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THE CLASSICAL ECONOMIC THEORY AND ITS ROLE IN INTERPRETING THE CONCEPT OF FINANCIAL DOMINANCE ANALYTICAL STUDY

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Abstract
The research deals with an important topic in the field of interpreting one of the financial aspects of the economic system according to the classical theory, which has diverse opinions according to its thinkers and pioneers, scholars and specialized researchers. The research summarizes what the classical theory included regarding financial hegemony and how it views financial hegemony according to its concept between developed countries and developing or lesser countries. Growth, and thus the research reached a set of important facts that the researcher reached, including that the financial dominance of the classics was an implicit result determined according to the approach of classical economic philosophy and the constants and theoretical visions it produced during the nineteenth century and the beginning of the twentieth century, which believes that economic activity should be left to individuals to according to what their personal interests dictate. They also do not believe that there is a conflict between private interests and public interests, but rather that economic freedom guarantees harmony between these interests.

Introduction

The role of financial policy dominance has evolved in accordance with the changes witnessed by various economic intellectual visions, as we find that the growing trend of financial dominance in the economy is within the set of macroeconomic tools on the one hand, in addition to the form of the economic and political system followed on the other hand, and since financial policy is one of the ways to implement... Public finance in its development. Following the development of its role and assessing its dominance can be seen by keeping pace with the role of public finance as well. It is known that the latter has been historically linked to the role of the state and its public objectives. Therefore, it can be said that the role of public finance's dominance in the economy and society is a function of the role of the state, its objectives and the nature of And the extent of its financial activity. In addition, the degree of development of the economy and society has a clear impact on public finance, its nature and policies. This research deals with the development of the role of financial policy dominance historically by interpreting the opinion of the classical economic teacher by tracing this part of the historical path of financial dominance through economic schools. The various changes and changes witnessed in terms of tools and relationship with other policies.

The significance of the research

The importance of the research is to shed light on financial hegemony according to the views of classical theoretical thinkers and the scientific and applied ideas it produced and behavior specific to countries that pursue capitalism as a basis for setting their financial plans and diversifying their economy in a way that enhances the capitalist approach and classical ideas.

The problem of the research

The problem of the research is to ask the following question: Did the classical theory have its own views and ideas regarding financial hegemony, and did it develop practical applications for that?

The hypothesis of the research

The research assumes that the classical theory had a prominent role regarding the issue of financial hegemony and has developed many ideas for its practical application in countries with a capitalist approach.

The methodology of the research

The research relied on the descriptive and analytical approach based on sources related to the subject in order to describe the generality of financial hegemony and then analyze the views of classical theory for the purpose of arriving at the most accurate practical results regarding financial hegemony.

The first Section

The theoretical and fundamental framework of financial hegemony

The first requirement: the concept of financial hegemony

There is no unified and agreed-upon definition of the concept of hegemony and financial hegemony due to the diversity of its forms and levels, but it is generally defined as all the resources available to a country that can be used to strive to achieve the national goals of the state. The importance of national hegemony lies in its ability to influence, and this hegemony is generally based on possessing The state has basic elements related to characteristics, resources, capabilities, and institutions that together constitute the state’s vital capabilities that enable it to impose its choices on others according to the direction that serves its interests. These elements appear in multiple and diverse forms, such as geographical area, population, natural resources, economic capabilities, military dominance, technological structure, cultural events, political institutions, and morale. For the people and others, and despite the overlapping and intertwining of these elements, they collectively constitute the factors of the state’s comprehensive hegemony .

The possession of hegemony in any country is not an absolute power, or unique in itself, but rather it is relative. It is not possible to measure the strength or weakness of a state, except in relation to other states on the one hand and in relation to its own strength in different periods of its history on the other hand. Accordingly, the spread of the state’s excess power beyond its borders, for example, in addition to the increase in its spending on its military, economic, social, scientific and educational forces. It may lead, over time, to a worsening of the economic

situation and then to the decline and dissolution of the great hegemony, i.e. the end of its apparent actual existence.
As for the concept of the concept of financial hegemony between countries, it differs from the angle of view, whether from the economic or political point of view. Financial hegemony in developed countries means monetary policy and the firm and diverse measures it includes based on the diversity of its base in the money supply from the narrow concept of money supply M1. To the broad concept of money supply M4, meaning that monetary policy has many options in confronting crises and economic problems and is capable of resolving them and ensuring monetary and financial stability. As for the concept of financial dominance in developing countries, it differs between those who interpret it as the state's ability to fulfill its financial obligations to... Creditors, that is, its ability to pay its internal and external debts through its central bank, or whoever interprets it as the control of financial policy over monetary policy, given that the financial policy is the one who has the hard financial revenues resulting from exporting abroad, and in return, its central bank has no options in the face of the economic changes that It occurs as a result of its backwardness and the narrowness of its monetary base and its confinement to the narrow concept only M1. Therefore, fiscal policy controls monetary policy in those countries, which is the most likely opinion and is consistent with the directions of international organizations such as the International Monetary Fund and the International Bank for Reconstruction and Development. As for the first opinion (the ability of the state to fulfill its debts It was not approved because it is related to the issue of the state's financial sustainability, which is an independent topic that differs from financial hegemony, and what we are dealing with is financial hegemony from the economic side.

