

## History of the Analysis of the Category "Investment"

Salamov Farrukh Fatoevich <sup>1</sup>

### *Abstract*

*the article is devoted to the history of the disclosure of the essence of the category "investment" in the works of the classics of economic theory, which is a necessary condition for the correct consideration of the essence of investment lending as the main factor in ensuring the breakthrough economic development of modern Russia.*

**Keywords:** *investment, investment lending, economic growth, capital, interest.*

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<sup>1</sup> Assistant Samarkand Institute of Economics and Service,  
farrux\_sies@mail.ru

The term "investment" comes from the Latin word "investire", which means to clothe, dress. One of the earliest mentions of investment as a means of increasing material well-being was the work of John Law (1671 - 1729) "Money and trade, the relationship between which is considered with the aim of proposals for providing the nation with money." On the basis of this work, the author developed the "Lo system", which found its application in France at the beginning of the 18th century. Its essence was that the process of organizing public finances was based on capital trading, the mechanism of value formation of which was as close as possible to the market one. Despite the fact that this system failed, nevertheless, the ideas of John Law were widely disseminated in the writings of the following academic economists.

One of the contemporaries of John Law, who explored the essence of the concept of "investment", was the Irish economist G. Cantillon (1680 - 1734), the author of the work "An Essay on the Nature of Trade", published in 1755. G. Cantillon's unique achievement is that the relationship between prices, incomes and money supply is influenced by the methods of "injection" of money into the economy. Therefore, M. Blaug's comment that G. Cantillon turned monetary analysis on its head, thereby showing that the impact of the growth in the amount of money on prices and incomes depends on the way money is "injected" into the economy, is quite fair.

The scientific achievements of R Cantilena had a significant impact on the research of scientists representatives of the doctrine of the Physiocrats. So the leader of this scientific movement F. Kene continued to study the essence of the concept of investment. The researcher, using the example of the analysis of production processes in agriculture, comes to the interpretation of the essence of capital as a means of production. However, it should be noted that the term "capital" itself is not used by scientists.

The next person to think about investment was Adam Smith (1723 - 1790), who, in his book "An Inquiry into the Nature and Causes of the Wealth of Nations", namely in the chapter "On the Accumulation of Capital, or on Labor Productive and Unproductive", recalls investment as one of the key conditions for economic progress. The scientist notes that economic development is more likely provided that the investment is carried out in order to acquire or improve the means of industrial production.

Remembering A. Smith, it should also be noted that, in contrast to the physiocrats, the scientist based his conclusions on the basis of an analysis of industrial production. A. Smith's attitude to conservation was special, in particular, he, unlike the mercantilists, gave preservation a dominant role in the formation of effective demand. Thus, this researcher proves that the result of the investment will be the payment of income that will be spent on consumption.

One of those to whom the criticism of the founder of dialectical materialism was directed was the French economist, a prominent representative of the classical school of political economy, Je. Bee. Say (1767 - 1832). K. Marx was convinced that the translation of the same. Bee. Seya works by A. Smith for the French reader was not entirely correct, which manifested itself in the distortion of the labor theory of value. However, it should be noted that within the framework of the scientific problem under study, it is advisable to recall the scientific ideas of Zhe. Bee. Say, as he first substantiated the theory of factors of production [83, p. 130].

Another well-known academic economist of the late XVIII, early. XIX century., D. Ricardo (1772 - 1823), investigated the problem of investment in a slightly different context. As an opponent of A. Smith, this researcher developed his own labor theory of value. According to this

theory, the price of manufactured goods includes the cost of not only living, but also materialized labor. By living labor D. Ricardo understands the labor that took place in the manufacture of tools, in turn, labor is understood as the labor necessary for the manufacture of products. Summarizing his ideas, D. Ricardo comes to the conclusion that the cost of manufactured products includes absolutely all costs, including the time spent on its manufacture and transportation. Thus, we can say that investments, in accordance with the scientific ideas of D. Ricardo, should also be considered as one of the cost factors of manufactured products.

Another important scientific achievement of D. Ricardo is his research into the mechanisms of capital flow from industry to industry, the cause of which the scientist considered fluctuations in market prices in various industries [81, p. 19].

One of D. Ricardo's contemporaries, another famous English scientist, economist T. G. Malthus (1766 - 1834), also contributed to the development of the essence of the concept of investment. The specified scientist for the first time considered investments as separate driving forces of changes in the economy. In particular, T. G. Malthus understood income converted into capital by conservation of investment. According to this scientific theory, too high a propensity to save and invest can limit the possibilities of consumption. Thus, T. G. Malthus defended the opinion that savings should be formed solely through the growth of profits [82, p. 19].

