DE GRUYTER Journal of Social Ontology 2020; 6(2): 237–243

Editorial

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Money: What It Is and What It Should Be

https://doi.org/10.1515/jso-2021-2010

Introduction to the Symposium

Money is one of the most important social institutions there is. Virtually everybody uses it on an almost daily basis. Money is also intimately related to a number of other important institutions, including property, the market and the state. There are therefore ample reasons for philosophers and other researchers to seek a better understanding of what it is and what it should be. More specifically, we suggest that there are three reasons for why now is a good time to investigate the nature of money further.

First, since the work of John Searle (1995), money has become a central example in almost all discussions about social ontology. However, it is a tricky example since there is still no widely accepted account of its ontology. Second, due to recent technological innovations, the institution of money is changing in a number of ways. Most money is now electronic money. In addition to this, a number of digital currencies have been introduced, including Bitcoin, but it is not clear yet whether they should qualify as money. Third, money also has great practical significance. It played a central role in the financial crisis that started in 2007. More money than ever was spent on the presidential elections in the US in 2020. And, more generally, money has important consequences for the distribution of wealth around the world. It is therefore clear that reaching a better understanding of money has relevance for both theoretical and practical purposes. The papers in this symposium address all three of these issues.

The symposium is based on a workshop on the philosophy of money that was held on November 1-2, 2019 and hosted by the Centre for Philosophy, Politics and Economics of the Faculty of Philosophy at the University of Groningen. It was organized in collaboration with the Department of Financial Economics of the Faculty of Economics and Business as well as the Financial Ethics Research Group

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of the University of Gothenburg, whose generous financial support made it into a success. We wish to thank the many participants in the workshop who not only presented their own work but also gave value feedback to others. In what follows, we give our brief reflections on the papers that were selected for this symposium.

Uskali Mäki – Reflections on the Ontology of Money

The first contribution is a paper that has already been around for more than 15 years and, even though it is published only now, it is already influential. Indeed, Mäki's commitment to have it published in this journal formed the basis for the idea to publish a symposium.

Mäki argues that economists take money to have an essence that consists of its functions. Furthermore, those functions are causal powers that are manifested when money is put to use, as is suggested by the term 'purchasing power.' The powers of money are sustained by state and market institutions. This has the striking implication that money has its essential properties to an important extent due to conditions that are external to it (cf. Baker 2007). Mäki goes on to discuss how money as a universal relates to particular items that are money. He criticizes Searle's (1995, 2017) account of money, which revolves around the notion of a constitutive rule. Such rules specify how money is instantiated, but they fail to shed light on what money is. Instead, they concern the contingent and conventional properties of particular currencies. Thus, Mäki concludes, Searle fails to capture the essence of money.

But does money exist? Mäki considers an influential position in social ontology according to which institutional objects exist exactly if they are generally believed or collectively accepted to exist. This entails that, at this general level, people cannot be mistaken about money. And the claim that error is not possible supports some form of antirealism. In response, Mäki argues that it makes a difference on whose minds institutional objects depend. If they depend on the minds of ordinary agents, they can still be investigated objectively by social scientists. This implies that, instead of mind-independence, realism requires independence of the sciences. Furthermore, it is not a problem if scientists have a causal impact on currencies, as long as their beliefs do not constitute them. Finally, money as a universal is independent of the sciences altogether.

At the end of the paper, Mäki returns to his earlier claim that money is part of a collection of interconnected and mutually dependent institutions. This reflects 'the systematicity of social reality.' His contribution provides a challenge to social ontologies that put too much emphasis on beliefs (see also Epstein 2015). And it can be seen as an invitation to take seriously a robust ontology of essences and causal powers in the social domain. However, it also raises a couple of questions. First, the notion of a status function plays a central role in Searle's framework. Perhaps it can be integrated in his account of constitutive rules so as to solve the problems Mäki has identified (Hindriks 2012). Second, what about the normative dimension of money? Exactly because it is so intimately related to other institutions, including property, credit and taxation, one might think that it cannot be exhaustively explicated in terms of causal powers. A full understanding of the nature of money might require recourse to notions such as rights and obligations.