The second requirement: financial dominance in developed and developing countries
First - the concept of financial hegemony in developed countries
Financial dominance in developed countries generally represents the control of monetary policy over financial policy, or it is the strength of the effectiveness of monetary policy influencing financial policy. Financial dominance, which is common in developed countries, can also be described as the economic dominance enjoyed by those countries because they are distinguished by their superior volume of output. The gross domestic product at the world level, and its economic control over international organizations such as (the World Bank, the International Monetary Fund, the World Trade Organization... and others), as well as the size of the per capita GDP. As well as the development of its monetary authorities and the diversification of the money supply or monetary base from M1, M2, M3, and M4.
A distinction is usually made between three main concepts of money supply depending on the nature of the deposits listed in addition to the currency in circulation. The first includes the concept of money supply in the narrow sense (M1), which includes the net currency in circulation as well as the current deposits of the private sector, while the second is known as The concept of money supply in the broad sense (M2) includes (M1) in addition to the savings and term deposits of the private sector in commercial banks, while the third concept, which is

the money supply in the broader sense (M3), expands to include an increase over the money supply in the broad sense (M2) deposits outside banks. Commercial. Certainly, the importance of adopting the appropriate concept depends on a group of factors, the most important of which is the extent of the progress of the economy and the nature of its structure, as well as the degree of development of the financial and banking system and banking habits in it. As far as our study is concerned, we see that some monetary literature talks about new concepts that emerged from the development of financial relations in some countries. Countries such as (M4) and (M5), as is the case in the United States of America, which led to a link between the availability of the above-mentioned factors and the nature of the adopted concept of money supply. These factors and the progress in the field of work of monetary authorities and the expansion of their money supply achieved them. Financial hegemony, from its own perspective, has made developed countries have financial hegemony and have interventionist practices in the affairs of other countries as punishment or economic assistance thanks to this hegemony. Rather, they use these strengths to weaken the strengths of other countries, such as (the abundance of crude oil in other countries) The developed countries are trying to control this point of strength in those countries and make them subordinate to them, and in fact they achieved this through the formation of the American strategic oil reserve and making it control the oil markets and prices instead of the oil countries themselves, thus gaining an additional point in the field of financial dominance at the global level.

Second - The concept of financial hegemony in developing countries

Financial dominance in developing countries is represented by the control of financial policy over monetary policy, due to the narrow monetary base in developing countries and its being limited to the money supply in its narrow sense only M1, and the backwardness of the banking system and its dependence on the government and lack of independence from it, in addition to the government's control over financial resources and setting far-reaching economic development plans. The goal is to achieve economic stability and maintain it with pressure and planning without resorting to the market mechanism and natural balance, despite the fact that developing countries have strengths that make them among the dominant countries in the world, for example, in their possession of crude oil, and they have used it as a weapon for their interests, as happened in 1973 and 1974 when they stopped selling crude oil to countries that It helped Israel in its war against Egypt and Syria to recover their lands from it (Sinai and the Golan), and there is a major role we find in the effects of financial policy in developing countries with foreign debts and the risks of default on sovereign foreign debts. Country-dependent allocations of fiscal limits are simulated based on macroeconomic uncertainty and fiscal policy specifications. The analysis shows that expected future revenues in developing countries play an important role in the lower fiscal limits of developing countries, compared to developed countries. External debt carries additional risks for it, and operations to adjust public finances lead to adverse results in the short and medium term. Since more revenues are needed to service the debt in the case of high debt, higher tax rates raise the economic cost of increased consumption, which reduces its fiscal multiplier and attributes it to other economic problems, thus the need for state intervention in addressing economic problems, usually through monetary policy intervention. Fiscal policy, since monetary policy is ineffective or is less important than fiscal policy, has made fiscal policy a financial hegemony that controls

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general economic affairs, thus achieving financial hegemony from the other perspective, as mentioned above.

The concept of public financial dominance in developing countries or third world countries has become very important because it means working scientifically to get rid of backwardness (economically, socially and culturally) and eliminating economic dependency. This means that public finance in this concept has a leading role in achieving the development process. And economic stability, and its role in working to bring about a profound change in the economic and social structure of society, which aims to increase production and productivity, that is, increase the gross national product, which leads, as a result, to an increase in the average real income per capita and the improvement that will necessarily follow in the lives of individuals in general through change. At the economic and social level of an individual's life, depending on the necessary capital provided by the government through its powers and financial dominance for the process of economic development, he also imposed on it an important duty, which is to establish greater control over resources and impose a distribution of income that gives greater weight to investment at the expense of consumption. The above reflects the state's orientation towards achieving economic and financial stability through fiscal policy and its dominance over monetary policy, which is limited to the necessities of dealing only, which is within the limits of the first level of money supply, which is M1, as mentioned above.

