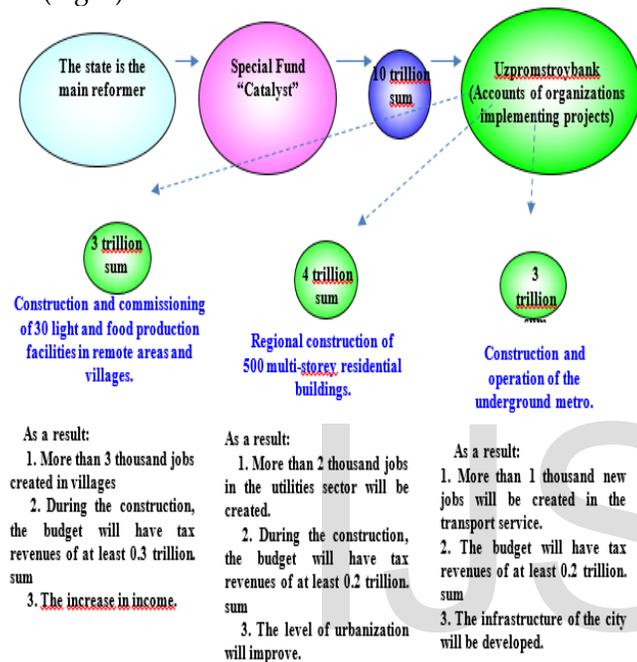


Fig. 1 Liabilities Activation Project

The bond of the Catalyst Fund was placed in commercial banks subject to re-purchase in the future and payment of income. Commercial banks are allowed to finance the above projects as an asset for future liabilities. According to this process, one can assess the following positive effect of money supply in the economy:

Firstly, a sharp decrease in the need to use foreign currency loans to finance production, transport and urbanization projects, and a decrease in foreign currency debt obligations.

Secondly, improving the standard of living of the population and quality by developing cluster processes of production, transport and urbanization.

Thirdly, the return of revenues in the amount of at least 7 billion soums to the budget as a result of the activation of the liabilities of 10 trillion. sum

Fourth, the creation of more than 6 thousand new jobs as a result of the implementation of projects in practice.

The negative consequences of the money supply of this scheme can be manifested as follows:

Firstly, financing will be short-term (one or two years), however, its coverage will take a long time (15-20 years). Therefore, there is a fear from which sources to supplement the repayment of the monetary value of the current period, or you can find the corresponding value.

Secondly, 100% return of these cash flows is not guaranteed. The disproportionate distribution in the economy of full employment, income, accumulation and consumption, as well as the instability of the purchasing power of money, provokes such an alarm.

As another example, the ongoing reforms in the road construction system can lead to the abstraction of money supply management from a liability to an asset in the economy. It is known that on April 29, 2019, the Decree of the President of the Republic of Uzbekistan "On measures to further improve the mechanisms for attracting foreign direct investment in the economy of the Republic" was adopted. Based on this Decision, the construction of toll roads in the direction of the Tashkent-Andijan and Tashkent-Samarkand motorways was determined.

The plan provides for the construction of a toll motorway in June 2019 to sign an advisory services agreement with the World Bank. The announcement of the winner of the tender and the signing of an agreement with him is scheduled for December 2021.

If this road-building project is carried out at our own expense or in cooperation with foreign partners, then the mechanisms of money circulation efficiency would be improved on the basis of new management approaches ..

Today, the national road construction system, which has a modern material and technical base and rich scientific and practical experience, has the opportunity to implement this project without the help of foreign countries. Therefore, it is proposed to implement this project by financing from internal sources. Since such projects matter with their effectiveness, it is natural that many external investors are interested. Therefore, the provision of such projects to local investors and the cost of income for the development of the country will have a positive impact on the efficiency of resource allocation.

The significance of the second abstraction (not the limitation of money supply in the economy) is manifested in the following:

on the basis of the principle of double-digit entries of national accounting accounts, the funds in the accounts, having decreased in one place, increased in another (debit-credit), reflects the invariability of the existing amount of money (money supply).

If you justify this principle, then in this case, the implementation of a money supply in a certain amount to the economy reflects the invariability of its total quantity, and also puts forward the abstraction of not restricting the money supply in circulation. However, the irrational thinking of economic entities (local and external), anticipation, behavior, existing social, economic and political conditions and other natural threats cast doubt on the abstraction of not limiting money supply in the economy.

The value of the third abstraction (the money supply to the economy is carried out mainly in the national currency) can be commented on as follows: if we make the money supply to the economy using attracted foreign currency, the asset will turn into liability, and when the debt repayment period comes, it will have to be returned at the expense of gold and foreign exchange reserves. Therefore, special attention must be paid to the system of implementation of the money supply in the economy in national currency. Given that the attracted foreign currency is a liability for the country, then their activation in an effective form is considered an important issue.

However, in modern conditions, most of the money supply in the economy, the equivalent of the share of foreign currency is high, it is advisable to develop measures for its sharp reduction. One of the effective mechanisms of measures is the transformation into a digital economy.

The transformation into a digital economy incorporates systems and a mechanism for improving the catalyst for national monetary supply.

The significance of the fourth abstraction (increasing the role of the catalyst for money supply) is manifested in the following: in the economy, the implementation of money supply is not difficult in general, but implementation in accordance with the gross requirement is important. If the main macroeconomic indicators of gross demand is consumption, investment and net export, then GDP is an indicator of gross supply. The volume of GDP created in the economy is proportionately related to money supply. However, based on the distribution functions of gross national wealth (consumption and accumulation), it is not always possible to increase national wealth in proportion to money supply. In the process of commodity exchange among economic entities, of course, there is a break in the functions of consumption and accumulation.

An example would be demographic processes. Birth and death, population composition, social status, living conditions, city and village, education and upbringing, and a number of similar factors do not reflect the proportional

distribution of national wealth under the influence of these factors. This situation in the end result causes an uneven distribution of money supply among economic entities (quintile of the estate), and also casts doubt on the effectiveness of the role of the catalyst.

5.CONCLUSIONS

Based on the above views and scientific abstractions, it is considered necessary to clarify the possibility of maintaining or refusing in the future these abstractions in the transformation into a digital economy. Since the movement of money circulation in the current or future economy (digital) requires the formation of the scientific basis for solving problems arising among the relations of the volume of money circulation, enterprises and employees, labor and the money market, the system of national and international calculation, in particular, unemployment, inflation, consumption, accumulation, investment activity. Knowing the approaches of the relevant authorities to these abstractions and accepting their proposals in the future can be considered an object of research.

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