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МІСЦЕ ТА РОЛЬ ФІНАНСОВИХ ПОСЕРЕДНИКІВ У
ЗАБЕЗПЕЧЕННІ ЕКОНОМІЧНОГО ЗРОСТАННЯ

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**FINANCIAL INTERMEDIARIES IN THE PROCESS OF CARRYING
OUT THE NEW COMBINATIONS IN ENTREPREURSHIP**

The banker is not only representing the role of the financial intermediaries in time and space, but “he is actually the ephor of the exchange economy” [1, p. 74]. Development, in the theory of Schumpeter (1912), is defined as the carrying out of the new combinations. That is the new combination of the first and second input factors (land and labor) in the production function. To produce other things, or produce more differently than previously, constitutes development. The new combination is actually, scientifically and theoretically, the meaning of innovation. The production means are always recruited from the use in which they already are occupied, not from the unused, potential sources in society, unemployed work force, unsold raw materials, unused production capacity and so forth. When the production means are being withdrawn from their previous occupations, it is done by use of credits or equity capital. To get access to the production means, the entrepreneur must overcall. If the entrepreneur does not have access to own savings, unsold raw materials or monopoly profit, a loan in the bank is the last option, because the banker is the only one who can make purchasing power out of nothing that is not already a part of the circuit system. The good name and the strong reputation of the entrepreneur, and the strong belief that the new activity soon will give positive return on investment, is a guarantee for the loan. The banker is on the one hand the one who stores and administers most of the savings and private fortunes in the society, and on the other hand has power to finance the carrying out of the new combinations. “He is essentially a phenomenon of development, though only when no central authority directs the social process. He makes possible the carrying out of the new combinations, authorizes people, in the name of society as it were, to form them” [1, p. 74]. Economic growth is the result of innovation carried out on the market. Successful entrepreneurship will canalize the entrepreneurial profit to the pocket of the entrepreneur. Entrepreneurial profit is the surplus over cost, or put in the Schumpeterian way: the difference between price totals. Wealth, to a limited extent, can still be achieved through savings, monopoly, and capital profit, but the vast

amount of wealth is created through growth. When radical and discontinuous changes in the economic system occurs, the equilibrium is broken and development takes place. The entrepreneurial profit occurs and creates the foundation of growth. Growth is created through the will and the act of the entrepreneur, who was authorized by the banker, but authorized only in those cases where the entrepreneur was not self-sufficient with equity capital. The entrepreneur has the ability to foresee the result of the actions long before the operations even have started, and by help of determination and strong will, all hindrances and defaults are being suppressed and overcome. The entrepreneur is not remunerated by salary, but by entrepreneurial profit. Salary will always be one of the breaks of production, while entrepreneurial profit is the power of development and growth. Salary is a permanent source of income, in the sense that it reflects the value of the marginal utility of what the worker produces. Profit, on the other hand, is not a permanent source of income as long as this kind of income is thought to reflect a foreseen and stable source of income. The entrepreneurial profit is a temporarily income and will disappear because of the establishment of a new equilibrium on the actual market. The most crucial part of the process of carrying out the new combinations is decision making. The entrepreneur is the one and only to make the decisions. By making the decisions, the entrepreneur fulfils the role of being a social agent in the economy. In the role as a social agent, the entrepreneur is a leader, not of the staff, but of the capital. The entrepreneur knows how to make the right decisions in all matters. That is what makes the entrepreneur a specialist, the one who succeeds where other fail. This activity of success can only take place when no central authority directs the process. Central authority should not operate on behalf of themselves as individuals, of course, but as elected or appointed members of the society and on behalf of the society. The same is the matter when it comes to politicians, the ones who spend all days finding solutions to all kinds of topics. They are not specialists in solving problems, they only represents the formal political power and thereby they have the right to intervene in almost any way they like. Politicians and authorities act as financial intermediaries. They love to involve themselves and the taxpayers' money in the business of the entrepreneurs. They are spending money they themselves do not risk losing in a gambling on the market where creative and brave entrepreneurs lead the development [2]. This is a typical feature of a socialist-Marxist state, where the rulers, to a bigger or lesser extent are in control of the production means, and where production primarily has been reduced to an instrument for fulfilling the political ideology of the state. In the market economy, on the contrary, the entrepreneurial profit is the proof that an innovation has been carried out and that development has generated growth. The entrepreneurial profit is the property of the single individual entrepreneur and increases the