Unlike T. G. Malthus, K. Marx did not consider profit growth as the main reason that stimulates investment in production. So, according to K. Marx, capitalists will always invest in production all their income, regardless of what the expectations regarding potential income are.

Another well-known economic theorist, one of the contemporaries of K. Marx, D. Mill (1806 - 1873) also explored the essence of investment. In general, the whole range of D. Mill's research problems was built on the solution of two problems: "laws of production" and "laws of distribution". If the first component was defined by British scientists as purely technical and strictly rational, since it was completely dependent on the laws of physics, then the other (distribution laws) was due to a much more complex set of factors and mainly depended on the specifics of society.

D. Mill considered the problem of investments from the side of building the theory of income and the theory of money, credit and trade crises. Under the investment, within the framework of this theory, one of the main factors in the formation of capital, as well as the basis for determining the cost of a loan, was understood. In particular, the demand for investments, according to the views of D. Mill, is one of the main factors that affect interest rates on loans [93].

The problem of the distribution of value between the strata of society became a key one for political economy in the second half of the 19th century, early. XX Art. Scientists saw its solutions in the study of the mechanisms of rational distribution of factors of production.

Another well-known British economist, A. Marshall, solved this problem in his own way. Thus, the scientist gave more importance to individual preservation than to the preservation of the business. In support of his theory, the scientist noted that reducing the interest rate to a certain level will inevitably lead to the fact that every individual who has certain savings will find it necessary to refuse to satisfy his goods in the future for the sake of their pleasure today [85, p. 313]. This thesis can be seen as such that, in general, individuals tend to invest only when the general level of interest rates is above a certain ceiling.

A. Marshall's views are connected with the assumption that entrepreneurial talent is the most significant of all factors of production. Thus, investing at low interest rates is viewed by the gifted entrepreneur as a missed opportunity to apply the invested funds to more profitable areas.

One of the innovative ideas of A. Marshall was that he abandoned the category of "profit" replacing it with "interest". One of the followers of such ideas can be considered Eugen von Böhm-Bawerk (1851 - 1914), whose theory of interest clearly divided the factors of production into primary and secondary. Thus, capital was considered a secondary factor from labor and land, so the supply of capital depends on the amount of land and labor.

The uniqueness of the Böhm-Bawerk theory was that it substantiated the role of capital in the production process. Interest, according to this theory, is a consequence of giving up current income for a higher income in the future. Thus, the interest can be considered as a reward for the risk that the entrepreneur bears and forms the capital necessary for production. This thesis was not the final conclusion by analogy with the basic theory of D. Ricardo and A. Smith, Böhm-Bawerk believes that the rate of interest depends on the method of distributing a certain limited amount of capital between sectors of the economy, depending on forecasts regarding the rate of interest expected in them [11, p. 73-76].

Even more radical, in the context of the problem under study, is the assumption of I. Fischer (1867 - 1947) that individual entities not only choose the direction of investment, depending on the expectations regarding economic growth in each individual industry, but also try to change these expectations, by preserving and attracting debt resources.

As a continuation of the scientific views of I. Fisher, one can consider the scientific conclusions of J. M. Keynes (1883 - 1946) that with the growth of incomes of the population, there is a tendency to reduce the marginal propensity to consume. Thus, it is possible to make a weighty conclusion, according to which the increase in the volume of savings must necessarily lead to an increase in the demand for investment. At the same time, J. M. Keynes, unlike his predecessors, believed that interest is not the only factor in the growth of demand for investment, the scientist was convinced that investment volumes also affect the marginal rate of return per unit of invested capital. Worthy of attention can be considered the thoughts of J. M. Keynes that interest should be considered as a reward for refusing to preserve capital in its most liquid form (monetary form). Based on the fact that with the growing need to preserve the liquidity of capital, due to political and economic instability, the rate of interest was also considered by J. M. Keynes as "payment for a loan." Thus, the scientist proved that the amount of investments depends on the degree of excess of their expected profitability over the interest on loans, and if these indicators are equal, investments are generally impossible [81].

The ideas of J. M. Keynes, despite their special importance, still cannot be characterized as particularly revolutionary, since such ideas were disseminated by his predecessors. One of the most famous of them is K. Wixel (1851 - 1926), a Swedish economist who also contributed to the development of the theory of interest and investment. Thus, the said scientist was convinced that the rate of interest, which depends on the demand and supply of capital, differs depending on the issuer of the capital itself. In particular, K. Wixel noted that a situation is possible when the cost of capital will be different, namely, in the economy there will be two rates of interest - "natural" and "market". Under the "market" rate of interest, the Swedish scientist understood the rate that is determined on the basis of the ratio of demand for capital and its supply, in turn, the "natural" rate of interest was lower than the "market" rate and was considered to be formed

without any speculative motives. by the issuer of capital. The "natural" rate was applied when there was a need to quickly allocate capital.