Francesco Guala – Money as an Institution and Money as an Object

In the second contribution, Guala observes that our commonsense ontology revolves around objects, such as tables and chairs. But he argues that the social sciences provide reason to be skeptical about an object-centered social ontology. He argues in particular against what he calls 'the money-as-an-object conception.' His key observation is that, at least in theory, people could simply memorize how much credit points everyone has. Material objects that are used as money are mere markers in such a point system, which people use to keep track of the distribution of points. This claim is supported by electronic money along with credit cards, loans and Bitcoins, which provide alternatives to coins and bills. Due to the credit points someone has, she can perform certain transactions. In some cases, they involve objects. But this is inessential.

Money is first and foremost an institution. As such, it consists of certain rules that facilitate particular (trans)actions. And those rules serve to individuate money. Against this background, Guala goes on to argue that money can be abstract or material. This reveals that he does not reject the claim that material objects can be money. Instead, he maintains that money can also be an abstract object. Furthermore, he argues that the rules of the institution are primary in that they account for any object that is money. The upshot is that material objects play only a minor role in the ontology of money and not the major role it appears to have in folk ontology.

The way in which Guala analyzes money from the perspective of his theory of institutions is rather insightful. It succeeds in making sense of a bewildering number of manifestations of money in contemporary societies. Perhaps the most striking feature of his proposal is its dualism: money is either an abstract object or a material object. As Guala notes, others have argued that money is always an abstract object (Smit, Buekens, and du Plessis 2016). It has also been suggested that, when money is not a material object, it is a property of an agent (Hindriks 2012). Guala makes a strong case for the claim that money can be a material object even if it need not be. However, his main contribution is his argument that a social ontology of money need not correspond with commonsense, which is a premise that all these three views share.

Asya Passinsky – Should Bitcoin be Classified as Money?

Guala notes in passing that Bitcoins lack an important feature of money. Because it is not backed by state authority, there is little reason to be confident that it retains the value it has now in the future. In the third contribution to the symposium, Passinsky discusses this and other reasons for doubting that Bitcoin is money. She considers two strands within social ontology, one that focuses on the attitudes people have towards institutional objects and one that revolves around their functions. She argues that each strand is able to capture intuitive examples of money which the other is not. Thus, it seems like our concept of money is ambiguous and there may be no one correct account of its ontology. This is at least a major challenge for future work in this field.

In any case, the main point of Passinsky's paper is that lawmakers and regulators, that are tasked to decide whether Bitcoin should be regarded as money for legal and policy purposes, should not base their decision on a descriptive account of money. Her main argument for this is that law and regulation belong to the practical domain where consequential values are at stake, as opposed to the theoretical domain of science. Thus, the relevant question here is not whether Bitcoin *really is* money, but whether classifying it as such 'would secure or promote values such as coordination, dispute resolution, justice, and fairness'. This would presumably be the case even if there were a correct ontological account of money available. Interestingly, the practical domain seems to admit a greater degree of ambiguity such that, for instance, Bitcoin could be classified as money in relation to money laundering statutes but as not money in relation to tax regulations.

In an exceptionally clear fashion, Passinsky analyzes how values are at stake in our attempts at understanding and defining money. The areas of law and regulation she identifies as relevant can probably be multiplied, and each area seems suitable for future research in applied normative philosophy. While values of a social or political nature should take center stage in this research, we find it intuitively plausible that ontological questions have at least some bearing on the issues. For example, it seems relevant to ask whether some degree of similarity in legal treatment is due to all objects that are correctly classified as money.

