Chapter 9
Social Reconstruction by Replacing Interest Rates with Trade Instruments

ABSTRACT

The way to replace interest rates in economic, financial, and social issues by using trade-related instruments is formally developed in great detail. The world-system meaning of unity of knowledge derived from the episteme and applied to the complementarities of the Mind-Matter universe of three dimensions, namely knowledge-time-space, is formalized. Methods of the measurements underlying such conceptual ideas are introduced. This takes us to the field of circular causation and its implications around statistical “estimation” and “simulation.” The simulation results are followed by ethical, policy, and institutional implications. Many equilibrium results, devised now in the evolutionary world-system of process learning, are formalized and presented.

INTRODUCTION

This chapter is in continuation to Chapter 8. We pursue the theme of moral-social development by replacing the financial instruments related to the rate of interest with trade-related ones while dealing with the good things of life. We continue to define the ‘good things of life’ as those arising in the dynamic basic-needs regime of economic arrangement induced by the epistemic unity of knowledge.

The objective of this chapter is thus to establish the nature of circular causation interrelationships between the following three sets of variables: the trade-related participatory development financing instruments phasing out the interest-based fi-
nancing instruments; the consequential moral-social simulation towards wellbeing, and thereby attaining poverty alleviation. Towards making a comprehensive study in this direction this chapter will invoke original ideas in monetarism in the areas of micro- and macro- foundations of Quantity Theory of money, output and prices, and the Keynesian fiscal policy bias. The post-monetarist and post-Keynesian fiscally integrated theory of money and the real economy is developed to study the tripartite and related integrated problem of development financing, wellbeing, and poverty alleviation in a regime of phased out interest rates.

EXPLANATIONS OF TERMS

A few terms need to be explained at the outset.

1. Trade-Related Financial Instruments Contrary to the Rate of Interest

Firstly, we recapitulate why trade-related financing instruments are contrary to interest-based instruments in attaining sustainable development. In this regard we identify the objective criterion of social development to be the wellbeing function. The wellbeing function was defined earlier as the measure of organic unity and balance in the complementary interrelationships between the variables representing the good things of life. Simulation of the wellbeing criterion is thereby the primary objective. Within this objective criterion are embedded several other ones as they are studied and remain within the domain of investigation, conceptualization, and empirical and applied possibility. We have shown earlier in the chapters that simulation of the wellbeing objective criterion is carried out subject to circular causation relations between the selected variables.

Circular causation method establishes a comprehensive exercise in ‘estimating’ followed by simulating the social reconstruction to higher and more explainable levels of unity of relations between the good things of life. While simulating the relations, the emergent empirical configuration of the circular causation model leads into policy and institutional changes based on the moral and ethical perspectives of social reconstruction. Circular causation also has an analogy with organic interrelations in natural sciences. However, when discussing social organism, strict equivalence with natural sciences organism cannot be maintained. Only by tying down the organic behavior of social phenomenon to the uniqueness of the evolutionary learning worldview and formalized by the IIE-model, the organic structure of the learning system in epistemic unity of knowledge can be preserved.
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