Thus, we can summarize that the essence of the very concept of "investment" was considered by scientists in the context of the category "capital". The size and speed of investment placement depended on the rate of return and the marginal rate of return on each additional unit of invested capital.

The works of such famous scientists as G. Frisch (1895 - 1973), F. Lundberg (1902-1995), P. Samuelson (1915 - 2009) should also be considered significant in the context of this scientific problem, who became the authors of the first mathematical formalized models of interdependence macroeconomic indicators. Thus, the most famous among them is P. Samuelson's multiplier-accelerator model, which, on the basis of recurrent equations, determines the interdependence between national income, the level of propensity to consume and invest.

The ideas of these researchers found their fans in the next generation of scientists who worked on the search for mathematical methods for analyzing the behavior of various kinds of economic indicators. So, V. Baumol, D. Benhabib and G. Quandt evaluated the works of P. Samuelson, F. Lundberg and G. Frisch as a major scientific "leap" in economic theory. And the Samuelson recursive equation was taken by these researchers as the basis for studying the properties of econometric models that express the order of "chaotic" processes.

Since the role of investments was considered as part of relatively stable economic structures, it became necessary to highlight their essence within the framework of the category of economic development. This scientific problem was solved by E. Domar (1914 - 1997) and G. Harrod (1900 - 1978). Thus, E. Domar believed that investments should not be considered only as a factor in generating income, but also as a factor in the formation of production capacities. According to the scientist, income growth should correspond to the growth of production capacity. Therefore, the scientist believed that preferential taxation of various sectors of the economy is extremely important, since it stimulates their development.

G. Harrod supplemented E. Domar's model with a new endogenous investment function. According to this, any increase in income, according to G. Harrod, certainly caused an increase in investment. In the context of this scientific problem, one should also mention E. Hansen (1887 - 1975), who considered investment as the main factor in stimulating economic growth. The scientist develops his scientific ideas, focusing on a society in which "full employment" should be associated with a high level of public and private consumption.

Exploring the interpretation of the role of investment in ensuring economic development, it is also necessary to mention the opinions of some scientists who have studied the transformational economic processes in the countries of Eastern Europe. These include T. Bauer, N. Bornstein, I. Berrend and many others. So, Bauer in his work "Transformation or improvement of economic mechanisms?" made an attempt to determine the reasons for the ineffectiveness of economic reforms in some Eastern European countries. This researcher believes that one of these reasons is the unbalanced nature of the stimulation of investment activity by the governments of these countries. Such conclusions only emphasize the importance of investments in ensuring the economic development of both individual enterprises and the state as a whole.

In the process of development of industrial relations, there was a need for a more detailed interpretation of the essence of the concept of "investment". One such attempt was made by J. D. Sachs and F. B. Larren. Thus, the mentioned scientists defined investments as the flow of

finished products over a certain period of time, which is necessary to maintain or grow fixed assets in the economy. Also, the mentioned scientists are convinced that the increase in fixed assets through investments ensures the growth of production capacities in the future.

It is also worth mentioning the works of such modern scientists as J. Galbraith, G. Myrdal and D. Tobin, who were supporters of state intervention in the investment process, through the active regulation of all regulatory and organizational aspects related to the implementation of investment. Among other scientists who studied the process of investing, there were such scientists as D. Bailey, L. Gitman, D. Rosenberg, G. Alexander, V. Sharp. These authors highlight the features of the implementation of investment, by determining the forms, methods and mechanisms for the formation of investment resources at the micro level.

Thus, a deep study and creative rethinking of the ideas of leading scientists regarding the investment category opens up the possibility of revealing the essential features of the investment lending category. There is an opinion that the main difference between investment lending lies in its target orientation and relatively longer duration. A number of scientists reduce the main differences between investment lending and classical lending to the following. First, as a rule, several creditors participate in investment lending transactions. In some cases, the financing scheme of an investment project may include various forms of debt funding (syndicated / consortial loan, organization of bonded loans, accounting for commercial bills, etc.). Secondly, even if an investment loan is provided to one borrower, several organizations are involved in the implementation of the investment project. Thirdly, to assess the risks of an investment project, complex models are required that take into account not only micro-level risks, but also diverse macro-level factors. Fourth, assessed credit risks are unevenly distributed over time among participants. Along with this, investment lending is characterized by the absence or presence of only indirect collateral for the loan provided, the difficulties of monitoring the implementation of the investment project. In addition, there are long gaps in time between the release of funds and the period when the implemented project will begin to generate its own cash flow. The significance and insufficient development of the problem determines the relevance of further research in this area.

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