David Dick – What Money is and ought to be: Teleology in Thinking about Money

In the fourth contribution, Dick makes a related argument about the limitations of a familiar type of reasoning, namely going from an idea of what money is *for* (its purpose or function) to some idea about what it is or should be. Such teleological reasoning was most prominent in Aristotle, but traces of it can also be found in later treatments of money by John Locke, Adam Smith, and modern ontological functionalists. If the defining feature of money is that it serves certain functions, it may seem that something (like Bitcoin) cannot be money unless it serves those functions well. Moreover, when we as a society decide how to design our money, it may seem that we have normative reasons to design it in such a way that it fulfills its functions to a maximal extent. But according to Dick, neither of these lines of reasoning are persuasive (at least not on their own).

Dick notes that several historical examples of money do not serve the supposed functions of money very well, such as the Yapese stone money and the time-stamped Zimbabwean Dollar. More importantly, he argues that the functionality of money is only relevant from a normative standpoint insofar as it connects up with some broader social or ethical values. So, for example, we may have normative reasons to make our money function well as a medium of exchange if this will promote the efficiency of the market. However, we may just as well have countervailing normative reasons if, for example, excessive exchangeability is a threat to national sovereignty, or if excessive storability is an impediment to countercyclical economic policy making. In the ultimate weighing of interests, then, teleological concerns should take a back seat to broader normative or political concerns.

Dick shows an impressive attention to detail in his analyses of the works of both historical and modern philosophers. We also appreciate the constructive nature of the paper in that it demonstrates how teleological arguments can be reformulated to become more plausible. However, much more research is needed on the normative aspects of monetary design. A natural next step could be to look at so-called alternative or complementary currencies that are being promoted in various places (Blanc 2011). Such currencies often have restricted exchangeability in order to further some specific cause, such as community integration or environmental sustainability. However, it remains unclear whether they really are effective and thereby can justify the costs (such as reduced economic freedom) that they incur on users (Larue 2019).

Lennart Ackermans – Property Rights with Respect to Modern Money: A Libertarian Justification

In the fifth and final contribution to the symposium, Ackermans proceeds to engage more directly with the normative questions related to the nature of money. More specifically, he seeks to determine whether modern forms of money are consistent with the idea of individuals having inviolable rights to their own bodies and talents, as well as the idea that worldly resources are owned jointly by us all (at least initially). The former is a central part of libertarian political philosophy, whereas the second is a common addition made by so-called left libertarians. Ackermans notes that a monetary system could potentially involve rights violations at several stages, such as in the creation of the money supply, the production of the relevant tokens (such as coins), the enforcement of underlying contracts, and the source of the value of the money.

Ackermans argues that modern money is best understood as a system of exchangeable credit agreements, which typically are instantiated as digital bank deposits. That such credit money can be created "out of thin air" may seem strange from an ontological standpoint, but this is exactly why the system is able to avoid violations of individual and collective rights. We are able to create credit money through voluntary agreements between lenders and borrowers; these agreements are then enforced by market incentives rather than brute force; and the source of the value of the money is mainly the borrowers' productive activities. There are also some external elements of the system – such as previously a gold standard and nowadays the fiat of a central bank – but these can be viewed as more peripheral in both an ontological and a normative perspective. In essence, then, modern money can be understood as a (more or less) voluntary or market-based system of exchangeable credits that is compatible with libertarianism.

It is impressive how Ackermans is able to explain a range of technical models of modern money taken from the contemporary economic literature – such as Modern Monetary Theory (MMT) and the Theory of the Monetary Circuit (TMC) – and then connect this to the philosophical discussion on libertarianism. Other authors working in this field will do well to read up on the details of these different models of modern money. However, perhaps not so many authors will be persuaded by the political philosophy of libertarianism. In the aftermath of the global financial crisis that started in 2007, there has been a growing literature on the modern monetary system that takes a more critical approach to market-based solutions. Some central issues raised in this literature are, for example, the relative power given to commercial banks versus central banks; the implications for distributive justice of a (more or less) privatized system of money creation; and the implications for financial stability of (overly) decentralized monetary governance (Dietsch, Claveau, and Fontan 2018; van 't Klooster 2018). The future normative debate, we propose, should seek to combine a detailed knowledge of (actual and possible) monetary systems with a plausible view of the requirements of both economic efficiency and social justice.

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