Chapter 8

Financial Interest and Human Depravity: Emergence of the Theory of Interest from the Philosophical Roots of Occidental Epistemological Thought

ABSTRACT

The analytical study of theory, the contributions in the literature, and the study of wellbeing as the primal objective pursued in this whole work are shown to face the permanent predicament of interest rates prevailing in these concepts and systems in its various forms and values. Interest rate is singled out to be the central factor of human predicament in terms of wellbeing and progress. Thus, a new monetary theory arising out of the morally induced concept of quantity theory of money is developed. An extensive review of the literature is carried out in light of the phenomenological model of unity of knowledge. The measured configuration of unity of knowledge in such world-system issues is shown by means of the principle of pervasive complementarities, equivalently participation between the good things of life. The good things of life are equated with those found in the value-laden basic-needs, life-fulfillment regimes of human development, thus moral sustainability.
INTRODUCTION

The theory of interest is a complex theme. It though rests on a key point that distinguishes it from the moral and ethical potentialities. This forms the contrast that interest rate erects, in degrees of its impact, between trade in the good things of life and the hoarding and bank-saving behaviour, on the ruse of creating income out of capital accumulation and spreading this out over consumption and investment futures. Contrarily though, Keynes throughout his life pondered on the nature of savings in relation to the financial and social impediment that interest rate creates in resource mobilization for sustaining the common good.

Such was an ethical reflection of Keynes’ impress of Moore’s *Principia Ethica* (1962). Yet it is noted that to the question raised by Moore—What is good and thus goodness?—Keynes in his attempt to make Economics as the handmaiden of ethics as the answer could not acquiesce to Moore’s explanation of metaphysical ethics. Rather, he constrained himself to naturalistic ethics. Moore’s treatment of naturalistic ethics was different from metaphysical ethics.

On this issue Moore wrote (op cit. p. 38-39): “The theories I propose to discuss may be conveniently divided into two groups. The naturalistic fallacy always implies that when we think ‘This is good,’ what we are thinking is that the thing in question bears a definite relation to some one other thing. But this one thing, by reference to which good is defined, may be either what I may call a natural object—something of which the existence is admittedly an object of experience—or else it may be an object which is only inferred to exist in a supersensible real world. These two types of ethical theory I propose to treat separately. Theories of the second type may conveniently be called ‘metaphysical’ …” Obviously, Keynes was moved much by Moore’s theory of naturalistic ethics, which he used for his own advantage for the economic construction of rationalism.

Thereby came about Keynes’ ethical concept of full-employment and a low-level liquidity trap at which money could be expanded to meet with the expansionary needs of the income multiplier in sustainable economic growth. To reach this goal of full-employment in a regime of low rates of interest, high monetary expansion, price stability, expansion in employment with sustainable real economic growth, all together constituted Moore’s naturalistic ethics. Rationalism in this notion of naturalistic ethics coloured Keynes’ liberal philosophical design of man, society, and the world as the ultimate discursive determiner of truth, Moore’s ‘good thing – goodness.’

Yet Moore’s theory of metaphysical ethics was also a constrained notion that renders dysfunctional the social and economic thinking along such epistemological lines. Metaphysics to Moore meant the worldview arising from Kant and Hegel and then carried over in some form by Marx and the classicists (Marx. edited. Engels,
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