The second topic

Evaluating financial dominance according to the views of classical theory

The first requirement: financial hegemony according to the opinion of the classical school

Financial hegemony according to the classics was an implicit result determined according to the approach of classical economic philosophy and the constants and theoretical visions it produced during the nineteenth century and the beginning of the twentieth century, which believed that economic activity should be left to individuals to carry out according to what their personal interests dictated to them, and the state must guarantee freedom for this activity and According to their slogan (let him work, let him pass), and in this context, they do not believe that there is a conflict between private interests and public interests, but rather that economic freedom guarantees harmony between these interests, and therefore public interests are the result of private interests according to the interpretation of Adam Smith's theory of living feelings, where Smith believes that if the individual is left free, he will not only achieve his interests but also the interests of society as a result of divine providence that has given this world a natural order that prevails in all aspects of its activity. Therefore, every human being, who is in the process of reforming his affairs, is led by an invisible hand to achieve a goal that was not part of his goal. Thus, financial dominance is limited in this system because the state and its public system give the government a supervisory capacity to ensure the conduct of individual businesses without government or external interference in order to guarantee the freedom of capital to work in the various economic sectors, which determines the state's expenditures in government investment and public spending. On these projects, the role of financial hegemony is determined within its narrowest limits according to the classical approach.

Based on the general economic principles that the classics believed in, we can determine the

most prominent features of their financial policy and thus determine financial dominance at this stage according to the classical approach.

First - the role of the state in classical theory

It is limited to specific functions, namely external defense, internal security, justice, and some public facilities. Accordingly, public expenditures must be limited to their narrowest limits and to the extent that finances the functions mentioned for the role of the state within the framework of what is known as the guardian state, and nothing more.

Second: Saving

Taxes must not affect saving or capital formation, so the classics preferred indirect taxes on consumption and specifically proportional ones rather than progressive ones, as they were seen as weakening saving.

Third - the volume of public revenues

Which is represented by taxes, it must be compatible with covering limited public expenses, and therefore the intention of taxes is only a financial intention, which is to finance the necessary public expenditures, which is part of the state's duties to preserve the capitalist system and ensure its continuation in providing public services.

Accordingly, we conclude from the first and second principles that they indicate that public finance must be neutral, meaning that it does not affect private finance, and thus financial dominance is determined and its role is limited within these principles.

Fourth: The general budget

The classics were keen that the general budget be balanced and not suffer from imbalance, meaning that regular revenues cover public expenses, and that borrowing was not resorted to, because of its negative impact on saving and investment, in addition to its impact on future generations. The classics also believed that the state is a manager. It would be bad if it took over the management of the economy and public finances dominated economic activity, as they concluded that everything political is within the jurisdiction of the state, and every economic action is within the jurisdiction of individuals, and the government supports them in doing so to provide them with basic requirements and the hidden hand that works to achieve sub-goals and general goals.

The classics firmly believed that budget balance was a basic goal, and therefore public finance as a whole was only a tool to provide the state with the necessary income to cover its basic expenses, that is, without its dominance over the rest of the other economic sectors and policies. Thus, public finance is independent, meaning it does not influence or It is affected by economic activity, and this independence, according to the classics, guarantees the achievement of economic stability and increased production, which confirms the importance of the state not interfering in economic life and being satisfied with its role as a guardian state, as these ideas continued to be used for nearly two centuries and from these principles we explicitly conclude that there is no hegemony. Financial in accordance with the capitalist system adopted by the traditional classical school in order to limit the role of the state to the

narrowest limits, and the economy is only to provide and secure the basic needs of society, represented by security, stability and the protection of individual rights without interference from others for the sake of investment.

Conclusion

1. The research reached a set of conclusions and facts about the classical view regarding financial hegemony, and the most important of these facts were the following:
2. Financial dominance according to the classics was an implicit result determined according to the approach of classical economic philosophy and the constants and theoretical visions it produced during the nineteenth century and the beginning of the twentieth century.
3. Financial hegemony according to classical theory is generally defined because the state and its public system give the government a supervisory capacity to ensure the conduct of individual businesses without governmental or external interference in order to guarantee the freedom of capital to operate in the various economic sectors.
4. The classic view is to leave the economic activity of individuals to do what their personal interests dictate.
5. According to the classical theory, the state must guarantee freedom for this activity and in accordance with their slogan (Let him work, let him pass).
6. Classicism does not believe that there is a conflict between private interests and public interests, but rather that economic freedom guarantees harmony between these interests.
7. Public interests are the result of private interests according to the interpretation of Adam Smith's theory of living feelings. Smith believes that if the individual is left free, he will not only achieve his interests but also the interests of society as a result of the divine providence that granted this world a natural order that prevails in all aspects of its activity.
8. According to the theory, every human being, while seeking to improve his affairs, is led by an invisible hand to achieve a goal that was not part of his goal.

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