private wealth. No group of people, governmental body or department can make an entrepreneurial profit. Only individuals can accomplish that. Politicians and governments cannot act like entrepreneurs; they cannot make entrepreneurial profit because they are not carrying out the new combinations, but they can waste taxpayers' money in their role as financial intermediaries. Partnership as financial intermediaries in ensuring economic growth through the process of carrying out the new combinations has shown to be less fruitful for many reasons. The entrepreneur is the one person to take decisions and to make the profit, and there can be no kind of dividend of the entrepreneurial profit. Any kind of partnership will inevitably interfere with this fundamental framework. Consequently, partnership will always give legal forms to the process of entrepreneurship, which strictly reduce the chances of success. According to Casson (1982), the entrepreneur is "someone (...) a person, not a team, or a committee, or an organization. Only individuals can take decisions; corporate bodies only arrive at decisions by aggregating votes" [3, p. 23]. Actually, anyone can be an entrepreneur, but the supply of successful entrepreneurship is strictly limited. It is not something that can be bought, like a commodity or a service and the action cannot be delegated to some principal clerk. Mark Casson, underlines the fact that "the supply of entrepreneurship is limited, firstly by the scarcity of the requisite personal qualities, and secondly by the difficulty of identifying them when they are available" [3, p: 37]. Economic growth takes place as a result of the carrying out of the new combinations. That process represents a discontinuity with the old way of producing. The shift from a lower technological level to a new and higher technological level represents development, and the byproduct is, among a number of things, economic growth. Financial intermediaries have their place in the static part of the economy, where the fight on the market unfolds between players competing with the same input factors, almost equivalent prices and customers. There will also be an economic growth in the static economy, but very limited. The financial intermediaries depend on living on the friction and margins that the exhausted production and slow market can offer. They are heading towards the optimum. After optimum comes stagnation, unless a shift will take place. Economic growth at a large scale takes part in the dynamic sector of the economy. The formation of private gain and fortunes are the results of entrepreneurship and in this process, there is no place for financial intermediaries, be it public or private. Equity capital is the prime source for economic growth based on the process of carrying out the new combinations, and there is no need for financial intermediaries. When the banker gives a loan to the entrepreneur, actually the entrepreneur is putting his good name on stake as security for the loan. It is the good name of the entrepreneur, which constitutes the active value behind the loan given by the banker. The

entrepreneur is attractive on the market for financial intermediaries. There is a constant competition on the financial market to attract the best customer, which is the entrepreneur. The financial global situation of today is characterized by a vast amount of capital that cannot find good productive projects for investment. The main reason is the lack of radical innovations on the global market. The pressure on the projects characterized by entrepreneurship is immense. A new financial equilibrium in the sector of entrepreneurship will not take place until we see a cluster of radical innovations, initiated by the carrying out of new combinations and that a new circle of development can flourish. It should be mentioned that banks, are not financial intermediaries but mere money creation institutions, while the other traditional institutions in the category of intermediaries are regularly investments funds. The interest rates function as signals for the market. High interest rates tell the market that entrepreneurship is growing with a flourishing economy. Low interest rates are signals of stagnation in economic growth. The interest rates have a huge psychological and social impact on the mindset of the population. It is self-contradictory by the governments, by the one hand to set the interest rates to an extreme low level, and at the same time engage in the business life as a financial intermediary and promotor of entrepreneurship.

References:

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